

# Consolidated Balance Sheet

	(Unit: million yen)		(Unit: million US dollars)
	As of March 31,		
	2015	2016	2016
<b>(ASSETS)</b>			
Cash and deposits .....	873,444	843,405	7,484
Call loans.....	380,400	116,900	1,037
Monetary claims bought.....	265,813	239,299	2,123
Money held in trust.....	65,283	87,476	776
Securities.....	41,105,413	41,560,060	368,832
Loans.....	3,898,148	3,715,562	32,974
Tangible fixed assets .....	1,217,070	1,178,817	10,461
Land .....	804,035	795,829	7,062
Buildings.....	402,693	371,304	3,295
Leased assets .....	4,687	4,712	41
Construction in progress .....	850	2,402	21
Other tangible fixed assets.....	4,804	4,567	40
Intangible fixed assets.....	437,677	407,367	3,615
Software .....	63,364	63,268	561
Goodwill .....	79,293	54,832	486
Other intangible fixed assets.....	295,019	289,266	2,567
Reinsurance receivable .....	101,290	105,876	939
Other assets .....	1,401,047	1,573,118	13,960
Net defined benefit assets.....	705	764	6
Deferred tax assets .....	1,379	1,344	11
Customers' liabilities for acceptances and guarantees .....	91,648	97,056	861
Reserve for possible loan losses.....	(2,120)	(1,702)	(15)
Reserve for possible investment losses .....	-	(423)	(3)
Total assets .....	49,837,202	49,924,922	443,068
<b>(LIABILITIES)</b>			
Policy reserves and others .....	42,547,013	43,894,014	389,545
Reserves for outstanding claims.....	506,735	580,778	5,154
Policy reserves .....	41,634,712	42,922,534	380,924
Reserve for policyholder dividends.....	405,566	390,701	3,467
Reinsurance payable.....	56,248	75,883	673
Bonds payable .....	489,045	485,682	4,310
Other liabilities.....	1,864,717	1,486,611	13,193
Net defined benefit liabilities .....	331,322	443,842	3,938
Reserve for retirement benefits of directors, executive officers and corporate auditors.....	2,017	1,886	16
Reserve for possible reimbursement of prescribed claims .....	700	800	7
Reserves under the special laws.....	136,254	155,246	1,377
Reserve for price fluctuations .....	136,254	155,246	1,377
Deferred tax liabilities .....	643,398	270,750	2,402
Deferred tax liabilities for land revaluation .....	84,908	80,189	711
Acceptances and guarantees.....	91,648	97,056	861
Total liabilities .....	46,247,274	46,991,963	417,039
<b>(NET ASSETS)</b>			
Capital stock .....	343,104	343,146	3,045
Capital surplus .....	343,255	330,105	2,929
Retained earnings .....	352,985	479,241	4,253
Treasury stock .....	(9,723)	(23,231)	(206)
Total shareholders' equity .....	1,029,622	1,129,262	10,021
Net unrealized gains (losses) on securities, net of tax .....	2,528,262	1,840,084	16,330
Deferred hedge gains (losses).....	(12,036)	(3,865)	(34)
Reserve for land revaluation.....	(33,424)	(16,402)	(145)
Foreign currency translation adjustments .....	22,654	16,570	147
Accumulated remeasurements of defined benefit plans.....	54,027	(33,688)	(298)
Total accumulated other comprehensive income.....	2,559,484	1,802,698	15,998
Subscription rights to shares .....	753	925	8
Non-controlling interests .....	67	72	0
Total net assets .....	3,589,927	2,932,959	26,029
Total liabilities and net assets.....	49,837,202	49,924,922	443,068

# Consolidated Statement of Earnings

	(Unit: million yen)		(Unit: million US dollars)
	Year ended March 31,		
	2015	2016	2016
<b>ORDINARY REVENUES</b> .....	<b>7,252,242</b>	<b>7,333,947</b>	<b>65,086</b>
Premium and other income .....	5,432,717	5,586,000	49,574
Investment income .....	1,444,012	1,344,852	11,935
Interest and dividends .....	856,550	1,075,389	9,543
Gains on money held in trust .....	3,228	—	—
Gains on investments in trading securities .....	26,405	—	—
Gains on sale of securities .....	162,163	222,409	1,973
Gains on redemption of securities .....	24,652	45,598	404
Reversal of reserve for possible loan losses .....	460	844	7
Reversal of reserve for possible investment losses .....	214	—	—
Other investment income .....	623	612	5
Gains on investments in separate accounts .....	369,713	—	—
Other ordinary revenues .....	375,513	403,094	3,577
<b>ORDINARY EXPENSES</b> .....	<b>6,845,400</b>	<b>6,915,780</b>	<b>61,375</b>
Benefits and claims .....	3,380,827	3,830,941	33,998
Claims .....	829,650	1,079,990	9,584
Annuities .....	672,898	629,640	5,587
Benefits .....	472,705	461,503	4,095
Surrender values .....	790,234	809,069	7,180
Other refunds .....	615,339	850,738	7,550
Provision for policy reserves and others .....	2,271,268	1,496,360	13,279
Provision for reserves for outstanding claims .....	87,946	91,447	811
Provision for policy reserves .....	2,174,573	1,396,273	12,391
Provision for interest on policyholder dividends .....	8,748	8,639	76
Investment expenses .....	168,935	524,041	4,650
Interest expenses .....	16,934	29,536	262
Losses on money held in trust .....	—	1,782	15
Losses on investments in trading securities .....	—	36,943	327
Losses on sale of securities .....	24,221	64,289	570
Losses on valuation of securities .....	469	4,128	36
Losses on redemption of securities .....	305	1,269	11
Derivative transaction losses .....	5,551	53,857	477
Foreign exchange losses .....	68,177	180,451	1,601
Provision for reserve for possible investment losses .....	—	423	3
Write-down of loans .....	43	233	2
Depreciation of real estate for rent and others .....	14,633	14,176	125
Other investment expenses .....	38,599	40,753	361
Losses on investments in separate accounts .....	—	96,194	853
Operating expenses .....	559,344	661,384	5,869
Other ordinary expenses .....	465,022	403,052	3,576
<b>Ordinary profit</b> .....	<b>406,842</b>	<b>418,166</b>	<b>3,711</b>
<b>EXTRAORDINARY GAINS</b> .....	<b>3,310</b>	<b>308</b>	<b>2</b>
Gains on disposal of fixed assets .....	3,030	287	2
Gains on step acquisition .....	273	—	—
Other extraordinary gains .....	7	20	0
<b>EXTRAORDINARY LOSSES</b> .....	<b>29,451</b>	<b>55,272</b>	<b>490</b>
Losses on disposal of fixed assets .....	5,396	1,310	11
Impairment losses on fixed assets .....	5,472	34,548	306
Provision for reserve for price fluctuations .....	18,067	18,992	168
Other extraordinary losses .....	514	421	3
Provision for reserve for policyholder dividends .....	112,200	97,500	865
Income before income taxes .....	268,502	265,702	2,358
Corporate income taxes-current .....	125,503	103,064	914
Corporate income taxes-deferred .....	509	(15,887)	(140)
Total of corporate income taxes .....	126,013	87,177	773
Net Income .....	142,489	178,524	1,584
Net income attributable to non-controlling interests .....	12	9	0
Net income attributable to shareholders of parent company .....	142,476	178,515	1,584

## Consolidated Statement of Comprehensive Income

	(Unit: million yen)		(Unit: million US dollars)
	Year ended March 31,		
	2015	2016	2016
Net income .....	142,489	178,524	1,584
Other comprehensive income			
Net unrealized gains (losses) on securities, net of tax .....	1,203,801	(687,935)	(6,105)
Deferred hedge gains (losses) .....	(9,450)	8,170	72
Reserve for land revaluation .....	5,668	2,411	21
Foreign currency translation adjustments .....	(5,940)	(2,180)	(19)
Remeasurements of defined benefit plans, net of tax .....	37,171	(87,716)	(778)
Share of other comprehensive income of subsidiaries and affiliates accounted for under the equity method .....	10,575	(4,142)	(36)
Total other comprehensive income .....	1,241,826	(771,392)	(6,845)
Comprehensive income .....	1,384,315	(592,867)	(5,261)
(Details)			
Attributable to shareholders of the parent company .....	1,384,296	(592,879)	(5,261)
Attributable to non-controlling interests .....	19	12	0

# Consolidated Statement of Changes in Net Assets

(Unit: million yen)

Year ended March 31, 2015	Shareholders' equity				Total shareholders' equity
	Capital stock	Capital surplus	Retained earnings	Treasury stock	
Balance at the beginning of the year.....	210,224	210,262	219,552	(11,500)	628,538
Cumulative effect of changes in accounting policies .....			11,272		11,272
Balance at the beginning of the year after reflecting the effect of changes in accounting policies .....	210,224	210,262	230,824	(11,500)	639,810
Changes for the year					
Issuance of new shares .....	132,842	132,842			265,684
Issuance of new shares—exercise of subscription rights to shares.....	37	37			74
Dividends .....			(19,846)		(19,846)
Net income attributable to shareholders of parent company ....			142,476		142,476
Purchase of treasury stock .....					—
Disposal of treasury stock .....		113		1,776	1,890
Transfer from reserve for land revaluation.....			771		771
Others .....			(1,239)		(1,239)
Net changes of items other than shareholders' equity .....					
Total changes for the year .....	132,879	132,993	122,161	1,776	389,811
Balance at the end of the year .....	343,104	343,255	352,985	(9,723)	1,029,622

(Unit: million yen)

	Accumulated other comprehensive income			
	Net unrealized gains (losses) on securities, net of tax	Deferred hedge gains (losses)	Reserve for land revaluation	Foreign currency translation adjustments
Balance at the beginning of the year.....	1,322,731	(2,586)	(38,320)	19,756
Cumulative effect of changes in accounting policies .....				
Balance at the beginning of the year after reflecting the effect of changes in accounting policies .....	1,322,731	(2,586)	(38,320)	19,756
Changes for the year				
Issuance of new shares .....				
Issuance of new shares—exercise of subscription rights to shares.....				
Dividends .....				
Net income attributable to shareholders of parent company ....				
Purchase of treasury stock .....				
Disposal of treasury stock .....				
Transfer from reserve for land revaluation.....				
Others .....				
Net changes of items other than shareholders' equity .....	1,205,531	(9,450)	4,896	2,898
Total changes for the year .....	1,205,531	(9,450)	4,896	2,898
Balance at the end of the year .....	2,528,262	(12,036)	(33,424)	22,654

(Unit: million yen)

	Accumulated other comprehensive income		Subscription rights to shares	Non-controlling interests	Total net assets
	Accumulated remeasurements of defined benefit plans	Total accumulated other comprehensive income			
Balance at the beginning of the year.....	16,854	1,318,435	583	55	1,947,613
Cumulative effect of changes in accounting policies .....					11,272
Balance at the beginning of the year after reflecting the effect of changes in accounting policies .....	16,854	1,318,435	583	55	1,958,885
Changes for the year					
Issuance of new shares .....					265,684
Issuance of new shares—exercise of subscription rights to shares.....					74
Dividends .....					(19,846)
Net income attributable to shareholders of parent company ....					142,476
Purchase of treasury stock .....					—
Disposal of treasury stock .....					1,890
Transfer from reserve for land revaluation.....					771
Others .....					(1,239)
Net changes of items other than shareholders' equity .....	37,172	1,241,048	170	11	1,241,230
Total changes for the year .....	37,172	1,241,048	170	11	1,631,042
Balance at the end of the year .....	54,027	2,559,484	753	67	3,589,927

## Consolidated Statement of Changes in Net Assets (Continued)

Year ended March 31, 2016	(Unit: million yen)				
	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance at the beginning of the year.....	343,104	343,255	352,985	(9,723)	1,029,622
Cumulative effect of changes in accounting policies .....		(13,667)	(3,295)		(16,962)
Balance at the beginning of the year after reflecting the effect of changes in accounting policies .....	343,104	329,588	349,690	(9,723)	1,012,659
Changes for the year					
Issuance of new shares .....					—
Issuance of new shares—exercise of subscription rights to shares.....	42	42			84
Dividends .....			(33,359)		(33,359)
Net income attributable to shareholders of parent company ....			178,515		178,515
Purchase of treasury stock .....				(15,000)	(15,000)
Disposal of treasury stock .....		474		1,492	1,967
Transfer from reserve for land revaluation.....			(14,609)		(14,609)
Others .....			(995)		(995)
Net changes of items other than shareholders' equity .....					
Total changes for the year .....	42	517	129,550	(13,507)	116,602
Balance at the end of the year .....	343,146	330,105	479,241	(23,231)	1,129,262

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

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

## Consolidated Statement of Changes in Net Assets (Continued)

(Unit: million US dollars)

Year ended March 31, 2016	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance at the beginning of the year.....	3,044	3,046	3,132	(86)	9,137
Cumulative effect of changes in accounting policies .....		(121)	(29)		(150)
Balance at the beginning of the year after reflecting the effect of changes in accounting policies .....	3,044	2,924	3,103	(86)	8,987
Changes for the year					
Issuance of new shares .....					—
Issuance of new shares—exercise of subscription rights to shares .....	0	0			0
Dividends .....			(296)		(296)
Net income attributable to shareholders of parent company ....			1,584		1,584
Purchase of treasury stock .....				(133)	(133)
Disposal of treasury stock .....		4		13	17
Transfer from reserve for land revaluation.....			(129)		(129)
Others .....			(8)		(8)
Net changes of items other than shareholders' equity .....					
Total changes for the year .....	0	4	1,149	(119)	1,034
Balance at the end of the year .....	3,045	2,929	4,253	(206)	10,021

(Unit: million US dollars)

	Accumulated other comprehensive income			
	Net unrealized gains (losses) on securities, net of tax	Deferred hedge gains (losses)	Reserve for land revaluation	Foreign currency translation adjustments
Balance at the beginning of the year.....	22,437	(106)	(296)	201
Cumulative effect of changes in accounting policies .....				
Balance at the beginning of the year after reflecting the effect of changes in accounting policies .....	22,437	(106)	(296)	201
Changes for the year				
Issuance of new shares .....				
Issuance of new shares—exercise of subscription rights to shares .....				
Dividends .....				
Net income attributable to shareholders of parent company ....				
Purchase of treasury stock .....				
Disposal of treasury stock .....				
Transfer from reserve for land revaluation.....				
Others .....				
Net changes of items other than shareholders' equity .....	(6,107)	72	151	(53)
Total changes for the year .....	(6,107)	72	151	(53)
Balance at the end of the year .....	16,330	(34)	(145)	147

(Unit: million US dollars)

	Accumulated other comprehensive income				Total net assets
	Accumulated remeasurements of defined benefit plans	Total accumulated other comprehensive income	Subscription rights to shares	Non-controlling interests	
Balance at the beginning of the year.....	479	22,714	6	0	31,859
Cumulative effect of changes in accounting policies .....					(150)
Balance at the beginning of the year after reflecting the effect of changes in accounting policies .....	479	22,714	6	0	31,708
Changes for the year					
Issuance of new shares .....					—
Issuance of new shares—exercise of subscription rights to shares .....					0
Dividends .....					(296)
Net income attributable to shareholders of parent company ....					1,584
Purchase of treasury stock .....					(133)
Disposal of treasury stock .....					17
Transfer from reserve for land revaluation.....					(129)
Others .....					(8)
Net changes of items other than shareholders' equity .....	(778)	(6,716)	1	0	(6,714)
Total changes for the year .....	(778)	(6,716)	1	0	(5,679)
Balance at the end of the year .....	(298)	15,998	8	0	26,029

