

May 15, 2018

Financial Results for the Fiscal Year Ended March 31, 2018

The Dai-ichi Life Insurance Company, Limited (the "Company"; President: Seiji Inagaki) announces its financial results for the fiscal year ended March 31, 2018.

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Attached: Supplementary Materials for the Fiscal Year Ended March 31, 2018.

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Please note that this is an unofficial translation of the original disclosure in Japanese.

Regarding the Figures Presented in this Document

The Dai-ichi Life Insurance Company, Limited ("former Dai-ichi Life": "A" as shown below) changed its trading name to Dai-ichi Life Holdings, Inc. on October 1, 2016 and changed its business purpose to managing the business activities of its group companies etc.

The domestic life insurance business of former Dai-ichi Life is succeeded by The Dai-ichi Life Insurance Company, Limited* ("current Dai-ichi Life": "C" as shown below) by means of corporate split.

*Trading name changed from The Dai-ichi Life Split Preparation Company, Limited ("B" as shown below) on October 1, 2016.

For the purpose of presenting comparable business results with the previous fiscal year, the figures presented in this document are defined below.

<Figures Presented>

- Ending balance of a given fiscal year

For fiscal year 2017 (current fiscal year) and 2016 (previous fiscal year), current Dai-ichi Life figures are presented.

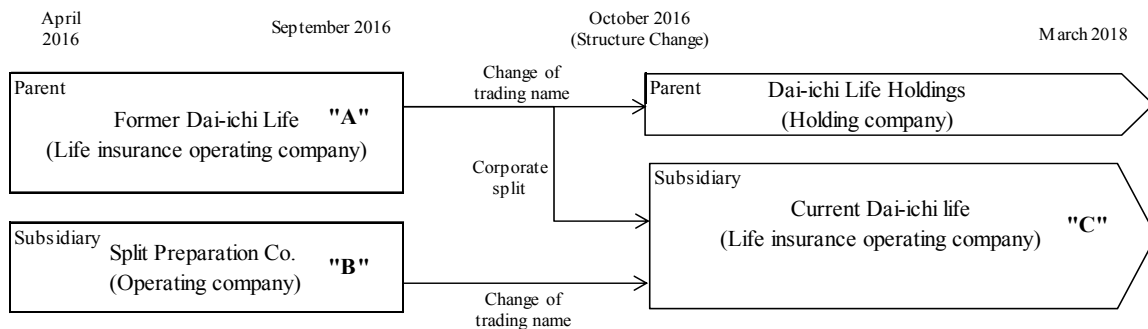
| | Figures Presented |
|------------------|--|
| Fiscal year 2017 | Current Dai-ichi Life figures as of March 31, 2018 |
| Fiscal year 2016 | Current Dai-ichi Life figures as of March 31, 2017 |

- Profit/loss etc. for a given period

For fiscal year 2017 (current fiscal year), current Dai-ichi Life results are presented.

For fiscal year 2016 (previous fiscal year), the sum of former Dai-ichi Life and Dai-ichi Life Split Preparation Company results between April to September, 2016 and current Dai-ichi Life results

| | Figures Presented |
|------------------|---|
| Fiscal year 2017 | Current Dai-ichi Life results (April, 2017 to March, 2018) |
| Fiscal year 2016 | Former Dai-ichi Life results (April to September, 2016) + Dai-ichi Life Split Preparation Company results (April to September, 2016) + Current Dai-ichi Life results (October, 2016 to March, 2017) [A+B+C] |



1. Business Highlights

(1) Annualized Net Premium

Policies in Force

(billions of yen)

| | As of March 31, 2017 | | As of March 31, 2018 | |
|-------------------------------|----------------------|---------------------------|----------------------|---------------------------|
| | | % of March 31, 2016 total | | % of March 31, 2017 total |
| Individual insurance | 1,620.3 | 99.4 | 1,613.0 | 99.6 |
| Individual annuities | 526.9 | 121.1 | 532.7 | 101.1 |
| Total | 2,147.2 | 104.0 | 2,145.8 | 99.9 |
| Medical and survival benefits | 606.3 | 105.2 | 647.9 | 106.9 |

New Policies

(billions of yen)

| | As of March 31, 2017 | | As of March 31, 2018 | |
|-------------------------------|----------------------|---------------------------|----------------------|---------------------------|
| | | % of March 31, 2016 total | | % of March 31, 2017 total |
| Individual insurance | 98.0 | 99.0 | 96.0 | 98.0 |
| Individual annuities | 98.1 | 235.8 | 15.1 | 15.5 |
| Total | 196.1 | 139.5 | 111.2 | 56.7 |
| Medical and survival benefits | 60.2 | 117.6 | 73.2 | 121.5 |

- Note: 1. Annualized net premium is calculated by using multipliers for various premium payment terms to the premium per payment. In single premium contracts, the amount is calculated by dividing the premium by the duration of the policy.
2. Annualized net premium for medical and survival benefits includes (a) premium related to medical benefits such as hospitalization and surgery benefits, (b) premium related to survival benefits such as specific illness and nursing benefits, and (c) premium related to premium waiver benefits, in which disability cause is excluded but causes such as specific illness and nursing care are included.
3. New policies include net increase by conversion.

(2) Sum Insured of Policies in Force and New Policies

Policies in Force

| | As of March 31, 2017 | | | |
|------------------------------------|----------------------|---------------------------|-------------------|---------------------------|
| | Number of policies | | Amount | |
| | (thousands) | % of March 31, 2016 total | (billions of yen) | % of March 31, 2016 total |
| Individual insurance | 11,704 | 100.2 | 108,578.4 | 94.6 |
| Individual annuities | 1,964 | 119.0 | 11,481.3 | 115.9 |
| Individual insurance and annuities | 13,668 | 102.5 | 120,059.7 | 96.3 |
| Group insurance | - | - | 47,451.8 | 98.8 |
| Group annuities | - | - | 6,106.6 | 100.7 |

| | As of March 31, 2018 | | | |
|------------------------------------|----------------------|---------------------------|-------------------|---------------------------|
| | Number of policies | | Amount | |
| | (thousands) | % of March 31, 2017 total | (billions of yen) | % of March 31, 2017 total |
| Individual insurance | 11,768 | 100.5 | 102,446.7 | 94.4 |
| Individual annuities | 1,978 | 100.7 | 11,366.7 | 99.0 |
| Individual insurance and annuities | 13,746 | 100.6 | 113,813.4 | 94.8 |
| Group insurance | - | - | 47,388.2 | 99.9 |
| Group annuities | - | - | 6,175.7 | 101.1 |

- Note: 1. Policy amount in force of individual annuities is equal to (a) the funds to be held at the time annuity payments are to commence for an annuity for which payment has not yet commenced, and (b) the amount of policy reserve for an annuity for which payments have commenced.
2. Policy amount in force of group annuities is equal to the amount of outstanding corresponding policy reserve.

New Policies

| | Year ended March 31, 2017 | | | | | |
|------------------------------------|---------------------------|---------------------------|-------------------|--------------|----------------------------|---------------------------|
| | Number of policies | | Amount | | | % of March 31, 2016 total |
| | (thousands) | % of March 31, 2016 total | (billions of yen) | New Business | Net increase by conversion | |
| Individual insurance | 923 | 92.0 | 2,073.6 | 3,912.1 | (1,838.5) | 92.0 |
| Individual annuities | 365 | 231.9 | 2,009.1 | 2,021.1 | (11.9) | 192.6 |
| Individual insurance and annuities | 1,289 | 111.0 | 4,082.8 | 5,933.2 | (1,850.4) | 123.8 |
| Group insurance | - | - | 194.2 | 194.2 | - | 119.6 |
| Group annuities | - | - | 0.1 | 0.1 | - | 47.9 |

| | Year ended March 31, 2018 | | | | | |
|------------------------------------|---------------------------|---------------------------|-------------------|--------------|----------------------------|---------------------------|
| | Number of policies | | Amount | | | % of March 31, 2017 total |
| | (thousands) | % of March 31, 2017 total | (billions of yen) | New Business | Net increase by conversion | |
| Individual insurance | 1,010 | 109.5 | 2,092.9 | 4,048.5 | (1,955.6) | 100.9 |
| Individual annuities | 74 | 20.3 | 364.9 | 376.6 | (11.7) | 18.2 |
| Individual insurance and annuities | 1,085 | 84.2 | 2,457.8 | 4,425.2 | (1,967.3) | 60.2 |
| Group insurance | - | - | 404.4 | 404.4 | - | 208.2 |
| Group annuities | - | - | 0.1 | 0.1 | - | 107.5 |

- Note: 1. Number of new policies is the sum of new business and policies after conversion.
2. Amount of new policies for individual annuities, both new business and net increase by conversion, is equal to the funds to be held at the time annuity payments are to commence.
3. Amount of new policies for group annuities is equal to the initial premium payment.

