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 April 19, 2018 (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 and (b) you consent to delivery of the Offering Circular by electronic transmission.

Further, the Offering Circular is being distributed only to and is directed only at persons in the United Kingdom who are (i) persons who have 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 "Financial Promotion Order") or (ii) any persons falling within Article 49(2)(a) to (e) of the Financial Promotion Order (all such persons together being referred to as "Relevant Persons"). The Securities are available only to, and any invitation, offer or agreement to subscribe, purchase or otherwise acquire the Securities will be engaged in only with, in the United Kingdom, Relevant Persons. Any person who is in the United Kingdom and not a Relevant Person should not act or rely on the attached Offering Circular or any of its contents.

You are reminded that the information contained in the Offering Circular is not complete and subject to change and 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.

OFFERING CIRCULAR **STRICTLY CONFIDENTIAL**

MEIJI YASUDA

Meiji Yasuda Life Insurance Company

(a Japanese mutual company)

5.10% Step-up Callable Subordinated Notes due 2048

We are offering $1,000,000,000 aggregate principal amount of 5.10% step-up callable subordinated notes due 2048 (the "Notes"). The interest payment dates will be April 26 and October 26 of each year (each an "interest payment date"), beginning on October 26, 2018, until the Notes are fully redeemed. The Notes will bear interest at a fixed rate of 5.10% *per annum* on each $1,000 principal amount thereof from, and including, April 26, 2018 to, but excluding, April 26, 2028 (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 3.15% *per annum*, payable semi-annually in arrears on each interest payment date, beginning on October 26, 2028. 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 April 26, 2048, 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 14.

Issue price: 100%, plus accrued interest, if any
Interest on the Notes will accrue from April 26, 2018

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 SA/NV ("Euroclear") and Clearstream Banking S.A. ("Clearstream"), on or about April 26, 2018.

Joint Lead Managers and Joint Bookrunners

Morgan Stanley **Goldman Sachs & Co. LLC** **J.P. Morgan** **Mizuho Securities**

Co-Managers

BofA Merrill Lynch **Citigroup** **Daiwa Capital Markets** **Nomura** **SMBC Nikko**

Offering Circular dated April 19, 2018

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 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.

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 directly or indirectly offered or sold in Japan, or to, or for the benefit of, any person resident in 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 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"), (ii) a Japanese financial institution, designated in Article 3-2-2, Paragraph (28) 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 the Notes for its own proprietary account (a "Designated Financial Institution") or (iii) any other excluded category of persons, corporations or other entities under the Special Taxation Measures Act. **By subscribing for the Notes, an investor will be deemed to have represented that it is a Gross Recipient.**

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 (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 Specially-Related Person, (ii) a Designated Financial Institution described in Article 6, Paragraph (9) of the Special Taxation Measures Act which has complied with the Japanese tax exemption requirements, or (iii) a public corporation, a financial institution, a financial instruments business operator or certain other entity which has complied with the requirement for tax exemption under Article 3-3, Paragraph (6) of the Special Taxation Measures Act receiving interest through its payment handling agent in Japan as provided in that Paragraph.

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 will be subject to deduction in respect of Japanese income tax at the rate of 15.315% (15% on or after January 1, 2038) of the amount of such interest.

PROHIBITION OF SALES TO EEA RETAIL INVESTORS—The Notes are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the European Economic Area (the "EEA"). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU, as amended ("MiFID II"); or (ii) a customer within the meaning of Directive 2002/92/EC, as amended (the "Insurance Mediation Directive"), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II. Consequently no key information document required by Regulation (EU) No 1286/2014, as amended (the "PRIIPs Regulation"), for offering or selling the notes or otherwise making them available to retail investors in the EEA has been prepared and therefore offering or selling the notes or otherwise making them available to any retail investor in the EEA may be unlawful under the PRIIPs Regulation.

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 to any person arising from an offer referred to in Section 275(1A) or 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 of Investments) (Shares and Debentures) Regulations 2005 of Singapore.

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.

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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 ¥113.00 = $1.00, the approximate rate of exchange prevailing as of December 31, 2017, 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 trillions or billions of yen, amounts of less than one hundred billion or one hundred million yen, respectively, have been truncated. Where information is presented in millions of dollars, amounts of less than one hundred thousand dollars 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, 2015, 2016 and 2017 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 December 31, 2017, our non-consolidated total assets and total net assets represented 93.0% and 100.4% of our consolidated total assets and total net assets, respectively. As of and for the year ended March 31, 2017, our non-consolidated total assets and total net assets represented 92.9% and 100.3% of our consolidated total assets and total net assets, respectively, and our non-consolidated ordinary profit and net surplus represented 101.1% and 104.1% of our consolidated ordinary profit and net surplus, respectively.

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 ¥38,616.0 billion of non-consolidated total assets as of December 31, 2017, ¥37,767.6 billion, or 97.8%, represented general account assets. The balance consisted of separate account assets in the amount of ¥862.7 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, as well as changes in such actuarial assumptions;
- any failure of risk management policies and procedures to be effective;
- changes in relationships with or performance of our strategic partners;
- risks associated with our international operations and continuing overseas expansion;
- potential future reorganization from a mutual company to a joint-stock corporation;
- inability to hire, train or retain a sufficient number of qualified sales representatives and other personnel;
- failure to maintain sales via the bancassurance channel or achieve targeted profitability through such 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.

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 6.6 million insured persons as of September 30, 2017.

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 the Swiss Re Institute's Sigma World Insurance in No. 3/2017, Japan is the second largest life insurance market in the world by premium volume. We held one of the largest market shares in Japan by premium income among private insurers for the year ended March 31, 2017, and aim to continue the growth that made us one of Japan's leading private life insurance companies.

Internationally, we had seven subsidiaries and affiliates in five countries as of December 31, 2017, and we have expanded our international operations with a view to securing a more robust profit base and realizing risk diversification. In particular, in March 2016, we acquired StanCorp, a leading provider of group life and disability insurance in the United States.

As of March 31, 2017 and December 31, 2017, our consolidated total assets amounted to ¥40,412.7 billion and ¥41,536.3 billion, respectively, and our non-consolidated total assets amounted to ¥37,561.4 billion and ¥38,616.0 billion, respectively. Our consolidated insurance premiums and other amounted to ¥2,866.3 billion and ¥2,225.0 billion for the year ended March 31, 2017 and the nine months ended December 31, 2017, respectively. As of December 31, 2017, we had a consolidated solvency margin ratio of 1,011.5% (approximately 5.1 times the minimum regulatory requirement) and a non-consolidated solvency margin ratio of 957.7% (approximately 4.8 times the minimum regulatory requirement), and we currently have financial strength ratings of A1 from Moody's Japan K.K. ("Moody's"), A from S&P Global Ratings Japan Inc. ("Standard & Poor's"), AA- from Rating and Investment Information, Inc. ("R&I") and AA- from Japan Credit Rating Agency, Ltd. ("JCR").

Strengths

Robust position in the attractive Japanese life insurance market

The Japanese life insurance market is highly concentrated, with the top five life insurance companies, including Japan Post Insurance Co., Ltd. ("Japan Post Insurance"), accounting for more than half of the total market share in terms of total premium income. In addition, in 2016, it featured the second highest life insurance premiums among the top five markets in the world, at $354,053 million, including Japan Post Insurance and insurance provided by the Japan Agricultural Cooperatives, as compared to $262,616 million in China, $199,369 million in the United Kingdom, $152,817 million in France and $558,847 million in the United States, according to Sigma World Insurance in No. 3/2017 and, in the aggregate, represented approximately 13.5% of total global life insurance premiums. Moreover, according to the Japan Institute of Life Insurance, 89.2% of Japanese households were enrolled in some form of life insurance based on a survey conducted in April to May of 2015. Additionally, according to the Bank of Japan (the "BOJ"), as of March 31, 2017, insurance and annuities accounted for 28.8% of total household financial assets in Japan, second only to cash and deposits and slightly below levels in the United States and Europe.

We have long maintained a robust position in this attractive Japanese life insurance market. We have consistently been one of the top five life insurance companies in Japan in terms of total premium income and also rank highly among our global peers in terms of revenue. In particular, we have sustained a top share among Japanese life insurance companies in the group life insurance market, with ¥113.6 trillion in policy amounts in force as of December 31, 2017, driven by our strong business relationships with many of Japan's major corporations and government and public offices and our value-added services for employee benefits.

With over 6.6 million insured persons in Japan as of September 30, 2017, 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 1,011.5% and 957.7%, respectively, as of December 31, 2017, each of which significantly exceeds the regulatory minimum threshold of 200%. Furthermore, our consolidated solvency margin ratio as of December 31, 2017 was the highest among the top four private life insurance companies in Japan, excluding Japan Post Insurance. 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, 2015, and we had real net assets of ¥10,336.5 billion as of December 31, 2017, representing an increase of more than ¥772.6 billion from March 31, 2017. Our unrealized gains on securities, other than certain investment assets not readily susceptible to market valuation, also increased substantially to ¥6,392.5 billion as of December 31, 2017 as compared to ¥5,666.9 billion as of March 31, 2017. This increase was supported by the performance of our investment portfolio. As of December 31, 2017, the domestic stocks in our investment portfolio had the lowest break-even point among the top four private life insurance companies in Japan, excluding Japan Post Insurance, of approximately ¥8,000 in relation to the Nikkei index and of 660 points in relation to TOPIX (assuming that the market value of our stock portfolio changes in parallel to such indices), as compared to the closing values of ¥20,356.28 and 1,674.75 for the Nikkei index and TOPIX recorded on September 30, 2017, respectively.

Stable operations and profit supported by increasing quality of insurance products

We have established a strong track record of stable operations and profit. For example, our annualized net premiums from policies in force have grown steadily year on year since the year ended March 31, 2013 due in part to our successful introduction in 2014 of "Best Style," a customizable, comprehensive product that can be tailored to meet the specific needs of our customers and which now serves as our main product for individual insurance, as well as our successful introduction in 2016 of "Simple Insurance Series Light! By Meiji Yasuda Life," a product developed to be "simple," "small amount" and "easy-to-understand" and aimed mainly to capture new customers not enrolled in any insurance policy, in particular the younger customers in their 20s and 30s, with ¥2,250.0 billion recorded for the year ended March 31, 2017. Over the same period, we have also continued to achieve stable base profit, a measure that is used for the performance of a Japanese life insurance company's business. For the year ended March 31, 2017, we recorded ¥472.3 billion, representing growth of 2.7% over the previous year. This increase was due not only to an improvement of the investment environment but also effective asset allocation and an increase in mortality profit through enhanced risk control. In addition, we recorded interest surplus of ¥174.8 billion for the year ended March 31, 2017, representing the sixth consecutive year in which we have recorded interest surplus.

We have also steadily improved the quality of our insurance policies, which we believe has contributed to the stability of our profit generation from our life insurance business. As discussed further below in "—Strategies," we have focused on developing and delivering new insurance products that adapt to the evolving needs of our customers and enhancing the capabilities of our sales representatives, who provide engaging, face-to-face after-sales services to our customers. We believe that it is partly as a result of these efforts that our surrender, lapse and partial surrender rate has declined year on year since the year ended March 31, 2013 to 3.63% for the year ended March 31, 2017. Our total persistency rate is competitive with the persistency rates of Japan's other major life insurance companies. Specifically, it has remained above 95% for 13-month contracts and 85% for 25-month contracts over the last two years and stood at 95.5% for 13-month contracts and 89.8% for 25-month contracts as of December 31, 2017.

In addition, our embedded value was ¥4,528.8 billion as of March 31, 2017, an increase of ¥1,127.4 billion from our embedded value as of March 31, 2016. This increase is mainly attributable to the increase in the value of our in-force business, which has been achieved mainly through an improvement in interest rates. See "Management's Discussion and Analysis of Financial Condition and Results of Operations—Embedded Value" for further details. Moreover, our new business margin, which is the ratio of the value of our new business to the present value of future premiums as determined for the purposes of calculating our embedded value, increased to 3.69% for the year ended March 31, 2017 from 2.96% for the prior year, and was the highest level among Japanese life insurers. The increase was due to our success in deliberately controlling the sales volume of yen-denominated single premium savings-type products with low profitability.

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

We manage our investment portfolio through the implementation of surplus management-type asset liability management, or ALM, through which we aim to control the fluctuation of economic net worth when the market environment changes. We believe that this has enabled us to achieve a stable 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 approximately 60% of our general account assets concentrated in yen-denominated fixed income assets, such as domestic bonds and domestic loans, for each of the last three fiscal years. Our bond portfolio mostly consists of Japanese Government Bonds ("JGBs") and U.S. Treasury bonds and residential mortgage backed securities, 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 45.3% of our total general account assets as of December 31, 2017, while domestic stocks with a carrying value of ¥4,731.9 billion accounted for only 12.5%. 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. Over the last three fiscal years, approximately 70% of our domestic bond portfolio has been comprised of bonds with a duration of over 10 years. We also 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 are not impacted by 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 maintained a relatively low sensitivity of our embedded value to a 50 basis point decrease in the risk-free rate of negative 10.1% as of March 31, 2017. See "Business—Investments—Management of Investments" for further details on our surplus management-type ALM policy. While we focus on surplus management-type ALM in the medium- to long-term, we also engage in asset allocation to maintain a stable positive spread during the current extremely low-interest rate, high volatility environment, during which we accelerate effective investments in both hedged and open foreign currency denominated bonds depending on the market conditions, as well as strengthen our investments in carefully selected risk assets to maintain and increase profitability.

Strategies

In April 2017, we launched a new three-year plan called MY INNOVATION 2020, which includes a new Medium-Term Business Plan. The Medium-Term Business Plan consists of key policies designed to promote our three core strategic initiatives:

- A growth strategy, through which we are aiming to expand our customer base, introduce new market initiatives, implement better asset management and achieve advanced technological innovation.
- An operating base reinforcement strategy, through which we are aiming to implement better governance and improved work engagement.
- A brand strategy, through which we are endeavoring to promote a new corporate philosophy.

Under the Medium-Term Business Plan, we have set the following key management performance targets:

- increase our Corporate Value (as further described below) by 20% to approximately ¥5,630.0 billion as of March 31, 2020 from approximately ¥4,710.0 billion as of March 31, 2017;

- increase our economic solvency ratio ("ESR") (as further described below) to 150-160% or above as of March 31, 2020, compared to 135% as of September 30, 2017;
- increase our On-Balance Sheet Capital (as further described below) to ¥3 trillion as of March 31, 2020, compared to ¥2,464.1 billion and ¥2,613.6 billion as of March 31 and December 31, 2017, respectively;
- increase annualized net premiums from policies in force to ¥2,247.0 billion as of March 31, 2020, an increase of ¥41 billion compared to ¥2,205.2 billion as of March 31, 2017;
- increase annualized net premiums from new third-sector insurance policies to ¥56 billion as of March 31, 2020, compared to ¥41.0 billion as of March 31, 2017; and
- maintain our No. 1 domestic share of the group life insurance for business in force.

For purposes of the above:

- Corporate Value under the Medium-Term Business Plan is calculated by taking our embedded value and reflecting certain adjustments to conform the market condition and investment environment to that which has been used in calculating our embedded value as of March 31, 2017, reversing the impact of, for instance, subsequent fluctuations in share price and changes in yield curve. We believe Corporate Value is a helpful indicator that shows the growth potential, profitability and financial soundness of a life insurance company as compared to a specific baseline date. However, due to such adjustments, Corporate Value may diverge from embedded value and as such should not be used in lieu of embedded value. For example, an increase in Corporate Value for these purposes may not necessarily mean an increase in embedded value over the same period;
- ESR refers to our internal economic value-based solvency ratio, which measures our solvency based on our economic value, and is equal to the sum of our surplus, which is the difference between the market value of our assets and the market value of our liabilities, and external financing capital, which is comprised of our foundation funds and subordinated bonds, divided by our integrated risk amount, which we define as the estimated amount of capital necessary to cover all of our quantifiable risk, including insurance underwriting risk, investment risk, subsidiary risk and operational risk, subject to certain adjustment for a one-year period to a 99.5% confidence level. See "Management's Discussion and Analysis of Financial Condition and Results of Operations—Economic Solvency Ratio" for further details; and
- On-Balance Sheet Capital is the total amount of our specified internal reserves (including reserve for redemption of foundation funds) and external financing capital, which is comprised of our foundation funds and subordinated bonds.

Our numerical targets and strategic initiatives in our Medium-Term Business Plan are forward-looking statements. See "Forward-Looking Statements." Our ability to achieve these numerical targets or implement these strategic initiatives is subject to risks and uncertainties, including those described under "Risk Factors" and elsewhere in this offering circular. These numerical targets and strategic initiatives are based on a number of assumptions, beliefs and expectations established at the time our Medium-Term Business Plan was announced in March 2017 and do not reflect the impact of any inorganic initiatives that we may pursue as part of our ongoing growth strategy. Such assumptions, beliefs and expectations involve significant subjective judgment and relate to matters that may be outside of our control, such as assumptions about the economic environment and key macroeconomic indicators. For example, we assumed that, over the three-year period covered by the Medium-Term Business Plan, domestic and U.S. interest rates as well as domestic stock market indices would increase slightly and that the U.S. dollar would appreciate slightly against the yen. There can be no assurance that we will achieve the numerical targets or strategic initiatives set forth in our Medium-Term Business Plan.

Our specific strategies for growing and strengthening of our operating base are as follows:

Expand our customer base through the proactive offering of new products and provision of improved after-sales service, expansion of marketing channels and establishment of administrative service base

By proactively supplying new products and providing enhanced services, including improved after-sales service adapted to the needs of each customer and other new services, we seek to address the evolving coverage needs of our customer base and grow the number of customers we reach through our individual insurance marketing channel and our group insurance marketing channel. We also seek to expand our sales representative channel and expand market access mainly through collaborating with other companies, promoting digital marketing and building a "Business to Employee" marketing approach, in which we communicate sales proposals directly to employees at our corporate and group customers, thereby creating additional opportunities for new business. We also are continuing with our efforts to establish an administrative service base that improves interactions with customers through information and communication technology and other measures, which are aimed at promoting paperless, speedy and automated administrative services and online customer interaction for individual and group insurance. Looking ahead, efforts are underway to develop sophisticated administrative service solutions through the use of artificial intelligence and other cutting-edge technologies. By innovating in this space, we seek to realize industry leading administrative service quality that exceeds our customers' expectations.

Introduce new market initiatives in the domestic and overseas life insurance markets

In the domestic life insurance market, we plan to actively offer our products that cater to new target markets which we have identified based on recent social and demographic trends in Japan: a rapidly aging society, a higher proportion of women in the workforce, rising social security expenses and a shift from savings to investment. We aim to proactively design and deliver policies that accommodate these important sources of potential growth with measures such as expanding insurance coverage for seniors through better underwriting, meeting the insurance needs of women in the work force, developing new third-sector insurance products and services as a countermeasure to the aging society and expanding our lineup of investment-type products.

In the overseas life insurance market, we plan to continue to actively promote the expansion of each of our existing subsidiaries' and affiliates' businesses, especially with respect to StanCorp, which we acquired in March 2016, in their respective markets to increase profitability in the medium- to long-term. We have positioned StanCorp as a strategic base in the United States for securing future growth for our operations and we aim to help StanCorp achieve business expansion and greater profitability. In pursuit of further overseas growth, we will continuously seek and evaluate opportunities to make strategic investments and acquisitions over the course of our Medium-Term Business Plan.

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

In conjunction with pursuing a stronger customer-oriented brand and our 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 are promoting the adoption of more sophisticated enterprise risk management methodologies that strike a balance between financial soundness, profitability and growth potential. Based on our risk appetite, we determine the types and levels of acceptable risk, and we will engage in efficient capital allocation, risk-return management and "Own Risk and Solvency Assessment" ("ORSA") in an integrated manner to ensure sustainable growth in corporate value.

Company Information

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	$1,000,000,000 aggregate principal amount of 5.10% step-up callable subordinated notes due 2048. 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) our $2 billion aggregate principal amount of 5.20% step-up callable subordinated notes due 2045, ¥100 billion aggregate principal amount of subordinated notes due 2046 with interest deferral options, ¥100 billion aggregate principal amount of subordinated notes due 2047 with interest deferral options and ¥15 billion aggregate principal amount of subordinated notes due 2051 with interest deferral options 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, April 26, 2018 to, but excluding, April 26, 2028, the Notes will bear interest at 5.10% *per annum* on each $1,000 principal amount thereof, payable semi-annually in arrears on April 26 and October 26 of each year, beginning on October 26, 2018, 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 3.15% *per annum*, payable semi-annually in arrears on April 26 and October 26 of each year, beginning on October 26, 2028, 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 employed by the applicable regulatory requirements in Japan) 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 employed by the applicable regulatory requirements in Japan) 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 5.10% *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...........................	April 26, 2048.
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 April 26, 2048 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 April 26, 2048 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 (including any successor legislation) 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 employed by the applicable regulatory requirements in Japan, 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 (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.

For the Notes sold under Regulation S:

CUSIP No.:	J41838 AK9
ISIN:	USJ41838AK95
Common Code:	180636781

For the Notes sold under Rule 144A:

CUSIP No.:	585270 AC5
ISIN:	US585270AC58
Common Code:	180636757

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 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, as well as a general improvement in the global economy. However, the future outlook of the Japanese economy remains uncertain. Particular concerns include the prospect for ending deflation and reaching the 2% inflation target initially set by the BOJ in 2013, the potential negative consequences of an increasing budget deficit, volatility of the yen against the U.S. dollar and euro and stagnating or decreasing consumer demand and the related impact on the Japanese stock market. In addition, the introduction of a negative interest rate policy by the BOJ in early 2016 and other changes in fiscal and monetary policies, and laws and regulations, such as the increase in the Japanese consumption tax rate from 8% to 10%, currently scheduled to take effect in October 2019, could hurt consumer sentiment and weaken demand and have a negative effect on the current recovery of the Japanese economy. In regions and countries outside Japan, geopolitical instability including geopolitical risks posed by the potential threat of North Korea's nuclear weapons program, material changes in regional economic or political unions or associations between countries, such as the United Kingdom's anticipated exit from the European Union as a result of the referendum held in June 2016, and the uncertain impact of the policies pursued by the presidential administration in the United States, could give rise to concerns about economic instability and could affect Japanese and global 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 December 31, 2017, domestic stocks and foreign stocks accounted for 12.5% and 5.6%, respectively, of the total assets in our general account. Global financial markets, including the Japanese equity markets, have experienced severe volatility in recent years. Although the Nikkei 225 Index significantly increased after 2012, reaching 20,952.71 on June 24, 2015, it has continued to experience volatility. On June 24, 2016, it fell to 14,864.01, but has improved again and remained above the 20,000 level from September 2017. 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, 2017, we recorded interest surplus for the sixth 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 February 2016, the BOJ began to implement a negative interest rate policy, applying a rate of negative 0.1% to certain excess reserves held by financial institutions at the BOJ. In September 2016, the BOJ introduced a yield curve control policy to control short-term and long-term interest rates through open market operations, and established a target interest rate for 10-year JGBs of around 0%. If the BOJ's negative interest rate and yield curve control policies result in lower interest rates on our investments, our average yield on investments could be adversely affected. In addition, if mid- or long-term interest rates were to fluctuate within a significantly lower range, it would put additional pressure on the profitability of savings-type and other insurance products. Further, if we increase our holdings of foreign bonds, our portfolio will become increasingly sensitive to interest rate fluctuations and the monetary policy of central banks in other countries, which may differ materially from that of the BOJ.

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 BOJ announced an expansion of its monetary easing measures and in December 2015 it announced supplementary monetary easing measures to help achieve its 2% inflation target. 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 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. As of December 31, 2017, 22.0% 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 certain 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 45.3% and 17.4% of the total assets in our general account, respectively, as of December 31, 2017. 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 12.7% of the total assets in our general account as of March 31, 2017 and 12.0% as of December 31, 2017. Loans to domestic corporations, mainly in the manufacturing, public projects, wholesale and financial sectors, constituted 98.5% of our loans as of March 31, 2017. 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 December 31, 2017, real estate represented 2.3% of the total assets in our general account. Real estate prices (*koji-kakaku*) increased during the years ended December 31, 2016 and 2017, and over that period residential property prices have been steady and commercial property prices have increased, according to the Ministry of Land, Infrastructure, Transport and Tourism of Japan. However, 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 including as a result of downgrades to Japan's sovereign debt rating, or by 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, as well as changes in those actuarial assumptions, 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 that are based on various factors and subject to changes over time. 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 morbidity 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 mortality 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 used in calculating our policy reserves, we could be required to increase our policy reserves going forward for new policies. In particular, revisions to the standard mortality table or the standard prospective yield would affect the determination of actuarial assumptions. In recent years, in light of the low-interest rate environment, we have lowered the assumed yield used in calculating our standard policy reserve with respect to new policies several times in accordance with applicable regulations. Based on a further revision of the standard prospective yield by the FSA downward effective April 2017 as well as prevailing interest rates, we lowered the assumed yield and reviewed the premium rates applicable to new individual life insurance and individual annuity products. See “Regulations—Regulation of the Japanese Life Insurance Industry—Insurance Business Act—Financial Regulation—Policy Reserves.” A decrease in the assumed yield may require us to increase our pricing of such products based on factors such as the market environment and our business strategy. In addition, the FSA has recently revised the standard mortality table, which is applied to insurance policies sold on and after April 1, 2018. Increases in policy reserves, if significant, could have a material adverse effect on our business, financial condition and results of operations, particularly if we are unable to appropriately respond to such requirements from a strategic and competitive perspective.

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, 2017, revenues from individual life insurance policies and individual annuity products represented 48.9% and 14.7%, 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 12.0% and 23.1%, 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 and Talanx Group. Domestically, entities in which we have made significant minority investments include Japan Pension Service Co., Ltd., The Mitsubishi Asset Brains Company, Limited 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.

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

We have been expanding our overseas insurance investments in an effort to secure revenue sources outside of the domestic Japanese market. In March 2016, we acquired full ownership of StanCorp, a U.S. life insurance and financial services company then listed on the New York Stock Exchange, in order to increase our presence in the United States. Our acquisition of StanCorp is our largest overseas investment and is an important step toward strengthening our group-wide business and profitability. However, if we are unable to realize the anticipated benefits or synergies from our acquisition of StanCorp, our business, financial condition and results of operations may be adversely affected. Specifically, we may suffer impairment losses on goodwill recognized in connection with the acquisition.

We also engage in the life and non-life insurance business in various other markets, including markets such as 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 acquisition of StanCorp, expose us to a number of risks, including:

- unfavorable political or economic factors;
- 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; and
- the occurrence of natural or man-made disasters, or acts of violence or war.

In addition, we face exposure to fluctuations in foreign exchange rates. For example, StanCorp both prepares its financial statements and conducts its business primarily in U.S. dollars, and we face translation risk when StanCorp's financial results are converted from U.S. dollars to yen at the exchange rate prevailing at the end of StanCorp's fiscal year as part of the preparation of our consolidated financial statements. A strong yen versus the U.S. dollar would negatively affect the translation of StanCorp's results of operations into yen, which could have an adverse effect on our results of operation.

Entry into new markets may also bring us into competition with other multinational firms who have greater scale of operations and financial resources than we do. We seek to explore opportunities to expand operations in other countries around the world, which expansion may require us to face direct competition with such multinational firms. However, because of the risks associated with overseas expansion and overall global competitive conditions and the risks described above, there can be no assurance that our pursuit of further expansion will be successful. In addition, we may suffer impairment losses on our existing and future overseas investments, which may further impair our ability to achieve our intended goals.

Any potential future reorganization from a mutual company to a joint-stock corporation 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 joint-stock corporation, 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 or achieve targeted profitability through such 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 representative 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. The current low-interest rate environment has had a particularly acute effect on the profitability of products sold through the bancassurance channel and has led us to deliberately control sales of yen-denominated single premium products offered through the bancassurance channel, which has impacted our overall bancassurance channel sales. Although we seek to build a more optimal bancassurance product lineup that is more resilient to fluctuations in domestic interest rates, utilizing products such as foreign currency denominated products, there can be no assurance that we will be able to do so. In addition, 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. We are striving to secure a greater number of relationships to cultivate new corporate customers. However, competition among life insurance companies to obtain and maintain bancassurance relationships remains 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. Following the enactment of the Act for Partial Revision of the Income Tax Act of Japan (Act No. 15 of 2016), the statutory effective tax rate applied to measure deferred tax assets and liabilities was lowered from 28.8% to 28.2% for the years ended March 31, 2017 and 2018, and to 27.96% for the year ending March 31, 2019 and thereafter. Further decreases in the statutory effective tax rate may require us to reverse our deferred tax assets which are 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, since September 2013 we have utilized a tablet 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. Among other things, sensitive personal information that we handle includes customers' "My Number," which was introduced in October 2015 and identifies residents in Japan for specific administrative procedures related to social security and taxation. 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, third-party 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 10.4% from 86.2 million in 2000 to 77.3 million in 2015. This age group represents Japan's potential workforce and includes in any given year the majority of our customers for core insurance products with death benefits. According to The Life Insurance Association of Japan (the "Life Insurance Association"), the total amount of individual insurance policies in force for all life insurance companies in Japan had been decreasing after reaching a peak at the end of the fiscal year 1996, although this decreasing trend slowed down around the fiscal year 2008 and remained mostly flat through the fiscal year 2017. We believe that the above demographic trend was one of the primary factors contributing to the general decline in the amount of policies in force. 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 77.3 million in 2015 to an estimated 68.8 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, bancassurance channel targeting 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"), an entity with approximately 60% of its shares held by the Minister of Finance of Japan (as a representative of the Japanese government), is a holding company of the Japan Post Group, consisting of three primary subsidiaries: Japan Post Co., Ltd. ("Japan Post"), which provides Japan's primary postal service and operates Japan's post offices, Japan Post Bank Co., Ltd., which conducts deposit-taking and other banking activities, and Japan Post Insurance, which 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 Japan Post Group's nationwide network of post office branches and favorable public perception of its stability due to its association with the government. An amendment to the law mandating the privatization of Japan Post Insurance became effective in 2012. As the first phase of the privatization process, Japan Post Insurance completed an initial public offering in November 2015, resulting in a reduction of Japan Post Holdings' ownership share to 89%. Pursuant to its privatization mandate, Japan Post Holdings has announced its plans to further reduce its equity interest in Japan Post Insurance to around 50%. However, there continues to be uncertainty over the timing of future sell downs. Therefore, there may remain an appearance of government support for Japan Post Insurance, which could provide it with a competitive advantage over us. Furthermore, while Japan Post Insurance is currently required to obtain government approvals in order to enter into new businesses under the applicable law governing the privatization, including expansion of the types of insurance policies that it sells or asset management services it provides, if Japan Post Holdings disposes of 50% or more of its equity holdings in Japan Post Insurance, such legal restrictions may be substantially relaxed. 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 has expanded its existing business alliance with American Family Life Assurance Company of Columbus ("AFLAC"), which established a Japanese operating company, Aflac Life Insurance Co., Ltd., in April 2018. Under this business alliance, among other things, Japan Post Insurance offers AFLAC cancer insurance policies and Japan Post has increased the number of post offices offering such policies. Additionally, in March 2016, Japan Post Insurance and The Dai-ichi Life Insurance Company, Limited agreed to form a strategic business alliance to strengthen the cooperation between the two companies with respect to: (i) the life insurance business in Vietnam; (ii) the asset management business; and (iii) joint research on domestic life insurance businesses. These and further business alliances may increase the market presence of Japan Post Insurance in additional markets in which we compete, and our business and results of operations may be adversely affected as a result.

Furthermore, such competition may intensify as a result of further deregulation of Japan Post Insurance or any favorable treatment or support given to Japan Post Insurance by the government.

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 December 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% on both a consolidated and non-consolidated basis. 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."

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. The FSA has been conducting studies on an economic value-based solvency regime through field tests covering all insurance companies in June 2010, June 2014 and June 2016, the results of which were published in May 2011, June 2015 and March 2017, respectively. In publishing the results of the latest field test in March 2017, the FSA announced its intention to conduct further examinations regarding introduction of the economic value-based solvency regime with a strong emphasis on dialogue with relevant parties. Although the timing of such adoption is yet to be decided, it is likely that the discussion regarding such adoption will continue. The adoption of 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 inherent responsiveness and calibration of such a regime to fluctuations in interest rates and other market factors. Additional requirements that may be proposed in the future, such as the global insurance capital standard currently being developed by the IAIS as part of its Common Framework for the Supervision of Internationally Active Insurance Groups ("IAIGs") 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 that 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, financial condition and results of operations are described below. For example, as a result of amendments to the Insurance Business Act that became effective in 2016, rules applicable to sales of certain insurance products require persons offering certain insurance products to provide customers with certain information and to understand the customers' motivations for purchasing such products. Our sales representatives and third-party sales agencies may encounter difficulties adjusting their sales practices to comply with future regulatory changes. In addition, we may face increased compliance risk as a result of regulatory actions against us or our competitors or in connection with future expansions of our product offerings and related regulatory initiatives, any of which could adversely affect our business strategies or require significant additional expenses for training, improved compliance or remediation.

In addition, 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.

Moreover, 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 and maintenance of our existing policies.

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, which develops International Financial Reporting Standards ("IFRS"), has published a new standard, IFRS17 Insurance Contracts, which will be effective for periods beginning on or after January 1, 2021, with earlier adoption permitted under certain conditions. The new standard requires insurance liabilities to be measured at a current fulfillment value and provides a more uniform measurement and presentation approach for all insurance contracts. Adopting the standards published by IFRS is not mandatory in Japan. However, if current value accounting for liabilities is adopted under Japanese GAAP in the future, we would be required to calculate policy reserves based on the current fulfillment 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 the first call date, 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 the first call date, 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 April 26, 2048.

If, on April 26, 2048, 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 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 "variable rate debt instruments" 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, 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 U.S. 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—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 as 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 payment." 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.

There are risks that LIBOR may be administered differently or discontinued in the future, which may adversely affect the value of and return on the Notes.

LIBOR is the subject of ongoing national and international regulatory reform and, following the implementation of any such potential reforms, the manner of its administration may change, with the result that it may perform differently than in the past, or it could be eliminated entirely, or there could be other consequences that cannot be predicted. On July 27, 2017, the Financial Conduct Authority of the United Kingdom announced that it will no longer persuade or compel banks to submit rates for the calculation of the LIBOR benchmark after 2021, indicating that the continuation of LIBOR on the current basis cannot and will not be guaranteed after 2021. The potential elimination of LIBOR could require an adjustment to the terms of the Notes, as the reset interest rate applicable after the first call date is based on the mid-swap rate between a five-year term instrument and the three-month LIBOR rate, or result in other consequences. Any such consequence could have an adverse effect on the value of and return on the Notes.

USE OF PROCEEDS

The aggregate gross proceeds from the offering of the Notes is $1.0 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 $0.97 billion. We intend to use the net proceeds for general corporate purposes.

CAPITALIZATION

The following table sets forth our consolidated capitalization as of December 31, 2017 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 December 31, 2017			
	Actual		As adjusted	
	(Billions of yen and millions of dollars)			
Bonds payable[1]	¥ 507.8	$ *4,494*	¥ 507.8	$ *4,494*
Notes offered hereby[2]	–	–	113.0	*1,000*
Net assets:				
Foundation funds	260.0	*2,300*	260.0	*2,300*
Reserve for redemption of foundation funds	620.0	*5,486*	620.0	*5,486*
Reserve for revaluation	0.4	*4*	0.4	*4*
Surplus	390.3	*3,454*	390.3	*3,454*
Net unrealized gains on available-for-sale securities	3,055.1	*27,037*	3,055.1	*27,037*
Deferred unrealized gains on derivatives under hedge accounting	33.6	*297*	33.6	*297*
Land revaluation differences	119.1	*1,054*	119.1	*1,054*
Foreign currency transactions adjustments	(32.4)	*(287)*	(32.4)	*(287)*
Remeasurements of defined benefit plans	20.3	*180*	20.3	*180*
Non-controlling interests	4.0	*35*	4.0	*35*
Total net assets	4,470.7	*39,563*	4,470.7	*39,563*
Total capitalization[2][3]	¥ 4,978.5	$ *44,058*	¥ 5,091.5	$ *45,058*

Notes:

(1) Bonds payable comprise dollar-denominated subordinated notes issued in October 2015 and yen-denominated subordinated notes issued in December 2016 and November 2017, as described under "Management's Discussion and Analysis of Financial Condition and Results of Operations—Liquidity and Capital Resources—Capital Resources."

(2) Translation of the dollar amount of the Notes into yen has been made at the rate of $1.00 = ¥113.00, the approximate rate of exchange prevailing as of December 31, 2017.

(3) Except as disclosed above and in this offering circular, there has been no material change in our consolidated capitalization since December 31, 2017.

SELECTED FINANCIAL DATA AND OTHER INFORMATION

The following selected consolidated and non-consolidated financial data as of and for the years ended March 31, 2015, 2016 and 2017 are derived from our audited consolidated and non-consolidated financial statements as of and for such years, which are included elsewhere in this offering circular. The following selected consolidated and non-consolidated financial data as of and for the years ended March 31, 2013 and 2014 are derived from our audited consolidated and non-consolidated financial statements as of and for such years, which are not included in this offering circular. The following selected consolidated and non-consolidated financial data as of December 31, 2017 and for the nine months ended December 31, 2016 and 2017 are derived from our unaudited quarterly consolidated and non-consolidated financial statements as of and for such periods, which 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, "Quarterly Consolidated and Non-consolidated Financial Information," "Management's Discussion and Analysis of Financial Condition and Results of Operations" and the consolidated and non-consolidated 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 IFRS.

This section also contains other data that is not derived directly from our financial statements, including data that life insurance companies in Japan are required to prepare and disclose in accordance with requirements of the Insurance Business Act or disclosure standards promulgated by the FSA or the Life Insurance Association, or that is otherwise prepared and disclosed in accordance with principles or methodologies that are widely adopted among Japanese and other life insurance companies. We believe this data provides prospective investors with meaningful and important information regarding our overall business results or financial condition when viewed in the context of our financial statements prepared in accordance with Japanese GAAP. Such data is not intended to be a substitute for financial data prepared in accordance with Japanese GAAP.

Selected Consolidated Financial Data

Consolidated Statements of Income:	2013	2014	2015	2016	2017	*2017(1)*
	Year ended March 31,					
	(Billions of yen and millions of dollars)					
Ordinary income:						
Insurance premiums and other	¥ 3,679.8	¥ 3,638.2	¥ 3,431.4	¥ 3,381.6	¥ 2,866.3	*$ 25,549*
Investment income	864.5	981.6	1,030.4	788.7	871.4	*7,767*
Other ordinary income	184.3	161.4	137.9	106.1	137.6	*1,227*
Total ordinary income	4,728.7	4,781.4	4,599.8	4,276.5	3,875.4	*34,543*
Ordinary expenses:						
Benefits and other payments	2,300.6	2,287.4	2,607.5	2,312.1	2,383.2	*21,242*
Provision for policy reserves and other reserves	1,343.2	1,403.4	955.7	900.5	331.8	*2,957*
Investment expenses	108.4	111.8	97.9	182.0	197.0	*1,756*
Operating expenses	364.9	364.7	361.5	372.2	439.7	*3,919*
Other ordinary expenses	211.1	189.1	190.5	210.3	208.7	*1,860*
Total ordinary expenses	4,328.3	4,356.5	4,213.3	3,977.4	3,560.5	*31,737*
Ordinary profit	400.3	424.8	386.4	299.1	314.8	*2,806*
Extraordinary gains	9.8	1.4	5.9	2.6	2.0	*18*
Extraordinary losses	123.3	130.2	28.1	40.1	64.5	*575*
Surplus before income taxes and non-controlling interests(2)	286.9	296.0	364.3	261.5	252.4	*2,249*
Income taxes:						
Current	85.7	123.9	119.7	54.6	38.0	*338*
Deferred	(35.5)	(69.4)	(21.1)	(7.7)	(10.1)	*(90)*
Net surplus(2)	236.7	241.5	265.7	214.6	224.6	*2,002*
Net surplus attributable to non-controlling interests(2)	0.0	0.8	0.3	0.5	0.8	*7*
Net surplus attributable to the Parent Company(2)	¥ 236.7	¥ 240.6	¥ 265.4	¥ 214.0	¥ 223.7	*$ 1,994*

Notes:

(1) Translation of the yen amount into dollars has been made at the rate of $1.00 = ¥112.19, the approximate rate of exchange prevailing as of March 31, 2017.

(2) From the year ended March 31, 2016, "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. For purposes of this table, we have used the changed names of the line items in showing the numbers for the years ended March 31, 2013, 2014 and 2015 as well.

Consolidated Statements of Changes in Net Assets:	Year ended March 31, 2013	2014	2015	2016	2017	*2017[(1)]*
	(Billions of yen and millions of dollars)					
Total net assets:						
Beginning balance	¥ 1,678.6	¥ 2,710.6	¥ 2,894.7	¥ 4,180.3	¥ 3,631.6	*$ 32,370*
Cumulative effect of change in accounting policies	–	–	2.7	–	–	*–*
Beginning balance after reflecting accounting policy changes	–	–	2,897.4	–	–	*–*
Changes in the fiscal year:						
Issuance of foundation funds	100.0	50.0	60.0	–	100.0	*891*
Additions to policyholders' dividend reserves	(133.4)	(152.8)	(158.0)	(180.0)	(165.7)	*(1,477)*
Additions to reserve for redemption of foundation funds	–	–	60.0	–	50.0	*445*
Payment of interest on foundation funds	(1.3)	(2.1)	(2.5)	(2.1)	(2.1)	*(18)*
Net surplus attributable to the Parent Company[(2)]	236.7	240.6	265.4	214.0	223.7	*1,994*
Redemption of foundation funds	–	–	(60.0)	–	(50.0)	*(445)*
Reversal of reserve for fund redemption	–	–	(60.0)	–	(50.0)	*(445)*
Reversal of land revaluation difference	(12.4)	1.5	(7.0)	1.5	2.8	*25*
Changes in equity attributable to the Parent Company arising from transactions with non-controlling interests	–	–	–	(0.0)	(0.1)	*(1)*
Net changes, excluding funds, reserves and surplus	842.5	46.8	1,185.1	(582.2)	304.0	*2,709*
Net changes in the fiscal year	1,031.9	184.0	1,282.8	(548.6)	412.6	*3,678*
Ending balance	¥ 2,710.6	¥ 2,894.7	¥ 4,180.3	¥ 3,631.6	¥ 4,044.3	*$ 36,049*

Notes:

(1) Translation of the yen amount into dollars has been made at the rate of $1.00 = ¥112.19, the approximate rate of exchange prevailing as of March 31, 2017.

(2) From the year ended March 31, 2016, "net surplus" has been renamed as "net surplus attributable to the parent company" in accordance with recent changes in accounting standards. For purposes of this table, we have used the changed name of the line item in showing the numbers for the years ended March 31, 2013, 2014 and 2015 as well.

Consolidated Statements of Income:	Nine months ended December 31, 2016	2017	*2017*
	(Billions of yen and millions of dollars)		
Ordinary income:			
Insurance premiums and other	¥ 2,112.8	¥ 2,225.0	*$ 19,690*
Investment income	603.9	697.9	*6,176*
Other ordinary income	102.8	93.7	*829*
Total ordinary income	2,819.6	3,016.8	*26,697*
Ordinary expenses:			
Benefits and other payments	1,741.8	1,801.5	*15,942*
Provision for policy reserves and other reserves	279.5	351.5	*3,111*
Investment expenses	156.2	135.4	*1,198*
Operating expenses	318.3	348.0	*3,080*
Other ordinary expenses	153.6	131.8	*1,166*
Total ordinary expenses	2,649.6	2,768.4	*24,499*
Ordinary profit	169.9	248.3	*2,197*
Extraordinary gains	1.2	0.0	*0*
Extraordinary losses	29.8	83.2	*736*
Surplus before income taxes and non-controlling interests	141.3	165.1	*1,461*
Income taxes—Current	17.3	18.6	*164*
Income taxes—Deferred	(0.7)	(3.1)	*(27)*
Net surplus	124.6	149.6	*1,324*
Net surplus attributable to non-controlling interests	0.5	0.2	*2*
Net surplus attributable to the Parent Company	¥ 124.1	¥ 149.3	*$ 1,321*

Consolidated Balance Sheets:	As of March 31, 2013	2014	2015	2016	2017	*2017*[(1)]	As of December 31, 2017	*2017*
	(Billions of yen and millions of dollars)							
Total assets	¥33,080.6	¥34,334.0	¥36,579.6	¥39,164.2	¥40,412.7	*$ 360,217*	¥ 41,536.3	*$ 367,578*
Policy reserves and other reserves	28,254.8	29,654.2	30,592.9	33,790.4	34,302.0	*305,749*	34,786.9	*307,848*
Total liabilities	30,369.9	31,439.3	32,399.2	35,532.6	36,368.4	*324,168*	37,065.6	*328,014*
Net assets:								
Foundation funds	210.0	260.0	260.0	260.0	310.0	*2,763*	260.0	*2,300*
Reserve for redemption of foundation funds	410.0	410.0	470.0	470.0	520.0	*4,634*	620.0	*5,486*
Reserve for revaluation	0.4	0.4	0.4	0.4	0.4	*4*	0.4	*4*
Surplus	344.9	432.0	472.5	506.0	514.7	*4,587*	390.3	*3,454*
Total funds, reserve and surplus	965.3	1,102.5	1,202.9	1,236.5	1,345.1	*11,990*	1,270.7	*11,245*
Net unrealized gains on available-for-sale securities	1,641.0	1,739.7	2,838.5	2,291.0	2,542.5	*22,663*	3,055.1	*27,037*
Deferred unrealized gains on derivatives under hedge accounting	3.8	0.9	15.4	38.6	39.6	*353*	33.6	*297*
Land revaluation differences	107.6	106.0	118.9	119.8	117.0	*1,043*	119.1	*1,054*
Foreign currency translation adjustments	(10.7)	7.2	22.8	(26.1)	(19.7)	*(176)*	(32.4)	*(287)*
Remeasurements of defined benefit plans	–	(66.0)	(22.8)	(32.2)	15.7	*139*	20.3	*180*
Total accumulated other comprehensive income	1,741.7	1,787.9	2,973.0	2,391.1	2,695.1	*24,023*	3,195.9	*28,282*
Non-controlling interests[(2)]	3.4	4.2	4.2	3.9	3.9	*35*	4.0	*35*
Total net assets	¥ 2,710.6	¥ 2,894.7	¥ 4,180.3	¥ 3,631.6	¥ 4,044.3	*$ 36,049*	¥ 4,470.7	*$ 39,563*

Notes:

(1) Translation of the yen amount into dollars has been made at the rate of $1.00 = ¥112.19, the approximate rate of exchange prevailing as of March 31, 2017.

(2) From the year ended March 31, 2016, "minority interests" has been renamed as "non-controlling interests" in accordance with recent changes in accounting standards. For purposes of this table, we have used the changed name of the line item in showing the numbers for the years ended March 31, 2013, 2014 and 2015 as well.

Other Non-consolidated Data

Other Non-consolidated Data:	2013	2014	2015	2016	2017	*2017*[1]
	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	926.9	901.5	1,008.6	1,004.2	1,096.3	–
Individual annuities	252.1	181.5	167.3	186.0	248.0	–
Number of policies in force for individual insurance and annuities	11,131.3	11,252.0	11,284.0	11,478.5	11,839.7	–
Amount of new policies:						
Individual insurance	¥ 2,033.4	¥ 2,276.3	¥ 1,519.7	¥ 2,243.2	¥ 1,828.4	*$ 16,297*
Individual annuities	¥ 1,398.8	¥ 958.6	¥ 847.8	¥ 907.8	¥ 1,267.5	*$ 11,298*
Policy amount in force for individual insurance and annuities	¥ 96,952.8	¥ 92,840.5	¥ 88,329.4	¥ 85,197.2	¥ 82,546.1	*$ 735,771*
Annualized net premium from new policies	¥ 194.9	¥ 178.8	¥ 169.2	¥ 184.9	¥ 179.9	*$ 1,603*
Annualized net premium from third-sector products[2]	¥ 22.8	¥ 25.8	¥ 32.6	¥ 36.3	¥ 36.5	*$ 325*
Annualized net premium from policies in force[3]	¥ 2,066.1	¥ 2,125.2	¥ 2,141.3	¥ 2,196.6	¥ 2,250.0	*$ 20,055*
Insurance premiums and other	¥ 3,659.3	¥ 3,616.2	¥ 3,408.4	¥ 3,357.8	¥ 2,615.8	*$ 23,316*
Interest, dividends and other income	¥ 618.9	¥ 667.6	¥ 698.1	¥ 690.8	¥ 721.4	*$ 6,430*
Total funds, reserve and surplus[4]	¥ 975.8	¥ 1,111.7	¥ 1,212.0	¥ 1,249.9	¥ 1,368.8	*$ 12,201*
Loans payable[5]	¥ 100.0	¥ 100.0	¥ 100.0	¥ 100.0	¥ –	–
Number of sales representatives	28,925	28,731	30,101	30,531	31,421	–
Persistency rate for individual insurance and annuities:						
13 months	94.0%	93.6%	93.6%	95.7%	95.6%	–
25 months	87.3%	86.6%	86.0%	86.7%	90.2%	–
Surrender, lapse and partial surrender rate for individual insurance and annuities	4.11%	3.95%	3.82%	3.81%	3.63%	–
Average annual yield of general account assets[6]	2.33%	2.71%	2.72%	1.99%	1.89%	–

Notes:

(1) Translation of the yen amount into dollars has been made at the rate of $1.00 = ¥112.19, the approximate rate of exchange prevailing as of March 31, 2017.

(2) Third-sector products includes benefits related to medical insurance, living benefits and benefits subject to premium payment waiver.

(3) 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.

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

(5) Prior to April 2016, loans payable consisted of ¥100.0 billion of subordinated debt, the repayment of which was subordinated to other senior obligations and which was recorded as other liabilities in our financial statements.

(6) 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.

Other Non-consolidated Data:	As of and for the nine months ended December 31, 2016	2017	2017
	(Billions of yen, millions of dollars and thousands of policies)		
Number of new policies:			
Individual insurance	785	835	–
Individual annuities	160	26	–
Number of policies in force for individual insurance and annuities	11,683	12,022	–
Amount of new policies:			
Individual insurance	¥ 2,097.4	¥ 1,806.7	*$ 15,988*
Individual annuities	¥ 827.9	¥ 137.6	*$ 1,217*
Policy amount in force for individual insurance and annuities	¥ 83,022.5	¥ 79,518.6	*$ 703,704*
Annualized net premium from new policies	¥ 126.2	¥ 90.9	*$ 804*
Annualized net premium from third-sector products(1)	¥ 28.1	¥ 27.9	*$ 246*
Annualized net premium from policies in force(2)	¥ 2,230.8	¥ 2,248.9	*$ 19,901*
Insurance premiums and other	¥ 1,958.4	¥ 1,998.4	*$ 17,685*
Interest, dividends and other income	¥ 499.7	¥ 534.6	*$ 4,731*
Total funds, reserve and surplus(3)	¥ 1,260.5	¥ 1,296.4	*$ 11,472*

Notes:

(1) Third-sector products includes benefits related to medical insurance, living benefits and benefits subject to premium payment waiver.

(2) 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.

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

Other Non-consolidated Regulatory Data

Other Non-consolidated Regulatory Data:	As of and for the year ended March 31, 2013	2014	2015	2016	2017	2017(1)
	(Billions of yen and millions of dollars, except percentages)					
Base profit(2)	¥ 394.5	¥ 460.4	¥ 506.3	¥ 459.9	¥ 472.3	*$ 4,209*
Expense profit(3)	¥ 53.5	¥ 53.5	¥ 44.8	¥ 9.9	¥ 15.8	*$ 140*
Mortality profit(4)	¥ 298.3	¥ 287.5	¥ 292.8	¥ 267.9	¥ 281.6	*$ 2,510*
Interest surplus (positive spread)(5)	¥ 42.5	¥ 119.3	¥ 168.6	¥ 181.9	¥ 174.8	*$ 1,558*
Solvency margin ratio	930.3%	945.5%	1,041.0%	938.5%	945.5%	–
Real net assets(6)	¥ 5,940.5	¥ 6,438.0	¥ 8,899.3	¥ 9,515.6	¥ 9,563.9	*$ 85,247*
General account	¥ 32,240.7	¥ 33,504.5	¥ 35,613.3	¥ 35,789.5	¥ 36,762.7	*$ 327,682*

Notes:

(1) Translation of the yen amount into dollars has been made at the rate of $1.00 = ¥112.19, the approximate rate of exchange prevailing as of March 31, 2017.

(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 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 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) Real net assets is 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.

Other Non-consolidated Regulatory Data:	As of and for the nine months ended December 31, 2016	2017	*2017*
	(Billions of yen and millions of dollars, except percentages)		
Base profit[1]	¥ 302.1	¥ 361.9	*$ 3,202*
Solvency margin ratio	927.8%	957.7%	–
Real net assets[2]	¥ 9,729.3	¥ 10,336.5	*$ 91,473*
General account	¥ 37,186.2	¥ 37,767.6	*$ 334,226*

Notes:

(1) 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 spread). See "Management's Discussion and Analysis of Financial Condition and Results of Operations—Base Profit" for further details.

(2) Real net assets is calculated by subtracting non-capital real liabilities from real assets.

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 April 6, 2018, the latest practicable date for which exchange rate information was available, the noon buying rate for Japanese yen was ¥107.03 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 March 31,	**At end of period**	**Average (of month-end rates)**	**High**	**Low**
	(Yen per dollar)			
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	112.42	120.13	125.58	111.30
2017	111.41	108.31	118.32	100.07
2018	106.20	110.69	114.25	104.83
Nine months ended December 31,				
2017	¥ 112.69	¥ 111.80	¥ 114.25	¥ 107.72
Most recent six months:				
November 2017			¥ 114.25	¥ 111.00
December 2017			113.62	111.88
January 2018			113.18	108.38
February 2018			110.40	106.10
March 2018			106.91	104.83
April 2018 (through April 6, 2018)			107.48	105.99

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, 2017, and the unaudited quarterly consolidated and non-consolidated financial statements as of December 31, 2017 and for the nine months ended December 31, 2016 and 2017. The audited consolidated and non-consolidated financial statements as of March 31, 2017 are included in this offering circular. The unaudited quarterly consolidated and non-consolidated financial statements as of December 31, 2017 and for the nine months ended December 31, 2016 and 2017, are not included in this offering circular.

Consolidated Balance Sheets Information as of March 31, 2017 and December 31, 2017

The following table sets forth balance sheet data on a consolidated basis as of March 31, 2017 and December 31, 2017:

	As of March 31, 2017	As of December 31, 2017	*As of December 31, 2017*
	(Millions of yen and millions of dollars)		
Assets:			
Cash and deposits	¥ 505,583	¥ 519,225	*$ 4,594*
Call loans	90,000	90,000	*796*
Monetary claims bought	220,118	223,257	*1,975*
Money held in trust	200	7,811	*69*
Securities	32,046,079	33,327,363	*294,932*
Loans	5,422,653	5,300,738	*46,909*
Tangible fixed assets	923,175	917,312	*8,117*
Intangible fixed assets	517,358	484,636	*4,288*
Due from agents	1,592	1,269	*11*
Reinsurance receivables	120,163	118,948	*1,052*
Other assets	455,560	421,589	*3,730*
Net defined benefit assets	92,747	105,638	*934*
Deferred tax assets	2,498	1,966	*17*
Customers' liabilities under acceptances and guarantees	20,888	21,727	*192*
Allowance for possible loan losses	(5,848)	(5,132)	*(45)*
Total assets	40,412,770	41,536,352	*367,578*
Liabilities:			
Policy reserves and other reserves	34,302,037	34,786,932	*307,848*
Reserve for outstanding claims	732,370	721,813	*6,387*
Policy reserves	33,332,707	33,782,918	*298,963*
Policyholders' dividend reserves	236,959	282,200	*2,497*
Due to agents	2,990	2,554	*22*
Reinsurance payables	815	1,165	*10*
Bonds payable	409,753	507,892	*4,494*
Other liabilities	531,235	375,238	*3,320*
Net defined benefit liabilities	8,769	8,473	*74*
Reserve for contingent liabilities	1	2	*0*
Reserve for price fluctuation	578,227	659,175	*5,833*
Deferred tax liabilities	433,794	622,587	*5,509*
Deferred tax liabilities for land revaluation	79,910	79,900	*707*
Acceptances and guarantees	20,888	21,727	*192*
Total liabilities	36,368,425	37,065,649	*328,014*
Net Assets:			
Foundation funds	310,000	260,000	*2,300*
Reserve for redemption of foundation funds	520,000	620,000	*5,486*
Reserve for revaluation	452	452	*4*
Surplus	514,726	390,310	*3,454*
Total funds, reserve and surplus	1,345,179	1,270,763	*11,245*
Net unrealized gains on available-for-sale securities	2,542,572	3,055,198	*27,037*
Deferred unrealized gains on derivatives under hedge accounting	39,643	33,648	*297*
Land revaluation differences	117,025	119,164	*1,054*
Foreign currency translation adjustments	(19,750)	(32,476)	*(287)*
Remeasurements of defined benefit plans	15,701	20,365	*180*
Total accumulated other comprehensive income	2,695,192	3,195,900	*28,282*
Non-controlling interests	3,974	4,039	*35*
Total net assets	4,044,345	4,470,703	*39,563*
Total liabilities and net assets	¥ 40,412,770	¥ 41,536,352	*$ 367,578*

We note the following with respect to the consolidated balance sheet data above as of December 31, 2017:

- Our income tax is calculated by applying a reasonably estimated effective tax rate for the full fiscal year to surplus before income taxes and non-controlling interests for the nine months ended December 31, 2017. The effective tax rate is determined by estimating the effective tax rate for the full fiscal year, which includes the nine months ended December 31, 2017, after taking into account the effect of deferred tax accounting. Our income taxes-deferred for the nine months ended December 31, 2017 are included in the income taxes-current in the consolidated statements of income.

- 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. The policy reserves also include reserves which are additionally set aside 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. Policy reserves of certain overseas consolidated subsidiaries are calculated based on each country's accounting standard, such as U.S. GAAP.

- Changes in policyholders' dividend reserves for the nine months ended December 31, 2017 were as follows:

		Nine months ended December 31, 2017
		(Millions of yen)
Balance at the beginning of the fiscal year	¥	236,959
Transfer from surplus in the previous fiscal year		169,815
Dividend payments to policyholders during the nine-month period		(124,691)
Interest accrued during the nine-month period		116
Balance at the end of the nine-month period	¥	282,200

- We offered foundation funds in the amount of ¥50,000 million pursuant to Article 60 of the Insurance Business Act during the nine months ended December 31, 2017.

- We 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 ¥100,000 million during the nine months ended December 31, 2017.

- Securities loaned under security lending agreements, including securities under securities borrowing transactions with cash collateral, amounted to ¥1,782,082 million as of December 31, 2017.

- As of December 31, 2017, bonds payable in liabilities comprised subordinated bonds and foreign currency denominated subordinated bonds of ¥478,872 million, the repayments of which are subordinated to other obligations.

- The Tax Cuts and Jobs Act was enacted in the U.S. on December 22, 2017. Due to the Act, the federal corporate income tax rate was reduced from 35% to 21% and deferred tax assets and liabilities recorded by U.S. based consolidated subsidiaries was changed. The fiscal year-end of these subsidiaries differ from the year-end of our consolidated financial statements. Our consolidated financial results for the nine months ended December 31, 2017 are prepared using the financial results of these subsidiaries for the nine months ended September 30, 2017. Therefore, the aforementioned change is disclosed as a significant subsequent event. We are currently assessing the impact of the enactment of the Act on our consolidated financial statements for the year ended March 31, 2018.

Consolidated Income and Comprehensive Income Information for the Nine Months Ended December 31, 2016 and 2017

The following table sets forth consolidated statement of income data for the nine months ended December 31, 2016 and 2017:

	Nine months ended December 31, 2016	Nine months ended December 31, 2017	*Nine months ended December 31, 2017*
	(Millions of yen and millions of dollars)		
Ordinary Income:			
Insurance premiums and other	¥ 2,112,854	¥ 2,225,065	*$ 19,690*
Investment income	603,941	697,973	*6,176*
Interest, dividends and other income	532,511	585,385	*5,180*
Gains on money held in trust	–	20	*0*
Gains on sales of securities	11,048	6,573	*58*
Investment gains on separate accounts	14,620	60,077	*531*
Other ordinary income	102,808	93,769	*829*
Total ordinary income	2,819,604	3,016,808	*26,697*
Ordinary Expenses:			
Benefits and other payments	1,741,868	1,801,551	*15,942*
Claims paid	449,189	568,442	*5,030*
Annuity payments	515,460	486,945	*4,309*
Benefit payments	354,689	374,857	*3,317*
Surrender benefits	352,047	308,799	*2,732*
Provision for policy reserves and other reserves	279,529	351,571	*3,111*
Provision for reserve for outstanding claims	–	6,611	*58*
Provision for policy reserves	279,421	344,879	*3,052*
Provision for interest on policyholders' dividend reserves	108	80	*0*
Investment expenses	156,232	135,427	*1,198*
Interest expenses	19,785	24,556	*217*
Losses on sales of securities	26,867	14,645	*129*
Losses on valuation of securities	17,599	347	*3*
Operating expenses	318,382	348,045	*3,080*
Other ordinary expenses	153,602	131,860	*1,166*
Total ordinary expenses	2,649,615	2,768,456	*24,499*
Ordinary profit	169,989	248,351	*2,197*
Extraordinary gains	1,231	53	*0*
Gains on disposal of fixed assets	1,231	53	*0*
Extraordinary losses	29,897	83,250	*736*
Losses on disposals of fixed assets	1,011	992	*8*
Impairment losses	533	782	*6*
Provision for reserve for contingent liabilities	0	0	*0*
Provision for reserve for price fluctuation	27,509	80,957	*716*
Losses on reduction entry of real estate	333	–	–
Contributions for promotion of social welfare project	506	507	*4*
Other extraordinary losses	1	9	*0*
Surplus before income taxes and non-controlling interests	141,323	165,154	*1,461*
Income taxes	16,637	15,474	*136*
Current	17,349	18,616	*164*
Deferred	(711)	(3,142)	*(27)*
Net surplus	124,685	149,680	*1,324*
Net surplus attributable to non-controlling interests	554	297	*2*
Net surplus attributable to the parent company	¥ 124,131	¥ 149,383	*$ 1,321*

We note the following with respect to the consolidated statement of income data above for the nine months ended December 31, 2017:

- The details of our impairment losses on fixed assets are as follows:
  - Method for grouping the assets: We and certain of our consolidated subsidiaries group all the fixed assets held and utilized mainly for the 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 nine months ended December 31, 2017, 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. 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 in the consolidated statements of income.

- 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	5	¥ 272	¥ 510	¥ 782
Total	5	¥ 272	¥ 510	¥ 782

- 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 mainly determined as the estimated net future cash flows, reflecting the volatility risk, discounted at 1.92% for the nine months ended December 31, 2017. 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 and amortization of goodwill for the nine months ended December 31, 2017 was ¥43,796 million and ¥5,899 million, respectively.