# Consolidated Statement of Cash Flows

	(Unit: million yen)		(Unit: million US dollars)
	Year ended March 31,		
	2015	2016	2016
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Income before income taxes .....	268,502	265,702	2,358
Depreciation of rented real estate and others .....	14,633	14,176	125
Depreciation .....	37,650	49,623	440
Impairment losses on fixed assets .....	5,472	34,548	306
Amortization of goodwill .....	5,858	3,567	31
Increase (decrease) in reserves for outstanding claims .....	91,675	87,668	778
Increase (decrease) in policy reserves .....	2,164,622	1,261,466	11,195
Provision for interest on policyholder dividends .....	8,748	8,639	76
Provision for (reversal of) reserve for policyholder dividends .....	112,200	97,500	865
Increase (decrease) in reserve for possible loan losses .....	(640)	(418)	(3)
Increase (decrease) in reserve for possible investment losses .....	(215)	424	3
Write-down of loans .....	43	233	2
Decrease (increase) in net defined benefit assets .....	108	122	1
Increase (decrease) in net defined benefit liabilities .....	(2,502)	(10,816)	(95)
Increase (decrease) in reserve for retirement benefits of directors, executive officers and corporate auditors .....	(146)	(131)	(1)
Increase (decrease) in reserve for possible reimbursement of prescribed claims .....	(100)	100	0
Increase (decrease) in reserve for price fluctuations .....	18,067	18,992	168
Interest and dividends .....	(856,550)	(1,075,389)	(9,543)
Securities related losses (gains) .....	(557,939)	(65,181)	(578)
Interest expenses .....	16,934	29,536	262
Foreign exchange losses (gains) .....	68,177	180,451	1,601
Losses (gains) on disposal of fixed assets .....	1,585	846	7
Equity in losses (income) of affiliates .....	(6,460)	(6,119)	(54)
Loss (gain) on step acquisitions .....	(273)	—	—
Decrease (increase) in reinsurance receivable .....	(44,978)	(7,804)	(69)
Decrease (increase) in other assets unrelated to investing and financing activities .....	(23,605)	(44,454)	(394)
Increase (decrease) in reinsurance payable .....	(458)	20,744	184
Increase (decrease) in other liabilities unrelated to investing and financing activities ..	36,326	(46,653)	(414)
Increase (decrease) in accounts payable relating to introduction of defined-contribution pension plan .....	(7,782)	(6,707)	(59)
Others, net .....	43,551	140,905	1,250
Subtotal .....	1,392,504	951,573	8,444
Interest and dividends received .....	901,607	1,302,101	11,555
Interest paid .....	(14,968)	(36,019)	(319)
Policyholder dividends paid .....	(109,404)	(121,003)	(1,073)
Others, net .....	(153,024)	35,963	319
Corporate income taxes paid .....	(141,072)	(118,807)	(1,054)
Net cash flows provided by (used in) operating activities .....	1,875,642	2,013,807	17,871
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Purchases of monetary claims bought .....	(15,500)	(9,800)	(86)
Proceeds from sale and redemption of monetary claims bought .....	31,407	35,567	315
Purchases of money held in trust .....	(1,900)	(27,500)	(244)
Proceeds from decrease in money held in trust .....	6,000	3,000	26
Purchases of securities .....	(7,052,529)	(7,668,854)	(68,058)
Proceeds from sale and redemption of securities .....	5,617,127	5,513,007	48,926
Origination of loans .....	(422,203)	(457,401)	(4,059)
Proceeds from collection of loans .....	413,966	646,044	5,733
Others, net .....	(42,431)	(258,221)	(2,291)
Total of net cash provided by (used in) investment transactions .....	(1,466,063)	(2,224,157)	(19,738)
Total of net cash provided by (used in) operating activities and investment transactions .....	409,579	(210,350)	(1,866)
Acquisition of tangible fixed assets .....	(27,858)	(22,049)	(195)
Proceeds from sale of tangible fixed assets .....	6,792	1,856	16
Acquisition of intangible fixed assets .....	(18,091)	(21,327)	(189)
Proceeds from sale of intangible fixed assets .....	303	18	0
Acquisition of stock of subsidiaries resulting in change in scope of consolidation .....	(526,206)	—	—
Acquisition of stock of subsidiaries and affiliates .....	(1,020)	—	—
Net cash flows provided by (used in) investing activities .....	(2,032,143)	(2,265,659)	(20,107)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Proceeds from borrowings .....	—	322,801	2,864
Repayment of borrowings .....	(1,862)	(350,263)	(3,108)
Proceeds from issuing bonds .....	106,808	7,839	69
Redemption of bonds .....	—	(12,434)	(110)
Repayment of financial lease obligations .....	(1,669)	(1,726)	(15)
Net increase (decrease) in short-term financing .....	—	46,818	415
Proceeds from issuing common stock .....	264,175	—	—
Purchase of treasury stock .....	—	(15,000)	(133)
Proceeds from disposal of treasury stock .....	1,830	1,879	16
Cash dividends paid .....	(19,783)	(33,346)	(295)
Others, net .....	(7)	(7)	(0)
Net cash flows provided by (used in) financing activities .....	349,490	(33,439)	(296)
Effect of exchange rate changes on cash and cash equivalents .....	377	(8,247)	(73)
Net increase (decrease) in cash and cash equivalents .....	193,366	(293,538)	(2,605)
Cash and cash equivalents at the beginning of the year .....	1,061,394	1,254,760	11,135
Cash and cash equivalents at the end of the year .....	1,254,760	961,221	8,530



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

## I. BASIS FOR PRESENTATION

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

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

The amounts indicated in millions of yen are rounded down by truncating the figures below one million. Totals may not add up exactly because of such truncation. Amounts in U.S. dollars are included solely for the convenience of readers outside Japan. The rate of ¥112.68=US\$1.00, the foreign exchange rate on March 31, 2016, has been used for translation of the truncated figures in Japanese yen. The inclusion of such amounts is not intended to imply that Japanese yen has been or could be readily converted, realized or settled into U.S. dollars at that rate or any other rate.

## II. PRINCIPLES OF CONSOLIDATION

### 1. Scope of Consolidation

The consolidated financial statements include the accounts of DL and its consolidated subsidiaries (collectively, “the Group”), including The Dai-ichi Life Information Systems Co., Ltd., The Dai-ichi Frontier Life Insurance Co., Ltd. (“DFLI”), The Neo First Life Insurance Company, Limited (“Neo First Life”), Dai-ichi Life Insurance Company of Vietnam, Limited (“DLVN”), TAL Dai-ichi Life Australia Pty Ltd (“TDLA”) and Protective Life Corporation. The number of consolidated subsidiaries as of March 31, 2016 was sixty-one.

The main subsidiaries that are not consolidated for the purposes of financial reporting are Dai-ichi Seimei Business Service K.K and First U Anonymous Association. The eighteen non-consolidated subsidiaries as of March 31, 2016 had, individually and in the aggregate, a minimal impact on the consolidated financial statements in terms of total assets, sales, net income (loss), retained earnings, cash flows, and others.

There was no non-consolidated subsidiary accounted for under the equity method as of March 31, 2016.

The number of affiliated companies under the equity method as of March 31, 2016 was forty-eight. The affiliated companies included DIAM Co., Ltd., Mizuho-DL Financial Technology Co., Ltd., Trust & Custody Services Bank Ltd., Corporate-pension Business Service Co., Ltd., Japan Excellent Asset Management Co., Ltd., NEOSTELLA CAPITAL CO., LTD., OCEAN LIFE INSURANCE PUBLIC COMPANY LIMITED, Star Union Dai-ichi Life Insurance Company Limited, Janus Capital Group Inc. and PT Panin Internasional.

Effective the fiscal year ended March 31, 2016, three subsidiaries of Janus Capital Group Inc. were newly accounted for under the equity method. Effective the fiscal year ended March 31, 2016, one affiliated company of Protective Life Corporation was excluded from the scope of the equity method as it had been liquidated. The non-consolidated subsidiaries (Dai-ichi Seimei Business Service K.K. and First U Anonymous Association and others), as well as affiliated companies (NEOSTELLA No.1 Investment Limited Partnership, O.M. Building Management Co., Ltd., and others) were not accounted for under the equity method. These companies had, individually and in the aggregate, a minimal impact on the consolidated financial statements, in terms of the net income (loss), retained earnings and others.

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

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

### 3. Summary of Significant Accounting Policies

#### (1) Valuation Methods of Securities

Securities held by DL and its consolidated subsidiaries including cash equivalents, bank deposits, and monetary claims bought which are equivalent to marketable securities, and marketable securities managed as trust assets in money held in trust, are carried as explained below:

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

#### a) Trading Securities

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



- b) Held-to-maturity Bonds  
Held-to-maturity bonds are stated at amortized cost determined by the moving average method.
  - c) Policy-reserve-matching Bonds (in accordance with the Industry Audit Committee Report No.21 “Temporary Treatment of Accounting and Auditing Concerning Policy-reserve-matching Bonds in the Insurance Industry” issued by the Japanese Institute of Certified Public Accountants (JICPA))  
Policy-reserve-matching bonds are stated at amortized cost determined by the moving average method.
  - d) Stocks of Non-consolidated Subsidiaries and Affiliated Companies Not Accounted for under the Equity Method  
Stocks of non-consolidated subsidiaries and affiliated companies not accounted for under the equity method are stated at cost determined by the moving average method.
  - e) Available-for-sale Securities
    - i) Available-for-sale Securities with Market Value  
Available-for-sale securities which have market value are valued at fair value at the end of the fiscal year (for domestic stocks, the average fair value during March), with cost determined by the moving average method.
    - ii) Available-for-sale Securities Whose Market Values Are Extremely Difficult to Recognize
      - a. Government/Corporate Bonds (including Foreign Bonds), Whose Premium or Discount Represents the Interest Adjustment  
Government/corporate bonds (including foreign bonds), whose premium or discount represents the interest adjustment are valued at the amortized cost determined by the moving average method.
      - b. Others  
All others are valued at cost determined by the moving average method.
- Net unrealized gains or losses on these available-for-sale securities are presented as a separate component of net assets and not in the consolidated statement of earnings.  
Securities held by certain consolidated overseas subsidiaries are stated at cost determined by the first-in first-out.

## (2) Valuation Method of Derivative Transactions

Derivative transactions are reported at fair value.

## (3) Depreciation of Depreciable Assets

- a) Depreciation of Tangible Fixed Assets Excluding Leased Assets  
Depreciation of tangible fixed assets excluding leased assets is calculated by the declining balance method (the depreciation of buildings other than attached improvements and structures is calculated by the straight-line method).  
Estimated useful lives of major assets are as follows:
 

Buildings	two to sixty years
Other tangible fixed assets	two to twenty years

  
Tangible fixed assets other than land and buildings that were acquired for ¥100,000 or more but less than ¥200,000 are depreciated at equal amounts over three years.  
With respect to tangible fixed assets that were acquired on or before March 31, 2007 and that were fully depreciated to their original depreciable limit, effective the year ended March 31, 2008, the remaining values are depreciated at equal amounts over five years from the following fiscal year of the year in which they reached the original depreciable limit.  
Depreciation of tangible fixed assets owned by domestic consolidated subsidiaries is principally calculated by the declining balance method, while the straight-line method is principally used to compute depreciation for such assets of consolidated overseas subsidiaries.
- b) Amortization of Intangible Fixed Assets Excluding Leased Assets  
DL and its consolidated subsidiaries use the straight-line method for amortization of intangible fixed assets excluding leased assets. Software for internal use is amortized by the straight-line method based on the estimated useful lives of two to eight years.
- c) Depreciation of Leased Assets  
Depreciation of leased assets with regard to finance leases whose ownership does not transfer to the lessees is computed under the straight-line method assuming zero salvage value.

**(4) Reserve for Possible Loan Losses**

The reserve for possible loan losses is calculated based on the internal rules for self-assessment, write-offs, and reserves on assets.

For loans to and claims on obligors that have already experienced bankruptcy, reorganization, or other formal legal failure (hereafter, “bankrupt obligors”) and loans to and claims on obligors that have suffered substantial business failure (hereafter, “substantially bankrupt obligors”), the reserve is calculated by deducting the estimated recoverable amount of the collateral or guarantees from the book value of the loans and claims after the direct write-off described below.

For loans to and claims on obligors that have not yet suffered business failure but are considered highly likely to fail (hereafter, “obligors at risk of bankruptcy”), the reserve is calculated, taking into account a) the recoverable amount covered by the collateral or guarantees and b) an overall assessment of the obligor’s ability to repay.

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

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

For loans and claims to bankrupt and substantially bankrupt obligors, the unrecoverable amount is calculated by deducting the amount deemed recoverable from collateral and guarantees from the amount of the loans and claims and is directly written off from the amount of the loans and claims. The amounts written off during the years ended March 31, 2015 and 2016 were ¥59 million and ¥58 million (US\$0 million), respectively.

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

For the fiscal years ended March 31, 2015 and 2016, in order to provide for future investment losses, a reserve for possible investment losses of DL is established for securities whose market values are extremely difficult to recognize. It is calculated based on the internal rules for self-assessment, write-offs, and reserves on assets.

**(6) Reserve for Retirement Benefits of Directors, Executive Officers and Corporate Auditors**

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

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

**(7) Reserve for Possible Reimbursement of Prescribed Claims**

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

**(8) Net Defined Benefit Liabilities and Net Defined Benefit Assets**

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

a) Allocation of Estimated Retirement Benefits

In calculating the projected benefit obligations, the benefit formula basis is adopted to allocate estimated retirement benefit for the fiscal years ended March 31, 2016.

b) Amortization of Actuarial Differences

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

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

**(9) Reserve for Price Fluctuations**

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

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

DL and its domestic consolidated subsidiaries translated foreign currency-denominated assets and liabilities (excluding stocks of its non-consolidated subsidiaries and affiliated companies which are not accounted for under the equity method) into yen at the prevailing exchange rates at the end of the year. Stocks of non-consolidated subsidiaries and affiliated companies which are not accounted for under the equity method were translated into yen at the exchange rates on the dates of acquisition. Assets, liabilities, revenues, and expenses of DL’s consolidated overseas subsidiaries are translated into yen at the exchange rates at the end of their fiscal year.

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

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

**(11) Methods for Hedge Accounting**

a) Methods for Hedge Accounting

Hedging transactions are accounted for in accordance with the “Accounting Standards for Financial Instruments” (ASBJ Statement No.10 issued on March 10, 2008). Primarily, i) special hedge accounting and the deferral hedge method for interest rate swaps are used for cash flow hedges of certain loans, government and corporate bonds, loans payable and bonds payable; ii) the currency allotment method and the deferral hedge method using foreign currency swaps and foreign currency forward contracts are used for cash flow hedges against exchange rate fluctuations in certain foreign currency-denominated bonds, loans, loans payable and bonds payable and certain foreign currency-denominated term deposits and stocks (forecasted transaction); iii) the fair value hedge method using currency options and foreign currency forward contracts is used for hedges against exchange rate fluctuations in the value of certain foreign currency-denominated bonds; iv) the deferral hedge method for over-the-counter options on bonds is used for hedges against interest-rate fluctuations in certain foreign currency-denominated bonds; and v) the deferral hedge method and fair value hedge method using equity options and equity forward contracts are used for hedges against price fluctuations in the value of certain domestic stocks and foreign currency-denominated stocks (forecasted transaction).

b) Hedging Instruments and Hedged Items

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

c) Hedging Policies

DL conducts hedging transactions with regard to certain market risk and foreign currency risk of underlying assets to be hedged, in accordance with the internal investment policy and procedure guidelines.

d) Assessment of Hedge Effectiveness

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

**(12) Amortization of Goodwill**

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

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

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

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

DL and its domestic consolidated subsidiaries account for national and local consumption tax mainly by the tax-exclusion method. Deferred consumption tax included in non-recoverable consumption tax on certain assets is capitalized as other assets and amortized equally over five years in accordance with the Enforcement Ordinance of the Corporation Tax Act, and such taxes other than deferred consumption tax are recognized as an expense when incurred.

#### (15) Policy Reserves

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

- a) Reserves for policies subject to the standard policy reserve rules are calculated based on the methods stipulated by the Commissioner of Financial Services Agency (Notification of the Minister of Finance No. 48, 1996).
- b) Reserves for other policies are established based on the net level premium method.  
Policy reserves of consolidated foreign subsidiaries are calculated based on the each country's accounting standard, such as US GAAP.

(Additional information)

Effective the fiscal year ended March 31, 2008, for whole life insurance contracts acquired by DL on or before March 31, 1996 for which premium payments were already completed (including lump-sum payments), additional policy reserves are provided in accordance with Article 69, Paragraph 5 of the Enforcement Regulation of the Insurance Business Act and will be provided in the following nine years. As a result, the amount of the provisions for policy reserves for the years ended March 31, 2015 and 2016 were ¥122,957 million and ¥142,163 million (US\$1,261 million), respectively.

#### (16) Changes in Accounting Policies

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

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

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

As a result, goodwill decreased by ¥16,962 million (US\$150 million), capital surplus decreased by ¥13,667 million (US\$121 million), and retained earnings decreased by ¥3,295 million (US\$29 million) as of April 1, 2015. In addition, both ordinary profits and income before income taxes for the year ended March 31, 2016 increased by ¥879 million (US\$7 million).

In the consolidated statement of cash flows, the cash flows for the costs of the acquisition or sales of ownership interests in subsidiaries that do not result in change in scope of consolidation is stated in the net cash provided by (used in) financing activities, and the cash flows for the costs of the acquisition of ownership interests in subsidiaries resulting in change in scope of consolidation or the acquisition or sales of ownership interests in subsidiaries that do not result in change in scope of consolidation is stated in the net cash provided by (used in) operating activities.

As cumulative effects have been reflected in net assets for the beginning of the fiscal year under review, the beginning balances of capital surplus decreased by ¥13,667 million (US\$121 million) and retained earnings in the consolidated statement of changes in net assets decreased by ¥3,295 million (US\$29 million).

The impact on per-share information is described **XIX. PER SHARE INFORMATION.**

#### (17) Policy Acquisition Costs

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

**(Additional information)**

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

a) Overview of the transactions

i) J-ESOP

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

ii) E-Ship®

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

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

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

i) J-ESOP

a. Book value of the stocks of the Parent Company within the trust as of March 31, 2015 and 2016 were ¥6,771 million and ¥6,672 million (US\$59 million). These stocks were recorded as the treasury stock in the total shareholders’ equity.

b. The number of stocks within the trust as of March 31, 2015 and 2016 were 4,479 thousand shares and 4,413 thousand shares, and the average number of stocks within the trust for the years ended March 31, 2015 and 2016 were 4,496 thousand shares and 4,437 thousand shares. The number of shares at the year-end and the average number of stocks were included in the treasury stock, which is deducted when calculating per-share information.

ii) E-Ship®

a. Book value of the stocks of the Parent Company within the trust as of March 31, 2015 and 2016 were ¥2,952 million and ¥1,558 million (US\$13 million). These stocks were recorded as the treasury stock in the total shareholders’ equity.

b. The number of stocks within the trust as of March 31, 2015 and 2016 were 2,039 thousand shares and 1,076 thousand shares, and the average number of stocks within the trust for the years ended March 31, 2015 and 2016 were 2,545 thousand shares and 1,545 thousand shares. The number of shares at the year-end and the average number of stocks were included in the treasury stock, which is deducted when calculating per-share information.