(3) Profit and Loss Items

(millions of yen)

| | Year ended March 31, 2017 | | Year ended March 31, 2018 | |
|--------------------------|---------------------------|---------------------------|---------------------------|---------------------------|
| | | % of March 31, 2016 total | | % of March 31, 2017 total |
| Premium and other income | 2,547,581 | 88.9 | 2,321,998 | 91.1 |
| Investment income | 1,072,049 | 101.1 | 1,151,279 | 107.4 |
| Benefits and claims | 2,327,502 | 86.8 | 2,265,295 | 97.3 |
| Investment expenses | 286,301 | 104.5 | 290,370 | 101.4 |
| Ordinary profit | 281,810 | 81.9 | 358,863 | 127.3 |

(4) Total Assets

(millions of yen)

| | As of March 31, 2017 | | As of March 31, 2018 | |
|--------------|----------------------|---------------------------|----------------------|---------------------------|
| | | % of March 31, 2016 total | | % of March 31, 2017 total |
| Total Assets | 35,686,645 | 99.4 | 36,339,190 | 101.8 |

2. Policies in Force as of March 31, 2018 by Benefit

| | Individual insurance (I) | | Individual annuities (II) | | Group insurance (III) | | Total (I+II+III) | |
|--------------------------|--------------------------|-----------------------------|---------------------------|-----------------------------|-----------------------|-----------------------------|-----------------------|-----------------------------|
| | Number (thousands) | Amount (billions of yen) | Number (thousands) | Amount (billions of yen) | Number (thousands) | Amount (billions of yen) | Number (thousands) | Amount (billions of yen) |
| Death benefits | | | | | | | | |
| general | 11,192 | 87,526.2 | - | 0.0 | 25,024 | 47,382.0 | 36,217 | 134,908.2 |
| accidental | [2,978] | [11,927.1] | [1,117] | [382.4] | [2,766] | [1,414.8] | [6,863] | [13,724.4] |
| others | [0] | [0.0] | [-] | [-] | [64] | [60.4] | [64] | [60.5] |
| Survival benefits | 575 | 14,920.4 | 1,978 | 11,366.7 | 7 | 6.2 | 2,561 | 26,293.4 |
| Hospitalization benefits | | | | | | | | |
| accidental | [8,764] | [45.8] | [54] | [0.2] | [1,390] | [0.7] | [10,209] | [46.9] |
| illness | [8,737] | [45.7] | [55] | [0.2] | [1] | [0.0] | [8,794] | [46.0] |
| others | [3,602] | [22.0] | [42] | [0.1] | [53] | [0.0] | [3,698] | [22.2] |
| Injury benefits | [6,090] | - | [67] | - | [2,435] | - | [8,593] | - |
| Surgery benefits | [8,217] | - | [55] | - | - | - | [8,272] | - |

| | Group annuities (IV) | | Financial insurance (V) | | Financial annuities (VI) | | Total (IV+V+VI) | |
|-------------------|-----------------------|-----------------------------|-------------------------|-----------------------------|--------------------------|-----------------------------|-----------------------|-----------------------------|
| | Number (thousands) | Amount (billions of yen) | Number (thousands) | Amount (billions of yen) | Number (thousands) | Amount (billions of yen) | Number (thousands) | Amount (billions of yen) |
| Survival benefits | 8,031 | 6,175.7 | 71 | 264.7 | 39 | 88.2 | 8,142 | 6,528.7 |

| | Medical care insurance | |
|--------------------------|------------------------|-----------------------------|
| | Number (thousands) | Amount (billions of yen) |
| Hospitalization benefits | 393 | 0.9 |

| | Group disability | |
|---------------------|-----------------------|-----------------------------|
| | Number (thousands) | Amount (billions of yen) |
| Disability benefits | 22 | 1.6 |

Note:

- Figures in [] show numbers and amounts of additional benefits and of benefits to be paid from riders.
- Numbers of group insurance, group annuities, financial insurance, financial annuities, medical care insurance and group disability show the numbers of insureds.
- Amounts in 'Survival benefits' show the sum of (a) the funds to be held at the time annuity payments are to commence for an annuity for which payment has not yet commenced, and (b) the amount of policy reserve for an annuity for which payments have commenced for individual annuities, group insurance (annuity riders) and financial annuities. The amounts in 'Survival benefits' show the amount of outstanding corresponding policy reserve for group annuities, financial insurance and others.
- Amounts in 'Hospitalization benefits' show the amount of hospitalization benefit to be paid per day.
- Amount in 'Hospitalization benefits' for medical care insurance shows the daily amount to be paid for hospitalization from illness.
- Amount in group disability insurance shows the amount of disability benefits paid per month.
- The number of insureds and amount of policies for reinsurance written were 233 thousand and 414.4 billion yen, respectively.

3. Investment of General Account Assets for the Fiscal Year Ended March 31, 2018

(1) Investment Environment

- During the fiscal year ended March 31, 2018, the Japanese economy continued to expand as capital investment improved against the backdrop of an increase in exports and corporate earnings due to global economic broadening, and personal consumption also increased gradually against the backdrop of an improvement in income.
- In the U.S., the U.S. economy remained strong, supported by continued growth in consumer spending as the employment and income environment improved, as well as an broadening in capital investment due to an optimistic outlook on the economic outlook against the backdrop of the enactment of the U.S. Tax Reform Act.
- The European economy was on an expansionary trend as exports improved, supported by the broadening of the global economy, and domestic demand also remained firm.
- Given the economic environment described above, the investment environment was as follows:

[Domestic interest rates]

- The yield on 10-year JGBs temporarily rose to above 0.1 percent in response to upward pressure on global interest rates. However, due to the Bank of Japan's quantitative and qualitative monetary easing policy, which operates long-term and short-term interest rates, JGB yields remained stable, centering on the range of 0% to 0.1%.

| | | |
|-------------------------------------|----------------|--------|
| Yield on ten-year government bonds: | April 1, 2017 | 0.065% |
| | March 31, 2018 | 0.040% |

[Domestic Stocks]

- The Nikkei 225 Stock Average was strong due to expectations for improvement in corporate performance against the backdrop of the global economic recovery and progress in tax reform of the U.S. Trump Administration, although market volatility increased due to rising interest rates against the backdrop of expectations of accelerating monetary tightening in the U.S. and concerns over a trade war.

| | | |
|---------------------------|----------------|--------|
| Nikkei 225 Stock Average: | April 1, 2017 | 18,909 |
| | March 31, 2018 | 21,454 |
| TOPIX: | April 1, 2017 | 1,512 |
| | March 31, 2018 | 1,716 |

[Foreign Currency]

- The dollar-yen exchange rate remained unchanged in the first half of the fiscal year due to the expectation that the Federal Reserve Board's moderate rate hike would continue. However, in the second half of the fiscal year, the yen appreciated against the U.S. dollar, reflecting downward pressure on the U.S. dollar due to concerns over the trade war and a decline in stock prices.
- The euro-yen exchange rate increased as a background of a rise in European interest rates following the decision to reduce the quantitative easing measures taken by the European Central Bank (ECB) in response to an upturn in the European inflation rate.

| | | |
|-------------------|----------------|---------|
| yen /U.S. dollar: | April 1, 2017 | ¥112.19 |
| | March 31, 2018 | ¥106.24 |
| yen/euro: | April 1, 2017 | ¥119.79 |
| | March 31, 2018 | ¥130.52 |

(2) Investment Results

[Asset Composition]

- The Company has continued to invest mainly in fixed-income assets, such as government and corporate bonds, in accordance with our medium-to long-term asset management policy. In response to the continued low interest rate environment, the Company continued to control risks using interest rate swaps and other instruments, while we refrained from accumulating policy-reserve-matching bonds, particularly super long-term government bonds.
- The Company has flexibly changed the allocation of its risk assets (such as domestic stocks and foreign securities mainly focused on improving the profitability and diversification of portfolios) by taking market trends into account.