The following table sets forth our consolidated statement of comprehensive income data for the nine months ended December 31, 2016 and 2017:

	Nine months ended December 31, 2016	Nine months ended December 31, 2017	*Nine months ended December 31, 2017*
	(Millions of yen and millions of dollars)		
Net surplus	¥ 124,685	¥ 149,680	*$ 1,324*
Other comprehensive income	288,717	498,572	*4,412*
Net unrealized gains on available-for-sale securities	361,400	511,074	*4,522*
Deferred unrealized gains (losses) on derivatives under hedge accounting	(940)	(5,994)	*(53)*
Land revaluation differences	34	–	–
Foreign currency translation adjustments	(70,197)	(19,984)	*(176)*
Remeasurements of defined benefit plans	15,563	4,667	*41*
Share of other comprehensive income (loss) of associates accounted for under the equity method	(17,141)	8,808	*77*
Comprehensive income (loss)	¥ 413,403	¥ 648,252	*$ 5,736*
Comprehensive income (loss) attributable to the Parent Company	412,805	647,952	*5,734*
Comprehensive income (loss) attributable to non-controlling interests	598	300	*2*

Non-consolidated Balance Sheets Information as of March 31, 2017 and December 31, 2017

The following table sets forth balance sheet data on a non-consolidated basis as of March 31, 2017 and December 31, 2017:

	As of March 31, 2017	As of December 31, 2017	*As of December 31, 2017*
	(Millions of yen and millions of dollars)		
Assets:			
Cash and deposits	¥ 323,509	¥ 353,236	*$ 3,125*
Call loans	90,000	90,000	*796*
Monetary claims bought	220,118	223,257	*1,975*
Money held in trust	–	5,811	*51*
Securities	30,863,410	32,012,008	*283,292*
National government bonds	14,309,347	14,413,009	*127,548*
Local government bonds	612,257	543,593	*4,810*
Corporate bonds	2,200,671	2,331,311	*20,631*
Domestic stocks	4,279,285	4,895,123	*43,319*
Foreign securities	8,703,539	8,834,526	*78,181*
Loans	4,681,981	4,542,332	*40,197*
Policy loans	260,726	251,818	*2,228*
Industrial and consumer loans	4,421,255	4,290,513	*37,969*
Tangible fixed assets	882,414	874,930	*7,742*
Intangible fixed assets	76,978	75,912	*671*
Due from agents	–	–	–
Reinsurance receivables	612	529	*4*
Other assets	336,566	344,190	*3,045*
Prepaid pension cost	70,844	77,232	*683*
Customers' liabilities under acceptances and guarantees	20,888	21,727	*192*
Allowance for possible loan losses	(5,848)	(5,131)	*(45)*
Total assets	37,561,475	38,616,036	*341,734*
Liabilities:			
Policy reserves and other reserves	31,731,653	32,115,835	*284,210*
Reserve for outstanding claims	111,491	107,325	*949*
Policy reserves	31,383,201	31,726,308	*280,763*
Policyholders' dividend reserves	236,959	282,200	*2,497*
Reinsurance payables	688	972	*8*
Bonds payable	353,310	453,310	*4,011*
Other liabilities	401,130	266,671	*2,359*
Asset retirement obligations	3,159	3,207	*28*
Other liabilities	397,971	263,464	*2,331*
Accrued retirement benefits for directors and executive officers	–	–	–
Reserve for contingent liabilities	1	2	*0*
Reserve for price fluctuation	577,545	658,466	*5,827*
Deferred tax liabilities	338,745	532,535	*4,712*
Deferred tax liabilities for land revaluation	79,910	79,900	*707*
Acceptances and guarantees	20,888	21,727	*192*
Total liabilities	33,503,874	34,129,423	*302,030*

	As of March 31, 2017	As of December 31, 2017	*As of December 31, 2017*
	(Millions of yen and millions of dollars)		
Net Assets:			
Foundation funds	¥ 310,000	¥ 260,000	*$ 2,300*
Reserve for redemption of foundation funds	520,000	620,000	*5,486*
Reserve for revaluation	452	452	*4*
Surplus	538,395	415,961	*3,681*
Reserve for future losses	10,387	10,902	*96*
Other surplus	528,007	405,059	*3,584*
Reserve for fund redemption	134,000	96,000	*849*
Fund for price fluctuation allowance	29,764	29,764	*263*
Reserve for promotion of social welfare project	18	94	*0*
Reserve for business infrastructure	100,000	100,000	*884*
Reserve for reduction entry of real estate	24,882	27,380	*242*
Special reserves	2,000	2,000	*17*
Other reserves	85	85	*0*
Unappropriated surplus	237,256	149,734	*1,325*
Total funds, reserve and surplus	1,368,848	1,296,414	*11,472*
Net unrealized gains on available-for-sale securities	2,533,850	3,037,386	*26,879*
Deferred unrealized gains on derivatives under hedge accounting	37,876	33,648	*297*
Land revaluation differences	117,025	119,164	*1,054*
Total unrealized gains, revaluation reserves and adjustments	2,688,753	3,190,199	*28,231*
Total net assets	4,057,601	4,486,613	*39,704*
Total liabilities and net assets	¥ 37,561,475	¥ 38,616,036	*$ 341,734*

We note the following with respect to the above non-consolidated balance sheet data as of December 31, 2017:

- Our income tax is calculated by applying a reasonably estimated effective tax rate for the full fiscal year to surplus before income taxes and non-controlling interests for the nine months ended December 31, 2017. The effective tax rate is determined by estimating the effective tax rate for the full fiscal year, which includes the nine months ended December 31, 2017, after taking into account the effect of deferred tax accounting. Our income taxes-deferred for the nine months ended December 31, 2017 are included in the income taxes-current in the non-consolidated statements of income.

- 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. The policy reserves also include reserves which are additionally set aside 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 nine months ended December 31, 2017 were as follows:

	Nine months ended December 31, 2017
	(Millions of yen)
Balance at the beginning of the fiscal year	¥ 236,959
Transfer from surplus in the previous fiscal year	169,815
Dividend payments to policyholders during the nine-month period	(124,691)
Interest accrued during the nine-month period	116
Balance at the end of the nine-month period	¥ 282,200

- We offered foundation funds in the amount of ¥50,000 million pursuant to Article 60 of the Insurance Business Act during the nine months ended December 31, 2017.

- We 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 ¥100,000 million during the nine months ended December 31, 2017.

- Securities loaned under security lending agreements, including securities under securities borrowing transactions, amounted to ¥1,782,082 million as of December 31, 2017.

- As of December 31, 2017, bonds payable in liabilities comprised subordinated bonds and foreign currency denominated subordinated bonds, the repayments of which are subordinated to other obligations.

- Other liabilities included cash collateral received of ¥50,036 million held in connection with securities borrowing transactions.

Non-consolidated Income Information for the Nine Months Ended December 31, 2016 and 2017

The following table sets forth non-consolidated statement of income data for the nine months ended December 31, 2016 and 2017:

	Nine months ended December 31, 2016	**Nine months ended December 31, 2017**	***Nine months ended December 31, 2017***
	(Millions of yen and millions of dollars)		
Ordinary Income:			
Insurance premiums and other	¥ 1,958,499	¥ 1,998,412	*$ 17,685*
Insurance premiums	1,957,564	1,997,962	*17,681*
Investment income	568,826	642,878	*5,689*
Interest, dividends and other income	499,799	534,665	*4,731*
Gains on money held in trust	-	19	*0*
Gains on sales of securities	9,695	4,524	*40*
Investment gains on separate accounts	14,620	60,077	*531*
Other ordinary income	85,142	73,979	*654*
Total ordinary income	2,612,467	2,715,270	*24,028*
Ordinary Expenses:			
Benefits and other payments	1,631,361	1,638,731	*14,502*
Claims paid	404,795	502,744	*4,449*
Annuity payments	514,306	485,390	*4,295*
Benefit payments	290,479	280,185	*2,479*
Surrender benefits	351,299	307,905	*2,724*
Other refunds	66,573	58,143	*514*
Provision for policy reserves and other reserves	277,702	343,187	*3,037*
Provision for policy reserves	277,593	343,106	*3,036*
Provision for interest on policyholders' dividend reserves	108	80	*0*
Investment expenses	140,046	114,392	*1,012*
Interest expenses	8,931	7,432	*65*
Losses on sales of securities	26,768	14,556	*128*
Losses on valuation of securities	17,488	113	*1*
Losses on derivative financial instruments	65,966	71,187	*629*
Operating expenses	262,126	265,935	*2,353*
Other ordinary expenses	131,661	106,487	*942*
Total ordinary expenses	2,442,897	2,468,734	*21,847*
Ordinary profit	169,569	246,536	*2,181*

	Nine months ended December 31, 2016	Nine months ended December 31, 2017	*Nine months ended December 31, 2017*
	(Millions of yen and millions of dollars)		
Extraordinary gains	1,030	52	*0*
Gains on disposal of fixed assets	1,030	52	*0*
Extraordinary losses	29,766	83,102	*735*
Losses on disposals of fixed assets	1,006	982	*8*
Impairment losses	430	690	*6*
Provision for reserve for contingent liabilities	0	0	*0*
Provision for reserve for price fluctuation	27,489	80,921	*716*
Losses on reduction of real estate	333	-	-
Contributions for promotion of social welfare project	506	507	*4*
Surplus before income taxes	140,833	163,487	*1,446*
Income taxes	13,064	12,120	*107*
Net surplus	¥ 127,769	¥ 151,366	*$ 1,339*

We note the following with respect to the above non-consolidated statement of income data for the nine months ended December 31, 2017:

- 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 mainly for the 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 nine months ended December 31, 2017, 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. 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 in the non-consolidated statements of income.

  - 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	4	¥ 272	¥ 418	¥ 690
Total	4	¥ 272	¥ 418	¥ 690

  - 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 mainly determined as the estimated net future cash flows, reflecting the volatility risk, discounted at 1.92% for the nine months ended December 31, 2017. 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 also contains other data that is not derived directly from our financial statements, including data that life insurance companies in Japan are required to prepare and disclose in accordance with requirements of the Insurance Business Act or disclosure standards promulgated by the FSA or the Life Insurance Association, or that is otherwise prepared and disclosed in accordance with principles or methodologies that are widely adopted among Japanese and other life insurance companies, such as the European Embedded Value Principles and related guidance published by the CFO Forum. We believe this data provides prospective investors with meaningful and important information regarding our overall business results or financial condition when viewed in the context of our financial statements prepared in accordance with Japanese GAAP. Such data is not intended to be a substitute for financial data prepared in accordance with Japanese GAAP.

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 September 30, 2017, we offered services and products to over 6.6 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 74.0% and 73.8% of our total ordinary income for the year ended March 31, 2017 and the nine months ended December 31, 2017, respectively.

As of March 31, 2017 and December 31, 2017, our consolidated total assets amounted to ¥40,412.7 billion and ¥41,536.3 billion, respectively, and our non-consolidated total assets amounted to ¥37,561.4 billion and ¥38,616.0 billion, respectively. Our consolidated insurance premiums and other amounted to ¥2,866.3 billion and ¥2,225.0 billion for the year ended March 31, 2017 and the nine months ended December 31, 2017, respectively. As of December 31, 2017, we had a consolidated solvency margin ratio of 1,011.5% (approximately 5.1 times the minimum regulatory requirement) and a non-consolidated solvency margin ratio of 957.7% (approximately 4.8 times the minimum regulatory requirement), and we currently have financial strength ratings of A1 from Moody's, A from Standard & Poor's, AA- from R&I and AA- from JCR.

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 approximately 90%. However, total policy amount in force and penetration rates for the Japanese market have generally been in decline in recent years, due in part to an aging population and shifts in demand reflecting changes in consumer lifestyles and preferences, including later marriages and low birthrates, and we expect this trend to continue. Nevertheless, 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. In addition, as a result of the continuing low-interest rate environment, the standard prospective yield has been revised downward by the FSA several times in the past five years, including most recently in April 2017, impacting the life insurance market as a whole. See "—Provision for Policy Reserves." In this environment, 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 acquisition in March 2016 of StanCorp, a U.S. life insurance group, 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.

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. In April 2013, the BOJ introduced a plan for quantitative and qualitative monetary easing, which was later expanded. Further, in June 2013, the Abe government announced a number of structural reforms to complement the economic stimulus measures. The reforms and stimulus measures implemented thus far have generally produced positive results, including rising stock prices, but the long-term effects on Japan's economy, financial markets, trade balance, interest rates and fiscal position remain uncertain. Particular concerns include the prospect for ending deflation and reaching the BOJ's 2% inflation target, the potential consequences of an increasing budget deficit, volatility of the yen against the U.S. dollar and euro and stagnating or decreasing consumer demand and related impacts on the Japanese stock market. In addition, the introduction of a negative interest rate policy by the BOJ in early 2016 and other changes in fiscal and monetary policies could have an unforeseen impact on Japan's financial markets and economy. Changes to laws and regulations, such as the planned increase in the Japanese consumption tax from 8% to 10%, which is expected to take effect in October 2019, could hurt consumer sentiment and weaken demand, negatively affecting the Japanese economy.

Recent economic indicators in Japan include the following:

- After reaching a 15-year high of 20,952.71 on June 24, 2015, the Nikkei 225 Index has continued to experience volatility. In June 2016, it fell back to the 14,000 level, but supported by improved economic and market conditions globally and the ongoing economic stimulus measures by the Abe administration and the BOJ, the Nikkei 225 Index recovered and crossed the 20,000 level again in June 2017. As of April 12, 2018, it had increased to 21,660.28.

- The BOJ has continued to maintain interest rates around 0%, and the yield on 10-year JGBs entered negative territory for the first time in history during the year ended March 31, 2016 and set a record low of minus 0.029% in July 2016. In part due to the BOJ's introduction of yield curve control, the 10-year JGB yield subsequently increased and stabilized. As of April 12, 2018, the yield on 10-year JGBs was 0.026%.

- In response to, among other things, the BOJ's monetary easing, the yen weakened significantly against the dollar and the euro after 2013, at one point reaching the ¥125 level against the dollar in early June 2015. However, exchange rates have been volatile. The yen strengthened to the ¥100 level against the dollar in September 2016, before weakening again to an average of the ¥112 level in 2017. In recent months, the yen has appreciated somewhat against the dollar as a result of expected interest rate increases in the United States. Against the euro, the yen strengthened to the ¥115 level in June 2016, but has generally weakened since, reaching the ¥135 level by the end of 2017. As of April 12, 2018, the yen to dollar and yen to euro central spot exchange rates at 17:00 JST, according to the BOJ, were ¥106.91 and ¥132.24, respectively.

- The seasonally adjusted unemployment rate in Japan was 3.4%, 3.1% and 2.8% as of December 31, 2015, 2016 and 2017, 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 ¥1,761.6 trillion as of March 31, 2016 to ¥1,809.4 trillion as of March 31, 2017, according to data released by the BOJ.

- Japan's real GDP decreased year on year by 0.3% in the year ended March 31, 2015, but increased by 1.4% and 1.2% in the years ended March 31, 2016 and 2017, respectively, according to the Cabinet Office. According to data published by the Cabinet Office, Japan's real GDP increased at an annualized rate of 0.5% during the three months ended December 31, 2017, primarily reflecting private non-residential investment.

- Real estate prices (*koji-kakaku*) increased during the years ended December 31, 2016 and 2017, and over that period residential property prices have been steady and commercial property prices have increased, according to the Ministry of Land, Infrastructure, Transport and Tourism of Japan. Average real estate prices in Tokyo, Osaka and Nagoya increased in each of the years ended December 31, 2015, 2016 and 2017 but remain subject to uncertainty.

In addition, Japan's economy is affected by global economic conditions, which remain uncertain. Outside of Japan, the global economic recovery has continued to be strong, among both developed and emerging countries, with countries representing three quarters of the world GDP having experienced an increase in growth year-on-year in 2017, according to the International Monetary Fund. Global economic growth has been bolstered by recent tax reforms in the United States and associated fiscal stimulus. Since December 2015, the Federal Open Market Committee has raised the target range for the federal funds rate six times, including most recently from 1.5% to 1.75% in March 2018. Despite this positive trend, the outlook of the global economy remains uncertain due to factors such as heightened geopolitical risks posed by the potential threat of North Korea's nuclear weapons program, as well as the United Kingdom's anticipated exit from the European Union and the uncertain impact of the policies pursued by the presidential administration in the United States.

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, 2013, 2014, 2015, 2016 and 2017, our surrender, lapse and partial surrender rate 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 4.11%, 3.95%, 3.82%, 3.81% and 3.63%, respectively. Annualized premiums from individual insurance and individual annuities products have increased steadily for the previous three years, amounting to ¥2,141.3 billion for the year ended March 31, 2015, ¥2,196.6 billion for the year ended March 31, 2016 and ¥2,250.0 billion for the year ended March 31, 2017.

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, 2017, approximately 79.6% 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, 2017, approximately 18.8% (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 deliberately controlled the amount of sales of yen-denominated single premium individual whole life insurance policies per financial institution in recent years through the suspension of sales of such products to mitigate the risk of large numbers of surrenders in the event of an interest rate increase.

- *After-sales service*. Surrender, lapse and partial surrender rate with respect to individual life insurance and individual annuities have improved over the past ten 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. 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 12.7%, compared to the population in 2015, to 110.92 million in total by 2040, among which 35.3% will be over the age of 65, an approximately 8.7% increase from the share of the population over the age of 65 in 2015. The population of all prefectures is expected to be lower compared to 2015. 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.

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.

As discussed above, in response to reduced assumed yields due to the prolonged period of ultra-low interest rates, we have been deliberately controlling sales of certain of our products, such as our savings-type products and group pensions. By contrast, we have expanded our offering of foreign currency denominated single premiums products, such as our recently launched foreign currency denominated endowment insurance with a single lump-sum premium payment.

Performance of Our Investment Portfolio

We hold large investments in domestic bonds and loans, 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 increased in the year ended March 31, 2017 compared to the years ended March 31, 2015 and 2016, 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 interest income from foreign currency denominated bonds and an increase in dividends from domestic 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:

- Standard mortality rates used in calculating the standard policy reserve are based on the rates set forth in the standard mortality table established by the Institute of Actuaries of Japan (the "IAJ") and confirmed by the Commissioner of the FSA. The standard mortality table was recently revised for the first time in 11 years, and may require us to decrease the policy reserve for certain new insurance policies sold on and after April 1, 2018. This has resulted in lower premiums from group insurance products and in changes in premiums for other insurance products.

- 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. In recent years, in response to a prolonged low-interest rate environment, the FSA has revised the standard prospective yields downward several times for insurance products sold in Japan. We have deliberately controlled our sales of insurance products that have predominantly been affected by these revisions and which require increasing policy reserves, such as single premium products, thereby controlling our policy reserves.

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 the 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 31,958 sales representatives as of September 30, 2017, as compared to 31,421 and 30,531 sales representatives as of March 31, 2017 and 2016, respectively.

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, 2017 and the nine months ended December 31, 2017, revenues from insurance premiums and other accounted for 74.0% and 73.8% 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, 2017 and the nine months ended December 31, 2017, investment income accounted for 22.5% and 23.1% of our ordinary income, respectively.

Interest, dividends and other income, gains on sales of securities and gains on redemption of securities have generally been the largest components of our total investment income. Interest, dividends and other income accounted for 88.6% and 83.9% of our total investment income during the year ended March 31, 2017 and the nine months ended December 31, 2017, respectively. Gains on sales of securities accounted for 2.8% and 0.9% of our total investment income during the year ended March 31, 2017 and the nine months ended December 31, 2017, 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 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 December 31, 2017, 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, 2017 and the nine months ended December 31, 2017, benefits and other payments accounted for 66.9% and 65.1%, 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, 2017 and the nine months ended December 31, 2017, provision for policy reserves and other reserves accounted for 9.3% and 12.7%, 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 end 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 interest on 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 of expenses related to new policy solicitation, management of outstanding policies and payments of benefits, and include 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 related expenses, and include sales commission and remuneration paid to our sales representatives. Marketing administration primarily includes expenses related to advertising as well as those related to our sales offices.

- General and administrative expenses include personnel costs of employees engaged in non-sales activities and expenses for managing policies with insurance handling systems.

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, 2015, 2016 and 2017 and for the nine months ended December 31, 2016 and 2017 and reconcile our 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,		
	2015	**2016**	**2017**
	(Billions of yen)		
Base revenues:			
Insurance premiums and other	¥ 3,408.4	¥ 3,357.8	¥ 2,615.8
Investment income (excluding capital gains)	842.8	779.9	794.4
Total base revenues	¥ 4,372.3	¥ 4,227.2	¥ 3,520.5
Base expenses:			
Benefits and other payments	¥ 2,596.3	¥ 2,301.1	¥ 2,204.0
Provision for policy reserves (excluding those deemed to be temporary gains/losses)	717.4	853.8	283.1
Investment expenses (excluding capital losses)	23.9	57.2	37.0
Operating expenses	348.4	355.6	350.3
Total base expenses	¥ 3,866.0	¥ 3,767.3	¥ 3,048.2
Base profit (a)	¥ 506.3	¥ 459.9	¥ 472.3
Net capital gains (losses) (b)	114.3	(113.5)	(113.0)
Temporary gains (losses) (c)	(236.7)	(45.4)	(40.8)
Ordinary profit (a+b+c)	¥ 383.8	¥ 300.9	¥ 318.4

	Nine months ended December 31,	
	2016	**2017**
	(Billions of yen)	
Base profit (a) [(1)]	¥ 302.1	¥ 361.9
Net capital gains (losses) (b) [(1)]	(99.5)	(81.6)
Temporary gains (losses) (c)	(32.9)	(33.7)
Ordinary profit (a+b+c)	¥ 169.5	¥ 246.5

Note:

(1) The figures for the nine months ended December 31, 2017 reflect changes in the calculation of base profit whereby we excluded the changes of surrender benefits related to market value adjustment and the changes of exchange rate fluctuations related to foreign currency denominated insurance policies from base profit. The changes have not been retroactively applied to any periods prior to the nine months ended December 31, 2017. However, if such changes were applied to the results of the nine months ended December 31, 2016, the effects of the changes in the calculation would be a ¥3.0 billion increase for base profit and ¥3.0 billion decrease for net capital gains (losses).

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, 2015, 2016 and 2017 and for the six months ended September 30, 2016 and 2017 in terms of expense profit, mortality profit and interest surplus:

	Year ended March 31,			Six months ended September 30,	
	2015	2016	2017	2016	2017
	(Billions of yen)				
Expense profit	¥ 44.8	¥ 9.9	¥ 15.8	¥ 2.8	¥ 11.5
Mortality profit	292.8	267.9	281.6	139.8	148.1
Interest surplus	168.6	181.9	174.8	67.1	97.4
Base profit	¥ 506.3	¥ 459.9	¥ 472.3	¥ 209.8	¥ 257.1

Our base profit increased by ¥12.4 billion, or 2.7%, to ¥472.3 billion for the year ended March 31, 2017 from ¥459.9 billion for the year ended March 31, 2016, primarily due to an increase in mortality profit.

Our base profit increased by ¥59.8 billion, or 19.8%, to ¥361.9 billion for the nine months ended December 31, 2017 from ¥302.1 billion for the nine months ended December 31, 2016, primarily due to an increase in interest income from foreign currency denominated bonds and an increase in dividends from domestic stocks.

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 an increase in single premium policies that have lower 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	2015-2016	2017
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%	0.25-1.00%

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

	Year ended March 31,				
	2013	2014	2015	2016	2017
Average assumed interest rates	2.16%	2.09%	2.03%	1.97%	1.92%
Average actual yield	2.33%	2.54%	2.64%	2.60%	2.52%
Interest surplus (billions)	¥ 42.5	¥ 119.3	¥ 168.6	¥ 181.9	¥ 174.8

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 sixth consecutive year at the closing of accounts for the year ended March 31, 2017. Our ability to record interest surplus in future periods, however, is subject to uncertainties.

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 December 31,
	2014	2015	2016	2017	2017
	(Billions of yen)				
Domestic bonds	¥ 1,105.5	¥ 1,673.5	¥ 3,161.0	¥ 2,587.7	¥ 2,597.4
Domestic stocks	1,461.7	2,417.2	1,787.7	2,348.2	2,938.9
Foreign securities	569.0	1,137.1	828.7	674.1	760.8
Foreign bonds	422.4	931.1	706.1	533.7	550.2
Foreign stocks	146.6	205.9	122.5	140.3	210.6
Other securities	20.9	34.7	23.0	44.8	85.0
Monetary claims bought	13.0	14.1	19.8	11.9	9.7
Negotiable deposits	(0.0)	0.0	(0.0)	(0.0)	(0.0)
Cash in trust	-	-	-	-	0.5
Total net unrealized gains	¥ 3,170.4	¥ 5,276.7	¥ 5,820.4	¥ 5,666.9	¥ 6,392.5

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 principal changes in net unrealized gains on investment assets reflect an increase in domestic bonds due to the drop in interest rates and fluctuations in market prices for domestic stocks in the years ended March 31, 2014 through 2017.

Recent Changes in Accounting Standards

See the notes to our audited consolidated financial statements as of and for the years ended March 31, 2016 and 2017 included elsewhere in this offering circular for a description of recently adopted accounting pronouncements.

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, 2015, 2016 and 2017 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, 2017, we recognized ¥12.0 billion in losses on valuation of securities on a non-consolidated basis.

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:

- the ratio of the market value of the security on the final day of the fiscal year (for equity securities, the average market value of the security in the month preceding the final day of the fiscal year) to the acquisition cost is 50% or less; and

- the ratio of the market value of the security on the final day of the fiscal year (for equity securities, the average market value of the security in the month preceding the final day of the fiscal year) to the acquisition cost is equal to or greater than 50% and less than 70% and for which the fair value of the security 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 ¥667.3 billion, ¥675.6 billion and ¥681.5 billion in the years ended March 31, 2015, 2016 and 2017, respectively. Our contingency reserve as of December 31, 2017 totaled ¥691.5 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 ¥492.9 billion, ¥522.1 billion and ¥578.2 billion in the years ended March 31, 2015, 2016 and 2017, respectively. Our reserve for price fluctuation as of December 31, 2017 totaled ¥659.1 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, 2015, 2016 and 2017 and the nine months ended December 31, 2016 and 2017:

	Year ended March 31,			Nine months ended December 31,	
	2015	2016	2017	2016	2017
	(Billions of yen)				
Ordinary income:					
Insurance premiums and other	¥ 3,431.4	¥ 3,381.6	¥ 2,866.3	¥ 2,112.8	¥ 2,225.0
Investment income	1,030.4	788.7	871.4	603.9	697.9
Other ordinary income	137.9	106.1	137.6	102.8	93.7
Total ordinary income	¥ 4,599.8	¥ 4,276.5	¥ 3,875.4	¥ 2,819.6	¥ 3,016.8
Ordinary expenses:					
Benefits and other payments	¥ 2,607.5	¥ 2,312.1	¥ 2,383.2	¥ 1,741.8	¥ 1,801.5
Provision for policy reserves and other reserves	955.7	900.5	331.8	279.5	351.5
Investment expenses	97.9	182.0	197.0	156.2	135.4
Operating expenses	361.5	372.2	439.7	318.3	348.0
Other ordinary expenses	190.5	210.3	208.7	153.6	131.8
Total ordinary expenses	¥ 4,213.3	¥ 3,977.4	¥ 3,560.5	¥ 2,649.6	¥ 2,768.4
Ordinary profit	¥ 386.4	¥ 299.1	¥ 314.8	¥ 169.9	¥ 248.3
Extraordinary gains	5.9	2.6	2.0	1.2	0.0
Extraordinary losses	28.1	40.1	64.5	29.8	83.2
Surplus before income taxes and non-controlling interests(1)	¥ 364.3	¥ 261.5	¥ 252.4	¥ 141.3	¥ 165.1
Income taxes:					
Current	¥ 119.7	¥ 54.6	¥ 38.0	¥ 17.3	¥ 18.6
Deferred	(21.1)	(7.7)	(10.1)	(0.7)	(3.1)
Net surplus(1)	¥ 265.7	¥ 214.6	¥ 224.6	¥ 124.6	¥ 149.6
Net surplus attributable to non-controlling interests(1)	0.3	0.5	0.8	0.5	0.2
Net surplus attributable to the Parent Company(1)	¥ 265.4	¥ 214.0	¥ 223.7	¥ 124.1	¥ 149.3

Note:

(1) From the year ended March 31, 2016, "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. For purposes of this table, we have used the changed names of the line items in showing the numbers for the year ended March 31, 2015 as well.

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

	Year ended March 31,			Nine months ended December 31,	
	2015	2016	2017	2016	2017
	(Billions of yen)				
Policies in force(1):					
Individual insurance	¥ 1,477.2	¥ 1,527.4	¥ 1,561.1	¥ 1,549.2	¥ 1,573.8
Individual annuities	664.1	669.2	688.8	681.5	675.1
Total	¥ 2,141.3	¥ 2,196.6	¥ 2,250.0	¥ 2,230.8	¥ 2,248.9
Medical insurance, living benefits and others(2)	¥ 353.7	¥ 367.9	¥ 382.2	¥ 379.0	¥ 392.8
New policies(1)(3):					
Individual insurance	¥ 131.3	¥ 145.6	¥ 127.6	¥ 91.4	¥ 86.0
Individual annuities	37.8	39.3	52.2	34.7	4.8
Total	¥ 169.2	¥ 184.9	¥ 179.9	¥ 126.2	¥ 90.9
Medical insurance, living benefits and others(2)	¥ 32.6	¥ 36.3	¥ 36.5	¥ 28.1	¥ 27.9

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 insurance, living benefits and others 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,		
	2015	2016	2017
	(Billions of yen)		
Individual insurance	¥ 1,863.3	¥ 1,821.1	¥ 1,277.4
Individual annuities	354.0	346.8	385.6
Group insurance	309.5	310.5	313.0
Group annuities	837.7	841.8	602.8
Total	¥ 3,407.9	¥ 3,357.0	¥ 2,614.7

Number of Policies and Policy Amounts for Our Main Product Lines

The following tables set forth changes in the number of policies and policy amounts in force of our main product lines for the years ended March 31, 2015, 2016 and 2017 on a non-consolidated basis. See also "Business—Products and Services."

Individual insurance

Individual insurance is our largest 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. In June 2016, we launched two new riders for “Best Style,” a serious disease rider with ongoing coverage and a whole life annuity rider with nursing care support. 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 22 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 addition, in October 2016, with the aim to capture new customers not enrolled in any insurance policy, in particular the younger customers in their 20s and 30s, we launched a new series of products under the name “Simple Insurance Series Light! By Meiji Yasuda Life,” which provides products that are designed to be “simple,” “small amount” and “easy-to-understand.”

New business in individual insurance increased in terms of number of policies and decreased in terms of policy amounts year on year during the year ended March 31, 2017. The increase in number of policies was due to favorable sales of our “Best Style” and “Simple Insurance Series Light! By Meiji Yasuda Life” products. The decrease in new policy amounts was due to the deliberate control of sales of savings-type products. Total outstanding policy amounts in force for individual insurance have also continued to decrease in line with this trend. See “Business—Products and Services—Individual Insurance.”

	Year ended March 31,					
	2015		**2016**		**2017**	
	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	8,800.0	¥ 78,971.9	8,797.7	¥ 74,463.2	8,925.0	¥ 71,193.7
Increase due to:						
New policies	582.4	3,219.1	697.8	3,460.2	783.4	2,866.8
Renewals	1,325.6	2,454.4	1,356.5	2,322.7	1,404.4	2,393.1
Reinstatements	20.7	238.7	21.8	239.3	23.3	237.6
Increase of insurance amount	–	0.0	–	0.0	–	0.0
Conversion	426.2	7,265.7	306.3	4,823.2	312.8	4,517.1
Decrease due to:						
Death	50.1	309.9	52.2	309.9	53.9	312.3
Maturity	1,498.3	3,724.3	1,513.0	3,459.6	1,554.2	3,424.1
Decrease of insurance amount	–	773.8	–	650.8	–	608.7
Decrease from conversion	428.4	8,965.0	308.1	6,040.2	316.1	5,555.6
Cancellation	328.1	3,210.3	328.3	2,978.8	317.2	2,738.0
Expiration	49.8	530.2	50.6	517.4	52.1	496.9
Decrease due to other changes	2.3	172.9	2.7	158.0	2.9	30.4
At period-end	8,797.7	74,463.2	8,925.0	71,193.7	9,152.5	68,042.2
Net increase (decrease)	(2.2)	¥ (4,508.6)	127.2	¥ (3,269.5)	227.5	¥ (3,151.4)

Individual annuities

In advance of the downward revision of the standard prospective yield in April 2017, the number of policies for individual annuities increased year on year during the years ended March 31, 2016 and 2017. Policy amounts for individual annuities have also increased year on year during the year ended March 31, 2017. See "Business—Products and Services—Individual Annuities."

	Year ended March 31,					
	2015		2016		2017	
	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	2,451.9	¥ 13,868.5	2,486.2	¥ 13,866.2	2,553.5	¥ 14,003.5
Increase due to:						
New policies	167.3	849.9	186.0	908.9	248.0	1,268.4
Reinstatements	2.0	12.4	2.0	11.1	2.8	14.9
Increase of insurance amount	–	0.0	–	0.0	–	0.0
Conversion	–	–	–	–	–	–
Decrease due to:						
Death	5.8	34.1	5.2	29.1	5.1	26.5
Completion of payments	18.2	0.0	27.3	0.0	24.3	0.0
Decrease of insurance amount	–	17.4	–	21.1	–	27.3
Decrease from conversion	0.3	2.0	0.1	1.0	0.1	0.8
Cancellation	55.9	324.4	61.2	356.5	59.2	334.5
Expiration	4.7	25.5	5.1	25.2	6.6	32.7
Decrease due to other changes	49.9	461.0	21.7	349.5	21.6	360.9
At period-end	2,486.2	13,866.2	2,553.5	14,003.5	2,687.1	14,503.8
Net increase (decrease)	34.2	¥ (2.3)	67.2	¥ 137.2	133.6	¥ 500.3

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,					
	2015		2016		2017	
	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	28,124.0	¥ 111,005.9	28,622.9	¥ 111,636.1	28,510.7	¥ 111,918.8
Increase due to:						
New policies	1,149.7	751.2	369.4	629.3	187.3	504.2
Renewals	16,052.1	66,641.3	16,079.3	66,541.6	16,280.5	67,888.2
Reinstatements	–	–	–	–	–	–
Midterm enrollment	1,601.9	5,923.0	1,637.3	6,075.8	1,716.4	6,677.7
Increase of insurance amount	–	999.5	–	647.4	–	1,076.1
Decrease due to:						
Death	51.7	146.0	49.9	142.6	48.3	139.3
Maturity	16,207.7	66,537.4	16,313.5	66,257.8	16,222.2	67,123.0
Withdrawal	1,808.7	4,560.1	1,793.1	4,663.5	1,960.4	5,162.8
Decrease of insurance amount	–	2,326.6	–	2,462.9	–	2,639.7
Cancellation	238.1	111.3	42.7	79.7	26.5	40.3
Expiration	–	–	0.4	1.5	–	–
Decrease due to other changes	(1.5)	3.5	(1.5)	3.3	(1.5)	2.9
At period-end	28,622.9	111,636.1	28,510.7	111,918.8	28,438.9	112,956.9
Net increase (decrease)	498.8	¥ 630.1	(112.2)	¥ 282.6	(71.7)	¥ 1,038.0

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 deliberately control sales of certain products depending on interest rate levels. See "Business—Products and Services—Group Annuities."

	Year ended March 31,					
	2015		2016		2017	
	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	12,286.9	¥ 6,970.5	11,908.2	¥ 7,133.6	11,814.2	¥ 7,345.4
Increase due to:						
New policies	7.4	1.5	0.4	5.2	0.3	0.0
Decrease due to:						
Annuity payments	2,249.5	278.3	2,310.8	260.7	2,561.2	247.6
Single payments	621.3	251.7	610.7	248.1	592.8	237.3
Cancellation	164.3	31.7	158.8	31.0	206.6	59.3
At period-end	11,908.2	7,133.6	11,814.2	7,345.4	11,690.2	7,441.7
Net increase (decrease)	(378.6)	¥ 163.1	(93.9)	¥ 211.7	123.9	¥ 96.3

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, 2016 and 2017, 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 December 31,	
	2015	2016	2017	2016	2017
	(Billions of yen)				
Individual variable insurance	¥ 77.2	¥ 66.0	¥ 63.9	¥ 65.3	¥ 66.7
Individual variable annuities	366.1	345.6	327.7	330.8	326.7
Group annuity products	421.5	387.9	418.0	397.8	469.3
Total separate account assets	¥ 864.9	¥ 799.6	¥ 809.8	¥ 794.0	¥ 862.7

Separate account assets decreased as of March 31, 2016 from the prior year, but then increased as of March 31, 2017 and further increased as of December 31, 2017. These fluctuations were due primarily to changes in market conditions.

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 December 31,	
	2015	2016	2017	2016	2017
	(Billions of yen)				
Individual variable insurance (endowment)	¥ 0.0	¥ 0.0	¥ –	¥ –	¥ –
Individual variable insurance (whole life)	532.1	513.1	498.1	502.3	485.0

Comparison of the Nine Months Ended December 31, 2016 and 2017

Ordinary income

	Nine months ended December 31,	
	2016	2017
	(Billions of yen)	
Ordinary income:		
Insurance premiums and other	¥ 2,112.8	¥ 2,225.0
Investment income	603.9	697.9
Other ordinary income	102.8	93.7
Total ordinary income	¥ 2,819.6	¥ 3,016.8

Ordinary income increased by ¥197.2 billion, or 7.0%, to ¥3,016.8 billion for the nine months ended December 31, 2017 from ¥2,819.6 billion for the same period of the previous year, primarily due to increases in insurance premiums and other and in investment income.

Insurance premiums and other. Revenues from insurance premiums and other increased by ¥112.2 billion, or 5.3%, to ¥2,225.0 billion for the nine months ended December 31, 2017 from ¥2,112.8 billion for the same period of the previous year, primarily due to the contribution from sales of foreign currency denominated single premium insurance products launched in August 2017, as well as from StanCorp.

The following table shows a breakdown of our net investment income for the nine months ended December 31, 2016 and 2017:

	Nine months ended December 31,	
	2016	2017
	(Billions of yen)	
Investment income:		
Interest, dividends and other income	¥ 532.5	¥ 585.3
Gains on money held in trust	–	0.0
Gains on sales of securities	11.0	6.5
Investment gains on separate accounts	14.6	60.0
Total investment income	¥ 603.9	¥ 697.9
Investment expenses:		
Interest expenses	¥ 19.7	¥ 24.5
Losses on sales of securities	26.8	14.6
Losses on valuation of securities	17.5	0.3
Total investment expenses	156.2	135.4
Net investment income	¥ 447.7	¥ 562.5

Net investment income. Net investment income increased by ¥114.8 billion, or 25.6%, to ¥562.5 billion for the nine months ended December 31, 2017 from ¥447.7 billion for the same period of the previous year due to a ¥94.0 billion increase in total investment income from ¥603.9 billion to ¥697.9 billion and a ¥20.8 billion decrease in total investment expenses from ¥156.2 billion to ¥135.4 billion.

The increase in total investment income was primarily due to an increase in interest, dividends and other income from ¥532.5 billion to ¥585.3 billion and an increase in investment gains on separate accounts from ¥14.6 billion to ¥60.0 billion, which more than offset a slight decrease in gains on sales of securities.

The decrease in total investment expenses was primarily due to a decrease in losses on sales of securities and in losses on valuation of securities.

Other ordinary income. Other ordinary income decreased by ¥9.0 billion, or 8.8%, to ¥93.7 billion for the nine months ended December 31, 2017 from ¥102.8 billion for the same period of the previous year.

Ordinary expenses

	Nine months ended December 31, 2016	Nine months ended December 31, 2017
	(Billions of yen)	
Ordinary expenses:		
Benefits and other payments	¥ 1,741.8	¥ 1,801.5
Provision for policy reserves and other reserves	279.5	351.5
Investment expenses	156.2	135.4
Operating expenses	318.3	348.0
Other ordinary expenses	153.6	131.8
Total ordinary expenses	¥ 2,649.6	¥ 2,768.4

Ordinary expenses increased by ¥118.8 billion, or 4.5%, to ¥2,768.4 billion for the nine months ended December 31, 2017 from ¥2,649.6 billion for the same period of the previous year, primarily due to an increase in benefits and other payments and in provision for policy reserves and other reserves, which were partially offset a decrease in investment expenses and in other ordinary expenses.

Benefits and other payments. Benefits and other payments increased by ¥59.6 billion, or 3.4%, to ¥1,801.5 billion for the nine months ended December 31, 2017 from ¥1,741.8 billion for the same period of the previous year, primarily due to an increase in payments of maturity benefits.

Provision for policy reserves and other reserves. Provision for policy reserves and other reserves increased by ¥72.0 billion, or 25.8%, to ¥351.5 billion for the nine months ended December 31, 2017 from ¥279.5 billion for the same period of the previous year, primarily due to a decrease in cancelations and lapses of group annuities.

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

Operating expenses. Operating expenses increased by ¥29.6 billion, or 9.3%, to ¥348.0 billion for the nine months ended December 31, 2017 from ¥318.3 billion for the same period of the previous year.

Other ordinary expenses. Other ordinary expenses decreased by ¥21.7 billion, or 14.2%, to ¥131.8 billion for the nine months ended December 31, 2017 from ¥153.6 billion for the same period of the previous year.

Ordinary profit

As a result of the foregoing, ordinary profit increased by ¥78.3 billion, or 46.1%, to ¥248.3 billion for the nine months ended December 31, 2017 from ¥169.9 billion for the same period of the previous year.

Extraordinary gains and losses

We did not record significant extraordinary gains for the nine months ended December 31, 2017 and December 31, 2016. Extraordinary losses increased by ¥53.3 billion, or 178.5%, to ¥83.2 billion for the nine months ended December 31, 2017 from ¥29.8 billion for the same period of the previous year, primarily due to an increase in our provision for reserve for price fluctuation.

Surplus before income taxes and non-controlling interests

As a result of the foregoing, surplus before income taxes and non-controlling interests increased by ¥23.8 billion, or 16.9%, to ¥165.1 billion for the nine months ended December 31, 2017 from ¥141.3 billion for the same period of the previous year.

Income taxes

	Nine months ended December 31, 2016	Nine months ended December 31, 2017
	(Billions of yen)	
Income taxes:		
Current	¥ 17.3	¥ 18.6
Deferred	(0.7)	(3.1)

Income taxes—current. Current income taxes increased by ¥1.2 billion, or 7.3%, to ¥18.6 billion for the nine months ended December 31, 2017 from ¥17.3 billion for the same period of the previous year.

Income taxes—deferred. Deferred income taxes decreased by ¥2.4 billion to ¥3.1 billion for the nine months ended December 31, 2017 from ¥0.7 billion for the same period of the previous year.

Net surplus

Net surplus increased by ¥24.9 billion, or 20.0%, to ¥149.6 billion for the nine months ended December 31, 2017 from ¥124.6 billion for the same period of the previous year.

Net surplus attributable to parent company

Net surplus attributable to parent company increased by ¥25.2 billion, or 20.3%, to ¥149.3 billion for the nine months ended December 31, 2017 from ¥124.1 billion for the same period of the previous year.

Comparison of the Years Ended March 31, 2016 and 2017

Ordinary income

	Year ended March 31, 2016	Year ended March 31, 2017
	(Billions of yen)	
Ordinary income:		
Insurance premiums and other	¥ 3,381.6	¥ 2,866.3
Investment income	788.7	871.4
Other ordinary income	106.1	137.6
Total ordinary income	¥ 4,276.5	¥ 3,875.4

Ordinary income decreased by ¥401.0 billion, or 9.4%, to ¥3,875.4 billion for the year ended March 31, 2017 from ¥4,276.5 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 ¥515.2 billion, or 15.2%, to ¥2,866.3 billion for the year ended March 31, 2017 from ¥3,381.6 billion for the previous year, primarily due to controlling assets and liabilities through such measures as lowering the assumed interest rates and deliberately controlling sales of yen-denominated single premium savings-type products and group pensions under the ultra-low interest rate environment.

The following table shows a breakdown of our net investment income for the years ended March 31, 2016 and 2017:

	Year ended March 31, 2016	Year ended March 31, 2017
	(Billions of yen)	
Investment income:		
Interest, dividends and other income	¥ 690.4	¥ 772.1
Gains on money held in trust	0.0	–
Gains on sales of securities	8.5	23.9
Gains on redemption of securities	88.7	57.3
Foreign exchange gains	0.1	–
Other investment income	0.8	2.1
Investment gains on separate accounts	–	15.8
Total investment income	¥ 788.7	¥ 871.4
Investment expenses:		
Interest expenses	¥ 6.2	¥ 29.1
Losses on sales of securities	1.9	32.2
Losses on valuation of securities	12.7	12.1
Losses on redemption of securities	0.0	4.4
Losses on derivative financial instruments	107.3	88.9
Foreign exchange losses	–	0.3
Provision for allowance for possible loan losses	0.6	1.8
Depreciation of real estate for non-insurance business	9.7	9.5
Other investment expenses	14.3	18.5
Investment losses on separate account	28.9	–
Total investment expenses	182.0	197.0
Net investment income	¥ 606.6	¥ 674.3

Net investment income. Net investment income increased by ¥67.6 billion, or 11.2%, to ¥674.3 billion for the year ended March 31, 2017 from ¥606.6 billion for the year ended March 31, 2016 due to a ¥82.6 billion increase in total investment income from ¥788.7 billion to ¥871.4 billion, which was partially offset by a ¥14.9 billion increase in total investment expense from ¥182.0 billion to ¥197.0 billion.

The increase in total investment income was primarily due to (i) interest, dividends and other income, (ii) gains on sales of securities and (iii) investment gains on separate accounts. The increase in interest, dividends and other income resulted from effective asset allocation as well as an increase in interest income from foreign bonds. The increase in gains on sales of securities resulted from the sale of foreign investment trusts. Investment gains on separate accounts increased because of an increase in domestic stock prices.

The increase in total investment expenses was primarily due to increases in interest expenses and losses on sales of securities, which were offset in part by decreases in losses on derivative financial instruments and investment losses on separate accounts.

Other ordinary income. Other ordinary income increased by ¥31.4 billion, or 29.7%, to ¥137.6 billion for the year ended March 31, 2017 from ¥106.1 billion for the previous year.

Ordinary expenses

	Year ended March 31,	
	2016	2017
	(Billions of yen)	
Ordinary expenses:		
Benefits and other payments	¥ 2,312.1	¥ 2,383.2
Provision for policy reserves and other reserves	900.5	331.8
Investment expenses	182.0	197.0
Operating expenses	372.2	439.7
Other ordinary expenses	210.3	208.7
Total ordinary expenses	¥ 3,977.4	¥ 3,560.5

Ordinary expenses decreased by ¥416.8 billion, or 10.5%, to ¥3,560.5 billion for the year ended March 31, 2017 from ¥3,977.4 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 ¥71.0 billion, or 3.1%, to ¥2,383.2 billion for the year ended March 31, 2017 from ¥2,312.1 billion for the previous year, primarily due to the acquisition of StanCorp.

Provision for policy reserves and other reserves. Provision for policy reserves and other reserves decreased by ¥568.7 billion, or 63.2%, to ¥331.8 billion for the year ended March 31, 2017 from ¥900.5 billion for the previous year, primarily due to our deliberate control of sales of yen-denominated single premium products due to the low-interest rate environment.

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

Operating expenses. Operating expenses increased by ¥67.5 billion, or 18.1%, to ¥439.7 billion for the year ended March 31, 2017 from ¥372.2 billion for the previous year.

Other ordinary expenses. Other ordinary expenses decreased by ¥1.6 billion, or 0.8%, to ¥208.7 billion for the year ended March 31, 2017 from ¥210.3 billion for the previous year.

Ordinary profit

As a result of the foregoing, ordinary profit increased by ¥15.7 billion, or 5.3%, to ¥314.8 billion for the year ended March 31, 2017 from ¥299.1 billion for the previous year.

Extraordinary gains and losses

Extraordinary gains decreased by ¥0.5 billion, or 21.8%, to ¥2.0 billion for the year ended March 31, 2017 from ¥2.6 billion for the previous year, primarily due to a decrease of gains on disposals of fixed assets. Extraordinary losses increased by ¥24.3 billion, or 60.6%, to ¥64.5 billion for the year ended March 31, 2017 from ¥40.1 billion for the previous year, primarily due to an increase in provision for reserve for price fluctuation.

Surplus before income taxes and non-controlling interests

As a result of the foregoing, surplus before income taxes and non-controlling interests decreased by ¥9.1 billion, or 3.5%, to ¥252.4 billion for the year ended March 31, 2017, compared to ¥261.5 billion for the previous year.

Income taxes

	Year ended March 31,	
	2016	2017
	(Billions of yen)	
Income taxes:		
Current	¥ 54.6	¥ 38.0
Deferred	(7.7)	(10.1)

Income taxes—current. Current income taxes decreased by ¥16.6 billion, or 30.4%, to ¥38.0 billion for the year ended March 31, 2017 from ¥54.6 billion for the previous year.

Income taxes—deferred. Deferred income taxes decreased by ¥2.4 billion to ¥10.1 billion for the year ended March 31, 2017 from ¥7.7 billion for the previous year.

Net surplus

Net surplus increased by ¥9.9 billion, or 4.7%, to ¥224.6 billion for the year ended March 31, 2017 from ¥214.6 billion for the previous year.

Net surplus attributable to the parent company

Net surplus attributable to the parent company increased by ¥9.6 billion, or 4.5%, to ¥223.7 billion for the year ended March 31, 2017 from ¥214.0 billion for the previous year.

Comparison of the Years Ended March 31, 2015 and 2016

Ordinary income

	Year ended March 31,	
	2015	**2016**
	(Billions of yen)	
Ordinary income:		
Insurance premiums and other	¥ 3,431.4	¥ 3,381.6
Investment income	1,030.4	788.7
Other ordinary income	137.9	106.1
Total ordinary income	¥ 4,599.8	¥ 4,276.5

Ordinary income decreased by ¥323.3 billion, or 7.0%, to ¥4,276.5 billion for the year ended March 31, 2016 from ¥4,599.8 billion for the previous year, primarily due to a decreases in investment income.

Insurance premiums and other. Insurance premiums and other decreased by ¥49.8 billion, or 1.5%, to ¥3,381.6 billion for the year ended March 31, 2016 from ¥3,431.4 billion for the previous year. The decrease was primarily due to our deliberate control of sales of yen-denominated single premium products due to the low-interest rate environment.

The following table shows a breakdown of our net investment income for the years ended March 31, 2015 and 2016:

	Year ended March 31, 2015	Year ended March 31, 2016
	(Billions of yen)	
Investment income:		
Interest, dividends and other income	¥ 698.4	¥ 690.4
Gains on money held in trust	0.0	0.0
Gains on sales of securities	186.2	8.5
Gains on redemption of securities	58.0	88.7
Foreign exchange gains	–	0.1
Reversal of allowance for possible loan losses	2.8	–
Other investment income	0.8	0.8
Investment gains on separate accounts	83.8	–
Total investment income	¥ 1,030.4	¥ 788.7
Investment expenses:		
Interest expenses	¥ 3.3	¥ 6.2
Losses on sales of securities	0.3	1.9
Losses on valuation of securities	0.3	12.7
Losses on redemption of securities	–	0.0
Losses on derivative financial instruments	71.0	107.3
Foreign exchange losses	0.1	–
Provision for allowance of possible loan losses	–	0.6
Depreciation of real estate for non-insurance business	9.7	9.7
Other investment expenses	12.9	14.3
Investment losses on separate accounts	–	28.9
Total investment expenses	97.9	182.0
Net investment income	¥ 932.4	¥ 606.6

Net investment income. Net investment income decreased by ¥325.7 billion, or 34.9%, to ¥606.6 billion for the year ended March 31, 2016 from ¥932.4 billion for the previous year due to a ¥241.6 billion decrease in total investment income from ¥1,030.4 billion to ¥788.7 billion and a ¥84.1 billion increase in total investment expenses from ¥97.9 billion to ¥182.0 billion.

The decrease in total investment income was primarily due to decreases in gains on sales of securities and in investment gains on separate accounts. The decrease in gains on sales of securities resulted primarily from a decrease in gains from sales of domestic bonds. The decrease in investment gains on separate accounts was primarily due to a decrease in market prices of domestic stocks.

The increase in total investment expenses was primarily due to increases in losses on derivative financial instruments, in losses on sales of securities and in investment losses on separate accounts.

Other ordinary income. Other ordinary income decreased by ¥31.7 billion, or 23.0%, to ¥106.1 billion for the year ended March 31, 2016 from ¥137.9 billion for the previous year.

Ordinary expenses

	Year ended March 31, 2015	Year ended March 31, 2016
	(Billions of yen)	
Ordinary expenses:		
Benefits and other payments	¥ 2,607.5	¥ 2,312.1
Provision for policy reserves and other reserves	955.7	900.5
Investment expenses	97.9	182.0
Operating expenses	361.5	372.2
Other ordinary expenses	190.5	210.3
Total ordinary expenses	¥ 4,213.3	¥ 3,977.4

Ordinary expenses decreased by ¥235.9 billion, or 5.6%, to ¥3,977.4 billion for the year ended March 31, 2016 from ¥4,213.3 billion for the previous year, primarily due to a decrease in benefits and other payments, which was partially offset by an increase in investment expenses.

Benefits and other payments. Benefits and other payments decreased by ¥295.3 billion, or 11.3%, to ¥2,312.1 billion for the year ended March 31, 2016 from ¥2,607.5 billion for the previous year.

Provision for policy reserves and other reserves. Provision for policy reserves and other reserves decreased by ¥55.1 billion, or 5.8%, to ¥900.5 billion for the year ended March 31, 2016 from ¥955.7 billion for the previous year when we made an additional policy reserve in relation to variable insurance products.

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

Operating expenses. Operating expenses were increased by ¥10.6 billion, or 3.0%, to ¥372.2 billion for the year ended March 31, 2016, from ¥361.5 billion for the previous year.

Other ordinary expenses. Other ordinary expenses increased by ¥19.8 billion, or 10.4%, to ¥210.3 billion for the year ended March 31, 2016 from ¥190.5 billion for the previous year.

Ordinary profit

As a result of the foregoing, ordinary profit decreased by ¥87.3 billion, or 22.6%, to ¥299.1 billion for the year ended March 31, 2016 from ¥386.4 billion for the previous year.

Extraordinary gains and losses

Extraordinary gains decreased by ¥3.3 billion, or 56.3%, to ¥2.6 billion for the year ended March 31, 2016 from ¥5.9 billion for the previous year, primarily due to a decrease in gains on disposals of fixed assets. Extraordinary losses increased by ¥12.0 billion, or 42.8%, to ¥40.1 billion for the year ended March 31, 2016 from ¥28.1 billion for the previous year, primarily due to an increase in provision for reserve for price fluctuation.

Surplus before income taxes and non-controlling interests

As a result of the foregoing, surplus before income taxes and non-controlling interests decreased by ¥102.7 billion, or 28.2%, to ¥261.5 billion for the year ended March 31, 2016 from ¥364.3 billion for the previous year.

Income taxes

	Year ended March 31,	
	2015	**2016**
	(Billions of yen)	
Income taxes:		
Current	¥ 119.7	¥ 54.6
Deferred	(21.1)	(7.7)

Income taxes—current. Current income taxes decreased by ¥65.1 billion, or 54.4%, to ¥54.6 billion for the year ended March 31, 2016 from ¥119.7 billion for the previous year.

Income taxes—deferred. Deferred income taxes increased by ¥13.4 billion to ¥7.7 billion for the year ended March 31, 2016 from ¥21.1 billion for the previous year.

Net surplus

Net surplus decreased by ¥51.1 billion, or 19.2%, to ¥214.6 billion for the year ended March 31, 2016 from ¥265.7 billion for the previous year.

Net surplus attributable to the parent company

Net surplus attributable to the parent company decreased by ¥51.3 billion, or 19.3%, to ¥214.0 billion for the year ended March 31, 2016 from ¥265.4 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.

For purposes of this discussion of embedded value, we refer to Meiji Yasuda Life and StanCorp, our ownership of which was 100.0% as of March 31, 2016 and 2017, collectively as the Meiji Yasuda Life Group.

Meiji Yasuda Life reports its 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 the business lines of the Meiji Yasuda Life Group 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 the Meiji Yasuda Life Group, 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 the corporate value of the Meiji Yasuda Life Group.

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 the Meiji Yasuda Life Group to calculate embedded value are market-consistent in the case of Meiji Yasuda Life and top-down with respect to StanCorp, each 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 (each as amended by the CFO forum in May 2016, applicable to reporting periods ended on or after June 30, 2016).

In calculating embedded value, the covered business is defined as all of the life insurance businesses of the Meiji Yasuda Life Group, 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 (Meiji Yasuda Life)

Adjusted net worth represents the market value of assets, including loans, real estate, securities and other assets, in excess of policyholder liabilities, comprised of policy 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 internal reserves for the calculation of embedded value (contingency reserve, reserve for price fluctuation, the unallocated portion of policyholders' dividend reserves and general allowance for possible loan losses) 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 held-to-maturity debt securities and policy-reserve-matching bonds, loans, real estate and loans payable, 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.

- Adjustments for unrecognized past service costs and unrecognized actuarial gains and losses for unfunded retirement benefit obligations are made to the adjusted net worth on an after-tax basis. These adjustments may be positive or negative depending on the asset or liability position of the retirement benefit funds.

Value of In-Force Business (Meiji Yasuda Life)

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. The cost of policyholder dividends is calculated by allowing for such dividends being determined from future cash flows and financial positions projected using a stochastic approach.

- *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. The cost of the minimum guarantee benefits is calculated using a stochastic approach.

- *Interest-rate-sensitive-product minimum guaranteed crediting rates*. For interest-rate-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. The cost of the minimum guarantee is calculated using a stochastic approach.

- *Policyholder behavior*. Policyholders have the right to surrender their life insurance policies voluntarily. Surrender behavior, which depends dynamically on economic assumptions, such as interest rates, is assumed for purposes of the embedded value calculations. The cost associated with such policyholder behavior is calculated using a stochastic approach by allowing for dynamic policyholder behavior in the projection models.

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, 2015, 2016 and 2017 were ¥1,090.4 billion, ¥1,305.1 billion and ¥1,306.8 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 (Meiji Yasuda Life)

The value of new business for a given reporting period represents the present value of the future after-tax profits, net of deductions for the time value of financial options and guarantees, as well as the cost of holding required capital, 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, 2015, 2016 and 2017

Embedded Value of the Meiji Yasuda Life Group

For the year ended March 31, 2015, the embedded value of the Meiji Yasuda Life Group is the embedded value of Meiji Yasuda Life. For the years ended March 31, 2016 and 2017, the embedded value of the Meiji Yasuda Life Group is calculated as:

- the embedded value of Meiji Yasuda Life, *plus*
- the embedded value of StanCorp, *less*
- the carrying amount of the equity of StanCorp held by Meiji Yasuda Life.

Meiji Yasuda Life held 100% of the shares of StanCorp as of March 31, 2016 and 2017. The carrying amount of the equity of StanCorp held by Meiji Yasuda Life was ¥602.6 billion and ¥602.7 billion as of March 31, 2016 and 2017, respectively.

The table below sets forth the embedded value of the Meiji Yasuda Life Group as of March 31, 2015, 2016 and 2017 and the value of new business for the years ended March 31, 2015, 2016 and 2017:

	As of and for the year ended March 31,			Increase (Decrease)
	2015[1] (restated)	2016	2017	
	(Billions of yen)			
Embedded value	¥ 5,490.5	¥ 3,401.4	¥ 4,528.8	¥ 1,127.4
Adjusted net worth	5,595.7	5,773.5	5,781.9	8.3
Value of in-force business	(105.2)	(2,372.1)	(1,253.1)	1,119.0
Value of new business	222.0	94.5	118.8	24.3

Notes:

(1) Figures as of and for the year ended March 31, 2015 are restated in accordance with the November 25, 2015 correction notice pertaining to our "Disclosure of European Embedded Value as of 31 March 2015."

(2) StanCorp became a wholly owned subsidiary of Meiji Yasuda Life as of March 8 (March 7, Pacific Standard Time), 2016. The embedded value as of March 31, 2016 and 2017 includes StanCorp's embedded value as of March 8, 2016 and December 31, 2016, respectively, in accordance with the consolidated financial statements.

(3) When calculating StanCorp's adjusted net worth, the net assets of its asset management business, excluding those in the life insurance entities, and its holding company are based on US-GAAP balance sheet, while those of the remaining business are based on US statutory balance sheet.

(4) The value of new business for the year ended March 31, 2017 includes StanCorp's value of new business from March 8, 2016 to December 31, 2016, while the values of new business for the years ended March 31, 2015 and 2016 do not include StanCorp's values of new business.

The embedded value of the Meiji Yasuda Life Group was ¥3,401.4 billion as of March 31, 2016, a decrease of ¥2,089.1 billion from ¥5,490.5 billion as of March 31, 2015, which was due to a decline in the value of in-force business. The decrease in value of in-force business was primarily due to a substantial decrease in long-term interest rates as well as to continued flattening of the yield curve, which offset the resulting increase in unrealized gains on yen-denominated bonds. Decreasing stock market prices and appreciation of the yen also reduced unrealized gains on stocks and foreign currency denominated securities, further contributing to the decline. As of March 31, 2017, the embedded value of the Meiji Yasuda Life Group grew to ¥4,528.8 billion, an increase of ¥1,127.4 billion compared to March 31, 2016, due to a partial recovery of the value of in-force business following an increase in interest rates.

The table below sets forth a breakdown of the adjusted net worth of the Meiji Yasuda Life Group for the years ended March 31, 2015, 2016 and 2017.

	As of and for the year ended March 31,			Increase (Decrease)
	2015	2016	2017	
	(Billions of yen)			
Adjusted Net Worth	¥ 5,595.7	¥ 5,773.5	¥ 5,781.9	¥ 8.3
Total net assets on the consolidated balance sheet[1]	785.3	1,048.9	1,145.6	96.6
Internal reserves in liabilities (after tax)[2]	829.8	880.2	926.9	46.6
Unrealized gains/losses on securities (after tax)[3]	3,727.2	4,149.5	3,977.3	(172.2)
Unrealized gains/losses on loans (after tax)	201.0	239.7	215.4	(24.3)
Unrealized gains/losses on real estate (after tax)[4]	137.0	176.5	203.5	27.0
Unrealized gains/losses on liabilities (after tax)[5]	(4.4)	(27.0)	(26.5)	0.5
Unfunded retirement benefit obligations (after tax)[6]	(21.7)	(37.4)	8.9	46.3
Net assets not allocated to life insurance businesses[7]	(58.6)	(58.8)	(59.5)	(0.6)
Adjustments for US statutory balance sheet[8]	–	10.6	16.3	5.6
Adjustments for US-GAAP balance sheet[9]	–	(6.1)	(16.3)	(10.1)
Adjustments on internal transactions due to timing differences of valuation dates[10]	–	–	(7.1)	(7.1)
Consolidation adjustments regarding StanCorp[11]	–	(602.6)	(602.7)	(0.1)

Notes:

(1) Figures do not include foundation funds, net unrealized gains/losses on securities categorized as "available for sale," land revaluation differences, or expected disbursements from capital. Although StanCorp's net assets in the consolidated balance sheet are based on US-GAAP, the net assets of StanCorp's asset management business, excluding those in the life insurance entities, and its holding company (net of investment in subsidiaries of the holding company) are based on US-GAAP balance sheet, while those of the remaining business are based on US statutory balance sheet.
(2) Represents the sum of contingency reserve, reserve for price fluctuation, the unallocated portion of policyholders' dividend reserves, and StanCorp's asset valuation reserve.
(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, subordinated bonds, foreign currency denominated subordinated bonds and bonds issued by StanCorp.
(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.
(8) Adjustments made for items such as StanCorp's non-admitted assets (furniture and equipment, etc.) and deferred tax assets associated with its life insurance business on US statutory balance sheet.
(9) Adjustments made for items such as StanCorp's intangible assets and deferred tax liabilities related to the intangible assets of its asset management business, excluding those in the life insurance entities, on US-GAAP balance sheet.
(10) Adjustments made for internal transfer of shareholder dividends between Meiji Yasuda Life and StanCorp during the period between January and March 2017.
(11) Deduction of Meiji Yasuda Life's investment in StanCorp as reported under "Total net assets," for offset.

The table below sets forth a breakdown of the value of in-force business of the Meiji Yasuda Life Group as of March 31, 2015, 2016 and 2017.

	As of March 31,			Increase (Decrease)
	2015	**2016**	**2017**	
	(Billions of yen)			
Value of in-force business	¥ (105.2)	¥ (2,372.1)	¥ (1,253.1)	¥ 1,119.0
Present value of future profits	138.0	(2,140.5)	(891.4)	1,249.0
Time value of financial options and guarantees	(172.0)	(127.4)	(246.4)	(118.9)
Cost of holding required capital	(47.5)	(65.7)	(77.6)	(11.9)
Allowance for non-financial risks	(23.6)	(38.4)	(37.6)	0.8

Note:

(1) Meiji Yasuda Life's value of in-force business is calculated using a market consistent approach and StanCorp's value of in-force business is calculated using a top-down approach.