### III. NOTES TO THE CONSOLIDATED BALANCE SHEET

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

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

	As of March 31,		
	2015	2016	2016
	(Unit: million yen)		(Unit: million US dollars)
Securities (Government bonds).....	712,005	407,357	3,615
Securities (Foreign securities) .....	181,804	235,367	2,088
Securities (Corporate bonds) .....	523	3,594	31
Cash and deposits .....	879	9,042	80
Securities and cash and deposits pledged as collateral.....	895,212	655,362	5,816

The amounts of secured liabilities were as follows:

	As of March 31,		
	2015	2016	2016
	(Unit: million yen)		(Unit: million US dollars)
Cash collateral for securities lending transactions.....	731,505	473,284	4,200
Loans payable .....	0	-	-
Secured liabilities .....	731,506	473,284	4,200

“Securities (Government bonds)” pledged as collateral for securities lending transactions with cash collateral as of March 31, 2015 and 2016 were ¥650,112 million and ¥381,453 million (US\$3,385 million), respectively.

#### 2. Securities Lending

Securities lent under lending agreements are included in the consolidated balance sheet. The total balance of securities lent as of March 31, 2015 and 2016 were ¥1,888,894 million and ¥2,250,315 million (US\$19,970 million), respectively.

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

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

The sub-groups of insurance products of DL are:

Years ended March 31, 2015 and 2016

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

The sub-groups of insurance products of the subsidiary of DL are:

Year ended March 31, 2015	Year ended March 31, 2016
i) individual life insurance and annuities (yen-denominated, short-term),	i) individual life insurance and annuities (yen-denominated, short-term),
ii) individual life insurance and annuities (yen-denominated, long-term),	ii) individual life insurance and annuities (yen-denominated, long-term),
iii) individual life insurance and annuities (U.S. dollar-denominated), and	iii) individual life insurance and annuities (U.S. dollar-denominated),
iv) individual life insurance and annuities (Australian dollar-denominated), with the exception of certain types and contracts.	iv) individual life insurance and annuities (Australian dollar-denominated), and v) individual life insurance and annuities (New Zealand dollar-denominated), with the exception of certain types and contracts.

(Additional information)

Effective the fiscal year ended March 31, 2016, in order to conduct appropriate duration control, taking into account the duration of liabilities to promote more sophisticated ALM, a certain subsidiary of DL added individual life insurance and annuities (New Zealand dollar-denominated) as a new sub-group. This addition did not have any impact on profits and losses of DL and the subsidiary for the year ended March 31, 2016.

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

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

	As of March 31,		
	2015	2016	2016
	(Unit: million yen)		(Unit: million US dollars)
Stocks .....	126,803	122,088	1,083
Capital .....	51,591	70,902	629
Total .....	178,395	192,990	1,712

#### 5. Problem Loans

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

	As of March 31,		
	2015	2016	2016
	(Unit: million yen)		(Unit: million US dollars)
Credits to bankrupt borrowers .....	502	93	0
Delinquent loans .....	3,525	3,005	26
Loans past due for three months or more .....	-	-	-
Restructured loans .....	2,040	415	3
Total .....	6,068	3,513	31

Credits to bankrupt borrowers represent non-accrual loans, excluding the balances already written off, which meet the conditions prescribed in Article 96, Paragraph 1, Item 3 or 4 of the Enforcement Ordinance of the Corporation Tax Act. Interest accruals of such loans are suspended since the principal or interest on such loans is unlikely to be collected.

Delinquent loans are credits that are delinquent other than credits to bankrupt borrowers and loans for which interest payments have been suspended to assist and support the borrowers in the restructuring of their businesses.

Loans past due for three months or more are loans for which interest or principal payments are delinquent for three months or more under the terms of the loans excluding those classified as credits to bankrupt borrowers or delinquent loans.

Restructured loans are loans for which certain concessions favorable to borrowers, such as interest reductions or exemptions, postponement of principal or interest payments, release from repayment or other agreements have been negotiated for the purpose of assisting and supporting the borrowers in the restructuring of their businesses. This category excludes loans classified as credits to bankrupt borrowers, delinquent loans, and loans past due for three months or more.

As a result of the direct write-off of loans, decreases in credits to bankrupt borrowers and delinquent loans were as follows:

	As of March 31,		
	2015	2016	2016
	(Unit: million yen)		(Unit: million US dollars)
Credits to bankrupt borrowers .....	4	2	0
Delinquent loans .....	54	56	0

#### 6. Commitment Line

As of March 31, 2015 and 2016, there were unused commitment line agreements under which DL and its consolidated subsidiaries were the lenders of ¥95,370 million and ¥104,987 million (US\$931 million), respectively.

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

The amounts of accumulated depreciation of tangible fixed assets as of March 31, 2015 and 2016 were ¥648,947 million and ¥664,386 million (US\$5,896 million), respectively.

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

The total amounts of assets held in separate accounts defined in Article 118, Paragraph 1 of the Insurance Business Act as of March 31, 2015 and 2016 were ¥3,328,149 million and ¥3,140,639 million (US\$27,872 million), respectively. Separate account liabilities were the same amount as the separate account assets.



## 9. Changes in Reserve for Policyholder Dividends

Changes in reserve for policyholder dividends were as follows:

	Year ended March 31,		
	2015	2016	2016
	(Unit: million yen)		(Unit: million US dollars)
Balance at the beginning of the year.....	394,022	405,566	3,599
Dividends paid during the year.....	(109,404)	(121,003)	(1,073)
Interest accrual during the year.....	8,748	8,639	76
Provision for reserve for policyholder dividends .....	112,200	97,500	865
Balance at the end of the year .....	405,566	390,701	3,467

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

The estimated future obligations of DL and its subsidiaries that operate a life insurance business in Japan to the Life Insurance Policyholders Protection Corporation of Japan under Article 259 of the Insurance Business Act as of March 31, 2015 and 2016 were ¥54,887 million and ¥55,326 million (US\$491 million), respectively. These obligations will be recognized as operating expenses in the years in which they are paid.

## 11. Revaluation of Land

Based on the "Law for Revaluation of Land" (Publicly Issued Law 34, March 31, 1998), DL revalued land for business use. The difference between the fair value and book value resulting from the revaluation, net of related deferred taxes, is recorded as a reserve for land revaluation as a separate component of net assets and the related deferred tax liability is recorded as deferred tax liabilities for land revaluation.

- Date of revaluation: March 31, 2001
- Method stipulated in Article 3 Paragraph 3 of the Law for Revaluation of Land:

The fair value was determined based on the appraisal value publicly announced for tax assessment purposes with certain reasonable adjustments in accordance with Article 2-1 and 2-4 of the Enforcement Ordinance of the Law for Revaluation of Land (Publicly Issue Cabinet Order 119, March 31, 1998).

- The excess of the new book value of the land over the fair value after revaluation in accordance with Article 10 of the Law for Revaluation of Land was ¥2,525 million as of March 31, 2015, which included ¥(7,935) million attributable to real estate for rent, and no excess as of March 31, 2016.

## 12. Bonds Payable

As of March 31, 2015 and 2016, bonds payable included foreign currency-denominated subordinated bonds of ¥281,988 million and ¥ 269,852 million (US\$ 2,394 million), respectively, the repayment of which is subordinated to other obligations

Issuer	Description	Issuance date	Balance as of April 1, 2015	Balance as of March 31, 2016	Interest rate (%)	Collateral	Maturity date
(Unit: million yen)							
DL	Foreign currency (US dollar) denominated perpetual subordinated bonds	From March 15, 2011 To October 28, 2014	215,727 [2,300 mil US\$]	215,727 [2,300 mil US\$]	From 5.10 to 7.25	None	Perpetual
(*)	Foreign currency (US dollar) denominated bonds	From August 15, 1994 To October 10, 2012	207,056 [1,751 mil US\$]	215,830 [1,789 mil US\$]	From 1.96 to 11.25	None	From January 15, 2018 To July 15, 2052
Protective Life Corporation	Foreign currency (US dollar) denominated subordinated bonds <sup>(Note: 2)</sup>	From January 27, 2004 To August 15, 2012	66,261 [560 mil US\$]	54,125 [448 mil US\$]	From 6.00 to 6.25	None	From January 27, 2034 To September 1, 2042
Total	-	-	489,045	485,682	-	-	-

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

2. For the fiscal year ended March 31, 2016, 104 million US dollars of subordinated bonds were redeemed.

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

4. The following table shows the maturities of long-term subordinated bonds for the 5 years subsequent to March 31, 2016

	Due in one year or less	Due after one year through two years	Due after two years through three years	Due after three years through four years	Due after four years through five years
(Unit: million yen)					
Bonds payable .....	-	-	18,091	48,244	-
(Unit: million US dollars)					
Bonds payable .....	-	-	160	428	-

### 13. Subordinated Debt and Other liabilities

As of March 31, 2015 and 2016, other liabilities included subordinated debt of ¥320,000 million and ¥283,000 million (US\$2,511 million), respectively, the repayment of which is subordinated to other obligations.

Category	Balance as of	Balance as of	Average	Maturity	Balance as of	Balance as of
	April 1, 2015	March 31, 2016	interest rate (%)		April 1, 2015	March 31, 2016
	(Unit: million yen)				(Unit: million US dollars)	
Current portions of long-term borrowings .....	20,575	3,277	0.5	—	182	29
Current portions of lease obligations...	1,518	1,649	—	—	13	14
Long-term borrowings (excluding current portion) .....	371,315	360,772	1.5	October 2019 ~ perpetual	3,295	3,201
Lease obligations (excluding current portion) .....	3,064	2,981	—	April 2017 ~ March 2022	27	26
<b>Total .....</b>	<b>396,474</b>	<b>368,681</b>	<b>—</b>	<b>—</b>	<b>3,518</b>	<b>3,271</b>

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

2. The average interest rate represents the weighted-average rate applicable to the balance as of March 31, 2016. As for lease obligations, description is omitted since interest method is applied.

3. The following table shows the maturities of long-term borrowings (excluding the current portion or those without maturities) and lease obligations (excluding the current portion) for the 5 years subsequent to March 31, 2016:

	Due after one year through two years	Due after two years through three years	Due after three years through four years	Due after four years through five years
	(Unit: million yen)			
Long-term borrowings.....	—	—	19,276	58,495
Lease obligations .....	1,621	809	386	164

	Due after one year through two years	Due after two years through three years	Due after three years through four years	Due after four years through five years
	(Unit: million US dollars)			
Long-term borrowings.....	—	—	171	519
Lease obligations .....	14	7	3	1

### 14. Securities Borrowing

Securities borrowed under borrowing agreements and securities received as collateral of reinsurance transactions can be sold or pledged as collateral. As of March 31, 2015 and 2016, the market value of the securities which were not sold or pledged as collateral was ¥94,474 million and ¥267,875 (US\$2,377 million), respectively. None of the securities were pledged as collateral as of March 31, 2015 and 2016, respectively.

### 15. Organizational Change Surplus

As of March 31, 2015 and 2016, the amounts of DL's organizational change surplus stipulated in Article 91 of the Insurance Business Act were ¥117,776 million and ¥117,776 million (US\$1,045 million), respectively.

## IV. NOTES TO THE CONSOLIDATED STATEMENT OF EARNINGS

### 1. Operating Expenses

Details of operating expenses for the years ended March 31, 2015 and 2016 were as follows:

	Year ended March 31,		
	2015	2016	2016
	(Unit: million yen)		(Unit: million US dollars)
Sales activity expenses .....	267,612	301,337	2,674
Sales management expenses .....	71,876	78,029	692
General management expenses.....	219,856	282,016	2,502

### 2. Gains on Disposal of Fixed Assets

Details of gains on disposal of fixed assets for the years ended March 31, 2015 and 2016 were as follows:

	Year ended March 31,		
	2015	2016	2016
	(Unit: million yen)		(Unit: million US dollars)
Land .....	2,477	168	1
Buildings.....	551	103	0
Other tangible fixed assets.....	1	0	0
Other intangible fixed assets.....	—	14	0
Total .....	3,030	287	2

### 3. Losses on Disposal of Fixed Assets

Details of losses on disposal of fixed assets for the years ended March 31, 2015 and 2016 were as follows:

	Year ended March 31,		
	2015	2016	2016
	(Unit: million yen)		(Unit: million US dollars)
Land .....	1,249	784	6
Buildings.....	2,911	205	1
Leased assets .....	41	2	0
Other tangible fixed assets.....	163	140	1
Software .....	198	60	0
Other intangible fixed assets.....	248	—	—
Other assets .....	582	116	1
Total .....	5,396	1,310	11

#### 4. Impairment Losses on Fixed Assets

Details of impairment losses on fixed assets for the years ended March 31, 2015 and 2016 were as follows:

a) Method of Grouping Assets

Real estate and other assets used for insurance business purposes are recognized as one asset group. Each property for rent and property not in use, which is not used for insurance business purposes, is deemed to be an independent asset group.

b) Background for Recognition of Impairment Losses

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

c) Breakdown of Impairment Losses

Impairment losses by asset group for the year ended March 31, 2015 were as follows:

Asset Group	Place	Number	Impairment Losses			
			Land	Land Leasehold Rights	Buildings	Total
(Unit: million yen)						
Real estate not in use	Maebashi City, Gunma Prefecture and others	27	2,370	304	2,798	5,472

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

Asset Group	Place	Number	Impairment Losses							
			Land	Land Leasehold Rights	Buildings	Total	Land	Land Leasehold Rights	Buildings	Total
(Unit: million yen)				(Unit: million US dollars)						
Real estate not in use	Fuchu City, Tokyo and others	100	13,780	9	20,757	34,548	122	0	184	306

d) Calculation of Recoverable Value

Value in use or net sale value is used as the recoverable value of real estate for rent, and net sale value is used as the recoverable value of real estate not in use. Discount rates of 2.57% and 2.48% for the years ended March 31, 2015 and 2016, respectively, were applied for discounting future cash flows in the calculation of value in use. Estimated disposal value, appraisal value based on real estate appraisal standards, or appraisal value based on publicly assessed land value for tax purposes is used as the net sale value.

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

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

	Year ended March 31,		
	2015	2016	2016
	(Unit: million yen)		(Unit: million US dollars)
Net unrealized gains (losses) on securities, net of tax			
Amount incurred during the year.....	1,783,498	(863,473)	(7,663)
Amount reclassified.....	(145,030)	(154,986)	(1,375)
Before tax adjustment.....	1,638,467	(1,018,460)	(9,038)
Tax effect.....	(434,666)	330,525	2,933
Net unrealized gains (losses) on securities, net of tax.....	1,203,801	(687,935)	(6,105)
Deferred hedge gains (losses)			
Amount incurred during the year.....	64,255	10,659	94
Amount reclassified.....	(111)	851	7
Amount adjusted for asset acquisition cost.....	(77,309)	-	-
Before tax adjustment.....	(13,165)	11,511	102
Tax effect.....	3,714	(3,340)	(29)
Deferred hedge gains (losses).....	(9,450)	8,170	72
Reserve for land revaluation			
Amount incurred during the year.....	-	-	-
Amount reclassified.....	-	-	-
Before tax adjustment.....	-	-	-
Tax effect.....	5,668	2,411	21
Reserve for land revaluation.....	5,668	2,411	21
Foreign currency translation adjustments			
Amount incurred during the year.....	(5,940)	(2,180)	(19)
Amount reclassified.....	-	-	-
Before tax adjustment.....	(5,940)	(2,180)	(19)
Tax effect.....	-	-	-
Foreign currency translation adjustments.....	(5,940)	(2,180)	(19)
Remeasurements of defined benefit plans, net of tax			
Amount incurred during the year.....	52,829	(112,409)	(997)
Amount reclassified.....	(1,281)	(10,053)	(89)
Before tax adjustment.....	51,547	(122,463)	(1,086)
Tax effect.....	(14,375)	34,746	308
Remeasurements of defined benefit plans, net of tax.....	37,171	(87,716)	(778)
Share of other comprehensive income of subsidiaries and affiliates accounted for under the equity method			
Amount incurred during the year.....	10,737	(4,079)	(36)
Amount reclassified.....	(161)	(62)	(0)
Share of other comprehensive income of subsidiaries and affiliates accounted for under the equity method.....	10,575	(4,142)	(36)
Total other comprehensive income.....	1,241,826	(771,392)	(6,845)

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

### 1. For the Year Ended March 31, 2015

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

	Year ended March 31, 2015			
	At the beginning of the year	Increase during the year	Decrease during the year	At the end of the year
	(Unit: thousands of shares)			
Common stock <sup>(1)</sup> .....	1,000,060	197,878	–	1,197,938
Treasury stock <sup>(2)</sup> .....	7,743	–	1,225	6,518

(<sup>1</sup>) The increase of 197,878 thousand shares of common stock represents the sum of a) the exercise of stock acquisition rights of 78 thousand shares and b) issuance of 197,800 thousand new shares.

(<sup>2</sup>) The decrease of 1,225 thousand shares of treasury stock represents the sum of a) shares granted to eligible employees at retirement by the J-ESOP under DL's incentive program granting middle management the purchased shares and b) shares sold to the Dai-ichi Life Insurance Employee Stock Holding Partnership by the Trust Fund for Dai-ichi Life Insurance Employee Stock Holding Partnership under the E-Ship®.