- The table below summarizes the investment results of the Company's general account by asset class:

| Assets | Investment results |
|-----------------|---|
| Domestic bonds | <u>Decrease</u> The overall balance of domestic bonds, mainly JGBs, decreased as a result of continuous limitation on accumulating policy- reserve- matching bonds which primarily consist of super long-term government bonds. Instead, the Company strived to improve investment yields by investing in credit risk products and securitized products. |
| Loans | <u>Decrease</u> The overall balance of loans decreased due mainly to contractual maturities. The Company also provided loans to secure adequate risk-adjusted credit spreads, while also paying attention to the credit spread trends in the bond market. |
| Domestic stocks | <u>Increase</u> The overall balance of domestic stocks on a market value basis increased due to a rise in stock prices, while the Company sold a certain amount of stock for risk control purposes. The Company also invested in sectors/companies which are expected to grow in the mid-to-long term, taking into account the analyses of in-house analysts. |
| Foreign bonds | <u>Increase</u> The overall balance of foreign bonds increased as a result of the accumulation of the balance from the viewpoint of improving the profitability of the portfolio and diversifying investment. The Company also worked to control risk by diversifying bond types and currencies to improve investment efficiency. |
| Foreign stocks | <u>Increase</u> The overall balance of foreign stocks increased as a result of the accumulation of the balance from the viewpoint of improving the profitability of the portfolio and diversifying investment. The Company also continued to focus on diversification by investment style and geographical composition of its foreign stock portfolio, utilizing both in-house and third-party asset managers. |
| Real estate | <u>Decrease</u> The balance of real estate decreased due to depreciation and other factors. In order to promote diversification for holding properties, the Company pursued investment in new residential and commercial properties and a replacement of holding assets based on operation status, region, elapsed years. |

Note: Underlined changes in assets above are described on a balance sheet amount basis.

[Investment income and expenses]

- Investment income increased by ¥80.8 billion to ¥1,098.1 billion due mainly to a increase in interest and dividends and gains on sale of securities
- Investment expenses increased by ¥4.0 billion to ¥290.3 billion due mainly to an increase in losses on sale of securities, and expenses on derivative instruments, which offset a decrease in unrealized losses on securities.
- As a result, net investment income increased by ¥76.7 billion to ¥807.7 billion.

(3) Investment Environment Outlook for the Fiscal Year Ending March 31, 2019

- For the fiscal year ending March 31, 2019, the Company expects that the Japanese economy will continue on an broadening trend, as exports are likely to continue on an uptrend amid strong overseas economies, especially in the United States, and capital investment is expected to continue to increase as a result of strong corporate earnings. In addition, the quantitative and qualitative monetary easing measures with long and short interest rate operation of the BOJ, which seek to maintain a low interest rate environment, are expected to support the economy.
- On the other hand, in light of the risk of worsening trade wars and the heightened risk of political events and geopolitical events in each country, it is also necessary to consider the possibility of a significant increase in the volatility of financial markets.

[Domestic interest rates]

The Company assumes that domestic interest rates will remain low, as the BOJ is expected to maintain its quantitative and qualitative monetary easing measures with long and short interest rate operation, because it would be less likely for the inflation rate to achieve the 2% target for a while.

[Domestic stocks]

- The Company forecasts that improvement of corporate performance by global economic growth and the depreciation of the yen will support a rise in stock prices. The Company will pay attention to the increasing political risks and geopolitical risks in each country.

[Foreign currency]

- The Company anticipates depreciation of the yen against the U.S. dollar, as the Fed is expected to steadily raise interest rates, while the BOJ is expected to maintain or enhance its monetary easing measures for the long term. Also, the Company will closely monitor factors which raise uncertainty about foreign exchange rates, such as the monetary policy direction and geopolitical risk and others.
- For euro-yen exchange rates, the Company anticipates a depreciation of the yen, as ECB started tapering of quantitative easing based on the rise in the inflation rate in Europe.

(4) Investment Policies for the Fiscal Year Ending March 31, 2019

The Company will continue to set fixed income investments, including government and corporate bonds, as the core of its asset portfolio, consistent with its mid- to long-term investment policies. In addition, taking into account market trends, the Company will continue to provide loans and investments in new areas, while flexibly allocating assets, to diversify and improve the overall returns of its investment portfolio.

The table below summarizes the expected investments of the Company's general account by asset class:

| Assets | Investment policies |
|-----------------|--|
| Domestic bonds | <u>Decrease</u> The Company will continue investing in domestic bonds as a core asset under its ALM strategy. Taking the current low interest rate environment into account, the Company will continue to refrain from purchasing Japanese government bonds. The Company will strive to expand its investments in infrastructure and project finance-related investments. When interest rates rise, the Company will accelerate its investments in bonds with longer durations (i.e. long-term bonds and super-long-term bonds) to further enhance its ALM. |
| Loans | <u>Decrease</u> While actively providing new loans to fulfill capital needs in growth areas, the overall loan balance of the Company is expected to decrease mainly due to contractual maturities. The Company intends to provide new loans by setting appropriate credit spreads, with attention to borrowers' profiles and credit spread levels in the corporate bond market. |
| Domestic stocks | <u>Decrease</u> The balance is expected to decline as a result of the sale for the purpose of risk control. However, we intend to proactively reallocate stocks and industries in consideration of competitiveness, growth potential, and undervalued stock prices, and to flexibly control the balance depending on the stock price level. |
| Foreign bonds | <u>Depending on the interest rate and exchange rate level</u> As for foreign currency-denominated bonds without currency hedges, the Company will flexibly change the allocation of this asset class based on exchange rate trends, while carefully monitoring the effect of diversification among risk assets. As for foreign currency-denominated bonds with currency hedges, the Company will also adjust the balance flexibly while carefully monitoring domestic and foreign interest rate differentials and flexibly change its overall balance. |
| Foreign stocks | <u>Depending on the level of foreign stock prices</u> The Company will increase the alternative assets to diversify the portfolio's risk, while we intend to flexibly control the balance of all foreign equities depending on the stock price level. We will also seek to improve and stabilize the profitability of our portfolio by diversifying investment styles and geographically diversifying. |

(2) Investment Income

(millions of yen)

| | Year ended March 31, 2017 | | Year ended March 31, 2018 | |
|--|---------------------------|--------------|---------------------------|--------------|
| | Amount | % | Amount | % |
| Interest and dividends | 773,506 | 76.0 | 836,004 | 76.1 |
| Interest from bank deposits | 7,416 | 0.7 | 6,532 | 0.6 |
| Interest and dividends from securities | 628,036 | 61.7 | 695,803 | 63.4 |
| Interest from loans | 56,405 | 5.5 | 52,045 | 4.7 |
| Rental income | 70,696 | 6.9 | 71,352 | 6.5 |
| Other interest and dividends | 10,951 | 1.1 | 10,269 | 0.9 |
| Gains on trading account securities | - | - | - | - |
| Gains on money held in trust | 4,207 | 0.4 | 9,222 | 0.8 |
| Gains on investments in trading securities | - | - | - | - |
| Gains on sale of securities | 200,059 | 19.7 | 229,603 | 20.9 |
| Gains on sale of domestic bonds | 108,873 | 10.7 | 134,364 | 12.2 |
| Gains on sale of domestic stocks | 29,609 | 2.9 | 51,614 | 4.7 |
| Gains on sale of foreign securities | 60,701 | 6.0 | 43,579 | 4.0 |
| Others | 874 | 0.1 | 44 | 0.0 |
| Gains on redemption of securities | 38,258 | 3.8 | 21,669 | 2.0 |
| Derivative transaction gains | - | - | - | - |
| Foreign exchange gains | - | - | - | - |
| Reversal of reserve for possible loan losses | - | - | 259 | 0.0 |
| Reversal of reserve for possible investment losses | - | - | - | - |
| Other investment income | 1,231 | 0.1 | 1,341 | 0.1 |
| Total | 1,017,262 | 100.0 | 1,098,101 | 100.0 |

(3) Investment Expense

(millions of yen)

| | Year ended March 31, 2017 | | Year ended March 31, 2018 | |
|--|---------------------------|--------------|---------------------------|--------------|
| | Amount | % | Amount | % |
| Interest expenses | 12,995 | 4.5 | 14,041 | 4.8 |
| Losses on trading account securities | - | - | - | - |
| Losses on money held in trust | - | - | - | - |
| Losses on investments in trading securities | - | - | - | - |
| Losses on sale of securities | 91,167 | 31.8 | 111,285 | 38.3 |
| Losses on sale of domestic bonds | 8,311 | 2.9 | 4,765 | 1.6 |
| Losses on sale of domestic stocks | 12,105 | 4.2 | 7,997 | 2.8 |
| Losses on sale of foreign securities | 68,907 | 24.1 | 98,299 | 33.9 |
| Others | 1,842 | 0.6 | 222 | 0.1 |
| Losses on valuation of securities | 24,814 | 8.7 | 825 | 0.3 |
| Losses on valuation of domestic bonds | 589 | 0.2 | - | - |
| Losses on valuation of domestic stocks | 15,587 | 5.4 | 741 | 0.3 |
| Losses on valuation of foreign securities | 8,637 | 3.0 | 83 | 0.0 |
| Others | - | - | - | - |
| Losses on redemption of securities | 2,610 | 0.9 | 4,321 | 1.5 |
| Derivative transaction losses | 14,750 | 5.2 | 32,771 | 11.3 |
| Foreign exchange losses | 81,093 | 28.3 | 75,078 | 25.9 |
| Provision for reserve for possible loan losses | 248 | 0.1 | - | - |
| Provision for reserve for possible investment losses | 21 | 0.0 | 205 | 0.1 |
| Write-down of loans | 41 | 0.0 | 43 | 0.0 |
| Depreciation of real estate for rent and others | 13,765 | 4.8 | 13,270 | 4.6 |
| Other investment expenses | 44,794 | 15.6 | 38,527 | 13.3 |
| Total | 286,301 | 100.0 | 290,370 | 100.0 |