The table below sets forth a breakdown of the value of new business of the Meiji Yasuda Life Group for the years ended March 31, 2016 and 2017.

	For the year ended March 31,			Increase (Decrease)
	2015(1) (restated)	**2016**	**2017**	
	(Billions of yen)			
Value of new business	¥ 222.0	¥ 94.5	¥ 118.8	¥ 24.3
Certainty equivalent present value of future profits	240.4	108.8	136.6	27.8
Time value of financial options and guarantees	(13.4)	(10.0)	(9.6)	0.4
Cost of holding required capital	(3.5)	(2.2)	(5.8)	(3.5)
Allowance for non-financial risks	(1.4)	(1.8)	(2.3)	(0.4)

Notes:

(1) Figures for the year ended March 31, 2015 are restated in accordance with the November 25, 2015 correction notice pertaining to our "Disclosure of European Embedded Value as of 31 March 2015."
(2) The value of new business for the year ended March 31, 2017 includes StanCorp's value of new business from March 8, 2016 to December 31, 2016, while the values of new business for the years ended March 31, 2015 and 2016 do not include StanCorp's values of new business.
(3) Meiji Yasuda Life's value of new business is calculated using a market consistent approach and StanCorp's value of new business is calculated using a top-down approach.

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, 2015, 2016 and 2017.

	For the year ended March 31,			
	2015[1] (restated)	2016	2017	Increase (Decrease)
	(Billions of yen, except percentages)			
Value of new business[2]	¥ 222.0	¥ 94.5	¥ 118.8	¥ 24.3
Present value of future premiums[3]	2,799.8	3,193.9	3,220.9	26.9
New business margin	7.93%	2.96%	3.69%	0.73%

Notes:

(1) Figures for the year ended March 31, 2015 are restated in accordance with the November 25, 2015 correction notice pertaining to our "Disclosure of European Embedded Value as of 31 March 2015."

(2) The value of new business for the year ended March 31, 2017 includes StanCorp's value of new business from March 8, 2016 to December 31, 2016, while the values of new business for the years ended March 31, 2015 and 2016 do not include StanCorp's values of new business.

(3) The present value of future premiums is discounted at the risk-free rate (or the risk discount rate for StanCorp) which is applied in the calculation of value of new business.

Embedded Value of Meiji Yasuda Life

The tables below set forth the embedded value of Meiji Yasuda Life as of March 31, 2015, 2016 and 2017 and the value of new business for the years ended March 31, 2015, 2016 and 2017:

	As of March 31,			Increase (decrease)
	2015	2016	2017	
	(Billions of yen)			
Embedded value	¥ 5,490.5	¥ 3,644.5	¥ 4,713.2	¥ 1,068.6
Adjusted net worth	5,595.7	6,169.8	6,156.5	(13.2)
Total net assets[1]	785.3	860.8	925.0	64.2
Internal reserves in liabilities (after tax)[2]	829.8	868.9	913.6	44.7
Unrealized gains/losses on securities (after tax)[3]	3,727.2	4,149.5	3,977.3	(172.2)
Unrealized gains/losses on loans (after tax)	201.0	239.7	215.4	(24.3)
Unrealized gains/losses on real estate (after tax)[4]	137.0	167.8	194.8	26.9
Unrealized gains/losses on liabilities (after tax)[5]	(4.4)	(27.1)	(25.8)	1.3
Unrealized gains/losses on retirement benefit obligations (after tax)[6]	(21.7)	(31.1)	15.5	46.7
Net assets not allocated to life insurance businesses[7]	(58.6)	(58.8)	(59.5)	(0.6)
Value of in-force business	(105.2)	(2,525.2)	(1,443.3)	1,081.9
Present value of future profits	138.0	(2,347.7)	(1,129.7)	1,217.9
Time value of financial options and guarantees	(172.0)	(118.5)	(238.5)	(119.9)
Cost of holding required capital	(47.5)	(20.4)	(37.3)	(16.8)
Allowance for non-financial risks	(23.6)	(38.4)	(37.6)	0.8

	For the year ended March 31,			
	2015[8] (restated)	2016	2017	Increase (Decrease)
	(Billions of yen)			
Value of new business	¥ 222.0	¥ 94.5	¥ 114.9	¥ 20.4
Certainty equivalent present value of future profits	240.4	108.8	128.2	19.4
Time value of financial options and guarantees	(13.4)	(10.0)	(8.8)	1.2
Cost of holding required capital	(3.5)	(2.2)	(2.1)	0.1
Allowance for non-financial risks	(1.4)	(1.8)	(2.3)	(0.4)

Notes:

(1) Figures do not include foundation funds, unrealized gains/losses on securities categorized as "available for sale," land revaluation differences, 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, subordinated bonds and foreign currency denominated subordinated bonds.
(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.
(8) Figures for the year ended March 31, 2015 are restated in accordance with the November 25, 2015 correction notice pertaining to our "Disclosure of European Embedded Value as of 31 March 2015."

The table below sets forth the new business margins (the ratio of the value of new business to the present value of future premiums) of Meiji Yasuda Life for the years ended March 31, 2015, 2016 and 2017.

	For the year ended March 31,			
	2015[1] (restated)	2016	2017	Increase (Decrease)
	(Billions of yen, except percentages)			
Value of new business	¥ 222.0	¥ 94.5	¥ 114.9	¥ 20.4
Present value of future premiums[2]	2,799.8	3,193.9	2,701.3	(492.6)
New business margin	7.93%	2.96%	4.26%	1.30%

Notes:
(1) Figures for the year ended March 31, 2015 are restated in accordance with the November 25, 2015 correction notice pertaining to our "Disclosure of European Embedded Value as of 31 March 2015."
(2) The present value of future premiums is discounted at the risk-free rate which is applied in the calculation of value of new business.

Embedded Value of StanCorp

The embedded value information of StanCorp set forth below presents the full embedded value of StanCorp as an independent entity.

The tables below set forth the embedded value of StanCorp as of March 8, 2016 and December 31, 2016 and the value of new business from March 8, 2016 to December 31, 2016:

	As of March 8, 2016	As of December 31, 2016	Increase (decrease)
	(Billions of yen)		
Embedded value	¥ 359.4	¥ 425.5	¥ 66.0
Adjusted net worth	206.3	235.3	28.9
Total net assets[1]	188.1	220.6	32.4
Internal reserves in liabilities (after tax)[2]	11.3	13.2	1.9
Unrealized gains/losses on real estate (after tax)	8.6	8.7	0.1
Unrealized gains/losses on liabilities (after tax)[3]	0.1	(0.6)	(0.7)
Unfunded retirement benefit obligations (after tax)	(6.3)	(6.6)	(0.3)
Adjustments for US statutory balance sheet[4]	10.6	16.3	5.6
Adjustments for US-GAAP balance sheet[5]	(6.1)	(16.3)	(10.1)
Value of in-force business	153.1	190.2	37.1
Present value of future profits[6]	207.1	238.2	31.0
Time value of financial options and guarantees	(8.8)	(7.8)	1.0
Cost of holding required capital[7]	(45.2)	(40.2)	4.9

	From March 8, 2016 to December 31, 2016
	(Billions of yen)
Value of new business	¥ 3.8
Present value of future profits	8.3
Time value of financial options and guarantees	(0.8)
Cost of holding required capital	(3.6)

Notes:

(1) Although the net assets in the consolidated balance sheet are based on US-GAAP, this is the sum of net assets based on statutory net assets of life insurance business and US-GAAP equity of asset management business, excluding those in the life insurance entities, and the holding company (net of investment in subsidiaries).
(2) Asset valuation reserve, which is conceptually similar to reserve for price fluctuation of Meiji Yasuda Life.
(3) Unrealized gains/losses on bonds issued by StanCorp.
(4) Adjustments made for items such as non-admitted assets (furniture and equipment, etc.) and deferred tax assets associated with the life insurance business on the US statutory balance sheet.
(5) Adjustments made for items such as intangible assets and deferred tax liabilities related to the intangible assets of the asset management business, excluding those in the life insurance entities, on the US-GAAP balance sheet.
(6) The present value of future profits for business valued using a top-down approach. Allowance for non-financial risks is implicitly included through the risk discount rate used to discount the future profits.
(7) The cost of holding required capital for business valued using a top-down approach.

The table below sets forth the new business margins (the ratio of the value of new business to the present value of future premiums) from March 8, 2016 to December 31, 2016:

	From March 8, 2016 to December 31, 2016
	(Billions of yen, except percentages)
Value of new business	¥ 3.8
Present value of future premiums[1]	519.5
New business margin	0.75%

Note:

(1) The present value of future premiums is discounted at the risk-free rate which is applied in the calculation of value of new business.

Movement Analysis

Movement Analysis of the Meiji Yasuda Life Group

The table below sets forth a movement analysis of the change in embedded value of the Meiji Yasuda Life Group from March 31, 2015 to March 31, 2016.

	Adjusted net worth	Value of in-force business	Embedded value
	(Billions of yen)		
Values as of March 31, 2015	¥ 5,595.7	¥ (105.2)	¥ 5,490.5
Value of new business	-	94.5	94.5
Expected existing business contribution at the risk-free rate	1.1	0.9	2.1
Expected existing business contribution in excess of the risk-free rate	61.6	289.0	350.6
Transfers from value of in-force business to adjusted net worth	63.6	(63.6)	-
On in-force business at beginning of year	196.8	(196.8)	-
On new business	(133.2)	133.2	-
Non-economic experience variances	11.1	0.5	11.7
Non-economic assumptions changes	-	16.6	16.6
Economic variances	411.0	(2,727.4)	(2,316.4)
Other variances	25.4	30.6	5.1
Adjustments to the embedded value as of March 31, 2016[1]	(396.2)	153.1	(243.1)
Total change	177.8	(2,266.9)	(2,089.1)
Values as of March 31, 2016	¥ 5,773.5	¥ (2,372.1)	¥ 3,401.4

Note:

(1) This item represents the adjustment made for the acquisition of StanCorp in March 2016, which is StanCorp's embedded value less the carrying amount of the equity of StanCorp held by Meiji Yasuda Life, each as of March 31, 2016.

The table below sets forth a movement analysis of the change in embedded value of the Meiji Yasuda Life Group from March 31, 2016 to March 31, 2017.

	Adjusted net worth	Value of in-force business	Embedded value
		(Billions of yen)	
Values as of March 31, 2016	¥ 5,773.5	¥(2,372.1)	¥ 3,401.4
Adjustments to the values as of March 31, 2016	5.0	3.7	8.8
Adjusted values as of March 31, 2016	5,778.6	(2,368.4)	3,410.2
Value of new business	-	118.8	118.8
Expected existing business contribution at the risk-free rate	(11.1)	6.4	(4.7)
Expected existing business contribution in excess of the risk-free rate	54.9	246.5	301.5
Expected existing business contribution (top-down approach)	(4.8)	17.2	12.3
Transfers from value of in-force business to adjusted net worth	(40.3)	40.3	-
On in-force business at beginning of year	99.7	(99.7)	-
On new business	(140.0)	140.0	-
Non-economic experience variances	10.2	(37.6)	(27.3)
Non-economic assumptions changes	-	(81.9)	(81.9)
Economic variances	3.2	806.0	809.2
Other variances	(8.8)	(0.5)	(9.3)
Total change	3.3	1,115.2	1,118.5
Values as of March 31, 2017	¥ 5,781.9	¥ (1,253.1)	¥ 4,528.8

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, 2016 to March 31, 2017.

Adjustments to the values as of March 31, 2016. This item includes the foreign exchange variance from converting StanCorp's embedded value into yen.

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, 2017.

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, 2017 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.

Expected existing business contribution (top-down approach). As future profits are discounted at the risk discount rate in the calculation of StanCorp's embedded value, the unwinding of the discounted value at the risk discount rate contributes to the change in the embedded value in each period. The release of value due to the unwinding is included in this item.

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, 2017 is transferred to adjusted net worth. This item includes the profits expected to arise from the in-force business as of March 31, 2016, as well as the profits from new business acquired during the year ended March 31, 2017. 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, 2016, and the actual experience for the year ended March 31, 2017.

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, 2017. The primary reason for the negative variance was a change of lapse rate assumptions for savings-type products.

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, 2017, 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. For Meiji Yasuda Life, the impacts on future renewals of renewable riders from the premium rate change effective as of April 2, 2017 and on the timing change of the consumption tax rates increase are included. For StanCorp, the main component is the impact from the true-up of StanCorp's value of in-force business at March 8, 2016, as StanCorp's value of in-force business at the beginning of the period was calculated using a roll-forward approach based on the value of in-force business at December 31, 2015.

Movement Analysis of Meiji Yasuda Life

The table below sets forth a movement analysis of the change in embedded value of Meiji Yasuda Life from March 31, 2015 to March 31, 2016.

	Adjusted net worth	Value of in-force business	Embedded value
	(Billions of yen)		
Values as of March 31, 2015	¥ 5,595.7	¥ (105.2)	¥ 5,490.5
Value of new business	-	94.5	94.5
Expected existing business contribution at the risk-free rate	1.1	0.9	2.1
Expected existing business contribution in excess of the risk-free rate	61.6	289.0	350.6
Transfers from value of in-force business to adjusted net worth	63.6	(63.6)	-
On in-force business at beginning of year	196.8	(196.8)	-
On new business	(133.2)	133.2	-
Non-economic experience variances	11.1	0.5	11.7
Non-economic assumptions changes	-	16.6	16.6
Economic variances	411.0	(2,727.4)	(2,316.4)
Other variances	25.4	30.6	5.1
Total change	574.0	(2,420.0)	(1,845.9)
Values as of March 31, 2016	¥ 6,169.8	¥ (2,525.2)	¥ 3,644.5

The table below sets forth a movement analysis of the change in embedded value of Meiji Yasuda Life from March 31, 2016 to March 31, 2017.

	Adjusted net worth	Value of in-force business	Embedded value
	(Billions of yen)		
Values as of March 31, 2016	¥ 6,169.8	¥ (2,525.2)	¥ 3,644.5
Value of new business	-	114.9	114.9
Expected existing business contribution at the risk-free rate	(11.1)	6.4	(4.7)
Expected existing business contribution in excess of the risk-free rate	54.9	246.5	301.5
Transfers from value of in-force business to adjusted net worth	(57.5)	57.5	-
On in-force business at beginning of year	77.3	(77.3)	-
On new business	(134.8)	134.8	-
Non-economic experience variances	(2.1)	(28.9)	(31.1)
Non-economic assumptions changes	-	(70.0)	(70.0)
Economic variances	2.6	764.4	767.0
Other variances	-	(9.0)	(9.0)
Total change	(13.2)	1,081.9	1,068.6
Values as of March 31, 2017	¥ 6,156.5	¥ (1,443.3)	¥ 4,713.2

Movement Analysis of StanCorp

The table below sets forth a movement analysis of the change in embedded value of StanCorp from March 8, 2016 to December 31, 2016.

	Adjusted net worth	Value of in-force business	Embedded value
	(Billions of yen)		
Values as of March 8, 2016	¥ 206.3	¥ 153.1	¥ 359.4
Adjustments to the values as of March 8, 2016	5.0	3.7	8.8
Adjusted values as of March 8, 2016	211.4	156.8	368.3
Value of new business	-	3.8	3.8
Expected existing business contribution (top-down approach)	(4.8)	17.2	12.3
Transfers from value of in-force business to adjusted net worth	17.2	(17.2)	-
On in-force business at beginning of year	22.4	(22.4)	-
On new business	(5.1)	5.1	-
Non-economic experience variances	12.4	(8.7)	3.7
Non-economic assumptions changes	-	(11.9)	(11.9)
Economic variances	0.6	41.5	42.2
Other variances	(1.5)	8.5	6.9
Total change	23.8	33.3	57.2
Values as of December 31, 2016	¥ 235.3	¥ 190.2	¥ 425.5

Sensitivity Analysis

Sensitivity analysis for embedded value of the Meiji Yasuda Life Group

The table below shows a sensitivity analysis of the embedded value of the Meiji Yasuda Life Group 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.

Assumptions	Embedded value	Increase (Decrease)
	(Billions of yen)	
Values as of March 31, 2017	¥ 4,528.8	¥ –
Sensitivity 1: 50 bps increase in the risk-free rate	4,815.6	286.8
Sensitivity 2: 50 bps decrease in the risk-free rate	4,052.5	(476.3)
Sensitivity 3: 10% immediate decline in equity and real estate values	4,178.3	(350.4)
Sensitivity 4: 10% decrease in maintenance expenses	4,663.1	134.3
Sensitivity 5: 10% decrease in surrender and lapse rates	4,659.9	131.1
Sensitivity 6: 5% decrease in mortality and morbidity for life insurance products	4,693.3	164.5
Sensitivity 7: 5% decrease in mortality for annuity products	4,499.4	(29.3)
Sensitivity 8: Required capital set to the statutory minimum level	4,572.7	43.8
Sensitivity 9: 25% increase in the implied volatilities of equity and real estate values	4,487.8	(40.9)
Sensitivity 10: 25% increase in the implied volatilities of swaptions	4,431.4	(97.3)
Sensitivity 11: 50bps increase in the risk discount rate (1)	4,516.6	(12.1)
Sensitivity 12: 50bps decrease in the risk discount rate (1)	4,541.9	13.0
Sensitivity 13: 50bps increase in the expected investment yields for equity and real estate(1)	4,530.2	1.4

Note:

(1) Sensitivities 11 through 13 are only applicable to StanCorp's embedded value, which is calculated using a top-down approach.

The sensitivities in the table above show the effect on our total embedded value of the Meiji Yasuda Life Group, but only the value of in-force business is affected in sensitivities 4 through 10 and 13. The following table shows the effect on adjusted net worth of sensitivities 1 through 3, 11 and 12.

	Increase (Decrease)
	(Billions of yen)
Sensitivity 1: 50 bps increase in the risk-free rate	¥ (1,065.2)
Sensitivity 2: 50 bps decrease in the risk-free rate	1,124.3
Sensitivity 3: 10% immediate decline in equity and real estate values	(357.2)
Sensitivity 11: 50bps increase in the risk discount rate	(0.0)
Sensitivity 12: 50bps decrease in the risk discount rate	0.0

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

Assumptions	Value of new business	Increase (Decrease)
	(Billions of yen)	
Value of new business as of March 31, 2017	¥ 118.8	¥ –
Sensitivity 1: 50 bps increase in the risk-free rate	164.8	46.0
Sensitivity 2: 50 bps decrease in the risk-free rate	61.5	(57.3)
Sensitivity 3: 10% immediate decline in equity and real estate values	119.1	0.3
Sensitivity 4: 10% decrease in maintenance expenses	128.0	9.2
Sensitivity 5: 10% decrease in lapse rates	136.6	17.8
Sensitivity 6: 5% decrease in mortality and morbidity for life insurance products	128.8	9.9
Sensitivity 7: 5% decrease in mortality for annuity products	118.8	(0.0)
Sensitivity 8: Required capital set to the statutory minimum level	119.8	0.9
Sensitivity 9: 25% increase in the implied volatilities of equity and real estate values	117.2	(1.6)
Sensitivity 10: 25% increase in the implied volatilities of swaptions	115.0	(3.7)

Note:

(1) Sensitivity of the value of new business for StanCorp is not included in each sensitivity above, considering its materiality to the value of new business for the Meiji Yasuda Life Group. StanCorp's value of new business is assumed to be unchanged in each sensitivity.

- *Sensitivity 1:* This item represents the effect on our embedded value of an upward parallel shift of 50 bps in the yield curve of risk-free forward rates. For StanCorp, this sensitivity is the effect on embedded value of re-setting expected investment yields and risk discount rates in an economic environment where risk-free rates have increased by 50 bps.

- *Sensitivity 2:* This item represents the effect on our embedded value of a downward parallel shift of 50 bps in the yield curve of risk-free forward rates. Until the year ended March 31, 2016, the lower limit of the risk-free forward rates was assumed to be zero, but such lower limit was eliminated from the year ended March 31, 2017.

- *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, accident and health, 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 of a change in the required capital level to the statutory minimum in Japan for Meiji Yasuda Life and to the statutory minimum in the United States for StanCorp. In Japan, the statutory minimum is a solvency margin ratio of 200%. In the United States, the statutory minimum is the level required to maintain 100% of the National Association of Insurance Commissioners' Company Action Level Risk-Based Capital ("RBC"), which is the level of capital below which an insurer must submit a capital improvement plan to the regulator.

- *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.

- *Sensitivity 11:* This item represents the effect on our embedded value of an upward parallel shift of 50 bps in the risk discount rate for StanCorp's business.

- *Sensitivity 12:* This item represents the effect on our embedded value of a downward parallel shift of 50 bps in the risk discount rate for StanCorp's business.

- *Sensitivity 13:* This item represents the effect on our embedded value of an upward shift of 50 bps in the investment yields of equity and real estate for StanCorp's business.

Sensitivity analysis for embedded value of Meiji Yasuda Life

The table below shows a sensitivity analysis of the embedded value of Meiji Yasuda Life to changes in the assumptions underlying the embedded value calculations.

Assumptions	Embedded value	Increase (Decrease)
	(Billions of yen)	
Values as of March 31, 2017	¥ 4,713.2	¥ –
Sensitivity 1: 50 bps increase in the risk-free rate	5,001.4	288.2
Sensitivity 2: 50 bps decrease in the risk-free rate	4,236.3	(476.9)
Sensitivity 3: 10% immediate decline in equity and real estate values	4,368.2	(344.9)
Sensitivity 4: 10% decrease in maintenance expenses	4,835.0	121.8
Sensitivity 5: 10% decrease in surrender and lapse rates	4,832.3	119.1
Sensitivity 6: 5% decrease in mortality and morbidity for life insurance products	4,857.5	144.3
Sensitivity 7: 5% decrease in mortality for annuity products	4,684.0	(29.1)
Sensitivity 8: Required capital set to the statutory minimum level	4,730.2	17.0
Sensitivity 9: 25% increase in the implied volatilities of equity and real estate values	4,672.2	(40.9)
Sensitivity 10: 25% increase in the implied volatilities of swaptions	4,618.9	(94.2)

The sensitivities in the table above show the effect on our total embedded value of Meiji Yasuda Life, 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	¥ (1,064.6)
Sensitivity 2: 50 bps decrease in the risk-free rate	1,123.7
Sensitivity 3: 10% immediate decline in equity and real estate values	(355.5)

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

Assumptions	Value of new business	Increase (Decrease)
	(Billions of yen)	
Value of new business as of March 31, 2017	¥ 114.9	¥ –
Sensitivity 1: 50 bps increase in the risk-free rate	160.9	46.0
Sensitivity 2: 50 bps decrease in the risk-free rate	57.6	(57.3)
Sensitivity 3: 10% immediate decline in equity and real estate values	115.2	0.3
Sensitivity 4: 10% decrease in maintenance expenses	124.2	9.2
Sensitivity 5: 10% decrease in lapse rates	132.7	17.8
Sensitivity 6: 5% decrease in mortality and morbidity for life insurance products	124.9	9.9
Sensitivity 7: 5% decrease in mortality for annuity products	114.9	(0.0)
Sensitivity 8: Required capital set to the statutory minimum level	115.9	0.9
Sensitivity 9: 25% increase in the implied volatilities of equity and real estate values	113.3	(1.6)
Sensitivity 10: 25% increase in the implied volatilities of swaptions	111.2	(3.7)

Sensitivity analysis for embedded value of StanCorp

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

Assumptions	Embedded value	Increase (Decrease)
	(Billions of yen)	
Values as of December 31, 2016	¥ 425.5	¥ –
Sensitivity 1: 50 bps increase in the risk-free rate	424.0	(1.4)
Sensitivity 2: 50 bps decrease in the risk-free rate	426.0	0.5
Sensitivity 3: 10% immediate decline in equity and real estate values	420.0	(5.5)
Sensitivity 4: 10% decrease in maintenance expenses	437.9	12.4
Sensitivity 5: 10% decrease in surrender and lapse rates	437.4	11.9
Sensitivity 6: 5% decrease in mortality and morbidity for life insurance products	445.7	20.2
Sensitivity 7: 5% decrease in mortality for annuity products	425.2	(0.2)
Sensitivity 8: Required capital set to the statutory minimum level	452.3	26.8
Sensitivity 9: 25% increase in the implied volatilities of equity and real estate values	425.5	–
Sensitivity 10: 25% increase in the implied volatilities of swaptions	422.4	(3.1)
Sensitivity 11: 50bps increase in the risk discount rate	413.3	(12.1)
Sensitivity 12: 50bps decrease in the risk discount rate	438.6	13.0
Sensitivity 13: 50bps increase in the expected investment yields for equity and real estate	426.9	1.4

The sensitivities in the table above show the effect on our total embedded value of StanCorp, but only the value of in-force business is affected in sensitivities 4 through 10 and 13. The following table shows the effect on adjusted net worth of sensitivities 1 through 3, 11 and 12.

	Increase (Decrease)
	(Billions of yen)
Sensitivity 1: 50 bps increase in the risk-free rate	¥ (0.5)
Sensitivity 2: 50 bps decrease in the risk-free rate	0.6
Sensitivity 3: 10% immediate decline in equity and real estate values	(1.6)
Sensitivity 11: 50bps increase in the risk discount rate	(0.0)
Sensitivity 12: 50bps decrease in the risk discount rate	0.0

Sensitivity of the value of new business for StanCorp is not provided due to its materiality to the value of new business for the Meiji Yasuda Life Group.

Assumptions applicable to Meiji Yasuda Life

Economic Assumptions

(a) 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, 2016	As of March 31, 2017
1 year	(0.154)%	(0.254)%
2 year	(0.206)%	(0.204)%
3 year	(0.229)%	(0.179)%
4 year	(0.205)%	(0.148)%
5 year	(0.190)%	(0.124)%
10 year	(0.048)%	0.068%
15 year	0.209%	0.375%
20 year	0.454%	0.663%
25 year	0.601%	0.828%
30 year	0.571%	0.881%
40 year	0.458%	0.948%
50 year	0.384%	1.010%

Source: Bloomberg, after interpolation.

(b) 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,							
		2016				2017			
Option Term	Swap Term	JPY	USD	EUR	GBP	JPY	USD	EUR	GBP
		bps	%	bps	bps	bps	%	bps	bps
5 year	5 year	-	42.4	68.8	84.2	27.0	30.6	69.1	79.8
5 year	7 year	38.8	40.4	71.4	82.9	28.7	30.8	70.0	78.3
5 year	10 year	39.7	38.4	74.1	80.7	31.7	29.7	70.8	76.0
7 year	5 year	40.3	38.4	72.7	79.8	30.4	28.3	71.6	77.8
7 year	7 year	40.2	37.0	74.0	77.1	31.3	28.2	71.6	75.9
7 year	10 year	40.8	34.7	74.7	76.0	33.3	27.9	71.4	73.4
10 year	5 year	-	33.8	75.3	73.5	33.4	25.0	71.8	73.5
10 year	7 year	-	32.7	74.6	71.6	33.9	25.0	71.0	72.2
10 year	10 year	42.3	32.1	73.3	71.0	35.7	25.2	69.6	69.5

Source: Bloomberg.
Notes:
(1) "-" indicates that the market data was not available at March 31, 2016.
(2) The implied volatilities as of March 31, 2017 are quoted on a normal model basis, while those as of March 31, 2016, quoted on a lognormal model basis, are converted to values on a normal model basis.

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**	**2016**	**2017**
JPY	Nikkei 225	3 year	20.2%	19.4%
		4 year	19.9%	19.4%
		5 year	19.8%	19.4%
USD	S&P 500	3 year	18.8%	17.1%
		4 year	20.1%	18.4%
		5 year	21.3%	19.7%
EUR	EuroStoxx 50	3 year	20.1%	18.6%
		4 year	20.1%	19.1%
		5 year	20.2%	19.6%
GBP	FTSE 100	3 year	18.7%	16.1%
		4 year	19.2%	17.1%
		5 year	19.7%	18.0%

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**	**2016**	**2017**
USD	10 year	12.4%	12.3%
EUR	10 year	14.1%	12.5%
GBP	10 year	14.2%	11.7%

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, 2007 to March 31, 2017. The following table shows correlation factors between major variables:

	JPY 10 year interest rate	USD 10 year interest rate	EUR 10 year interest rate	GBP 10 year interest rate	USD-JPY	EUR-JPY	GBP-JPY	Nikkei 225	S&P 500	EuroStoxx 50	FTSE 100
JPY 10 year Interest rate	1.00	0.58	0.50	0.53	0.41	0.20	0.40	0.32	0.16	0.19	0.10
USD 10 year Interest rate	0.58	1.00	0.78	0.85	0.47	0.34	0.52	0.37	0.31	0.30	0.20
EUR 10 year Interest rate	0.50	0.78	1.00	0.82	0.28	0.43	0.43	0.32	0.33	0.31	0.26
GBP 10 year Interest rate	0.53	0.85	0.82	1.00	0.31	0.29	0.46	0.26	0.19	0.18	0.09
USD-JPY	0.41	0.47	0.28	0.31	1.00	0.64	0.77	0.62	0.24	0.29	0.16
EUR-JPY	0.20	0.34	0.43	0.29	0.64	1.00	0.79	0.68	0.56	0.47	0.43
GBP-JPY	0.40	0.52	0.43	0.46	0.77	0.79	1.00	0.70	0.46	0.44	0.25
Nikkei 225	0.32	0.37	0.32	0.26	0.62	0.68	0.70	1.00	0.71	0.71	0.63
S&P 500	0.16	0.31	0.33	0.19	0.24	0.56	0.46	0.71	1.00	0.83	0.84
EuroStoxx 50	0.19	0.30	0.31	0.18	0.29	0.47	0.44	0.71	0.83	1.00	0.84
FTSE 100	0.10	0.20	0.26	0.09	0.16	0.43	0.25	0.63	0.84	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 1.0%.

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, 2016 to March 31, 2017)
Cash	0.0%
Fixed income	0.2%
Domestic stocks	7.4%
Foreign bonds	1.1%

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.

(a) 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 to the consumption tax law as of each valuation date. For the valuation date of March 31, 2017, it is assumed to be 8% until September 30, 2019 and 10% from October 1, 2019 onwards. For the valuation date of March 31, 2016, it is assumed to be 8% until March 31, 2017 and 10% from April 1, 2017 onwards.

(b) 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.

(c) Effective tax rate

Reflecting the change in corporate tax rates, the effective tax rate used in the projection of future profits is set to 28.20% for the years ended March 31, 2017 and 2018, and 27.96% for the year ending March 31, 2019 and each year thereafter.

Assumptions applicable to StanCorp

Economic Assumptions and Risk Discount Rate

(a) Risk-free rate

The risk-free rate used in calculations of the present value of future profits is based on the USD swap yield curve.

The table below shows, for selected terms, the risk-free rates (bond equivalent yield) which are used in the calculations.

	As of February 29, 2016	As of December 31, 2016
1 year	0.74%	1.17%
2 year	0.82%	1.43%
3 year	0.92%	1.65%
5 year	1.12%	1.94%
10 year	1.55%	2.30%
20 year	1.95%	2.52%
30 year	2.06%	2.55%

Source: Thomson Reuters.

(b) Stochastic interest rate assumptions

A set of 1,000 scenarios is produced for the stochastic calculation of the time value of financial options and guarantees, and cost of required capital for certain products. The interest rate model projects interest rates for the USD using a risk-neutral approach. The model has been calibrated according to the market environment as of the valuation 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. The scenario set has been generated by an economic scenario generator provided by Moody's Analytics.

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

	As of February 29, 2016		As of December 31, 2016	
Swap Term	5 year	10 year	5 year	10 year
Option Term				
5 year	46.97%	41.59%	33.65%	31.51%
7 year	42.38%	38.33%	31.45%	29.71%
10 year	37.29%	35.00%	28.62%	27.57%

Source: Super Derivatives.

(c) Expected investment yield

Projected investment cash flows are based on the existing asset portfolio and reinvestment assets consistent with the economic environment as of December 31, 2016. The reinvestment strategy is determined consistent with StanCorp's investment practice.

Key assumptions for the investment cash flows include risk-free rates, credit spreads, net default costs, and investment expenses. Initial asset yields are based on actual invested assets and statutory book yields as of December 31, 2016.

The table below sets forth the initial asset yield of general account fixed income assets.

	As of February 29, 2016		As of December 31, 2016	
Asset class	**Percentage of Existing Portfolio**	**Annual Effective Gross Yield**	**Percentage of Existing Portfolio**	**Annual Effective Gross Yield**
Bonds[(1)]	56%	3.88%	54%	3.90%
Mortgages	42%	5.44%	43%	5.18%
Structured Securities	2%	3.60%	3%	3.51%
Total Fixed Income Assets	100%	4.53%	100%	4.43%

Note:
(1) Combined with interest rate swap hedges.

Credit spreads to determine reinvestment yields are based on market spreads as of December 31, 2016, and grade to ultimate credit spreads. The ultimate credit spreads are determined by asset type, maturity, and rating, based on historical studies.

The table below shows the modeled reinvestment spreads for bonds and mortgages.

	As of February 29, 2016				As of December 31, 2016			
	Bonds(1)		Mortgages		Bonds(1)		Mortgages	
Term	Initial	Ultimate	Initial	Ultimate	Initial	Ultimate	Initial	Ultimate
	(bps)							
3 year	82	69	340	240	37	50	238	243
5 year	109	87	317	217	56	77	216	238
7 year	130	108	317	217	77	99	213	242
10 year	152	116	323	223	101	113	220	247
20 year	204	139	501	401	152	141	411	357
30 year	209	168	599	499	156	165	523	458

Note:
(1) Weighted average of different ratings.

Net credit default costs for both the existing asset and reinvested assets are based on historical default rates net of recoveries, set by asset type, duration, and rating.

The table below sets forth the modeled net credit default costs for bonds and mortgages.

	As of February 29, 2016				As of December 31, 2016			
	Bonds			Mortgages	Bonds			Mortgages
Duration	AA	A	BBB		AA	A	BBB	
1 year	4.1	6.5	19.5	0.2	3.6	5.8	18.9	0.2
3 year	10.2	17.6	36.8	20.7	8.4	15.1	33.5	20.7
5 year	15.6	23.7	43.2	34.6	12.8	20.3	39.0	34.6
7 year	18.9	26.6	43.6	23.1	15.7	23.1	39.8	23.1
10 year	22.1	28.0	43.5	8.7	18.2	25.5	40.7	8.7
20 year	16.0	19.8	30.4	0.4	13.5	18.2	31.2	0.4

The impact of call and prepayment behavior on embedded value is immaterial for the majority of StanCorp's bonds and mortgages, which contain make-whole call protection. For structured securities, expected cash flows including accelerated principal payments are projected on a best estimate basis for each security consistent with the risk-free rate scenario.

Investment expenses vary by asset type and remain constant over the projection, as set forth the table below. Investment expense assumptions were developed on a look-through basis.

Asset class	**As of February 29, 2016**	**As of December 31, 2016**
	(bps)	
Internally Managed Bonds	10.0	10.0
High Yield Bonds	35.0	35.0
Structured Securities	25.0	25.0
Mortgages	29.5	29.5

A flat net investment yield of 3.77% is used for renewal group business. Constant growth returns are assumed for each of the fund types of group annuity products, as shown in the table below.

Group Annuity Funds	**As of February 29, 2016**	**As of December 31, 2016**
Equity funds	8%	8%
Fixed income(1)	2-3%	2-3%
Money market and stable value-type funds	1%	1%

Note:
(1) Varies depending on the plan.

(d) Risk discount rate

The risk discount rate is set using a weighted average cost of capital ("WACC") approach taking into account the cost of equity and cost of debt. The cost of equity excludes any additional risk margin for unhedged interest rate risk as this is included by using market consistent stochastic interest rate scenarios for calculating time value of financial options and guarantees. The risk discount forward rate as of December 31, 2016 ranges from 5.36% to 7.14% (annual effective), which consists of a risk-free forward rate curve and a risk margin ranging from 4.27% to 4.38%, decreased from a range of 5.69% to 5.80% as of March 8, 2016. The change to the risk margin is due to two items: a regular update to the cost of debt associated with the observed market value of StanCorp's debt obligations, and a change to the cost of equity from reflecting a change in view of Meiji Yasuda Life as a shareholder.

Non-Economic Assumptions

Premium, operating expense, benefits and claims, cash surrender value, tax, and other cash flows are projected applying the best estimate assumptions, by product which reflect past, current and expected future experience. Dynamic assumptions are used for calculating the time value of options and guarantees for the individual and group annuity business.

The future inflation rate for maintenance expenses is assumed to be 2.0% p.a., based on the Federal Reserve Board's long term inflation targets and inflation rates implied from inflation linked bonds.

The tax rate is set at 35% for most of StanCorp's business.

Economic Solvency Ratio

Economic value-based solvency ratios measure the solvency of an insurance company based on the economic value and can be valuable in assessing an insurance company's specific risk profile. The introduction of economic value-based solvency ratios has been widely discussed in the insurance industry and has been considered by various insurance regulators, including the FSA. The EU has already adopted a full-scale economic solvency-based regime, in the form of the EU Solvency II Directive (2009/138/EEC), which became effective on January 1, 2016. We voluntarily apply an internal economic value-based solvency framework, generally in line with principles of the EU Solvency II Directive but also taking into consideration the Risk-based Global Insurance Capital Standard, a framework for IAIGs, which is currently under development by the IAIS, to measure available capital based on current observable market rates. We refer to our internal economic value-based solvency ratio as our ESR. Our ESR is equal to the sum of our surplus, which is the difference between the market value of our assets and the market value of our liabilities, and our external financing capital, which is comprised of outstanding foundation funds and subordinated bonds, divided by our integrated risk amount, which we define as the estimated amount of capital necessary to cover all of our quantifiable risk, including insurance underwriting risk, investment risk, subsidiary risk and operational risk, subject to certain adjustments for a one-year period, to a 99.5% confidence level. Insurance underwriting risk is calculated as the aggregation of the risk amounts for losses to be incurred from factors including volatilities in mortality rates, as well as surrender and lapse rates and increase in operating expenses. Investment risk is calculated as the aggregation of market risk (including interest rate risk, currency and price fluctuation risk), credit risk and real estate investment risk. Subsidiary risk is calculated as the aggregation of (i) with respect to our domestic insurance subsidiaries, integrated risk amount determined based on their respective internal models and (ii) with respect to certain of our overseas insurance subsidiaries, the applicable regulatory risk amounts and currency fluctuation risks determined based on categorization of materiality and risk characteristics. Operational risk is calculated in reference to the EU Solvency II Directive and by multiplying certain rates to certain metrics, including our insurance premium and policy reserve.

We have developed an internal framework used to calculate our ESR on a voluntary basis to monitor our financial soundness and to supplement our solvency margin ratio, which is prepared in accordance with Japanese regulations. Solvency margin ratio is not calculated based on economic value of the business of life insurance companies, which are characterized by the fact that most of the policies written are long-term contracts. Our current ESR framework may differ materially from any economic value-based solvency framework that may be implemented in Japan in the future, and we may revise our ESR framework in response to future regulatory changes. Our ESR framework may also differ from, and accordingly may not be directly comparable to, the economic value-based solvency frameworks voluntarily adopted by other similar insurance companies in Japan. For example, we do not use an ultimate forward rate methodology nor take into account the expected rate of return on assets in determining the risk-free rate to discount liabilities in our model. In addition, we review our ESR framework on an ongoing basis and may from time to time revise our ESR framework based on our own assessment of the appropriateness of the current framework. Our ESR is subject to change based on changes to the market environment, including interest rates, especially on bonds with very long maturities, and our business and other risks.

As of September 30, 2017, our ESR calculated based on this methodology was 135%.

Liquidity and Capital Resources

Cash Flows

The following table sets forth information about our cash flows during the years ended March 31, 2015, 2016 and 2017:

	Year ended March 31,		
	2015	2016	2017
	(Billions of yen)		
Net cash provided by operating activities	¥ 581.3	¥ 1,013.2	¥ 775.9
Net cash used in investing activities	(457.7)	(1,292.4)	(786.8)
Net cash provided by (used in) financing activities	(3.0)	232.7	55.4
Effect of exchange rate changes on cash and cash equivalents	2.1	(0.0)	0.7
Net increase (decrease) in cash and cash equivalents	122.7	(46.4)	45.2
Cash and cash equivalents at the beginning of the year	456.2	579.0	532.5
Cash and cash equivalents at the end of the year	¥ 579.0	¥ 532.5	¥ 577.8

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, 2015, 2016 and 2017. For the year ended March 31, 2017, net cash provided by operating activities decreased by ¥237.2 billion over the previous year, primarily due to a reduction in increase in policy reserves. For the year ended March 31, 2016, net cash provided by operating activities increased by ¥431.9 billion over the previous year, primarily due to an increase in losses on securities.

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, 2017, net cash used in investing activities decreased by ¥505.5 billion over the previous year primarily due to reduced acquisition of stock of subsidiaries in scope of consideration. For the year ended March 31, 2016, net cash used in investing activities increased by ¥834.7 billion over the previous year primarily due to increased acquisition of stock of subsidiaries in scope of consideration.

For the year ended March 31, 2017, net cash used in financing activities decreased by ¥177.2 billion over the previous year, primarily due to a decrease in issuance of subordinated bonds and repayment of loans. For the year ended March 31, 2016, net cash provided by financing activities increased by ¥235.7 billion over the previous year, primarily due to an increase in issuance of subordinated bonds.

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 December 31, 2017, approximately 43.1% 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 corporation.

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

- ¥50.0 billion in 2011, which was redeemed in 2016;
- ¥100.0 billion in 2012, which was redeemed in 2017;
- ¥50.0 billion in 2013, scheduled to mature in 2018;
- ¥60.0 billion in 2014, scheduled to mature in 2019;
- ¥100.0 billion in 2016, scheduled to mature in 2021; and
- ¥50.0 billion in 2017, scheduled to mature in 2022.

As a result of the above, as of December 31, 2017, the balance of our foundation funds was ¥260.0 billion and the amount of reserve for redemption of foundation funds was ¥620.0 billion.

Reserves and subordinated debt. 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. Qualifying subordinated debt provides another buffer against unexpected shocks.

Our total subordinated notes outstanding as of December 31, 2017 included the following:

- In October 2015, we issued and sold $2,000,000,000 of 5.20% step-up callable subordinated notes due 2045 (the "2015 Notes") pursuant to an indenture dated October 20, 2015 between us and The Bank of New York Mellon as trustee, paying agent, calculation agent and notes registrar. Beginning on, and including, October 20, 2015 to, but excluding, October 20, 2025, the 2015 Notes bear interest at 5.20% *per annum* payable semiannually, and beginning on October 20, 2025 and any date which falls five, or a multiple of five, years thereafter, the rate of interest of the 2015 Notes will be reset to the sum of the applicable 5-year dollar mid-swap rate and 4.23% *per annum*, payable semi-annually.

- In December 2016, we issued and sold ¥100,000,000,000 of 1.08% subordinated notes due 2046 with interest deferral options and ¥15,000,000,000 of 1.30% subordinated notes due 2051 with interest deferral options (together, the "2016 JPY Notes"). Beginning on, and including, the day immediately following December 15, 2016 to, and including, December 15, 2026 and December 15, 2031, respectively, the 2016 JPY Notes bear interest at 1.08% and 1.30% *per annum*, respectively, payable semi-annually, and every date which falls five, or a multiple of five, years thereafter, the rate of interest of the 2016 JPY Notes will be reset to the sum of the applicable 5-year yen mid-swap rate and 1.83% and 1.84%, *per annum*, respectively, payable semi-annually.

- In November 2017, we issued and sold ¥100,000,000,000 of 1.11% subordinated notes due 2047 with interest deferral options (the "2017 JPY Notes"). Beginning on, and including, the day immediately following November 6, 2017 to, and including, November 6, 2027, the 2017 JPY Notes bear interest at 1.11% *per annum* payable semi-annually, and every date which falls five, or a multiple of five, years thereafter, the rate of interest of the 2017 JPY Notes will be reset to the sum of the applicable 5-year yen mid-swap rate and 1.80% *per annum*, payable semi-annually.

Each series of subordinated notes described above (collectively, the "Subordinated Notes") constitute our irrevocable, direct, unsecured and subordinated obligations and rank *pari passu* and without any preference among themselves, with other series of the Subordinated Notes and with the Notes being offered hereby and in priority to (i) claims of holders of interests in foundation funds (*kikin*) and (ii) claims of any other instruments that are expressly designated as being junior to the Subordinated Notes as to priority of liquidation payment. The Subordinated Notes and the Notes being offered hereby are considered liquidation parity securities. See "Description of the Notes—Status of the Notes; Subordination" for further details.

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, 2015, 2016 and 2017 and the nine months ended December 31, 2017, our net unrealized gains on available-for-sale securities totaled ¥2,838.5 billion, ¥2,291.0 billion, ¥2,542.5 billion and ¥3,055.1 billion, respectively. The increases in net unrealized gains on available-for-sale securities since March 31, 2016 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 payment 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, all other premium insurance products and level payment insurance, and a mortality rate set by the IAJ and confirmed by the Commissioner of the FSA. 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. 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,		
	2015	2016	2017
	(Billions of yen)		
General account:			
Individual insurance	¥ 14,560.8	¥ 15,234.9	¥ 15,403.0
Individual annuities	6,991.1	7,030.6	7,107.0
Group insurance	149.0	144.8	141.4
Group annuities	6,739.6	6,965.7	7,037.2
Other	222.4	220.0	218.7
Separate account:			
Individual insurance	76.8	65.6	63.5
Individual annuities	363.2	343.9	325.9
Group insurance	–	–	–
Group annuities	394.0	379.7	404.5
Other	–	–	–
Contingency reserve	667.3	675.5	681.5
Total	¥ 30,164.6	¥ 31,060.9	¥ 31,383.2

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 December 31, 2017, our solvency margin ratio on a non-consolidated basis was 957.7%. 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 following table sets forth our solvency margin ratio on a non-consolidated basis, and information related to its calculation, as of March 31, 2016 and 2017 and December 31, 2017:

	As of March 31,		As of December 31,
	2016	**2017**	**2017**
	(Billions of yen, except percentages)		
Foundation funds and others(1)	¥ 1,079.5	¥ 1,194.0	¥ 1,164.6
Reserve for price fluctuation	521.6	577.5	658.4
Contingency reserve	675.5	681.5	691.5
General allowance for possible loan losses	1.3	1.3	1.3
Net unrealized gains on available-for-sale securities(2)	2,857.3	3,166.9	3,791.4
Net unrealized gains on real estate(3)	281.9	310.7	330.1
Excess of continued Zillmerized reserve	966.8	953.5	941.9
Qualifying subordinated debt	338.3	353.3	453.3
Excess of continued Zillmerized reserve and qualifying subordinated debt not included in margin calculation	–	–	–
Deduction clause	–	–	–
Others	82.9	89.3	87.1
Solvency margin gross amount (A)	¥ 6,805.4	¥ 7,328.4	¥ 8,119.9
Insurance risk (R1)	118.6	119.1	119.3
Third-sector insurance risk (R8)	56.0	57.8	60.0
Assumed yield risk (R2)	150.2	146.7	145.4
Minimum guarantee risk (R7)	8.8	12.0	11.2
Investment risk (R3)	1,248.7	1,347.3	1,492.6
Business management risk (R4)	31.6	33.6	36.5
Total amount of risk (B)(4)	¥ 1,450.2	¥ 1,550.1	¥ 1,695.6
Solvency margin ratio(5)	938.5%	945.5%	957.7%

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 $= \dfrac{(A)x100}{(B)x(1/2)}$

Our non-consolidated solvency margin ratio, which was 1,041.0% as of March 31, 2015, decreased to 938.5% as of March 31, 2016 and then increased to 945.5% as of March 31, 2017. The increase as of March 31, 2017 was primarily due to the offering of foundation funds (*kikin*) and the issuance of domestic subordinated bonds. Our non-consolidated solvency margin ratio increased to 957.7% as of December 31, 2017 resulting mainly from the issuance of domestic subordinated bonds.

The following table sets forth our solvency margin ratio on a consolidated basis, and information related to its calculation, as of March 31, 2016 and 2017 and December 31, 2017:

	As of March 31,		As of December 31,
	2016	2017	2017
	(Billions of yen, except percentages)		
Foundation funds or capital[1]	¥ 626.2	¥ 739.6	¥ 747.1
Reserve for price fluctuation	522.1	578.2	659.1
Contingency reserve	675.6	681.5	691.5
Extraordinary contingency reserve	9.1	9.5	10.0
General allowance for possible loan losses	1.3	1.3	1.3
Net unrealized gains on available-for-sale securities[2]	2,859.7	3,177.0	3,812.5
Net unrealized gains on real estate[3]	288.2	316.2	335.6
Net unrealized actuarial differences and past service expenses	(44.7)	21.9	28.4
Excess of continued Zillmerized reserve	966.8	953.5	941.9
Qualifying subordinated debt	363.9	379.6	478.8
Excess of continued Zillmerized reserve and qualifying subordinated debt not included in margin calculation	–	–	–
Deduction clause	(156.3)	(147.6)	(155.2)
Others	83.3	89.8	88.1
Solvency margin gross amount (A)	¥ 6,195.3	¥ 6,801.0	¥ 7,639.6
Insurance risk (R1)	155.0	158.5	159.2
General insurance risk (R5)	1.7	1.7	1.7
Large disaster risk (R6)	0.5	0.4	0.4
Third-sector insurance risk (R8)	56.3	58.2	60.4
Insurance risk of small-amount, short-term insurer (R9)	–	–	–
Assumed yield risk (R2)	150.2	146.7	145.4
Minimum guarantee risk (R7)	8.8	12.0	11.2
Investment risk (R3)	1,053.0	1,153.9	1,303.2
Business management risk (R4)	28.5	30.6	33.6
Total amount of risk (B)[4]	¥ 1,259.4	¥ 1,361.6	¥ 1,510.5
Solvency margin ratio[5]	983.7%	998.9%	1,011.5%

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 = $\sqrt{\left(\sqrt{R_1^2 + R_5^2} + R_8 + R_9\right)^2 + (R_2 + R_3 + R_7)^2} + R_4 + R_6$

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

Our consolidated solvency margin ratio, which was 1,068.4% as of March 31, 2015, decreased to 983.7% as of March 31, 2016 and then increased to 998.9% as of March 31, 2017. The increase as of March 31, 2017 was primarily due to the offering of foundation funds (*kikin*) and the issuance of domestic subordinated bonds. Our consolidated solvency margin ratio increased to 1,011.5% as of December 31, 2017 resulting mainly from the issuance of domestic subordinated bonds.

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, 2015, 2016 and 2017 and December 31, 2017, our real net assets on a non-consolidated basis totaled ¥8,899.3 billion, ¥9,515.6 billion, ¥9,563.9 billion and ¥10,336.5 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
Moody's	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)
R&I	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)
JCR	AA-	Second highest of eleven rating categories and third highest within the category based on modifiers (*e.g.*, AA+, AA and AA- are 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) on a non-consolidated basis was ¥19.7 billion, ¥20.1 billion, ¥20.0 billion and ¥18.6 billion as of March 31, 2015, 2016 and 2017 and September 30, 2017, respectively. Our ratios of problem loans to all loans on a non-consolidated basis were 0.39%, 0.41%, 0.43% and 0.41% as of March 31, 2015, 2016 and 2017 and September 30, 2017, 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 and risk management. In order to regularly monitor and appropriately control the various risks we face in our business, we have also established the Risk Management Verification Committee, which serves as an advisory body for to the Management Council and working groups of the Risk Management Verification Committee specialized to deal with category-specific risk in their respective zones, with the aim of ensuring regular monitoring and appropriate control of all manner of risks. We have also formed independent risk management units to provide cross-checking functions. To enhance the effectiveness of our risk management, the Internal Audit Department conducts internal audits, while the Audit Committee validates the effectiveness of our risk management. These audits validate the appropriateness and efficacy of risk management functions, as well as the risk management system.

In addition to maintaining an integrated risk management framework to handle all category-specific risks, we pay close attention to the enterprise risk associated with our entire operations. More specifically, we perform risk management employing a PDCA cycle, in which we undertake the quantitative and qualitative evaluation of enterprise risk, including potential risks that may significantly impact our business operations, while monitoring and controlling for such risk. We also employ ORSA, a process for verifying the appropriateness of our risk-taking strategies, as a core methodology to promote enterprise risk management. Furthermore, we have developed an overarching framework for assessing and managing risks associated with the entire Meiji Yasuda Life Group in step with the expansion of the scope of our overall operations, quantitatively measuring the risk related to such operations. The status of these risk management activities is periodically reported to the Risk Management Verification Committee, the Management Council and the Board of Directors.

Asset Liability Management (ALM)

Our Risk Management Verification Committee or its working group 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 Risk Management Verification Committee's working group 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 Risk Management Verification Committee's working group 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 a working group of the Risk Management Verification 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 97.8% of our non-consolidated total assets as of December 31, 2017, 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 Risk Management Verification Committee's working group 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 other illegal uses. 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 regulations and information security related policies to protect our information technology assets from a variety of system risks. To protect our computer systems from catastrophes, we maintain a computer center in the Kanto area and a 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 Verification 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 subsidiaries 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, stock index and bond forward contracts and options, 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; 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 on a non-consolidated basis including both those eligible and not eligible for hedge accounting:

	As of March 31,		
	2015	2016	2017
	(Billions of yen)		
Interest-rate transactions	¥ 32.8	¥ 59.9	¥ 51.4
Currency rate-related transactions	(75.7)	88.1	(27.5)
Stock-related transactions	–	–	–
Bond-related transactions	–	–	–
Other	–	–	–
Total	¥ (42.8)	¥ 148.1	¥ 23.8

The following tables set forth the amounts of contract value, fair value and net gains or losses on currency forward contracts in our general account on a non-consolidated basis, not eligible for hedge accounting, which are entered into as of the dates indicated:

	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

	As of March 31, 2016		
	Contract amount	Market value	Net gains (losses)
	(Billions of yen)		
Foreign exchange forward contracts			
Sold:			
U.S. dollars	¥ 0.1	¥ (0.0)	¥ (0.0)
Australian dollars	12.2	(0.1)	(0.1)
Total	¥ 12.3	¥ (0.1)	¥ (0.1)

	As of March 31, 2017		
	Contract amount	Market value	Net gains (losses)
	(Billions of yen)		
Foreign exchange forward contracts			
Sold:			
U.S. dollars	¥ 106.3	¥ 0.5	¥ 0.5
British pounds	6.9	(0.0)	(0.0)
Australian dollars	4.3	0.0	0.0
Total	¥ 117.6	¥ 0.5	¥ 0.5
Purchased:			
U.S. dollars	¥ 11.1	¥ 0.0	¥ 0.0
Total	¥ 11.1	¥ 0.0	¥ 0.0

The following table sets forth the amounts of contract value and fair value on currency forward contracts (eligible for hedge accounting) in our general account on a non-consolidated basis, entered into as of the dates indicated:

	As of March 31,					
	2015		2016		2017	
	Contract amount	Market value	Contract amount	Market value	Contract amount	Market value
	(Billions of yen)					
Foreign exchange forward contracts						
Sold:						
U.S. dollars	¥ 2,010.0	¥ (89.9)	¥ 1,808.7	¥ 86.8	¥ 2,560.5	¥ (23.1)
Euro	196.3	10.4	182.8	1.7	168.7	(0.1)
Australian dollars	148.3	8.6	131.3	0.8	123.0	(6.4)
Total	¥ 2,354.7	¥ (70.9)	¥ 2,123.0	¥ 89.4	¥ 2,852.3	¥ (29.7)

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 6.6 million insured persons as of September 30, 2017.

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 the Swiss Re Institute's Sigma World Insurance in No. 3/2017, Japan is the second largest life insurance market in the world by premium volume. We held one of the largest market shares in Japan by premium income among private insurers for the year ended March 31, 2017, and aim to continue the growth that made us one of Japan's leading private life insurance companies.

Internationally, we had seven subsidiaries and affiliates in five countries as of December 31, 2017, and we have expanded our international operations with a view to securing a more robust profit base and realizing risk diversification. In particular, in March 2016, we acquired StanCorp, a leading provider of group life and disability insurance in the United States.

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
  - Expand our customer base through the offering of new products and improved after-sales service, expansion of marketing channels and establishment of administrative service base.
  - Introduce new market initiatives in the domestic and overseas life insurance markets.
  - 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 five life insurance companies, including Japan Post Insurance, accounting for more than half of the total market share in terms of total premium income. In addition, in 2016, it featured the second highest life insurance premiums among the top five markets in the world, at $354,053 million, including Japan Post Insurance and insurance provided by the Japan

Agricultural Cooperatives, as compared to $262,616 million in China, $199,369 million in the United Kingdom, $152,817 million in France and $558,847 million in the United States, according to Sigma World Insurance in No. 3/2017 and, in the aggregate, represented approximately 13.5% of total global life insurance premiums. Moreover, according to the Japan Institute of Life Insurance, 89.2% of Japanese households were enrolled in some form of life insurance based on a survey conducted in April to May of 2015. Additionally, according to the BOJ, as of March 31, 2017, insurance and annuities accounted for 28.8% of total household financial assets in Japan, second only to cash and deposits and slightly below levels in the United States and Europe.

We have long maintained a robust position in this attractive Japanese life insurance market. We have consistently been one of the top five life insurance companies in Japan in terms of total premium income and also rank highly among our global peers in terms of revenue. In particular, we have sustained a top share among Japanese life insurance companies in the group life insurance market, with ¥113.6 trillion in policy amounts in force as of December 31, 2017, driven by our strong business relationships with many of Japan's major corporations and government and public offices and our value-added services for employee benefits.

With over 6.6 million insured persons in Japan as of September 30, 2017, 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 1,011.5% and 957.7%, respectively, as of December 31, 2017, each of which significantly exceeds the regulatory minimum threshold of 200%. Furthermore, our consolidated solvency margin ratio as of December 31, 2017 was the highest among the top four private life insurance companies in Japan, excluding Japan Post Insurance. 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, 2015, and we had real net assets of ¥10,336.5 billion as of December 31, 2017, representing an increase of more than ¥772.6 billion from March 31, 2017. Our unrealized gains on securities, other than certain investment assets not readily susceptible to market valuation, also increased substantially to ¥6,392.5 billion as of December 31, 2017 as compared to ¥5,666.9 billion as of March 31, 2017. This increase was supported by the performance of our investment portfolio. As of December 31, 2017, the domestic stocks in our investment portfolio had the lowest break-even point among the top four private life insurance companies in Japan, excluding Japan Post Insurance, of approximately ¥8,000 in relation to the Nikkei index and of 660 points in relation to TOPIX (assuming that the market value of our stock portfolio changes in parallel to such indices), as compared to the closing values of ¥20,356.28 and 1,674.75 for the Nikkei index and TOPIX recorded on September 30, 2017, respectively.

Stable operations and profit supported by increasing quality of insurance products

We have established a strong track record of stable operations and profit. For example, our annualized net premiums from policies in force have grown steadily year on year since the year ended March 31, 2013 due in part to our successful introduction in 2014 of "Best Style," a customizable, comprehensive product that can be tailored to meet the specific needs of our customers and which now serves as our main product for individual insurance, as well as our successful introduction in 2016 of "Simple Insurance Series Light! By Meiji Yasuda Life," a product developed to be "simple," "small amount" and "easy-to-understand" and aimed mainly to capture new customers not enrolled in any insurance policy, in particular the younger customers in their 20s and 30s, with ¥2,250.0 billion recorded for the year ended March 31, 2017. Over the same period, we have also continued to achieve stable base profit, a measure that is used for the performance of a Japanese life insurance company's business. For the year ended March 31, 2017, we recorded ¥472.3 billion, representing growth of 2.7% over the previous year. This increase was due not only to an improvement of the investment environment but also effective asset allocation and an increase in mortality profit through enhanced risk control. In addition, we recorded interest surplus of ¥174.8 billion for the year ended March 31, 2017, representing the sixth consecutive year in which we have recorded interest surplus.

We have also steadily improved the quality of our insurance policies, which we believe has contributed to the stability of our profit generation from our life insurance business. As discussed further below in

"—Strategies," we have focused on developing and delivering new insurance products that adapt to the evolving needs of our customers and enhancing the capabilities of our sales representatives, who provide engaging, face-to-face after-sales services to our customers. We believe that it is partly as a result of these efforts that our surrender, lapse and partial surrender rate has declined year on year since the year ended March 31, 2013 to 3.63% for the year ended March 31, 2017. Our total persistency rate is competitive with the persistency rates of Japan's other major life insurance companies. Specifically, it has remained above 95% for 13-month contracts and 85% for 25-month contracts over the last two years and stood at 95.5% for 13-month contracts and 89.8% for 25-month contracts as of December 31, 2017.

In addition, our embedded value was ¥4,528.8 billion as of March 31, 2017, an increase of ¥1,127.4 billion from our embedded value as of March 31, 2016. This increase is mainly attributable to the increase in the value of our in-force business, which has been achieved mainly through an improvement in interest rates. See "Management's Discussion and Analysis of Financial Condition and Results of Operations—Embedded Value" for further details. Moreover, our new business margin, which is the ratio of the value of our new business to the present value of future premiums as determined for the purposes of calculating our embedded value, increased to 3.69% for the year ended March 31, 2017 from 2.96% for the prior year, and was the highest level among Japanese life insurers. The increase was due to our success in deliberately controlling the sales volume of yen-denominated single premium savings-type products with low profitability.

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, through which we aim to control the fluctuation of economic net worth when the market environment changes. We believe that this has enabled us to achieve a stable 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 approximately 60% of our general account assets concentrated in yen-denominated fixed income assets, such as domestic bonds and domestic loans, for each of the last three fiscal years. Our bond portfolio mostly consists of JGBs and U.S. Treasury bonds and residential mortgage backed securities, 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 45.3% of our total general account assets as of December 31, 2017, while domestic stocks with a carrying value of ¥4,731.9 billion accounted for only 12.5%. 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. Over the last three fiscal years, approximately 70% of our domestic bond portfolio has been comprised of bonds with a duration of over 10 years. We also 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 are not impacted by 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 maintained a relatively low sensitivity of our embedded value to a 50 basis point decrease in the risk-free rate of negative 10.1% as of March 31, 2017. See "—Investments—Management of Investments" for further details on our surplus management-type ALM policy. While we focus on surplus management-type ALM in the medium- to long-term, we also engage in asset allocation to maintain a stable positive spread during the current extremely low-interest rate, high volatility environment, during which we accelerate effective investments in both hedged and open foreign currency denominated bonds depending on the market conditions, as well as strengthen our investments in carefully selected risk assets to maintain and increase profitability.

Strategies

In April 2017, we launched a new three-year plan called MY INNOVATION 2020, which includes a new Medium-Term Business Plan. The Medium-Term Business Plan consists of key policies designed to promote our three core strategic initiatives:

- A growth strategy, through which we are aiming to expand our customer base, introduce new market initiatives, implement better asset management and achieve advanced technological innovation.

- An operating base reinforcement strategy, through which we are aiming to implement better governance and improved work engagement.

- A brand strategy, through which we are endeavoring to promote a new corporate philosophy.

Under the Medium-Term Business Plan, we have set the following key management performance targets:

- increase our Corporate Value (as further described below) by 20% to approximately ¥5,630.0 billion as of March 31, 2020 from approximately ¥4,710.0 billion as of March 31, 2017;

- increase our economic solvency ratio ("ESR") (as further described below) to 150-160% or above as of March 31, 2020, compared to 135% as of September 30, 2017;

- increase our On-Balance Sheet Capital (as further described below) to ¥3 trillion as of March 31, 2020, compared to ¥2,464.1 billion and ¥2,613.6 billion as of March 31 and December 31, 2017, respectively;

- increase annualized net premiums from policies in force to ¥2,247.0 billion as of March 31, 2020, an increase of ¥41 billion compared to ¥2,205.2 billion as of March 31, 2017;

- increase annualized net premiums from new third-sector insurance policies to ¥56 billion as of March 31, 2020, compared to ¥41.0 billion as of March 31, 2017; and

- maintain our No. 1 domestic share of the group life insurance for business in force.