#### (2) Stock Acquisition Rights

Issuer	Details	Balance as of March 31, 2015 (Unit: million yen)
DL	Stock acquisition rights in the form of stock options	753

#### (3) Dividends on Common Stock

##### a) Dividends paid during the fiscal year ended March 31, 2015

Date of resolution	June 24, 2014 (at the Annual General Meeting of Shareholders)
Type of shares	Common stock
Total dividends <sup>(1)</sup>	¥19,846 million
Dividends per share <sup>(2)</sup>	¥20
Record date	March 31, 2014
Effective date	June 25, 2014
Dividend resource	Retained earnings

(<sup>1</sup>) Total dividends did not include ¥154 million of dividends to the J-ESOP trust and the E-ship® trust, as DL recognized the shares held by those trusts as treasury shares.

(<sup>2</sup>) The Company conducted a 1:100 share split on October 1, 2013. The dividend per share reflects the share split.

##### b) Dividends, the record date of which was March 31, 2015, to be paid out in the year ending March 31, 2016

Date of resolution	June 23, 2015 (at the Annual General Meeting of Shareholders)
Type of shares	Common stock
Total dividends <sup>(1)</sup>	¥33,359 million
Dividends per share	¥28
Record date	March 31, 2015
Effective date	June 24, 2015
Dividend resource	Retained earnings

(<sup>1</sup>) Total dividends did not include ¥182 million of dividends to the J-ESOP trust and the E-ship® trust, as DL recognized the shares held by those trusts as treasury shares.

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

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

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

(<sup>1</sup>) The increase of 84 thousand shares of common stock is due to the exercise of stock acquisition rights (stock options).

(<sup>2</sup>) Treasury stock at the beginning and the end of the fiscal year ended March 31, 2016, includes 6,518 thousand shares and 5,490 thousand shares held by the trust fund through the J-ESOP and the trust fund for Dai-ichi Life Insurance Employee Stock Holding Partnership through the E-Ship®, respectively.

(<sup>3</sup>) The increase of 6,878 thousand shares of treasury stock was due to the repurchase of outstanding common stock.

(<sup>4</sup>) The 1,028 thousand share decrease in treasury stock represents the sum of (1) shares granted to eligible employees at retirement and (2) shares sold to the Dai-ichi Life Insurance Employee Stock Holding Partnership by the Trust Fund for Dai-ichi Life Insurance Employee Stock Holding Partnership.

## (2) Stock Acquisition Rights

Issuer	Details	Balance as of March 31, 2016 (Unit: million yen)
DL	Stock acquisition rights in the form of stock options	925 (US\$8 million)

## (3) Dividends on Common Stock

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

Date of resolution	June 23, 2015 (at the Annual General Meeting of Shareholders)
Type of shares	Common stock
Total dividends <sup>(*)</sup>	¥33,359 million (US\$296 million)
Dividends per share	¥28 (US\$0.24)
Record date	March 31, 2015
Effective date	June 24, 2015
Dividend resource	Retained earnings

(\*) Total dividends did not include ¥182 million (US\$1 million) of dividends to the J-ESOP trust and the E-ship® trust, as DL recognized the shares held by those trusts as treasury shares.

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

Date of resolution	June 24, 2016 (at the Annual General Meeting of Shareholders to be held)
Type of shares	Common stock
Total dividends <sup>(*)</sup>	¥41,497 million (US\$368 million)
Dividends per share	¥35 (US\$0.31)
Record date	March 31, 2016
Effective date	June 27, 2016
Dividend resource	Retained earnings

(\*) Total dividends did not include ¥192 million (US\$1 million) of dividends to the J-ESOP trust and the E-ship® trust, as DL recognized the shares held by those trusts as treasury shares.

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

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

	As of March 31,		
	2015	2016	2016
	(Unit: million yen)		(Unit: million US dollars)
Cash and cash deposits.....	873,444	843,405	7,484
Call loans.....	380,400	116,900	1,037
Money market funds included in securities.....	915	916	8
Cash and cash equivalents .....	1,254,760	961,221	8,530



## VIII. LEASE TRANSACTIONS

### 1. Finance Leases (As lessee)

For the fiscal years ended March 31, 2015 and 2016, information regarding finance leases (as lessee) is omitted due to the importance on the consolidated financial statements.

### 2. Operating Leases

Future minimum lease payments under non-cancellable operating leases as of March 31, 2015 and 2016 were as follows:

(As Lessee)

	As of March 31,		
	2015	2016	2016
	(Unit: million yen)		(Unit: million US dollars)
Due within one year.....	3,039	2,928	25
Due after one year.....	27,694	26,782	237
Total.....	30,733	29,711	263

(As Lessor)

	As of March 31,		
	2015	2016	2016
	(Unit: million yen)		(Unit: million US dollars)
Due within one year.....	8	8	0
Due after one year.....	256	247	2
Total.....	265	256	2

## IX. FINANCIAL INSTRUMENTS AND OTHERS

### 1. Financial Instruments

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

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

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

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

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

Securities included in financial assets of DL and certain of its consolidated subsidiaries, mainly stocks and bonds, are categorized by their investment objectives such as held-to-maturity securities, policy-reserve-matching securities and available-for-sale securities. Those securities are exposed to market fluctuation risk, credit risk, and interest-rate risk and some of the securities denominated in foreign currency are exposed to foreign currency risk. Also, loans are exposed to credit risk arising from the defaults of obligors. DL and certain of its consolidated subsidiaries might be exposed to liquidity risk in certain circumstance in which they cannot access the financial market and make timely payments of principal, interest or other amounts. Also, some of their loans payable and bonds payable which are floating interest rate based and denominated in foreign currency are exposed to interest-rate risk and foreign currency risk.

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

In addition, DL and certain of its consolidated subsidiaries utilize a) equity forward contracts to hedge market fluctuation risks associated with domestic stocks, and b) foreign currency forward contracts, currency options and foreign currency swaps to hedge foreign currency risks associated with certain foreign currency-denominated bonds, foreign currency-denominated short-term deposits and foreign currency-denominated debts, etc. and adopt hedge accounting.

In applying the hedge accounting, in order to fulfill requirements stipulated in the "Accounting Standards for Financial Instruments" (ASBJ Statement No. 10 issued on March 10, 2008), DL and certain of its consolidated subsidiaries have established investment policy and procedure guidelines and clarified the risk of underlying assets to be hedged and derivative instruments to be used, and conducted pre- and post-effectiveness tests of the transactions.

#### (3) Risk Management

The risk management system of DL and certain of its domestic consolidated subsidiaries is as follows:

##### a) Market risk management

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

##### i) Interest rate risk

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

##### ii) Currency risk

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

##### iii) Fluctuation in market values

They define risk management policies for each component of their overall portfolio, including securities, and specific risk management procedures. In such policies and procedures, they set and manage upper limits of each asset balance and risk exposure.

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

iv) Derivative transactions

For derivative transactions, they have established internal check system by segregating (a) executing department, (b) the department which engages in assessment of hedge effectiveness, and (c) the back-office. Additionally, in order to limit speculative use of derivatives, they have put restrictions on utilization purpose, such as hedging, and establish position limits for each asset class.

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

b) Credit Risk Management

In accordance with the internal investment policy and credit risk management procedure guidelines, they have established a credit management system related to loans, such as preliminary reviews on individual transactions, credit limit setting, credit information management, internal credit rating, attachment of guarantees and collateral, and follow-ups on problem loans. For corporate bond investment, the credit section sets investment caps on individual issuers taking into account internal credit ratings and other factors. Excessive risk taking is restricted since front offices make investment within those caps. Policies and framework for large-lot borrowers have been formulated in order to prevent credit concentration by monitoring compliance, etc. That credit management has been conducted by the credit and risk management sections, and has been periodically reported to their board of directors, etc. Additionally, the internal audit section has also checked credit management status.

Credit risk of security issuers and counterparty risk with respect to derivative transactions are managed by the credit section, which sets upper limits for each counterparty and financial instrument and periodically monitors credit information, and by the risk management section, which periodically monitors current exposures.

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

**(4) Supplementary Explanation for Fair Value of Financial Instruments**

As well as the values based on market prices, fair value of financial instruments includes values which are reasonably calculated in case market prices do not exist. As the calculation of those values adopts certain assumptions, those values may vary in case different assumptions are applied. Also, for the contract value regarding derivative transactions described in "2. Fair Value of Financial Instruments", the contract value itself does not indicate market risk related to derivative transactions.

## 2. Fair Value of Financial Instruments

The carrying amount on the consolidated balance sheet, fair value and differences between carrying amount and fair value as of March 31, 2015 and 2016 were as follows.

The following tables do not include financial instruments whose fair value is extremely difficult to recognize (please refer to Note 2).

	As of March 31, 2015		
	Carrying amount	Fair value	Gains (losses)
		(Unit: million yen)	
(1) Cash and deposits.....	873,444	873,453	9
(2) Call loans .....	380,400	380,400	-
(3) Monetary claims bought.....	265,813	265,813	-
(4) Money held in trust .....	65,283	65,283	-
(5) Securities			
a. Trading securities .....	5,332,413	5,332,413	-
b. Held-to-maturity bonds .....	108,312	112,842	4,529
c. Policy-reserve-matching bonds.....	13,730,760	15,693,503	1,962,743
d. Stocks of subsidiaries and affiliated companies.....	42,055	78,650	36,595
e. Available-for-sale securities.....	20,779,417	20,779,417	-
(6) Loans.....	3,898,148		
Reserves for possible loan losses <sup>(*)</sup> .....	(1,327)		
	3,896,821	4,040,839	144,018
<b>Total assets .....</b>	<b>45,474,722</b>	<b>47,622,618</b>	<b>2,147,895</b>
(1) Bonds payable.....	489,045	519,605	30,560
(2) Long-term borrowings.....	391,891	393,705	1,813
<b>Total liabilities .....</b>	<b>880,936</b>	<b>913,310</b>	<b>32,374</b>
Derivative transactions <sup>(*)</sup>			
a. Hedge accounting not applied.....	[12,165]	[12,165]	-
b. Hedge accounting applied .....	[69,304]	[68,910]	394
<b>Total derivative transactions .....</b>	<b>[81,470]</b>	<b>[81,076]</b>	<b>394</b>

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

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

	As of March 31, 2016					
	Carrying amount	Fair value	Gains (losses)	Carrying amount	Fair value	Gains (losses)
		(Unit: million yen)		(Unit: million US dollars)		
(1) Cash and deposits.....	843,405	843,411	6	7,484	7,485	0
(2) Call loans .....	116,900	116,900	-	1,037	1,037	-
(3) Monetary claims bought.....	239,299	239,299	-	2,123	2,123	-
(4) Money held in trust .....	87,476	87,476	-	776	776	-
(5) Securities						
a. Trading securities .....	5,157,337	5,157,337	-	45,769	45,769	-
b. Held-to-maturity bonds .....	117,272	113,410	(3,862)	1,040	1,006	(34)
c. Policy-reserve-matching bonds.....	14,610,220	18,195,238	3,585,018	129,661	161,477	31,815
d. Stocks of subsidiaries and affiliated companies .....	40,526	62,802	22,275	359	557	197
e. Available-for-sale securities .....	20,641,643	20,641,643	-	183,188	183,188	-
(6) Loans.....	3,715,562			32,974		
Reserves for possible loan losses <sup>(*)</sup> ....	(549)			(4)		
	3,715,013	3,854,510	139,497	32,969	34,207	1,237
<b>Total assets .....</b>	<b>45,569,095</b>	<b>49,312,031</b>	<b>3,742,935</b>	<b>404,411</b>	<b>437,628</b>	<b>33,217</b>
(1) Bonds payable.....	485,682	497,702	12,019	4,310	4,416	106
(2) Long-term borrowings.....	364,050	366,516	2,466	3,230	3,252	21
<b>Total liabilities .....</b>	<b>849,733</b>	<b>864,219</b>	<b>14,486</b>	<b>7,541</b>	<b>7,669</b>	<b>128</b>
Derivative transactions <sup>(*)</sup>						
a. Hedge accounting not applied.....	[24,791]	[24,791]	-	[220]	[220]	-
b. Hedge accounting applied .....	104,489	100,948	(3,540)	927	895	(31)
<b>Total derivative transactions .....</b>	<b>79,698</b>	<b>76,157</b>	<b>(3,540)</b>	<b>707</b>	<b>675</b>	<b>(31)</b>

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

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

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

Assets

(1) Cash and deposits

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

(2) Call loans

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

(3) Monetary claims bought

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

(4) Money held in trust

The fair value of stocks is based on the price on stock exchanges and that of bonds is based on the price on bond markets or price presented by counterparty financial institutions. The fair value of mutual funds is based on unit price.

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

(5) Securities

The fair value of stocks is based on the price on stock exchanges and that of bonds is based on the price on bond markets or price presented by counterparty financial institutions. The fair value of mutual funds is based on unit price. As for ownership stakes in partnerships, the amount equivalent to partnership interest in fair value of the partnership assets is recorded as fair value of the stake in the partnership. Additionally, notes for the securities for each investment purpose are described in **X. SECURITIES**.

(6) Loans

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

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

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

Liabilities

(1) Bonds payable

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

(2) Long-term borrowings

The fair value of long-term borrowings is calculated by discounting future cash flows, using interest rates corresponding to internal credit rating and remaining periods which are assumed to be applied to new borrowing. Also, certain of long-term borrowings are deemed to have fair value close to book value, taking into account interest rates. Therefore, their book value is recorded as the fair value.

Derivative Instruments

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

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

	As of March 31,		
	2015	2016	2016
	Carrying amount		
	(Unit: million yen)		(Unit: million US dollars)
1. Unlisted domestic stocks <sup>(*)</sup> <sup>(*)</sup> .....	153,031	161,949	1,437
2. Unlisted foreign stocks <sup>(*)</sup> <sup>(*)</sup> .....	51,064	46,950	416
3. Other foreign securities <sup>(*)</sup> <sup>(*)</sup> .....	795,227	692,672	6,147
4. Other securities <sup>(*)</sup> <sup>(*)</sup> .....	113,131	91,486	811
<b>Total</b> .....	<b>1,112,454</b>	<b>993,059</b>	<b>8,813</b>

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

(\*) DL recorded impairment charges of ¥13 million for the year ended March 31, 2015 and ¥21 million (US\$ 0 million) for the year ended March 31, 2016.

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

As of March 31, 2015				
	Due in 1 year or less	Due after 1 year through 5 years	Due after 5 years through 10 years	Due after 10 years
(Unit: million yen)				
Cash and deposits .....	870,994	200	–	–
Call loans.....	380,400	–	–	–
Monetary claims bought .....	–	23,000	–	229,233
Money held in trust <sup>(*)</sup> .....	–	2,760	–	–
Securities:				
Held-to-maturity bonds (bonds) .....	–	–	47,900	–
Held-to-maturity bonds (foreign securities).....	–	–	–	51,438
Policy-reserve-matching bonds (bonds) .....	94,020	293,897	524,213	11,561,862
Policy-reserve-matching bonds (foreign securities) .....	500	61,299	895,173	224,015
Available-for-sale securities with maturities (bonds) .....	194,818	1,319,214	577,040	1,877,613
Available-for-sale securities with maturities (foreign securities) ..	429,053	3,051,078	2,366,088	4,102,798
Available-for-sale securities with maturities (other securities) ...	36,652	71,644	285,483	7,677
Loans <sup>(*)</sup> .....	330,033	1,170,533	934,916	774,008

(\*) Money held in trust without maturities amounted to ¥62,406 million was not included.

(\*) Loans for which interest or principal payments cannot be forecasted, such as credit to bankrupt obligors, substantially bankrupt obligors and obligors at risk of bankruptcy, amounted to ¥1,200 million were not included. Also, ¥642,404 million of loans without maturities were not included.

As of March 31, 2016				
	Due in 1 year or less	Due after 1 year through 5 years	Due after 5 years through 10 years	Due after 10 years
(Unit: million yen)				
Cash and deposits .....	842,670	335	399	–
Call loans.....	116,900	–	–	–
Monetary claims bought .....	12,000	11,000	–	203,454
Money held in trust <sup>(*)</sup> .....	2,550	–	–	–
Securities:				
Held-to-maturity bonds (bonds) .....	–	–	47,900	–
Held-to-maturity bonds (foreign securities).....	–	–	–	60,305
Policy-reserve-matching bonds (bonds) .....	62,635	318,002	771,693	11,536,628
Policy-reserve-matching bonds (foreign securities) .....	22,500	57,112	1,497,463	233,797
Available-for-sale securities with maturities (bonds) .....	353,235	1,133,089	537,277	1,802,166
Available-for-sale securities with maturities (foreign securities) ..	601,818	2,273,995	2,701,541	4,844,218
Available-for-sale securities with maturities (other securities) ...	17,389	101,700	283,211	15,088
Loans <sup>(*)</sup> .....	408,915	977,330	991,702	682,284

As of March 31, 2016				
	Due in 1 year or less	Due after 1 year through 5 years	Due after 5 years through 10 years	Due after 10 years
(Unit: million US dollars)				
Cash and deposits .....	7,478	2	3	–
Call loans.....	1,037	–	–	–
Monetary claims bought .....	106	97	–	1,805
Money held in trust <sup>(*)</sup> .....	22	–	–	–
Securities:				
Held-to-maturity bonds (bonds) .....	–	–	425	–
Held-to-maturity bonds (foreign securities).....	–	–	–	535
Policy-reserve-matching bonds (bonds) .....	555	2,822	6,848	102,383
Policy-reserve-matching bonds (foreign securities) .....	199	506	13,289	2,074
Available-for-sale securities with maturities (bonds) .....	3,134	10,055	4,768	15,993
Available-for-sale securities with maturities (foreign securities) ..	5,340	20,180	23,975	42,990
Available-for-sale securities with maturities (other securities) ...	154	902	2,513	133
Loans <sup>(*)</sup> .....	3,628	8,673	8,801	6,055

(\*) Money held in trust without maturities amounted to ¥84,836 million (US\$ 752 million) was not included.