(4) Asset Composition

(millions of yen)

| | As of March 31, 2017 | | As of March 31, 2018 | |
|--|----------------------|-------|----------------------|-------|
| | Carrying amount | % | Carrying amount | % |
| Cash, deposits, and call loans | 515,536 | 1.5 | 621,591 | 1.8 |
| Securities repurchased under resale agreements | - | - | - | - |
| Deposit paid for securities borrowing transactions | - | - | - | - |
| Monetary claims bought | 192,213 | 0.6 | 191,108 | 0.5 |
| Trading account securities | - | - | - | - |
| Money held in trust | 50,191 | 0.1 | 59,348 | 0.2 |
| Securities | 29,659,250 | 85.3 | 30,096,677 | 85.0 |
| Domestic bonds | 16,052,254 | 46.2 | 15,913,439 | 44.9 |
| Domestic stocks | 3,474,743 | 10.0 | 3,696,766 | 10.4 |
| Foreign securities | 9,512,246 | 27.3 | 9,942,625 | 28.1 |
| Foreign bonds | 8,260,182 | 23.7 | 8,520,524 | 24.1 |
| Foreign stocks and other securities | 1,252,063 | 3.6 | 1,422,100 | 4.0 |
| Other securities | 620,006 | 1.8 | 543,845 | 1.5 |
| Loans | 2,657,852 | 7.6 | 2,562,316 | 7.2 |
| Policy loans | 381,830 | 1.1 | 358,340 | 1.0 |
| Ordinary loans | 2,276,021 | 6.5 | 2,203,976 | 6.2 |
| Real estate | 1,116,371 | 3.2 | 1,109,277 | 3.1 |
| Real estate for rent | 773,479 | 2.2 | 781,677 | 2.2 |
| Deferred tax assets | - | - | - | - |
| Others | 592,762 | 1.7 | 775,363 | 2.2 |
| Reserve for possible loan losses | (1,472) | (0.0) | (994) | (0.0) |
| Total | 34,782,705 | 100.0 | 35,414,688 | 100.0 |
| Foreign currency-denominated assets | 8,407,769 | 24.2 | 8,938,137 | 25.2 |

Note: "Real estate" represents total amount of land, buildings and construction in progress.

(5) Other Information on Investments

A. Rates of return

| | (%) | |
|--|---------------------------|---------------------------|
| | Year ended March 31, 2017 | Year ended March 31, 2018 |
| Cash, deposits, and call loans | 0.14 | (0.15) |
| Securities repurchased under resale agreements | - | - |
| Deposit paid for securities borrowing transactions | - | - |
| Monetary claims bought | 2.03 | 1.83 |
| Trading account securities | - | - |
| Money held in trust | 8.83 | 18.39 |
| Securities | 2.36 | 2.66 |
| Domestic bonds | 2.47 | 2.71 |
| Domestic stocks | 3.20 | 6.28 |
| Foreign securities | 2.05 | 1.67 |
| Foreign bonds | 1.71 | 1.02 |
| Foreign stocks and other securities | 3.73 | 5.84 |
| Loans | 2.03 | 2.01 |
| Ordinary loans | 1.61 | 1.61 |
| Real estate | 3.99 | 4.17 |
| Total | 2.21 | 2.46 |
| Foreign investments | 1.90 | 1.54 |

Note: 1. Rates of return above are calculated by dividing the net investment income included in ordinary profit by the average daily balance on a book value basis.

2. "Foreign investments" include yen-denominated assets.

B. Average daily balance

| | (billions of yen) | |
|--|---------------------------|---------------------------|
| | Year ended March 31, 2017 | Year ended March 31, 2018 |
| Cash, deposits, and call loans | 652.2 | 614.1 |
| Securities repurchased under resale agreements | - | - |
| Deposit paid for securities borrowing transactions | - | - |
| Monetary claims bought | 205.1 | 181.7 |
| Trading account securities | - | - |
| Money held in trust | 47.6 | 50.1 |
| Securities | 27,105.2 | 27,157.9 |
| Domestic bonds | 15,736.6 | 15,511.6 |
| Domestic stocks | 1,937.6 | 1,790.3 |
| Foreign securities | 8,875.3 | 9,359.2 |
| Foreign bonds | 7,370.5 | 8,111.9 |
| Foreign stocks and other securities | 1,504.7 | 1,247.2 |
| Loans | 2,783.7 | 2,613.5 |
| Ordinary loans | 2,389.9 | 2,243.6 |
| Real estate | 791.6 | 782.0 |
| Total | 33,001.8 | 32,900.5 |
| Foreign investments | 9,617.5 | 10,113.6 |

Note: "Foreign investments" include yen-denominated assets.

C. Valuation gains and losses on trading securities

(millions of yen)

| | As of March 31, 2017 | | As of March 31, 2018 | |
|----------------------------|--------------------------------------|--|--------------------------------------|--|
| | Carrying amount on the balance sheet | Valuation gains (losses) included in the statement of earnings | Carrying amount on the balance sheet | Valuation gains (losses) included in the statement of earnings |
| Trading securities | 50,191 | 2,122 | 59,348 | 1,232 |
| Trading account securities | - | - | - | - |
| Money held in trust | 50,191 | 2,122 | 59,348 | 1,232 |

D. Fair value information on securities (securities with fair value except for trading securities)

(millions of yen)