For purposes of the above:

- Corporate Value under the Medium-Term Business Plan is calculated by taking our embedded value and reflecting certain adjustments to conform the market condition and investment environment to that which has been used in calculating our embedded value as of March 31, 2017, reversing the impact of, for instance, subsequent fluctuations in share price and changes in yield curve. We believe Corporate Value is a helpful indicator that shows the growth potential, profitability and financial soundness of a life insurance company as compared to a specific baseline date. However, due to such adjustments, Corporate Value may diverge from embedded value and as such should not be used in lieu of embedded value. For example, an increase in Corporate Value for these purposes may not necessarily mean an increase in embedded value over the same period;

- ESR refers to our internal economic value-based solvency ratio, which measures our solvency based on our economic value, and is equal to the sum of our surplus, which is the difference between the market value of our assets and the market value of our liabilities, and external financing capital, which is comprised of our foundation funds and subordinated bonds, divided by our integrated risk amount, which we define as the estimated amount of capital necessary to cover all of our quantifiable risk, including insurance underwriting risk, investment risk, subsidiary risk and operational risk, subject to certain adjustment for a one-year period to a 99.5% confidence level. See "Management's Discussion and Analysis of Financial Condition and Results of Operations—Economic Solvency Ratio" for further details; and

- On-Balance Sheet Capital is the total amount of our specified internal reserves (including reserve for redemption of foundation funds) and external financing capital, which is comprised of our foundation funds and subordinated bonds.

Our numerical targets and strategic initiatives in our Medium-Term Business Plan are forward-looking statements. See "Forward-Looking Statements." Our ability to achieve these numerical targets or implement these strategic initiatives is subject to risks and uncertainties, including those described under "Risk Factors" and elsewhere in this offering circular. These numerical targets and strategic initiatives are based on a number of assumptions, beliefs and expectations established at the time our Medium-Term Business Plan was announced in March 2017 and do not reflect the impact of any inorganic initiatives that we may pursue as part of our ongoing growth strategy. Such assumptions, beliefs and expectations involve significant subjective judgment and relate to matters that may be outside of our control, such as assumptions about the economic environment and key macroeconomic indicators. For example, we assumed that, over the three-year period covered by the Medium-Term Business Plan, domestic and U.S. interest rates as well as domestic stock market indices would increase slightly and that the U.S. dollar would appreciate slightly against the yen. There can be no assurance that we will achieve the numerical targets or strategic initiatives set forth in our Medium-Term Business Plan.

Our specific strategies for growing and strengthening of our operating base are as follows:

Expand our customer base through the proactive offering of new products and provision of improved after-sales service, expansion of marketing channels and establishment of administrative service base

By proactively supplying new products and providing enhanced services, including improved after-sales service adapted to the needs of each customer and other new services, we seek to address the evolving coverage needs of our customer base and grow the number of customers we reach through our individual insurance marketing channel and our group insurance marketing channel. We also seek to expand our sales representative channel and expand market access mainly through collaborating with other companies, promoting digital marketing and building a "Business to Employee" marketing approach, in which we communicate sales proposals directly to employees at our corporate and group customers, thereby creating additional opportunities for new business. We also are continuing with our efforts to establish an administrative service base that improves interactions with customers through information and communication technology and other measures, which are aimed at promoting paperless, speedy and automated administrative services and online customer interaction for individual and group insurance. Looking ahead, efforts are underway to develop sophisticated administrative service solutions through the use of artificial intelligence and other cutting-edge technologies. By innovating in this space, we seek to realize industry leading administrative service quality that exceeds our customers' expectations.

Introduce new market initiatives in the domestic and overseas life insurance markets

In the domestic life insurance market, we plan to actively offer our products that cater to new target markets which we have identified based on recent social and demographic trends in Japan: a rapidly aging society, a higher proportion of women in the workforce, rising social security expenses and a shift from savings to investment. We aim to proactively design and deliver policies that accommodate these important sources of potential growth with measures such as expanding insurance coverage for seniors through better underwriting, meeting the insurance needs of women in the work force, developing new third-sector insurance products and services as a countermeasure to the aging society and expanding our lineup of investment-type products.

In the overseas life insurance market, we plan to continue to actively promote the expansion of each of our existing subsidiaries' and affiliates' businesses, especially with respect to StanCorp, which we acquired in March 2016, in their respective markets to increase profitability in the medium- to long-term. We have positioned StanCorp as a strategic base in the United States for securing future growth for our operations and we aim to help StanCorp achieve business expansion and greater profitability. In pursuit of further overseas growth, we will continuously seek and evaluate opportunities to make strategic investments and acquisitions over the course of our Medium-Term Business Plan.

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

In conjunction with pursuing a stronger customer-oriented brand and our 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 are promoting the adoption of more sophisticated enterprise risk management methodologies that strike a balance between financial soundness, profitability and growth potential. Based on our risk appetite, we determine the types and levels of acceptable risk, and we will engage in efficient capital allocation, risk-return management and ORSA in an integrated manner to ensure sustainable growth in corporate value.

Products and Services

We offer various types of individual life insurance and annuity products as well as group insurance and annuity products, with over 6.6 million insured persons in Japan, as of September 30, 2017. In addition, as a group, we offer various other 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 9.3 million policies and ¥65.3 trillion, respectively, as of December 31, 2017. The amount of new individual insurance policies written, including net increases in policy amounts due to conversions, were ¥18,284 billion and ¥11,073 billion, respectively, during the year ended March 31, 2017 and the nine months ended December 31, 2017. Premiums from individual insurance constituted 48.9% of total insurance premiums for the year ended March 31, 2017.

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 1.23 million policies as of March 31, 2017. "Best Style" policies accounted for 24.9% of our total policy amount in force for individual insurance policies as of March 31, 2017, and for 78.5% of new policy amounts written for individual insurance during the year ended March 31, 2017.

Our "Best Style" product embodies our belief that the true value of life insurance depends 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. Through this product, we aim to offer optimal coverage at the time of enrollment by enabling customers to combine 22 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. In June 2016, we launched two new riders, a serious disease rider with ongoing coverage and a whole life annuity rider for long-term nursing care certified as level 3 and above.

The following table sets forth brief descriptions of the 22 types of coverage that are offered under "Best Style."

Type of Coverage	Description
Category A: Illness and Injury Protection	
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.
Hospital admission and treatment	Provides benefits for hospital admissions and treatments covered under the public healthcare insurance system.
Out-patient surgical treatment	Provides benefits for out-patient surgical and radiation treatments covered under the public healthcare insurance system.
Post-discharge medical treatment	Provides benefits for post-discharge medical treatments covered under the public healthcare insurance system.
Advanced medical care	Provides benefits for advanced medical care treatment.
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.
Serious disease with ongoing coverage	Provides benefits for certain conditions resulting from the following seven major diseases: acute cardiac infarction, stroke, severe diabetes, severe hypertension, chronic kidney failure, cirrhosis of the liver and severe chronic pancreatitis.

Type of Coverage	Description
Cancer premium payment	Provides exemption for payments of certain premiums in cases of diagnosis of certain cancers.
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.
Whole life annuity 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.
Living support	Provides annuity benefits for certain disabilities resulting in daily life limitations for the insured's whole life.
Category D: Death and Permanent Events	
Term life insurance	Provides benefits in cases of death or certain disabilities for a fixed period of time.
Whole life insurance	Provides benefits in case of death or certain disabilities irrespective of when the insured dies or becomes disabled.
Living expenses support	Provides annuity benefits for a fixed period of time in cases of death or certain disabilities.
Other Protection	
Premium protection	Provides benefits to protect against insurance premium increases upon renewal or revision of policy.
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, marketed under the names of "*Shushin Hoken* Pioneer E," "Everybody 10," and other product names, accounted for 9.7% of our total policy amount in force for individual insurance policies as of March 31, 2017, and for 4.0% of new policy amounts written for individual insurance during the year ended March 31, 2017.

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, marketed under the name "*Kojin teiki hoken*," accounted for 4.0% of our total policy amount in force for individual insurance policies as of March 31, 2017. 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 3.7% of new individual insurance policy amounts written for individual insurance during the year ended March 31, 2017.

Endowment insurance. Endowment insurance accounted for 1.3% of our total policy amount in force for individual insurance policies as of March 31, 2017. 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, marketed under the name "Happy Balloon" and other product names accounted for 0.4% of new individual insurance policy amounts written for individual insurance during the year ended March 31, 2017. In August 2017, we introduced a foreign currency denominated endowment insurance with a single lump-sum premium payment.

Third-sector and other individual life insurance products. We offer other individual life insurance products, including medical insurance and juvenile insurance, as well as a wide variety of policy riders which can be combined with our other products. In December 2017, we launched a new product called “Lifetime Medical Insurance from the Age of 50,” a lifetime medical insurance plan that is “simple” and “easy-to-understand” and allows enrollment up to the age of 90. In addition, we offer riders, among other things, for serious diseases, cancer, illness and disability, nursing care, living needs, accidents, injuries, hospitalization and survivor benefits. These riders, which can be used in combination with each other, 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 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.

In addition, in October 2016, with the aim to capture new customers not enrolled in any insurance policy, in particular the younger customers in their 20s and 30s, we launched a new series of products under the name “Simple Insurance Series Light! By Meiji Yasuda Life,” which provides products that are designed to be “simple,” “small amount” and “easy-to-understand.” In April 2017, we introduced nonlife insurance policies, including bicycle insurance and household property insurance, to the series, which as of December 31, 2017, had sold approximately 560,000 policies.

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 8.3% of our total policy amount in force for individual life insurance policies as of March 31, 2017.

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 28.8% as of March 31, 2017.

Individual Annuities

The number and amounts of individual annuity policies in force were approximately 2.6 million policies and ¥14.1 trillion, respectively, as of December 31, 2017. The amount of new individual annuity policies, including net increases in policy amounts due to conversions, were ¥1,267.5 billion and ¥137.3 billion during the year ended March 31, 2017 and the nine months ended December 31, 2017, respectively. Premiums from individual annuities constituted 14.7% of total insurance premiums for the year ended March 31, 2017.

Our individual annuity products mainly consist of individual fixed annuities, marketed under the “*Nenkin Kakehashi*” 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.

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 ¥112.9 trillion and ¥113.6 trillion in policy amounts in force as of March 31 and December 31, 2017, respectively. The amount of new group insurance policies was ¥504.2 billion and ¥992.8 billion during the year ended March 31, 2017 and the nine months ended December 31, 2017, respectively. Premiums from group insurance constituted 12.0% of total insurance premiums for the year ended March 31, 2017.

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, 2017. 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 39.9% of our total policy amounts in force for group insurance policies as of March 31, 2017. 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. We also offer our group annuity products to pension funds of large corporations and corporate pension funds. Premiums from group annuities constituted 23.1% of total insurance premiums for the year ended March 31, 2017.

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 1.4% of total insurance premiums for the year ended March 31, 2017.

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,		
	2015	2016	2017
	(Thousands of policies and billions of yen)		
Individual Insurance Products			
Total individual insurance products:			
Number of new policies	582.4	697.8	783.4
New policy amount	¥ 3,219.1	¥ 3,460.2	¥ 2,866.8
Number of new policies including conversions	1,008.6	1,004.2	1,096.3
New policy amount including conversions	¥ 10,484.8	¥ 8,283.5	¥ 7,384.0
Total number of policies	8,797.7	8,925.0	9,152.5
Total policy amount in force	¥ 74,463.2	¥ 71,193.7	¥ 68,042.2
Customizable comprehensive insurance[(1)]:			
Number of new policies	99.8	200.7	191.0
New policy amount	¥ 1,110.4	¥ 1,470.9	¥ 1,334.7
Number of new policies including conversions	460.9	497.0	500.6
New policy amount including conversions	¥ 7,369.1	¥ 6,157.2	¥ 5,798.5
Total number of policies	456.5	925.9	1,304.0
Total policy amount in force	¥ 7,298.5	¥ 13,013.5	¥ 16,930.6
Interest-sensitive whole life insurance with benefit rider:			
Number of new policies	20.2	–	–
New policy amount	¥ 215.9	¥ –	¥ –
Number of new policies including conversions	77.8	7.0	2.7
New policy amount including conversions	¥ 1,147.2	¥ 109.3	¥ 47.1
Total number of policies	1,846.9	1,460.7	1,200.0
Total policy amount in force	¥ 33,007.0	¥ 25,018.8	¥ 19,563.5
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	708.1	645.0	590.2
Total policy amount in force	¥ 7,862.0	¥ 6,653.4	¥ 5,674.8
Whole life insurance:			
Number of new policies	61.0	80.8	29.6
New policy amount	¥ 396.1	¥ 505.8	¥ 293.0
Number of new policies including conversions	61.3	81.0	29.7
New policy amount including conversions	¥ 399.7	¥ 508.6	¥ 295.8
Total number of policies	1,039.7	1,099.9	1,109.8
Total policy amount in force	¥ 6,224.3	¥ 6,521.6	¥ 6,607.9
Term life insurance:			
Number of new policies	41.2	37.4	33.6
New policy amount	¥ 253.7	¥ 239.4	¥ 269.5
Number of new policies including conversions	41.2	37.4	33.6
New policy amount including conversions	¥ 253.7	¥ 239.5	¥ 269.5
Total number of policies	581.6	571.0	555.7
Total policy amount in force	¥ 2,737.3	¥ 2,728.5	¥ 2,743.7
Endowment insurance:			
Number of new policies	4.6	5.3	5.3
New policy amount	¥ 27.2	¥ 26.7	¥ 26.2
Number of new policies including conversions	4.6	5.3	5.3
New policy amount including conversions	¥ 28.0	¥ 27.1	¥ 26.5
Total number of policies	291.0	264.2	231.0
Total policy amount in force	¥ 1,047.5	¥ 953.9	¥ 851.8

	As of and for the year ended March 31,		
	2015	2016	2017
	(Thousands of policies and billions of yen)		
Individual Annuity Products(2)			
Number of new policies	167.3	186.0	248.0
New policy amount	¥ 849.9	¥ 908.9	¥ 1,268.4
Total number of policies	2,486.2	2,553.5	2,687.1
Total policy amount in force	¥ 13,866.2	¥ 14,003.5	¥ 14,503.8
Group Insurance Products			
Number of new policies	1,149.7	369.4	187.3
New policy amount	¥ 751.2	¥ 629.3	¥ 504.2
Total number of policies	28,622.9	28,510.7	28,438.9
Total policy amount in force	¥ 111,636.1	¥ 111,918.8	¥ 112,956.9
Group Annuity Products(3)			
Number of new policies	7.4	0.4	0.3
New policy amount	¥ 1.5	¥ 5.2	¥ 0.0
Total number of policies	11,908.2	11,814.2	11,690.2
Total policy amount in force	¥ 7,133.6	¥ 7,345.4	¥ 7,441.7

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, 2017, the total assets under management of Meiji Yasuda Asset Management Company Ltd. amounted to ¥26,403 billion, consisting of ¥15,073 billion in the investment advisory business and ¥10,700 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. For the year ended March 31, 2017, Meiji Yasuda General Insurance Co., Ltd.'s insurance premiums and other were ¥15.2 billion, an increase from ¥15.2 billion for the year ended March 31, 2016, and it contributed 0.5% and 0.6% of our combined domestic insurance premiums of ¥3,373.0 billion and ¥2,631.1 billion for the years ended March 31, 2016 and 2017, respectively. Its base profit was ¥3.1 billion in the year ended March 31, 2017, an increase from ¥2.0 billion from the prior year, and it contributed 0.4% and 0.7% of our combined domestic base profit of ¥461.9 billion and ¥475.4 billion for the years ended March 31, 2016 and 2017, respectively.

StanCorp. StanCorp, which became our 100% owned subsidiary in March 2016, is the holding company of an insurance group including Standard Insurance Company. As a leading provider of group life and disability insurance in the United States, which is the world's largest life insurance market, StanCorp provides us with a network of consultants, agents and advisors primarily focused in offering employee benefits as well as individual disability in the United States. For the year ended March 31, 2017, StanCorp's insurance premiums and other were ¥226.5 billion, or 7.9% of our group insurance premiums and other, and its base profit was ¥24.0 billion, or 4.8% of our consolidated base profit of ¥496.2 billion for the year ended March 31, 2017, contributing to its increase from ¥466.0 billion for the prior year.

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. In the year ended March 31, 2017, we served 6.5 million life insurance policyholders and insured persons through our sales representative and bancassurance channels, an increase from 6.4 million in the years ended March 31, 2015 and 2016, and reached 220,000 nonlife policy holders. Through our group insurance marketing channel, we served 4.7 million insured persons of voluntary group life insurance in the year ended March 31, 2017.

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 devices 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 September 30, 2017, we had 31,958 sales representatives (including sales representative positions held by sales managers) operating through 995 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, which efforts include the hosting of seminars for employees at their workplace, 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, 2017, approximately ¥143.2 billion, or 79.6%, in terms of annualized net premiums were attributable to sales by sales representatives, an increase from ¥95.5 billion and ¥127.0 billion during the years ended March 31, 2015 and 2016, respectively. Of new individual insurance and annuity policies written in the nine months ended December 31, 2016 and 2017, approximately ¥98.4 billion and ¥76.3 billion, respectively, were attributable to sales by sales representatives. Of the individual insurance and annuity policies in force for the year ended March 31, 2017, approximately ¥1,609.9 billion, or 71.6%, in terms of annualized net premiums were attributable to sales by sales representatives, an increase from ¥1,526.5 billion and ¥1,557.8 billion during the years ended March 31, 2015 and 2016, respectively.

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, 2017, 22,937 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 deliberately controlling sales of yen-denominated 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, 2017, approximately ¥33.9 billion, or 18.8%, in terms of annualized net premiums were attributable to sales via our bancassurance channel, a decrease from ¥70.7 billion and ¥54.7 billion during the years ended March 31, 2015 and 2016, respectively. Of new individual insurance and annuity policies written in the nine months ended December 31, 2016 and 2017, approximately ¥25.8 billion and ¥12.8 billion, respectively, were attributable to sales via our bancassurance channel. Of the individual insurance and annuity policies in force for the year ended March 31, 2017, approximately ¥595.2 billion, or 26.5%, in terms of annualized net premiums were attributable to sales via our bancassurance channel, an increase from ¥572.7 billion during the year ended March 31, 2015, and consistent with the year ended March 31, 2016.

Group insurance marketing channel. As a leading provider of group life insurance in Japan, we have been putting emphasis on proposing solutions to the needs of our corporate customers, especially private companies. One such solution is the launch in May 2017 and ongoing improvement of the "MY *Hojin* Portal" web system, through which we provide paperless, speedy and automated administrative services, thereby reducing the administrative burden of our corporate customers. 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 have sales and services bases in all 47 prefectures in Japan including 16 *Hoken ga Wakaru Desk* shops, which we operate in the metropolitan areas of Tokyo, Osaka and Nagoya.

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 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 devices.

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, lapse and partial surrender rate 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 nine months ended December 31,
	2013	2014	2015	2016	2017	2017
	(Billions of yen, except percentages)					
Policy amount at the beginning of the period	¥ 101,553.8	¥ 96,952.8	¥ 92,840.5	¥ 88,329.4	¥ 85,197.2	¥ 82,546.1
Surrender, lapse and partial surrender amount	4,866.6	4,431.5	4,090.6	3,878.0	3,602.2	-
Policy amount at the end of the period	96,952.8	92,840.5	88,329.4	85,197.2	82,546.1	79,518.6
Surrender, lapse and partial surrender rate	4.11%	3.95%	3.82%	3.81%	3.63%	-

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 and nursing care searches, 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. Currently, we operate life insurance businesses in five countries through subsidiaries and affiliated companies. On March 2016, we took a significant step in expanding our overseas insurance business by acquiring StanCorp, a medium-sized life insurance holding company that is a leading provider of group life and disability insurance in the United States. StanCorp operates through Standard Insurance Company, its major subsidiary and a leading provider of financial products and services, including employee benefits, individual disability, retirement plans and individual annuities in the United States. As a result of the acquisition, our overseas business contribution in terms of insurance premiums and other has increased to 8.7% for the year ended March 31, 2017 from 0.7% for the year ended March 31, 2016, and in terms of base profit has increased to 7.4% for the year ended March 31, 2017 from 2.8% for the year ended March 31, 2016. StanCorp maintains a management philosophy to lead the insurance industry by "helping people achieve financial well-being and peace of mind," with its business network extending to regions throughout the United States. We have positioned StanCorp as a strategic base in the United States for securing future growth for our operations and are providing support, which include management oversight and monitoring by dispatching our personnel to serve as a director at StanCorp, with the aim of helping it achieve business expansion and greater profitability.

Our other 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 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 MUFG Bank, Ltd., which was formerly known as The Bank of Tokyo-Mitsubishi UFJ, Ltd. ("MUFG Bank"), Mitsubishi UFJ Trust and Banking Corporation and Tokio Marine & Nichido Fire Insurance Co., Ltd. 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 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 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.

From time to time, we revise the assumed yield used to calculate the premium rate on our insurance products based on changes to the standard prospective yield fixed by the FSA and market interest rates.

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 ¥38,616.0 billion of total assets as of December 31, 2017, general account assets accounted for ¥37,767.6 billion. The balance consisted of separate account assets in the amount of ¥862.7 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 medium- 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 medium- 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 medium- 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 and boost profitability.

- *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 medium- to long-term.

For the year ended March 31, 2018, our asset allocation and investment policy was to (i) allocate our assets to maintain a stable positive spread during the current extremely low-interest rate, high volatility environment, while focusing on our surplus management-type ALM in the medium- to long-term and (ii) accelerate effective investments in both hedged and open foreign currency denominated bonds depending on the market conditions, as well as strengthen our investments in carefully selected risk assets to maintain and increase profitability. Our asset allocation and investment plan for the year ended March 31, 2018 by asset class were as follows:

- *Domestic loans.* Focus on interest rates levels and on increasing our lending base, while promoting investment and financing focused on sustainability. Balance of domestic loans to generally decrease due to repayments exceeding new loan volume.

- *Domestic bonds.* Flexibly control our balance in domestic bonds, taking into account interest and exchange rate trends and movements as well as hedging costs. Identify and increase investments in high-return credit assets.

- *Foreign currency denominated bonds.* Generally increase our investments in foreign bonds, taking into account interest and exchange rate trends and movements as well as hedging costs. Actively invest in hedged foreign currency denominated bonds where total returns exceed those of domestic bonds, and to identify and increase investment in credit assets with high returns.

- *Domestic stocks.* Maintain our current level of investment in domestic stocks with a focus on investments to improve medium- to long-term profitability, while continuing to make new investments through funds.

- *Foreign securities.* Maintain our current level of investment in foreign securities, including foreign bonds, equities and bank loan funds, while considering potential new investments through infrastructure debt funds.

- *Real estate.* Maintain our current level of real estate holdings, and to renovate existing facilities in order to increase rent income while selling unprofitable properties.

Our asset allocation and investment policy for the year ending March 31, 2019 is expected to be consistent with our plan for the year ended March 31, 2018.

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 December 31, 2017	
	2015		2016		2017			
	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	¥ 507.3	1.4%	¥ 394.7	1.1%	¥ 380.8	1.0%	¥ 436.2	1.2%
Receivables under resale agreements	–	–	–	–	–	–	–	–
Receivables under securities borrowing transactions	–	–	–	–	–	–	–	–
Monetary claims bought	229.5	0.6	223.6	0.6	220.1	0.6	223.2	0.6
Trading securities	–	–	–	–	–	–	–	–
Money held in trust	–	–	–	–	–	–	5.8	0.0
Securities	28,433.4	79.8	28,789.3	80.4	30,121.5	81.9	31,178.0	82.6
Domestic bonds	16,566.4	46.5	16,998.5	47.5	16,970.6	46.2	17,105.7	45.3
Domestic stocks	4,213.4	11.8	3,581.7	10.0	4,141.9	11.3	4,731.9	12.5
Foreign securities	7,399.5	20.8	7,910.2	22.1	8,578.0	23.3	8,672.7	23.0
Foreign bonds	5,812.2	16.3	5,866.7	16.4	6,581.7	17.9	6,563.0	17.4
Foreign stocks	1,587.2	4.5	2,043.5	5.7	1,996.2	5.4	2,109.6	5.6
Others	254.0	0.7	298.8	0.8	430.8	1.2	667.6	1.8
Loans	5,052.2	14.2	4,949.8	13.8	4,681.9	12.7	4,542.3	12.0
Policy loans	289.9	0.8	275.0	0.8	260.7	0.7	251.8	0.7
Industrial and consumer loans	4,762.3	13.4	4,674.7	13.1	4,421.2	12.0	4,290.5	11.4
Real estate(1)	916.5	2.6	889.4	2.5	878.4	2.4	871.2	2.3
Deferred tax assets	–	–	–	–	–	–	–	–
Others	479.2	1.3	547.9	1.5	485.6	1.3	515.8	1.4
Allowance for possible loan losses	(5.0)	(0.0)	(5.4)	(0.0)	(5.8)	(0.0)	(5.1)	(0.0)
Total	¥35,613.3	100.0%	¥35,789.5	100.0%	¥36,762.7	100.0%	¥37,767.6	100.0%
Assets denominated in foreign currencies	¥ 6,452.5	18.1%	¥ 7,111.7	19.9%	¥ 8,041.4	21.9%	¥ 8,303.9	22.0%

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,			As of December 31,
	2015	2016	2017	2017
	(Billions of yen)			
Cash, deposits and call loans	¥ 114.2	¥ (112.5)	¥ (13.9)	¥ 55.4
Receivables under resale agreements	–	–	–	–
Receivables under securities borrowing transactions	–	–	–	–
Monetary claims bought	(4.0)	(5.8)	(3.5)	3.1
Trading securities	–	–	–	–
Assets held in trust	–	–	–	5.8
Securities	2,004.1	355.9	1,332.1	1,056.5
Domestic bonds	(338.8)	432.0	(27.8)	135.0
Domestic stocks	861.1	(631.6)	560.2	589.9
Foreign securities	1,417.2	510.7	667.7	94.7
Foreign bonds	1,278.3	54.5	715.0	(18.6)
Foreign stocks	138.8	456.2	(47.2)	113.4
Others	64.6	44.8	132.0	236.7
Loans	(84.5)	(102.3)	(267.8)	(139.6)
Policy loans	(14.7)	(14.8)	(14.3)	(8.9)
Financial loans	(69.8)	(87.5)	(253.5)	(130.7)
Real estate[(1)]	(21.0)	(27.1)	(10.9)	(7.2)
Deferred tax assets	–	–	–	–
Others	97.0	68.6	(62.3)	30.2
Allowance for possible loan losses	3.1	(0.4)	(0.3)	0.7
Total	¥ 2,108.7	¥ 176.1	¥ 973.1	¥ 1,004.9
Assets denominated in foreign currencies	¥ 1,444.0	¥ 659.2	¥ 929.7	¥ 262.4

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,		
	2015	2016	2017
Cash, deposits and call loans	0.09%	0.07%	0.00%
Receivables under resale agreements	–	–	–
Receivables under securities borrowing transactions	–	–	–
Monetary claims bought	2.06	2.02	1.90
Trading securities	–	–	–
Assets held in trust	–	–	–
Securities	3.08	2.16	2.06
Domestic bonds	2.62	1.63	1.63
Domestic stocks	4.86	3.86	4.65
Foreign securities	3.85	3.09	2.19
Foreign bonds	3.34	2.92	1.57
Foreign stocks	5.40	3.65	3.91
Loans	1.92	1.80	1.72
Financial loans	1.77	1.64	1.57
Real estate[(2)]	1.70	1.80	1.95
Total	2.72	1.99	1.89
Overseas investments[(3)]	3.80%	3.01%	2.16%

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,		
	2015	2016	2017
	(Billions of yen)		
Cash, deposits and call loans	¥ 229.7	¥ 426.6	¥ 491.1
Receivables under resale agreements	–	–	–
Receivables under securities borrowing transaction	–	–	–
Monetary claims bought	242.6	230.7	216.1
Trading securities	–	–	–
Assets held in trust	–	–	–
Securities	23,674.1	24,424.2	25,800.3
Domestic bonds	16,278.2	16,432.5	16,518.8
Domestic stocks	1,795.8	1,793.8	1,799.0
Foreign securities	5,424.8	5,951.8	7,068.9
Foreign bonds	4,076.2	4,597.5	5,208.0
Foreign stocks	1,348.6	1,354.3	1,860.8
Loans	5,110.7	5,009.9	4,833.9
Financial loans	4,813.8	4,727.5	4,566.0
Real estate(2)	940.2	919.4	892.8
Total	¥ 31,212.4	¥ 32,052.0	¥ 33,295.7
Overseas investments(3)	¥ 5,574.7	¥ 6,201.0	¥ 7,321.3

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 net unrealized gains related to our held-to-maturity debt securities as of December 31, 2017:

	As of December 31, 2017		
	Carrying value	Fair value	Net unrealized gains
	(Billions of yen)		
Held-to-maturity debt securities	¥ 4,622.8	¥ 5,427.1	¥ 804.2

The following table sets forth the net unrealized gains related to our policy-reserve-matching bonds as of December 31, 2017:

	As of December 31, 2017		
	Carrying value	Fair value	Net unrealized gains
	(Billions of yen)		
Policy-reserve-matching bonds	¥ 7,463.3	¥ 8,836.4	¥ 1,373.1

The following table sets forth the net unrealized gains and losses related to our marketable available-for-sale securities as of December 31, 2017:

	As of December 31, 2017		
	Amortized cost	Fair value	Net unrealized gains (losses)
	(Billions of yen)		
Marketable available-for-sale securities:			
Domestic bonds	¥ 5,006.1	¥ 5,441.2	¥ 435.0
Domestic stocks	1,669.9	4,608.8	2,938.9
Foreign securities	6,557.2	7,311.7	754.4
Foreign bonds	5,800.3	6,344.1	543.8
Foreign stocks	756.9	967.5	210.6
Other securities	555.2	640.3	85.0
Monetary claims bought	19.3	20.4	1.1
Negotiable deposits	29.0	28.9	(0)
Cash in trust	5.2	5.8	0.5
Total	¥ 13,842.1	¥ 18,057.3	¥ 4,215.2

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 December 31, 2017:

	As of December 31, 2017
	Carrying value
	(Billions of yen)
Stocks of subsidiaries and affiliates	¥ 873.5
Other securities	417.9
Unlisted domestic stocks	28.0
Unlisted foreign stocks	377.1
Other foreign securities	0.5
Other	12.2
Total	¥ 1,291.5

As of March 31, 2015, 2016 and 2017, net unrealized gains on real estate amounted to ¥290.5 billion, ¥331.7 billion and ¥365.5 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 46.5%, 47.5%, 46.2%, 45.9% and 45.3% of total assets in our general account as of March 31, 2015, 2016 and 2017 and September 30 and December 31, 2017, respectively. Our domestic bonds had an average yield of 2.62%, 1.63% and 1.63% for the years ended March 31, 2015, 2016 and 2017, respectively.

By carrying value, approximately 68.2% of our domestic bonds in our general accounts were either policy-reserve-matching bonds or held-to-maturity securities as of December 31, 2017. 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 December 31, 2017.

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,						As of September 30, 2017	
	2015		2016		2017			
	Carrying value(1)	% of total	Carrying value(1)	% of total	Carrying value(1)	% of total	Carrying value(1)	% of total
	(Billions of yen, except percentages)							
National government bonds	¥14,023.3	84.6%	¥14,265.6	83.9%	¥14,199.3	83.7%	¥14,224.9	83.5%
Local government bonds	757.9	4.6	692.8	4.1	606.1	3.6	560.9	3.3
Corporate bonds	1,785.1	10.8	2,039.9	12.0	2,165.1	12.8	2,254.8	13.2
Public corporation bonds	485.3	2.9	486.0	2.9	466.2	2.7	436.4	2.6
Total	¥16,566.4	100.0%	¥16,998.4	100.0%	¥16,970.6	100.0%	¥17,040.7	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, 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.

	As of March 31, 2016						
	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	¥ 73.0	¥ 475.6	¥ 422.3	¥ 1,535.5	¥ 1,463.9	¥ 10,295.1	¥ 14,265.6
Local government bonds	80.7	274.0	72.7	0.1	6.7	258.3	692.8
Corporate bonds	70.6	235.3	152.0	167.6	105.7	1,308.5	2,039.9
Total	¥ 224.4	¥ 985.0	¥ 647.2	¥ 1,703.3	¥ 1,576.4	¥ 11,861.9	¥ 16,998.4

Note:
(1) Over 10 years includes securities with no fixed maturity.

	As of March 31, 2017						
	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	¥ 189.3	¥ 507.2	¥ 1,187.2	¥ 1,178.7	¥ 1,133.4	¥ 10,003.3	¥ 14,199.3
Local government bonds	104.9	229.7	9.1	5.0	35.9	221.1	606.1
Corporate bonds	97.0	204.8	181.5	150.0	131.4	1,400.1	2,165.1
Total	¥ 391.3	¥ 941.9	¥ 1,378.0	¥ 1,333.9	¥ 1,300.7	¥ 11,624.6	¥ 16,970.6

Note:
(1) Over 10 years includes securities with no fixed maturity.

	As of September 30, 2017						
	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	¥ 170.8	¥ 477.0	¥ 1,339.4	¥ 1,189.1	¥ 1,278.9	¥ 9,769.5	¥ 14,224.9
Local government bonds	158.6	137.2	3.2	5.0	72.9	183.6	560.9
Corporate bonds	112.3	185.1	170.4	128.7	208.2	1,449.9	2,254.8
Total	¥ 441.8	¥ 799.3	¥ 1,513.1	¥ 1,322.9	¥ 1,560.1	¥ 11,403.1	¥ 17,040.7

Note:
(1) Over 10 years includes securities with no fixed maturity.

Loans

Loans represented 14.2%, 13.8%, 12.7%, 12.4% and 12.0% of total assets in our general account as of March 31, 2015, 2016 and 2017 and September 30 and December 31, 2017, respectively, and consist mainly of fixed interest rate, unsecured loans to large corporations. Loans include loans to borrowers located outside of Japan, which represented 2.3%, 2.2%, 1.5% and 1.4% of the loans in our general account, excluding policy loans, as of March 31, 2015, 2016 and 2017 and September 30, 2017, respectively.

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:

	Carrying Value			
	As of March 31,			As of September 30, 2017
	2015	2016	2017	
	(Billions of yen)			
Corporate loans	¥ 4,510.8	¥ 4,429.1	¥ 4,229.3	¥ 4,169.6
To domestic corporations	4,479.4	4,398.2	4,197.8	4,139.6
Loans to governments and supranationals	58.9	58.2	27.3	22.2
Loans to public organizations	169.0	165.1	143.7	141.3
Housing loans	2.2	1.7	1.2	0.9
Consumer loans	20.2	19.5	19.0	18.6
Other loans	1.0	0.8	0.5	0.4
Total	¥ 4,762.3	¥ 4,674.7	¥ 4,421.2	¥ 4,353.2
Loans to non-residents	111.5	104.7	67.5	61.0

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,						As of September 30, 2017	
	2015		2016		2017			
	Carrying value	% of total	Carrying value	% of total	Carrying value	% of total	Carrying value	% of total
	(Billions of yen, except percentages)							
Secured loans	¥ 17.3	0.4%	¥ 17.6	0.4%	¥ 16.0	0.4%	¥ 15.6	0.4%
Loans secured by securities	4.3	0.1	5.2	0.1	4.6	0.1	4.5	0.1
Loans secured by real estate, movables and foundations	11.9	0.3	11.2	0.2	10.2	0.2	9.8	0.2
Loans secured by claims	1.1	0.0	1.1	0.0	1.1	0.0	1.2	0.0
Guarantee loans	101.5	2.1	96.1	2.1	81.0	1.8	75.1	1.7
Fiduciary loans	4,620.9	97.0	4,539.6	97.1	4,303.9	97.3	4,242.9	97.5
Other loans	22.4	0.5	21.3	0.5	20.2	0.5	19.6	0.5
Total(1)	¥ 4,762.3	100.0%	¥ 4,674.7	100.0%	¥ 4,421.2	100.0%	¥ 4,353.2	100.0%

Note:

(1) Of the total amounts of loans, ¥491.3 billion, ¥481.8 billion, ¥503.8 billion and ¥501.3 billion were subordinated loans as of March 31, 2015, 2016 and 2017 and September 30, 2017, 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,						As of September 30, 2017	
	2015		2016		2017			
	Carrying value	% of total	Carrying value	% of total	Carrying value	% of total	Carrying value	% of total
	(Billions of yen, except percentages)							
Domestic								
Manufacturing	¥ 919.4	19.3%	¥ 861.9	18.4%	¥ 769.1	17.4%	¥ 756.1	17.4%
Food	72.7	1.5	56.8	1.2	55.1	1.2	54.4	1.3
Textiles and apparel	20.2	0.4	11.9	0.3	11.7	0.3	8.6	0.2
Wood, wood products	–	–	–	–	–	–	–	–
Pulp and paper	53.8	1.1	50.3	1.1	43.1	1.0	40.6	0.9
Printing	5.3	0.1	5.3	0.1	5.3	0.1	5.2	0.1
Chemicals	121.3	2.5	128.2	2.7	110.9	2.5	111.5	2.6
Oil and coal products	75.6	1.6	81.0	1.7	84.6	1.9	84.2	1.9
Ceramics, soil and stone	80.6	1.7	80.1	1.7	68.6	1.6	68.3	1.6
Iron and steel	148.8	3.1	143.2	3.1	127.3	2.9	126.8	2.9
Non-ferrous metals	24.7	0.5	16.8	0.4	13.9	0.3	14.1	0.3
Metal products	2.7	0.1	3.2	0.1	2.4	0.1	1.8	0.0
General purpose, production, and industrial machinery	64.9	1.4	58.9	1.3	56.4	1.3	54.5	1.3
Electric appliances	112.3	2.4	113.2	2.4	95.1	2.2	94.2	2.2
Transportation equipment	129.0	2.7	105.9	2.3	88.9	2.0	87.2	2.0
Other manufacturing products	6.8	0.1	6.6	0.1	5.3	0.1	4.1	0.1
Agriculture and forestry	–	–	0.1	0.0	0.1	0.0	0.2	0.0
Fishery	–	–	–	–	–	–	–	–
Mining, quarrying and gravel mining	0.1	0.0	0.1	0.0	0.0	0.0	0.0	0.0
Construction	19.8	0.4	18.4	0.4	16.7	0.4	15.6	0.4
Electric power, gas, heat supply and waterworks	721.5	15.2	694.1	14.8	658.5	14.9	732.5	16.8
Information and communication	94.7	2.0	93.5	2.0	92.5	2.1	92.3	2.1
Logistics and postal services	333.5	7.0	326.8	7.0	307.7	7.0	298.2	6.9
Wholesale trade	941.6	19.8	914.0	19.6	891.8	20.2	847.9	19.5
Retail trade	25.1	0.5	20.8	0.4	16.6	0.4	17.3	0.4
Financing and insurance	1,066.4	22.4	1,115.0	23.9	1,092.4	24.7	1,017.7	23.4
Real estate	311.6	6.5	332.2	7.1	338.6	7.7	349.4	8.0
Rental and leasing services	163.2	3.4	140.5	3.0	118.6	2.7	115.2	2.6
Professional, scientific, and technical services	20.7	0.4	20.7	0.4	20.7	0.5	20.6	0.5
Lodging	2.3	0.0	2.2	0.0	2.1	0.0	2.1	0.0
Restaurants	0.7	0.0	0.5	0.0	0.6	0.0	0.6	0.0
Lifestyle and leisure	2.7	0.1	3.4	0.1	3.2	0.1	3.1	0.1
Education and training	1.0	0.0	0.8	0.0	0.7	0.0	0.5	0.0
Medical and welfare	0.1	0.0	0.2	0.0	0.1	0.0	0.1	0.0
Other services	1.5	0.0	1.6	0.0	1.8	0.0	1.8	0.0
Local organizations and public entities	1.4	0.0	1.0	0.0	0.7	0.0	0.6	0.0
Individuals (residential / consumption / local taxes / other)	22.4	0.5	21.3	0.5	20.2	0.5	19.6	0.5
Subtotal	¥ 4,650.7	97.7%	¥ 4,570.0	97.8%	¥ 4,353.6	98.5%	¥ 4,292.2	98.6%
Overseas								
Governments and public entities	¥ 80.2	1.7%	¥ 73.7	1.6%	¥ 36.0	0.8%	¥ 31.0	0.7%
Financial institutions	23.2	0.5	17.8	0.4	15.5	0.4	15.3	0.4
Commerce and industry	8.0	0.2	13.0	0.3	16.0	0.4	14.6	0.3
Subtotal	111.5	2.3	104.7	2.2	67.5	1.5	61.0	1.4
Total	¥ 4,762.3	100.0%	¥ 4,674.7	100.0%	¥ 4,421.2	100.0%	¥ 4,353.2	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, 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
As of March 31, 2016:							
Variable-rate loans	¥ 20.1	¥ 16.8	¥ 2.2	¥ 37.9	¥ 26.8	¥ 6.9	¥ 110.9
Fixed-rate loans	446.5	763.4	526.3	564.6	876.9	1,385.7	4,563.7
Total	¥ 466.7	¥ 780.3	¥ 528.6	¥ 602.6	¥ 903.8	¥ 1,392.6	¥ 4,674.7
As of March 31, 2017:							
Variable-rate loans	¥ 37.9	¥ 6.7	¥ 20.4	¥ 25.7	¥ 9.9	¥ 36.9	¥ 137.8
Fixed-rate loans	370.2	643.7	554.9	590.8	853.8	1,269.7	4,283.4
Total	¥ 408.2	¥ 650.4	¥ 575.4	¥ 616.5	¥ 863.8	¥ 1,306.7	¥ 4,421.2
As of September 30, 2017:							
Variable-rate loans	¥ 101.9	¥ 5.3	¥ 25.2	¥ 31.8	¥ 3.7	¥ 43.8	¥ 211.9
Fixed-rate loans	276.3	619.0	548.2	663.1	828.3	1,206.1	4,141.3
Total	¥ 378.3	¥ 624.4	¥ 573.4	¥ 694.9	¥ 832.1	¥ 1,249.9	¥ 4,353.2

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,						As of September 30, 2017	
	2015		2016		2017			
	Number/ amount	% of total	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	693	64.2%	693	64.0%	683	61.1%	672	60.4%
Amount of loans	¥ 4,106.2	91.7	¥ 3,992.9	90.8	¥ 3,779.1	90.0	¥ 3,693.9	89.2
Medium-sized companies:(2)								
Number of borrowers	77	7.1	79	7.3	91	8.1	94	8.5
Amount of loans	¥ 26.8	0.6	¥ 33.6	0.8	¥ 20.2	0.5	¥ 19.2	0.5
Small companies:(3)								
Number of borrowers	309	28.6	311	28.7	344	30.8	346	31.1
Amount of loans	¥ 346.3	7.7	¥ 371.6	8.4	¥ 398.4	9.5	¥ 426.4	10.3
Total loans to domestic companies:								
Number of borrowers	1,079	100.0	1,083	100.0	1,118	100.0	1,112	100.0
Amount of loans	¥ 4,479.4	100.0%	¥ 4,398.2	100.0%	¥ 4,197.8	100.0%	¥ 4,139.6	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, 2015, 2016 and 2017 and September 30, 2017, based on the location of the borrower. These loans were primarily 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,						As of September 30, 2017	
	2015		2016		2017			
	Carrying value	% of total	Carrying value	% of total	Carrying value	% of total	Carrying value	% of total
	(Billions of yen, except percentages)							
Foreign loans:								
North America	¥ 26.0	23.3%	¥ 23.0	22.0%	¥ 21.0	31.1%	¥ 19.6	32.2%
Europe	41.5	37.2	38.5	36.8	29.5	43.7	29.5	48.4
Oceania	–	–	–	–	–	–	–	–
Asia	2.7	2.4	2.3	2.3	2.0	3.0	1.8	3.1
Central and South America	0.0	0.1	0.0	0.0	–	–	–	–
Middle East	–	–	–	–	–	–	–	–
Africa	–	–	–	–	–	–	–	–
Supranationals	41.2	37.0	40.7	39.0	15.0	22.2	10.0	16.4
Total	¥ 111.5	100.0%	¥ 104.7	100.0%	¥ 67.5	100.0%	¥ 61.0	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,						As of September 30, 2017	
	2015		2016		2017			
	Carrying value	% of total loan assets	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)]	¥ 0.5	0.0%	¥ 0.4	0.0%	¥ 0.6	0.0%	¥ 0.5	0.0%
Loans with collection risk[(2)]	2.0	0.0	3.2	0.1	3.6	0.1	2.9	0.0
Loans requiring special attention[(3)]	17.3	0.3	16.6	0.3	16.0	0.3	15.4	0.2
Subtotal	19.9	0.3	20.4	0.3	20.3	0.3	18.9	0.3
Normal loans[(4)]	6,697.7	99.7	6,411.4	99.7	6,217.6	99.7	6,534.4	99.7
Total	¥ 6,717.7	100.0%	¥ 6,431.8	100.0%	¥ 6,237.9	100.0%	¥ 6,553.3	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,						As of September 30, 2017	
	2015		2016		2017			
	Carrying value[1]	% of total risk-monitored loans	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]	–	–	–	–	–	–	–	–
Past due loans[3]	¥ 2.6	13.3%	¥ 3.7	18.5%	¥ 4.2	21.3%	¥ 3.4	18.6%
Loans past due three months or more[4]	–	–	–	–	–	–	–	–
Restructured loans[5]	17.0	86.7	16.4	81.5	15.7	78.6	15.1	81.4
Total	¥ 19.7	100.0%	¥ 20.1	100.0%	¥ 20.0	100.0%	¥ 18.6	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 ¥44 million for loans to bankrupt borrowers and ¥5 million for past due loans as of March 31, 2015; ¥44 million for loans to bankrupt borrowers and ¥1 million for past due loans as of March 31, 2016; and ¥44 million for loans to bankrupt borrowers and ¥1 million for past due loans as of March 31, 2017.
(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 11.8%, 10.0%, 11.3%, 11.5% and 12.5% of total assets in our general account as of March 31, 2015, 2016 and 2017 and September 30 and December 31, 2017, respectively, and consisted mainly of investments in common stock. The break-even point for our equity holdings, which was approximately 8,000 on the Nikkei 225 Index as of September 30, 2017 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,						As of September 30, 2017	
	2015		2016		2017			
	Carrying value(1)	% of total	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%	¥ 0.9	0.0%	¥ 1.5	0.0%	¥ 1.4	0.0%
Mining	–	–	–	–	–	–	–	–
Construction	71.6	1.7	77.6	2.2	83.6	2.0	99.5	2.3
Manufacturing:								
Food	176.6	4.2	178.4	5.0	201.9	4.9	216.2	5.1
Textiles and apparel	22.8	0.5	21.1	0.6	23.7	0.6	26.3	0.6
Pulp and paper	3.9	0.1	4.0	0.1	4.3	0.1	4.4	0.1
Chemicals	319.2	7.6	249.3	7.0	366.3	8.8	407.0	9.5
Pharmaceuticals	103.6	2.5	136.0	3.8	109.6	2.6	121.1	2.8
Oil and coal products	5.6	0.1	5.3	0.1	6.4	0.2	6.5	0.2
Rubber products	8.6	0.2	11.5	0.3	13.5	0.3	14.6	0.3
Glass and ceramic products	178.5	4.2	144.4	4.0	187.3	4.5	174.1	4.1
Iron and steel	84.4	2.0	56.5	1.6	69.8	1.7	71.2	1.7
Non-ferrous metals	17.9	0.4	16.0	0.4	17.7	0.4	19.8	0.5
Metal products	20.6	0.5	19.3	0.5	21.4	0.5	22.2	0.5
Machinery	296.1	7.0	217.5	6.1	271.5	6.6	277.1	6.5
Electric appliances	467.3	11.1	391.1	10.9	494.9	11.9	548.5	12.8
Transportation equipment	551.6	13.1	419.3	11.7	463.8	11.2	459.1	10.7
Precision instruments	120.0	2.8	139.9	3.9	139.4	3.4	156.1	3.7
Other products	36.5	0.9	35.6	1.0	42.0	1.0	44.9	1.1
Electric power and gas	147.7	3.5	143.6	4.0	140.2	3.4	139.9	3.3
Transportation, information and communication:								
Land transportation	204.9	4.9	194.9	5.4	202.8	4.9	205.1	4.8
Marine transportation	12.7	0.3	7.9	0.2	8.8	0.2	8.0	0.2
Air transportation	2.3	0.1	3.2	0.1	3.4	0.1	4.1	0.1
Warehousing and harbor transportation services	29.0	0.7	24.1	0.7	26.0	0.6	24.2	0.6
Information and communication	23.1	0.6	24.6	0.7	26.6	0.6	28.2	0.7
Trade and Services:								
Wholesale trade	250.0	5.9	211.0	5.9	258.1	6.2	269.2	6.3
Retail trade	38.7	0.9	39.4	1.1	40.2	1.0	39.7	0.9
Finance and insurance:								
Banking	515.8	12.2	369.2	10.3	439.2	10.6	415.1	9.7
Securities and trading	18.5	0.4	16.2	0.5	16.8	0.4	16.5	0.4
Insurance	166.7	4.0	156.4	4.4	176.5	4.3	167.8	3.9
Other financial services	69.2	1.6	63.3	1.8	70.6	1.7	79.1	1.9
Real estate	208.5	4.9	164.3	4.6	164.9	4.0	153.2	3.6
Services	39.0	0.9	38.4	1.1	47.8	1.2	53.0	1.2
Total	¥ 4,213.4	100.0%	¥ 3,581.7	100.0%	¥ 4,141.9	100.0%	¥ 4,274.3	100.0%

Note:

(1) Available-for-sale securities are stated at fair value.

Foreign Investments

Foreign investments represented 20.8%, 22.1%, 23.3%, 23.4% and 23.0% of total assets in our general account as of March 31, 2015, 2016 and 2017 and September 30 and December 31, 2017, 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 3.85%, 3.09% and 2.19% for the years ended March 31, 2015, 2016 and 2017, 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,						As of September 30, 2017	
	2015		2016		2017			
	Carrying value	% of total	Carrying value	% of total	Carrying value	% of total	Carrying value	% of total
	(Billions of yen, except percentages)							
Foreign currency denominated assets:								
Foreign bonds	¥ 5,481.1	71.8%	¥ 5,578.2	68.3%	¥ 6,420.1	72.3%	¥ 6,558.0	71.8%
Foreign stocks	933.7	12.2	1,495.1	18.3	1,548.0	17.4	1,627.5	17.8
Cash and cash equivalents	37.6	0.5	38.2	0.5	39.5	0.4	90.8	1.0
Subtotal	¥ 6,452.5	84.5%	¥ 7,111.7	87.0%	¥ 8,007.8	90.1%	¥ 8,276.4	90.6%
Foreign currency denominated assets with fixed yen value:								
Loans	¥ 82.8	1.1%	¥ 119.8	1.5%	¥ 119.8	1.3%	¥ 131.0	1.4%
Others	0.0	0.0	0.0	0.0	0.0	0.0	0.1	0.0
Subtotal	¥ 82.8	1.1%	¥ 119.9	1.5%	¥ 119.9	1.4%	¥ 131.1	1.4%
Japanese yen-denominated assets:								
Loans to non-residents	¥ 111.5	1.5%	¥ 104.7	1.3%	¥ 67.5	0.8%	¥ 57.3	0.6%
Foreign bonds	331.1	4.3	288.4	3.5	240.0	2.7	218.5	2.4
Others	653.4	8.6	548.3	6.7	448.1	5.0	448.1	4.9
Subtotal	¥ 1,096.2	14.4%	¥ 941.4%	11.5%	¥ 755.7	8.5%	¥ 724.0	7.9%
Net overseas loans and investment	¥ 7,631.6	100.0%	¥ 8,173.1	100.0%	¥ 8,883.4	100.0%	¥ 9,131.7	100.0%
Overseas real estate	¥ 24.8	0.3%	¥ 24.8	0.3%	¥ 24.8	0.3%	¥ 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,						As of September 30, 2017	
	2015		2016		2017			
	Carrying value	% of total	Carrying value	% of total	Carrying value	% of total	Carrying value	% of total
	(Billions of yen, except percentages)							
U.S. dollar	¥ 5,195.0	80.5%	¥ 5,910.4	83.1%	¥ 6,944.6	86.4%	¥ 7,150.4	86.4%
Euro	558.5	8.7	517.8	7.3	472.3	5.9	527.3	6.4
Others	698.9	10.8	683.4	9.6	624.5	7.8	598.6	7.2
Net foreign currency denominated assets	¥ 6,452.5	100.0%	¥ 7,111.7	100.0%	¥ 8,041.4	100.0%	¥ 8,276.4	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, 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.

	As of March 31, 2016					
	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	¥ 4,491.0	76.6%	¥ 652.0	31.9%	¥ 5,143.1	65.0%
Europe	823.2	14.0	150.1	7.3	973.4	12.3
Oceania	265.0	4.5	–	–	265.0	3.4
Asia	61.1	1.0	112.1	5.5	173.3	2.2
Latin America and the Caribbean(2)	67.0	1.1	1,129.0	55.3	1,196.0	15.1
Middle East	–	–	–	–	–	–
Africa	–	–	–	–	–	–
Supranationals	159.2	2.7	–	–	159.2	2.0
Total	¥ 5,866.7	100.0%	¥ 2,043.5	100.0%	¥ 7,910.2	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, 2017					
	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	¥ 5,294.0	80.4%	¥ 655.8	32.9%	¥ 5,949.9	69.4%
Europe	758.0	11.5	143.1	7.2	901.2	10.5
Oceania	249.8	3.8	–	–	249.8	2.9
Asia	49.7	0.8	113.0	5.7	162.7	1.9
Latin America and the Caribbean(2)	68.0	1.0	1,084.1	54.3	1,152.2	13.4
Middle East	–	–	–	–	–	–
Africa	–	–	–	–	–	–
Supranationals	161.9	2.5	–	–	161.9	1.9
Total	¥ 6,581.7	100.0%	¥ 1,996.2	100.0%	¥ 8,578.0	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 September 30, 2017					
	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	¥ 5,310.6	80.3%	¥ 656.1	31.6%	¥ 5,966.7	68.7%
Europe	757.2	11.4	158.5	7.6	915.8	10.5
Oceania	270.6	4.1	–	–	270.6	3.1
Asia	48.8	0.7	113.6	5.5	162.4	1.9
Latin America and the Caribbean(2)	75.1	1.1	1,147.2	55.3	1,222.4	14.1
Middle East	–	–	–	–	–	–
Africa	–	–	–	–	–	–
Supranationals	153.2	2.3	–	–	153.2	1.8
Total	¥ 6,615.6	100.0%	¥ 2,075.6	100.0%	¥ 8,691.3	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.

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, 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
As of March 31, 2016:							
Foreign securities	¥ 93.8	¥ 384.7	¥ 1,377.7	¥ 1,907.9	¥ 556.1	¥ 3,589.8	¥ 7,910.2
Foreign bonds	93.1	384.7	1,377.7	1,907.9	556.1	1,547.0	5,866.7
Foreign stocks	0.6	–	–	–	–	2,042.8	2,043.5
As of March 31, 2017:							
Foreign securities	¥ 131.5	¥ 658.9	¥ 1,607.4	¥ 1,134.8	¥ 324.3	¥ 4,720.8	¥ 8,578.0
Foreign bonds	131.1	658.9	1,607.4	1,134.8	324.3	2,724.9	6,581.7
Foreign stocks	0.3	–	–	–	–	1,995.8	1,996.2
As of September 30, 2017:							
Foreign securities	¥ 198.7	¥ 889.7	¥ 1,594.3	¥ 646.3	¥ 460.3	¥ 4,901.8	¥ 8,691.3
Foreign bonds	198.3	889.7	1,594.3	646.3	460.3	2,826.5	6,615.6
Foreign stocks	0.3	–	–	–	–	2,075.3	2,075.6

Note:
(1) Over 10 years includes securities with no fixed maturity.

Real Estate

Real estate represented 2.6%, 2.5%, 2.4%, 2.4% and 2.3% of the total assets in our general account as of March 31, 2015, 2016 and 2017 and September 30 and December 31, 2017, respectively. We hold real estate for both operating and investment purposes. Real estate held for operating purposes includes mainly office space. 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, 2017, 62.3% 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,					
	2015		2016		2017	
	Carrying value	% of total	Carrying value	% of total	Carrying value	% of total
	(Billions of yen, except percentages and numbers of buildings)					
Land	¥ 613.8	66.7%	¥ 602.9	67.5%	¥ 602.9	68.3%
Buildings	296.7	32.3	284.9	31.9	273.2	31.0
Construction in progress	6.0	0.7	1.5	0.2	2.2	0.3
Other tangible fixed assets	3.2	0.4	3.3	0.4	3.9	0.4
Total	919.8	100.0%	892.7	100.0%	882.4	100.0%
Of which assets are being leased	570.2	62.0%	555.3	62.2%	551.5	62.5%
Amount of real estate:	¥ 916.5	100.0%	¥ 889.4	100.0%	¥ 878.4	100.0%
For business operations	353.6	38.6	337.1	37.9	331.2	37.7
For lease	562.9	61.4	552.2	62.1	547.2	62.3
Number of buildings held for leasing	164	–	155	–	154	–

We owned 164, 155 and 154 buildings for rental purposes as of March 31, 2015, 2016 and 2017, respectively.

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, bancassurance channel targeting 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 acquisition of StanCorp, Sumitomo Life Insurance Company's acquisition of Symetra Financial Corporation, a U.S. life insurance company listed on the New York Stock Exchange, and Nippon Life Insurance Company's acquisitions of Mitsui Life Insurance Company Limited, the life insurance business of National Australia Bank Limited operated by MLC Limited and proposed acquisition of the Japan unit of MassMutual Financial Group. 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 (through which, in 2008, it began agency sales of the insurance products of a number of life insurance companies) and favorable public perception of its stability due to its association with the government. An amendment to the law mandating the privatization of Japan Post Insurance became effective in 2012. As the first phase of the privatization process, Japan Post Insurance completed an initial public offering in November 2015, resulting in a reduction of Japan Post Holdings' ownership share to 89%. Pursuant to its privatization mandate, Japan Post Holdings has announced its plans to further reduce its equity interest in Japan Post Insurance to around 50%. However, there continues to be uncertainty over the timing of future sell downs. Therefore, there may remain an appearance of government support for Japan Post Insurance, which could provide it with a competitive advantage over us. Furthermore, while Japan Post Insurance is currently required to obtain government approvals in order to enter into new businesses under the applicable law governing the privatization, including expansion of the types of insurance policies it sells or asset management services it provides, if Japan Post Holdings disposes of 50% or more of its equity holdings in Japan Post Insurance, such legal restrictions may be substantially relaxed, thereby allowing Japan Post Insurance more flexibility to expand the scope of its business, including 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 has expanded its business alliance with AFLAC, under which, among other things, Japan Post Insurance offers AFLAC cancer insurance policies and Japan Post has increased the number of post offices offering such policies. Furthermore, in March 2016, Japan Post Insurance and The Dai-ichi Life Insurance Company, Limited agreed to form a strategic business alliance to strengthen the cooperation between the two companies with respect to: (i) the life insurance business in Vietnam; (ii) the asset management business; and (iii) joint research on domestic life insurance businesses. Such competition may intensify as a result of further deregulation of Japan Post Insurance accompanying such privatization or any favorable treatment given to Japan Post Insurance by the government. 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.

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 tablet devices. Starting in September 2013, we have distributed wireless "Meister Mobile" tablet devices 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; and complying with the laws and regulations of each country and region and respecting the international norm when carrying out business operations internationally or with every officer and employee's business conduct overseas."

To ensure that we never lose sight of the significance of compliance, every member of the Meiji Yasuda Life Group carries a card bearing our Basic Code of Compliance, Code of Corporate Conduct (CSR Action Policies) and the Meiji Yasuda Sales and Service Policy so that each of us will always remain focused on our customers' needs. The Basic Code of Compliance sets forth the frame of mind, definition, position and key commendable points of our basic compliance policies. 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.

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 Group, including subsidiaries and affiliates (the "Meiji Yasuda Group"). In April 2014, we integrated our functions related to counter financial crimes and antisocial forces to the Compliance Control Department, and ensured 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 organization, 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 business organizations 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 Verification Committee pursues compliance on a comprehensive basis. It plans and develops the compliance framework of the Meiji Yasuda Group. Moreover, we have established the Customer Service Advisory Council, which includes external members and acts as an advisory body to the Management Council. We report to and consult with the Customer Service Advisory Council important matters concerning promotion of customer-oriented compliance.

Every fiscal year, we draw up a Compliance Practice Plan 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 the group marketing divisions and affiliated companies, each formulate their own specific action plans to address individual issues confronting them and thereby work to ensure compliance in a proactive manner. Such specific action plans are deliberated upon by the Compliance Verification Committee and the Management Council before they are reported to the Board of Directors.

We have also been enhancing our group compliance through the monitoring of StanCorp's compliance, which we confirm by periodically conducting a business management questionnaire through our International Business Department.

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, 89 regional offices and market development departments, 995 agency offices and 19 group marketing departments (as of September 30, 2017). 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

We had employees and personnel numbering 41,872 as of March 31, 2017, and 42,542 as of September 30, 2017. These included 31,421 and 31,958 sales representatives, and 10,451 and 10,584 administrative personnel as of March 31 and September 30, 2017, respectively. 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 Officers

The following table sets forth our current Directors, Executive Officers and Operating Officers:

Name	Position	Date first elected as director, executive officer or operating officer
Nobuya Suzuki	Director, Chairman of the Board, Representative Executive Officer	2008
Akio Negishi	Director, President, Representative Executive Officer	2009
Toshihiko Yamashita	Director, Deputy President, Executive Officer	2010
Masahiro Ifuku	Director, Deputy President, Executive Officer	2011
Kenji Kojo	Director	2011
Shigehiko Hattori	Director	2012
Seiichi Ochiai	Director	2012
Teruo Kise	Director	2014
Miyako Suda	Director	2014
Keiko Kitamura	Director	2015
Masaki Akita	Director	2017
Tadashi Onishi	Senior Managing Executive Officer	2013
Masao Aratani	Senior Managing Executive Officer	2013
Shinya Makino	Senior Managing Executive Officer	2013
Masahiko Sagara	Managing Executive Officer	2012
Takashi Kikugawa	Managing Executive Officer	2014
Yasuyuki Ayai	Managing Executive Officer	2014
Teruki Umezaki	Managing Executive Officer	2014
Kazunori Yamauchi	Managing Executive Officer	2014
Hideki Nagashima	Managing Executive Officer	2015
Shinji Nakatani	Managing Executive Officer	2015
Koichi Nagao	Managing Executive Officer	2016
Atsushi Nakamura	Managing Executive Officer	2016
Masanao Kawamura	Executive Officer	2017
Yasushi Ueda	Executive Officer	2017
Takashi Tsunematsu	Managing Operating Officer	2014
Michihiko Hayashi	Managing Operating Officer	2015
Yoshiro Shimizu	Managing Operating Officer	2016
Hideki Yamaguchi	Managing Operating Officer	2016
Shiro Kishimoto	Operating Officer	2016
Masahiro Koyama	Operating Officer	2017
Toshiyuki Sumiyoshi	Operating Officer	2017
Masanori Takano	Operating Officer	2018
Norio Shimizugashira	Operating Officer	2018
Minoru Wakabayashi	Operating Officer	2018
Motohiko Sato	Operating Officer	2018
Kenji Fukui	Operating Officer	2018

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: Teruo Kise, Chairman of the Nominating Committee and an outside Director; Miyako Suda and Masaki Akita, 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; Seiichi Ochiai and Keiko Kitamura, 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, 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 March 2016, we acquired all outstanding shares of common stock of StanCorp, a U.S. life insurance company listed on the New York Stock Exchange, and made it a wholly owned subsidiary.