(\*) Loans for which interest or principal payments cannot be forecasted, such as credit to bankrupt obligors, substantially bankrupt obligors and obligors at risk of bankruptcy, amounted to ¥761 million (US\$ 6 million) were not included. Also, ¥616,770 million (US\$ 5,473 million) of loans without maturities were not included.

#### Note 4: Scheduled maturities of bonds and long term borrowings

As of March 31, 2015						
	Due in 1 year or less	Due after 1 year through 2 years	Due after 2 years through 3 years	Due after 3 years through 4 years	Due after 4 years through 5 years	Due after 5 years
	(Unit: million yen)					
Bonds payable <sup>(*)</sup> .....	12,190	–	17,737	–	47,300	156,005
Long term borrowings <sup>(*)</sup> .....	20,575	0	–	–	–	46,117

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

(\*) ¥325,197 million of long term borrowings without maturities were not included.

As of March 31, 2016						
	Due in 1 year or less	Due after 1 year through 2 years	Due after 2 years through 3 years	Due after 3 years through 4 years	Due after 4 years through 5 years	Due after 5 years
	(Unit: million yen)					
Bonds payable <sup>(*)</sup> .....	–	–	18,091	48,244	–	159,118
Long term borrowings <sup>(*)</sup> .....	3,277	–	–	19,276	58,495	–

As of March 31, 2016						
	Due in 1 year or less	Due after 1 year through 2 years	Due after 2 years through 3 years	Due after 3 years through 4 years	Due after 4 years through 5 years	Due after 5 years
	(Unit: million US dollars)					
Bonds payable <sup>(*)</sup> .....	–	–	160	428	–	1,412
Long term borrowings <sup>(*)</sup> .....	29	–	–	171	519	–

(\*) ¥215,727 million (US\$ 1,914 million) of bonds payable without maturities were not included.

(\*) ¥283,000 million (US\$ 2,511 million) of long term borrowings without maturities were not included.

## X. SECURITIES

### 1. Trading Securities

	Year ended March 31,		
	2015	2016	2016
	(Unit: million yen)		(Unit: million US dollars)
Gains (losses) on valuation of trading securities .....	197,216	(389,394)	(3,455)

### 2. Held-to-maturity Bonds

As of March 31, 2015			
	Carrying amount	Market value	Unrealized gains (losses)
	(Unit: million yen)		
Held-to-maturity securities with unrealized gains:			
(1) Bonds .....	45,411	49,940	4,529
a. Government bonds.....	45,411	49,940	4,529
b. Local government bonds.....	–	–	–
c. Corporate bonds.....	–	–	–
(2) Foreign securities .....	–	–	–
a. Foreign bonds.....	–	–	–
Subtotal.....	45,411	49,940	4,529
Held-to-maturity securities with unrealized losses:			
(1) Bonds .....	–	–	–
a. Government bonds.....	–	–	–
b. Local government bonds.....	–	–	–
c. Corporate bonds.....	–	–	–
(2) Foreign securities .....	62,901	62,901	–
a. Foreign bonds.....	62,901	62,901	–
Subtotal.....	62,901	62,901	–
Total.....	108,312	112,842	4,529



As of March 31, 2016						
	Carrying amount	Market value	Unrealized gains (losses)	Carrying amount	Market value	Unrealized gains (losses)
	(Unit: million yen)			(Unit: million US dollars)		
Held-to-maturity securities with unrealized gains:						
(1) Bonds .....	45,712	51,296	5,583	405	455	49
a. Government bonds .....	45,712	51,296	5,583	405	455	49
b. Local government bonds .....	-	-	-	-	-	-
c. Corporate bonds .....	-	-	-	-	-	-
(2) Foreign securities .....	-	-	-	-	-	-
a. Foreign bonds .....	-	-	-	-	-	-
Subtotal .....	45,712	51,296	5,583	405	455	49
Held-to-maturity securities with unrealized losses:						
(1) Bonds .....	-	-	-	-	-	-
a. Government bonds .....	-	-	-	-	-	-
b. Local government bonds .....	-	-	-	-	-	-
c. Corporate bonds .....	-	-	-	-	-	-
(2) Foreign securities .....	71,559	62,114	(9,445)	635	551	(83)
a. Foreign bonds .....	71,559	62,114	(9,445)	635	551	(83)
Subtotal .....	71,559	62,114	(9,445)	635	551	(83)
Total .....	117,272	113,410	(3,862)	1,040	1,006	(34)

### 3. Policy-reserve-matching Bonds

As of March 31, 2015			
	Carrying amount	Market value	Unrealized gains (losses)
	(Unit: million yen)		
Policy-reserve-matching bonds with unrealized gains:			
(1) Bonds .....	12,348,894	14,207,276	1,858,381
a. Government bonds .....	11,783,358	13,604,027	1,820,668
b. Local government bonds .....	83,784	92,704	8,920
c. Corporate bonds .....	481,751	510,544	28,793
(2) Foreign Securities .....	1,187,920	1,293,593	105,673
a. Foreign bonds .....	1,187,920	1,293,593	105,673
Subtotal .....	13,536,814	15,500,869	1,964,054
Policy-reserve-matching bonds with unrealized losses:			
(1) Bonds .....	167,803	166,626	(1,176)
a. Government bonds .....	111,260	110,946	(313)
b. Local government bonds .....	1,029	1,011	(18)
c. Corporate bonds .....	55,513	54,667	(845)
(2) Foreign Securities .....	26,142	26,007	(134)
a. Foreign bonds .....	26,142	26,007	(134)
Subtotal .....	193,945	192,633	(1,311)
Total .....	13,730,760	15,693,503	1,962,743

As of March 31, 2016						
	Carrying amount	Market value	Unrealized gains (losses)	Carrying amount	Market value	Unrealized gains (losses)
	(Unit: million yen)			(Unit: million US dollars)		
Policy-reserve-matching bonds with unrealized gains:						
(1) Bonds .....	12,732,605	16,226,332	3,493,726	112,997	144,003	31,005
a. Government bonds .....	11,970,435	15,387,062	3,416,626	106,233	136,555	30,321
b. Local government bonds .....	88,042	105,430	17,387	781	935	154
c. Corporate bonds .....	674,127	733,839	59,712	5,982	6,512	529
(2) Foreign securities .....	1,790,126	1,883,214	93,088	15,886	16,712	826
a. Foreign bonds .....	1,790,126	1,883,214	93,088	15,886	16,712	826
Subtotal .....	14,522,732	18,109,547	3,586,814	128,884	160,716	31,831
Policy-reserve-matching bonds with unrealized losses:						
(1) Bonds .....	9,644	9,455	(189)	85	83	(1)
a. Government bonds .....	500	496	(4)	4	4	(0)
b. Local government bonds .....	327	323	(4)	2	2	(0)
c. Corporate bonds .....	8,816	8,635	(180)	78	76	(1)
(2) Foreign securities .....	77,843	76,236	(1,606)	690	676	(14)
a. Foreign bonds .....	77,843	76,236	(1,606)	690	676	(14)
Subtotal .....	87,488	85,691	(1,796)	776	760	(15)
Total .....	14,610,220	18,195,238	3,585,018	129,661	161,477	31,815

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

As of March 31, 2015			
	Carrying amount	Acquisition cost	Unrealized gains (losses)
	(Unit: million yen)		
Available-for-sale securities with unrealized gains:			
(1) Bonds .....	4,253,125	3,836,985	416,139
a. Government bonds .....	2,829,790	2,481,840	347,949
b. Local government bonds .....	60,059	57,150	2,909
c. Corporate bonds .....	1,363,275	1,297,995	65,280
(2) Domestic stocks .....	3,334,981	1,527,586	1,807,394
(3) Foreign securities .....	7,733,702	6,442,740	1,290,961
a. Foreign bonds .....	6,943,224	5,891,550	1,051,674
b. Other foreign securities .....	790,477	551,190	239,287
(4) Other securities .....	876,549	788,661	87,888
Subtotal .....	16,198,359	12,595,974	3,602,384
Available-for-sale securities with unrealized losses:			
(1) Bonds .....	153,306	153,760	(453)
a. Government bonds .....	106,003	106,345	(342)
b. Local government bonds .....	-	-	-
c. Corporate bonds .....	47,303	47,414	(111)
(2) Domestic stocks .....	94,369	116,092	(21,723)
(3) Foreign securities .....	4,604,695	4,614,811	(10,115)
a. Foreign bonds .....	4,421,935	4,426,892	(4,957)
b. Other foreign securities .....	182,760	187,919	(5,158)
(4) Other securities .....	34,500	34,978	(478)
Subtotal .....	4,886,872	4,919,643	(32,771)
Total .....	21,085,231	17,515,618	3,569,613

Note: Other securities include (1) certificates of deposit and (2) trust beneficiary rights, which were recorded as cash and deposits and monetary claims bought on the consolidated balance sheet, respectively. The aggregate acquisition cost and carrying amount of such certificates of deposits were ¥40,000 million and ¥40,000 million, respectively, as of March 31, 2015. The aggregate acquisition cost and carrying amount of trust beneficiary rights were ¥252,203 million and ¥265,813 million, respectively, as of March 31, 2015.

As of March 31, 2016

	Carrying amount	Acquisition cost	Unrealized gains (losses)	Carrying amount	Acquisition cost	Unrealized gains (losses)
	(Unit: million yen)			(Unit: million US dollars)		
Available-for-sale securities with unrealized gains:						
(1) Bonds .....	4,692,865	4,065,026	627,838	41,647	36,075	5,571
a. Government bonds .....	3,007,861	2,462,247	545,613	26,693	21,851	4,842
b. Local government bonds .....	47,178	44,485	2,693	418	394	23
c. Corporate bonds .....	1,637,825	1,558,293	79,531	14,535	13,829	705
(2) Domestic stocks .....	2,618,029	1,208,765	1,409,264	23,234	10,727	12,506
(3) Foreign securities .....	7,025,848	6,167,347	858,501	62,352	54,733	7,618
a. Foreign bonds .....	6,586,146	5,845,261	740,885	58,450	51,874	6,575
b. Other foreign securities .....	439,702	322,086	117,616	3,902	2,858	1,043
(4) Other securities .....	701,520	648,462	53,058	6,225	5,754	470
Subtotal .....	15,038,265	12,089,601	2,948,663	133,459	107,291	26,168
Available-for-sale securities with unrealized losses:						
(1) Bonds .....	39,190	40,299	(1,109)	347	357	(9)
a. Government bonds .....	8,722	8,784	(62)	77	77	(0)
b. Local government bonds .....	2,850	3,032	(181)	25	26	(1)
c. Corporate bonds .....	27,617	28,482	(865)	245	252	(7)
(2) Domestic stocks .....	372,455	468,913	(96,457)	3,305	4,161	(856)
(3) Foreign securities .....	5,136,192	5,564,987	(428,794)	45,582	49,387	(3,805)
a. Foreign bonds .....	4,755,249	5,156,003	(400,753)	42,201	45,757	(3,556)
b. Other foreign securities .....	380,942	408,983	(28,041)	3,380	3,629	(248)
(4) Other securities .....	294,840	308,187	(13,347)	2,616	2,735	(118)
Subtotal .....	5,842,678	6,382,388	(539,709)	51,851	56,641	(4,789)
Total .....	20,880,943	18,471,989	2,408,954	185,311	163,933	21,378

Note: Other securities include trust beneficiary rights, which were recorded as monetary claims bought on the consolidated balance sheet. The aggregate acquisition cost and carrying amount of trust beneficiary rights were ¥226,436 million (US\$2,009 million) and ¥239,299 million (US\$2,123 million), respectively, as of March 31, 2016.

## 5. Held-to-maturity Bonds Sold

DL and its consolidated subsidiaries sold no held-to-maturity bonds during the years ended March 31, 2015 and 2016.

## 6. Policy-reserve-matching Bonds Sold

Policy-reserve-matching bonds sold during the years ended March 31, 2015 and 2016 were as follows:

Year ended March 31, 2015						
	Amounts sold	Realized gains	Realized losses			
	(Unit: million yen)					
(1) Bonds .....	244,677	9,061	1,922			
a. Government bonds .....	242,099	8,718	1,922			
b. Local government bonds .....	-	-	-			
c. Corporate bonds .....	2,577	343	-			
(2) Foreign securities .....	4,406	989	-			
a. Foreign bonds .....	4,406	989	-			
b. Other foreign securities .....	-	-	-			
Total .....	249,083	10,051	1,922			
Year ended March 31, 2016						
	Amounts sold	Realized gains	Realized losses	Amounts sold	Realized gains	Realized losses
	(Unit: million yen)			(Unit: million US dollars)		
(1) Bonds .....	8,610	310	-	76	2	-
a. Government bonds .....	-	-	-	-	-	-
b. Local government bonds .....	-	-	-	-	-	-
c. Corporate bonds .....	8,610	310	-	76	2	-
(2) Foreign securities .....	51,836	2,007	192	460	17	1
a. Foreign bonds .....	51,836	2,007	192	460	17	1
b. Other foreign securities .....	-	-	-	-	-	-
Total .....	60,446	2,317	192	536	20	1

## 7. Available-for-sale Securities Sold

Available-for-sale securities sold during the years ended March 31, 2015 and 2016 were as follows.

Year ended March 31, 2015						
	Amounts sold	Realized gains	Realized losses			
(Unit: million yen)						
(1) Bonds .....	455,855	9,295	378			
a. Government bonds .....	294,114	5,382	71			
b. Local government bonds .....	470	16	1			
c. Corporate bonds .....	161,270	3,896	306			
(2) Domestic stocks .....	89,262	29,826	4,687			
(3) Foreign securities .....	1,923,468	97,367	16,781			
a. Foreign bonds .....	1,848,474	74,213	13,594			
b. Other foreign securities .....	74,993	23,154	3,187			
(4) Other securities .....	44,326	13,667	450			
Total .....	2,512,913	150,156	22,299			
Year ended March 31, 2016						
	Amounts sold	Realized gains	Realized losses	Amounts sold	Realized gains	Realized losses
(Unit: million yen)			(Unit: million US dollars)			
(1) Bonds .....	321,360	7,697	464	2,851	68	4
a. Government bonds .....	228,109	6,438	190	2,024	57	1
b. Local government bonds .....	–	–	–	–	–	–
c. Corporate bonds .....	93,251	1,259	274	827	11	2
(2) Domestic stocks .....	104,291	34,591	4,406	925	306	39
(3) Foreign securities .....	2,391,246	173,683	56,628	21,221	1,541	502
a. Foreign bonds .....	2,125,406	112,586	38,354	18,862	999	340
b. Other foreign securities .....	265,839	61,096	18,273	2,359	542	162
(4) Other securities .....	88,544	4,119	2,598	785	36	23
Total .....	2,905,443	220,092	64,097	25,784	1,953	568

## 8. Securities Written Down

DL and its consolidated subsidiaries write down the balance of certain available-for-sale securities with market values (1) when the market value of such securities declines by 50%, or more, of its purchase cost or (2) when the market value of such securities without a certain level of creditworthiness declines by 30% or more, but less than 50%, of its purchase cost unless it is deemed that there is a possibility that the fair value of the security could recover to equal or exceed the purchase cost. The aggregate amounts written down from the balance of available-for-sale securities with market value for the years ended March 31, 2015 and 2016 were ¥455 million and ¥ 4,108 million (US\$36 million), respectively.



## XII. DERIVATIVE TRANSACTIONS

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

#### (1) Currency-related transactions

As of March 31, 2015				
	(A) Notional amount/ contract value	Over 1 year included in (A)	Fair value	Gains (losses)
(Unit: million yen)				
Exchange-traded transactions:				
Currency futures:				
Sold .....	27,930	–	1,201	1,201
British pound / U.S. dollar .....	13,734	–	473	473
Euro / U.S. dollar .....	9,788	–	788	788
Yen / U.S. dollar .....	4,407	–	(60)	(60)
Over-the-counter transactions:				
Foreign currency forward contracts:				
Sold .....	1,650,262	–	23,354	23,354
U.S. dollar .....	632,401	–	(6,012)	(6,012)
Euro .....	522,799	–	26,811	26,811
Australian dollar .....	121,232	–	2,819	2,819
Canadian dollar .....	79,056	–	16	16
British pound .....	70,157	–	605	605
Others .....	224,614	–	(884)	(884)
Bought .....	1,146,992	–	(831)	(831)
U.S. dollar .....	637,934	–	415	415
Euro .....	132,000	–	(375)	(375)
Canadian dollar .....	70,852	–	(5)	(5)
Australian dollar .....	62,076	–	(314)	(314)
British pound .....	37,235	–	(611)	(611)
Others .....	206,892	–	59	59
Currency swaps:				
Receipts yen, payments foreign currency:				
Australian dollar .....	1,560	1,560	(386)	(386)
Currency options:				
Bought:				
Put .....	115,953			
	[948]	–	43	(904)
U.S. dollar .....	115,953			
	[948]	–	43	(904)
Total return swaps:				
Foreign currency index linked .....				
	248,572	248,572	238	238
<b>Total .....</b>				<b>22,672</b>

- Note: 1. (1) Fair value of currency futures listed above is based on the prices quoted from counterparty financial institutions.  
(2) Forward exchange rates at the end of the year are used for fair value calculation of foreign currency forward contracts.  
(3) Fair value of currency swaps is calculated by discounting expected cash flows.  
(4) An option pricing model is used for fair value calculation of currency options.  
(5) Fair value of total return swaps is based on fair value calculated by referred index of 31 March, 2015.  
2. Figures in [ ] are amounts of option premiums which are included in the consolidated balance sheet.  
3. Fair value for forward contracts and swaps, and differences between the option premiums paid/received and fair value of the option for option transactions, are shown in "Gains (losses)".