| | Book value | Fair value | Gains (losses) | | |
|---------------------------------------|------------|------------|----------------|-----------|---------|
| | | | Gains | Losses | |
| As of March 31, 2017 | | | | | |
| Held-to-maturity bonds | 46,014 | 50,534 | 4,519 | 4,519 | - |
| Domestic bonds | 46,014 | 50,534 | 4,519 | 4,519 | - |
| Foreign bonds | - | - | - | - | - |
| Policy-reserve-matching bonds | 12,001,580 | 14,764,373 | 2,762,792 | 2,782,071 | 19,278 |
| Domestic bonds | 11,911,257 | 14,672,992 | 2,761,734 | 2,780,815 | 19,081 |
| Foreign bonds | 90,322 | 91,380 | 1,058 | 1,255 | 197 |
| Stocks of subsidiaries and affiliates | 304 | 302 | (2) | 7 | 10 |
| Available-for-sale securities | 14,459,160 | 17,184,631 | 2,725,470 | 2,865,886 | 140,416 |
| Domestic bonds | 3,617,249 | 4,094,982 | 477,733 | 485,227 | 7,493 |
| Domestic stocks | 1,647,671 | 3,335,538 | 1,687,866 | 1,712,564 | 24,698 |
| Foreign securities | 8,443,706 | 8,964,471 | 520,764 | 625,317 | 104,552 |
| Foreign bonds | 7,776,125 | 8,169,860 | 393,734 | 488,696 | 94,961 |
| Foreign stocks and other securities | 667,581 | 794,611 | 127,030 | 136,621 | 9,591 |
| Other securities | 514,139 | 547,427 | 33,288 | 36,687 | 3,398 |
| Monetary claims bought | 186,393 | 192,213 | 5,819 | 6,090 | 270 |
| Certificates of deposit | 50,000 | 49,998 | (1) | - | 1 |
| Total | 26,507,060 | 31,999,841 | 5,492,780 | 5,652,485 | 159,704 |
| Domestic bonds | 15,574,521 | 18,818,509 | 3,243,987 | 3,270,562 | 26,575 |
| Domestic stocks | 1,647,671 | 3,335,538 | 1,687,866 | 1,712,564 | 24,698 |
| Foreign securities | 8,534,167 | 9,055,980 | 521,813 | 626,573 | 104,759 |
| Foreign bonds | 7,866,447 | 8,261,240 | 394,793 | 489,951 | 95,158 |
| Foreign stocks and other securities | 667,719 | 794,739 | 127,020 | 136,621 | 9,601 |
| Other securities | 514,306 | 547,601 | 33,295 | 36,694 | 3,398 |
| Monetary claims bought | 186,393 | 192,213 | 5,819 | 6,090 | 270 |
| Certificates of deposit | 50,000 | 49,998 | (1) | - | 1 |
| As of March 31, 2018 | | | | | |
| Held-to-maturity bonds | 46,316 | 50,160 | 3,844 | 3,844 | - |
| Domestic bonds | 46,316 | 50,160 | 3,844 | 3,844 | - |
| Foreign bonds | - | - | - | - | - |
| Policy-reserve-matching bonds | 12,000,296 | 14,752,205 | 2,751,908 | 2,761,454 | 9,545 |
| Domestic bonds | 11,911,976 | 14,660,488 | 2,748,511 | 2,758,057 | 9,545 |
| Foreign bonds | 88,319 | 91,716 | 3,397 | 3,397 | - |
| Stocks of subsidiaries and affiliates | - | - | - | - | - |
| Available-for-sale securities | 14,658,957 | 17,733,170 | 3,074,213 | 3,231,613 | 157,399 |
| Domestic bonds | 3,477,889 | 3,955,146 | 477,257 | 484,527 | 7,270 |
| Domestic stocks | 1,638,322 | 3,654,259 | 2,015,937 | 2,045,830 | 29,892 |
| Foreign securities | 8,879,653 | 9,434,163 | 554,510 | 670,671 | 116,161 |
| Foreign bonds | 8,021,597 | 8,432,205 | 410,607 | 509,570 | 98,962 |
| Foreign stocks and other securities | 858,055 | 1,001,958 | 143,903 | 161,101 | 17,198 |
| Other securities | 428,217 | 448,495 | 20,277 | 24,185 | 3,908 |
| Monetary claims bought | 184,874 | 191,108 | 6,234 | 6,397 | 163 |
| Certificates of deposit | 50,000 | 49,995 | (4) | - | 4 |
| Total | 26,705,569 | 32,535,536 | 5,829,967 | 5,996,912 | 166,945 |
| Domestic bonds | 15,436,182 | 18,665,796 | 3,229,613 | 3,246,429 | 16,815 |
| Domestic stocks | 1,638,322 | 3,654,259 | 2,015,937 | 2,045,830 | 29,892 |
| Foreign securities | 8,967,972 | 9,525,880 | 557,907 | 674,068 | 116,161 |
| Foreign bonds | 8,109,917 | 8,523,921 | 414,004 | 512,967 | 98,962 |
| Foreign stocks and other securities | 858,055 | 1,001,958 | 143,903 | 161,101 | 17,198 |
| Other securities | 428,217 | 448,495 | 20,277 | 24,185 | 3,908 |
| Monetary claims bought | 184,874 | 191,108 | 6,234 | 6,397 | 163 |
| Certificates of deposit | 50,000 | 49,995 | (4) | - | 4 |

Note: The table above includes assets which are considered appropriate to handle as securities as defined in the Financial Instruments and Exchange Act.

* Carrying amount of securities whose fair value is deemed extremely difficult to recognize is as follows:

(millions of yen)

| | As of March 31, 2017 | As of March 31, 2018 |
|---|----------------------|----------------------|
| Held-to-maturity bonds | - | - |
| Unlisted foreign bonds | - | - |
| Others | - | - |
| Policy-reserve-matching bonds | - | - |
| Stocks of subsidiaries and affiliates | 58,751 | 74,923 |
| Unlisted domestic stocks (except over-the-counter stocks) | 12,684 | 12,787 |
| Unlisted foreign stocks (except over-the-counter stocks) | - | - |
| Others | 46,067 | 62,136 |
| Available-for-sale securities | 611,909 | 485,843 |
| Unlisted domestic stocks (except over-the-counter stocks) | 126,521 | 29,719 |
| Unlisted foreign stocks (except over-the-counter stocks) | 459,050 | 422,909 |
| Unlisted foreign bonds | - | - |
| Others | 26,337 | 33,214 |
| Total | 670,660 | 560,766 |

- Note: 1. The table above includes assets which are considered appropriate to handle as securities as defined in the Financial Instruments and Exchange Act.
2. The amounts of foreign exchange valuation gains/losses on foreign securities whose fair value is deemed extremely difficult to recognize and which are listed in the table above are as follows: loss of 1,746 million yen as of March 31, 2017 and loss of 2,768 million yen as of March 31, 2018.

(6) Fair Value Information on Money Held in Trust

(millions of yen)

| | Carrying amount on the balance sheet | Fair value | Gains (losses) | Gains (losses) | |
|----------------------|--------------------------------------|------------|----------------|----------------|--------|
| | | | | Gains | Losses |
| As of March 31, 2017 | 50,191 | 50,191 | 2,024 | 17,996 | 15,971 |
| As of March 31, 2018 | 59,348 | 59,348 | 1,362 | 9,293 | 7,930 |

Note: Fair value in the table above is based on the valuation conducted by the fiduciary on a reasonable basis.
"Gains (losses)" include gains (losses) from derivative transactions within the trusts.

* The Company held no balance for money held in trust classified as held-to-maturity, policy-reserve-matching and available-for-sale as of March 31, 2017 and March 31, 2018.

4. Unaudited Balance Sheet

(millions of yen)

| | As of March 31, 2017 | As of March 31, 2018 | | As of March 31, 2017 | As of March 31, 2018 |
|---|-------------------------|-------------------------|---|-------------------------|-------------------------|
| (ASSETS) | | | (LIABILITIES) | | |
| Cash and deposits | 438,454 | 474,030 | Policy reserves and others | 30,864,753 | 30,953,878 |
| Cash | 166 | 173 | Reserves for outstanding claims | 229,698 | 148,009 |
| Bank deposits | 438,287 | 473,857 | Policy reserves | 30,249,170 | 30,407,218 |
| Call loans | 98,500 | 164,600 | Reserve for policyholder dividends | 385,884 | 398,650 |
| Monetary claims bought | 192,213 | 191,108 | Reinsurance payable | 741 | 613 |
| Money held in trust | 50,191 | 59,348 | Subordinated bonds | 476,277 | 476,277 |
| Securities | 30,498,102 | 30,961,195 | Other liabilities | 1,004,764 | 1,054,754 |
| Government bonds | 14,084,907 | 14,011,465 | Collateral for securities lending transactions | 267,871 | 272,984 |
| Local government bonds | 109,098 | 119,575 | Long-term debt and other borrowings | 283,000 | 283,000 |
| Corporate bonds | 2,023,985 | 1,949,088 | Corporate income tax payable | 9,967 | 65,670 |
| Stocks | 3,666,952 | 3,883,612 | Accounts payable | 43,804 | 59,595 |
| Foreign securities | 9,868,430 | 10,290,811 | Accrued expenses | 48,088 | 46,898 |
| Other securities | 744,727 | 706,641 | Unearned revenue | 684 | 648 |
| Loans | 2,657,852 | 2,562,316 | Deposits received | 55,287 | 56,752 |
| Policy loans | 381,830 | 358,340 | Guarantee deposits received | 50,260 | 52,556 |
| Ordinary loans | 2,276,021 | 2,203,976 | Differential account for futures trading | - | 9 |
| Tangible fixed assets | 1,124,412 | 1,116,133 | Derivatives | 231,126 | 73,820 |
| Land | 772,021 | 770,567 | Collateral for financial instruments | 2,848 | 134,813 |
| Buildings | 343,658 | 338,612 | Lease liabilities | 4,956 | 4,091 |
| Leased assets | 4,923 | 3,966 | Asset retirement obligations | 2,674 | 2,665 |
| Construction in progress | 691 | 97 | Suspense receipt | 1,473 | 1,246 |
| Other tangible fixed assets | 3,117 | 2,889 | Other liabilities | 2,720 | - |
| Intangible fixed assets | 87,793 | 99,255 | Reserve for employees' retirement benefits | 380,870 | 392,948 |
| Software | 65,228 | 76,751 | Reserve for retirement benefits of directors, executive officers and corporate auditors | 1,498 | 1,384 |
| Other intangible fixed assets | 22,564 | 22,503 | Reserve for possible reimbursement of prescribed claims | 800 | 900 |
| Reinsurance receivable | 2,260 | 2,500 | Reserve for price fluctuations | 164,453 | 181,453 |
| Other assets | 434,994 | 601,617 | Deferred tax liabilities | 129,833 | 203,767 |
| Accounts receivable | 51,700 | 13,837 | Deferred tax liabilities for land revaluation | 77,236 | 76,438 |
| Prepaid expenses | 11,114 | 12,328 | Acceptances and guarantees | 103,786 | 108,514 |
| Accrued revenue | 156,736 | 162,982 | Total liabilities | 33,205,016 | 33,450,931 |
| Deposits | 41,368 | 41,221 | (NET ASSETS) | | |
| Margin money for futures trading | 65,173 | 84,199 | Capital stock | 60,000 | 60,000 |
| Differential account for futures trading | 12 | - | Capital surplus | 470,000 | 470,000 |
| Derivatives | 73,403 | 249,599 | Legal capital surplus | 60,000 | 60,000 |
| Suspense payment | 4,865 | 5,899 | Other capital surplus | 410,000 | 410,000 |
| Other assets | 30,618 | 31,548 | Retained earnings | 31,230 | 166,041 |
| Customers' liabilities for acceptances and guarantees | 103,786 | 108,514 | Other retained earnings | 31,230 | 166,041 |
| Reserve for possible loan losses | (1,472) | (994) | Reserve for tax basis adjustments of real estate | 1,257 | 1,746 |
| Reserve for possible investment losses | (444) | (436) | Retained earnings brought forward | 29,972 | 164,295 |
| | | | Total shareholders' equity | 561,230 | 696,041 |
| | | | Net unrealized gains (losses) on securities, net of tax | 1,963,267 | 2,213,897 |
| | | | Deferred hedge gains (losses) | (25,327) | (9,256) |
| | | | Reserve for land revaluation | (17,541) | (12,423) |
| | | | Total of valuation and translation adjustments | 1,920,398 | 2,192,217 |
| | | | Total net assets | 2,481,628 | 2,888,259 |
| Total assets | 35,686,645 | 36,339,190 | Total liabilities and net assets | 35,686,645 | 36,339,190 |