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 each of March 31 and December 31, 2017, we had 47 subsidiaries and affiliates, 17 of which were consolidated subsidiaries and 10 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, 2017:

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 and "Type II Financial Instruments 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	20.5	40.1%
Pacific Guardian Life Insurance Company, Limited	U.S.A.	Life and health insurance	$ 6.3	100.0	–
StanCorp Financial Group, Inc.	U.S.A.	Life insurance and insurance-related businesses	$4,950.0	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 9th Investment Partnership	Japan	Investment in unlisted companies and management of invested capital	¥ 211	–	–
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	100.0	–
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	35.0	–
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	17.0	74.0
Sunvenus Tachikawa Company Limited	Japan	Operation of private nursing home	¥ 490	100.0	–

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)		
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	–
THE YASUDA ENTERPRISE DEVELOPMENT IV, LIMITED PARTNERSHIP …	Japan	Investment in unlisted companies and management of invested capital	¥ 1,087	–	–
KSP COMMUNITY, Inc. …	Japan	Management of Kanagawa Science Park Building	¥ 20	10.0	8.5
Japan Pension Service Co., Ltd. …	Japan	Clerical work and system development related to corporate pensions	¥ 2,000	39.7	–
Meiji Yasuda America Incorporated …	U.S.A.	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	1,930.0 RMB	29.2	–
PT AVRIST Assurance …	Indonesia	Life insurance	4,500.0 IRD	29.9	–
Towarzystwo Ubezpieczeń EUROPA Spółka Akcyjna (TU Europa S.A.) …	Poland	Non-life insurance	37.8 PLN	33.5	–
Towarzystwo Ubezpieczeń i Reasekuracji WARTA Spółka 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.

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 2016 (except for Japan whose data is based on the April 1, 2016 to March 31, 2017 fiscal year):

	Premium volume in 2016	Percentage of world market in 2016	Premiums per capita[3] in 2016
	(Millions of dollars)	(Percentages)	(Thousands of dollars)
United States[1]	$ 558,847	21.4%	$ 1.7
Japan[2]	354,053	13.5	2.8
China	262,616	10.0	0.2
United Kingdom	199,369	7.6	3.0
France	152,817	5.8	2.2
Other	1,089,314	41.6	-
Total	$ 2,617,016	100.0%	-

Source: Sigma No. 3/2017 "Sigma World insurance in 2016" (Swiss Re).

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.

(3) Premiums per capita = life insurance premium / population.

Japan also has one of the highest market penetration rates in the world, with 89.2% 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 2017, according to the Japan Institute of Life Insurance. As of March 31, 2016, the Japanese life insurance industry as a whole, including Japan Post Insurance, had total assets of ¥367,167 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 ¥73,255 billion for the year ended March 31, 2016. According to calculations based on BMI Research's estimates, Japan has the highest expected growth among life insurance markets from 2016 until 2021, with a CAGR of 3.4%, compared to 1.9%, 0.6% and 3.2% for the United States, the United Kingdom and France, respectively.

Mortality rates used in calculating the standard policy reserve are based on rates established by the IAJ 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. In April 2018, the standard mortality table was revised for the first time in 11 years, which set the expected mortality rates for 44-year-old males and females at 1.63‰ and 1.12‰, respectively. The actual mortality rates in 2016 for 44-year-old males and females were 1.43‰ and 0.85‰, respectively, according to the Ministry of Health, Labor and Welfare.

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, 2018, 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, 2022.

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, corporate auditors and independent 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) 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 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 became effective in May 2016, established 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 standard prospective yield and the standard 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 the standard prospective yield applicable as of the date of entering into the insurance policies and applying the standard mortality rates which must be set by the IAJ and confirmed by the Commissioner of the FSA. On or before March 31, 2015, the standard prospective yield was set as applied across all types of insurance policies. For instance, 1.0% was set as the standard prospective 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 standard prospective yield may vary among different types of insurance policies, and the standard prospective 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 standard prospective yield as applicable to the other types of insurance policies which may be changed only once a year. Standard mortality rates are based on the rates set forth in the standard mortality table established by the IAJ and confirmed by the Commissioner of the FSA. The standard mortality table has recently been revised for the first time in 11 years, and as so revised is applied to new insurance policies sold on and after April 1, 2018. 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, 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 whether the solvency margin ratio (as explained below) of the insurance company has been appropriately calculated based upon actuarial principles, 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.

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 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:

$$\begin{array}{c}\text{Non-consolidated}\\ \text{solvency margin ratio}\end{array} = \frac{\text{(Solvency margin gross amount)x100}}{\text{(Total amount of risk)x1/2}}$$

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;

- allowance for possible loan losses;

- net unrealized gains and losses on available-for-sale securities (multiplied by 90% if gains or 100% if losses), deferred unrealized gains and losses on derivatives under hedge accounting (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 "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 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, (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; and

- the amount of the "business management risk," that is, the other risks beyond normal expectation in the company's business.

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 mid-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 and June 2016. In June 2015 and March 2017, the FSA published the results of these additional field tests and announced its intention to conduct further examinations regarding the introduction of the economic value-based solvency regime with a strong emphasis on dialogue with relevant parties, in light of the unintended impacts and international trends. 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 the 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, 2022, 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 bankruptcy 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 became effective in October 2016. 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 amendments to the Act Preventing Transfer of Profits Generated from Crime which came into effect in April 2013 and October 2016.

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 ("ComFrame") 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 is a set of international supervisory requirements focusing on the effective group-wide supervision of IAIGs. ComFrame sets out a comprehensive range of quantitative requirements specific to IAIGs, and requirements for supervisors of IAIGs. ComFrame is built and expands upon the high level requirements and guidance currently set out in the IAIS Insurance Core Principles ("ICPs"). ComFrame was originally within a modular structure consisting of three modules, but the IAIS recently approved a plan to restructure ComFrame and integrate it directly into the ICPs. In connection with ComFrame, IAIS is in the process of developing a global insurance capital standard ("ICS") applicable to IAIGs. IAIS has developed the initial ICS for extended field testing, which was published on July 21, 2017. ComFrame is currently being field tested to assess the value and practicality of the various requirements and the IAIS is currently scheduled to formally adopt ComFrame in 2019. ComFrame and ICS are expected to be implemented in 2025 after a five-year monitoring phase which will begin in 2019.

In July 2013 and November 2014, the Financial Stability Board ("FSB"), including 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. The IAIS developed HLA capital requirements in October 2015 and it is expected that the G-SII policy framework will be fully implemented by 2019.

Legislation in the European Union could also affect our business. The EU Solvency II Directive, which was adopted in November 2009 and became 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. The EU Solvency II Directive was amended and complemented by Omnibus II, an EU proposal adopted in March 2014 containing 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 April 26, 2018 (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 $1,000,000,000 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 26 and October 26 of each year (each an "Interest Payment Date"), beginning on October 26, 2018, until the Notes are fully redeemed. The Notes will mature on April 26, 2048 and will only be redeemable or repayable as described under "—Redemption" and "—Events of Acceleration; Limited Rights of Acceleration."

From, and including, April 26, 2018 to, but excluding, April 26, 2028 (the "First Call Date"), the Notes will bear interest at 5.10% *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 3.15% *per annum*, payable semi-annually in arrears on each Interest Payment Date, beginning on October 26, 2028, 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 "ICESWAP1" (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 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 "ICESWAP1" (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) our $2 billion aggregate principal amount of 5.20% step-up callable subordinated notes due 2045, ¥100 billion aggregate principal amount of subordinated notes due 2046 with interest deferral options, ¥100 billion aggregate principal amount of subordinated notes due 2047 with interest deferral options and ¥15 billion aggregate principal amount of subordinated notes due 2051 with interest deferral options 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) our $2 billion aggregate principal amount of 5.20% step-up callable subordinated notes due 2045, ¥100 billion aggregate principal amount of subordinated notes due 2046 with interest deferral options, ¥100 billion aggregate principal amount of subordinated notes due 2047 with interest deferral options and ¥15 billion aggregate principal amount of subordinated notes due 2051 with interest deferral options 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 employed by the applicable regulatory requirements in Japan) 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 employed by the applicable regulatory requirements in Japan) 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 5.10% *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 for 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 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 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 April 26, 2048 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 April 26, 2048 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 to so 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 0.40%, 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 will select and 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 substitute for such dealer another primary U.S. government securities dealer. Meiji Yasuda Life will also select and 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 Meiji Yasuda Life and 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 (including any successor legislation) 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 employed by the applicable regulatory requirements in Japan, 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 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;

(vi) 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

(vii) any combination of (i) through (vi) 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 properly incurred 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 Cogency Global Inc., 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 properly incurred costs, including properly incurred 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 aspects 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 ("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 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 Designated Financial Institution or (iii) any other excluded category of persons, corporations or other entities under the Special Taxation Measures Act. 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 the 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 15.315% (15% on or after January 1, 2038) 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 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 15.315% (15% on or after January 1, 2038) 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 such permanent establishment, such interest will not be subject to a 15.315% (15% on or after January 1, 2038) 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 15.315% (15% on or after January 1, 2038) 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 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 public corporation, a financial institution, a financial instruments business operator or certain other entity which has complied with the requirement for tax exemption under Article 3-3, Paragraph (6) of the Special Taxation Measures Act receiving interest 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, 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 15.315% (15% on or after January 1, 2038).

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.

U.S. Federal Income Tax Considerations

The following is a description of U.S. federal income tax considerations to the U.S. Holders described below of owning and disposing of Notes, but 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 initial U.S. Holders that purchase Notes in this offering at the "offering price" (as defined below) and hold them as capital assets (generally, property held for investment) for U.S. federal income tax purposes.

This discussion does not address all aspects of U.S. federal income taxation and does not address U.S. state, local or non-U.S. tax laws. In addition, 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;
- persons required to accelerate the recognition of any item of gross income with respect to the Notes as a result of such income being recognized on an applicable financial statement;
- entities classified as partnerships or other pass-through entities (or persons holding the Notes through such entities) for U.S. federal income tax purposes;
- regulated investment companies;
- insurance companies;
- tax-exempt entities; or
- persons holding Notes in connection with a trade or business conducted outside of the United States.

If an entity that is classified as a partnership for U.S. federal income tax purposes owns Notes, the U.S. federal income tax treatment of a partner will generally depend on the status of the partner and the activities of the partnership. Partnerships owning Notes and partners in such partnerships should consult their tax advisers as to the particular U.S. federal income tax consequences to them of owning and disposing of the Notes.

This discussion is based on the Internal Revenue Code of 1986, as amended (the "Code"), administrative pronouncements, judicial decisions, and Treasury regulations, all as of the date hereof, any of which is subject to change, possibly with retroactive effect.

As described below, there can be no assurance that the Internal Revenue Service (the "IRS") or a court will not take a contrary position with respect to any U.S. federal income tax considerations described below. As used herein, a "U.S. Holder" is a person that for U.S. federal income tax purposes is a beneficial owner of a Note and is:

- 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, if (1) a court within the U.S. is able to exercise primary jurisdiction over its administration and one or more U.S. persons have the authority to control all of its substantial decisions, or (2) in the case of a trust that was treated as a domestic trust under the law in effect before 1997, a valid election is in place under applicable Treasury Regulations.

For purposes of this discussion, an "accrual method" U.S. Holder is a U.S. Holder who uses the accrual method of accounting for U.S. federal income tax purposes.

HOLDERS ARE URGED TO CONSULT THEIR TAX ADVISORS CONCERNING THE U.S. FEDERAL INCOME TAX AND OTHER TAX CONSEQUENCES TO THEM OF THE OWNERSHIP AND DISPOSITION OF THE NOTES, AS WELL AS THE APPLICATION OF U.S. FEDERAL, STATE, LOCAL AND NON-U.S. INCOME, AND OTHER TAX LAWS.

U.S. Federal Income Tax Characterization of the Notes

The proper characterization of the Notes for U.S. federal income tax purposes is uncertain. The determination of whether a security should be classified as indebtedness or equity for U.S. federal income tax purposes requires a judgment based on all relevant facts and circumstances. There is no statutory, judicial or administrative authority that directly addresses the U.S. federal income tax treatment of securities such as the Notes. To the extent required for U.S. federal income tax purposes, we intend to treat the Notes as "variable rate debt instruments" that are deemed to mature on April 26, 2028. This 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 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. The Notes may be subject to possible alternative 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" if they do not qualify as variable rate 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). The following discussion assumes that the Notes will be treated as "variable rate debt instruments" for U.S. federal income tax purposes that are deemed to mature on April 26, 2028.

Interest Income and Original Issue Discount

In general, debt instruments are treated as issued with original issue discount ("OID") if their "stated redemption price at maturity" exceeds their offering price (i.e., the first price at which a substantial amount of debt instruments 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 debt instrument's stated redemption price at maturity is the total of all payments under the debt instrument other than "qualified stated interest." Generally, in order to be qualified stated interest, interest on a debt instrument must be unconditionally payable. Interest is considered unconditionally payable only if reasonable legal remedies exist to compel timely payment or the debt instrument 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 stated interest on the Notes will be treated as OID. A U.S. Holder will be required to include OID in income for federal income tax purposes as it accrues, in accordance with a constant-yield method regardless of their method of accounting. 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 variable rate debt instruments that mature on April 26, 2028 is respected and interest on the Notes is not optionally or mandatorily deferred, an accrual method U.S. Holder should 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 April 26, 2028, solely for purposes of determining subsequent 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.

We currently do not intend to exercise our right to optionally defer payments of interest on the Notes and we believe that the possibility of mandatory deferral of interest payments on the Notes 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 April 26, 2028 or any interest payment is deferred, in their particular circumstances.

Sale, Exchange or Retirement of the Notes

Upon the sale, exchange or retirement of a Note, a U.S. Holder will generally recognize taxable gain or loss equal to the difference between the amount realized on the sale, exchange or retirement and the U.S. Holder's adjusted tax basis in the Note. A U.S. Holder's adjusted tax basis in a Note will be equal to its cost, increased by the amounts of any OID previously included in income by the U.S. Holder and reduced by any payments on the Notes received by the U.S. Holder. Generally, provided that interest payments are not mandatorily deferred, gain or loss realized on the sale, exchange or retirement of a Note will be capital gain or loss, and will be long-term capital gain or loss if at the time of sale, exchange or retirement the Note has been held for more than one year. The deductibility of capital losses is subject to limitations.

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 are deemed to include the assets of such plans for purposes of ERISA (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 any of the initial purchasers (or any of our or their affiliates) 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 (including any interest in a Note) 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 include 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, or any other exemption, will be available with respect to any or all transactions involving the Notes.

Accordingly, the Notes may not be purchased or held by any Plan 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 or result in 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 (or any such interest) 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 constitute or 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 or otherwise a violation 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.

In addition, without limiting any other purchaser representation, each purchaser of a Note (including any interest in a Note) pursuant to this offering circular that is a Plan will be deemed to represent, warrant and acknowledge that a fiduciary (the "Fiduciary") acting on its behalf is and at all times will be responsible for its decision to invest in and hold the Notes as contemplated hereby and that such Fiduciary (i) is (A) a bank as defined in Section 202 of the Investment Advisers Act of 1940, as amended (the "Advisers Act") or similar institution that is regulated and supervised and subject to periodic examination by a United States state or federal agency; (B) an insurance carrier which is qualified under the laws of more than one United States state to perform the services of managing, acquiring or disposing of assets of an employee benefit plan subject to Title I of ERISA or any plan subject to Section 4975 of the Code; (C) an investment adviser registered under the Advisers Act or, if not registered as an investment adviser under the Advisers Act by reason of paragraph (1) of Section 203A of the Advisers Act, is registered as an investment adviser under the laws of the United States state (referred to in such paragraph (1)) in which it maintains its principal office and place of business; (D) a broker-dealer registered under the U.S. Securities Exchange Act of 1934, as amended; or (E) an independent fiduciary that holds, or has under management or control, total assets of at least $50 million, (ii) is independent of us, the initial purchasers and our and their affiliates (collectively, the "Sellers") and is capable of evaluating investment risks independently, both in general and with regard to particular transactions and investment strategies, including the purchaser's transactions pursuant hereto, (iii) understands that none of the sellers has undertaken nor will undertake to provide impartial investment advice to the Plan or Fiduciary, or has given or will give advice in a fiduciary capacity, in connection with the purchaser's transactions contemplated hereby, (iv) is a "fiduciary" under Section 3(21) of ERISA or Section 4975(e)(3) of the Code, or both, as applicable, with respect to, and is responsible for exercising independent judgment in evaluating, the purchaser's transactions contemplated hereby; and (v) understands and acknowledges the existence and nature of the Sellers' financial interests described in the offering circular and that none of the Sellers or any of their respective directors, officers, members, partners, employees, principals or agents has received or will receive a fee or other compensation from the purchaser or Fiduciary for the provision of investment advice (as opposed to other services) in connection with the purchaser's transactions contemplated hereby. The above representations in this paragraph are intended to comply with the Department of Labor's regulation Sections 29 C.F.R. 2510.3-21(a) and (c)(1) as promulgated on April 8, 2016 (81 Fed. Reg. 20,997), if these regulations are revoked, repealed or no longer effective, these representations shall be deemed to be no longer in effect.

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 or recommendation 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 Plan or Non-ERISA 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
  - if the purchaser is a Plan, a fiduciary (the "Fiduciary") acting on its behalf is and at all times will be responsible for its decision to invest in and hold the Notes as contemplated hereby and that such Fiduciary (i) is (A) a bank as defined in Section 202 of the Investment Advisers Act of 1940, as amended (the "Advisers Act") or similar institution that is regulated and supervised and subject to periodic examination by a United States state or federal agency; (B) an insurance carrier which is qualified under the laws of more than one United States state to perform the services of managing, acquiring or disposing of assets of an employee benefit plan subject to Title I of ERISA or any plan subject to Section 4975 of the Code; (C) an investment adviser registered under the Advisers Act or, if not registered as an investment adviser under the Advisers Act by reason of paragraph (1) of Section 203A of the Advisers Act, is registered as an investment adviser under the laws of the United States state (referred to in such paragraph (1)) in which it maintains its principal office and place of business; (D) a broker-dealer registered under the U.S. Securities Exchange Act of 1934, as amended; or (E) an independent fiduciary that holds, or has under management or control, total assets of at least $50 million, (ii) is independent of us and is capable of evaluating investment risks independently, both in general and with regard to particular transactions and investment strategies, including the purchaser's transactions pursuant hereto, (iii) understands that none of the Sellers has undertaken or will undertake to provide impartial investment advice to the Plan or Fiduciary, or has given or will give advice in a fiduciary capacity, in connection with the purchaser's transactions contemplated hereby, (iv) is a "fiduciary" under Section 3(21) of ERISA or Section 4975(e)(3) of the Code, or both, as applicable, with respect to, and is responsible for exercising independent judgment in evaluating, the purchaser's transactions contemplated hereby; and (v) understands and acknowledges the existence and nature of the Sellers' financial interests described in the offering circular and that none of the Sellers or any of their respective directors, officers, members, partners,

employees, principals or agents has received or will receive a fee or other compensation from the purchaser or Fiduciary for the provision of investment advice (as opposed to other services) in connection with the purchaser's transactions contemplated hereby. The above representations in this paragraph are intended to comply with the Department of Labor's regulation Sections 29 C.F.R. 2510.3-21(a) and (c)(1) as promulgated on April 8, 2016 (81 Fed. Reg. 20,997), if these regulations are revoked, repealed or no longer effective, these representations shall be deemed to be no longer in effect.

- 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 (EACH AN "ERISA PLAN") 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 OR RESULT IN A NON-EXEMPT PROHIBITED TRANSACTION UNDER SECTION 406 OF ERISA OR SECTION 4975 OF THE CODE OR A VIOLATION OF SIMILAR LAW, AND IN EACH CASE IN ACCORDANCE WITH ANY APPLICABLE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES OR OTHER JURISDICTION. IN ADDITION, IF THE PURCHASER IS AN ERISA PLAN, A FIDUCIARY (THE "FIDUCIARY") ACTING ON ITS BEHALF IS AND AT ALL TIMES WILL BE RESPONSIBLE FOR ITS DECISION TO INVEST IN AND HOLD THE NOTES AS CONTEMPLATED HEREBY AND THAT SUCH FIDUCIARY (I) IS (A) A BANK AS DEFINED IN SECTION 202 OF THE INVESTMENT ADVISERS ACT OF 1940, AS AMENDED (THE "ADVISERS ACT") OR SIMILAR INSTITUTION THAT IS REGULATED AND SUPERVISED AND SUBJECT TO PERIODIC EXAMINATION BY A UNITED STATES STATE OR FEDERAL AGENCY; (B) AN INSURANCE CARRIER WHICH IS QUALIFIED UNDER THE LAWS OF MORE THAN ONE UNITED STATES STATE TO PERFORM THE SERVICES OF MANAGING, ACQUIRING OR DISPOSING OF ASSETS OF AN EMPLOYEE BENEFIT PLAN SUBJECT TO TITLE I OF ERISA OR ANY PLAN SUBJECT TO SECTION 4975 OF THE CODE; (C) AN INVESTMENT ADVISER REGISTERED UNDER THE ADVISERS ACT OR, IF NOT REGISTERED AS AN INVESTMENT ADVISER UNDER THE ADVISERS ACT BY REASON OF PARAGRAPH (1) OF SECTION 203A OF THE ADVISERS ACT, IS REGISTERED AS AN INVESTMENT ADVISER UNDER THE LAWS OF THE UNITED STATES STATE (REFERRED TO IN SUCH PARAGRAPH (1)) IN WHICH IT MAINTAINS ITS PRINCIPAL OFFICE AND PLACE OF BUSINESS; (D) A BROKER-DEALER REGISTERED UNDER THE U.S. SECURITIES EXCHANGE ACT OF 1934, AS AMENDED; OR (E) AN INDEPENDENT FIDUCIARY THAT HOLDS, OR HAS UNDER MANAGEMENT OR CONTROL, TOTAL ASSETS OF AT LEAST $50 MILLION, (II) IS INDEPENDENT OF THE ISSUER, THE INITIAL PURCHASERS AND THEIR RESPECTIVE AFFILIATES (COLLECTIVELY, THE "SELLERS") AND IS CAPABLE OF EVALUATING INVESTMENT RISKS INDEPENDENTLY, BOTH IN GENERAL AND WITH REGARD TO PARTICULAR TRANSACTIONS AND INVESTMENT STRATEGIES, INCLUDING THE PURCHASER'S TRANSACTIONS PURSUANT HERETO, (III) UNDERSTANDS THAT NONE OF THE SELLERS HAS UNDERTAKEN OR WILL

UNDERTAKE TO PROVIDE IMPARTIAL INVESTMENT ADVICE TO THE ERISA PLAN OR FIDUCIARY, OR HAS GIVEN OR WILL GIVE ADVICE IN A FIDUCIARY CAPACITY, IN CONNECTION WITH THE PURCHASER'S TRANSACTIONS CONTEMPLATED HEREBY, (IV) IS A "FIDUCIARY" UNDER SECTION 3(21) OF ERISA OR SECTION 4975(E)(3) OF THE CODE, OR BOTH, AS APPLICABLE, WITH RESPECT TO, AND IS RESPONSIBLE FOR EXERCISING INDEPENDENT JUDGMENT IN EVALUATING, THE PURCHASER'S TRANSACTIONS CONTEMPLATED HEREBY; AND (V) UNDERSTANDS AND ACKNOWLEDGES THE EXISTENCE AND NATURE OF THE SELLERS' FINANCIAL INTERESTS DESCRIBED IN THE OFFERING CIRCULAR AND THAT NONE OF THE SELLERS OR ANY OF THEIR RESPECTIVE DIRECTORS, OFFICERS, MEMBERS, PARTNERS, EMPLOYEES, PRINCIPALS OR AGENTS HAS RECEIVED OR WILL RECEIVE A FEE OR OTHER COMPENSATION FROM THE ERISA PLAN OR FIDUCIARY FOR THE PROVISION OF INVESTMENT ADVICE (AS OPPOSED TO OTHER SERVICES) IN CONNECTION WITH THE PURCHASER'S TRANSACTIONS CONTEMPLATED HEREBY. THE ABOVE REPRESENTATIONS IN THIS PARAGRAPH ARE INTENDED TO COMPLY WITH THE DEPARTMENT OF LABOR'S REGULATION SECTIONS 29 C.F.R. 2510.3-21(A) AND (C)(1) AS PROMULGATED ON APRIL 8, 2016 (81 FED. REG. 20,997), IF THESE REGULATIONS ARE REVOKED, REPEALED OR NO LONGER EFFECTIVE, THESE REPRESENTATIONS SHALL BE DEEMED TO BE NO LONGER IN EFFECT.

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 Plan or Non-ERISA 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

- if the purchaser is a Plan, a fiduciary (the "Fiduciary") acting on its behalf is and at all times will be responsible for its decision to invest in and hold the Notes as contemplated hereby and that such Fiduciary (i) is (A) a bank as defined in Section 202 of the Investment Advisers Act of 1940, as amended (the "Advisers Act") or similar institution that is regulated and supervised and subject to periodic examination by a United States state or federal agency; (B) an insurance carrier which is qualified under the laws of more than one United States state to perform the services of managing, acquiring or disposing of assets of an employee benefit plan subject to Title I of ERISA or any plan subject to Section 4975 of the Code; (C) an investment adviser registered under the Advisers Act or, if not registered as an investment adviser under the Advisers Act by reason of paragraph (1) of Section 203A of the Advisers Act, is registered as an investment adviser under the laws of the United

States state (referred to in such paragraph (1)) in which it maintains its principal office and place of business; (D) a broker-dealer registered under the U.S. Securities Exchange Act of 1934, as amended; or (E) an independent fiduciary that holds, or has under management or control, total assets of at least $50 million, (ii) is independent of us and is capable of evaluating investment risks independently, both in general and with regard to particular transactions and investment strategies, including the purchaser's transactions pursuant hereto, (iii) understands that none of the Sellers has undertaken or will undertake to provide impartial investment advice to the Plan or Fiduciary, or has given or will give advice in a fiduciary capacity, in connection with the purchaser's transactions contemplated hereby, (iv) is a "fiduciary" under Section 3(21) of ERISA or Section 4975(e)(3) of the Code, or both, as applicable, with respect to, and is responsible for exercising independent judgment in evaluating, the purchaser's transactions contemplated hereby; and (v) understands and acknowledges the existence and nature of the Sellers' financial interests described in the offering circular and that none of the Sellers or any of their respective directors, officers, members, partners, employees, principals or agents has received or will receive a fee or other compensation from the purchaser or Fiduciary for the provision of investment advice (as opposed to other services) in connection with the purchaser's transactions contemplated hereby. The above representations in this paragraph are intended to comply with the Department of Labor's regulation Sections 29 C.F.R. 2510.3-21(a) and (c)(1) as promulgated on April 8, 2016 (81 Fed. Reg. 20,997), if these regulations are revoked, repealed or no longer effective, these representations shall be deemed to be no longer in effect.

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 (EACH AN "ERISA PLAN") 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 OR RESULT IN A NON-EXEMPT PROHIBITED TRANSACTION UNDER SECTION 406 OF ERISA OR SECTION 4975 OF THE CODE OR A VIOLATION OF SIMILAR LAW. IN ADDITION, IF THE PURCHASER IS AN ERISA PLAN, A FIDUCIARY (THE "FIDUCIARY") ACTING ON ITS BEHALF IS AND AT ALL TIMES WILL BE RESPONSIBLE FOR ITS DECISION TO INVEST IN AND HOLD THE NOTES AS CONTEMPLATED HEREBY AND THAT SUCH FIDUCIARY (I) IS (A) A BANK AS DEFINED IN SECTION 202 OF THE INVESTMENT ADVISERS ACT OF 1940, AS AMENDED (THE "ADVISERS ACT") OR SIMILAR INSTITUTION THAT IS REGULATED AND SUPERVISED AND SUBJECT TO PERIODIC EXAMINATION BY A UNITED STATES STATE OR FEDERAL AGENCY; (B) AN INSURANCE CARRIER WHICH IS QUALIFIED UNDER THE LAWS OF MORE THAN ONE UNITED STATES STATE TO PERFORM THE SERVICES OF MANAGING, ACQUIRING OR DISPOSING OF ASSETS OF AN EMPLOYEE BENEFIT PLAN SUBJECT TO TITLE I OF ERISA OR ANY PLAN SUBJECT TO SECTION 4975 OF THE CODE; (C) AN INVESTMENT ADVISER REGISTERED UNDER THE ADVISERS ACT OR, IF NOT REGISTERED AS AN INVESTMENT ADVISER UNDER THE ADVISERS ACT BY REASON OF PARAGRAPH (1) OF SECTION 203A OF THE ADVISERS ACT, IS REGISTERED AS AN INVESTMENT ADVISER UNDER THE LAWS OF THE UNITED STATES STATE (REFERRED TO IN SUCH PARAGRAPH (1)) IN WHICH IT MAINTAINS ITS PRINCIPAL OFFICE AND PLACE OF BUSINESS; (D) A BROKER-DEALER REGISTERED UNDER THE U.S. SECURITIES EXCHANGE ACT OF 1934, AS AMENDED; OR (E) AN INDEPENDENT FIDUCIARY THAT HOLDS, OR HAS UNDER

MANAGEMENT OR CONTROL, TOTAL ASSETS OF AT LEAST $50 MILLION, (II) IS INDEPENDENT OF THE ISSUER, THE INITIAL PURCHASERS AND THEIR RESPECTIVE AFFILIATES (COLLECTIVELY, THE "SELLERS") AND IS CAPABLE OF EVALUATING INVESTMENT RISKS INDEPENDENTLY, BOTH IN GENERAL AND WITH REGARD TO PARTICULAR TRANSACTIONS AND INVESTMENT STRATEGIES, INCLUDING THE PURCHASER'S TRANSACTIONS PURSUANT HERETO, (III) UNDERSTANDS THAT NONE OF THE SELLERS HAS UNDERTAKEN OR WILL UNDERTAKE TO PROVIDE IMPARTIAL INVESTMENT ADVICE TO THE ERISA PLAN OR FIDUCIARY, OR HAS GIVEN OR WILL GIVE ADVICE IN A FIDUCIARY CAPACITY, IN CONNECTION WITH THE PURCHASER'S TRANSACTIONS CONTEMPLATED HEREBY, (IV) IS A "FIDUCIARY" UNDER SECTION 3(21) OF ERISA OR SECTION 4975(E)(3) OF THE CODE, OR BOTH, AS APPLICABLE, WITH RESPECT TO, AND IS RESPONSIBLE FOR EXERCISING INDEPENDENT JUDGMENT IN EVALUATING, THE PURCHASER'S TRANSACTIONS CONTEMPLATED HEREBY; AND (V) UNDERSTANDS AND ACKNOWLEDGES THE EXISTENCE AND NATURE OF THE SELLERS' FINANCIAL INTERESTS DESCRIBED IN THE OFFERING CIRCULAR AND THAT NONE OF THE SELLERS OR ANY OF THEIR RESPECTIVE DIRECTORS, OFFICERS, MEMBERS, PARTNERS, EMPLOYEES, PRINCIPALS OR AGENTS HAS RECEIVED OR WILL RECEIVE A FEE OR OTHER COMPENSATION FROM THE ERISA PLAN OR FIDUCIARY FOR THE PROVISION OF INVESTMENT ADVICE (AS OPPOSED TO OTHER SERVICES) IN CONNECTION WITH THE PURCHASER'S TRANSACTIONS CONTEMPLATED HEREBY. THE ABOVE REPRESENTATIONS IN THIS PARAGRAPH ARE INTENDED TO COMPLY WITH THE DEPARTMENT OF LABOR'S REGULATION SECTIONS 29 C.F.R. 2510.3-21(A) AND (C)(1) AS PROMULGATED ON APRIL 8, 2016 (81 FED. REG. 20,997), IF THESE REGULATIONS ARE REVOKED, REPEALED OR NO LONGER EFFECTIVE, THESE REPRESENTATIONS SHALL BE DEEMED TO BE NO LONGER IN EFFECT.

PLAN OF DISTRIBUTION

Under the terms and subject to the conditions set forth in a purchase agreement, dated April 19, 2018, (the "purchase agreement") between us and the initial purchasers named below, for whom Morgan Stanley & Co. LLC, Goldman Sachs & Co. LLC, J.P. Morgan Securities LLC and Mizuho Securities USA 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
Morgan Stanley & Co. LLC	$ 400,000,000
Goldman Sachs & Co. LLC	210,000,000
J.P. Morgan Securities LLC	190,000,000
Mizuho Securities USA LLC	150,000,000
Citigroup Global Markets Inc.	10,000,000
Daiwa Capital Markets America Inc.	10,000,000
Merrill Lynch, Pierce, Fenner & Smith Incorporated	10,000,000
Nomura Securities International, Inc.	10,000,000
SMBC Nikko Securities America, Inc.	10,000,000
Total	$ 1,000,000,000

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 outside the United States to non-U.S. persons in offshore transactions 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, Morgan Stanley & Co. 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 to persons other than U.S. persons will be made outside the United States in offshore transactions 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 person resident in 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 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; 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 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 Specially-Related Person, (ii) a Designated Financial Institution or (iii) any other excluded category of persons, corporations or other entities under the Special Taxation Measures Act.

Prohibition of Sales to EEA Retail Investors

The Notes have not been and will not be offered, sold or otherwise made available to any retail investor in the EEA.

For the purposes of this provision, the expression "retail investor" means a person who is one (or more) of the following:

(a) a retail client as defined in point (11) of Article 4(1) of MiFID II; or

(b) a customer within the meaning of the Insurance Mediation Directive, where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II.

United Kingdom

Each initial purchaser has represented and agreed that:

(a) 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 us; and

(b) 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.

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 to any person arising from an offer referred to in Section 275(1A) or 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 of Investments) (Shares and Debentures) Regulations 2005 of Singapore.

Canada

Prospective Canadian investors are advised that the information contained within this offering circular has not been prepared with regard to matters that may be of particular concern to Canadian investors. Accordingly, prospective Canadian investors should consult with their own legal, financial and tax advisers concerning the information contained within the offering circular and as to the suitability of an investment in the Notes in their particular circumstances.

The offer and sale of the Notes in Canada will only be made in the provinces of British Columbia, Alberta, Ontario and Québec or to residents thereof and not in, or to the residents of, any other province or territory of Canada. Such offers and sales will be made only under exemptions from the requirement to file a prospectus in the above mentioned provinces and only through a dealer duly registered under the applicable securities laws of such provinces in circumstances where no exemption from the applicable registered dealer requirement is available. This Offering Circular or any other offering material in connection with the offer of the Notes has not been and will not be distributed or delivered in Canada other than to a resident of the provinces of British Columbia, Alberta, Ontario or Québec in compliance with applicable securities laws.

The Notes may be sold in Canada only to purchasers purchasing, or deemed to be purchasing, as principal that are accredited investors, as defined in National Instrument 45-106 Prospectus Exemptions ("NI 45-106") or subsection 73.3(1) of the Securities Act (Ontario), and are permitted clients, as defined in National Instrument 31-103 Registration Requirements, Exemptions and Ongoing Registrant Obligations. Any resale of the Notes must be made in accordance with an exemption from, or in a transaction not subject to, the prospectus requirements of applicable securities laws.

Securities legislation in certain provinces or territories of Canada may provide a purchaser with remedies for rescission or damages if this offering circular (including any amendment thereto) contains a misrepresentation, provided that the remedies for rescission or damages are exercised by the purchaser within the time limit prescribed by the securities legislation of the purchaser's province or territory. The purchaser should refer to any applicable provisions of the securities legislation of the purchaser's province or territory for particulars of these rights or consult with a legal advisor.

Pursuant to section 3A.3 of National Instrument 33-105 Underwriting Conflicts ("NI 33-105"), the initial purchasers are not required to comply with the disclosure requirements of NI 33-105 regarding underwriter conflicts of interest in connection with the offering.

Upon receipt of this offering circular, each Canadian purchaser hereby confirms that it has expressly requested that all documents evidencing or relating in any way to the sale of the securities described herein (including for greater certainty any purchase confirmation or any notice) be drawn up in the English language only. Par la réception de ce document, chaque acheteur canadien confirme par les présentes qu'il a expressément exigé que tous les documents faisant foi ou se rapportant de quelque manière que ce soit à la vente des valeurs mobilières décrites aux présentes (incluant, pour plus de certitude, toute confirmation d'achat ou tout avis) soient rédigés en anglais seulement.

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.

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.

Settlement

We expect delivery of the Notes will be made against payment therefor on or about April 26, 2018, which is the fifth New York business day following the date of pricing of the Notes. Under Rule 15c6-1 of the Exchange Act, trades in the secondary market generally are required to settle in two business days unless the parties to any such trade expressly agree otherwise. Accordingly, purchasers who wish to trade the Notes prior to the delivery of the Notes will be required, by virtue of the fact that the Notes initially will settle five New York business days after pricing of the Notes, to specify an alternate settlement cycle at the time of any such trade to prevent failed settlement and should consult their own advisers.

LEGAL MATTERS

Certain legal matters will be passed upon for us by Skadden, Arps, Slate, Meagher & Flom 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.

INDEPENDENT AUDITORS

Our consolidated financial statements and non-consolidated financial statements as of and for the years ended March 31, 2015, 2016 and 2017, included in this offering circular have been audited by KPMG AZSA LLC, our independent auditor, as stated in their reports included herein.

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INDEX TO FINANCIAL STATEMENTS

Independent Auditor's Report

KPMG

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, 2016 and 2017, 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, 2016 and 2017, and their financial performance and cash flows for the years then ended in accordance with accounting principles generally accepted in Japan.

Convenience Translation

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2017 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

KPMG AZSA LLC
July 28, 2017
Tokyo, Japan

Consolidated Balance Sheets

Meiji Yasuda Life Insurance Company and Consolidated Subsidiaries

As of March 31,	Millions of Yen 2017	Millions of Yen 2016	Millions of U.S. Dollars 2017
ASSETS:			
Cash and deposits (Notes 3, 4, and 7)	**¥ 505,583**	¥ 481,381	**$ 4,506**
Call loans (Note 3)	**90,000**	90,000	**802**
Monetary claims bought (Note 4)	**220,118**	223,659	**1,962**
Money held in trust (Note 4)	**200**	—	**1**
Securities (Notes 4, 5, 6, 7, and 8)	**32,046,079**	30,624,492	**285,641**
Loans (Notes 4, 7, 9, and 10)	**5,422,653**	5,634,123	**48,334**
Tangible fixed assets (Notes 11, 12, and 13)			
Land	**617,501**	617,463	**5,504**
Buildings	**295,568**	306,647	**2,634**
Leased assets	**612**	87	**5**
Construction in progress	**3,239**	1,667	**28**
Other tangible fixed assets	**6,253**	4,728	**55**
Subtotal	**923,175**	930,595	**8,228**
Intangible fixed assets			
Software	**59,942**	50,821	**534**
Goodwill (Note 26)	**155,799**	158,679	**1,388**
Other intangible fixed assets	**301,615**	317,643	**2,688**
Subtotal	**517,358**	527,144	**4,611**
Due from agents	**1,592**	1,831	**14**
Reinsurance receivables	**120,163**	115,877	**1,071**
Other assets	**455,560**	480,002	**4,060**
Net defined benefit assets (Note 14)	**92,747**	37,298	**826**
Deferred tax assets (Note 15)	**2,498**	2,485	**22**
Customers' liabilities under acceptances and guarantees	**20,888**	20,854	**186**
Allowance for possible loan losses	**(5,848)**	(5,457)	**(52)**
Total assets	**¥40,412,770**	¥39,164,289	**$360,217**
LIABILITIES:			
Policy reserves and other reserves			
Reserve for outstanding claims	**¥ 732,370**	¥ 707,333	**$ 6,527**
Policy reserves	**33,332,707**	32,842,168	**297,109**
Policyholders' dividend reserves (Note 16)	**236,959**	240,902	**2,112**
Subtotal	**34,302,037**	33,790,403	**305,749**
Due to agents	**2,990**	2,835	**26**
Reinsurance payables	**815**	832	**7**
Bonds payable	**409,753**	293,445	**3,652**
Other liabilities	**531,235**	478,051	**4,735**
Net defined benefit liabilities (Note 14)	**8,769**	12,447	**78**
Accrued retirement benefits for directors and executive officers (Note 19)	**—**	82	**—**
Reserve for contingent liabilities (Note 20)	**1**	1	**0**
Reserve for price fluctuation	**578,227**	522,116	**5,153**
Deferred tax liabilities (Note 15)	**433,794**	329,406	**3,866**
Deferred tax liabilities for land revaluation	**79,910**	82,137	**712**
Acceptances and guarantees	**20,888**	20,854	**186**
Total liabilities	**36,368,425**	35,532,618	**324,168**
NET ASSETS:			
Foundation funds (Note 21)	**310,000**	260,000	**2,763**
Reserve for redemption of foundation funds (Note 21)	**520,000**	470,000	**4,634**
Reserve for revaluation	**452**	452	**4**
Surplus	**514,726**	506,083	**4,587**
Total funds, reserve and surplus	**1,345,179**	1,236,536	**11,990**
Net unrealized gains on available-for-sale securities	**2,542,572**	2,291,022	**22,663**
Deferred unrealized gains on derivatives under hedge accounting	**39,643**	38,659	**353**
Land revaluation differences	**117,025**	119,894	**1,043**
Foreign currency translation adjustments	**(19,750)**	(26,190)	**(176)**
Remeasurements of defined benefit plans	**15,701**	(32,200)	**139**
Total accumulated other comprehensive income	**2,695,192**	2,391,186	**24,023**
Non-controlling interests	**3,974**	3,947	**35**
Total net assets	**4,044,345**	3,631,671	**36,049**
Total liabilities and net assets	**¥40,412,770**	¥39,164,289	**$360,217**

Consolidated Statements of Income

Meiji Yasuda Life Insurance Company and Consolidated Subsidiaries

Years ended March 31,	Millions of Yen 2017	Millions of Yen 2016	Millions of U.S. Dollars 2017
ORDINARY INCOME:			
Insurance premiums and other	**¥2,866,387**	¥3,381,621	**$25,549**
Investment income			
Interest, dividends and other income	**772,142**	690,493	**6,882**
Gains on money held in trust	**—**	0	**—**
Gains on sales of securities	**23,968**	8,505	**213**
Gains on redemption of securities	**57,323**	88,701	**510**
Foreign exchange gains	**—**	154	**—**
Other investment income	**2,175**	892	**19**
Investment gains on separate accounts	**15,807**	—	**140**
Subtotal	**871,417**	788,747	**7,767**
Other ordinary income	**137,663**	106,171	**1,227**
Total ordinary income	**3,875,469**	4,276,540	**34,543**
ORDINARY EXPENSES:			
Benefits and other payments			
Claims paid	**635,367**	569,516	**5,663**
Annuity payments	**697,062**	696,036	**6,213**
Benefit payments	**501,942**	412,172	**4,474**
Surrender benefits	**454,118**	455,478	**4,047**
Other refunds	**94,717**	178,963	**844**
Subtotal	**2,383,208**	2,312,168	**21,242**
Provision for policy reserves and other reserves			
Provision for reserve for outstanding claims	**7,151**	1,866	**63**
Provision for policy reserves	**324,535**	898,470	**2,892**
Provision for interest on policyholders' dividend reserves (Note 16)	**135**	251	**1**
Subtotal	**331,822**	900,587	**2,957**
Investment expenses			
Interest expenses	**29,114**	6,288	**259**
Losses on sales of securities	**32,216**	1,967	**287**
Losses on valuation of securities	**12,137**	12,791	**108**
Losses on redemption of securities	**4,433**	37	**39**
Losses on derivative financial instruments	**88,918**	107,329	**792**
Foreign exchange losses	**399**	—	**3**
Provision for allowance for possible loan losses	**1,801**	664	**16**
Depreciation of real estate for non-insurance business	**9,513**	9,732	**84**
Other investment expenses	**18,534**	14,320	**165**
Investment losses on separate accounts	**—**	28,956	**—**
Subtotal	**197,070**	182,088	**1,756**
Operating expenses (Note 23)	**439,743**	372,229	**3,919**
Other ordinary expenses	**208,741**	210,360	**1,860**
Total ordinary expenses	**3,560,586**	3,977,433	**31,737**
Ordinary profit	**314,883**	299,107	**2,806**
Extraordinary gains			
Gains on disposals of fixed assets	**2,045**	2,614	**18**
Reversal of reserve for contingent liabilities	**0**	0	**0**
Subtotal	**2,045**	2,615	**18**
Extraordinary losses			
Losses on disposals of fixed assets	**4,317**	6,589	**38**
Impairment losses (Note 13)	**3,152**	3,807	**28**
Provision for reserve for price fluctuation	**56,121**	29,209	**500**
Losses on reduction entry of real estate	**333**	—	**2**
Contributions for promotion of social welfare project	**582**	553	**5**
Other extraordinary losses	**1**	—	**0**
Subtotal	**64,510**	40,160	**575**
Surplus before income taxes and non-controlling interests	**252,418**	261,561	**2,249**
Income taxes (Note 15)			
Current	**38,003**	54,641	**338**
Deferred	**(10,193)**	(7,706)	**(90)**
Total income taxes	**27,809**	46,934	**247**
Net surplus	**224,608**	214,627	**2,002**
Net surplus attributable to non-controlling interests	**878**	528	**7**
Net surplus attributable to the Parent Company	**¥ 223,730**	¥ 214,099	**$ 1,994**

Consolidated Statements of Comprehensive Income

Meiji Yasuda Life Insurance Company and Consolidated Subsidiaries

	Millions of Yen		Millions of U.S. Dollars
Years ended March 31,	2017	2016	2017
Net surplus	**¥224,608**	¥ 214,627	**$2,002**
Other comprehensive income (loss) (Note 25)	**306,994**	(580,454)	**2,736**
Net unrealized gains (losses) on available-for-sale securities	**250,844**	(546,805)	**2,235**
Deferred unrealized gains (losses) on derivatives under hedge accounting	**983**	23,203	**8**
Land revaluation differences	**—**	2,506	**—**
Foreign currency translation adjustments	**11,887**	(36,574)	**105**
Remeasurements of defined benefit plans	**47,977**	(9,501)	**427**
Share of other comprehensive income (loss) of associates accounted for under the equity method	**(4,699)**	(13,283)	**(41)**
Comprehensive income (loss)	**¥531,602**	¥(365,827)	**$4,738**
Comprehensive income (loss) attributable to the Parent Company	**530,605**	(366,188)	**4,729**
Comprehensive income (loss) attributable to non-controlling interests	**997**	361	**8**

Consolidated Statements of Changes in Net Assets

Meiji Yasuda Life Insurance Company and Consolidated Subsidiaries

Year ended March 31, 2016 (Millions of Yen)

	Funds, reserves and surplus					Accumulated other comprehensive income (loss)							
	Foundation funds	Reserve for redemption of foundation funds	Reserve for revaluation	Surplus	Total funds, reserves and surplus	Net unrealized gains (losses) on available-for-sale securities	Deferred unrealized gains (losses) on derivatives under hedge accounting	Land revaluation differences	Foreign currency translation adjustments	Remeasurements of defined benefit plans	Total accumulated other comprehensive income	Non-controlling interests	Total net assets
Beginning balance	¥260,000	¥470,000	¥452	¥472,533	¥1,202,986	¥2,838,597	¥15,456	¥118,988	¥ 22,894	¥(22,862)	¥2,973,074	¥4,274	¥4,180,335
Changes in the fiscal year													
Additions to policyholders' dividend reserves (Note 16)				(180,044)	(180,044)								(180,044)
Payment of interest on foundation funds				(2,101)	(2,101)								(2,101)
Net surplus attributable to the Parent Company				214,099	214,099								214,099
Reversal of land revaluation differences				1,599	1,599								1,599
Changes in equity attributable to the Parent Company arising from transactions with non-controlling interests				(2)	(2)								(2)
Net changes, excluding funds, reserves and surplus						(547,575)	23,203	906	(49,084)	(9,337)	(581,887)	(326)	(582,214)
Net changes in the fiscal year	—	—	—	33,550	33,550	(547,575)	23,203	906	(49,084)	(9,337)	(581,887)	(326)	(548,664)
Ending balance	¥260,000	¥470,000	¥452	¥506,083	¥1,236,536	¥2,291,022	¥38,659	¥119,894	¥(26,190)	¥(32,200)	¥2,391,186	¥3,947	¥3,631,671

Year ended March 31, 2017 (Millions of Yen)

	Funds, reserves and surplus					Accumulated other comprehensive income (loss)							
	Foundation funds (Note 21)	Reserve for redemption of foundation funds (Note 21)	Reserve for revaluation	Surplus	Total funds, reserves and surplus	Net unrealized gains (losses) on available-for-sale securities	Deferred unrealized gains (losses) on derivatives under hedge accounting	Land revaluation differences	Foreign currency translation adjustments	Remeasurements of defined benefit plans	Total accumulated other comprehensive income	Non-controlling interests	Total net assets
Beginning balance	**¥260,000**	**¥470,000**	**¥452**	**¥506,083**	**¥1,236,536**	**¥2,291,022**	**¥38,659**	**¥119,894**	**¥(26,190)**	**¥(32,200)**	**¥2,391,186**	**¥3,947**	**¥3,631,671**
Changes in the fiscal year													
Issuance of foundation funds	**100,000**				**100,000**								**100,000**
Additions to policyholders' dividend reserves (Note 16)				**(165,707)**	**(165,707)**								**(165,707)**
Additions to reserve for redemption of foundation funds		**50,000**			**50,000**								**50,000**
Payment of interest on foundation funds				**(2,101)**	**(2,101)**								**(2,101)**
Net surplus attributable to the Parent Company				**223,730**	**223,730**								**223,730**
Redemption of foundation funds	**(50,000)**				**(50,000)**								**(50,000)**
Reversal of reserve for fund redemption				**(50,000)**	**(50,000)**								**(50,000)**
Reversal of land revaluation differences				**2,868**	**2,868**								**2,868**
Changes in equity attributable to the Parent Company arising from transactions with non-controlling interests				**(147)**	**(147)**								**(147)**
Net changes, excluding funds, reserves and surplus						**251,549**	**983**	**(2,868)**	**6,439**	**47,901**	**304,005**	**26**	**304,032**
Net changes in the fiscal year	**50,000**	**50,000**	**—**	**8,642**	**108,642**	**251,549**	**983**	**(2,868)**	**6,439**	**47,901**	**304,005**	**26**	**412,674**
Ending balance	**¥310,000**	**¥520,000**	**¥452**	**¥514,726**	**¥1,345,179**	**¥2,542,572**	**¥39,643**	**¥117,025**	**¥(19,750)**	**¥ 15,701**	**¥2,695,192**	**¥3,974**	**¥4,044,345**

Consolidated Statements of Changes in Net Assets (continued)

Meiji Yasuda Life Insurance Company and Consolidated Subsidiaries

Year ended March 31, 2017 (Millions of U.S. Dollars)

	Funds, reserves and surplus					Accumulated other comprehensive income (loss)							
	Foundation funds (Note 21)	Reserve for redemption of foundation funds (Note 21)	Reserve for revaluation	Surplus	Total funds, reserves and surplus	Net unrealized gains (losses) on available-for-sale securities	Deferred unrealized gains (losses) on derivatives under hedge accounting	Land revaluation differences	Foreign currency translation adjustments	Remeasurements of defined benefit plans	Total accumulated other comprehensive income	Non-controlling interests	Total net assets
Beginning balance	$2,317	$4,189	$4	$4,510	$11,021	$20,420	$344	$1,068	$(233)	$(287)	$21,313	$35	$32,370
Changes in the fiscal year													
Issuance of foundation funds	891				891								891
Additions to policyholders' dividend reserves (Note 16)				(1,477)	(1,477)								(1,477)
Additions to reserve for redemption of foundation funds		445			445								445
Payment of interest on foundation funds				(18)	(18)								(18)
Net surplus attributable to the Parent Company				1,994	1,994								1,994
Redemption of foundation funds	(445)				(445)								(445)
Reversal of reserve for fund redemption				(445)	(445)								(445)
Reversal of land revaluation differences				25	25								25
Changes in equity attributable to the Parent Company arising from transactions with non-controlling interests				(1)	(1)								(1)
Net changes, excluding funds, reserves and surplus						2,242	8	(25)	57	426	2,709	0	2,709
Net changes in the fiscal year	445	445	—	77	968	2,242	8	(25)	57	426	2,709	0	3,678
Ending balance	$2,763	$4,634	$4	$4,587	$11,990	$22,663	$353	$1,043	$(176)	$ 139	$24,023	$35	$36,049

Consolidated Statements of Cash Flows
Meiji Yasuda Life Insurance Company and Consolidated Subsidiaries

Years ended March 31,	Millions of Yen 2017	Millions of Yen 2016	Millions of U.S. Dollars 2017
I Cash flows from operating activities			
Surplus before income taxes and non-controlling interests	**¥ 252,418**	¥ 261,561	**$ 2,249**
Depreciation of real estate for non-insurance business	**9,513**	9,732	**84**
Depreciation	**44,440**	21,647	**396**
Impairment losses	**3,152**	3,807	**28**
Amortization of goodwill	**6,773**	—	**60**
Increase (Decrease) in reserve for outstanding claims	**10,563**	1,944	**94**
Increase (Decrease) in policy reserves	**420,352**	898,283	**3,746**
Provision for interest on policyholders' dividend reserves	**135**	251	**1**
Increase (Decrease) in allowance for possible loan losses	**391**	423	**3**
Increase (Decrease) in net defined benefit liabilities	**(2,248)**	67	**(20)**
Increase (Decrease) in accrued retirement benefits for directors and executive officers	**(82)**	(9)	**(0)**
Increase (Decrease) in reserve for contingent liabilities	**(0)**	(0)	**(0)**
Increase (Decrease) in reserve for price fluctuation	**56,121**	29,209	**500**
Interest, dividends, and other income	**(772,142)**	(690,493)	**(6,882)**
Losses (Gains) on securities	**1,739**	168,606	**15**
Interest expenses	**29,114**	6,288	**259**
Foreign exchange losses (gains)	**314**	29	**2**
Losses (Gains) on tangible fixed assets	**2,407**	3,523	**21**
Investment losses (gains) on equity method	**(664)**	(1,920)	**(5)**
Decrease (Increase) in due from agents	**244**	49	**2**
Decrease (Increase) in reinsurance receivables	**(1,464)**	(173)	**(13)**
Decrease (Increase) in other assets (excluding those related to investing and financing activities)	**53,346**	(89,689)	**475**
Increase (Decrease) in due to agents	**86**	8	**0**
Increase (Decrease) in reinsurance payables	**(16)**	28	**(0)**
Increase (Decrease) in other liabilities (excluding those related to investing and financing activities)	**41,165**	(53,926)	**366**
Others, net	**10,822**	24,571	**96**
Subtotal	**166,484**	593,820	**1,483**
Interest, dividends, and other income received	**830,960**	738,937	**7,406**
Interest paid	**(28,393)**	(3,283)	**(253)**
Policyholders' dividends paid	**(169,832)**	(192,857)	**(1,513)**
Income taxes paid	**(23,230)**	(123,357)	**(207)**
Net cash provided by operating activities	**775,989**	1,013,259	**6,916**
II Cash flows from investing activities			
Net decrease (increase) in deposits	**21,082**	(9,985)	**187**
Purchase of monetary claims bought	**(36,100)**	(19,800)	**(321)**
Proceeds from sales and redemption of monetary claims bought	**38,734**	26,155	**345**
Purchase of securities	**(3,346,498)**	(2,485,561)	**(29,828)**
Proceeds from sales and redemption of securities	**2,256,783**	1,762,429	**20,115**
Loans extended	**(1,021,210)**	(1,009,828)	**(9,102)**
Proceeds from collection of loans	**1,243,234**	1,110,671	**11,081**
Net increase (decrease) in cash collateral under securities borrowing / lending transactions	**95,952**	(113,710)	**855**
Total investment activities (IIa)	**(748,021)**	(739,629)	**(6,667)**
[I + IIa]	**27,968**	273,630	**249**
Purchase of tangible fixed assets	**(28,115)**	(11,852)	**(250)**
Proceeds from sales of tangible fixed assets	**13,549**	15,702	**120**
Purchase of intangible fixed assets	**(23,836)**	(22,397)	**(212)**
Acquisition of stock of subsidiaries with change in scope of consolidation (Note 26)	**—**	(531,629)	**—**
Others, net	**(452)**	(2,627)	**(4)**
Net cash used in investing activities	**(786,877)**	(1,292,434)	**(7,013)**
III Cash flows from financing activities			
Proceeds from debt	**—**	150	**—**
Repayments of debt	**(100,000)**	(150)	**(891)**
Proceeds from issuance of bonds payable	**114,204**	235,514	**1,017**
Proceeds from issuance of foundation funds	**100,000**	—	**891**
Redemption of foundation funds	**(50,000)**	—	**(445)**
Payment of interest on foundation funds	**(2,101)**	(2,101)	**(18)**
Acquisition of stock of subsidiaries without change in scope of consolidation	**(841)**	(395)	**(7)**
Others, net	**(5,822)**	(294)	**(51)**
Net cash provided by financing activities	**55,439**	232,722	**494**
IV Effect of foreign exchange rate changes on cash and cash equivalents	**734**	(45)	**6**
V Net increase (decrease) in cash and cash equivalents	**45,286**	(46,497)	**403**
VI Cash and cash equivalents at the beginning of the year	**532,547**	579,044	**4,746**
VII Cash and cash equivalents at the end of the year (Note 3)	**¥ 577,833**	¥ 532,547	**$ 5,150**

Notes to the Consolidated Financial Statements

Meiji Yasuda Life Insurance Company and Consolidated Subsidiaries

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 March 31, 2017, which was ¥112.19 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 17 and 17 as of March 31, 2016 and 2017, respectively. The consolidated subsidiaries as of March 31, 2017 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.)
StanCorp Financial Group, Inc. (U.S.A.)
Meiji Yasuda Realty USA Incorporated (U.S.A.)

StanCorp Financial Group, Inc. and its nine subsidiaries have been included in consolidation from the year ended March 31, 2016.

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, 2016 and 2017 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 12 and 10 as of March 31, 2016 and 2017, respectively. The affiliates accounted for by the equity method as of March 31, 2017 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)

One affiliate of StanCorp Financial Group, Inc. and one affiliate of Thai Life Insurance Public Company Limited have been included as affiliates from the year ended March 31, 2016.

Two affiliates of TU Europa S.A. have been excluded from the scope of the equity method as of March 31, 2016, due to their decreased materiality.

One affiliate of Thai Life Insurance Public Company Limited has been excluded from the scope of the equity method as of March 31, 2017, due to its decreased materiality.

One affiliate of TU Europa S.A. has been excluded from the scope of the equity method as of March 31, 2017, due to the sale of 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. However, for certain overseas consolidated subsidiaries, financial statements as of March 7, 2016 (U.S. local time), the date of business combination, is used to prepare the consolidated financial statements as of March 31, 2016.

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) Money held in trust

Money held in trust is stated at fair value.

(6) Derivative transactions

Derivative transactions are stated at fair value.

(7) Method of hedge accounting

Methods of hedge accounting of the Company 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;
- 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 risk related to foreign currency denominated loans and bonds payable; 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.

(8) Tangible fixed assets

Tangible fixed assets (excluding leased 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

Tangible fixed assets owned by the Company's overseas consolidated subsidiaries are depreciated by mainly using the straight-line method.

Leased assets related to finance leases that do not transfer ownership to the lessees are depreciated by using the straight-line method, with the lease period being considered as useful lives of assets and residual value being set at zero.

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.

(9) 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). Intangible fixed assets owned by certain overseas consolidated subsidiaries are amortized based on the each country's accounting standard, such as U.S. GAAP.

(10) 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, 2016 and 2017 amounted to ¥46 million and ¥46 million (U.S. $0 million), respectively.

(11) 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.

The policy reserves also include reserves which are additionally set aside 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.

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

(12) 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.

(13) Reserve for price fluctuation

Reserve for price fluctuation of the Company and the domestic consolidated insurance subsidiary is calculated pursuant to Article 115 of the "Insurance Business Act".

(14) Revenue recognition

Insurance premiums of the Company 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.

Insurance premiums of certain overseas consolidated subsidiaries are recognized based on the each country's accounting standard, such as U.S. GAAP.

(15) Policy acquisition costs

Policy acquisition costs of the Company are expensed when incurred.

Policy acquisition costs of certain overseas consolidated subsidiaries are calculated based on the each country's accounting standard, such as U.S. GAAP.

(16) 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".

(17) 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. Assets, liabilities, revenues and expenses of the Company's overseas consolidated subsidiaries are translated into Japanese yen at the exchange rate at the end of their fiscal year, and translation adjustments are included in "foreign currency translation adjustments" in the net assets section of the consolidated balance sheets.

(18) New accounting standards

"Revised Accounting Standard for Business Combinations" (ASBJ Statement No.21, September 13, 2013; hereafter the "Business Combinations Accounting Standard"), "Revised Accounting Standard for Consolidated Financial Statements" (ASBJ Statement No.22, September 13, 2013; hereafter the "Consolidation Accounting Standard"), and "Revised Accounting Standard for Business Divestitures" (ASBJ Statement No.7, September 13, 2013; hereafter the "Business Divestitures Accounting Standard") have been applied from the beginning of the year ended March 31, 2016. Accordingly, the accounting method has been changed that the difference associated with changes in equity in subsidiaries remaining under the control of the Company 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 the beginning of the year ended March 31, 2016, 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 year containing the date of the business combinations. In addition, the presentation method of net surplus was changed as well as the name was changed from "minority interests" to "non-controlling interests".

In the consolidated statements of cash flows for the year ended March 31, 2016, cash flows from the acquisition or sales of stock of subsidiaries without changes in scope of consolidation is stated in cash flows from financing activities. Cash flows related to the cost of acquisition of stock of subsidiaries with changes in scope of consolidation or cost of the acquisition or sales of stock of subsidiaries without changes in scope of consolidation is stated in cash flows from operating activities.

With respect to application of the Accounting Standards regarding business combinations, the transitional treatments as 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 the beginning of the year ended March 31, 2016.

As a result, ordinary profit and surplus before income taxes and non-controlling interests decreased by ¥3,256 million for the year ended March 31, 2016 and, as well, surplus at the end of the year decreased by ¥3,259 million.

3. Cash and Cash Equivalents

The components of cash and cash equivalents in the consolidated statements of cash flows as of March 31, 2016 and 2017 were as follows:

	Millions of Yen		Millions of U.S. Dollars
As of March 31,	2017	2016	2017
Cash and deposits	¥487,587	¥442,303	$4,346
Call loans	90,000	90,000	802
Money held in trust	200	—	1
Securities	45	243	0
Cash and cash equivalents	¥577,833	¥532,547	$5,150

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 and investment trusts. Loans primarily consist of loans to domestic corporate borrowers. Securities held by certain overseas consolidated subsidiaries primarily consist of bonds, and loans primarily consist of loans to overseas borrowers.

The use of derivatives is, in principle, limited to hedging activities as a primary method of hedging against invested asset risk, insurance liability risk and bonds payable 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 risk related to foreign currency denominated loans and bonds payable; and
- the deferred hedge accounting using interest rate swaps to hedge against interest rate fluctuation risk related to insurance liabilities.

Securities held by the Company and certain overseas consolidated subsidiaries 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.

Some of the loans payable and bonds payable of the Company and certain overseas consolidated subsidiaries which are floating interest rate-based and denominated in foreign currencies are exposed to interest rate fluctuation risk and exchange rate fluctuation risk.