## As of March 31, 2016

	(A) Notional amount/ contract value	Over 1 year included in (A)	Fair value	Gains (losses)	(A) Notional amount/ contract value	Over 1 year included in (A)	Fair value	Gains (losses)
	(Unit: million yen)				(Unit: million US dollars)			
Exchange-traded transactions:								
Currency futures:								
Sold .....	33,002	–	166	166	292	–	1	1
Euro / U.S. dollar .....	14,551	–	10	10	129	–	0	0
British pound / U.S. dollar .....	12,818	–	290	290	113	–	2	2
Yen / U.S. dollar .....	5,631	–	(134)	(134)	49	–	(1)	(1)
Over-the-counter transactions:								
Foreign currency forward contracts:								
Sold .....	1,519,781	–	13,123	13,123	13,487	–	116	116
U.S. dollar .....	620,059	–	16,987	16,987	5,502	–	150	150
Euro .....	407,142	–	3,216	3,216	3,613	–	28	28
Australian dollar .....	168,678	–	(5,508)	(5,508)	1,496	–	(48)	(48)
British pound .....	102,836	–	277	277	912	–	2	2
Canadian dollar .....	42,795	–	(253)	(253)	379	–	(2)	(2)
Others .....	178,269	–	(1,596)	(1,596)	1,582	–	(14)	(14)
Bought .....	881,113	–	(6,782)	(6,782)	7,819	–	(60)	(60)
U.S. dollar .....	466,897	–	(11,137)	(11,137)	4,143	–	(98)	(98)
Euro .....	131,026	–	1,145	1,145	1,162	–	10	10
Australian dollar .....	91,353	–	2,972	2,972	810	–	26	26
British pound .....	64,237	–	22	22	570	–	0	0
Canadian dollar .....	29,433	–	16	16	261	–	0	0
Others .....	98,164	–	198	198	871	–	1	1
Currency swaps:								
Receipts yen, payments								
foreign currency .....	1,560	–	(212)	(212)	13	–	(1)	(1)
Australian dollar .....	1,560	–	(212)	(212)	13	–	(1)	(1)
Currency options:								
Bought:								
Call .....	57,179				507			
	[722]	–	0	(722)	[6]	–	0	(6)
Euro .....	57,179				507			
	[722]	–	0	(722)	[6]	–	0	(6)
Put .....	241,613				2,144			
	[5,242]	–	3,440	(1,801)	[46]	–	30	(15)
U.S. dollar .....	219,498				1,947			
	[4,652]	–	3,435	(1,217)	[41]	–	30	(10)
Australian dollar .....	22,115				196			
	[589]	–	4	(584)	[5]	–	0	(5)
Total return swaps:								
Foreign currency index								
linked .....	226,706	226,706	(9,164)	(9,164)	2,011	2,011	(81)	(81)
Total .....				(5,394)				(47)

- Note: 1. (1) Fair value of currency futures listed above is based on the prices quoted from counterparty financial institutions.  
(2) Forward exchange rates at the end of the year are used for fair value calculation of foreign currency forward contracts.  
(3) Fair value of currency swaps is calculated by discounting expected cash flows.  
(4) An option pricing model is used for fair value calculation of currency options or the prices quoted from financial institutions.  
(5) Fair value of total return swaps is based on fair value calculated by referred index of 31 March, 2016.
2. Figures in [ ] are amounts of option premiums which are included in the consolidated balance sheet.
3. Fair value for forward contracts and swaps, and differences between the option premiums paid/received and fair value of the option for option transactions, are shown in "Gains (losses)".

## (2) Interest-related transactions

As of March 31, 2015				
	(A) Notional amount/ contract value	Over 1 year included in (A)	Fair value	Gains (losses)
(Unit: million yen)				
Over-the-counter transactions:				
Yen interest rate swaps:				
Receipts fixed, payments floating.....	239,398	230,028	19,776	19,776
Receipts floating, payments fixed.....	30,250	27,750	(437)	(437)
Yen interest rate swaptions:				
Sold:				
Receipts floating, payments fixed.....	200,000	200,000		
	[2,734]	[2,734]	1,425	1,308
Bought:				
Receipts fixed, payments floating.....	47,300			
	[1,611]	-	1,499	(112)
Receipts floating, payments fixed.....	786,606	506,606		
	[17,750]	[12,307]	5,241	(12,508)
<b>Total .....</b>				<b>8,026</b>

Note: 1. (1) Fair value of yen interest rate swaps listed above is present value of expected cash flows, discounted by the interest rates at the end of the year or the prices quoted from financial institutions.  
 (2) An option pricing model is used for fair value calculation of yen interest rate swaptions or the prices quoted from financial institutions.  
 2. Figures in [ ] are amounts of option premiums which are included in the consolidated balance sheet.  
 3. Fair value for swaps, and differences between the option premiums paid/received and fair value of the option for option transactions, are shown in "Gains (losses)".

As of March 31, 2016									
	(A) Notional amount/ contract value	Over 1 year included in (A)	Fair value	Gains (losses)	(A) Notional amount/ contract value	Over 1 year included in (A)	Fair value	Gains (losses)	
(Unit: million yen)					(Unit: million US dollars)				
Over-the-counter transactions:									
Yen interest rate swaps:									
Receipts fixed, payments floating.....	505,940	505,940	5,852	5,852	4,490	4,490	51	51	
Receipts floating, payments fixed.....	34,764	34,764	(194)	(194)	308	308	(1)	(1)	
Yen interest rate swaptions:									
Sold:									
Receipts floating, payments fixed.....	350,000	350,000			3,106	3,106			
	[1,672]	[1,672]	983	689	[14]	[14]	8	6	
Bought:									
Receipts fixed, payments floating.....	100,000				887				
	[2,457]	-	2,760	303	[21]	-	24	2	
Receipts floating, payments fixed.....	1,177,137	1,097,137			10,446	9,736			
	[20,662]	[19,739]	6,963	(13,698)	[183]	[175]	61	(121)	
<b>Total .....</b>				<b>(7,048)</b>				<b>(62)</b>	

Note: 1. (1) Fair value of yen interest rate swaps listed above is present value of expected cash flows, discounted by the interest rates at the end of the year or the prices quoted from financial institutions.  
 (2) Fair value of yen interest rate swaptions is based on the prices quoted from financial institutions.  
 2. Figures in [ ] are amounts of option premiums which are included in the consolidated balance sheet.  
 3. Fair value for swaps, and differences between the option premiums paid/received and fair value of the option for option transactions, are shown in "Gains (losses)".



## (3) Stock-related transactions

As of March 31, 2015

	(A) Notional amount/ contract value	Over 1 year included in (A)	Fair value	Gains (losses)
(Unit: million yen)				
Exchange-traded transactions:				
Yen stock index futures:				
Sold .....	57,306	–	1,204	1,204
Bought.....	9,245	–	15	15
Foreign currency-denominated stock index futures:				
Sold .....	75,848	–	(312)	(312)
Bought.....	7,662	–	58	58
Yen stock index options:				
Sold:				
Put .....	39,979			
	[843]	–	375	467
Bought:				
Put .....	44,948			
	[1,227]	–	745	(482)
Foreign currency-denominated stock index options:				
Sold:				
Call.....	83,203			
	[3,272]	–	3,028	243
Put .....	40,344			
	[536]	–	318	217
Bought:				
Call.....	79,159			
	[5,346]	–	5,496	149
Put .....	118,313	11,300		
	[10,847]	[2,396]	3,877	(6,970)
Others:				
Bought:				
Call.....	28	28		
	[35]	[35]	38	3
Over-the-counter transactions:				
Equity forward contracts to hedge domestic stocks:				
Bought.....	47,524	–	(784)	(784)
Foreign currency-denominated stock options:				
Bought:				
Put .....	770			
	[68]	–	24	(44)
Yen stock index options:				
Bought:				
Put .....	6,931	6,786		
	[1,329]	[1,307]	516	(812)
Foreign currency-denominated stock index options:				
Sold:				
Call.....	9,524			
	[396]	–	301	95
Bought:				
Call.....	9,487			
	[448]	–	343	(105)
Put .....	64,874	58,376		
	[11,748]	[10,871]	7,594	(4,153)
<b>Total .....</b>				<b>(11,210)</b>

Note: 1. (1) Yen stock index futures, foreign currency-denominated stock index futures, yen stock index options and foreign currency-denominated stock index options.

Fair value is based on the closing exchange-traded prices and the prices quoted from financial institutions.

(2) Equity forward contracts

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

(3) Foreign currency-denominated stock option

An option pricing model is used for fair value calculation.

(4) Others

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

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

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

As of March 31, 2016

	(A) Notional amount/ contract value	Over 1 year included in (A)	Fair value	Gains (losses)	(A) Notional amount/ contract value	Over 1 year included in (A)	Fair value	Gains (losses)
	(Unit: million yen)				(Unit: million US dollars)			
Exchange-traded transactions:								
Yen stock index futures:								
Sold .....	28,975	-	6	6	257	-	0	0
Bought.....	8,238	-	(4)	(4)	73	-	(0)	(0)
Foreign currency-denominated stock index futures:								
Sold .....	72,213	-	(517)	(517)	640	-	(4)	(4)
Bought.....	17,149	-	185	185	152	-	1	1
Yen stock index options:								
Sold:								
Call.....	59,972				532			
	[144]	-	2	141	[1]	-	0	1
Bought:								
Put .....	99,990				887			
	[6,366]	-	53	(6,312)	[56]	-	0	(56)
Foreign currency-denominated stock index options:								
Sold:								
Call.....	130,893				1,161			
	[5,070]	-	2,407	2,663	[44]	-	21	23
Bought:								
Call.....	106,155				942			
	[6,098]	-	4,077	(2,021)	[54]	-	36	(17)
Put .....	68,308	27,307			606	242		
	[8,079]	[5,868]	7,050	(1,029)	[71]	[52]	62	(9)
Others:								
Bought:								
Call.....	29	18			0	0		
	[36]	[15]	41	5	[0]	[0]	0	0
Over-the-counter transactions:								
Equity forward contracts to hedge domestic stocks:								
Bought.....	9,784	-	(112)	(112)	86	-	(0)	(0)
Yen stock index options:								
Bought:								
Put .....	11,760	11,613			104	103		
	[2,671]	[2,645]	1,603	(1,068)	[23]	[23]	14	(9)
Foreign currency-denominated stock index options:								
Sold:								
Call.....	46,420				411			
	[1,590]	-	401	1,188	[14]	-	3	10
Bought:								
Call.....	45,323				402			
	[2,145]	-	801	(1,343)	[19]	-	7	(11)
Put .....	75,132	71,614			666	635		
	[13,971]	[13,479]	8,695	(5,276)	[123]	[119]	77	(46)
<b>Total .....</b>				<b>(13,494)</b>				<b>(119)</b>

Note: 1. (1) Yen stock index futures, foreign currency-denominated stock index futures, yen stock index options and foreign currency-denominated stock index options  
Fair value is based on the closing exchange-traded prices and the prices quoted from financial institutions.  
(2) Equity forward contracts  
Fair value is based on the market price of underlying assets, interest rates and expected dividends, etc.  
(3) Others  
Fair value is based on the prices quoted from financial institutions.  
2. Figures in [ ] are amounts of option premiums which are included in the consolidated balance sheet.  
3. Fair value for forward contracts, and differences between the option premiums paid/received and fair value of the option for option transactions, are shown in "Gains (losses)."

**(4) Bond-related transactions**

As of March 31, 2015

	Notional amount/ contract value	Fair value	Gains (losses)
(Unit: million yen)			
Exchange-traded transactions:			
Yen bond futures:			
Bought .....	106,496	237	237
Foreign currency-denominated bond futures:			
Sold .....	11,850	(71)	(71)
Bought .....	192,896	55	55
Over-the-counter transactions:			
Bond OTC options:			
Sold:			
Call .....	357,459		
	[2,764]	2,137	626
Put .....	29,411		
	[136]	130	5
Bought:			
Call .....	29,411		
	[106]	90	(16)
Put .....	357,459		
	[5,850]	3,226	(2,623)
<b>Total .....</b>			<b>(1,785)</b>

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

As of March 31, 2016

	Notional amount/ contract value	Fair value	Gains (losses)	Notional amount/ contract value	Fair value	Gains (losses)
(Unit: million yen)			(Unit: million US dollars)			
Exchange-traded transactions:						
Yen bond futures:						
Sold .....	21,057	26	26	186	0	0
Bought .....	52,395	(46)	(46)	464	(0)	(0)
Foreign currency-denominated bond futures:						
Sold .....	31,459	65	65	279	0	0
Bought .....	287,460	(25)	(25)	2,551	(0)	(0)
Over-the-counter transactions:						
Yen bond OTC options:						
Sold:						
Call .....	40,994			363		
	[191]	522	(331)	[1]	4	(2)
Put .....	45,379			402		
	[112]	113	(1)	[0]	1	(0)
Bought:						
Call .....	45,379			402		
	[101]	91	(9)	[0]	0	(0)
Put .....	40,994			363		
	[235]	109	(126)	[2]	0	(1)
<b>Total .....</b>			<b>(447)</b>			<b>(3)</b>

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

(5) Others

a) Credit Default Swaps and Embedded Derivatives

As of March 31, 2015				
	(A) Notional amount/ contract value	Over 1 year included in (A)	Fair value	Gains (losses)
(Unit: million yen)				
Over-the-counter transactions:				
Credit default swaps:				
Sold protection .....	13,000	12,000	273	273
Bought protection .....	2,000	2,000	(52)	(52)
Others:				
Embedded derivatives .....	1,564,181	1,564,181	(76,727)	(76,727)
<b>Total .....</b>				<b>(76,506)</b>

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

As of March 31, 2016								
	(A) Notional amount/ contract value	Over 1 year included in (A)	Fair value	Gains (losses)	(A) Notional amount/ contract value	Over 1 year included in (A)	Fair value	Gains (losses)
(Unit: million yen)				(Unit: million US dollars)				
Over-the-counter transactions:								
Credit default swaps:								
Sold protection .....	24,500	24,500	529	529	217	217	4	4
Others:								
Embedded derivatives .....	1,690,449	1,690,449	(58,945)	(58,945)	15,002	15,002	(523)	(523)
<b>Total .....</b>				<b>(58,416)</b>				<b>(518)</b>

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

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

i) Currency-related transactions

As of March 31, 2015			
	Notional amount/ contract value	Fair value	Gains (losses)
(Unit: million yen)			
Exchange-traded transactions:			
Currency futures:			
Sold .....	1,685	2	2
(Euro / U.S. dollar) .....	1,164	3	3
(British pound / U.S. dollar) .....	521	(1)	(1)
Bought.....	3,403	0	0
(Yen / U.S. dollar).....	3,403	0	0
Over-the-counter transactions:			
Foreign currency forward contracts:			
Sold .....	20,298	(49)	(49)
U.S. dollar.....	11,172	(158)	(158)
Euro .....	4,306	86	86
British pound.....	2,038	(5)	(5)
Canadian dollar .....	1,375	22	22
Australian dollar.....	1,015	13	13
Others.....	390	(8)	(8)
Bought.....	9,686	12	12
U.S. dollar.....	5,408	(1)	(1)
Euro .....	2,075	9	9
Canadian dollar .....	757	0	0
Australian dollar.....	734	2	2
British pound.....	710	1	1
<b>Total .....</b>			<b>(34)</b>

Note: 1. (1) Fair value of currency futures listed above is based on the closing exchange-traded prices.  
 (2) Forward exchange rates at the end of the year are used for fair value calculation of foreign currency forward contracts.  
 2. Fair value is shown in "Gains (losses)".  
 3. There were no transactions with maturity of more than one year in the table above.