5. Unaudited Statement of Earnings

(millions of yen)

| | Year ended March 31, 2017 | Year ended March 31, 2018 |
|--|------------------------------|------------------------------|
| ORDINARY REVENUES | 3,946,774 | 3,791,933 |
| Premium and other income | 2,547,581 | 2,321,998 |
| Premium income | 2,546,708 | 2,321,134 |
| Reinsurance income | 873 | 864 |
| Investment income | 1,072,049 | 1,151,279 |
| Interest and dividends | 773,506 | 836,004 |
| Interest from bank deposits | 7,416 | 6,532 |
| Interest and dividends from securities | 628,036 | 695,803 |
| Interest from loans | 56,405 | 52,045 |
| Rental income | 70,696 | 71,352 |
| Other interest and dividends | 10,951 | 10,269 |
| Gains on money held in trust | 4,207 | 9,222 |
| Gains on sale of securities | 200,059 | 229,603 |
| Gains on redemption of securities | 38,258 | 21,669 |
| Reversal of reserve for possible loan losses | - | 259 |
| Other investment income | 1,231 | 1,341 |
| Gains on investments in separate accounts | 54,786 | 53,178 |
| Other ordinary revenues | 327,143 | 318,655 |
| Fund receipt for annuity rider of group insurance | 655 | 524 |
| Fund receipt for claim deposit payment | 270,929 | 207,277 |
| Reversal of reserves for outstanding claims | 30,606 | 81,689 |
| Other ordinary revenues | 24,952 | 29,163 |
| ORDINARY EXPENSES | 3,664,964 | 3,433,070 |
| Benefits and claims | 2,327,502 | 2,265,295 |
| Claims | 773,749 | 712,110 |
| Annuities | 535,014 | 497,368 |
| Benefits | 361,388 | 360,384 |
| Surrender values | 507,647 | 545,177 |
| Other refunds | 147,966 | 148,592 |
| Ceding reinsurance commissions | 1,737 | 1,661 |
| Provision for policy reserves and others | 273,344 | 166,356 |
| Provision for policy reserves | 264,959 | 158,048 |
| Provision for interest on policyholder dividends | 8,384 | 8,308 |
| Investment expenses | 286,301 | 290,370 |
| Interest expenses | 12,995 | 14,041 |
| Losses on sale of securities | 91,167 | 111,285 |
| Losses on valuation of securities | 24,814 | 825 |
| Losses on redemption of securities | 2,610 | 4,321 |
| Derivative transaction losses | 14,750 | 32,771 |
| Foreign exchange losses | 81,093 | 75,078 |
| Provision for reserve for possible loan losses | 248 | - |
| Provision for reserve for possible investment losses | 21 | 205 |
| Write-down of loans | 41 | 43 |
| Depreciation of real estate for rent and others | 13,765 | 13,270 |
| Other investment expenses | 44,794 | 38,527 |
| Operating expenses | 422,089 | 408,621 |
| Other ordinary expenses | 355,726 | 302,427 |
| Claim deposit payments | 278,833 | 219,685 |
| National and local taxes | 33,160 | 28,229 |
| Depreciation | 30,892 | 29,371 |
| Provision for reserve for employees' retirement benefits | 2,603 | 11,820 |
| Other ordinary expenses | 10,235 | 13,320 |
| ORDINARY PROFIT | 281,810 | 358,863 |
| EXTRAORDINARY GAINS | 4,976 | 514 |
| Gains on disposal of fixed assets | 4,976 | 514 |
| EXTRAORDINARY LOSSES | 43,934 | 30,111 |
| Losses on disposal of fixed assets | 13,892 | 1,263 |
| Impairment losses on fixed assets | 13,742 | 11,589 |
| Provision for reserve for price fluctuations | 16,000 | 17,000 |
| Other extraordinary losses | 299 | 257 |
| Provision for reserve for policyholder dividends | 85,000 | 95,000 |
| Income before income taxes | 157,851 | 234,266 |
| Corporate income taxes-current | 58,707 | 86,344 |
| Corporate income taxes-deferred | (18,047) | (21,983) |
| Total of corporate income taxes | 40,660 | 64,360 |
| Net income | 117,191 | 169,905 |

6. Unaudited Statement of Changes in Net Assets

Year ended March 31, 2017

(millions of yen)

| | Shareholders' equity | | | | | |
|--|----------------------|-----------------------|-----------------------|-----------------------|--|-----------------------------------|
| | Capital stock | Capital surplus | | | Retained earnings | |
| | | Legal capital surplus | Other capital surplus | Total capital surplus | Other retained earnings | |
| | | | | | Reserve for tax basis adjustments of real estate | Retained earnings brought forward |
| Balance at the beginning of the year | 100 | - | - | - | - | - |
| Changes for the year | | | | | | |
| Increase due to corporate split | 59,900 | 60,000 | 410,000 | 470,000 | | |
| Net income | | | | | | 32,382 |
| Transfer to reserve for tax basis adjustments of real estate | | | | | 1,257 | (1,257) |
| Transfer from reserve for land revaluation | | | | | | (1,151) |
| Net changes of items other than shareholders' equity | | | | | | |
| Total changes for the year | 59,900 | 60,000 | 410,000 | 470,000 | 1,257 | 29,972 |
| Balance at the end of the year | 60,000 | 60,000 | 410,000 | 470,000 | 1,257 | 29,972 |

(millions of yen)

| | Shareholders' equity | | Valuation and translation adjustments | | | | Total net assets |
|--|-------------------------|----------------------------|---|-------------------------------|------------------------------|--|------------------|
| | Retained earnings | Total shareholders' equity | Net unrealized gains (losses) on securities, net of tax | Deferred hedge gains (losses) | Reserve for land revaluation | Total of valuation and translation adjustments | |
| | Total retained earnings | | | | | | |
| Balance at the beginning of the year | - | 100 | - | - | - | - | 100 |
| Changes for the year | | | | | | | |
| Increase due to corporate split | | 529,900 | | | | | 529,900 |
| Net income | 32,382 | 32,382 | | | | | 32,382 |
| Transfer to reserve for tax basis adjustments of real estate | - | - | | | | | - |
| Transfer from reserve for land revaluation | (1,151) | (1,151) | | | | | (1,151) |
| Net changes of items other than shareholders' equity | | | 1,963,267 | (25,327) | (17,541) | 1,920,398 | 1,920,398 |
| Total changes for the year | 31,230 | 561,130 | 1,963,267 | (25,327) | (17,541) | 1,920,398 | 2,481,528 |
| Balance at the end of the year | 31,230 | 561,230 | 1,963,267 | (25,327) | (17,541) | 1,920,398 | 2,481,628 |