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 small-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:

	Millions of Yen						Millions of U.S. Dollars		
As of March 31,	2017			2016			2017		
	Balance sheet amount	Fair value	Difference	Balance sheet amount	Fair value	Difference	Balance sheet amount	Fair value	Difference
Cash and deposits	¥ 505,583	¥ 505,583	¥ —	¥ 481,381	¥ 481,381	¥ —	$ 4,506	$ 4,506	$ —
Available-for-sale securities (CDs)	49,996	49,996	—	23,998	23,998	—	445	445	—
Monetary claims bought	220,118	230,634	10,516	223,659	241,204	17,545	1,962	2,055	93
Held-to-maturity debt securities	197,150	207,666	10,516	195,380	212,925	17,545	1,757	1,851	93
Available-for-sale securities	22,968	22,968	—	28,278	28,278	—	204	204	—
Money held in trust	200	200	—	—	—	—	1	1	—
Available-for-sale securities	200	200	—	—	—	—	1	1	—
Securities	31,413,526	33,554,677	2,141,150	29,864,488	32,493,864	2,629,375	280,002	299,087	19,085
Trading securities	1,570,297	1,570,297	—	1,526,261	1,526,261	—	13,996	13,996	—
Held-to-maturity debt securities	4,540,468	5,354,192	813,723	4,680,863	5,654,681	973,818	40,471	47,724	7,253
Policy-reserve-matching bonds	7,250,615	8,578,042	1,327,426	7,162,085	8,817,642	1,655,556	64,627	76,459	11,831
Available-for-sale securities	18,052,144	18,052,144	—	16,495,277	16,495,277	—	160,906	160,906	—
Loans	5,422,653	5,727,460	304,807	5,634,123	5,963,967	329,844	48,334	51,051	2,716
Policy loans	264,389	264,389	—	278,719	278,719	—	2,356	2,356	—
Industrial and consumer loans	5,158,264	5,463,071	304,807	5,355,403	5,685,247	329,844	45,977	48,694	2,716
Allowance for possible loan losses (*1)	(4,422)	—	—	(3,955)	—	—	(39)	—	—
	5,418,230	5,727,460	309,229	5,630,168	5,963,967	333,799	48,295	51,051	2,756
Bonds payable	409,753	439,662	29,908	293,445	325,435	31,990	3,652	3,918	266
Payables under securities borrowing transactions	130,034	130,034	—	—	—	—	1,159	1,159	—
Loans payable	—	—	—	100,000	100,000	—	—	—	—
Derivative financial instruments (*2)	22,324	22,324	—	143,564	143,564	—	198	198	—
Hedge accounting is not applied	(366)	(366)	—	492	492	—	(3)	(3)	—
Hedge accounting is applied	22,691	22,691	—	143,071	143,071	—	202	202	—

(*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.

Notes:

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.

Money held in trust
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 the jointly invested money held in trust with the same characteristics as deposits.

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 ¥760,003 million and ¥632,552 million (U.S. $5,638 million) as of March 31, 2016 and 2017, respectively. Impairment losses on the unlisted stocks and others were ¥98 million and ¥34 million (U.S. $0 million) for the years ended March 31, 2016 and 2017, 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 of the Company 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

Bonds payable
The fair value of bonds payable is stated at the market price at the balance sheet date, or based on data provided by pricing vendors.

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 a price based on data provided by pricing vendors.

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 and bonds payable, their fair value is included in the fair value of hedged loans and bonds payable 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.

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) amounted to ¥(59,656) million and ¥3,419 million (U.S. $30 million) for the years ended March 31, 2016 and 2017, respectively.

Held-to-maturity debt securities
Disposition of held-to-maturity debt securities due to considerable deterioration of the issuer’s credit standing amounted to ¥4,650 million resulting in total losses on sales of ¥350 million for the year ended March 31, 2016. No held-to-maturity debt securities were sold during the year ended March 31, 2017. 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.

As of March 31,	Millions of Yen 2017			2016			Millions of U.S. Dollars 2017		
	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	¥3,837,880	¥4,568,480	¥730,600	¥3,907,176	¥4,778,510	¥871,334	$34,208	$40,720	$6,512
2) Corporate bonds	575,168	651,759	76,590	654,758	750,528	95,769	5,126	5,809	682
3) Others	269,112	287,460	18,348	298,768	323,721	24,953	2,398	2,562	163
Total	4,682,161	5,507,700	825,539	4,860,703	5,852,760	992,056	41,734	49,092	7,358
Securities whose fair value does not exceed the balance sheet amount									
1) National & local government bonds	934	917	(17)	621	618	(3)	8	8	(0)
2) Corporate bonds	2,800	2,780	(19)	—	—	—	24	24	(0)
3) Others	51,723	50,461	(1,262)	14,918	14,228	(689)	461	449	(11)
Total	55,457	54,158	(1,298)	15,540	14,847	(693)	494	482	(11)

Note: 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. No policy-reserve-matching bonds were sold during the years ended March 31, 2016 and 2017.

As of March 31,	Millions of Yen 2017			2016			Millions of U.S. Dollars 2017		
	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	¥7,212,028	¥8,536,231	¥1,324,203	¥7,123,476	¥8,775,028	¥1,651,552	$64,284	$76,087	$11,803
2) Corporate bonds	37,687	40,912	3,225	37,709	41,721	4,011	335	364	28
3) Others	—	—	—	—	—	—	—	—	—
Total	7,249,715	8,577,144	1,327,428	7,161,185	8,816,749	1,655,563	64,619	76,451	11,831
Securities whose fair value does not exceed the balance sheet amount									
1) National & local government bonds	—	—	—	—	—	—	—	—	—
2) Corporate bonds	900	898	(1)	900	892	(7)	8	8	(0)
3) Others	—	—	—	—	—	—	—	—	—
Total	900	898	(1)	900	892	(7)	8	8	(0)

Available-for-sale securities

Disposition of available-for-sale securities amounted to ¥106,957 million and ¥766,436 million (U.S. $6,831 million) resulting in total gains on sales of ¥8,505 million and ¥23,968 million (U.S. $213 million) and total losses of ¥1,617 million and ¥32,216 million (U.S. $287 million) for the years ended March 31, 2016 and 2017, 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 2017 Acquisition or amortized costs	Balance sheet amount	Difference	2016 Acquisition or amortized costs	Balance sheet amount	Difference	Millions of U.S. Dollars 2017 Acquisition or amortized costs	Balance sheet amount	Difference
Securities whose balance sheet amount exceeds the acquisition or amortized costs									
(1) Domestic stocks	¥ 1,573,734	¥ 3,927,201	¥2,353,466	¥ 1,515,661	¥ 3,317,853	¥1,802,192	$14,027	$ 35,004	$20,977
(2) Bonds	4,708,985	5,166,736	457,750	4,791,138	5,333,851	542,712	41,973	46,053	4,080
1) National & local government bonds	3,432,103	3,812,161	380,057	3,538,179	3,994,223	456,043	30,591	33,979	3,387
2) Corporate bonds	1,276,882	1,354,574	77,692	1,252,958	1,339,628	86,669	11,381	12,073	692
(3) Others	4,890,844	5,702,478	811,633	4,239,269	5,146,013	906,743	43,594	50,828	7,234
Total	11,173,565	14,796,416	3,622,851	10,546,069	13,797,718	3,251,649	99,595	131,887	32,292
Securities whose balance sheet amount does not exceed the acquisition or amortized costs									
(1) Domestic stocks	96,754	91,605	(5,149)	135,757	121,378	(14,378)	862	816	(45)
(2) Bonds	218,187	216,324	(1,862)	30,517	29,776	(741)	1,944	1,928	(16)
1) National & local government bonds	249	238	(10)	550	550	(0)	2	2	(0)
2) Corporate bonds	217,938	216,085	(1,852)	29,967	29,226	(741)	1,942	1,926	(16)
(3) Others	3,107,669	3,020,963	(86,706)	2,656,942	2,598,682	(58,260)	27,700	26,927	(772)
Total	3,422,611	3,328,892	(93,718)	2,823,217	2,749,836	(73,380)	30,507	29,671	(835)

Note: This table includes financial instruments that are deemed appropriate to be treated as securities under the "Financial Instruments and Exchange Act".

With regards to bonds among available-for-sale securities denominated in foreign currencies, translation adjustments caused by significant yen appreciation are recorded in losses on valuation of securities. Previously, the existence of "significant yen appreciation" had been determined based on the exchange rate at the end of fiscal year. The Company changed the method to make such determination based on the average exchange rate during the final month of the period from the year ended March 31, 2017. This change had no impact on gains and losses for the year ended March 31, 2017.

"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 ¥8,358 million and ¥462 million (U.S. $4 million) for the years ended March 31, 2016 and 2017, respectively.

c. Maturity analysis of monetary claims and securities with maturities

As of March 31,	Millions of Yen 2016 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	¥ 481,171	¥ —	¥ —	¥ —	¥ —	¥ —
Monetary claims bought	—	—	—	—	—	223,659
Loans*	581,335	928,243	592,073	571,511	791,828	1,888,797
Securities						
Held-to-maturity debt securities	70,578	292,108	353,517	371,596	768,374	2,823,265
Policy-reserve-matching bonds	—	—	46,663	226,053	109,673	6,779,695
Available-for-sale securities with maturities	334,983	1,298,700	1,778,995	3,228,125	1,435,037	4,352,303
Total	1,468,069	2,519,052	2,771,249	4,397,287	3,104,914	16,067,720

As of March 31,	Millions of Yen 2017 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	Millions of U.S. Dollars 2017 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	¥ 505,382	¥ —	¥ —	¥ —	¥ —	¥ —	$ 4,504	$ —	$ —	$ —	$ —	$ —
Monetary claims bought	—	—	—	—	—	220,118	—	—	—	—	—	1,962
Money held in trust	200	—	—	—	—	—	1	—	—	—	—	—
Loans*	484,298	845,903	617,522	547,955	837,026	1,824,231	4,316	7,539	5,504	4,884	7,460	16,260
Securities												
Held-to-maturity debt securities	124,610	334,382	373,054	398,961	820,370	2,486,290	1,110	2,980	3,325	3,556	7,312	22,161
Policy-reserve-matching bonds	—	10,238	109,978	190,714	94,984	6,844,699	—	91	980	1,699	846	61,009
Available-for-sale securities with maturities	522,733	1,407,361	2,702,077	2,080,042	917,115	5,440,417	4,659	12,544	24,084	18,540	8,174	48,492
Total	1,637,225	2,597,886	3,802,632	3,217,673	2,669,497	16,815,756	14,593	23,156	33,894	28,680	23,794	149,886

*Bankruptcy and reorganization claims, which are expected to be unrecoverable, are not included in this table, and they were ¥1,220 million and ¥1,305 million (U.S. $11 million) as of March 31, 2016 and 2017, respectively.
*Policy loans are not included because they have no defined maturity dates.

d. Maturity analysis of payable under securities borrowing transactions, bonds and loans payable

As of March 31,	Millions of Yen 2016 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
Bonds payable	¥ —	¥—	¥—	¥29,543	¥—	¥263,901
Loans payable*	100,000	—	—	—	—	—
Total	100,000	—	—	29,543	—	263,901

*Loans payable are included in “Within 1 year”, due to the repayment of ¥100,000 million in April 2016, prior to their maturity.

As of March 31,	Millions of Yen 2017 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	Millions of U.S. Dollars 2017 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
Bonds payable	¥ —	¥—	¥—	¥30,120	¥—	¥379,632	$ —	$—	$—	$268	$—	$3,383
Payable under securities borrowing transactions	130,034	—	—	—	—	—	1,159	—	—	—	—	—
Total	130,034	—	—	30,120	—	379,632	1,159	—	—	268	—	3,383

e. Fair values of derivative transactions

Hedge accounting not applied

i) Interest-rate related

As of March 31,	Millions of Yen 2016 Notional amount/ contract value (A)	Over 1 year included in (A)	Fair value	Net gains (losses)
Interest rate swaps				
Receipts fixed, payments floating	¥ 100	¥100	¥(0)	¥(0)
Receipts floating, payments fixed	2,347	949	(1)	(1)
Total				(2)

As of March 31,	Millions of Yen 2017 Notional amount/ contract value (A)	Over 1 year included in (A)	Fair value	Net gains (losses)	Millions of U.S. Dollars 2017 Notional amount/ contract value (A)	Over 1 year included in (A)	Fair value	Net gains (losses)
Interest rate swaps								
Receipts fixed, payments floating	¥ 200	¥200	¥(5)	¥(5)	$ 1	$ 1	$(0)	$(0)
Receipts floating, payments fixed	1,555	—	0	0	13	—	0	0
Total				(4)				(0)

Note: Net gains (losses) represent the fair values.

ii) Currency-related

As of March 31,	Millions of Yen 2016 Notional amount/ contract value (A)	Over 1 year included in (A)	Fair value	Net gains (losses)
Foreign currency forward contracts				
Sold	¥12,946	¥—	¥(103)	¥(103)
(U.S. dollar)	519	—	3	3
(British pound)	32	—	0	0
(Australian dollar)	12,226	—	(105)	(105)
(Others)	169	—	(1)	(1)
Bought	5,339	—	39	39
(U.S. dollar)	3,572	—	(7)	(7)
(Euro)	1,641	—	46	46
(Others)	125	—	0	0
Currency options				
Sold				
Call	—	—		
	[—]		—	—
(U.S. dollar)	—	—		
	[—]		—	—
Bought				
Put	—	—		
	[—]		—	—
(U.S. dollar)	—	—		
	[—]		—	—
Total				(63)

As of March 31,	Millions of Yen 2017 Notional amount/ contract value (A)	Over 1 year included in (A)	Fair value	Net gains (losses)	Millions of U.S. Dollars 2017 Notional amount/ contract value (A)	Over 1 year included in (A)	Fair value	Net gains (losses)
Foreign currency forward contracts								
Sold	¥118,008	¥—	¥592	¥592	$1,051	$—	$5	$5
(U.S. dollar)	106,347	—	575	575	947	—	5	5
(British pound)	6,979	—	(23)	(23)	62	—	(0)	(0)
(Australian dollar)	4,363	—	38	38	38	—	0	0
(Others)	317	—	1	1	2	—	0	0
Bought	11,993	—	38	38	106	—	0	0
(U.S. dollar)	11,742	—	40	40	104	—	0	0
(Euro)	146	—	(1)	(1)	1	—	(0)	(0)
(Others)	103	—	0	0	0	—	0	0
Currency options								
Sold								
Call	105,400	—			939	—		
	[499]		—	499	[4]		—	4
(U.S. dollar)	105,400	—			939	—		
	[499]		—	499	[4]		—	4
Bought								
Put	89,250	—			795	—		
	[499]		0	(499)	[4]		0	(4)
(U.S. dollar)	89,250	—			795	—		
	[499]		0	(499)	[4]		0	(4)
Total				632				5

Notes: 1. Net gains (losses) on foreign currency forward contracts represent the fair values, and net gains (losses) on currency options represent the difference between the option fees and the fair values for option transactions.
2. Option fees are shown in [ ].

iii) Stock-related

As of March 31,	Millions of Yen 2016			
	Notional amount/ contract value (A)	Over 1 year included in (A)	Fair value	Net gains (losses)
Exchange-traded transactions				
Yen Stock index futures				
Sold	¥ 274	¥—	¥ 4	¥ 4
Bought	1,824	—	21	21
Foreign currency-denominated stock index futures				
Sold	—	—	—	—
Bought	2,332	—	17	17
Exchange-traded transactions				
Stock index options				
Bought				
Call	53,254	—		
	[1,063]		515	(548)
Total				(505)

As of March 31,	Millions of Yen 2017				Millions of U.S. Dollars 2017			
	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								
Sold	¥ —	¥—	¥ —	¥ —	$ —	$—	$—	$—
Bought	2,192	—	(29)	(29)	19	—	(0)	(0)
Foreign currency-denominated stock index futures								
Sold	—	—	—	—	—	—	—	—
Bought	1,098	—	3	3	9	—	0	0
Exchange-traded transactions								
Stock index options								
Bought								
Call	54,480	—			485	—		
	[1,090]		1,439	349	[9]		12	3
Total				323				2

Notes: 1. Net gains (losses) represent the fair values for futures trading, and the difference between the option fees and the fair values for option transactions.
2. Option fees are shown in [ ].

iv) Bond-related

No ending balance as of March 31, 2016 and 2017.

Hedge accounting applied

i) Interest-rate related

As of March 31,	Millions of Yen			
	2016			
	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	¥233,900	¥233,900	¥59,067
Receipts floating, payments fixed	Bonds payable	28,754	28,754	(4,825)
Fair value hedge accounting				
Interest rate swaps				
Receipts floating, payments fixed	Securities (Bonds)	37,221	37,221	574
Special hedge accounting				
Interest rate swaps				
Receipts fixed, payments floating	Loans	28,948	18,948	922
Total				55,738

As of March 31,	Millions of Yen				Millions of U.S. Dollars		
	2017				2017		
	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**	**¥232,600**	**¥232,600**	**¥51,026**	**$2,073**	**$2,073**	**$454**
Receipts floating, payments fixed	**Bonds payable**	**29,460**	**29,460**	**384**	**262**	**262**	**3**
Fair value hedge accounting							
Interest rate swaps							
Receipts floating, payments fixed	**Securities (Bonds)**	**48,654**	**45,462**	**(483)**	**433**	**405**	**(4)**
Special hedge accounting							
Interest rate swaps							
Receipts fixed, payments floating	**Loans**	**16,755**	**8,755**	**395**	**149**	**78**	**3**
Total				**51,322**			**457**

ii) Currency-related

As of March 31,	Millions of Yen			
	2016			
	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	¥2,123,031	¥ —	¥89,473
(U.S. dollar)		1,808,792	—	86,840
(Euro)		182,880	—	1,773
(Australian dollar)		131,358	—	859
Deferred hedge accounting				
Cross currency swaps				
(Euro)	Foreign-currency-denominated bonds	35,575	35,575	(1,307)
(Australian dollar)		4,305	4,305	89
Total				88,255

As of March 31,	Millions of Yen				Millions of U.S. Dollars		
	2017				2017		
	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	¥2,852,379	¥ —	¥(29,786)	$25,424	$ —	$(265)
(U.S. dollar)		2,560,560	—	(23,153)	22,823	—	(206)
(Euro)		168,759	—	(173)	1,504	—	(1)
(Australian dollar)		123,059	—	(6,459)	1,096	—	(57)
Deferred hedge accounting							
Cross currency swaps							
(Euro)	Foreign-currency-denominated bonds	35,575	35,575	1,472	317	317	13
(Australian dollar)		4,305	4,305	78	38	38	0
Total				(28,235)			(251)

Note: 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, 2016 and 2017.
iv) Bond-related
No ending balance as of March 31, 2016 and 2017.

5. Securities Lending

Securities loaned under security lending agreements, including securities under securities borrowing transactions, amounted to ¥1,440,683 million and ¥1,516,369 million (U.S. $13,516 million) as of March 31, 2016 and 2017, respectively.

6. Securities Borrowed

Assets that can be sold or resecured are marketable securities borrowed under borrowing agreements. These assets were held without disposal totaling ¥12,076 million at fair value as of March 31, 2016.

7. Pledged Assets

Assets pledged as collateral were cash and deposits in the amount of ¥6,261 million and ¥1,144 million (U.S. $10 million), securities in the amount of ¥5,096 million and ¥6,944 million (U.S. $61 million), and loans in the amount of ¥40,311 million and ¥73,656 million (U.S. $656 million) as of March 31, 2016 and 2017, respectively.

8. Equity Securities issued by Unconsolidated Subsidiaries and Affiliates

The total amounts of equity securities issued by unconsolidated subsidiaries and affiliates were ¥175,014 million and ¥166,644 million (U.S. $1,485 million) as of March 31, 2016 and 2017, respectively.

9. 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 ¥29,840 million and ¥31,398 million (U.S. $279 million) as of March 31, 2016 and 2017, respectively.

There were no loans to bankrupt borrowers, and none as of March 31, 2016 and 2017. The aggregate amounts of loans in arrears were ¥3,985 million and ¥4,362 million (U.S. $38 million) as of March 31, 2016 and 2017, respectively.

The amounts of loans deemed uncollectible and directly deducted from the loans in the consolidated balance sheets as of March 31, 2016 and 2017 were ¥44 million and ¥44 million (U.S. $0 million), respectively, for loans to bankrupt borrowers, and ¥1 million and ¥1 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.

The amounts of loans in arrears for three months or longer were ¥125 million as of March 31, 2016. There were no loans in arrears for three months or longer as of March 31, 2017.

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 ¥25,728 million and ¥27,036 million (U.S. $240 million) as of March 31, 2016 and 2017, 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.

The certain overseas consolidated subsidiaries directly deducted allowance for possible loan losses from the assets in the consolidated balance sheets as of March 31, 2017. The amount is as follows:

Loans ¥775 million (U.S. $6 million)

10. Loan Commitments

The amounts of loan commitments outstanding were ¥45,588 million and ¥57,464 million (U.S. $512 million) as of March 31, 2016 and 2017, respectively.

11. Fair Values of Investment and Rental Property

The carrying amounts of investment and rental properties were ¥582,778 million and ¥577,890 million (U.S. $5,150 million), and their fair values were ¥669,136 million and ¥690,327 million (U.S. $6,153 million) as of March 31, 2016 and 2017, 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.

12. Accumulated Depreciation

Accumulated depreciation of tangible fixed assets amounted to ¥409,136 million and ¥417,467 million (U.S. $3,721 million) as of March 31, 2016 and 2017, respectively.

13. 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 and certain consolidated subsidiaries group all the fixed assets held and utilized mainly for the 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, 2016 and 2017, 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. 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, 2016

Asset group	Number of properties impaired	Millions of Yen		
		Land	Buildings	Total
Real estate for non-insurance business	0	¥ —	¥ —	¥ —
Idle assets	41	1,518	2,282	3,800
Total	41	¥1,518	¥2,282	¥3,800

For the year ended March 31, 2017

Asset group	Number of properties impaired	Millions of Yen		
		Land	Buildings	Total
Real estate for non-insurance business	**0**	**¥ —**	**¥ —**	**¥ —**
Idle assets	**22**	**714**	**2,438**	**3,152**
Total	**22**	**¥714**	**¥2,438**	**¥3,152**

For the year ended March 31, 2017

Asset group	Millions of U.S. Dollars		
	Land	Buildings	Total
Real estate for non-insurance business	**$—**	**$—**	**$—**
Idle assets	**6**	**21**	**28**
Total	**$ 6**	**$21**	**$28**

(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 mainly determined as the estimated net future cash flows, reflecting the volatility risk, discounted at 2.03% and 1.97% for the years ended March 31, 2016 and 2017, respectively. Net realizable value is calculated based on the appraisal value with reference to "Real Estate Appraisal Standards" or the publicly announced appraisal value.

14. 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.

Certain overseas consolidated subsidiaries have defined benefit plans and defined contribution plans.

As for accrued retirement benefits of certain consolidated subsidiaries, the simplified method is applied.

(2) Defined benefit plans

a. Assumptions of the Company used in accounting for the defined benefit plans for the years ended March 31, 2016 and 2017 were as follows:

Years ended March 31,	2017	2016
Method of attributing benefit to period of service	**Benefit formula 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, 2016 and 2017 were as follows:

	Millions of Yen		Millions of U.S. Dollars
Years ended March 31,	2017	2016	2017
Balance at the beginning of the fiscal year	¥373,704	¥317,110	$3,330
Service costs	11,920	11,225	106
Interest cost on retirement benefit obligations	4,984	2,935	44
Actuarial losses (gains) recognized	(147)	2,079	(1)
Benefits paid	(30,372)	(26,236)	(270)
Increase due to new consolidation	—	66,546	—
Others	1,785	42	15
Balance at the end of the fiscal year	¥361,874	¥373,704	$3,225

c. Changes in the plan assets for the years ended March 31, 2016 and 2017 were as follows:

	Millions of Yen		Millions of U.S. Dollars
Years ended March 31,	2017	2016	2017
Balance at the beginning of the fiscal year	¥398,554	¥390,372	$3,552
Expected return on plan assets	6,920	3,433	61
Actuarial gains (losses) recognized	42,103	(50,245)	375
Contributions by employer	12,102	9,798	107
Benefits paid	(15,195)	(10,122)	(135)
Increase due to new consolidation	—	55,280	—
Others	1,368	38	12
Balance at the end of the fiscal year	¥445,853	¥398,554	$3,974

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, 2016 and 2017 were determined as follows:

	Millions of Yen		Millions of U.S. Dollars
As of March 31,	2017	2016	2017
Present value of funded retirement benefit obligations	¥353,057	¥365,218	$3,146
Plan assets at fair value	(445,853)	(398,554)	(3,974)
Net present value of funded retirement benefit obligations	(92,795)	(33,336)	(827)
Present value of non-funded retirement benefit obligations	8,816	8,486	78
Net balance on the consolidated balance sheet	(83,978)	(24,850)	(748)
Consists of:			
Defined benefit liabilities	8,769	12,447	78
Defined benefit assets	(92,747)	(37,298)	(826)

e. The amounts recognized in retirement benefit expenses in the consolidated statements of income for the years ended March 31, 2016 and 2017 were as follows:

	Millions of Yen		Millions of U.S. Dollars
Years ended March 31,	2017	2016	2017
Service costs	¥11,920	¥11,225	$106
Interest cost on retirement benefit obligations	4,984	2,935	44
Expected return on plan assets	(6,920)	(3,433)	(61)
Amortization of net actuarial losses (gains)	25,293	40,288	225
Amortization of net past service costs	(860)	(860)	(7)
Others	272	74	2
Retirement benefit expenses	¥34,690	¥50,229	$309

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 years ended March 31, 2016 and 2017 were as follows:

	Millions of Yen		Millions of U.S. Dollars
Years ended March 31,	2017	2016	2017
Actuarial gains (losses)	¥67,578	¥(12,037)	$602
Past service costs	(858)	(860)	(7)
Total	¥66,719	¥(12,898)	$594

Major components of total accumulated other comprehensive income (before income tax effect adjustments) for the years ended March 31, 2016 and 2017 were as follows:

	Millions of Yen		Millions of U.S. Dollars
Years ended March 31,	2017	2016	2017
Unrecognized actuarial gains (losses)	¥17,826	¥(49,751)	$158
Unrecognized past service costs	4,270	5,129	38
Total	¥22,097	¥(44,622)	$196

g. Plan assets

Plan assets as of March 31, 2016 and 2017 were comprised as follows:

	% of total fair value of plan assets	
As of March 31,	2017	2016
Debt securities	6.4%	8.1%
Stocks	38.0%	33.4%
General account of life insurance companies	29.0%	31.9%
Jointly invested assets	21.0%	22.6%
Cash and deposits	1.4%	0.7%
Others	4.3%	3.3%
Total	100.0%	100.0%

Plan assets include the retirement benefit trusts. The amounts of the retirement benefit trusts were 44.0% and 48.3% of total plan assets as of March 31, 2016 and 2017, 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 and certain overseas consolidated subsidiaries used in accounting for the defined benefit plans for the years ended March 31, 2016 and 2017 were as follows:

Years ended March 31,	2017	2016
Discount rate		
Domestic	0.9%	0.9%
Overseas	4.3 to 4.4%	—
Expected long-term rate of return on plan assets		
Domestic		
Defined benefit corporate pension plans	2.0%	2.0%
Retirement benefit trusts	0.0%	0.0%
Overseas	4.2 to 7.7%	—

(3) Defined contribution plans

The amounts recognized as expenses for the defined contribution pension plans were ¥1,147 million and ¥2,382 million (U.S. $21 million) for the years ended March 31, 2016 and 2017, respectively.

15. Deferred Taxes

(1) Deferred tax assets/liabilities were recognized as follows:

	Millions of Yen		Millions of U.S. Dollars
As of March 31,	2017	2016	2017
Deferred tax assets	¥ 686,498	¥ 700,506	$ 6,119
Valuation allowance for deferred tax assets	(7,108)	(6,055)	(63)
Subtotal	679,389	694,451	6,055
Deferred tax liabilities	(1,110,685)	(1,021,373)	(9,900)
Net deferred tax assets (liabilities)	(431,295)	(326,921)	(3,844)

Major components of deferred tax assets/liabilities were as follows:

	Millions of Yen		Millions of U.S. Dollars
As of March 31,	2017	2016	2017
Deferred tax assets			
Policy reserves and other reserves	¥433,054	¥433,251	$3,860
Reserve for price fluctuation	161,585	145,892	1,440
Deferred tax liabilities:			
Net unrealized gains on available-for-sale securities	952,346	863,417	8,488

(2) The statutory tax rates were 28.80% and 28.20% for the years ended March 31, 2016 and 2017, 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,	2017	2016
Policyholders' dividend reserves	(18.32)%	(17.59)%
Effects of changes in the income tax rate	—	7.25%

(3) From the end of the year ended March 31, 2016, the statutory tax rates of the Company which are used to measure deferred tax assets and liabilities were changed from 28.80% to 28.20% for the years ended March 31, 2017 and 2018, and to 27.96% for the year ended March 31, 2019 or later in accordance with the "Act for Partial Revision of the Income Tax Act" (Act No. 15 in 2016).

Due to this change, as of March 31, 2016, deferred tax liabilities of the Company in the consolidated balance sheet decreased by ¥8,234 million, deferred tax liabilities for land revaluation in the consolidated balance sheet decreased by ¥2,467 million, and deferred portion of income taxes of the Company in the consolidated statement of income increased by ¥18,968 million.

16. Policyholders' Dividend Reserves

Changes in policyholders' dividend reserves for the years ended March 31, 2016 and 2017 were as follows:

	Millions of Yen		Millions of U.S. Dollars
Years ended March 31,	2017	2016	2017
Balance at the beginning of the fiscal year	¥ 240,902	¥ 253,414	$ 2,147
Transfer from surplus in the previous fiscal year	165,707	180,044	1,477
Dividend payments to policyholders during the fiscal year	(169,832)	(192,857)	(1,513)
Interest accrued during the fiscal year	182	300	1
Balance at the end of the fiscal year	¥ 236,959	¥ 240,902	$ 2,112

17. Subordinated Bonds

As of March 31, 2016 and 2017, bonds payable in liabilities included foreign currency-denominated subordinated bonds of ¥263,901 million, and subordinated bonds and foreign currency-denominated subordinated bonds of ¥379,632 million (U.S. $3,383 million), respectively, and the repayments of which are subordinated to other obligations.

18. Subordinated Debts

As of March 31, 2016, other liabilities included subordinated debts of ¥100,000 million, and the repayments of which are subordinated to other obligations.

In April 2016, the Company made a repayment of the subordinated debts in the amount of ¥100,000 million, prior to their maturity.

19. 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 as of March 31, 2016.

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.

20. 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".

21. 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 offered foundation funds in the amount of ¥100,000 million (U.S. $891 million) pursuant to Article 60 of the "Insurance Business Act" in the year ended March 31, 2017.

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 ¥50,000 million (U.S. $445 million) as of March 31, 2017.

22. Separate Accounts

The total amounts of assets held in separate accounts defined in Article 118, Paragraph 1 of the "Insurance Business Act" were ¥799,603 million and ¥809,841 million (U.S. $7,218 million) as of March 31, 2016 and 2017, respectively. The amounts of separate account liabilities were the same as these figures.

23. Contributions to the Life Insurance Policyholders Protection Corporation

The Company estimated future contributions to the Life Insurance Policyholders Protection Corporation in the amount of ¥52,265 million and ¥49,705 million (U.S. $443 million) as of March 31, 2016 and 2017, respectively, pursuant to Article 259 of the "Insurance Business Act".

These contributions are recognized as operating expenses when contributed.

24. 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.

25. 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, 2016 and 2017 were as follows:

	Millions of Yen		Millions of U.S. Dollars
Years ended March 31,	2017	2016	2017
Net unrealized gains on available-for-sale securities:			
Amount arising during the fiscal year	**¥325,627**	¥(810,847)	**$2,902**
Reclassification adjustments	**22,889**	5,220	**204**
Before income tax effect adjustments	**348,517**	(805,626)	**3,106**
Income tax effects	**(97,672)**	258,820	**(870)**
Net unrealized gains on available-for-sale securities	**250,844**	(546,805)	**2,235**
Deferred unrealized gains (losses) on derivatives under hedge accounting:			
Amount arising during the fiscal year	**¥ 1,616**	¥34,773	**$ 14**
Reclassification adjustments	**(1,155)**	(3,106)	**(10)**
Before income tax effect adjustments	**460**	31,666	**4**
Income tax effects	**523**	(8,463)	**4**
Deferred unrealized gains (losses) on derivatives under hedge accounting	**983**	23,203	**8**
Land revaluation differences:			
Amount arising during the fiscal year	**¥—**	¥ —	**$—**
Reclassification adjustments	**—**	—	**—**
Before income tax effect adjustments	**—**	—	**—**
Income tax effects	**—**	2,506	**—**
Land revaluation differences	**—**	2,506	**—**
Foreign currency translation adjustments:			
Amount arising during the fiscal year	**¥11,887**	¥(36,574)	**$105**
Reclassification adjustments	**—**	—	**—**
Before income tax effect adjustments	**11,887**	(36,574)	**105**
Income tax effects	**—**	—	**—**
Foreign currency translation adjustments	**11,887**	(36,574)	**105**
Remeasurements of defined benefit plans:			
Amount arising during the fiscal year	**¥ 38,233**	¥(47,115)	**$ 340**
Reclassification adjustments	**28,482**	34,217	**253**
Before income tax effect adjustments	**66,715**	(12,898)	**594**
Income tax effects	**(18,737)**	3,397	**(167)**
Remeasurements of defined benefit plans	**47,977**	(9,501)	**427**
Share of other comprehensive income of affiliates accounted for by the equity method:			
Amount arising during the year	**¥ (4,729)**	¥ (13,388)	**$ (42)**
Reclassification adjustments	**29**	105	**0**
Share of other comprehensive income of affiliates accounted for by the equity method	**(4,699)**	(13,283)	**(41)**
Total other comprehensive income	**¥306,994**	¥(580,454)	**$2,736**

26. Business Combination

(1) Overview of business combination

i) Name and business of the acquired company

Company name: StanCorp Financial Group, Inc.

Business: Life insurance and insurance related business*

*StanCorp Financial Group, Inc. is a holding company and its subsidiaries operate life insurance business and others.

ii) Purpose of the acquisition

Through expanding the scale and increasing the level of profits of overseas insurance business, the Company aims to enhance profits and diversify the business portfolio (disperse business risk) of the entire Group, and further improve value for policyholders.

iii) Date of business combination

March 7, 2016 (U.S. local time)

iv) Legal form of business combination

Acquisition through a reverse triangular merger in accordance with the U.S. laws regarding corporate reorganization

v) Name of the acquired company after business combination

StanCorp Financial Group, Inc.

vi) Acquired percentage of shareholdings after completion of the transaction

100%

vii) Controlling company

The Company holds more than a 50% stake in the acquired company and, therefore, the Company controls the decision-making body.

(2) Period of the acquired company's financial results included in the consolidated financial statements

The acquired company's financial results are not included in the consolidated statement of income for the year ended March 31, 2016, as the Company used the consolidated statement as of the date of business combination.

(3) Breakdown of acquisition costs

Consideration of acquisition (cash)	¥599,410 million
Acquisition cost	¥599,410 million

(4) Primary component of other expenses associated with the acquisition

Advisory fees and others	¥3,256 million

(5) Goodwill

i) Amount of goodwill

¥158,679 million

ii) Reason to recognize goodwill

The acquisition cost, which was calculated by taking into account projections of the acquired company's future profit as of the valuation date, exceeded the net amounts of acquired assets and liabilities assumed.

iii) Amortization method and period

Amortized on the straight-line basis over 20 years

(6) The amount of acquired assets and liabilities assumed at the date of business combination

Total assets	¥2,938,535 million
Securities included above "Total assets"	¥1,694,223 million
Total liabilities	¥2,534,399 million
Policy reserves and others included above "Total liabilities"	¥2,309,724 million

(7) Proforma effect on consolidated financial results had the business combination been completed at the beginning of the year ended March 31, 2016

Ordinary income	¥350,058 million
Ordinary profit	¥27,670 million
Net surplus attributable to the Parent Company	¥17,454 million

The ordinary income, ordinary profit and net surplus attributable to the Parent Company are calculated based on the *Annual Report* (Form 10-K) which StanCorp Financial Group, Inc. submitted to the U.S. Securities and Exchange Commission for the year ended December 31, 2015. The goodwill recognized as of the date of business combination was deemed to be recognized at the beginning of the year ended March 31, 2016 and its amortization is included in the proforma financial results. The amortization amount of other intangible fixed assets recognized at the date of business combination is not included. These amount do not represent the actual figures, which were calculated assuming that the business combination was completed at the beginning of the year ended March 31, 2016. This note is unaudited.

(8) Breakdown of assets and liabilities of newly consolidated subsidiaries as a result of the acquisition of shares

Associated with the consolidation of StanCorp Financial Group, Inc. as a result of the acquisition of shares, the breakdown of the assets and liabilities at the beginning of the consolidation, and the relationship between the acquisition price and net cash flow for the acquisition were as follows:

	Millions of Yen
As of March 31,	2016
Assets	¥ 2,938,535
Securities included above "Assets"	1,694,223
Goodwill	158,679
Liabilities	(2,534,399)
Policy reserves and other reserves included above "Liabilities"	(2,309,724)
Foreign currency translation adjustments	36,595
Acquisition price of stock of subsidiaries	599,410
Cash and cash equivalents of subsidiaries	(67,780)
Net cash flow for the acquisition of stock of subsidiaries	¥ 531,629

27. Subsequent Events

Appropriation of surplus

The proposed appropriation of surplus of the Company for the year ended March 31, 2017 was approved as planned at the annual meeting of the representatives of policyholders held on July 4, 2017.

Offering of foundation funds

During the annual meeting of representatives of policyholders held on July 4, 2017, a resolution was passed to partially amend the Articles of Incorporation in connection with an issuance of foundation funds of ¥50,000 million during the year ending March 31, 2018.

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Independent Auditor's Report

KPMG

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, 2016 and 2017, 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, 2016 and 2017, and its financial performance for the years then ended in accordance with accounting principles generally accepted in Japan.

Convenience Translation

The U.S. dollar amounts in the accompanying non-consolidated financial statements with respect to the year ended March 31, 2017 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

KPMG AZSA LLC
July 28, 2017
Tokyo, Japan

Non-consolidated Balance Sheets

Meiji Yasuda Life Insurance Company

As of March 31,	Millions of Yen 2017	Millions of Yen 2016	Millions of U.S. Dollars 2017
ASSETS:			
Cash and deposits (Note 3)			
Cash	¥ 196	¥ 205	$ 1
Deposits	323,312	321,220	2,881
Subtotal	323,509	321,425	2,883
Call loans	90,000	90,000	802
Monetary claims bought (Note 3)	220,118	223,659	1,962
Securities (Notes 3, 4, 5, 6, and 7)			
National government bonds	14,309,347	14,358,321	127,545
Local government bonds	612,257	697,305	5,457
Corporate bonds	2,200,671	2,069,524	19,615
Domestic stocks	4,279,285	3,713,046	38,143
Foreign securities	8,703,539	8,053,941	77,578
Other securities	758,308	643,840	6,759
Subtotal	30,863,410	29,535,980	275,099
Loans (Notes 3, 8, and 9)			
Policy loans	260,726	275,085	2,323
Industrial and consumer loans	4,421,255	4,674,782	39,408
Subtotal	4,681,981	4,949,867	41,732
Tangible fixed assets (Notes 10, 11, 12, and 13)			
Land	602,976	602,923	5,374
Buildings	273,269	284,975	2,435
Construction in progress	2,252	1,516	20
Other tangible fixed assets	3,916	3,330	34
Subtotal	882,414	892,746	7,865
Intangible fixed assets			
Software	51,577	41,631	459
Other intangible fixed assets	25,400	31,169	226
Subtotal	76,978	72,801	686
Due from agents	—	30	—
Reinsurance receivables	612	718	5
Other assets			
Accounts receivable	118,710	102,552	1,058
Prepaid expenses	6,166	5,110	54
Accrued income	98,883	100,105	881
Money on deposit	9,287	8,358	82
Deposits for futures transactions	2,293	2,812	20
Margins on futures transactions	10	—	0
Derivative financial instruments (Note 3)	69,765	152,102	621
Cash collaterals pledged for financial instruments	19,198	10,400	171
Suspense	2,550	2,306	22
Other assets	9,699	9,940	86
Subtotal	336,566	393,688	2,999
Prepaid pension cost (Note 14)	70,844	80,366	631
Customers' liabilities under acceptances and guarantees	20,888	20,854	186
Allowance for possible loan losses	(5,848)	(5,457)	(52)
Total assets	¥37,561,475	¥36,576,681	$334,802

Non-consolidated Balance Sheets (continued)

Meiji Yasuda Life Insurance Company

	Millions of Yen		Millions of U.S. Dollars
As of March 31,	2017	2016	2017
LIABILITIES:			
Policy reserves and other reserves			
Reserve for outstanding claims (Note 15)	¥ 111,491	¥ 110,142	$ 993
Policy reserves (Note 15)	31,383,201	31,060,996	279,732
Policyholders' dividend reserves (Note 16)	236,959	240,902	2,112
Subtotal	31,731,653	31,412,041	282,838
Reinsurance payables	688	683	6
Bonds payable (Notes 3 and 17)	353,310	238,310	3,149
Other liabilities			
Payables under securities borrowing transactions (Note 3)	130,034	—	1,159
Loans payable (Notes 3 and 18)	—	100,000	—
Accounts payable	52,973	41,938	472
Accrued expenses	28,891	29,694	257
Deferred income	2,408	2,530	21
Deposits received	27,584	25,054	245
Guarantee deposits received	33,399	32,191	297
Margins on futures transactions	—	49	—
Derivative financial instruments (Note 3)	48,780	4,799	434
Cash collaterals received for financial instruments	68,166	93,450	607
Asset retirement obligations	3,159	3,097	28
Suspense receipts	5,731	14,648	51
Subtotal	401,130	347,455	3,575
Accrued retirement benefits for directors and executive officers (Note 19)	—	82	—
Reserve for contingent liabilities (Note 20)	1	1	0
Reserve for price fluctuation	577,545	521,677	5,147
Deferred tax liabilities (Note 21)	338,745	256,892	3,019
Deferred tax liabilities for land revaluation	79,910	82,137	712
Acceptances and guarantees	20,888	20,854	186
Total liabilities	33,503,874	32,880,138	298,635
NET ASSETS:			
Foundation funds (Note 22)	310,000	260,000	2,763
Reserve for redemption of foundation funds (Note 22)	520,000	470,000	4,634
Reserve for revaluation	452	452	4
Surplus	538,395	519,529	4,798
Reserve for future losses	10,387	9,883	92
Other surplus	528,007	509,646	4,706
Reserve for fund redemption	134,000	132,000	1,194
Fund for price fluctuation allowance	29,764	29,764	265
Reserve for promotion of social welfare project	18	48	0
Reserve for business infrastructure	100,000	100,000	891
Reserve for reduction entry of real estate	24,882	25,123	221
Special reserves	2,000	2,000	17
Other reserves	85	85	0
Unappropriated surplus	237,256	220,625	2,114
Total funds, reserve and surplus	1,368,848	1,249,982	12,201
Net unrealized gains on available-for-sale securities	2,533,850	2,288,005	22,585
Deferred unrealized gains on derivatives under hedge accounting	37,876	38,659	337
Land revaluation differences	117,025	119,894	1,043
Total unrealized gains, revaluation reserves and adjustments	2,688,753	2,446,559	23,966
Total net assets	4,057,601	3,696,542	36,167
Total liabilities and net assets	¥37,561,475	¥36,576,681	$334,802

Non-consolidated Statements of Income

Meiji Yasuda Life Insurance Company

Years ended March 31,	Millions of Yen 2017	Millions of Yen 2016	Millions of U.S. Dollars 2017
ORDINARY INCOME:			
Insurance premiums and other			
Insurance premiums	**¥2,614,768**	¥3,357,042	**$23,306**
Reinsurance revenue	**1,104**	816	**9**
Subtotal	**2,615,872**	3,357,858	**23,316**
Investment income (Note 26)			
Interest, dividends and other income	**721,464**	690,849	**6,430**
Interest on deposits	**16**	42	**0**
Interest and dividends on securities	**591,340**	554,603	**5,270**
Interest on loans	**84,525**	90,474	**753**
Rent revenue from real estate	**35,023**	34,861	**312**
Other interest and dividends	**10,557**	10,867	**94**
Gains on money held in trust	**—**	0	**—**
Gains on sales of securities	**21,635**	8,415	**192**
Gains on redemption of securities	**56,692**	88,701	**505**
Foreign exchange gains	**—**	153	**—**
Other investment income	**468**	24	**4**
Investment gains on separate accounts	**15,807**	—	**140**
Subtotal	**816,067**	788,144	**7,273**
Other ordinary income			
Income from annuity riders	**15,339**	15,004	**136**
Income from deferred benefits	**87,184**	66,906	**777**
Other ordinary income	**7,738**	7,540	**68**
Subtotal	**110,262**	89,452	**982**
Total ordinary income	**3,542,202**	4,235,455	**31,573**
ORDINARY EXPENSES:			
Benefits and other payments			
Claims paid	**564,719**	562,557	**5,033**
Annuity payments	**695,207**	695,922	**6,196**
Benefit payments	**396,440**	409,457	**3,533**
Surrender benefits	**452,951**	454,237	**4,037**
Other refunds	**89,190**	173,064	**794**
Reinsurance premiums	**5,527**	5,898	**49**
Subtotal	**2,204,036**	2,301,138	**19,645**
Provision for policy reserves and other reserves			
Provision for reserve for outstanding claims (Note 27)	**1,348**	1,659	**12**
Provision for policy reserves (Note 27)	**322,205**	896,366	**2,871**
Provision for interest on policyholders' dividend reserves (Note 16)	**135**	251	**1**
Subtotal	**323,690**	898,277	**2,885**
Investment expenses (Note 26)			
Interest expenses	**11,307**	6,217	**100**
Losses on sales of securities	**32,078**	1,959	**285**
Losses on valuation of securities	**12,009**	12,791	**107**
Losses on redemption of securities	**4,423**	37	**39**
Losses on derivative financial instruments	**90,154**	107,329	**803**
Foreign exchange losses	**399**	—	**3**
Provision for allowance for possible loan losses	**459**	664	**4**
Depreciation of real estate for non-insurance business	**9,353**	9,508	**83**
Other investment expenses	**11,852**	12,538	**105**
Investment losses on separate accounts	**—**	28,956	**—**
Subtotal	**172,037**	180,002	**1,533**

Non-consolidated Statements of Income (continued)

Meiji Yasuda Life Insurance Company

	Millions of Yen		Millions of U.S. Dollars
Years ended March 31,	2017	2016	2017
Operating expenses (Note 28)	**350,389**	355,644	**3,123**
Other ordinary expenses			
Deferred benefit payments	**108,264**	120,001	**965**
Taxes	**26,264**	28,395	**234**
Depreciation	**24,389**	21,618	**217**
Provision for accrued retirement benefits	**9,522**	24,167	**84**
Other ordinary expenses	**5,153**	5,256	**45**
Subtotal	**173,594**	199,438	**1,547**
Total ordinary expenses	**3,223,747**	3,934,501	**28,734**
Ordinary profit	**318,455**	300,953	**2,838**
Extraordinary gains			
Gains on disposals of fixed assets	**1,766**	2,614	**15**
Reversal of reserve for contingent liabilities	**0**	0	**0**
Subtotal	**1,766**	2,615	**15**
Extraordinary losses			
Losses on disposals of fixed assets	**4,261**	6,584	**37**
Impairment losses (Note 13)	**3,033**	3,800	**27**
Provision for reserve for price fluctuation	**55,868**	29,195	**497**
Losses on reduction entry of real estate	**333**	—	**2**
Contributions for promotion of social welfare project	**582**	553	**5**
Subtotal	**64,079**	40,133	**571**
Surplus before income taxes	**256,141**	263,435	**2,283**
Income taxes (Note 21)			
Current	**36,653**	52,632	**326**
Deferred	**(14,317)**	(7,668)	**(127)**
Total income taxes	**22,336**	44,963	**199**
Net surplus	**¥ 233,805**	¥ 218,472	**$ 2,084**

Non-consolidated Statements of Changes in Net Assets

Meiji Yasuda Life Insurance Company

Year ended March 31, 2016 (Millions of Yen)

	Funds, reserves and surplus														Unrealized gains (losses), revaluation reserve and adjustments				
				Surplus															
					Other surplus														
	Foundation funds (Note 22)	Reserve for redemption of foundation funds (Note 22)	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, reserves and surplus	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	¥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	¥2,833,827	¥15,456	¥118,988	¥2,968,272	¥4,180,328
Changes in the fiscal year																			
Additions to policyholders' dividend reserves (Note 16)												(180,044)	(180,044)	(180,044)					(180,044)
Additions to reserve for future losses				547								(547)							
Payment of interest on foundation funds												(2,101)	(2,101)	(2,101)					(2,101)
Net surplus												218,472	218,472	218,472					218,472
Additions to reserve for fund redemption					52,000							(52,000)							
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								25,000				(25,000)							
Additions to reserve for reduction entry of real estate									1,838			(1,838)							
Reversal of reserve for reduction entry of real estate									(574)			574							
Reversal of land revaluation differences												1,599	1,599	1,599					1,599
Net changes, excluding funds, reserves and surplus															(545,822)	23,203	906	(521,712)	(521,712)
Net changes in the fiscal year	—	—	—	547	52,000	—	(0)	25,000	1,263	—	—	(40,884)	37,926	37,926	(545,822)	23,203	906	(521,712)	(483,786)
Ending balance	¥260,000	¥470,000	¥452	¥9,883	¥132,000	¥29,764	¥ 48	¥100,000	¥25,123	¥2,000	¥85	¥ 220,625	¥ 519,529	¥1,249,982	¥2,288,005	¥38,659	¥119,894	¥2,446,559	¥3,696,542

Year ended March 31, 2017 (Millions of Yen)

	Funds, reserves and surplus														Unrealized gains (losses), revaluation reserve and adjustments				
				Surplus															
					Other surplus														
	Foundation funds (Note 22)	Reserve for redemption of foundation funds (Note 22)	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, reserves and surplus	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	¥260,000	¥470,000	¥452	¥ 9,883	¥132,000	¥29,764	¥ 48	¥100,000	¥25,123	¥2,000	¥85	¥ 220,625	¥ 519,529	¥1,249,982	¥2,288,005	¥38,659	¥119,894	¥2,446,559	¥3,696,542
Changes in the fiscal year																			
Issuance of foundation funds	100,000													100,000					100,000
Additions to policyholders' dividend reserves (Note 16)												(165,707)	(165,707)	(165,707)					(165,707)
Additions to reserve for future losses				504								(504)							
Additions to reserve for redemption of foundation funds		50,000												50,000					50,000
Payment of interest on foundation funds												(2,101)	(2,101)	(2,101)					(2,101)
Net surplus												233,805	233,805	233,805					233,805
Redemption of foundation funds	(50,000)													(50,000)					(50,000)
Additions to reserve for fund redemption					52,000							(52,000)							
Reversal of reserve for fund redemption					(50,000)								(50,000)	(50,000)					(50,000)
Additions to reserve for promotion of social welfare project							553					(553)							
Reversal of reserve for promotion of social welfare project							(582)					582							
Additions to reserve for reduction entry of real estate									391			(391)							
Reversal of reserve for reduction entry of real estate									(631)			631							
Reversal of land revaluation differences												2,868	2,868	2,868					2,868
Net changes, excluding funds, reserves and surplus															245,845	(783)	(2,868)	242,193	242,193
Net changes in the fiscal year	50,000	50,000	—	504	2,000	—	(29)	—	(240)	—	—	16,631	18,865	118,865	245,845	(783)	(2,868)	242,193	361,058
Ending balance	¥310,000	¥520,000	¥452	¥10,387	¥134,000	¥29,764	¥ 18	¥100,000	¥24,882	¥2,000	¥85	¥ 237,256	¥ 538,395	¥1,368,848	¥2,533,850	¥37,876	¥117,025	¥2,688,753	¥4,057,601

Non-consolidated Statements of Changes in Net Assets (continued)

Meiji Yasuda Life Insurance Company

Year ended March 31, 2017 (Millions of U.S. Dollars)

	Funds, reserves and surplus														Unrealized gains (losses), revaluation reserve and adjustments				
			Surplus																
				Other surplus															
	Foundation funds (Note 22)	Reserve for redemption of foundation funds (Note 22)	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, reserves and surplus	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	$2,317	$4,189	$4	$88	$1,176	$265	$ 0	$891	$223	$17	$0	$ 1,966	$ 4,630	$11,141	$20,394	$344	$1,068	$21,807	$32,948
Changes in the fiscal year																			
Issuance of foundation funds	891													891					891
Additions to policyholders' dividend reserves (Note 16)												(1,477)	(1,477)	(1,477)					(1,477)
Additions to reserve for future losses				4								(4)							
Additions to reserve for redemption of foundation funds		445												445					445
Payment of interest on foundation funds												(18)	(18)	(18)					(18)
Net surplus												2,084	2,084	2,084					2,084
Redemption of foundation funds	(445)													(445)					(445)
Additions to reserve for fund redemption					463							(463)							
Reversal of reserve for fund redemption					(445)								(445)	(445)					(445)
Additions to reserve for promotion of social welfare project							4					(4)							
Reversal of reserve for promotion of social welfare project							(5)					5							
Additions to reserve for reduction entry of real estate									3			(3)							
Reversal of reserve for reduction entry of real estate									(5)			5							
Reversal of land revaluation differences												25	25	25					25
Net changes, excluding funds, reserves and surplus															2,191	(6)	(25)	2,158	2,158
Net changes in the fiscal year	445	445	—	4	17	—	(0)	—	(2)	—	—	148	168	1,059	2,191	(6)	(25)	2,158	3,218
Ending balance	$2,763	$4,634	$4	$92	$1,194	$265	$ 0	$891	$221	$17	$0	$ 2,114	$ 4,798	$12,201	$22,585	$337	$1,043	$23,966	$36,167

Non-consolidated Proposed Appropriation of Surplus

Meiji Yasuda Life Insurance Company

	Millions of Yen		Millions of U.S. Dollars
Years ended March 31,	2017	2016	2017
Unappropriated surplus	¥237,256	¥220,625	$2,114
Reversal of voluntary surplus reserves:	2,245	631	20
Reversal of reserve for reduction entry of real estate	2,245	631	20
Total	239,502	221,256	2,134
Appropriation of surplus	239,502	221,256	2,134
Provision for policyholders' dividend reserves	169,815	165,707	1,513
Net surplus	69,687	55,549	621
Reserve for future losses	515	504	4
Interest on foundation funds	1,846	2,101	16
Voluntary surplus reserves:	67,326	52,944	600
Reserve for fund redemption	62,000	52,000	552
Reserve for promotion of social welfare project	582	553	5
Reserve for reduction entry of real estate	4,743	391	42

Notes to the Non-consolidated Financial Statements

Meiji Yasuda Life Insurance Company

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 March 31, 2017, which was ¥112.19 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;
- 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 risk related to foreign currency denominated loans and bonds payable; 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, 2016 and 2017 amounted to ¥46 million and ¥46 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.

The policy reserves also include reserves which are additionally set aside 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.

(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, 2016 and 2017, 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.

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 and investment trusts. 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, insurance liability risk and bonds payable 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 risk related to foreign currency denominated loans and bonds payable; 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. Foreign currency denominated bonds payable are exposed to exchange rate fluctuation risk.

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 small-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 2017 Balance sheet amount	2017 Fair value	2017 Difference	2016 Balance sheet amount	2016 Fair value	2016 Difference	Millions of U.S. Dollars 2017 Balance sheet amount	2017 Fair value	2017 Difference
Cash and deposits	¥ 323,509	¥ 323,509	¥ —	¥ 321,425	¥ 321,425	¥ —	$ 2,883	$ 2,883	$ —
Available-for-sale securities (CDs)	49,996	49,996	—	23,998	23,998	—	445	445	—
Monetary claims bought	220,118	230,634	10,516	223,659	241,204	17,545	1,962	2,055	93
Held-to-maturity debt securities	197,150	207,666	10,516	195,380	212,925	17,545	1,757	1,851	93
Available-for-sale securities	22,968	22,968	—	28,278	28,278	—	204	204	—
Securities	29,505,359	31,644,800	2,139,441	28,059,227	30,686,513	2,627,286	262,994	282,064	19,069
Trading securities	741,879	741,879	—	746,596	746,596	—	6,612	6,612	—
Held-to-maturity debt securities	4,518,170	5,330,185	812,014	4,659,686	5,631,416	971,729	40,272	47,510	7,237
Policy-reserve-matching bonds	7,250,615	8,578,042	1,327,426	7,162,085	8,817,642	1,655,556	64,627	76,459	11,831
Available-for-sale securities	16,994,693	16,994,693	—	15,490,858	15,490,858	—	151,481	151,481	—
Loans	4,681,981	4,976,601	294,619	4,949,867	5,278,744	328,877	41,732	44,358	2,626
Policy loans	260,726	260,726	—	275,085	275,085	—	2,323	2,323	—
Industrial and consumer loans	4,421,255	4,715,875	294,619	4,674,782	5,003,659	328,877	39,408	42,034	2,626
Allowance for possible loan losses (*1)	(4,422)	—	—	(3,955)	—	—	(39)	—	—
	4,677,559	4,976,601	299,042	4,945,912	5,278,744	332,832	41,693	44,358	2,665
Bonds payable	353,310	383,459	30,149	238,310	270,300	31,990	3,149	3,417	268
Payables under securities borrowing transactions	130,034	130,034	—	—	—	—	1,159	1,159	—
Loans payable	—	—	—	100,000	100,000	—	—	—	—
Derivative financial instruments (*2)	20,984	20,984	—	147,302	147,302	—	187	187	—
Hedge accounting is not applied	(1,806)	(1,806)	—	(20)	(20)	—	(16)	(16)	—
Hedge accounting is applied	22,790	22,790	—	147,323	147,323	—	203	203	—

(*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.

Notes:
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.

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, 2016 and 2017 were as follows:

As of March 31,	Millions of Yen 2017	2016	Millions of U.S. Dollars 2017
Unlisted stocks and others	¥1,358,051	¥1,476,752	$12,104
Equity securities issued by subsidiaries and affiliates	891,559	890,889	7,946

Impairment losses on the unlisted stocks and others except for equity securities issued by subsidiaries and affiliates were ¥98 million and ¥34 million (U.S. $0 million) for the years ended March 31, 2016 and 2017, 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

Bonds payable

The fair value of bonds payable is based on data provided by pricing vendors at the balance sheet date.

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 a price based on data provided by pricing vendors.

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 and bonds payable, their fair value is included in the fair value of hedged loans and bonds payable 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.

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) amounted to ¥(59,656) million and ¥3,419 million (U.S. $30 million) for the years ended March 31, 2016 and 2017, respectively.

Held-to-maturity debt securities

Disposition of held-to-maturity debt securities due to considerable deterioration of the issuer's credit standing amounted to ¥4,650 million resulting in total losses on sales of ¥350 million for the year ended March 31, 2016. No held-to-maturity debt securities were sold during the year ended March 31, 2017. 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.

	Millions of Yen						Millions of U.S. Dollars		
As of March 31,	2017			2016			2017		
	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	¥3,819,916	¥4,548,790	¥728,873	¥3,889,095	¥4,758,337	¥869,241	$34,048	$40,545	$6,496
2) Corporate bonds	575,168	651,759	76,590	654,758	750,528	95,769	5,126	5,809	682
3) Others	269,112	287,460	18,348	298,768	323,721	24,953	2,398	2,562	163
Total	4,664,197	5,488,010	823,812	4,842,623	5,832,587	989,964	41,574	48,917	7,343
Securities whose fair value does not exceed the balance sheet amount									
1) National & local government bonds	—	—	—	—	—	—	—	—	—
2) Corporate bonds	2,800	2,780	(19)	—	—	—	24	24	0
3) Others	48,323	47,061	(1,262)	12,444	11,755	(689)	430	419	(11)
Total	51,123	49,841	(1,281)	12,444	11,755	(689)	455	444	(11)

Note: 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. No policy-reserve-matching bonds were sold during the years ended March 31, 2016 and 2017.

	Millions of Yen						Millions of U.S. Dollars		
As of March 31,	2017			2016			2017		
	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	**¥7,212,028**	**¥8,536,231**	**¥1,324,203**	¥7,123,476	¥8,775,028	¥1,651,552	**$64,284**	**$76,087**	**$11,803**
2) Corporate bonds	**37,687**	**40,912**	**3,225**	37,709	41,721	4,011	**335**	**364**	**28**
3) Others	**—**	**—**	**—**	—	—	—	**—**	**—**	**—**
Total	**7,249,715**	**8,577,144**	**1,327,428**	7,161,185	8,816,749	1,655,563	**64,619**	**76,451**	**11,831**
Securities whose fair value does not exceed the balance sheet amount									
1) National & local government bonds	**—**	**—**	**—**	—	—	—	**—**	**—**	**—**
2) Corporate bonds	**900**	**898**	**(1)**	900	892	(7)	**8**	**8**	**(0)**
3) Others	**—**	**—**	**—**	—	—	—	**—**	**—**	**—**
Total	**900**	**898**	**(1)**	900	892	(7)	**8**	**8**	**(0)**

Available-for-sale securities

Disposition of available-for-sale securities amounted to ¥86,396 million and ¥709,394 million (U.S. $6,323 million) resulting in total gains on sales of ¥8,415 million and ¥21,635 million (U.S. $192 million) and total losses of ¥1,609 million and ¥32,078 million (U.S. $285 million) for the years ended March 31, 2016 and 2017, 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.

	Millions of Yen						Millions of U.S. Dollars		
As of March 31,	2017			2016			2017		
	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	**¥ 1,573,628**	**¥ 3,927,005**	**¥2,353,377**	¥ 1,515,554	¥ 3,317,732	¥1,802,177	**$14,026**	**$ 35,003**	**$20,976**
(2) Bonds	**4,662,842**	**5,119,499**	**456,657**	4,744,251	5,285,472	541,220	**41,562**	**45,632**	**4,070**
1) National & local government bonds	**3,394,352**	**3,773,363**	**379,011**	3,491,392	3,945,944	454,551	**30,255**	**33,633**	**3,378**
2) Corporate bonds	**1,268,490**	**1,346,136**	**77,646**	1,252,858	1,339,527	86,668	**11,306**	**11,998**	**692**
(3) Others	**4,385,774**	**5,177,901**	**792,127**	4,216,928	5,121,887	904,959	**39,092**	**46,152**	**7,060**
Total	**10,622,245**	**14,224,406**	**3,602,161**	10,476,734	13,725,092	3,248,357	**94,680**	**126,788**	**32,107**
Securities whose balance sheet amount does not exceed the acquisition or amortized costs									
(1) Domestic stocks	**96,754**	**91,605**	**(5,149)**	135,757	121,378	(14,378)	**862**	**816**	**(45)**
(2) Bonds	**204,402**	**202,649**	**(1,753)**	7,828	7,086	(741)	**1,821**	**1,806**	**(15)**
1) National & local government bonds	**249**	**238**	**(10)**	—	—	—	**2**	**2**	**(0)**
2) Corporate bonds	**204,153**	**202,410**	**(1,743)**	7,828	7,086	(741)	**1,819**	**1,804**	**(15)**
(3) Others	**2,627,296**	**2,548,997**	**(78,299)**	1,747,189	1,689,578	(57,610)	**23,418**	**22,720**	**(697)**
Total	**2,928,453**	**2,843,251**	**(85,202)**	1,890,774	1,818,043	(72,730)	**26,102**	**25,343**	**(759)**

Note: This table includes financial instruments that are deemed appropriate to be treated as securities under the “Financial Instruments and Exchange Act”.

With regards to bonds among available-for-sale securities denominated in foreign currencies, translation adjustments caused by significant yen appreciation are recorded in losses on valuation of securities. Previously, the existence of “significant yen appreciation” had been determined based on the exchange rate at the end of fiscal year. The Company changed the method to make such determination based on the average exchange rate during the final month of the period from the year ended March 31, 2017. This change had no impact on gains and losses for the year ended March 31, 2017.