As of March 31, 2016						
	Notional amount/ contract value	Fair value	Gains (losses)	Notional amount/ contract value	Fair value	Gains (losses)
(Unit: million yen)			(Unit: million US dollars)			
Exchange-traded transactions:						
Currency futures:						
Sold .....	18,533	(495)	(495)	164	(4)	(4)
(Euro / U.S. dollar) .....	12,810	(434)	(434)	113	(3)	(3)
(British pound / U.S. dollar) .....	5,722	(60)	(60)	50	(0)	(0)
Bought.....	38,187	(18)	(18)	338	(0)	(0)
(Yen / U.S. dollar).....	38,187	(18)	(18)	338	(0)	(0)
Over-the-counter transactions:						
Foreign currency forward contracts:						
Sold .....	122,921	1,027	1,027	1,090	9	9
U.S. dollar.....	81,267	1,244	1,244	721	11	11
Euro .....	24,191	(35)	(35)	214	(0)	(0)
British pound.....	7,738	158	158	68	1	1
Australian dollar.....	2,512	(141)	(141)	22	(1)	(1)
Canadian dollar .....	2,456	(117)	(117)	21	(1)	(1)
Others.....	4,754	(81)	(81)	42	(0)	(0)
Bought.....	1,462	2	2	12	0	0
U.S. dollar.....	1,462	2	2	12	0	0
<b>Total .....</b>			<b>516</b>			<b>4</b>

Note: 1. (1) Fair value of currency futures listed above is based on the closing exchange-traded prices.  
 (2) Forward exchange rates at the end of the year are used for fair value calculation of foreign currency forward contracts.  
 2. Fair value is shown in "Gains (losses)."  
 3. There were no transactions with maturity of more than one year in the table above.

ii) Stock-related transactions

As of March 31, 2015			
	Notional amount/ contract value	Fair value	Gains (losses)
(Unit: million yen)			
Exchange-traded transactions:			
Yen stock index futures:			
Sold .....	2,102	3	3
Foreign currency-denominated stock index futures:			
Sold .....	1,497	5	5
<b>Total .....</b>			<b>9</b>

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

As of March 31, 2016						
	Notional amount/ contract value	Fair value	Gains (losses)	Notional amount/ contract value	Fair value	Gains (losses)
(Unit: million yen)			(Unit: million US dollars)			
Exchange-traded transactions:						
Yen stock index futures:						
Sold .....	57,326	(292)	(292)	508	(2)	(2)
Foreign currency-denominated stock index futures:						
Sold .....	59,460	(1,341)	(1,341)	527	(11)	(11)
<b>Total .....</b>			<b>(1,634)</b>			<b>(14)</b>

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

iii) Bond-related transactions

As of March 31, 2015			
	Notional amount/ contract value	Fair value	Gains (losses)
(Unit: million yen)			
Exchange-traded transactions:			
Yen bond futures:			
Bought .....	46,117	(37)	(37)
Foreign currency-denominated bond futures:			
Sold .....	2,024	(1)	(1)
<b>Total .....</b>			<b>(39)</b>

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

As of March 31, 2016						
	Notional amount/ contract value	Fair value	Gains (losses)	Notional amount/ contract value	Fair value	Gains (losses)
(Unit: million yen)			(Unit: million US dollars)			
Exchange-traded transactions:						
Yen bond futures:						
Sold .....	72,556	(67)	(67)	643	(0)	(0)
Foreign currency-denominated bond futures:						
Sold .....	119,272	90	90	1,058	0	0
<b>Total .....</b>			<b>22</b>			<b>0</b>

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

## 2. Derivative Transactions (Hedge Accounting Applied)

### (1) Currency-related transactions

As of March 31, 2015			
	(A) Notional amount/ contract value	Over 1 year included in (A)	Fair value
(Unit: million yen)			
Deferral hedge:			
Currency swaps to hedge foreign currency-denominated bonds:			
Receipts yen, payments			
foreign currency .....	105,126	105,126	(16,550)
U.S. dollar .....	92,336	92,336	(16,903)
Euro .....	12,790	12,790	352
Fair value hedge:			
Foreign currency forward contracts to hedge foreign currency-denominated bonds:			
Sold .....	3,325,730	-	(47,731)
U.S. dollar .....	1,458,337	-	(68,333)
Euro .....	1,040,408	-	20,549
Australian dollar .....	354,309	-	7,140
British pound .....	134,114	-	(1,136)
Canadian dollar .....	23,889	-	(366)
Others .....	314,670	-	(5,584)
Bought .....	4,013	-	(85)
U.S. dollar .....	2,603	-	50
Euro .....	1,271	-	(137)
British pound .....	19	-	0
Others .....	118	-	0
Foreign currency forward contracts, etc., allocated to and/or combined with corresponding hedged items:			
Foreign currency forward contracts to hedge foreign currency-denominated term deposits:			
Sold .....	577,349	-	(*1)
Australian dollar .....	273,603	-	(*1)
U.S. dollar .....	164,861	-	(*1)
Others .....	138,883	-	(*1)
Currency swaps to hedge foreign currency-denominated bonds payable and loans:			
Receipts foreign currency, payments yen .....			
	215,727	215,727	(*2)
Foreign currency-denominated bonds payable:			
U.S. dollar .....	215,727	215,727	(*2)
Receipts yen, payments foreign currency .....			
	26,767	26,767	(*2)
Foreign currency-denominated loans			
U.S. dollar .....	26,767	26,767	(*2)

Note: 1. Currency swaps:

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

2. Foreign currency forward contracts:

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

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

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

As of March 31, 2016						
	(A) Notional amount/ contract value	Over 1 year included in (A)	Fair value	(A) Notional amount/ contract value	Over 1 year included in (A)	Fair value
	(Unit: million yen)			(Unit: million US dollars)		
Deferral hedge:						
Currency swaps to hedge foreign currency-denominated bonds:						
Receipts yen, payments foreign						
currency.....	205,817	205,817	(887)	1,826	1,826	(7)
U.S. dollar .....	155,920	155,920	(2,941)	1,383	1,383	(26)
Euro.....	49,897	49,897	2,053	442	442	18
Fair value hedge:						
Foreign currency forward contracts to hedge foreign currency-denominated bonds:						
Sold.....						
U.S. dollar .....	3,609,448	–	108,567	32,032	–	963
Euro.....	1,794,006	–	54,939	15,921	–	487
Australian dollar .....	961,588	–	43,872	8,533	–	389
British pound.....	301,556	–	(10,043)	2,676	–	(89)
Canadian dollar .....	158,245	–	8,654	1,404	–	76
Others .....	18,773	–	(1,015)	166	–	(9)
Bought .....	375,277	–	12,160	3,330	–	107
U.S. dollar .....	2,895	–	(108)	25	–	(0)
Euro.....	2,203	–	(114)	19	–	(1)
British pound.....	248	–	(4)	2	–	(0)
Australian dollar .....	159	–	(17)	1	–	(0)
Others .....	2	–	0	0	–	0
Others .....	281	–	27	2	–	0
Foreign currency forward contracts, etc., allocated to and/or combined with corresponding hedged items:						
Foreign currency forward contracts to hedge foreign currency-denominated term deposits:						
Sold.....	473,975	–	( <sup>(1)</sup> )	4,206	–	( <sup>(1)</sup> )
Australian dollar .....	179,108	–	( <sup>(1)</sup> )	1,589	–	( <sup>(1)</sup> )
U.S. dollar .....	124,888	–	( <sup>(1)</sup> )	1,108	–	( <sup>(1)</sup> )
Others .....	169,978	–	( <sup>(1)</sup> )	1,508	–	( <sup>(1)</sup> )
Currency swaps to hedge foreign currency-denominated bonds payable and loans:						
Receipts foreign currency,						
payments yen .....	215,727	215,727	( <sup>(2)</sup> )	1,914	1,914	( <sup>(2)</sup> )
Foreign currency-denominated bonds payable:						
U.S. dollar.....	215,727	215,727	( <sup>(2)</sup> )	1,914	1,914	( <sup>(2)</sup> )
Receipts yen, payments foreign						
currency.....	33,402	33,402	( <sup>(2)</sup> )	296	296	( <sup>(2)</sup> )
Foreign currency-denominated loans:						
U.S. dollar.....	33,402	33,402	( <sup>(2)</sup> )	296	296	( <sup>(2)</sup> )

Note: 1. Currency swaps:

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

2. Foreign currency forward contracts:

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

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

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

## (2) Interest-related transactions

As of March 31, 2015			
	(A) Notional amount/ contract value	Over 1 year included in (A)	Fair value
	(Unit: million yen)		
Deferral hedge:			
Yen interest rate swaps to hedge loans payable:			
Receipts floating, payments fixed ...	320,000	–	(426)
Inflation linked yen interest rate swaps to hedge funding agreements:			
Receipts floating, payments fixed ...	3,081	–	(11)
Special hedge accounting			
Yen interest rate swaps to hedge loans:			
Receipts fixed, payments floating ...	14,800	12,800	394

Note: 1. Yen interest rate swaps:

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

2. Inflation linked yen interest rate swaps:

Fair value listed above is present values of expected cash flows.



As of March 31, 2016						
	(A) Notional amount/ contract value	Over 1 year included in (A)	Fair value	(A) Notional amount/ contract value	Over 1 year included in (A)	Fair value
	(Unit: million yen)			(Unit: million US dollars)		
Special hedge accounting:						
Yen interest rate swaps to hedge loans:						
Receipts fixed, payments floating...	15,800	11,800	482	140	104	4
Yen interest rate swaps to hedge loans payable:						
Receipts floating, payments fixed...	283,000	283,000	(4,022)	2,511	2,511	(35)

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

### (3) Stock-related transactions

As of March 31, 2015		
	Notional amount/ contract value	Fair value
	(Unit: million yen)	
Fair value hedge:		
Equity forward contracts to hedge domestic stocks:		
Sold.....	112,344	(4,499)

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

As of March 31, 2016				
	Notional amount/ contract value	Fair value	Notional amount/ contract value	Fair value
	(Unit: million yen)		(Unit: million US dollars)	
Fair value hedge:				
Equity forward contracts to hedge domestic stocks:				
Sold.....	10,288	194	91	1

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

### (4) Bond-related transactions

As of March 31, 2015:

There was no transaction.

As of March 31, 2016				
	Notional amount/ contract value	Fair value	Notional amount/ contract value	Fair value
	(Unit: million yen)		(Unit: million US dollars)	
Deferral hedge:				
Foreign currency-denominated bonds OTC options to hedge foreign currency-denominated bonds:				
Sold:				
Call.....	114,736	3,837	1,018	34
	[2,265]		[20]	
Bought:				
Put.....	114,736	561	1,018	4
	[2,265]		[20]	

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

### XIII. EMPLOYEES' RETIREMENT BENEFITS

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

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

For its administrative personnels, DL has established and maintained a benefit plan consisting of defined benefit corporate pension and retirement lump sum grants as a defined benefit plan and defined contribution pension as a defined contribution plan.

Certain consolidated domestic subsidiaries have maintained their benefit plan consisting of retirement lump sum grants and defined benefit corporate pension. Certain consolidated overseas subsidiaries have maintained their defined benefit plan and defined contribution plan.

#### 2. Defined benefit plans

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

(Except for the plans which apply the simplified method)

	Year ended March 31,		
	2015	2016	2016
	(Unit: million yen)		(Unit: million US dollars)
Beginning balance of the projected benefit obligations.....	634,657	649,776	5,766
Cumulative effect of changes in accounting policies.....	(16,351)	-	-
Beginning balance of the year reflecting the effect of changes in accounting policies .....	618,306	649,776	5,766
Service cost.....	25,013	25,452	225
Interest cost.....	10,469	11,612	103
Accruals of actuarial (gains) and losses .....	(7,748)	86,221	765
Payment of retirement benefits .....	(34,400)	(34,863)	(309)
Increases due to new consolidation.....	39,299	-	-
Others.....	(1,161)	(495)	(4)
Ending balance of the projected benefit obligation.....	649,776	737,704	6,546

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

(Except for the plans which apply the simplified method)

	Year ended March 31,		
	2015	2016	2016
	(Unit: million yen)		(Unit: million US dollars)
Beginning balance of pension assets.....	249,559	319,579	2,836
Expected return on assets.....	2,049	3,797	33
Accruals of actuarial (gains) and losses .....	45,024	(26,447)	(234)
Contributions from the employer.....	7,448	7,675	68
Payment of retirement benefits .....	(8,367)	(10,042)	(89)
Increases due to new consolidation.....	23,865	-	-
Others.....	-	476	4
Ending balance of pension assets .....	319,579	295,038	2,618

##### (3) Reconciliations of beginning and ending balances of net defined benefit liabilities for the plans which apply the simplified method

	Year ended March 31,		
	2015	2016	2016
	(Unit: million yen)		(Unit: million US dollars)
Beginning balance of the net defined benefit liabilities.....	338	419	3
Retirement benefit expenses.....	114	101	0
Payment of retirement benefits .....	(73)	(107)	(0)
Increases due to new consolidation.....	39	-	-
Others.....	0	(1)	(0)
Ending balance of the net defined benefit liabilities.....	419	412	3

(4) Reconciliations of year-end balance of projected benefit obligations and pension assets, and net defined benefit liabilities and assets that have been recorded in the consolidated balance sheet

	Year ended March 31,		
	2015	2016	2016
	(Unit: million yen)		(Unit: million US dollars)
Projected benefit obligation of funded plans .....	387,074	422,745	3,751
Pension assets .....	(319,579)	(295,038)	(2,618)
	67,494	127,706	1,133
Projected benefit obligation of unfunded plans .....	263,122	315,371	2,798
Net of assets and liabilities recorded in the consolidated balance sheet .....	330,616	443,077	3,932
Net defined benefit liabilities .....	331,322	443,842	3,938
Net defined benefit assets.....	(705)	(764)	(6)
Net of assets and liabilities recorded in the consolidated balance sheet .....	330,616	443,077	3,932

(5) Amount of the components of retirement benefit expenses

	Year ended March 31,		
	2015	2016	2016
	(Unit: million yen)		(Unit: million US dollars)
Service cost.....	25,013	25,452	225
Interest cost.....	10,469	11,612	103
Expected return on assets .....	(2,049)	(3,797)	(33)
Expense of actuarial (gains) and losses .....	(1,315)	(10,118)	(89)
Retirement benefit expenses calculated in simplified method.....	114	101	0
Others.....	501	418	3
Retirement benefit expenses of defined benefit plans.....	32,733	23,670	210

(6) Remeasurements of defined benefit plans

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

	Year ended March 31,		
	2015	2016	2016
	(Unit: million yen)		(Unit: million US dollars)
Actuarial gains (losses).....	51,547	(122,463)	(1,086)
Total .....	51,547	(122,463)	(1,086)

(7) Accumulated remeasurements of defined benefit plans

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

	Year ended March 31,		
	2015	2016	2016
	(Unit: million yen)		(Unit: million US dollars)
Unrecognized actuarial gains (losses).....	(75,883)	46,579	413
Total .....	(75,883)	46,579	413

(8) Pension assets

a) The main components of the pension assets

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

	Year ended March 31,	
	2015	2016
Stock .....	61%	55%
Bond .....	16%	14%
Asset under joint management .....	6%	14%
Life insurance general account .....	11%	9%
Others.....	6%	8%
Total .....	100%	100%

Note: The proportion of retirement benefit trust to total pension assets that has been set for the unfunded retirement benefit plans as of March 31, 2015 and 2016 were 52% and 49%, respectively.

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

To determine the expected long-term rate of return on pension assets, the Company has taken into account the allocation of pension assets at present and in future, and long-term rate of return on a variety of assets that make up the pension assets at present and in future.

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

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

	Year ended March 31,	
	2015	2016
Discount rate .....	1.10 to 3.55%	0.30 to 4.29%
Expected long-term rate of return		
Defined benefit corporate pension .....	1.00 or 1.70%	1.00 to 7.25%
Employee pension trust .....	0.00%	0.00%

**3. Defined contribution plans**

Required amount of contribution to defined contribution plans for the years ended March 31, 2015 and 2016 is ¥1,644 million and ¥2,360 million (US\$ 20 million), respectively.

## XIV. STOCK OPTIONS

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

Operating expenses for the fiscal year ended March 31, 2015: ¥244 million

Operating expenses for the fiscal year ended March 31, 2016: ¥256 million (US\$2 million)

### 2. Details of the stock options granted for the fiscal year ended March 31, 2016

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

	1st Series of Stock Acquisition Rights	2nd Series of Stock Acquisition Rights	3rd Series of Stock Acquisition Rights
Granted persons	10 directors (except outside directors) and 16 executive officers of DL	11 directors (except outside directors) and 16 executive officers of DL	11 directors (except outside directors) and 17 executive officers of DL
Class and total number <sup>(*)</sup>	169,800 shares of common stock	318,700 shares of common stock	183,700 shares of common stock
Grant date	August 16, 2011	August 16, 2012	August 16, 2013
Vesting conditions	The acquisition rights are vested on the above grant date.	The acquisition rights are vested on the above grant date.	The acquisition rights are vested on the above grant date.
Service period covered	N/A	N/A	N/A
Exercise period	From August 17, 2011 to August 16, 2041 A granted person can exercise stock options only within 10 days from the day following the date on which she/he loses the status as both a director and an executive officer of DL.	From August 17, 2012 to August 16, 2042 A granted person can exercise stock options only within 10 days from the day following the date on which she/he loses the status as both a director and an executive officer of DL.	From August 17, 2013 to August 16, 2043 A granted person can exercise stock options only within 10 days from the day following the date on which she/he loses the status as both a director and an executive officer of DL.
	4th Series of Stock Acquisition Rights	5th Series of Stock Acquisition Rights	
Granted persons	11 directors (except outside directors) and 17 executive officers of DL	11 directors (except outside directors) and 18 executive officers of DL	
Class and total number <sup>(*)</sup>	179,000 shares of common stock	110,600 shares of common stock	
Grant date	August 18, 2014	August 17, 2015	
Vesting conditions	The acquisition rights are vested on the above grant date.	The acquisition rights are vested on the above grant date.	
Service period covered	N/A	N/A	
Exercise period	From August 19, 2014 to August 18, 2044 A granted person can exercise stock options only within 10 days from the day following the date on which she/he loses the status as both a director and an executive officer of DL.	From August 18, 2015 to August 17, 2045 A granted person can exercise stock options only within 10 days from the day following the date on which she/he loses the status as both a director and an executive officer of DL.	