Year ended March 31, 2018

(millions of yen)

| | Shareholders' equity | | | | | |
|--|----------------------|-----------------------|-----------------------|-----------------------|--|-----------------------------------|
| | Capital stock | Capital surplus | | | Retained earnings | |
| | | Legal capital surplus | Other capital surplus | Total capital surplus | Other retained earnings | |
| | | | | | Reserve for tax basis adjustments of real estate | Retained earnings brought forward |
| Balance at the beginning of the year | 60,000 | 60,000 | 410,000 | 470,000 | 1,257 | 29,972 |
| Changes for the year | | | | | | |
| Dividends | | | | | | (29,972) |
| Net income | | | | | | 169,905 |
| Transfer to reserve for tax basis adjustments of real estate | | | | | 488 | (488) |
| Transfer from reserve for land revaluation | | | | | | (5,121) |
| Net changes of items other than shareholders' equity | | | | | | |
| Total changes for the year | - | - | - | - | 488 | 134,322 |
| Balance at the end of the year | 60,000 | 60,000 | 410,000 | 470,000 | 1,746 | 164,295 |

(millions of yen)

| | Shareholders' equity | | Valuation and translation adjustments | | | | Total net assets |
|--|-------------------------|----------------------------|---|-------------------------------|------------------------------|--|------------------|
| | Retained earnings | Total shareholders' equity | Net unrealized gains (losses) on securities, net of tax | Deferred hedge gains (losses) | Reserve for land revaluation | Total of valuation and translation adjustments | |
| | Total retained earnings | | | | | | |
| Balance at the beginning of the year | 31,230 | 561,230 | 1,963,267 | (25,327) | (17,541) | 1,920,398 | 2,481,628 |
| Changes for the year | | | | | | | |
| Dividends | (29,972) | (29,972) | | | | | (29,972) |
| Net income | 169,905 | 169,905 | | | | | 169,905 |
| Transfer to reserve for tax basis adjustments of real estate | - | - | | | | | - |
| Transfer from reserve for land revaluation | (5,121) | (5,121) | | | | | (5,121) |
| Net changes of items other than shareholders' equity | | | 250,629 | 16,071 | 5,117 | 271,818 | 271,818 |
| Total changes for the year | 134,811 | 134,811 | 250,629 | 16,071 | 5,117 | 271,818 | 406,630 |
| Balance at the end of the year | 166,041 | 696,041 | 2,213,897 | (9,256) | (12,423) | 2,192,217 | 2,888,259 |

I. NOTES TO THE UNAUDITED BALANCE SHEET AS OF MARCH 31, 2018

1. Valuation Methods of Securities

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

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

(1) Trading Securities

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

(2) Held-to-maturity Bonds

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

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

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

(4) Stocks of Subsidiaries and Affiliated Companies

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

(5) Available-for-sale Securities

a) Available-for-sale Securities with Fair 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 value during March), with cost determined by the moving average method.

b) Available-for-sale Securities Whose Fair Values are Extremely Difficult to Recognize

i) 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.

ii) Others

All other securities are valued at cost determined by the moving average method.

Net unrealized gains or losses on these available-for-sale securities are presented as a separate component of net assets and not in the statement of earnings.

2. Risk Management Policy of Policy-reserve-matching Bonds

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

The sub-groups of insurance products are:

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

with the exception of certain types.

3. Valuation Method of Derivative Transactions

Derivative transactions are reported at fair value.

4. Revaluation of Land

Based on the “Act on Revaluation of Land” (Act No.34, March 31, 1998), land for business use was revalued. The difference between the fair value and book value resulting from the revaluation, net of related

deferred taxes, is recorded as a reserve for land revaluation as a separate component of net assets and the related deferred tax liability is recorded as deferred tax liabilities for land revaluation.

(1) Date of revaluation: March 31, 2001

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

The fair value was determined based on the appraisal value publicly announced for tax assessment purposes with certain reasonable adjustments in accordance with Articles 2-1 and 2-4 of the Order for Enforcement of the Act on Revaluation of Land (Cabinet Order No.119, March 31, 1998).

5. Depreciation of Depreciable Assets

(1) Depreciation of Tangible Fixed Assets Excluding Leased Assets

Depreciation of tangible fixed assets excluding leased assets is calculated by the declining balance method (the depreciation of buildings (other than facilities attached to buildings and structures that were acquired on or before March 31, 2016) 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, buildings and leased assets that were acquired for ¥100,000 or more but less than ¥200,000 are depreciated at equal amounts over three years.

With respect to tangible fixed assets that were acquired on or before March 31, 2007 and that were fully depreciated to their original depreciable limit, effective the fiscal 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.

(2) Amortization of Intangible Fixed Assets Excluding Leased Assets

The Company uses the straight-line method for amortization of intangible fixed assets excluding leased assets. Software for internal use is amortized by the straight-line method based on the estimated useful lives of five years.

(3) Depreciation of Leased Assets

Depreciation for leased assets with regard to finance leases whose ownership does not transfer to the lessees is computed under the straight-line method assuming zero salvage value and using the lease period as the useful life.

(4) Accumulated Depreciation of Tangible Fixed Assets

The amount of accumulated depreciation of tangible fixed assets as of March 31, 2018 was ¥621,852 million.

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

The Company translated foreign currency-denominated assets and liabilities (excluding stocks of its subsidiaries and affiliated companies) into yen at the prevailing exchange rates at the end of the year. Stocks of subsidiaries and affiliated companies were translated into yen at the exchange rates on the dates of acquisition.

7. Reserve for Possible Loan Losses

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

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

For loans to and claims on obligors that have not yet suffered business failure but are considered highly likely to fail, the reserve is calculated taking into account 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 the Company performs an asset quality assessment based on the internal rules for self-assessment, and an independent audit department audits the result of the assessment. The above reserves are established based on the result of this assessment.

For loans and claims to bankrupt and substantially bankrupt obligors, the unrecoverable amount is calculated by deducting the amount deemed recoverable from collateral or guarantees from the amount of the loans and claims and is directly written off from the amount of the loans and claims. The amount written off during the fiscal year ended March 31, 2018 was ¥6 million.

8. Reserve for Employees' Retirement Benefits

For the reserve for employees' retirement benefits, the amount is provided based on the projected benefit obligations and pension assets as of March 31, 2018.

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

(1) 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 year ended March 31, 2018.

(2) Amortization of Actuarial Differences

Actuarial differences are amortized under the straight-line method over a certain period (seven years) within the employees' average remaining service period, starting from the following year.

9. Reserve for Possible Investment Losses

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

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

For the reserve for retirement benefits of directors, executive officers and corporate auditors, an estimated amount for future payment pursuant to the internal policies is provided.

11. Reserve for Possible Reimbursement of Prescribed Claims

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

12. Reserve for Price Fluctuations

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

13. Methods for Hedge Accounting

(1) Methods for Hedge Accounting

Hedging transactions are accounted for in accordance with the "Accounting Standards for Financial Instruments" (Accounting Standards Board of Japan (ASBJ) Statement No. 10). Primarily, 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). and vi) the deferral hedge method using interest rate swaps is used for hedges against interest rate fluctuations in certain insurance liabilities, under the "Accounting and Auditing Treatment of Application of Accounting Standard for Financial Instruments to Insurance Operators" (Industry Audit Committee Report No. 26 issued by the JICPA).

(2) Hedging Instruments and Hedged Items

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

(3) Hedging Policies

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

(4) Assessment of Hedge Effectiveness

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

14. Calculation of National and Local Consumption Tax

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

15. Policy Reserve

Policy reserves of the Company are established in accordance with Article 116 of the Insurance Business Act. Insurance premium reserves are calculated as stated in (1) and (2) below. Policy reserves include additional policy reserves for some whole life insurance policies in accordance with Article 69, Paragraph 5 of the Ordinance for Enforcement of the Insurance Business Act.

- (1) Reserves for policies subject to the standard policy reserve rules are calculated based on the methods stipulated by the Commissioner of Financial Services Agency (Notification of the Minister of Finance No.48, 1996).
- (2) Reserves for other policies are established based on the net level premium method.

16. Financial Instruments and Others

(1) Financial Instruments

a) Policies in Utilizing Financial Instruments

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

The Company uses derivatives primarily to hedge market risks associated with its existing asset portfolio and supplement its investment objectives, taking into account the exposure of underlying assets.

With respect to financing, the Company has raised capital directly from the capital markets by issuing subordinated bonds as well as indirectly from banks in order to strengthen its capital base. To

avoid impact from interest rate fluctuations, the Company utilizes derivative transactions in hedging some of such financial liabilities and adopts hedge accounting.

b) Financial Instruments Used and Their Risks

Securities included in financial assets of the Company, mainly stocks and bonds, are categorized by its 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.

The Company might be exposed to liquidity risk in certain circumstances in which it cannot make timely payments of principal, interest or other amounts due to unpredictable cash outflows or is forced to raise capital with interest rates substantially higher than usual. Also, some of its 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.