“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 ¥8,358 million and ¥334 million (U.S. $2 million) for the years ended March 31, 2016 and 2017, respectively.

c. Maturity analysis of monetary claims and securities with maturities

As of March 31,	Millions of Yen					
	2016					
	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	¥ 321,220	¥ —	¥ —	¥ —	¥ —	¥ —
Monetary claims bought	—	—	—	—	—	223,659
Loans*	563,111	893,532	560,817	551,759	755,220	1,348,727
Securities	318,432	1,373,259	2,029,070	3,614,158	2,133,003	13,788,523
Held-to-maturity debt securities	70,578	292,108	353,517	368,236	763,174	2,812,071
Policy-reserve-matching bonds	—	—	46,663	226,053	109,673	6,779,695
Available-for-sale securities with maturities	247,853	1,081,150	1,628,890	3,019,868	1,260,155	4,196,757
Total	1,202,763	2,266,791	2,589,888	4,165,917	2,888,224	15,360,910

As of March 31,	Millions of Yen						Millions of U.S. Dollars					
	2017						2017					
	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	¥ 323,312	¥ —	¥ —	¥ —	¥ —	¥ —	$ 2,881	$ —	$ —	$ —	$ —	$ —
Monetary claims bought	—	—	—	—	—	220,118	—	—	—	—	—	1,962
Loans*	470,932	807,642	586,427	528,367	796,471	1,230,089	4,197	7,198	5,227	4,709	7,099	10,964
Securities	524,238	1,601,076	2,990,926	2,469,878	1,626,311	14,579,064	4,672	14,271	26,659	22,015	14,496	129,949
Held-to-maturity debt securities	124,610	334,382	371,346	395,496	814,796	2,474,738	1,110	2,980	3,309	3,525	7,262	22,058
Policy-reserve-matching bonds	—	10,238	109,978	190,714	94,984	6,844,699	—	91	980	1,699	846	61,009
Available-for-sale securities with maturities	399,628	1,256,455	2,509,601	1,883,667	716,530	5,259,626	3,562	11,199	22,369	16,789	6,386	46,881
Total	1,318,483	2,408,718	3,577,353	2,998,245	2,422,782	16,029,271	11,752	21,469	31,886	26,724	21,595	142,876

*Bankruptcy and reorganization claims, which are expected to be unrecoverable, are not included in this table, and they were ¥1,220 million and ¥1,305 million (U.S. $11 million) as of March 31, 2016 and 2017, respectively.
*Policy loans are not included because they have no defined maturity dates.

d. Maturity analysis of payable under securities borrowing transactions, bonds and loans payable

As of March 31,	Millions of Yen					
	2016					
	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
Bonds payable	¥ —	¥—	¥—	¥—	¥—	¥238,310
Loans payable*	100,000	—	—	—	—	—
Total	100,000	—	—	—	—	238,310

As of March 31,	Millions of Yen						Millions of U.S. Dollars					
	2017						2017					
	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
Bonds payable	¥ —	¥—	¥—	¥—	¥—	¥353,310	$ —	$—	$—	$—	$—	$3,149
Payable under securities borrowing transactions	130,034	—	—	—	—	—	1,159	—	—	—	—	—
Total	130,034	—	—	—	—	353,310	1,159	—	—	—	—	3,149

*Loans payable are included in “Within 1 year”, due to the repayment of ¥100,000 million in April 2016, prior to their maturity.

e. Fair values of derivative transactions

Hedge accounting not applied

i) Interest-rate related

As of March 31,	Millions of Yen 2016			
	Notional amount/ contract value (A)	Over 1 year included in (A)	Fair value	Net gains (losses)
Interest rate swaps				
Receipts fixed, payments floating	¥100	¥100	¥(0)	¥(0)
Total				(0)

As of March 31,	Millions of Yen 2017				Millions of U.S. Dollars 2017			
	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	**¥200**	**¥200**	**¥(5)**	**¥(5)**	**$1**	**$1**	**$(0)**	**$(0)**
Total				**(5)**				**(0)**

Note: Net gains (losses) represent the fair values.

ii) Currency-related

As of March 31,	Millions of Yen 2016			
	Notional amount/ contract value (A)	Over 1 year included in (A)	Fair value	Net gains (losses)
Foreign currency forward contracts				
Sold	¥12,946	¥—	¥(103)	¥(103)
(U.S. dollar)	519	—	3	3
(British pound)	32	—	0	0
(Australian dollar)	12,226	—	(105)	(105)
(Others)	169	—	(1)	(1)
Bought	5,339	—	39	39
(U.S. dollar)	3,572	—	(7)	(7)
(Euro)	1,641	—	46	46
(Others)	125	—	0	0
Currency options				
Sold				
Call	—	—		
	[—]		—	—
(U.S. dollar)	—	—		
	[—]		—	—
Bought				
Put	—	—		
	[—]		—	—
(U.S. dollar)	—	—		
	[—]		—	—
Total				(63)

As of March 31,	Millions of Yen 2017 Notional amount/ contract value (A)	Over 1 year included in (A)	Fair value	Net gains (losses)	Millions of U.S. Dollars 2017 Notional amount/ contract value (A)	Over 1 year included in (A)	Fair value	Net gains (losses)
Foreign currency forward contracts								
Sold	¥118,008	¥—	¥592	¥ 592	$1,051	$—	$ 5	$ 5
(U.S. dollar)	106,347	—	575	575	947	—	5	5
(British pound)	6,979	—	(23)	(23)	62	—	(0)	(0)
(Australian dollar)	4,363	—	38	38	38	—	0	0
(Others)	317	—	1	1	2	—	0	0
Bought	11,993	—	38	38	106	—	0	0
(U.S. dollar)	11,742	—	40	40	104	—	0	0
(Euro)	146	—	(1)	(1)	1	—	(0)	(0)
(Others)	103	—	0	0	0	—	0	0
Currency options								
Sold								
Call	105,400	—			939	—		
	[499]		—	499	[4]		—	4
(U.S. dollar)	105,400	—			939	—		
	[499]		—	499	[4]		—	4
Bought								
Put	89,250	—			795	—		
	[499]		0	(499)	[4]		0	(4)
(U.S. dollar)	89,250	—			795	—		
	[499]		0	(499)	[4]		0	(4)
Total				632				5

Notes: 1. Net gains (losses) on foreign currency forward contracts represent the fair values, and net gains (losses) on currency options represent the difference between the option fees and the fair values for option transactions.
2. Option fees are shown in [ ].

iii) Stock-related

As of March 31,	Millions of Yen 2016 Notional amount/ contract value (A)	Over 1 year included in (A)	Fair value	Net gains (losses)
Exchange-traded transactions				
Yen Stock index futures				
Sold	¥ 274	¥—	¥ 4	¥ 4
Bought	1,824	—	21	21
Foreign currency-denominated stock index futures				
Sold	—	—	—	—
Bought	2,332	—	17	17
Total				43

As of March 31,	Millions of Yen 2017 Notional amount/ contract value (A)	Over 1 year included in (A)	Fair value	Net gains (losses)	Millions of U.S. Dollars 2017 Notional amount/ contract value (A)	Over 1 year included in (A)	Fair value	Net gains (losses)
Exchange-traded transactions								
Yen Stock index futures								
Sold	¥ —	¥—	¥ —	¥ —	$—	$—	$—	$—
Bought	2,192	—	(29)	(29)	19	—	(0)	(0)
Foreign currency-denominated stock index futures								
Sold	—	—	—	—	—	—	—	—
Bought	1,098	—	3	3	9	—	0	0
Total				(25)				(0)

Note: Net gains (losses) represent the fair values.

iv) Bond-related

No ending balance as of March 31, 2016 and 2017.

Hedge accounting applied

i) Interest-rate related

As of March 31,	Main hedged items	Millions of Yen 2016 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	¥233,900	¥233,900	¥59,067
Special hedge accounting				
Interest rate swaps				
Receipts fixed, payments floating	Loans	28,948	18,948	922
Total				59,990

As of March 31,	Millions of Yen 2017				Millions of U.S. Dollars 2017		
	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	¥232,600	¥232,600	¥51,026	$2,073	$2,073	$454
Special hedge accounting							
Interest rate swaps							
Receipts fixed, payments floating	Loans	16,755	8,755	395	149	78	3
Total				51,422			458

ii) Currency-related

As of March 31,	Main hedged items	Millions of Yen 2016 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	¥2,123,031	¥ —	¥89,473
(U.S. dollar)		1,808,792	—	86,840
(Euro)		182,880	—	1,773
(Australian dollar)		131,358	—	859
Deferred hedge accounting				
Cross currency swaps				
(Euro)	Foreign-currency-denominated bonds	35,575	35,575	(1,307)
(Australian dollar)		4,305	4,305	89
Total				88,255

As of March 31,	Millions of Yen 2017				Millions of U.S. Dollars 2017		
	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	¥2,852,379	¥ —	¥(29,786)	$25,424	$ —	$(265)
(U.S. dollar)		2,560,560	—	(23,153)	22,823	—	(206)
(Euro)		168,759	—	(173)	1,504	—	(1)
(Australian dollar)		123,059	—	(6,459)	1,096	—	(57)
Deferred hedge accounting							
Cross currency swaps							
(Euro)	Foreign-currency-denominated bonds	35,575	35,575	1,472	317	317	13
(Australian dollar)		4,305	4,305	78	38	38	0
Total				(28,235)			(251)

Note: 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, 2016 and 2017.

iv) Bond-related
No ending balance as of March 31, 2016 and 2017.

4. Securities Lending

Securities loaned under security lending agreements, including securities under securities borrowing transactions, amounted to ¥1,440,683 million and ¥1,516,369 million (U.S. $13,516 million) as of March 31, 2016 and 2017, respectively.

5. Securities Borrowed

Assets that can be sold or resecured are marketable securities borrowed under borrowing agreements. These assets were held without disposal totaling ¥12,076 million at fair value as of March 31, 2016.

6. Pledged Assets

Assets pledged as collateral were securities in the amount of ¥3,028 million and ¥3,331 million (U.S. $29 million) as of March 31, 2016 and 2017, respectively.

7. Equity Securities issued by Subsidiaries and Affiliates

The total amounts of equity securities issued by subsidiaries and affiliates were ¥891,955 million and ¥892,181 million (U.S. $7,952 million) as of March 31, 2016 and 2017, 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 ¥20,172 million and ¥20,066 million (U.S. $178 million) as of March 31, 2016 and 2017, respectively.

There were no loans to bankrupt borrowers, and none as of March 31, 2016 and 2017. The aggregate amounts of loans in arrears were ¥3,722 million and ¥4,284 million (U.S. $38 million) as of March 31, 2016 and 2017, respectively.

The amounts of loans deemed uncollectible and directly deducted from the loans in the non-consolidated balance sheets as of March 31, 2016 and 2017 were ¥44 million and ¥44 million (U.S. $0 million), respectively, for loans to bankrupt borrowers, and ¥1 million and ¥1 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, 2016 and 2017.

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 ¥16,450 million and ¥15,781 million (U.S. $140 million) as of March 31, 2016 and 2017, 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 ¥23,133 million and ¥29,320 million (U.S. $261 million) as of March 31, 2016 and 2017, respectively.

10. Fair Values of Investment and Rental Property

The carrying amounts of investment and rental properties were ¥567,414 million and ¥562,987 million (U.S. $5,018 million), and their fair values were ¥641,946 million and ¥665,227 million (U.S. $5,929 million) as of March 31, 2016 and 2017, 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.

11. Accumulated Depreciation

Accumulated depreciation of tangible fixed assets amounted to ¥401,947 million and ¥409,454 million (U.S. $3,649 million) as of March 31, 2016 and 2017, respectively.

12. 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.

13. 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, 2016 and 2017, 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. 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, 2016

Asset group	Number of properties impaired	Millions of Yen Land	Buildings	Total
Real estate for non-insurance business	0	¥ —	¥ —	¥ —
Idle assets	41	1,518	2,282	3,800
Total	41	¥1,518	¥2,282	¥3,800

For the year ended March 31, 2017

Asset group	Number of properties impaired	Millions of Yen Land	Buildings	Total
Real estate for non-insurance business	0	¥ —	¥ —	¥ —
Idle assets	17	714	2,319	3,033
Total	17	¥714	¥2,319	¥3,033

For the year ended March 31, 2017

Asset group	Millions of U.S. Dollars Land	Buildings	Total
Real estate for non-insurance business	$—	$—	$—
Idle assets	6	20	27
Total	$ 6	$20	$27

(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 2.03% and 1.97% for the years ended March 31, 2016 and 2017, respectively. Net realizable value is calculated based on the appraisal value with reference to "Real Estate Appraisal Standards" or the publicly announced appraisal value.

14. 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) Defined benefit plans

a. Assumptions of the Company used in accounting for the defined benefit plans for the years ended March 31, 2016 and 2017 were as follows:

Years ended March 31,	2017	2016
Method of attributing benefit to period of service	Benefit formula 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, 2016 and 2017 were as follows:

	Millions of Yen		Millions of U.S. Dollars
Years ended March 31,	2017	2016	2017
Balance at the beginning of the fiscal year	¥301,611	¥311,806	$2,688
Service costs	10,658	11,053	94
Interest cost on retirement benefit obligations	2,714	2,806	24
Actuarial losses (gains) recognized	767	2,066	6
Benefits paid	(24,300)	(26,121)	(216)
Balance at the end of the fiscal year	¥291,451	¥301,611	$2,597

c. Changes in the plan assets for the years ended March 31, 2016 and 2017 were as follows:

	Millions of Yen		Millions of U.S. Dollars
Years ended March 31,	2017	2016	2017
Balance at the beginning of the fiscal year	¥338,755	¥385,856	$3,019
Expected return on plan assets	3,265	3,262	29
Actuarial gains (losses) recognized	41,261	(50,037)	367
Contributions by employer	9,730	9,698	86
Benefits paid	(9,108)	(10,024)	(81)
Balance at the end of the fiscal year	¥383,905	¥338,755	$3,421

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, 2016 and 2017 were determined as follows:

	Millions of Yen		Millions of U.S. Dollars
As of March 31,	2017	2016	2017
Present value of funded retirement benefit obligations	¥ 290,385	¥ 300,471	$ 2,588
Plan assets at fair value	(383,905)	(338,755)	(3,421)
Net present value of funded retirement benefit obligations	(93,519)	(38,283)	(833)
Present value of non-funded retirement benefit obligations	1,066	1,139	9
Unrecognized actuarial losses (gains)	17,286	(48,412)	154
Unrecognized past service costs	4,322	5,189	38
Accrued retirement benefits (Prepaid pension cost)	¥ (70,844)	¥ (80,366)	$ (631)

e. The amounts recognized in retirement benefit expenses in the non-consolidated statements of income for the years ended March 31, 2016 and 2017 were as follows:

	Millions of Yen		Millions of U.S. Dollars
Years ended March 31,	2017	2016	2017
Service costs	¥10,658	¥11,053	$ 94
Interest cost on retirement benefit obligations	2,714	2,806	24
Expected return on plan assets	(3,265)	(3,262)	(29)
Amortization of net actuarial losses (gains)	25,204	40,232	224
Amortization of net past service costs	(866)	(866)	(7)
Retirement benefit expenses	¥34,445	¥49,962	$307

f. Plan assets
Plan assets as of March 31, 2016 and 2017 were comprised as follows:

	% of total fair value of plan assets	
As of March 31,	2017	2016
Debt securities	6.6%	8.5%
Stocks	44.1%	39.2%
General account of life insurance companies	26.3%	29.4%
Jointly invested assets	17.5%	18.8%
Cash and deposits	1.1%	0.9%
Others	4.4%	3.2%
Total	100.0%	100.0%

Plan assets include the retirement benefit trusts. The amounts of the retirement benefit trusts were 51.8% and 56.1% of total plan assets as of March 31, 2016 and 2017, 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, 2016 and 2017 were as follows:

Years ended March 31,	2017	2016
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%

(3) Defined contribution plans

The amounts recognized as expenses for the defined contribution pension plans were ¥1,072 million and ¥1,065 million (U.S. $9 million) for the years ended March 31, 2016 and 2017, respectively.

15. Reinsurance

As of March 31, 2016 and 2017, 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 ¥52 million and ¥9 million (U.S. $0 million), respectively.

As of March 31, 2016 and 2017, 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 ¥13,369 million and ¥21,315 million (U.S. $189 million), respectively.

16. Policyholders' Dividend Reserves

Changes in policyholders' dividend reserves for the years ended March 31, 2016 and 2017 were as follows:

	Millions of Yen		Millions of U.S. Dollars
Years ended March 31,	2017	2016	2017
Balance at the beginning of the fiscal year	¥ 240,902	¥ 253,414	$ 2,147
Transfer from surplus in the previous fiscal year	165,707	180,044	1,477
Dividend payments to policyholders during the fiscal year	(169,832)	(192,857)	(1,513)
Interest accrued during the fiscal year	182	300	1
Balance at the end of the fiscal year	¥ 236,959	¥ 240,902	$ 2,112

17. Subordinated Bonds

As of March 31, 2016 and 2017, bonds payable in liabilities are foreign currency-denominated subordinated bonds, and subordinated bonds and foreign currency-denominated subordinated bonds, respectively, and the repayments of which are subordinated to other obligations.

18. Subordinated Debts

As of March 31, 2016, loans payable are subordinated debts, the repayments of which are subordinated to other obligations.

In April 2016, the Company made a repayment of the subordinated debts in the amount of ¥100,000 million, prior to their maturity.

19. 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 as of March 31, 2016.

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.

20. 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."

21. Deferred Taxes

(1) Deferred tax assets/liabilities were recognized as follows:

	Millions of Yen		Millions of U.S. Dollars
As of March 31,	2017	2016	2017
Deferred tax assets	¥ 653,540	¥ 647,718	$ 5,825
Valuation allowance for deferred tax assets	(3,135)	(2,313)	(27)
Subtotal	650,404	645,405	5,797
Deferred tax liabilities	(989,150)	(902,298)	(8,816)
Net deferred tax assets (liabilities)	(338,745)	(256,892)	(3,019)

Major components of deferred tax assets/liabilities were as follows:

As of March 31,	Millions of Yen 2017	Millions of Yen 2016	Millions of U.S. Dollars 2017
Deferred tax assets			
Policy reserves and other reserves	**¥409,795**	¥410,469	**$3,652**
Reserve for price fluctuation	**161,481**	145,861	**1,439**
Deferred tax liabilities			
Net unrealized gains on available-for-sale securities	**942,376**	856,637	**8,399**

(2) The statutory tax rates were 28.80% and 28.20% for the years ended March 31, 2016 and 2017, 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,	2017	2016
Policyholders' dividend reserves	**(18.05)%**	(17.47)%
Effects of changes in the income tax rate	**—**	7.20%

(3) From the end of the year ended March 31, 2016, the statutory tax rates which are used to measure deferred tax assets and liabilities were changed from 28.80% to 28.20% for the years ended March 31, 2017 and 2018, and to 27.96% for the year ended March 31, 2019 or later in accordance with the "Act for Partial Revision of the Income Tax Act" (Act No. 15 in 2016).

Due to this change, as of March 31, 2016, deferred tax liabilities in the non-consolidated balance sheets decreased by ¥8,234 million, deferred tax liabilities for land revaluation in the non-consolidated balance sheets decreased by ¥2,467 million, and deferred portion of income taxes in the non-consolidated statements of income increased by ¥18,968 million.

22. 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 offered foundation funds in the amount of ¥100,000 million (U.S. $891 million) pursuant to Article 60 of the "Insurance Business Act" in the year ended March 31, 2017.

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 ¥50,000 million (U.S. $445 million) as of March 31, 2017.

23. 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 ¥2,447,012 million and ¥2,689,205 million (U.S. $23,970 million) as of March 31, 2016 and 2017, respectively.

24. Separate Accounts

The total amounts of assets held in separate accounts defined in Article 118, Paragraph 1 of the "Insurance Business Act" were ¥799,603 million and ¥809,841 million (U.S. $7,218 million) as of March 31, 2016 and 2017, respectively. The amounts of separate account liabilities were the same as these figures.

25. 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, 2016 and 2017 were as follows:

As of March 31,	Millions of Yen 2017	Millions of Yen 2016	Millions of U.S. Dollars 2017
Monetary receivable	**¥3,930**	¥3,100	**$35**
Monetary payable	**3,701**	3,983	**32**

26. Investment Income and Expenses

Major components of gains on sales of securities were as follows:

Years ended March 31,	Millions of Yen 2017	Millions of Yen 2016	Millions of U.S. Dollars 2017
Domestic bonds including national government bonds	**¥ 523**	¥ 4	**$ 4**
Domestic stocks	**3,976**	2,073	**35**
Foreign securities	**17,135**	6,337	**152**

Major components of losses on sales of securities were as follows:

Years ended March 31,	Millions of Yen 2017	Millions of Yen 2016	Millions of U.S. Dollars 2017
Domestic bonds including national government bonds	**¥ 362**	¥ 21	**$ 3**
Domestic stocks	**605**	472	**5**
Foreign securities	**31,110**	1,465	**277**

Major components of losses on valuation of securities were as follows:

Years ended March 31,	Millions of Yen 2017	Millions of Yen 2016	Millions of U.S. Dollars 2017
Domestic stocks	**¥ 366**	¥8,457	**$ 3**
Foreign securities	**11,168**	4,333	**99**

Loss on derivative financial instruments included net valuation losses of ¥52,055 million and ¥161,312 million (U.S. $1,437 million) for the years ended March 31, 2016 and 2017, respectively.

27. 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, 2016 and 2017 were as follows:

	Millions of Yen		Millions of U.S. Dollars
Years ended March 31,	2017	2016	2017
Provision for (reversal of) reinsurance recoverable on outstanding claims	¥ 42	¥ 110	$ 0
Provision for (reversal of) reinsurance recoverable on policy reserves	7,946	7,642	70

28. Contributions to the Life Insurance Policyholders Protection Corporation

The Company estimated future contributions to the Life Insurance Policyholders Protection Corporation in the amount of ¥52,265 million and ¥49,705 million (U.S. $443 million) as of March 31, 2016 and 2017, respectively, pursuant to Article 259 of the “Insurance Business Act”.

These contributions are recognized as operating expenses when contributed.

29. 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, 2016 and 2017 were as follows:

	Millions of Yen		Millions of U.S. Dollars
Years ended March 31,	2017	2016	2017
Total income	¥17,732	¥11,942	$158
Total expenses	34,668	32,932	309

30. 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.

31. Subsequent Events

Appropriation of surplus

The proposed appropriation of surplus of the Company for the year ended March 31, 2017 was approved as planned at the annual meeting of the representatives of policyholders held on July 4, 2017.

Offering of foundation funds

During the annual meeting of representatives of policyholders held on July 4, 2017, a resolution was passed to partially amend the Articles of Incorporation in connection with an issuance of foundation funds of ¥50,000 million during the year ending March 31, 2018.

Independent Auditor's Report

KPMG

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, 2015 and 2016, 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, 2015 and 2016, 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.

Convenience Translation

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2016 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

KPMG AZSA LLC
July 29, 2016
Tokyo, Japan

Consolidated Balance Sheets

Meiji Yasuda Life Insurance Company and Consolidated Subsidiaries

As of March 31,	Millions of Yen 2016	Millions of Yen 2015	Millions of U.S. Dollars 2016
ASSETS:			
Cash and deposits (Notes 3, 4, and 7)	¥ 481,381	¥ 240,038	$ 4,272
Call loans (Note 3)	90,000	368,000	798
Monetary claims bought (Note 4)	223,659	229,523	1,984
Securities (Notes 4, 5, 6, 7, and 8)	30,624,492	29,256,897	271,782
Loans (Notes 4, 7, 9, and 10)	5,634,123	5,076,391	50,001
Tangible fixed assets (Notes 11, 12, and 13)			
Land	617,463	621,684	5,479
Buildings	306,647	301,346	2,721
Leased assets	87	—	0
Construction in progress	1,667	6,045	14
Other tangible fixed assets	4,728	3,454	41
Subtotal	930,595	932,531	8,258
Intangible fixed assets			
Software	50,821	37,788	451
Goodwill (Note 26)	158,679	—	1,408
Other intangible fixed assets	317,643	26,394	2,818
Subtotal	527,144	64,183	4,678
Due from agents	1,831	1,647	16
Reinsurance receivables	115,877	675	1,028
Other assets	480,002	317,794	4,259
Net defined benefit assets (Note 14)	37,298	74,345	331
Deferred tax assets (Note 15)	2,485	1,779	22
Customers' liabilities under acceptances and guarantees	20,854	20,848	185
Allowance for possible loan losses	(5,457)	(5,034)	(48)
Total assets	¥39,164,289	¥36,579,624	$347,570
LIABILITIES:			
Policy reserves and other reserves			
Reserve for outstanding claims	¥ 707,333	¥ 114,465	$ 6,277
Policy reserves	32,842,168	30,225,061	291,464
Policyholders' dividend reserves (Note 16)	240,902	253,414	2,137
Subtotal	33,790,403	30,592,941	299,879
Due to agents	2,835	9	25
Reinsurance payables	832	804	7
Bonds payable	293,445	—	2,604
Other liabilities	478,051	700,186	4,242
Net defined benefit liabilities (Note 14)	12,447	1,084	110
Accrued retirement benefits for directors and executive officers (Note 19)	82	92	0
Reserve for contingent liabilities (Note 20)	1	2	0
Reserve for price fluctuation	522,116	492,907	4,633
Deferred tax liabilities (Note 15)	329,406	504,535	2,923
Deferred tax liabilities for land revaluation	82,137	85,877	728
Acceptances and guarantees	20,854	20,848	185
Total liabilities	35,532,618	32,399,288	315,340
NET ASSETS:			
Foundation funds (Note 21)	260,000	260,000	2,307
Reserve for redemption of foundation funds (Note 21)	470,000	470,000	4,171
Reserve for revaluation	452	452	4
Surplus	506,083	472,533	4,491
Total funds, reserve and surplus	1,236,536	1,202,986	10,973
Net unrealized gains on available-for-sale securities	2,291,022	2,838,597	20,332
Deferred unrealized gains on derivatives under hedge accounting	38,659	15,456	343
Land revaluation differences	119,894	118,988	1,064
Foreign currency translation adjustments	(26,190)	22,894	(232)
Remeasurements of defined benefit plans	(32,200)	(22,862)	(285)
Total accumulated other comprehensive income	2,391,186	2,973,074	21,221
Non-controlling interests	3,947	4,274	35
Total net assets	3,631,671	4,180,335	32,229
Total liabilities and net assets	¥39,164,289	¥36,579,624	$347,570

Consolidated Statements of Income

Meiji Yasuda Life Insurance Company and Consolidated Subsidiaries

	Millions of Yen		Millions of U.S. Dollars
Years ended March 31,	2016	2015	2016
ORDINARY INCOME:			
Insurance premiums and other	¥3,381,621	¥3,431,497	$30,010
Investment income			
Interest, dividends and other income	690,493	698,484	6,127
Gains on money held in trust	0	0	0
Gains on sales of securities	8,505	186,293	75
Gains on redemption of securities	88,701	58,075	787
Foreign exchange gains	154	—	1
Reversal of allowance for possible loan losses	—	2,875	—
Other investment income	892	899	7
Investment gains on separate accounts	—	83,806	—
Subtotal	788,747	1,030,435	6,999
Other ordinary income	106,171	137,909	942
Total ordinary income	4,276,540	4,599,843	37,952
ORDINARY EXPENSES:			
Benefits and other payments			
Claims paid	569,516	642,721	5,054
Annuity payments	696,036	849,963	6,177
Benefit payments	412,172	430,363	3,657
Surrender benefits	455,478	453,264	4,042
Other refunds	178,963	231,236	1,588
Subtotal	2,312,168	2,607,548	20,519
Provision for policy reserves and other reserves			
Provision for reserve for outstanding claims	1,866	—	16
Provision for policy reserves	898,470	955,304	7,973
Provision for interest on policyholders' dividend reserves (Note 16)	251	461	2
Subtotal	900,587	955,765	7,992
Investment expenses			
Interest expenses	6,288	3,368	55
Losses on sales of securities	1,967	365	17
Losses on valuation of securities	12,791	300	113
Losses on redemption of securities	37	—	0
Losses on derivative financial instruments	107,329	71,082	952
Foreign exchange losses	—	144	—
Provision for allowance for possible loan losses	664	—	5
Depreciation of real estate for non-insurance business	9,732	9,737	86
Other investment expenses	14,320	12,982	127
Investment losses on separate accounts	28,956	—	256
Subtotal	182,088	97,982	1,615
Operating expenses (Note 23)	372,229	361,559	3,303
Other ordinary expenses	210,360	190,519	1,866
Total ordinary expenses	3,977,433	4,213,375	35,298
Ordinary profit	299,107	386,468	2,654
Extraordinary gains			
Gains on disposals of fixed assets	2,614	5,965	23
Reversal of reserve for contingent liabilities	0	12	0
Subtotal	2,615	5,978	23
Extraordinary losses			
Losses on disposals of fixed assets	6,589	5,582	58
Impairment losses (Note 13)	3,807	6,344	33
Provision for reserve for price fluctuation	29,209	11,562	259
Losses on reduction entry of real estate	—	2,413	—
Contributions for promotion of social welfare project	553	552	4
Other extraordinary losses	—	1,678	—
Subtotal	40,160	28,133	356
Surplus before income taxes and non-controlling interests	261,561	364,312	2,321
Income taxes (Note 15)			
Current	54,641	119,746	484
Deferred	(7,706)	(21,181)	(68)
Total income taxes	46,934	98,564	416
Net surplus	214,627	265,747	1,904
Net surplus attributable to non-controlling interests	528	344	4
Net surplus attributable to the Parent Company	¥ 214,099	¥ 265,402	$ 1,900

Consolidated Statements of Comprehensive Income

Meiji Yasuda Life Insurance Company and Consolidated Subsidiaries

	Millions of Yen		Millions of U.S. Dollars
Years ended March 31,	2016	2015	2016
Net surplus	**¥ 214,627**	¥ 265,747	**$ 1,904**
Other comprehensive income (loss) (Note 25)	**(580,454)**	1,178,038	**(5,151)**
Net unrealized gains (losses) on available-for-sale securities	**(546,805)**	1,097,249	**(4,852)**
Deferred unrealized gains (losses) on derivatives under hedge accounting	**23,203**	14,511	**205**
Land revaluation differences	**2,506**	5,884	**22**
Foreign currency translation adjustments	**(36,574)**	5,827	**(324)**
Remeasurements of defined benefit plans	**(9,501)**	43,135	**(84)**
Share of other comprehensive income (loss) of associates accounted for under the equity method	**(13,283)**	11,430	**(117)**
Comprehensive income (loss)	**¥(365,827)**	¥1,443,786	**$(3,246)**
Comprehensive income (loss) attributable to the Parent Company	**(366,188)**	1,443,499	**(3,249)**
Comprehensive income (loss) attributable to non-controlling interests	**361**	286	**3**

Consolidated Statements of Changes in Net Assets

Meiji Yasuda Life Insurance Company and Consolidated Subsidiaries

Year ended March 31, 2015 (Millions of Yen)

	Funds, reserves and surplus					Accumulated other comprehensive income (loss)							
	Foundation funds (Note 21)	Reserve for redemption of foundation funds (Note 21)	Reserve for revaluation	Surplus	Total funds, reserves and surplus	Net unrealized gains (losses) on available for sale securities	Deferred unrea ized gains (losses) on derivatives under hedge accounting	Land revaluation differences	Foreign currency translation adjustments	Remeasurements of defined benefit plans	Total accumulated other comprehensive income	Non controlling interests	Total net assets
Beginning balance	¥260,000	¥410,000	¥452	¥432,095	¥1,102,548	¥1,739,783	¥ 944	¥106,051	¥ 7,207	¥(66,062)	¥1,787,925	¥4,243	¥2,894,717
Cumulative effects of changes in accounting policies				2,752	2,752								2,752
Beginning balance after reflecting accounting policy changes	260,000	410,000	452	434,848	1,105,301	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				60,000								60,000
Additions to policyholders' dividend reserves (Note 16)				(158,094)	(158,094)								(158,094)
Additions to reserve for redemption of foundation funds		60,000			60,000								60,000
Payment of interest on foundation funds				(2,572)	(2,572)								(2,572)
Net surplus attributable to the Parent Company				265,402	265,402								265,402
Redemption of foundation funds	(60,000)				(60,000)								(60,000)
Reversal of reserve for fund redemption				(60,000)	(60,000)								(60,000)
Reversal of land revaluation differences				(7,051)	(7,051)								(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	—	60,000	—	37,684	97,684	1,098,814	14,511	12,936	15,686	43,199	1,185,148	31	1,282,864
Ending balance	¥260,000	¥470,000	¥452	¥472,533	¥1,202,986	¥2,838,597	¥15,456	¥118,988	¥22,894	¥(22,862)	¥2,973,074	¥4,274	¥4,180,335

Year ended March 31, 2016 (Millions of Yen)

	Funds, reserves and surplus					Accumulated other comprehensive income (loss)							
	Foundation funds	Reserve for redemption of foundation funds	Reserve for revaluation	Surplus	Total funds, reserves and surplus	Net unrealized gains (losses) on available for sale securities	Deferred unrea ized gains (losses) on derivatives under hedge accounting	Land revaluation differences	Foreign currency translation adjustments	Remeasurements of defined benefit plans	Total accumulated other comprehensive income	Non controlling interests	Total net assets
Beginning balance	**¥260,000**	**¥470,000**	**¥452**	**¥472,533**	**¥1,202,986**	**¥2,838,597**	**¥15,456**	**¥118,988**	**¥ 22,894**	**¥(22,862)**	**¥2,973,074**	**¥4,274**	**¥4,180,335**
Changes in the fiscal year													
Additions to policyholders' dividend reserves (Note 16)				**(180,044)**	**(180,044)**								**(180,044)**
Payment of interest on foundation funds				**(2,101)**	**(2,101)**								**(2,101)**
Net surplus attributable to the Parent Company				**214,099**	**214,099**								**214,099**
Reversal of land revaluation differences				**1,599**	**1,599**								**1,599**
Changes in equity attributable to the Parent Company arising from transactions with non-controlling interests				**(2)**	**(2)**								**(2)**
Net changes, excluding funds, reserves and surplus						**(547,575)**	**23,203**	**906**	**(49,084)**	**(9,337)**	**(581,887)**	**(326)**	**(582,214)**
Net changes in the fiscal year	**—**	**—**	**—**	**33,550**	**33,550**	**(547,575)**	**23,203**	**906**	**(49,084)**	**(9,337)**	**(581,887)**	**(326)**	**(548,664)**
Ending balance	**¥260,000**	**¥470,000**	**¥452**	**¥506,083**	**¥1,236,536**	**¥2,291,022**	**¥38,659**	**¥119,894**	**¥(26,190)**	**¥(32,200)**	**¥2,391,186**	**¥3,947**	**¥3,631,671**

Consolidated Statements of Changes in Net Assets (continued)

Meiji Yasuda Life Insurance Company and Consolidated Subsidiaries

Year ended March 31, 2016 (Millions of U.S. Dollars)

	Funds, reserves and surplus					Accumulated other comprehensive income (loss)							
	Foundation funds	Reserve for redemption of foundation funds	Reserve for revaluation	Surplus	Total funds, reserves and surplus	Net unrealized gains (losses) on available for sale securities	Deferred unrealized gains (losses) on derivatives under hedge accounting	Land revaluation differences	Foreign currency translation adjustments	Remeasurements of defined benefit plans	Total accumulated other comprehensive income	Non controlling interests	Total net assets
Beginning balance	$2,307	$4,171	$4	$4,193	$10,676	$25,191	$137	$1,055	$ 203	$(202)	$26,385	$37	$37,099
Changes in the fiscal year													
Additions to policyholders' dividend reserves (Note 16)				(1,597)	(1,597)								(1,597)
Payment of interest on foundation funds				(18)	(18)								(18)
Net surplus attributable to the Parent Company				1,900	1,900								1,900
Reversal of land revaluation differences				14	14								14
Changes in equity attributable to the Parent Company arising from transactions with non-controlling interests				(0)	(0)								(0)
Net changes, excluding funds, reserves and surplus						(4,859)	205	8	(435)	(82)	(5,164)	(2)	(5,166)
Net changes in the fiscal year	—	—	—	297	297	(4,859)	205	8	(435)	(82)	(5,164)	(2)	(4,869)
Ending balance	$2,307	$4,171	$4	$4,491	$10,973	$20,332	$343	$1,064	$(232)	$(285)	$21,221	$35	$32,229

Consolidated Statements of Cash Flows

Meiji Yasuda Life Insurance Company and Consolidated Subsidiaries

Years ended March 31,	Millions of Yen 2016	Millions of Yen 2015	Millions of U.S. Dollars 2016
I Cash flows from operating activities			
Surplus before income taxes and non-controlling interests	¥ 261,561	¥ 364,312	$ 2,321
Depreciation of real estate for non-insurance business	9,732	9,737	86
Depreciation	21,647	20,913	192
Impairment losses	3,807	6,344	33
Increase (Decrease) in reserve for outstanding claims	1,944	(5,715)	17
Increase (Decrease) in policy reserves	898,283	955,329	7,971
Provision for interest on policyholders' dividend reserves	251	461	2
Increase (Decrease) in allowance for possible loan losses	423	(3,101)	3
Increase (Decrease) in net defined benefit liabilities	67	20	0
Increase (Decrease) in accrued retirement benefits for directors and executive officers	(9)	(90)	(0)
Increase (Decrease) in reserve for contingent liabilities	(0)	(12)	(0)
Increase (Decrease) in reserve for price fluctuation	29,209	11,562	259
Interest, dividends, and other income	(690,493)	(698,484)	(6,127)
Losses (Gains) on securities	168,606	(529,202)	1,496
Interest expenses	6,288	3,368	55
Foreign exchange losses (gains)	29	94	0
Losses (Gains) on tangible fixed assets	3,523	2,032	31
Investment losses (gains) on equity method	(1,920)	(2,005)	(17)
Decrease (Increase) in due from agents	49	(3)	0
Decrease (Increase) in reinsurance receivables	(173)	2,227	(1)
Decrease (Increase) in other assets (excluding those related to investing and financing activities)	(89,689)	(41,561)	(795)
Increase (Decrease) in due to agents	8	(8)	0
Increase (Decrease) in reinsurance payables	28	(2,225)	0
Increase (Decrease) in other liabilities (excluding those related to investing and financing activities)	(53,926)	79,426	(478)
Others, net	24,571	(3,889)	218
Subtotal	593,820	169,530	5,269
Interest, dividends, and other income received	738,937	740,485	6,557
Interest paid	(3,283)	(3,328)	(29)
Policyholders' dividends paid	(192,857)	(175,209)	(1,711)
Income taxes paid	(123,357)	(150,147)	(1,094)
Net cash provided by operating activities	1,013,259	581,329	8,992
II Cash flows from investing activities			
Net decrease (increase) in deposits	(9,985)	(5,427)	(88)
Purchase of monetary claims bought	(19,800)	(21,500)	(175)
Proceeds from sales and redemption of monetary claims bought	26,155	25,777	232
Purchase of securities	(2,485,561)	(3,365,610)	(22,058)
Proceeds from sales and redemption of securities	1,762,429	3,295,992	15,641
Loans extended	(1,009,828)	(1,061,804)	(8,961)
Proceeds from collection of loans	1,110,671	1,145,247	9,856
Net increase (decrease) in cash collateral under securities borrowing / lending transactions	(113,710)	(447,111)	(1,009)
Total investment activities (IIa)	(739,629)	(434,434)	(6,563)
[I + IIa]	273,630	146,895	2,428
Purchase of tangible fixed assets	(11,852)	(15,281)	(105)
Proceeds from sales of tangible fixed assets	15,702	11,764	139
Purchase of intangible fixed assets	(22,397)	(18,509)	(198)
Acquisition of stock of subsidiaries with change in scope of consolidation (Note 26)	(531,629)	—	(4,718)
Others, net	(2,627)	(1,249)	(23)
Net cash used in investing activities	(1,292,434)	(457,710)	(11,469)
III Cash flows from financing activities			
Proceeds from debt	150	663	1
Repayments of debt	(150)	(891)	(1)
Proceeds from issuance of bonds payable	235,514	—	2,090
Proceeds from issuance of foundation funds	—	60,000	—
Redemption of foundation funds	—	(60,000)	—
Payment of interest on foundation funds	(2,101)	(2,572)	(18)
Acquisition of stock of subsidiaries without change in scope of consolidation	(395)	—	(3)
Others, net	(294)	(255)	(2)
Net cash provided by (used in) financing activities	232,722	(3,056)	2,065
IV Effect of foreign exchange rate changes on cash and cash equivalents	(45)	2,196	(0)
V Net increase (decrease) in cash and cash equivalents	(46,497)	122,759	(412)
VI Cash and cash equivalents at the beginning of the year	579,044	456,284	5,138
VII Cash and cash equivalents at the end of the year (Note 3)	¥ 532,547	¥ 579,044	$ 4,726

Notes to the Consolidated Financial Statements

Meiji Yasuda Life Insurance Company and Consolidated Subsidiaries

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 March 31, 2016, which was ¥112.68 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 7 and 17 as of March 31, 2015 and 2016, respectively. The consolidated subsidiaries as of March 31, 2016 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.)
StanCorp Financial Group, Inc. (U.S.A.)
Meiji Yasuda Realty USA Incorporated (U.S.A.)

StanCorp Financial Group, Inc. and its nine subsidiaries have been included in consolidation from the year ended March 31, 2016.

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, 2015 and 2016 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 12 and 12 as of March 31, 2015 and 2016, respectively. The affiliates accounted for by the equity method as of March 31, 2016 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)

One affiliate of StanCorp Financial Group, Inc. and one affiliate of Thai Life Insurance Public Company Limited have been included as affiliates from the year ended March 31, 2016.

Two affiliates of TU Europa S.A. have been excluded from the scope of the equity method as of March 31, 2016, due to their decreased importance.

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. However, for certain overseas consolidated subsidiaries, financial statements as of March 7 (U.S. local time), the date of business combination, is used to prepare 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 of the Company 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 risk related to foreign currency denominated loans and bonds payable; 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 (excluding leased 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

Tangible fixed assets owned by the Company's overseas consolidated subsidiaries are depreciated by mainly using the straight-line method.

Leased assets related to finance leases that do not transfer ownership to the lessees are depreciated by using the straight-line method, with the lease period being considered as useful lives of assets and residual value being set at zero.

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) Intangible fixed assets

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). Intangible fixed assets owned by certain overseas consolidated subsidiaries are amortized based on the each country's accounting standard, such as U.S. GAAP.

(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, 2015 and 2016 amounted to ¥50 million and ¥46 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.

The policy reserves also include reserves which are additionally set aside 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.

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

(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 consolidated insurance subsidiary is calculated pursuant to Article 115 of the "Insurance Business Act".

(13) Revenue recognition

Insurance premiums of the Company 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.

Insurance premiums of certain overseas consolidated subsidiaries are recognized based on the each country's accounting standard, such as U.S. GAAP.

(14) Policy acquisition costs

Policy acquisition costs of the Company are expensed when incurred.

Policy acquisition costs of certain overseas consolidated subsidiaries are calculated based on the each country's accounting standard, such as U.S. GAAP.

(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. Assets, liabilities, revenues and expenses of the Company's overseas consolidated subsidiaries are translated into Japanese yen at the exchange rate at the end of their fiscal year, and translation adjustments are included in "foreign currency translation adjustments" in the net assets section of the consolidated balance sheets.

(17) New accounting standards

a. 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 and, as well, ordinary profit and surplus before income taxes and non-controlling interests decreased by ¥806 million for the year ended March 31, 2015.

b. “Revised Accounting Standard for Business Combinations” (ASBJ Statement No. 21, September 13, 2013; hereafter the “Business Combinations Accounting Standard”), “Revised Accounting Standard for Consolidated Financial Statements” (ASBJ Statement No. 22, September 13, 2013; hereafter the “Consolidation Accounting Standard”), and “Revised Accounting Standard for Business Divestitures” (ASBJ Statement No. 7, September 13, 2013; hereafter the “Business Divestitures Accounting Standard”) have been applied from the beginning of the year ended March 31, 2016. Accordingly, the accounting method has been changed that the difference associated with changes in equity in subsidiaries remaining under the control of the Company 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 the beginning of the year ended March 31, 2016, 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 year containing the date of the business combinations. In addition, the presentation method of net surplus was changed as well as the name was changed from “minority interests” to “non-controlling interests”.

In the consolidated statements of cash flows for the year ended March 31, 2016, cash flows from the acquisition or sales of stock of subsidiaries without changes in scope of consolidation is stated in cash flows from financing activities. Cash flows related to the cost of acquisition of stock of subsidiaries with changes in scope of consolidation or cost of the acquisition or sales of stock of subsidiaries without changes in scope of consolidation is stated in cash flows from operating activities.

With respect to application of the Accounting Standards regarding business combinations, the transitional treatments as 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 the beginning of the year ended March 31, 2016.

As a result, ordinary profit and surplus before income taxes and non-controlling interests decreased by ¥3,256 million (U.S. $28 million) for the year ended March 31, 2016 and, as well, surplus at the end of the year decreased by ¥3,259 million (U.S. $28 million).

The previous year’s presentation has been revised to conform to the current year’s presentation.

3. Cash and Cash Equivalents

The components of cash and cash equivalents in the consolidated statements of cash flows as of March 31, 2015 and 2016 were as follows:

	Millions of Yen		Millions of U.S. Dollars
As of March 31,	2016	2015	2016
Cash and deposits	¥442,303	¥210,945	$3,925
Call loans	90,000	368,000	798
Securities	243	99	2
Cash and cash equivalents	¥532,547	¥579,044	$4,726

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 and investment trusts. Loans primarily consist of loans to domestic corporate borrowers. Securities held by certain overseas consolidated subsidiaries primarily consist of bonds, and loans primarily consist of loans to overseas borrowers.

The use of derivatives is, in principle, limited to hedging activities as a primary method of hedging against invested asset risk, insurance liability risk and bonds payable 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 risk related to foreign currency denominated loans and bonds payable; and

-the deferred hedge accounting using interest rate swaps to hedge against interest rate fluctuation risk related to insurance liabilities.

Securities held by the Company and certain overseas consolidated subsidiaries 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.

Some of the loans payable and bonds payable of the Company and certain overseas consolidated subsidiaries which are floating interest rate-based and denominated in foreign currencies are exposed to interest rate fluctuation risk and exchange rate fluctuation risk.

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 small-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:

	Millions of Yen						Millions of U.S. Dollars		
As of March 31,	2016			2015			2016		
	Balance sheet amount	Fair value	Difference	Balance sheet amount	Fair value	Difference	Balance sheet amount	Fair value	Difference
Cash and deposits	¥ 481,381	¥ 481,381	¥ —	¥ 240,038	¥ 240,038	¥ —	$ 4,272	$ 4,272	$ —
Available-for-sale securities (CDs)	23,998	23,998	—	6,000	6,000	—	212	212	—
Monetary claims bought	223,659	241,204	17,545	229,523	241,833	12,309	1,984	2,140	155
Held-to-maturity debt securities	195,380	212,925	17,545	200,223	212,532	12,309	1,733	1,889	155
Available-for-sale securities	28,278	28,278	—	29,300	29,300	—	250	250	—
Securities	29,864,488	32,493,864	2,629,375	28,377,942	29,665,018	1,287,075	265,038	288,372	23,334
Trading securities	1,526,261	1,526,261	—	808,800	808,800	—	13,545	13,545	—
Held-to-maturity debt securities	4,680,863	5,654,681	973,818	5,066,536	5,702,545	636,008	41,541	50,183	8,642
Policy-reserve-matching bonds	7,162,085	8,817,642	1,655,556	6,820,691	7,471,758	651,066	63,561	78,253	14,692
Available-for-sale securities	16,495,277	16,495,277	—	15,681,913	15,681,913	—	146,390	146,390	—
Loans	5,634,123	5,963,967	329,844	5,076,391	5,357,002	280,610	50,001	52,928	2,927
Policy loans	278,719	278,719	—	293,365	293,365	—	2,473	2,473	—
Industrial and consumer loans	5,355,403	5,685,247	329,844	4,783,026	5,063,637	280,610	47,527	50,454	2,927
Allowance for possible loan losses(*1)	(3,955)	—	—	(3,066)	—	—	(35)	—	—
	5,630,168	5,963,967	333,799	5,073,325	5,357,002	283,677	49,965	52,928	2,962
Bonds payable	293,445	325,435	31,990	—	—	—	2,604	2,888	283
Payables under securities borrowing transactions	—	—	—	220,000	220,000	—	—	—	—
Loans payable	100,000	100,000	—	100,000	100,000	—	887	887	—
Derivative financial instruments(*2)	143,564	143,564	—	(44,171)	(44,171)	—	1,274	1,274	—
Hedge accounting is not applied	492	492	—	(27)	(27)	—	4	4	—
Hedge accounting is applied	143,071	143,071	—	(44,143)	(44,143)	—	1,269	1,269	—

(*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.

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 ¥878,954 million and ¥760,003 million (U.S. $6,744 million) as of March 31, 2015 and 2016, respectively. Impairment losses on the unlisted stocks and others were ¥254 million and ¥98 million (U.S. $0 million) for the years ended March 31, 2015 and 2016, 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 of the Company 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
Bonds payable
The fair value of bonds payable is stated at the market price at the balance sheet date, or based on data provided by pricing vendors.

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 and bonds payable, their fair value is included in the fair value of hedged loans and bonds payable 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 ¥25,474 million and ¥(59,656) million (U.S. $(529) million) for the years ended March 31, 2015 and 2016, respectively.

Held-to-maturity debt securities
No held-to-maturity debt securities were sold during the year ended March 31, 2015, and disposition of held-to-maturity debt securities due to considerable deterioration of the issuer's credit standing amounted to ¥4,650 million (U.S. $41 million) resulting in total losses on sales of ¥350 million (U.S. $3 million) for the year ended March 31, 2016. 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.

	Millions of Yen						Millions of U.S. Dollars		
As of March 31,	2016			2015			2016		
	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	¥3,907,176	¥4,778,510	¥871,334	¥4,221,779	¥4,792,775	¥570,996	$34,674	$42,407	$7,732
2) Corporate bonds	654,758	750,528	95,769	702,235	762,947	60,711	5,810	6,660	849
3) Others	298,768	323,721	24,953	288,025	305,450	17,425	2,651	2,872	221
Total	4,860,703	5,852,760	992,056	5,212,040	5,861,173	649,132	43,137	51,941	8,804
Securities whose fair value does not exceed the balance sheet amount									
1) National & local government bonds	621	618	(3)	1,864	1,848	(16)	5	5	(0)
2) Corporate bonds	—	—	—	12,952	12,836	(116)	—	—	—
3) Others	14,918	14,228	(689)	39,901	39,219	(682)	132	126	(6)
Total	15,540	14,847	(693)	54,718	53,904	(814)	137	131	(6)

Note: 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. No policy-reserve-matching bonds were sold during the years ended March 31, 2015 and 2016.

	Millions of Yen						Millions of U.S. Dollars		
As of March 31,	2016			2015			2016		
	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	¥7,123,476	¥8,775,028	¥1,651,552	¥6,809,524	¥7,459,007	¥649,482	$63,218	$77,875	$14,657
2) Corporate bonds	37,709	41,721	4,011	11,167	12,751	1,584	334	370	35
3) Others	—	—	—	—	—	—	—	—	—
Total	7,161,185	8,816,749	1,655,563	6,820,691	7,471,758	651,066	63,553	78,245	14,692
Securities whose fair value does not exceed the balance sheet amount									
1) National & local government bonds	—	—	—	—	—	—	—	—	—
2) Corporate bonds	900	892	(7)	—	—	—	7	7	(0)
3) Others	—	—	—	—	—	—	—	—	—
Total	900	892	(7)	—	—	—	7	7	(0)

Available-for-sale securities

Disposition of available-for-sale securities amounted to ¥1,477,320 million and ¥106,957 million (U.S. $949 million) resulting in total gains on sales of ¥186,293 million and ¥8,505 million (U.S. $75 million) and total losses of ¥365 million and ¥1,617 million (U.S. $14 million) for the years ended March 31, 2015 and 2016, 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.

	Millions of Yen						Millions of U.S. Dollars		
As of March 31,	2016			2015			2016		
	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	¥ 1,515,661	¥ 3,317,853	¥1,802,192	¥ 1,568,781	¥ 3,993,134	¥2,424,352	$13,451	$ 29,444	$15,993
(2) Bonds	4,791,138	5,333,851	542,712	4,423,060	4,817,078	394,017	42,519	47,336	4,816
1) National & local government bonds	3,538,179	3,994,223	456,043	3,457,542	3,787,413	329,870	31,400	35,447	4,047
2) Corporate bonds	1,252,958	1,339,628	86,669	965,518	1,029,665	64,147	11,119	11,888	769
(3) Others	4,239,269	5,146,013	906,743	4,767,088	5,948,790	1,181,701	37,622	45,669	8,047
Total	10,546,069	13,797,718	3,251,649	10,758,931	14,759,003	4,000,072	93,593	122,450	28,857
Securities whose balance sheet amount does not exceed the acquisition or amortized costs									
(1) Domestic stocks	135,757	121,378	(14,378)	84,775	77,658	(7,117)	1,204	1,077	(127)
(2) Bonds	30,517	29,776	(741)	61,680	60,933	(746)	270	264	(6)
1) National & local government bonds	550	550	(0)	31,904	31,676	(227)	4	4	(0)
2) Corporate bonds	29,967	29,226	(741)	29,775	29,256	(518)	265	259	(6)
(3) Others	2,656,942	2,598,682	(58,260)	829,206	819,808	(9,397)	23,579	23,062	(517)
Total	2,823,217	2,749,836	(73,380)	975,661	958,399	(17,261)	25,055	24,403	(651)

Note: 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 ¥46 million and ¥8,358 million (U.S. $74 million) for the years ended March 31, 2015 and 2016, respectively.

c. Maturity analysis of monetary claims and securities with maturities

As of March 31,	Millions of Yen 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
Deposits	¥ 239,805	¥ —	¥ —	¥ —	¥ —	¥ —
Monetary claims bought	—	—	—	—	—	229,523
Loans*	516,245	975,185	759,328	482,999	718,850	1,329,301
Securities						
Held-to-maturity debt securities	341,727	201,812	336,574	374,435	591,132	3,219,663
Policy-reserve-matching bonds	—	—	10,397	101,336	196,296	6,512,661
Available-for-sale securities with maturities	144,144	695,854	1,474,531	2,660,504	1,851,302	4,389,059
Total	1,241,923	1,872,851	2,580,831	3,619,276	3,357,581	15,680,208

As of March 31,	Millions of Yen 2016 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	Millions of U.S. Dollars 2016 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	¥ 481,171	¥ —	¥ —	¥ —	¥ —	¥ —	$ 4,270	$ —	$ —	$ —	$ —	$ —
Monetary claims bought	—	—	—	—	—	223,659	—	—	—	—	—	1,984
Loans*	581,335	928,243	592,073	571,511	791,828	1,888,797	5,159	8,237	5,254	5,071	7,027	16,762
Securities												
Held-to-maturity debt securities	70,578	292,108	353,517	371,596	768,374	2,823,265	626	2,592	3,137	3,297	6,819	25,055
Policy-reserve-matching bonds	—	—	46,663	226,053	109,673	6,779,695	—	—	414	2,006	973	60,167
Available-for-sale securities with maturities	334,983	1,298,700	1,778,995	3,228,125	1,435,037	4,352,303	2,972	11,525	15,788	28,648	12,735	38,625
Total	1,468,069	2,519,052	2,771,249	4,397,287	3,104,914	16,067,720	13,028	22,355	24,593	39,024	27,555	142,596

* Bankruptcy and reorganization claims, which are expected to be unrecoverable, are not included in this table, and they are ¥231 million and ¥1,220 million (U.S. $10 million) as of March 31, 2015 and 2016, respectively.
* Policy loans are not included because they have no defined maturity dates.

d. Maturity analysis of payable under securities borrowing transactions, bonds and loans payable

As of March 31,	Millions of Yen 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
Payable under securities borrowing transactions	¥220,000	¥—	¥—	¥ —	¥—	¥—
Loans payable	—	—	—	100,000	—	—
Total	220,000	—	—	100,000	—	—

As of March 31,	Millions of Yen 2016 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	Millions of U.S. Dollars 2016 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
Bonds payable	¥ —	¥—	¥—	¥29,543	¥—	¥263,901	$ —	$—	$—	$262	$—	$2,342
Loans payable*	100,000	—	—	—	—	—	887	—	—	—	—	—
Total	100,000	—	—	29,543	—	263,901	887	—	—	262	—	2,342

* Loans payable are included in “Within 1 year”, due to the repayment of ¥100,000 million in April 2016, prior to their maturity.

e. Fair values of derivative transactions

Hedge accounting not applied

i) Interest-rate related

As of March 31,	Millions of Yen 2015 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
Total				10

As of March 31,	Millions of Yen 2016 Notional amount/ contract value (A)	Over 1 year included in (A)	Fair value	Net gains (losses)	Millions of U.S. Dollars 2016 Notional amount/ contract value (A)	Over 1 year included in (A)	Fair value	Net gains (losses)
Interest rate swaps								
Receipts fixed, payments floating	¥ 100	¥100	¥(0)	¥(0)	$ 0	$0	$(0)	$(0)
Receipts floating, payments fixed	2,347	949	(1)	(1)	20	8	(0)	(0)
Total				(2)				(0)

Note: Net gains (losses) represent the fair values.

ii) Currency-related

As of March 31,	Millions of Yen 2015 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)
(Australian dollar)	888	—	3	3
(U.S. dollar)	8,654	—	(53)	(53)
(Euro)	977	—	7	7
(Canadian dollar)	672	—	(1)	(1)
(Others)	373	—	(1)	(1)
Bought	11,641	—	30	30
(U.S. dollar)	8,933	—	44	44
(Euro)	1,428	—	(13)	(13)
(Canadian dollar)	567	—	1	1
(Others)	711	—	(1)	(1)
Total				(16)

As of March 31,	Millions of Yen 2016 Notional amount/ contract value (A)	Over 1 year included in (A)	Fair value	Net gains (losses)	Millions of U.S. Dollars 2016 Notional amount/ contract value (A)	Over 1 year included in (A)	Fair value	Net gains (losses)
Foreign currency forward contracts								
Sold	¥12,946	¥—	¥(103)	¥(103)	$114	$—	$ (0)	$ (0)
(Australian dollar)	12,226	—	(105)	(105)	108	—	(0)	(0)
(U.S. dollar)	519	—	3	3	4	—	0	0
(Euro)	169	—	(1)	(1)	1	—	(0)	(0)
(Canadian dollar)	—	—	—	—	—	—	—	—
(Others)	32	—	0	0	0	—	0	0
Bought	5,339	—	39	39	47	—	0	0
(U.S. dollar)	3,572	—	(7)	(7)	31	—	(0)	(0)
(Euro)	1,641	—	46	46	14	—	0	0
(Canadian dollar)	7	—	0	0	0	—	0	0
(Others)	117	—	0	0	1	—	0	0
Total				(63)				(0)

Note: Net gains (losses) represent the fair values.

iii) Stock-related

As of March 31,	Millions of Yen 2015			
	Notional amount/ contract value (A)	Over 1 year included in (A)	Fair value	Net gains (losses)
Exchange-traded transactions				
Yen Stock index futures				
Sold	¥ —	¥—	¥ —	¥ —
Bought	1,059	—	(25)	(25)
Foreign currency-denominated stock index futures				
Bought	1,681	—	3	3
Total				(21)

As of March 31,	Millions of Yen 2016				Millions of U.S. Dollars 2016			
	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								
Sold	¥ 274	¥—	¥ 4	¥ 4	$ 2	$—	$0	$0
Bought	1,824	—	21	21	16	—	0	0
Foreign currency-denominated stock index futures								
Bought	2,332	—	17	17	20	—	0	0
Exchange-traded transactions								
Stock index options								
Bought								
Call	53,254	—			472	—		
	[1,063]		515	(548)	[9]		4	(4)
Total				(505)				(4)

Notes: Option fees are shown in [ ].
Net gains (losses) represent the fair values for futures trading, and the difference between the option fees and the fair values for option transactions.

iv) Bond-related

No ending balance as of March 31, 2015 and 2016.

Hedge accounting applied

i) Interest-rate related

As of March 31,	Millions of Yen 2015			
	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	¥234,100	¥234,100	¥31,576
Special hedge accounting				
Interest rate swaps				
Receipts fixed, payments floating	Loans	46,251	31,141	1,237
Total				32,813

As of March 31,	Main hedged items	Millions of Yen 2016 Notional amount/ contract value (A)	Over 1 year included in (A)	Fair value	Millions of U.S. Dollars 2016 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**	**¥233,900**	**¥233,900**	**¥59,067**	**$2,075**	**$2,075**	**$524**
Receipts floating, payments fixed	**Bonds payable**	**28,754**	**28,754**	**(4,825)**	**255**	**255**	**(42)**
Fair value hedge accounting							
Interest rate swaps							
Receipts floating, payments fixed	**Securities (Bonds)**	**37,221**	**37,221**	**574**	**330**	**330**	**5**
Special hedge accounting							
Interest rate swaps							
Receipts fixed, payments floating	**Loans**	**28,948**	**18,948**	**922**	**256**	**168**	**8**
Total				**55,738**			**494**

ii) Currency-related

As of March 31,	Main hedged items	Millions of Yen 2015 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)
(U.S. dollar)		2,010,069	—	(89,973)
(Euro)		196,339	—	10,404
(Australian dollar)		148,347	—	8,649
Deferred hedge accounting				
Cross currency swaps				
(Euro)	Foreign-currency-denominated bonds	35,575	35,575	(4,800)
(Australian dollar)		—	—	—
Total				(75,719)

As of March 31,	Main hedged items	Millions of Yen 2016 Notional amount/ contract value (A)	Over 1 year included in (A)	Fair value	Millions of U.S. Dollars 2016 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**	**¥2,123,031**	**¥ —**	**¥89,473**	**$18,841**	**$ —**	**$794**
(U.S. dollar)		**1,808,792**	**—**	**86,840**	**16,052**	**—**	**770**
(Euro)		**182,880**	**—**	**1,773**	**1,623**	**—**	**15**
(Australian dollar)		**131,358**	**—**	**859**	**1,165**	**—**	**7**
Deferred hedge accounting							
Cross currency swaps							
(Euro)	**Foreign-currency-denominated bonds**	**35,575**	**35,575**	**(1,307)**	**315**	**315**	**(11)**
(Australian dollar)		**4,305**	**4,305**	**89**	**38**	**38**	**0**
Total				**88,255**			**783**

Note: 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, 2015 and 2016.
iv) Bond-related
No ending balance as of March 31, 2015 and 2016.

5. Securities Lending

Securities loaned under security lending agreements, including securities under securities borrowing transactions, amounted to ¥1,623,208 million and ¥1,440,683 million (U.S. $12,785 million) as of March 31, 2015 and 2016, respectively.

6. Securities Borrowed

Assets that can be sold or resecured are marketable securities borrowed under borrowing agreements. These assets were held without disposal totaling ¥12,076 million (U.S. $107 million) at fair value as of March 31, 2016.

7. Pledged Assets

Assets pledged as collateral were cash and deposits in the amount of none and ¥6,261 million (U.S. $55 million), securities in the amount of ¥4,586 million and ¥5,096 million (U.S. $45 million), and loans in the amount of none and ¥40,311 million (U.S. $357 million) as of March 31, 2015 and 2016, respectively.

8. Equity Securities issued by Unconsolidated Subsidiaries and Affiliates

The total amounts of equity securities issued by unconsolidated subsidiaries and affiliates were ¥188,734 million and ¥175,014 million (U.S. $1,553 million) as of March 31, 2015 and 2016, respectively.

9. 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 ¥19,825 million and ¥29,840 million (U.S. $264 million) as of March 31, 2015 and 2016, respectively.

There were no loans to bankrupt borrowers, and none as of March 31, 2015 and 2016. The aggregate amounts of loans in arrears were ¥2,630 million and ¥3,985 million (U.S. $35 million) as of March 31, 2015 and 2016, respectively.

The amounts of loans deemed uncollectible and directly deducted from the loans in the consolidated balance sheets as of March 31, 2015 and 2016 were ¥44 million and ¥44 million (U.S. $0 million), respectively, for loans to bankrupt borrowers, and ¥5 million and ¥1 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, 2015. The amounts of loans in arrears for three months or longer were ¥125 million (U.S. $1 million) as of March 31, 2016.

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 ¥17,195 million and ¥25,728 million (U.S. $228 million) as of March 31, 2015 and 2016, 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.

10. Loan Commitments

The amounts of loan commitments outstanding were ¥24,386 million and ¥45,588 million (U.S. $404 million) as of March 31, 2015 and 2016, respectively.

11. Fair Values of Investment and Rental Property

The carrying amounts of investment and rental properties were ¥592,183 million and ¥582,778 million (U.S. $5,171 million), and their fair values were ¥647,046 million and ¥669,136 million (U.S. $5,938 million) as of March 31, 2015 and 2016, 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.

12. Accumulated Depreciation

Accumulated depreciation of tangible fixed assets amounted to ¥407,166 million and ¥409,136 million (U.S. $3,630 million) as of March 31, 2015 and 2016, respectively.