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

(2) Figures relating to the stock options

The following table covers stock options which existed during the fiscal year ended March 31, 2016 and the total number of stock options is translated to the number of common stock.

a) Number of the stock options (shares)

	1st Series of Stock Acquisition Rights	2nd Series of Stock Acquisition Rights	3rd Series of Stock Acquisition Rights
Before vesting			
Outstanding at the end of prior fiscal year	-	-	-
Granted	-	-	-
Forfeited	-	-	-
Vested	-	-	-
Outstanding at the end of the fiscal year	-	-	-
After vesting			
Outstanding at the end of prior fiscal year	117,600	253,900	162,000
Vested	-	-	-
Exercised	18,900	34,500	15,100
Forfeited	-	-	-
Outstanding at the end of the fiscal year	98,700	219,400	146,900

	4th Series of Stock Acquisition Rights	5th Series of Stock Acquisition Rights
Before vesting		
Outstanding at the end of prior fiscal year	-	-
Granted	-	110,600
Forfeited	-	-
Vested	-	110,600
Outstanding at the end of the fiscal year	-	-
After vesting		
Outstanding at the end of prior fiscal year	179,000	-
Vested	-	110,600
Exercised	15,800	-
Forfeited	-	-
Outstanding at the end of the fiscal year	163,200	110,600

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

b) Price information

	1st Series of Stock Acquisition Rights	2nd Series of Stock Acquisition Rights	3rd Series of Stock Acquisition Rights
Exercise price	¥1 per stock option	¥1 per stock option	¥1 per stock option
Average stock price at the time of exercise	¥1,788 (US\$15)	¥1,788 (US\$15)	¥1,788 (US\$15)
Fair value at the grant date	¥885 (US\$7)	¥766 (US\$6)	¥1,300 (US\$11)
	4th Series of Stock Acquisition Rights	5th Series of Stock Acquisition Rights	
Exercise price	¥1 per stock option	¥1 per stock option	
Average stock price at the time of exercise	¥1,788 (US\$15)	¥— (US\$—)	
Fair value at the grant date	¥1,366 (US\$12)	¥2,318 (US\$20)	

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

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

Stock options granted for the fiscal year ended March 31, 2015 and 2016 were valued as follows:

(1) Valuation method

Black-Scholes Model

(2) Assumptions

Stock options granted for the fiscal year ended March 31, 2016

	5th Series of Stock Acquisition Rights
Expected volatility <sup>(1)</sup>	34.717%
Expected durations <sup>(2)</sup>	3 years
Expected dividends <sup>(3)</sup>	¥35 (US\$0.31)
Risk-free interest rate <sup>(4)</sup>	0.005%

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

<sup>(2)</sup> Computed based on the average service period from the grant date to expected exercise date.

<sup>(3)</sup> Computed based on the expected dividend for the fiscal year ended March 31, 2016.

<sup>(4)</sup> Based on yields of Japanese government bonds for a term corresponding to the expected durations.

4. Method to estimate the number of stock options vested

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

## XV. DEFERRED TAX ACCOUNTING

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

	As of March 31,		
	2015	2016	2016
	(Unit: million yen)		(Unit: million US dollars)
Deferred tax assets:			
Policy reserves and others.....	466,068	468,506	4,157
Net defined benefits liabilities.....	140,018	165,437	1,468
Net unrealized losses on securities, net of tax .....	–	80,994	718
Reserve for price fluctuations.....	39,189	43,386	385
Other assets.....	40,375	33,091	293
Others .....	98,226	115,546	1,025
Subtotal .....	783,879	906,963	8,049
Valuation allowances .....	(77,032)	(73,109)	(648)
Total.....	706,847	833,854	7,400
Deferred tax liabilities:			
Net unrealized gains on securities, net of tax.....	(1,008,675)	(761,560)	(6,758)
Evaluation difference related to business combination.....	(202,684)	(182,284)	(1,617)
Other intangible fixed assets .....	(94,862)	(87,063)	(772)
Others .....	(42,643)	(72,351)	(642)
Total.....	(1,348,865)	(1,103,259)	(9,791)
Net deferred tax assets (liabilities).....	(642,018)	(269,405)	(2,390)

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

	As of March 31,	
	2015	2016
Statutory effective tax rate .....	30.68%	28.76%
(Adjustments)		
Decrease in deferred tax assets in relation to change in tax rates .....	14.60%	6.63%
Transfer from reserve for land revaluation.....	(0.11%)	(2.55%)
Others.....	1.76%	(0.03%)
Actual effective tax rate after considering deferred taxes.....	46.93%	32.81%

### 3. Adjustment of deferred tax assets and liabilities due to changes in effective statutory tax rate

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

As a result, deferred tax assets decreased by ¥54 million (US\$0 million), deferred tax liabilities decreased by ¥5,188 million (US\$46 million) and corporate income taxes-deferred increased by ¥17,626 million (US\$156 million).



## XVI. ASSET RETIREMENT OBLIGATIONS

### 1. Overview of Asset Retirement Obligations

DL recognized statutory or similar obligations associated with some of its real estate for rent and business use with regard to (1) restoring the tangible fixed assets and (2) the removal of certain harmful substances in the tangible fixed assets at the termination of real estate lease agreement and so recorded the asset retirement obligation.

### 2. Calculation Method of Asset Retirement Obligations

DL calculated the asset retirement obligation by (1) estimating the period of service of each building between 0 and 37 years based on its contract term and useful life and (2) applying discount rates ranging from 0.144% to 2.293% for the year ended March 31, 2016 (0.144% to 2.294% for the year ended March 31, 2015).

### 3. Increase and Decrease in Asset Retirement Obligations

The following table shows the increase and decrease in asset retirement obligations:

	Year ended March 31,		
	2015	2016	2016
	(Unit: million yen)		(Unit: million US dollars)
Beginning balance.....	2,831	2,789	24
Time progress adjustments.....	40	37	0
Others.....	(82)	(151)	(1)
<b>Ending balance.....</b>	<b>2,789</b>	<b>2,675</b>	<b>23</b>

Note: The detailed information has been omitted as both beginning and ending balance for the fiscal years of 2015 and 2016 are 1% or less of DL's total liabilities and net assets.

## XVII. REAL ESTATE FOR RENT

DL owns a number of commercial buildings, including land, for rent in various locations including Tokyo. Net rental income from such real estate for rent for the years ended March 31, 2015 and 2016 was ¥27,342 million and ¥29,557 million (US\$262 million), respectively. The rental income was included in investment income and the rental expense was included in investment expenses. DL recorded impairment loss on rental real estate as extraordinary losses for the fiscal years ended March 31, 2015 and 2016 was ¥4,585 million and ¥3,419 million (US\$30 million), respectively.

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

	Year ended March 31,		
	2015	2016	2016
	(Unit: million yen)		(Unit: million US dollars)
Carrying amount:			
Beginning balance .....	803,093	803,708	7,132
Net change during year .....	615	3,580	31
Ending balance .....	803,708	807,289	7,164
Market value .....	823,457	864,061	7,668

Note: 1. The carrying amount of rental real estate on the consolidated balance sheet was acquisition costs net of accumulated depreciation and impairments.  
 2. Net change in carrying amount includes cost of acquisition of the real estate for ¥22,408 million, the depreciation expense of ¥14,620 million, impairment loss for ¥4,585 million and sale of the real estate for ¥3,484 million during the year ended March 31, 2015, and cost of acquisition of the real estate for ¥16,526 million (US\$146 million), depreciation expense of ¥14,153 million (US\$125 million), impairment loss for ¥3,419 million (US\$30 million) and sale of the real estate for ¥2,325 million (US\$20 million) during the year ended March 31, 2016.  
 3. DL calculates the market value of the majority of the rental real estate based on real estate appraisal standards by an independent appraiser, and others based on the internal but reasonable estimates.

## XVIII. SEGMENT INFORMATION AND OTHERS

### 1. Segment Information

For the years ended March 31, 2015 and 2016

Overview of the reporting segments

The overview of the reporting segment has been omitted as DL on a consolidated basis did not operate any businesses categorized in segments other than its own core life insurance business.

### 2. Other Related Information

For the years ended March 31, 2015:

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

The product (service) segment information has been omitted as the Group's operations consist of only one product (service) segment.

#### (2) Geographic Segment Information

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

#### (3) Major Customer Information

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

For the year ended March 31, 2016:

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

The product (service) segment information has been omitted as the Group's operations consist of only one product (service) segment.

#### (2) Geographic Segment Information

##### a) Ordinary Revenues

	Year ended March 31,	
	(Unit: million yen)	(Unit: million US dollars)
Ordinary revenues		
Japan .....	6,018,832	53,415
United States of America .....	822,867	7,302
Other Areas .....	492,247	4,368
Total .....	7,333,947	65,086

Note: 1. Ordinary revenues, instead of sales, are presented here.  
 2. Geographic area is classified into "Japan," "United States of America" or "Other Areas" mainly based on locations of customers.

b) Tangible fixed assets

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

(3) Major Customer Information

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

3. Impairment Losses on Fixed Assets by Reporting Segment

For the years ended March 31, 2015 and 2016

The information on impairment losses on fixed assets by reporting segment has been omitted as the Group's operations consist of only one segment.

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

For the years ended March 31, 2015 and 2016

The information on the amortization of goodwill and unamortized amount of goodwill by reporting segment has been omitted as the Group's operations consist of only one segment.

5. Gain on Negative Goodwill by Reporting Segment

For the years ended March 31, 2015 and 2016

Not applicable

6. Related Party Transactions

For the years ended March 31, 2015 and 2016

There are no significant transactions to be disclosed.

## XIX. PER SHARE INFORMATION

	As of / Year ended March 31,		
	2015	2016	2016
	(Unit: yen)		(Unit: US dollars)
Net assets per share .....	3,012.46	2,472.86	21.94
Net income per share .....	124.94	150.53	1.33
Diluted net income per share .....	124.87	150.44	1.33

Note: 1. The Company applied the Business Combinations Accounting Standard and other standards as described in the "Changes in Accounting Policies". As a result, net assets per share for this fiscal year ended March 31, 2016 decreased by ¥13.62 (US\$0.12).

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

	Year ended March 31,		
	2015	2016	2016
	(Unit: million yen)		(Unit: million US dollars)
Net income per share			
Net income attributable to shareholders of parent company .....	142,476	178,515	1,584
Net income attributable to other than shareholders of common stock .....	-	-	-
Net income attributable to shareholders of common stock .....	142,476	178,515	1,584
Average number of common stock outstanding .....	1,140,358	1,185,939	1,185,939
	thousand shares	thousand shares	thousand shares
Diluted net income per share			
Adjustments to net income .....	-	-	-
Increase in the number of common stock .....	665 thousand shares	701 thousand shares	701 thousand shares
[Increase in the number of common stock attributable to subscription rights to shares] .....	[665 thousand shares]	[701 thousand shares]	[701 thousand shares]
Outline of the dilutive shares which are not counted in the basis of calculation of diluted net income per share because they do not have dilutive effect .....	-	-	-

Note: 3. Underlying basis for the calculation of the net assets per share was as follows:

	As of March 31,		
	2015	2016	2016
	(Unit: million yen)		(Unit: million US dollars)
Net assets .....	3,589,927	2,932,959	26,029
Adjustments .....	(821)	(998)	(8)
Subscription rights to shares.....	(753)	(925)	(8)
Non-controlling interests .....	(67)	(72)	(0)
Net assets attributable to common stock.....	3,589,106	2,931,960	26,020
Number of outstanding common stock .....	1,191,420	1,185,654	1,185,654
	thousand	thousand	thousand
	shares	shares	shares

Note: 4. For the calculation of net income per share, the treasury stock which includes shares held by (1) "the Stock Granting Trust (J-ESOP)" and (2) "the Company's Trust-type Employee Shareholding Incentive Plan (E-Ship®)" was excluded from the average number of common shares outstanding. The average number of treasury stocks during the year ended March 31, 2015 and 2016 was 7,042 thousand shares and 5,982 thousand shares, respectively. For the calculation of net assets per share, the treasury stock which includes shares held by the J-ESOP and the E-ship® was excluded from the total number of issued and outstanding shares. The number of treasury stocks as of March 31, 2015 and 2016 was 6,518 thousand shares and 5,490 thousand shares, respectively.

## XX. SUBSEQUENT EVENTS

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

Although the 6th annual general meeting of shareholders held on June 24, 2016 resolved the proposal related to the Agreement and necessary amendments to the Articles of Incorporation of the Company, the Agreement shall become effective subject to the approvals of regulatory authorities.

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

<Overview of the Parties to the Agreement>

	The Company (As of March 31, 2016)	The Successor (As of April 1, 2016)
(1) Trade name	The Dai-ichi Life Insurance Company, Limited <sup>1</sup>	The Dai-ichi Life Split Preparation Company, Limited <sup>2</sup>
(2) Address	13-1, Yurakucho 1-chome, Chiyoda-ku, Tokyo, Japan	13-1, Yurakucho 1-chome, Chiyoda-ku, Tokyo, Japan
(3) Representative	Koichiro Watanabe, President and Representative Director	Yuji Kawazoe, Representative Director
(4) Business	Life insurance business	Preparation for undertaking life insurance business, etc.
(5) Capital stock	343,146 million yen (US\$3,045 million)	100 million yen (US\$0 million)
(6) Date of incorporation	September 15, 1902	April 1, 2016
(7) Number of shares issued	1,198,023,000	10
(8) Fiscal year-end	March 31	March 31
(9) Major shareholders <sup>3</sup>	Japan Trustee Services Bank, Ltd. (Trust Account): ..... 5.14% BNY GCM Client Account JPRD AC ISG (FE-AC): ..... 4.02%  Mizuho Bank, Ltd: ..... 3.77% The Master Trust Bank of Japan, Ltd. (Trust Account): ..... 3.60% GOLDMAN SACHS INTERNATIONAL: ..... 2.64%	The Dai-ichi Life Insurance Company, Limited: ..... 100%

	The Company (As of March 31, 2016)	The Successor (As of April 1, 2016)
<b>(10) Consolidated results of operations and financial position</b>		
	Fiscal Year ended March 31, 2016	
Net assets	2,932,959 million yen (US\$26,029 million)	
Total assets	49,924,922 million yen (US\$443,068 million)	
Net assets per share	2,472.86 yen (US\$21.94)	
Ordinary revenues	7,333,947 million yen (US\$65,086 million)	
Ordinary profit	418,166 million yen (US\$3,711 million)	
Net income attributable to shareholders of Dai-ichi Life	178,515 million yen (US\$1,584 million)	
Net income per share	150.53 yen (US\$1.33)	

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

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

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

2. The board of directors of the Company resolved at its meeting held on May 13, 2016 to repurchase the Company's own shares under the provision of Article 156 of the Companies Act of Japan, as applied pursuant to Article 165, Paragraph 3 of the Act, as follows.

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

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

**(2) Details of the Repurchase**

- a) Class of shares to be repurchased  
Shares of common stock
- b) Aggregate number of shares to be repurchased  
Up to 16,000,000 shares
- c) Aggregate price of shares to be repurchased  
Up to 16,000 million yen (US\$141 million)
- d) Period of repurchase of shares  
From May 16, 2016 to June 21, 2016
- e) Method of repurchase of shares  
Open-market repurchase by the trust method

**(3) Conclusion of the Repurchase**

- a) Aggregate number of shares repurchased  
11,695,500 shares
- b) Aggregate repurchase price of the shares  
15,999 million yen (US\$141 million)
- c) Period in which repurchases were made  
From May 16, 2016 to June 9, 2016

**(Unaudited) XXI. QUARTERLY INFORMATION**

	Three months ended June 30, 2015	Six months ended September 30, 2015	Nine months ended December 31, 2015	Year ended March 31, 2016
Ordinary revenues (million yen)	1,871,005	3,683,339	5,418,939	7,333,947
Income before income taxes (million yen)	152,247	183,952	235,113	265,702
Net income attributable to shareholders of parent company (million yen)	115,223	135,179	173,526	178,515
Net income attributable to shareholders of parent company per share (yen)	97.00	113.93	146.30	150.53

	Three months ended June 30, 2015	Three months ended September 30, 2015	Three months ended December 31, 2015	Three months ended March 31, 2016
Net income attributable to shareholders of parent company per share (yen)	97.00	16.84	32.35	4.21

	Three months ended June 30, 2015	Six months ended September 30, 2015	Nine months ended December 31, 2015	Year ended March 31, 2016
Ordinary revenues (million US dollars)	16,604	32,688	48,091	65,086
Income before income taxes (million US dollars)	1,351	1,632	2,086	2,358
Net income attributable to shareholders of parent company (million US dollars)	1,022	1,199	1,539	1,584
Net income attributable to shareholders of parent company per share (US dollars)	0.86	1.01	1.29	1.33

	Three months ended June 30, 2015	Three months ended September 30, 2015	Three months ended December 31, 2015	Three months ended March 31, 2016
Net income attributable to shareholders of parent company per share (US dollars)	0.86	0.14	0.28	0.03



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## Independent Auditor's Report

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

We have audited the accompanying consolidated financial statements of The Dai-ichi Life Insurance Company, Limited and its consolidated subsidiaries, which comprise the consolidated balance sheet as of March 31, 2016, and the consolidated statements of earnings, comprehensive income changes in net assets, and cash flows for the year then ended and a summary of significant accounting policies and other explanatory information, all expressed in Japanese yen.

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

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

### *Auditor's Responsibility*

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

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

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

### *Opinion*

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of The Dai-ichi Life Insurance Company, Limited and its consolidated subsidiaries as of March 31, 2016, and their consolidated financial performance and cash flows for the year then ended in conformity with accounting principles generally accepted in Japan.

### *Convenience Translation*

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

*Ernst & Young ShinNihon LLC*

June 24, 2016