13. 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, 2015 and 2016, 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, 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, 2016

Asset group	Number of properties impaired	Millions of Yen		
		Land	Buildings	Total
Real estate for non-insurance business	**0**	**¥ —**	**¥ —**	**¥ —**
Idle assets	**41**	**1,518**	**2,282**	**3,800**
Total	**41**	**¥1,518**	**¥2,282**	**¥3,800**

For the year ended March 31, 2016

Asset group	Millions of U.S. Dollars Land	Buildings	Total
Real estate for non-insurance business	$—	$—	$—
Idle assets	13	20	33
Total	$13	$20	$33

(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 2.09% and 2.03% for the years ended March 31, 2015 and 2016, respectively. Net realizable value is calculated based on the appraisal value with reference to “Real Estate Appraisal Standards” or the publicly announced appraisal value.

14. 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.

Certain overseas consolidated subsidiaries have defined benefit plans and 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 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, 2015 and 2016 were as follows:

Years ended March 31,	2016	2015
Method of attributing benefit to period of service	**Benefit formula 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, 2015 and 2016 were as follows:

	Millions of Yen		Millions of U.S. Dollars
Years ended March 31,	2016	2015	2016
Balance at the beginning of the fiscal year	**¥317,110**	¥356,916	**$2,814**
Service costs	**11,225**	11,448	**99**
Interest cost on retirement benefit obligations	**2,935**	3,083	**26**
Actuarial losses (gains) recognized	**2,079**	4,320	**18**
Benefits paid	**(26,236)**	(27,501)	**(232)**
Past service costs incurred	**—**	(4,139)	**—**
Increase due to new consolidation	**66,546**	—	**590**
Others	**42**	(27,018)	**0**
Balance at the end of the fiscal year	**¥373,704**	¥317,110	**$3,316**

c. Changes in the plan assets for the years ended March 31, 2015 and 2016 were as follows:

	Millions of Yen		Millions of U.S. Dollars
Years ended March 31,	2016	2015	2016
Balance at the beginning of the fiscal year	**¥390,372**	¥362,538	**$3,464**
Expected return on plan assets	**3,433**	3,391	**30**
Actuarial gains (losses) recognized	**(50,245)**	49,182	**(445)**
Contributions by employer	**9,798**	10,194	**86**
Benefits paid	**(10,122)**	(10,732)	**(89)**
Increase due to new consolidation	**55,280**	—	**490**
Others	**38**	(24,201)	**0**
Balance at the end of the fiscal year	**¥398,554**	¥390,372	**$3,537**

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, 2015 and 2016 were determined as follows:

	Millions of Yen		Millions of U.S. Dollars
As of March 31,	2016	2015	2016
Present value of funded retirement benefit obligations	**¥365,218**	¥315,093	**$3,241**
Plan assets at fair value	**(398,554)**	(390,372)	**(3,537)**
Net present value of funded retirement benefit obligations	**(33,336)**	(75,278)	**(295)**
Present value of non-funded retirement benefit obligations	**8,486**	2,017	**75**
Net balance on the consolidated balance sheet	**(24,850)**	(73,261)	**(220)**
Consists of:			
Defined benefit liabilities	**12,447**	1,084	**110**
Defined benefit assets	**(37,298)**	(74,345)	**(331)**

e. The amounts recognized in retirement benefit expenses in the consolidated statements of income for the years ended March 31, 2015 and 2016 were as follows:

	Millions of Yen		Millions of U.S. Dollars
Years ended March 31,	2016	2015	2016
Service costs	¥11,225	¥11,448	$ 99
Interest cost on retirement benefit obligations	2,935	3,083	26
Expected return on plan assets	(3,433)	(3,391)	(30)
Amortization of net actuarial losses (gains)	40,288	10,864	357
Amortization of net past service costs	(860)	(776)	(7)
Others	74	1,683	0
Retirement benefit expenses	¥50,229	¥22,913	$445

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 years ended March 31, 2015 and 2016 were as follows:

	Millions of Yen		Millions of U.S. Dollars
Years ended March 31,	2016	2015	2016
Actuarial gains (losses)	¥(12,037)	¥60,559	$(106)
Past service costs	(860)	2,927	(7)
Total	¥(12,898)	¥63,486	$(114)

Major components of total accumulated other comprehensive income (before income tax effect adjustments) for the years ended March 31, 2015 and 2016 were as follows:

	Millions of Yen		Millions of U.S. Dollars
Years ended March 31,	2016	2015	2016
Unrecognized actuarial gains (losses)	¥(49,751)	¥(37,713)	$(441)
Unrecognized past service costs	5,129	5,989	45
Total	¥(44,622)	¥(31,723)	$(396)

g. Plan assets

Plan assets as of March 31, 2015 and 2016 were comprised as follows:

	% of total fair value of plan assets	
As of March 31,	2016	2015
Debt securities	8.1%	8.3%
Stocks	33.4%	47.3%
General account of life insurance companies	31.9%	25.1%
Jointly invested assets	22.6%	17.0%
Cash and deposits	0.7%	1.1%
Others	3.3%	1.2%
Total	100.0%	100.0%

Plan assets include the retirement benefit trusts. The amounts of the retirement benefit trusts were 57.1% and 44.0% of total plan assets as of March 31, 2015 and 2016, 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, 2015 and 2016 were as follows:

Years ended March 31,	2016	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 amounts recognized as expenses for the defined contribution pension plans were ¥900 million and ¥1,147 million (U.S. $10 million) for the years ended March 31, 2015 and 2016, respectively.

15. Deferred Taxes

(1) Deferred tax assets/liabilities were recognized as follows:

	Millions of Yen		Millions of U.S. Dollars
As of March 31,	2016	2015	2016
Deferred tax assets	¥ 700,506	¥ 650,205	$6,216
Valuation allowance for deferred tax assets	(6,055)	(6,417)	(53)
Subtotal	694,451	643,787	6,163
Deferred tax liabilities	(1,021,373)	(1,146,543)	(9,064)
Net deferred tax assets (liabilities)	(326,921)	(502,755)	(2,901)

Major components of deferred tax assets/liabilities were as follows:

	Millions of Yen		Millions of U.S. Dollars
As of March 31,	2016	2015	2016
Deferred tax assets			
Policy reserves and other reserves	¥433,251	¥ 424,852	$3,844
Reserve for price fluctuation	145,892	141,866	1,294
Deferred tax liabilities:			
Net unrealized gains on available-for-sale securities	863,417	1,106,381	7,662

(2) The statutory tax rates were 30.73% and 28.80% for the years ended March 31, 2015 and 2016, 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,	2016	2015
Policyholders' dividend reserves	(17.59)%	(15.19)%
Effects of changes in the income tax rate	7.25%	11.81%

(3) 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, deferred tax liabilities for land revaluation in the consolidated balance sheet decreased by ¥5,754 million, and deferred portion of income taxes of the Company in the consolidated statement of income increased by ¥43,023 million.

(4) From the end of the year ended March 31, 2016, the statutory tax rates of the Company which are used to measure deferred tax assets and liabilities were changed from 28.80% to 28.20% for the year ended March 31, 2017 and 2018, and to 27.96% for the year ended March 31, 2019 or later in accordance with the "Act for Partial Revision of the Income Tax Act" (Act No. 15 in 2016).

Due to this change, as of March 31, 2016, deferred tax liabilities of the Company in the consolidated balance sheet decreased by ¥8,234 million (U.S. $73 million), deferred tax liabilities for land revaluation in the consolidated balance sheet decreased by ¥2,467 million (U.S. $21 million), and deferred portion of income taxes of the Company in the consolidated statement of income increased by ¥18,968 million (U.S. $168 million).

16. Policyholders' Dividend Reserves

Changes in policyholders' dividend reserves for the years ended March 31, 2015 and 2016 were as follows:

	Millions of Yen		Millions of U.S. Dollars
Years ended March 31,	2016	2015	2016
Balance at the beginning of the fiscal year	¥253,414	¥ 270,023	$2,248
Transfer from surplus in the previous fiscal year	180,044	158,094	1,597
Dividend payments to policyholders during the fiscal year	(192,857)	(175,209)	(1,711)
Interest accrued during the fiscal year	300	506	2
Balance at the end of the fiscal year	¥240,902	¥ 253,414	$2,137

17. Subordinated Bonds

As of March 31, 2016, bonds payable in liabilities included foreign currency-denominated subordinated bonds of ¥263,901 million (U.S. $2,342 million), and the repayments of which are subordinated to other obligations.

18. Subordinated Debts

As of March 31, 2015 and 2016, other liabilities included subordinated debts of ¥100,000 million and ¥100,000 million (U.S. $887 million), respectively, and the repayments of which are subordinated to other obligations.

In April 2016, the Company made a repayment of the subordinated debts in the amount of ¥100,000 million, prior to their maturity.

19. 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.

20. 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".

21. 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 as of March 31, 2015.

The Company offered foundation funds in the amount of ¥60,000 million pursuant to Article 60 of the "Insurance Business Act" in the year ended March 31, 2015.

22. Separate Accounts

The total amounts of assets held in separate accounts defined in Article 118, Paragraph 1 of the "Insurance Business Act" were ¥864,990 million and ¥799,603 million (U.S. $7,096 million) as of March 31, 2015 and 2016, respectively. The amounts of separate account liabilities were the same as these figures.

23. Contributions to the Life Insurance Policyholders Protection Corporation

The Company estimated future contributions to the Life Insurance Policyholders Protection Corporation in the amount of ¥52,814 million and ¥52,265 million (U.S. $463 million) as of March 31, 2015 and 2016, respectively, pursuant to Article 259 of the "Insurance Business Act".

These contributions are recognized as operating expenses when contributed.

24. 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.

25. 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, 2015 and 2016 were as follows:

	Millions of Yen		Millions of U.S. Dollars
Years ended March 31,	2016	2015	2016
Net unrealized gains on available-for-sale securities:			
Amount arising during the fiscal year	¥ (810,847)	¥1,657,722	$(7,196)
Reclassification adjustments	5,220	(184,502)	46
Before income tax effect adjustments	(805,626)	1,473,219	(7,149)
Income tax effects	258,820	(375,970)	2,296
Net unrealized gains on available-for-sale securities	(546,805)	1,097,249	(4,852)
Deferred unrealized gains (losses) on derivatives under hedge accounting:			
Amount arising during the fiscal year	¥ 34,773	¥22,901	$308
Reclassification adjustments	(3,106)	(2,961)	(27)
Before income tax effect adjustments	31,666	19,939	281
Income tax effects	(8,463)	(5,428)	(75)
Deferred unrealized gains (losses) on derivatives under hedge accounting	23,203	14,511	205
Land revaluation differences:			
Amount arising during the fiscal year	¥ —	¥ —	$—
Reclassification adjustments	—	—	—
Before income tax effect adjustments	—	—	—
Income tax effects	2,506	5,884	22
Land revaluation differences	2,506	5,884	22
Foreign currency translation adjustments:			
Amount arising during the fiscal year	¥ (36,574)	¥5,827	$(324)
Reclassification adjustments	—	—	—
Before income tax effect adjustments	(36,574)	5,827	(324)
Income tax effects	—	—	—
Foreign currency translation adjustments	(36,574)	5,827	(324)
Remeasurements of defined benefit plans:			
Amount arising during the fiscal year	¥ (47,115)	¥ 44,064	$(418)
Reclassification adjustments	34,217	19,355	303
Before income tax effect adjustments	(12,898)	63,419	(114)
Income tax effects	3,397	(20,284)	30
Remeasurements of defined benefit plans	(9,501)	43,135	(84)
Share of other comprehensive income of affiliates accounted for by the equity method:			
Amount arising during the year	¥ (13,388)	¥11,443	$ (118)
Reclassification adjustments	105	(13)	0
Share of other comprehensive income of affiliates accounted for by the equity method	(13,283)	11,430	(117)
Total other comprehensive income	¥ (580,454)	¥1,178,038	$(5,151)

26. Business Combination

(1) Overview of business combination

i) Name and business of the acquired company

Company name: StanCorp Financial Group, Inc.

Business: Life insurance and insurance related business*

*StanCorp Financial Group, Inc. is a holding company and its subsidiaries operate life insurance business and others.

ii) Purpose of the acquisition

Through expanding the scale and increasing the level of profits of overseas insurance business, the Company aims to enhance profits and diversify the business portfolio (disperse business risk) of the entire Group, and further improve value for policyholders.

iii) Date of business combination

March 7, 2016 (U.S. local time)

iv) Legal form of business combination

Acquisition through a reverse triangular merger in accordance with the U.S. laws regarding corporate reorganization

v) Name of the acquired company after business combination

StanCorp Financial Group, Inc.

vi) Acquired percentage of shareholdings after completion of the transaction

100%

vii) Controlling company

The Company holds more than a 50% stake in the acquired company and, therefore, the Company controls the decision-making body.

(2) Period of the acquired company's financial results included in the consolidated financial statements

The acquired company's financial results are not included in the consolidated financial statement of income for the year ended March 31, 2016, as the company used the consolidated statement as of the date of business combination.

(3) Breakdown of acquisition costs

Consideration of acquisition (cash)	¥599,410 million (U.S. $5,319 million)
Acquisition cost	¥599,410 million (U.S. $5,319 million)

(4) Primary component of other expenses associated with the acquisition

Advisory fees and others ¥3,256 million (U.S. $28 million)

(5) Goodwill

i) Amount of goodwill

¥158,679 million (U.S. $1,408 million)

ii) Reason to recognize goodwill

The acquisition cost, which was calculated by taking into account projections of the acquired company's future profit as of the valuation date, exceeded the net amounts of acquired assets and liabilities assumed.

iii) Amortization method and period

Amortized on the straight-line basis over 20 years

(6) The amount of acquired assets and liabilities assumed at the date of business combination

Total assets	¥2,938,535 million (U.S. $26,078 million)
Securities included above "Total assets"	¥1,694,223 million (U.S. $15,035 million)
Total liabilities	¥2,534,399 million (U.S. $22,492 million)
Policy reserves and others included above "Total liabilities"	¥2,309,724 million (U.S. $20,498 million)

(7) Proforma effect on consolidated financial results had the business combination been completed at the beginning of the year ended March 31, 2016

Ordinary income	¥350,058 million (U.S. $3,106 million)
Ordinary profit	¥27,670 million (U.S. $245 million)
Net surplus attributable to the Parent Company	¥17,454 million (U.S. $154 million)

The ordinary income, ordinary profit and net surplus attributable to the Parent Company are calculated based on the *Annual Report* (Form 10-K) which StanCorp Financial Group, Inc. submitted to the U.S. Securities and Exchange Commission for the year ended December 31, 2015. The goodwill recognized as of the date of business combination was deemed to be recognized at the beginning of the year ended March 31, 2016 and its amortization is included in the proforma financial results. The amortization amount of other intangible fixed assets recognized at the date of business combination is not included. These amount do not represent the actual figures, which were calculated assuming that the business combination was completed at the beginning of the year ended March 31, 2016.

This note is unaudited.

(8) Breakdown of assets and liabilities of newly consolidated subsidiaries as a result of the acquisition of shares

Associated with the consolidation of StanCorp Financial Group, Inc. as a result of the acquisition of shares, the breakdown of the assets and liabilities at the beginning of the consolidation, and the relationship between the acquisition price and net cash flow for the acquisition were as follows:

	Millions of Yen	Millions of U.S. Dollars
As of March 31,	2016	2016
Assets	¥2,938,535	$26,078
Securities included above "Assets"	1,694,223	15,035
Goodwill	158,679	1,408
Liabilities	(2,534,399)	(22,492)
Policy reserves and other reserves included above "Liabilities"	(2,309,724)	(20,498)
Foreign currency translation adjustments	36,595	324
Acquisition price of stock of subsidiaries	599,410	5,319
Cash and cash equivalents of subsidiaries	(67,780)	(601)
Net cash flow for the acquisition of stock of subsidiaries	¥ 531,629	$ 4,718

27. Subsequent Events

Appropriation of surplus

The proposed appropriation of surplus of the Company for the year ended March 31, 2016 was approved as planned at the annual meeting of the representatives of policyholders held on July 5, 2016.

Offering of foundation funds

During the annual meeting of representatives of policyholders held on July 5, 2016, a resolution was passed to partially amend the Articles of Incorporation in connection with an issuance of foundation funds of ¥100,000 million during the year ending March 31, 2017.

Independent Auditor's Report

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, 2015 and 2016, 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, 2015 and 2016, 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.

Convenience Translation

The U.S. dollar amounts in the accompanying non-consolidated financial statements with respect to the year ended March 31, 2016 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

KPMG AZSA LLC
July 29, 2016
Tokyo, Japan

Non-consolidated Balance Sheets

Meiji Yasuda Life Insurance Company

As of March 31,	Millions of Yen 2016	Millions of Yen 2015	Millions of U.S. Dollars 2016
ASSETS:			
Cash and deposits (Note 3)			
Cash	**¥ 205**	¥ 228	**$ 1**
Deposits	**321,220**	159,822	**2,850**
Subtotal	**321,425**	160,050	**2,852**
Call loans	**90,000**	368,000	**798**
Monetary claims bought (Note 3)	**223,659**	229,523	**1,984**
Securities (Notes 3, 4, 5, 6, and 7)			
National government bonds	**14,358,321**	14,116,333	**127,425**
Local government bonds	**697,305**	768,778	**6,188**
Corporate bonds	**2,069,524**	1,822,072	**18,366**
Domestic stocks	**3,713,046**	4,362,817	**32,952**
Foreign securities	**8,053,941**	7,553,114	**71,476**
Other securities	**643,840**	619,146	**5,713**
Subtotal	**29,535,980**	29,242,263	**262,122**
Loans (Notes 3, 8, and 9)			
Policy loans	**275,085**	289,921	**2,441**
Industrial and consumer loans	**4,674,782**	4,762,317	**41,487**
Subtotal	**4,949,867**	5,052,238	**43,928**
Tangible fixed assets (Notes 10, 11, 12, and 13)			
Land	**602,923**	613,832	**5,350**
Buildings	**284,975**	296,709	**2,529**
Construction in progress	**1,516**	6,045	**13**
Other tangible fixed assets	**3,330**	3,248	**29**
Subtotal	**892,746**	919,835	**7,922**
Intangible fixed assets			
Software	**41,631**	37,443	**369**
Other intangible fixed assets	**31,169**	26,274	**276**
Subtotal	**72,801**	63,717	**646**
Due from agents	**30**	33	**0**
Reinsurance receivables	**718**	506	**6**
Other assets			
Accounts receivable	**102,552**	93,162	**910**
Prepaid expenses	**5,110**	4,760	**45**
Accrued income	**100,105**	98,334	**888**
Money on deposit	**8,358**	8,261	**74**
Deposits for futures transactions	**2,812**	1,157	**24**
Margins on futures transactions	**—**	18	**—**
Derivative financial instruments (Note 3)	**152,102**	52,381	**1,349**
Cash collaterals pledged for financial instruments	**10,400**	43,110	**92**
Suspense	**2,306**	3,087	**20**
Other assets	**9,940**	8,232	**88**
Subtotal	**393,688**	312,506	**3,493**
Prepaid pension cost (Note 14)	**80,366**	104,534	**713**
Customers' liabilities under acceptances and guarantees	**20,854**	20,848	**185**
Allowance for possible loan losses	**(5,457)**	(5,034)	**(48)**
Total assets	**¥36,576,681**	¥36,469,024	**$324,606**

Non-consolidated Balance Sheets (continued)

Meiji Yasuda Life Insurance Company

As of March 31,	Millions of Yen 2016	Millions of Yen 2015	Millions of U.S. Dollars 2016
LIABILITIES:			
Policy reserves and other reserves			
Reserve for outstanding claims (Note 15)	**¥ 110,142**	¥ 108,483	**$ 977**
Policy reserves (Note 15)	**31,060,996**	30,164,629	**275,656**
Policyholders' dividend reserves (Note 16)	**240,902**	253,414	**2,137**
Subtotal	**31,412,041**	30,526,528	**278,772**
Reinsurance payables	**683**	635	**6**
Bonds payable (Notes 3 and 17)	**238,310**	—	**2,114**
Other liabilities			
Payables under securities borrowing transactions (Note 3)	**—**	220,000	**—**
Loans payable (Notes 3 and 18)	**100,000**	100,000	**887**
Income taxes payable	**—**	49,760	**—**
Accounts payable	**41,938**	62,975	**372**
Accrued expenses	**29,694**	28,129	**263**
Deferred income	**2,530**	2,450	**22**
Deposits received	**25,054**	25,038	**222**
Guarantee deposits received	**32,191**	32,541	**285**
Margins on futures transactions	**49**	3	**0**
Derivative financial instruments (Note 3)	**4,799**	96,553	**42**
Cash collaterals received for financial instruments	**93,450**	19,870	**829**
Asset retirement obligations	**3,097**	3,539	**27**
Suspense receipts	**14,648**	8,250	**129**
Subtotal	**347,455**	649,112	**3,083**
Accrued retirement benefits for directors and executive officers (Note 19)	**82**	92	**0**
Reserve for contingent liabilities (Note 20)	**1**	2	**0**
Reserve for price fluctuation	**521,677**	492,482	**4,629**
Deferred tax liabilities (Note 21)	**256,892**	513,117	**2,279**
Deferred tax liabilities for land revaluation	**82,137**	85,877	**728**
Acceptances and guarantees	**20,854**	20,848	**185**
Total liabilities	**32,880,138**	32,288,695	**291,801**
NET ASSETS:			
Foundation funds (Note 22)	**260,000**	260,000	**2,307**
Reserve for redemption of foundation funds (Note 22)	**470,000**	470,000	**4,171**
Reserve for revaluation	**452**	452	**4**
Surplus	**519,529**	481,603	**4,610**
Reserve for future losses	**9,883**	9,336	**87**
Other surplus	**509,646**	472,267	**4,522**
Reserve for fund redemption	**132,000**	80,000	**1,171**
Fund for price fluctuation allowance	**29,764**	29,764	**264**
Reserve for promotion of social welfare project	**48**	48	**0**
Reserve for business infrastructure	**100,000**	75,000	**887**
Reserve for reduction entry of real estate	**25,123**	23,859	**222**
Special reserves	**2,000**	2,000	**17**
Other reserves	**85**	85	**0**
Unappropriated surplus	**220,625**	261,509	**1,957**
Total funds, reserve and surplus	**1,249,982**	1,212,056	**11,093**
Net unrealized gains on available-for-sale securities	**2,288,005**	2,833,827	**20,305**
Deferred unrealized gains on derivatives under hedge accounting	**38,659**	15,456	**343**
Land revaluation differences	**119,894**	118,988	**1,064**
Total unrealized gains, revaluation reserves and adjustments	**2,446,559**	2,968,272	**21,712**
Total net assets	**3,696,542**	4,180,328	**32,805**
Total liabilities and net assets	**¥36,576,681**	¥36,469,024	**$324,606**

Non-consolidated Statements of Income

Meiji Yasuda Life Insurance Company

	Millions of Yen		Millions of U.S. Dollars
Years ended March 31,	2016	2015	2016
ORDINARY INCOME:			
Insurance premiums and other			
Insurance premiums	**¥3,357,042**	¥3,407,946	**$29,792**
Reinsurance revenue	**816**	500	**7**
Subtotal	**3,357,858**	3,408,447	**29,799**
Investment income (Note 26)			
Interest, dividends and other income	**690,849**	698,142	**6,131**
Interest on deposits	**42**	61	**0**
Interest and dividends on securities	**554,603**	558,623	**4,921**
Interest on loans	**90,474**	95,007	**802**
Rent revenue from real estate	**34,861**	33,404	**309**
Other interest and dividends	**10,867**	11,044	**96**
Gains on money held in trust	**0**	0	**0**
Gains on sales of securities	**8,415**	186,196	**74**
Gains on redemption of securities	**88,701**	58,075	**787**
Foreign exchange gains	**153**	—	**1**
Reversal of allowance for possible loan losses	**—**	2,875	**—**
Other investment income	**24**	23	**0**
Investment gains on separate accounts	**—**	83,806	**—**
Subtotal	**788,144**	1,029,120	**6,994**
Other ordinary income			
Income from annuity riders	**15,004**	14,979	**133**
Income from deferred benefits	**66,906**	87,118	**593**
Reversal of reserves for outstanding claims (Note 27)	**—**	5,268	**—**
Reversal of accrued retirement benefits	**—**	5,733	**—**
Other ordinary income	**7,540**	7,960	**66**
Subtotal	**89,452**	121,061	**793**
Total ordinary income	**4,235,455**	4,558,629	**37,588**
ORDINARY EXPENSES:			
Benefits and other payments			
Claims paid	**562,557**	635,653	**4,992**
Annuity payments	**695,922**	849,823	**6,176**
Benefit payments	**409,457**	427,691	**3,633**
Surrender benefits	**454,237**	451,984	**4,031**
Other refunds	**173,064**	225,214	**1,535**
Reinsurance premiums	**5,898**	6,021	**52**
Subtotal	**2,301,138**	2,596,389	**20,421**
Provision for policy reserves and other reserves			
Provision for reserve for outstanding claims (Note 27)	**1,659**	—	**14**
Provision for policy reserves (Note 27)	**896,366**	953,803	**7,954**
Provision for interest on policyholders' dividend reserves (Note 16)	**251**	461	**2**
Subtotal	**898,277**	954,264	**7,971**
Investment expenses (Note 26)			
Interest expenses	**6,217**	3,292	**55**
Losses on sales of securities	**1,959**	365	**17**
Losses on valuation of securities	**12,791**	300	**113**
Losses on redemption of securities	**37**	—	**0**
Losses on derivative financial instruments	**107,329**	71,082	**952**
Foreign exchange losses	**—**	145	**—**
Provision for allowance for possible loan losses	**664**	—	**5**
Depreciation of real estate for non-insurance business	**9,508**	9,513	**84**
Other investment expenses	**12,538**	11,173	**111**
Investment losses on separate accounts	**28,956**	—	**256**
Subtotal	**180,002**	95,874	**1,597**

Non-consolidated Statements of Income (continued)

Meiji Yasuda Life Insurance Company

	Millions of Yen		Millions of U.S. Dollars
Years ended March 31,	2016	2015	2016
Operating expenses (Note 28)	**355,644**	348,426	**3,156**
Other ordinary expenses			
Deferred benefit payments	**120,001**	125,661	**1,064**
Taxes	**28,395**	28,282	**251**
Depreciation	**21,618**	20,738	**191**
Provision for accrued retirement benefits	**24,167**	—	**214**
Other ordinary expenses	**5,256**	5,137	**46**
Subtotal	**199,438**	179,820	**1,769**
Total ordinary expenses	**3,934,501**	4,174,775	**34,917**
Ordinary profit	**300,953**	383,854	**2,670**
Extraordinary gains			
Gains on disposals of fixed assets	**2,614**	5,951	**23**
Reversal of reserve for contingent liabilities	**0**	12	**0**
Subtotal	**2,615**	5,964	**23**
Extraordinary losses			
Losses on disposals of fixed assets	**6,584**	5,566	**58**
Impairment losses (Note 13)	**3,800**	6,296	**33**
Provision for reserve for price fluctuation	**29,195**	11,642	**259**
Losses on reduction entry of real estate	**—**	2,413	**—**
Contributions for promotion of social welfare project	**553**	552	**4**
Other extraordinary losses (Note 14)	**—**	1,669	**—**
Subtotal	**40,133**	28,140	**356**
Surplus before income taxes	**263,435**	361,677	**2,337**
Income taxes (Note 21)			
Current	**52,632**	117,680	**467**
Deferred	**(7,668)**	(21,258)	**(68)**
Total income taxes	**44,963**	96,422	**399**
Net surplus	**¥ 218,472**	¥ 265,255	**$ 1,938**

Non-consolidated Statements of Changes in Net Assets

Meiji Yasuda Life Insurance Company

Year ended March 31, 2015 (Millions of Yen)

	Funds, reserves and surplus														Unrealized gains (losses), revaluation reserve and adjustments				
				Surplus															
					Other surplus														
	Founda ion funds (Note 22)	Reserve for redemption of foundation funds (Note 22)	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, reserves and surplus	Net unrealized gains (losses) on available for sale secur ties	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	¥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	¥1,738,003	¥ 944	¥106,051	¥1,845,000	¥2,956,766
Cumulative effects of changes in accounting policies												2,752	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	1,738,003	944	106,051	1,845,000	2,959,519
Changes in the fiscal year																			
Issuance of foundation funds	60,000													60,000					60,000
Additions to policyholders' dividend reserves (Note 16)												(158,094)	(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					60,000
Payment of interest on foundation funds												(2,572)	(2,572)	(2,572)					(2,572)
Net surplus												265,255	265,255	265,255					265,255
Redemption of foundation funds	(60,000)													(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)					(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)					(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	—	60,000	—	482	(5,000)	—	0	25,000	(192)	—	—	17,248	37,537	97,537	1,095,824	14,511	12,936	1,123,272	1,220,809
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	¥2,833,827	¥15,456	¥118,988	¥2,968,272	¥4,180,328

Year ended March 31, 2016 (Millions of Yen)

	Funds, reserves and surplus														Unrealized gains (losses), revaluation reserve and adjustments				
				Surplus															
					Other surplus														
	Founda ion funds (Note 22)	Reserve for redemption of foundation funds (Note 22)	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, reserves and surplus	Net unrealized gains (losses) on available for sale secur ties	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	¥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	¥2,833,827	¥15,456	¥118,988	¥2,968,272	¥4,180,328
Changes in the fiscal year																			
Additions to policyholders' dividend reserves (Note 16)												(180,044)	(180,044)	(180,044)					(180,044)
Additions to reserve for future losses				547								(547)							
Payment of interest on foundation funds												(2,101)	(2,101)	(2,101)					(2,101)
Net surplus												218,472	218,472	218,472					218,472
Additions to reserve for fund redemption					52,000							(52,000)							
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								25,000				(25,000)							
Additions to reserve for reduction entry of real estate									1,838			(1,838)							
Reversal of reserve for reduction entry of real estate									(574)			574							
Reversal of land revaluation differences												1,599	1,599	1,599					1,599
Net changes, excluding funds, reserves and surplus															(545,822)	23,203	906	(521,712)	(521,712)
Net changes in the fiscal year	—	—	—	547	52,000	—	(0)	25,000	1,263	—	—	(40,884)	37,926	37,926	(545,822)	23,203	906	(521,712)	(483,786)
Ending balance	¥260,000	¥470,000	¥452	¥9,883	¥132,000	¥29,764	¥48	¥100,000	¥25,123	¥2,000	¥85	¥220,625	¥519,529	¥1,249,982	¥2,288,005	¥38,659	¥119,894	¥2,446,559	¥3,696,542

Non-consolidated Statements of Changes in Net Assets (continued)

Meiji Yasuda Life Insurance Company

Year ended March 31, 2016 (Millions of U.S. Dollars)

	Funds, reserves and surplus														Unrealized gains (losses), revaluation reserve and adjustments				
				Surplus															
					Other surplus														
	Foundation funds (Note 22)	Reserve for redemption of foundation funds (Note 22)	Reserve for revalua ion	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, reserves and surplus	Net unrealized gains (losses) on available for sale secur ties	Deferred unrea ized gains (losses) on derivatives under hedge accounting	Land revaluation differences	Total unrealized gains (losses), revaluation reserve and adjustments	Total net assets
Beginning balance	$2,307	$4,171	$ 4	$82	$ 709	$264	$0	$665	$211	$17	$0	$2,320	$4,274	$10,756	$25,149	$137	$1,055	$26,342	$37,099
Changes in the fiscal year																			
Additions to policyholders' dividend reserves (Note 16)												(1,597)	(1,597)	(1,597)					(1,597)
Additions to reserve for future losses				4								(4)							
Payment of interest on foundation funds												(18)	(18)	(18)					(18)
Net surplus												1,938	1,938	1,938					1,938
Additions to reserve for fund redemption					461							(461)							
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								221				(221)							
Additions to reserve for reduction entry of real estate									16			(16)							
Reversal of reserve for reduction entry of real estate									(5)			5							
Reversal of land revaluation differences												14	14	14					14
Net changes, excluding funds, reserves and surplus															(4,844)	205	8	(4,630)	(4,630)
Net changes in the fiscal year	—	—	—	4	461	—	(0)	221	11	—	—	(362)	336	336	(4,844)	205	8	(4,630)	(4,293)
Ending balance	$2,307	$4,171	$ 4	$87	$1,171	$264	$0	$887	$222	$17	$0	$1,957	$4,610	$11,093	$20,305	$343	$1,064	$21,712	$32,805

Non-consolidated Proposed Appropriation of Surplus

Meiji Yasuda Life Insurance Company

Years ended March 31,	Millions of Yen 2016	Millions of Yen 2015	Millions of U.S. Dollars 2016
Unappropriated surplus	**¥220,625**	¥261,509	**$1,957**
Reversal of voluntary surplus reserves:	**631**	574	**5**
Reversal of reserve for reduction entry of real estate	**631**	574	**5**
Total	**221,256**	262,084	**1,963**
Appropriation of surplus	**221,256**	262,084	**1,963**
Provision for policyholders' dividend reserves	**165,707**	180,044	**1,470**
Net surplus	**55,549**	82,039	**492**
Reserve for future losses	**504**	547	**4**
Interest on foundation funds	**2,101**	2,101	**18**
Voluntary surplus reserves:	**52,944**	79,391	**469**
Reserve for fund redemption	**52,000**	52,000	**461**
Reserve for promotion of social welfare project	**553**	553	**4**
Reserve for business infrastructure	**—**	25,000	**—**
Reserve for reduction entry of real estate	**391**	1,838	**3**

Notes to the Non-consolidated Financial Statements

Meiji Yasuda Life Insurance Company

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 March 31, 2016, which was ¥112.68 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 risk related to foreign currency denominated loans and bonds payable; 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, 2015 and 2016 amounted to ¥50 million and ¥46 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.

The policy reserves also include reserves which are additionally set aside 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.

(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, 2015 and 2016, 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

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 and, as well, ordinary profit and surplus before income taxes decreased by ¥806 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 and investment trusts. 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, insurance liability risk and bonds payable 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 risk related to foreign currency denominated loans and bonds payable; 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. Foreign currency denominated bonds payable are exposed to exchange rate fluctuation risk.

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 small-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:

	Millions of Yen						Millions of U.S. Dollars		
As of March 31,	2016			2015			2016		
	Balance sheet amount	Fair value	Difference	Balance sheet amount	Fair value	Difference	Balance sheet amount	Fair value	Difference
Cash and deposits	¥ 321,425	¥ 321,425	¥ —	¥ 160,050	¥ 160,050	¥ —	$ 2,852	$ 2,852	$ —
Available-for-sale securities (CDs)	23,998	23,998	—	6,000	6,000	—	212	212	—
Monetary claims bought	223,659	241,204	17,545	229,523	241,833	12,309	1,984	2,140	155
Held-to-maturity debt securities	195,380	212,925	17,545	200,223	212,532	12,309	1,733	1,889	155
Available-for-sale securities	28,278	28,278	—	29,300	29,300	—	250	250	—
Securities	28,059,227	30,686,513	2,627,286	28,264,546	29,550,365	1,285,819	249,016	272,333	23,316
Trading securities	746,596	746,596	—	808,800	808,800	—	6,625	6,625	—
Held-to-maturity debt securities	4,659,686	5,631,416	971,729	5,049,665	5,684,417	634,752	41,353	49,977	8,623
Policy-reserve-matching bonds	7,162,085	8,817,642	1,655,556	6,820,691	7,471,758	651,066	63,561	78,253	14,692
Available-for-sale securities	15,490,858	15,490,858	—	15,585,388	15,585,388	—	137,476	137,476	—
Loans	4,949,867	5,278,744	328,877	5,052,238	5,331,508	279,269	43,928	46,847	2,918
Policy loans	275,085	275,085	—	289,921	289,921	—	2,441	2,441	—
Industrial and consumer loans	4,674,782	5,003,659	328,877	4,762,317	5,041,586	279,269	41,487	44,405	2,918
Allowance for possible loan losses(*1)	(3,955)	—	—	(3,066)	—	—	(35)	—	—
	4,945,912	5,278,744	332,832	5,049,172	5,331,508	282,335	43,893	46,847	2,953
Bonds payable	238,310	270,300	31,990	—	—	—	2,114	2,398	283
Payables under securities borrowing transactions	—	—	—	220,000	220,000	—	—	—	—
Loans payable	100,000	100,000	—	100,000	100,000	—	887	887	—
Derivative financial instruments(*2)	147,302	147,302	—	(44,171)	(44,171)	—	1,307	1,307	—
Hedge accounting is not applied	(20)	(20)	—	(27)	(27)	—	(0)	(0)	—
Hedge accounting is applied	147,323	147,323	—	(44,143)	(44,143)	—	1,307	1,307	—

(*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.

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, 2015 and 2016 were as follows:

	Millions of Yen		Millions of U.S. Dollars
As of March 31,	2016	2015	2016
Unlisted stocks and others	¥1,476,752	¥977,716	$13,105
Equity securities issued by subsidiaries and affiliates	890,889	285,948	7,906

Impairment losses on the unlisted stocks and others except for equity securities issued by subsidiaries and affiliates were ¥254 million and ¥98 million (U.S. $0 million) for the years ended March 31, 2015 and 2016, 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

Bonds payable

The fair value of bonds payable is based on data provided by pricing vendors at the balance sheet date.

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 and bonds payable, their fair value is included in the fair value of hedged loans and bonds payable 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 ¥25,474 million and ¥(59,656) million (U.S. $(529) million) for the years ended March 31, 2015 and 2016, respectively.

Held-to-maturity debt securities

No held-to-maturity debt securities were sold during the year ended March 31, 2015, and disposition of held-to-maturity debt securities due to considerable deterioration of the issuer's credit standing amounted to ¥4,650 million (U.S. $41 million) resulting in total losses on sales of ¥350 million (U.S. $3 million) for the year ended March 31, 2016. 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.

	Millions of Yen						Millions of U.S. Dollars		
As of March 31,	2016			2015			2016		
	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	¥3,889,095	¥ 4,758,337	¥ 869,241	¥4,206,772	¥4,776,496	¥569,723	$34,514	$42,228	$7,714
2) Corporate bonds	654,758	750,528	95,769	702,235	762,947	60,711	5,810	6,660	849
3) Others	298,768	323,721	24,953	288,025	305,450	17,425	2,651	2,872	221
Total	4,842,623	5,832,587	989,964	5,197,034	5,844,894	647,860	42,976	51,762	8,785
Securities whose fair value does not exceed the balance sheet amount									
1) National & local government bonds	—	—	—	—	—	—	—	—	—
2) Corporate bonds	—	—	—	12,952	12,836	(116)	—	—	—
3) Others	12,444	11,755	(689)	39,901	39,219	(682)	110	104	(6)
Total	12,444	11,755	(689)	52,854	52,055	(798)	110	104	(6)

Note: 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. No policy-reserve-matching bonds were sold during the years ended March 31, 2015 and 2016.

	Millions of Yen						Millions of U.S. Dollars		
As of March 31,	2016			2015			2016		
	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	¥7,123,476	¥8,775,028	¥1,651,552	¥6,809,524	¥7,459,007	¥649,482	$63,218	$77,875	$14,657
2) Corporate bonds	37,709	41,721	4,011	11,167	12,751	1,584	334	370	35
3) Others	—	—	—	—	—	—	—	—	—
Total	7,161,185	8,816,749	1,655,563	6,820,691	7,471,758	651,066	63,553	78,245	14,692
Securities whose fair value does not exceed the balance sheet amount									
1) National & local government bonds	—	—	—	—	—	—	—	—	—
2) Corporate bonds	900	892	(7)	—	—	—	7	7	(0)
3) Others	—	—	—	—	—	—	—	—	—
Total	900	892	(7)	—	—	—	7	7	(0)

Available-for-sale securities

Disposition of available-for-sale securities amounted to ¥1,462,894 million and ¥86,396 million (U.S. $766 million) resulting in total gains on sales of ¥186,196 million and ¥8,415 million (U.S. $74 million) and total losses of ¥365 million and ¥1,609 million (U.S. $14 million) for the years ended March 31, 2015 and 2016, 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.

	Millions of Yen						Millions of U.S. Dollars		
As of March 31,	2016			2015			2016		
	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	¥ 1,515,554	¥ 3,317,732	¥1,802,177	¥ 1,568,675	¥ 3,993,007	¥2,424,331	$13,450	$ 29,443	$15,993
(2) Bonds	4,744,251	5,285,472	541,220	4,371,423	4,764,333	392,909	42,103	46,906	4,803
1) National & local government bonds	3,491,392	3,945,944	454,551	3,406,065	3,734,828	328,763	30,985	35,019	4,034
2) Corporate bonds	1,252,858	1,339,527	86,668	965,358	1,029,504	64,146	11,118	11,887	769
(3) Others	4,216,928	5,121,887	904,959	4,738,053	5,916,577	1,178,523	37,423	45,455	8,031
Total	10,476,734	13,725,092	3,248,357	10,678,152	14,673,917	3,995,764	92,977	121,805	28,828
Securities whose balance sheet amount does not exceed the acquisition or amortized costs									
(1) Domestic stocks	135,757	121,378	(14,378)	84,585	77,468	(7,117)	1,204	1,077	(127)
(2) Bonds	7,828	7,086	(741)	60,197	59,453	(743)	69	62	(6)
1) National & local government bonds	—	—	—	30,421	30,196	(224)	—	—	—
2) Corporate bonds	7,828	7,086	(741)	29,775	29,256	(518)	69	62	(6)
(3) Others	1,747,189	1,689,578	(57,610)	819,136	809,849	(9,286)	15,505	14,994	(511)
Total	1,890,774	1,818,043	(72,730)	963,919	946,771	(17,147)	16,780	16,134	(645)

Note: 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 ¥46 million and ¥8,358 million (U.S. $74 million) for the years ended March 31, 2015 and 2016, respectively.

c. Maturity analysis of monetary claims and securities with maturities

As of March 31,	Millions of Yen 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
Deposits	¥ 159,822	¥ —	¥ —	¥ —	¥ —	¥ —
Monetary claims bought	—	—	—	—	—	229,523
Loans*	514,850	972,800	756,277	480,441	715,202	1,321,629
Securities	473,984	879,087	1,805,171	3,123,542	2,618,953	14,098,114
Held-to-maturity debt securities	341,727	201,812	336,574	372,785	586,022	3,210,743
Policy-reserve-matching bonds	—	—	10,397	101,336	196,296	6,512,661
Available-for-sale securities with maturities	132,256	677,274	1,458,199	2,649,420	1,836,634	4,374,710
Total	1,148,657	1,851,887	2,561,448	3,603,983	3,334,155	15,649,267

As of March 31,	Millions of Yen 2016 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	Millions of U.S. Dollars 2016 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	¥ 321,220	¥ —	¥ —	¥ —	¥ —	¥ —	$ 2,850	$ —	$ —	$ —	$ —	$ —
Monetary claims bought	—	—	—	—	—	223,659	—	—	—	—	—	1,984
Loans*	563,111	893,532	560,817	551,759	755,220	1,348,727	4,997	7,929	4,977	4,896	6,702	11,969
Securities	318,432	1,373,259	2,029,070	3,614,158	2,133,003	13,788,523	2,825	12,187	18,007	32,074	18,929	122,368
Held-to-maturity debt securities	70,578	292,108	353,517	368,236	763,174	2,812,071	626	2,592	3,137	3,267	6,772	24,956
Policy-reserve-matching bonds	—	—	46,663	226,053	109,673	6,779,695	—	—	414	2,006	973	60,167
Available-for-sale securities with maturities	247,853	1,081,150	1,628,890	3,019,868	1,260,155	4,196,757	2,199	9,594	14,455	26,800	11,183	37,244
Total	1,202,763	2,266,791	2,589,888	4,165,917	2,888,224	15,360,910	10,674	20,117	22,984	36,971	25,632	136,323

* Bankruptcy and reorganization claims, which are expected to be unrecoverable, are not included in this table, and they are ¥231 million and ¥1,220 million (U.S. $10 million) as of March 31, 2015 and 2016, respectively.

* Policy loans are not included because they have no defined maturity dates.

d. Maturity analysis of payable under securities borrowing transactions, bonds and loans payable

As of March 31,	Millions of Yen 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
Payable under securities borrowing transactions	¥220,000	¥—	¥—	¥ —	¥—	¥—
Loans payable	—	—	—	100,000	—	—
Total	220,000	—	—	100,000	—	—

As of March 31,	Millions of Yen 2016 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	Millions of U.S. Dollars 2016 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
Bonds payable	¥ —	¥—	¥—	¥—	¥—	¥238,310	$ —	$—	$—	$—	$—	$2,114
Loans payable*	100,000	—	—	—	—	—	887	—	—	—	—	—
Total	100,000	—	—	—	—	238,310	887	—	—	—	—	2,114

* Loans payable are included in “Within 1 year”, due to the repayment of ¥100,000 million in April 2016, prior to their maturity.

e. Fair values of derivative transactions

Hedge accounting not applied

i) Interest-rate related

As of March 31,	Millions of Yen 2015 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
Total				10

As of March 31,	Millions of Yen 2016 Notional amount/ contract value (A)	Over 1 year included in (A)	Fair value	Net gains (losses)	Millions of U.S. Dollars 2016 Notional amount/ contract value (A)	Over 1 year included in (A)	Fair value	Net gains (losses)
Interest rate swaps								
Receipts fixed, payments floating	¥100	¥100	¥(0)	¥(0)	$0	$0	$(0)	$(0)
Total				(0)				(0)

Note: Net gains (losses) represent the fair values.

ii) Currency-related

As of March 31,	Millions of Yen 2015 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)
(Australian dollar)	888	—	3	3
(U.S. dollar)	8,654	—	(53)	(53)
(Euro)	977	—	7	7
(Canadian dollar)	672	—	(1)	(1)
(Others)	373	—	(1)	(1)
Bought	11,641	—	30	30
(U.S. dollar)	8,933	—	44	44
(Euro)	1,428	—	(13)	(13)
(Canadian dollar)	567	—	1	1
(Others)	711	—	(1)	(1)
Total				(16)

As of March 31,	Millions of Yen				Millions of U.S. Dollars			
	2016				2016			
	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	¥12,946	¥—	¥(103)	¥(103)	$114	$—	$ (0)	$ (0)
(Australian dollar)	12,226	—	(105)	(105)	108	—	(0)	(0)
(U.S. dollar)	519	—	3	3	4	—	0	0
(Euro)	169	—	(1)	(1)	1	—	(0)	(0)
(Canadian dollar)	—	—	—	—	—	—	—	—
(Others)	32	—	0	0	0	—	0	0
Bought	5,339	—	39	39	47	—	0	0
(U.S. dollar)	3,572	—	(7)	(7)	31	—	(0)	(0)
(Euro)	1,641	—	46	46	14	—	0	0
(Canadian dollar)	7	—	0	0	0	—	0	0
(Others)	117	—	0	0	1	—	0	0
Total				(63)				(0)

Note: Net gains (losses) represent the fair values.

iii) Stock-related

As of March 31,	Millions of Yen			
	2015			
	Notional amount/ contract value (A)	Over 1 year included in (A)	Fair value	Net gains (losses)
Exchange-traded transactions				
Yen Stock index futures				
Sold	¥ —	¥—	¥—	¥—
Bought	1,059	—	(25)	(25)
Foreign currency-denominated stock index futures				
Bought	1,681	—	3	3
Total				(21)

As of March 31,	Millions of Yen				Millions of U.S. Dollars			
	2016				2016			
	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								
Sold	¥ 274	¥—	¥ 4	¥ 4	$ 2	$—	$0	$0
Bought	1,824	—	21	21	16	—	0	0
Foreign currency-denominated stock index futures								
Bought	2,332	—	17	17	20	—	0	0
Total				43				0

Note: Net gains (losses) represent the fair values.

iv) Bond-related

No ending balance as of March 31, 2015 and 2016.

Hedge accounting applied

i) Interest-rate related

As of March 31,	Millions of Yen 2015			
	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	¥234,100	¥234,100	¥31,576
Special hedge accounting				
Interest rate swaps				
Receipts fixed, payments floating	Loans	46,251	31,141	1,237
Total				32,813

As of March 31,	Millions of Yen 2016				Millions of U.S. Dollars 2016		
	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**	**¥233,900**	**¥233,900**	**¥59,067**	**$2,075**	**$2,075**	**$524**
Special hedge accounting							
Interest rate swaps							
Receipts fixed, payments floating	**Loans**	**28,948**	**18,948**	**922**	**256**	**168**	**8**
Total				**59,990**			**532**

ii) Currency-related

As of March 31,	Millions of Yen 2015			
	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	¥2,354,756	¥ —	¥(70,919)
(U.S. dollar)		2,010,069	—	(89,973)
(Euro)		196,339	—	10,404
(Australian dollar)		148,347	—	8,649
Deferred hedge accounting				
Cross currency swaps				
(Euro)	Foreign-currency-denominated bonds	35,575	35,575	(4,800)
(Australian dollar)		—	—	—
Total				(75,719)

As of March 31,		Millions of Yen 2016			Millions of U.S. Dollars 2016		
	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	¥2,123,031	¥ —	¥89,473	$18,841	$ —	$794
(U.S. dollar)		1,808,792	—	86,840	16,052	—	770
(Euro)		182,880	—	1,773	1,623	—	15
(Australian dollar)		131,358	—	859	1,165	—	7
Deferred hedge accounting							
Cross currency swaps							
(Euro)	Foreign-currency-denominated bonds	35,575	35,575	(1,307)	315	315	(11)
(Australian dollar)		4,305	4,305	89	38	38	0
Total				88,255			783

Note: 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, 2015 and 2016.

iv) Bond-related
No ending balance as of March 31, 2015 and 2016.

4. Securities Lending

Securities loaned under security lending agreements, including securities under securities borrowing transactions, amounted to ¥1,623,208 million and ¥1,440,683 million (U.S. $12,785 million) as of March 31, 2015 and 2016, respectively.

5. Securities Borrowed

Assets that can be sold or resecured are marketable securities borrowed under borrowing agreements. These assets were held without disposal totaling ¥12,076 million (U.S. $107 million) at fair value as of March 31, 2016.

6. Pledged Assets

Assets pledged as collateral were securities in the amount of ¥4,586 million and ¥3,028 million (U.S. $26 million) as of March 31, 2015 and 2016, respectively.

7. Equity Securities issued by Subsidiaries and Affiliates

The total amounts of equity securities issued by subsidiaries and affiliates were ¥287,687 million and ¥891,955 million (U.S. $7,915 million) as of March 31, 2015 and 2016, 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 ¥19,713 million and ¥20,172 million (U.S. $179 million) as of March 31, 2015 and 2016, respectively.

There were no loans to bankrupt borrowers, and none as of March 31, 2015 and 2016. The aggregate amounts of loans in arrears were ¥2,630 million and ¥3,722 million (U.S. $33 million) as of March 31, 2015 and 2016, respectively.

The amounts of loans deemed uncollectible and directly deducted from the loans in the non-consolidated balance sheets as of March 31, 2015 and 2016 were ¥44 million and ¥44 million (U.S. $0 million), respectively, for loans to bankrupt borrowers, and ¥5 million and ¥1 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, 2015 and 2016.

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 ¥17,083 million and ¥16,450 million (U.S. $145 million) as of March 31, 2015 and 2016, 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 ¥24,386 million and ¥23,133 million (U.S. $205 million) as of March 31, 2015 and 2016, respectively.

10. Fair Values of Investment and Rental Property

The carrying amounts of investment and rental properties were ¥582,459 million and ¥567,414 million (U.S. $5,035 million), and their fair values were ¥626,982 million and ¥641,946 million (U.S. $5,697 million) as of March 31, 2015 and 2016, 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.

11. Accumulated Depreciation

Accumulated depreciation of tangible fixed assets amounted to ¥400,346 million and ¥401,947 million (U.S. $3,567 million) as of March 31, 2015 and 2016, respectively.

12. 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.

13. 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, 2015 and 2016, 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, 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, 2016

Asset group	Number of properties impaired	Millions of Yen Land	Buildings	Total
Real estate for non-insurance business	0	¥ —	¥ —	¥ —
Idle assets	41	1,518	2,282	3,800
Total	41	¥1,518	¥2,282	¥3,800

For the year ended March 31, 2016

Asset group	Millions of U.S. Dollars Land	Buildings	Total
Real estate for non-insurance business	$—	$—	$—
Idle assets	13	20	33
Total	$13	$ 20	$ 33

(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 2.09% and 2.03% for the years ended March 31, 2015 and 2016, respectively. Net realizable value is calculated based on the appraisal value with reference to "Real Estate Appraisal Standards" or the publicly announced appraisal value.

14. 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 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, 2015 and 2016 were as follows:

Years ended March 31,	2016	2015
Method of attributing benefit to period of service	Benefit formula 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, 2015 and 2016 were as follows:

Years ended March 31,	Millions of Yen 2016	2015	Millions of U.S. Dollars 2016
Balance at the beginning of the fiscal year	¥ 311,806	¥352,881	$2,767
Service costs	11,053	11,299	98
Interest cost on retirement benefit obligations	2,806	2,948	24
Actuarial losses (gains) recognized	2,066	3,562	18
Benefits paid	(26,121)	(27,365)	(231)
Past service costs incurred	—	(4,139)	—
Others	—	(27,380)	—
Balance at the end of the fiscal year	¥ 301,611	¥311,806	$2,676

c. Changes in the plan assets for the years ended March 31, 2015 and 2016 were as follows:

Years ended March 31,	Millions of Yen 2016	2015	Millions of U.S. Dollars 2016
Balance at the beginning of the fiscal year	¥385,856	¥358,647	$3,424
Expected return on plan assets	3,262	3,215	28
Actuarial gains (losses) recognized	(50,037)	49,161	(444)
Contributions by employer	9,698	10,083	86
Benefits paid	(10,024)	(10,598)	(88)
Others	—	(24,651)	—
Balance at the end of the fiscal year	¥338,755	¥385,856	$3,006

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, 2015 and 2016 were determined as follows:

As of March 31,	Millions of Yen 2016	2015	Millions of U.S. Dollars 2016
Present value of funded retirement benefit obligations	¥300,471	¥ 310,551	$2,666
Plan assets at fair value	(338,755)	(385,856)	(3,006)
Net present value of funded retirement benefit obligations	(38,283)	(75,305)	(339)
Present value of non-funded retirement benefit obligations	1,139	1,254	10
Unrecognized actuarial losses (gains)	(48,412)	(36,540)	(429)
Unrecognized past service costs	5,189	6,056	46
Accrued retirement benefits (Prepaid pension cost)	¥ (80,366)	¥(104,534)	$ (713)

e. The amounts recognized in retirement benefit expenses in the non-consolidated statements of income for the years ended March 31, 2015 and 2016 were as follows:

Years ended March 31,	Millions of Yen 2016	2015	Millions of U.S. Dollars 2016
Service costs	¥11,053	¥11,299	$ 98
Interest cost on retirement benefit obligations	2,806	2,948	24
Expected return on plan assets	(3,262)	(3,215)	(28)
Amortization of net actuarial losses (gains)	40,232	10,866	357
Amortization of net past service costs	(866)	(782)	(7)
Others	—	1,669	—
Retirement benefit expenses	¥49,962	¥22,785	$443

f. Plan assets

Plan assets as of March 31, 2015 and 2016 were comprised as follows:

As of March 31,	% of total fair value of plan assets 2016	2015
Debt securities	8.5%	8.2%
Stocks	39.2%	47.9%
General account of life insurance companies	29.4%	25.1%
Jointly invested assets	18.8%	17.1%
Cash and deposits	0.9%	1.1%
Others	3.2%	0.6%
Total	100.0%	100.0%

Plan assets include the retirement benefit trusts. The amounts of the retirement benefit trusts were 57.7% and 51.8% of total plan assets as of March 31, 2015 and 2016, 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, 2015 and 2016 were as follows:

Years ended March 31,	2016	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 amounts recognized as expenses for the defined contribution pension plans were ¥828 million and ¥1,072 million (U.S. $9 million) for the years ended March 31, 2015 and 2016, respectively.

15. Reinsurance

As of March 31, 2015 and 2016, 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 ¥163 million and ¥52 million (U.S. $0 million), respectively.

As of March 31, 2015 and 2016, 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 ¥5,727 million and ¥13,369 million (U.S. $118 million), respectively.

16. Policyholders’ Dividend Reserves

Changes in policyholders’ dividend reserves for the years ended March 31, 2015 and 2016 were as follows:

Years ended March 31,	Millions of Yen 2016	2015	Millions of U.S. Dollars 2016
Balance at the beginning of the fiscal year	¥253,414	¥ 270,023	$ 2,248
Transfer from surplus in the previous fiscal year	180,044	158,094	1,597
Dividend payments to policyholders during the fiscal year	(192,857)	(175,209)	(1,711)
Interest accrued during the fiscal year	300	506	2
Balance at the end of the fiscal year	¥240,902	¥ 253,414	$ 2,137

17. Subordinated Bonds

As of March 31, 2016, bonds payable in liabilities are foreign currency-denominated subordinated bonds, the repayments of which are subordinated to other obligations.

18. Subordinated Debts

As of March 31, 2015 and 2016, loans payable are subordinated debts, the repayments of which are subordinated to other obligations.

In April 2016, the Company made a repayment of the subordinated debts in the amount of ¥100,000 million, prior to their maturity.

19. 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.

20. 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."

21. Deferred Taxes

(1) Deferred tax assets/liabilities were recognized as follows:

	Millions of Yen		Millions of U.S. Dollars
As of March 31,	2016	2015	2016
Deferred tax assets	¥647,718	¥ 634,664	$ 5,748
Valuation allowance for deferred tax assets	(2,313)	(3,753)	(20)
Subtotal	645,405	630,911	5,727
Deferred tax liabilities	(902,298)	(1,144,028)	(8,007)
Net deferred tax assets (liabilities)	(256,892)	(513,117)	(2,279)

Major components of deferred tax assets/liabilities were as follows:

	Millions of Yen		Millions of U.S. Dollars
As of March 31,	2016	2015	2016
Deferred tax assets			
Policy reserves and other reserves	¥410,469	¥ 420,613	$3,642
Reserve for price fluctuation	145,861	141,835	1,294
Deferred tax liabilities			
Net unrealized gains on available-for-sale securities	856,637	1,104,981	7,602

(2) The statutory tax rates were 30.73% and 28.80% for the years ended March 31, 2015 and 2016, 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,	2016	2015
Policyholders' dividend reserves	(17.47)%	(15.30)%
Effects of changes in the income tax rate	7.20%	11.90%

(3) 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 sheets decreased by ¥34,385 million, deferred tax liabilities for land revaluation in the non-consolidated balance sheets decreased by ¥5,754 million, and deferred portion of income taxes in the non-consolidated statements of income increased by ¥43,023 million.

(4) From the end of the year ended March 31, 2016, the statutory tax rates which are used to measure deferred tax assets and liabilities were changed from 28.80% to 28.20% for the years ended March 31, 2017 and 2018, and to 27.96% for the year ended March 31, 2019 or later in accordance with the "Act for Partial Revision of the Income Tax Act" (Act No. 15 in 2016).

Due to this change, as of March 31, 2016, deferred tax liabilities in the non-consolidated balance sheets decreased by ¥8,234 million (U.S. $73 million), deferred tax liabilities for land revaluation in the non-consolidated balance sheets decreased by ¥2,467 million (U.S. $21 million), and deferred portion of income taxes in the non-consolidated statements of income increased by ¥18,968 million (U.S. $168 million).

22. 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 as of March 31, 2015.

The Company offered foundation funds in the amount of ¥60,000 million pursuant to Article 60 of the "Insurance Business Act" in the year ended March 31, 2015.

23. 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 ¥2,968,725 million and ¥2,447,012 million (U.S. $21,716 million) as of March 31, 2015 and 2016, respectively.

24. Separate Accounts

The total amounts of assets held in separate accounts defined in Article 118, Paragraph 1 of the "Insurance Business Act" were ¥864,990 million and ¥799,603 million (U.S. $7,096 million) as of March 31, 2015 and 2016, respectively. The amounts of separate account liabilities were the same as these figures.

25. 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, 2015 and 2016 were as follows:

	Millions of Yen		Millions of U.S. Dollars
As of March 31,	2016	2015	2016
Monetary receivable	¥ 3,100	¥2,902	$27
Monetary payable	3,983	4,017	35

26. 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,	2016	2015	2016
Domestic bonds including national government bonds	¥ 4	¥159,673	$ 0
Domestic stocks	2,073	15,052	18
Foreign securities	6,337	11,470	56

Major components of losses on sales of securities were as follows:

	Millions of Yen		Millions of U.S. Dollars
Years ended March 31,	2016	2015	2016
Domestic bonds including national government bonds	¥ 21	¥ 1	$ 0
Domestic stocks	472	353	4
Foreign securities	1,465	10	13

Major components of losses on valuation of securities were as follows:

	Millions of Yen		Millions of U.S. Dollars
Years ended March 31,	2016	2015	2016
Domestic bonds including national government bonds	¥ —	¥—	$—
Domestic stocks	8,457	58	75
Foreign securities	4,333	—	38

Loss on derivative financial instruments included net valuation gains of ¥184,613 million for the year ended March 31, 2015 and net valuation losses of ¥52,055 million (U.S. $461 million) for the year ended March 31, 2016.

27. 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, 2015 and 2016 were as follows:

	Millions of Yen		Millions of U.S. Dollars
Years ended March 31,	2016	2015	2016
Provision for (reversal of) reinsurance recoverable on outstanding claims	¥ 110	¥ 126	$ 0
Provision for (reversal of) reinsurance recoverable on policy reserves	7,642	1,275	67

28. Contributions to the Life Insurance Policyholders Protection Corporation

The Company estimated future contributions to the Life Insurance Policyholders Protection Corporation in the amount of ¥52,814 million and ¥52,265 million (U.S. $463 million) as of March 31, 2015 and 2016, respectively, pursuant to Article 259 of the "Insurance Business Act".

These contributions are recognized as operating expenses when contributed.

29. 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, 2015 and 2016 were as follows:

	Millions of Yen		Millions of U.S. Dollars
Years ended March 31,	2016	2015	2016
Total income	¥11,942	¥11,623	$105
Total expenses	32,932	31,217	292

30. 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.

31. Subsequent Events

Appropriation of surplus

The proposed appropriation of surplus of the Company for the year ended March 31, 2016 was approved as planned at the annual meeting of the representatives of policyholders held on July 5, 2016.

Offering of foundation funds

During the annual meeting of representatives of policyholders held on July 5, 2016, a resolution was passed to partially amend the Articles of Incorporation in connection with an issuance of foundation funds of ¥100,000 million during the year ending March 31, 2017.

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 and assumed yield, and for certain products policy surrender and lapse ratio, but 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.

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 policyholder dividends every five years or a portion of the net positive return on investments in excess of the assumed yield as calculated at the end of every three-year or five-year periods. 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, lapse and partial surrender rate . . . . Surrender, lapse and partial surrender rate = surrender, lapse and partial surrender 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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THE ISSUER

Meiji Yasuda Life Insurance Company
1-1, Marunouchi 2-chome
Chiyoda-ku, Tokyo 100-0005
Japan

LEGAL ADVISERS TO THE ISSUER

as to United States law
Skadden, Arps, Slate, Meagher & Flom LLP
Izumi Garden Tower, 21st Floor
6-1, Roppongi 1-chome
Minato-ku, Tokyo 106-6021
Japan

as to Japanese law
Anderson Mori & Tomotsune
Akasaka K-Tower
2-7, Motoakasaka 1-chome
Minato-ku, Tokyo 107-0051
Japan

LEGAL ADVISER TO THE INITIAL PURCHASERS
as to United States law
Davis Polk & Wardwell LLP
Izumi Garden Tower, 33rd Floor
6-1, Roppongi 1-chome
Minato-ku, Tokyo 106-6033
Japan

INDEPENDENT AUDITOR

KPMG AZSA LLC
AZSA Center Building
1-2 Tsukudo-cho
Shinjuku-ku, Tokyo 162-8851
Japan

TRUSTEE, PAYING AGENT, CALCULATION AGENT AND NOTES REGISTRAR

The Bank of New York Mellon
101 Barclay Street
New York, NY 10286
United States of America

MEIJI YASUDA