The Company utilizes i) interest rate swaps to hedge interest rate risk associated with certain of its loans receivable and payable, ii) equity forward contracts to hedge market fluctuation risks associated with domestic stocks, and iii) 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 addition, the company utilizes iv) interest rate swaps to hedge interest rate risk associated with certain insurance liabilities, under the “Accounting and Auditing Treatment of Application of Accounting Standard for Financial Instruments to Insurance Operators” (JICPA Industry Audit Committee Report No. 26).

In applying the hedge accounting, in order to fulfill requirements stipulated in the “Accounting standards for financial instruments” (ASBJ Statement No. 10), the Company has established investment policy and procedure guidelines and clarified the transactions to be hedged, the risk of underlying assets to be hedged and derivative instruments to be used, and conducted pre- and post-effectiveness tests of the transactions.

c) Risk Management

The risk management system of the Company is as follows:

i) Market Risk Management

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

(a) Interest rate risk

The Company keeps track of interest rates and durations of its assets and liabilities, monitors its internal analyses on duration gap and interest rate sensitivity, and periodically reports its findings to the board of directors, etc.

(b) Currency risk

The Company keeps track of currency composition of its financial assets and liabilities, conducts sensitivity analyses, and periodically reports its findings to the board of directors, etc.

(c) Fluctuation in market values

The Company defines risk management policies and management procedures for each component of its overall portfolio, including securities and specific risk management procedures, based on the risk characteristics of the categories, and set and manages upper limits of each asset balance and asset allocation weight.

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

(d) Derivative transactions

For derivative transactions, the Company has established internal check system by segregating i) executing department, ii) the department which engages in assessment of hedge effectiveness, and iii) the back-office. Additionally, in order to limit speculative use of derivatives, the Company has put restrictions on utilization purpose, such as hedging, and establishes position limits for each asset class.

ii) Credit Risk Management

In accordance with the internal investment policy and credit risk management procedure guidelines, the Company has 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 the board of directors, etc. Additionally, the internal audit section has also checked credit management status.

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

d) Supplementary Explanation for Fair Value of Financial Instruments

As well as the values based on market prices, fair value of financial instruments includes values which are reasonably calculated in case market prices do not exist. As the calculation of those values adopts certain assumptions, those values may vary in case different assumptions are applied.

(2) Fair Value of Financial Instruments

The carrying amount on the balance sheet, fair value and differences between carrying amount and fair value as of March 31, 2018 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, 2018 | Carrying amount | Fair value | Gains (Losses) |
|---|-------------------|-------------------|-------------------|
| (Unit: million yen) | | | |
| (1) Cash and deposits | 474,030 | 474,030 | - |
| (2) Call loans | 164,600 | 164,600 | - |
| (3) Monetary claims bought | 191,108 | 191,108 | - |
| (4) Money held in trust | 59,348 | 59,348 | - |
| (5) Securities | | | |
| a. Trading securities | 864,517 | 864,517 | - |
| b. Held-to-maturity bonds | 46,316 | 50,160 | 3,844 |
| c. Policy-reserve-matching bonds | 12,000,296 | 14,752,205 | 2,751,908 |
| d. Stock of subsidiaries and affiliate companies .. | - | - | - |
| e. Available-for-sale securities | 17,492,065 | 17,492,065 | - |
| (6) Loans | 2,562,316 | | |
| Reserve for possible loan losses (*1) | (549) | | |
| | 2,561,767 | 2,683,428 | 121,660 |
| Total assets | 33,854,051 | 36,731,465 | 2,877,413 |
| (1) Bonds payable | 476,277 | 480,919 | 4,642 |
| (2) Long-term borrowings | 283,000 | 287,757 | 4,757 |
| Total liabilities | 759,277 | 768,676 | 9,399 |
| Derivative transactions (* 2) | | | |
| a. Hedge accounting not applied | 7,418 | 7,418 | - |
| b. Hedge accounting applied | 168,360 | 166,008 | (2,351) |
| Total derivative transactions | 175,778 | 173,426 | (2,351) |

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

(*2) 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

- a) Cash and deposits

- Since deposits are close to maturity or have no maturity and their fair value is close to the carrying amounts, fair value is based on the carrying amount.

- b) Call loans

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

- c) Monetary claims bought

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

- d) Money held in trust

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

- e) Securities

- The fair value of stocks is based on the price on stock exchanges and that of bonds is based on the price on bond markets or 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.

- f) Loans

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

- Additionally, for risk-monitored loans, reserve for possible loan losses is calculated based on the present value of estimated future cash flows or the amount deemed recoverable from collateral and guarantees and the fair value is close to the carrying amount on the balance sheet minus reserve for possible loan losses 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 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

- a) Bonds payable

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

- b) Long-term borrowings

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

- Derivative Transactions

- The breakdown of derivative transactions is a) currency-related transactions; b) interest-related transactions; c) stock-related transactions; and d) bond-related transactions, etc. The fair value of the instruments is based on the prices on derivatives markets and the prices quoted from financial institution, etc.

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

| As of March 31, 2018 | Carrying amount (Unit: million yen) |
|--|--|
| 1. Unlisted domestic stocks (*1)(*2) | 42,506 |
| 2. Unlisted foreign stocks (*1)(*2)..... | 23,641 |
| 3. Other foreign securities (*1)(*2)..... | 396,500 |
| 4. Other securities (*1)(*2)..... | 95,350 |
| Total | 557,998 |

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

(*2) The Company recorded impairment charges of ¥375 million for the fiscal year ended March 31, 2018

17. Real Estate for Rent

The Company 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 fiscal year ended March 31, 2018 was ¥32,603 million. The rental income was included in investment income and the rental expense was included in investment expenses. The Company recorded impairment loss of ¥11,505 million on rental real estate as extraordinary losses for the fiscal year ended March 31, 2018.

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

| Fiscal year ended March 31, 2018 | (Unit: million yen) |
|----------------------------------|---------------------|
| Carrying amount | |
| Beginning balance | 795,164 |
| Net change during year | 9,438 |
| Ending balance | 804,603 |
| Fair value | 958,825 |

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

(*2)Net change in the carrying amount includes cost of acquisition of the real estate of ¥23,038 million, depreciation expense of ¥13,262 million, impairment loss of ¥11,505 million and sale of the real estate of ¥1,931 million.

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

18. Securities Lending

Securities lent under lending agreements are included in the balance sheet. The total balance of securities lent as of March 31, 2018 was ¥1,578,947 million.

19. Problem Loans

As of March 31, 2018, the total amount of credits to bankrupt borrowers, delinquent loans, loans past due for three months or more, and restructured loans were as follows:

| | (Unit: million yen) |
|--|---------------------|
| Credits to bankrupt borrowers..... | 115 |
| Delinquent loans..... | 2,537 |
| Loans past due for three months or more..... | - |
| Restructured loans..... | 4 |
| Total | 2,657 |

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, (a) to (e) or Item 4 of the Order for Enforcement of the Corporation Tax Act (Cabinet Order 97, 1965). Interest accruals of such loans are suspended since the principal of 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 described in Note 7, the decreases in credits to bankrupt borrowers and delinquent loans were as follows:

| | |
|-------------------------------------|---------------------|
| | (Unit: million yen) |
| Credits to bankrupt borrowers | 3 |
| Delinquent loans | 3 |

20. Assets and Liabilities Held in Separate Accounts

The total amount of assets held in separate accounts defined in Article 118, Paragraph 1 of the Insurance Business Act was ¥1,185,829 million. Separate account liabilities were the same amount as the separate account assets.

21. Receivables from and Payables to Subsidiaries and Affiliated Companies

The total amounts of receivables from and payables to subsidiaries and affiliated companies were ¥31,602 million and ¥5,164 million, respectively.

22. Deferred Tax Accounting

(1) Major components of deferred tax assets and liabilities as of March 31, 2018

| | |
|--|---------------------|
| | (Unit: million yen) |
| Deferred tax assets: | |
| Policy reserves and others | 461,670 |
| Reserve for employees' retirement benefits | 133,757 |
| Reserve for price fluctuations | 50,661 |
| Impairment losses | 11,857 |
| Losses on valuation of securities | 5,539 |
| Others | 24,807 |
| <u>Subtotal</u> | <u>688,293</u> |
| <u>Valuation allowances</u> | <u>(12,318)</u> |
| <u>Total</u> | <u>675,975</u> |
| Deferred tax liabilities: | |
| Net unrealized gains on securities, net of tax | (847,380) |
| Reserve for tax basis adjustments of real estate | (9,683) |
| Accrued dividend receivables | (8,665) |
| Others | (14,012) |
| <u>Total</u> | <u>(879,742)</u> |
| <u>Net deferred tax liabilities</u> | <u>(203,767)</u> |

(2) The principal reasons for the difference between the statutory tax rate and actual effective tax rate after considering deferred taxes as of March 31, 2018

| | |
|---|----------------|
| Statutory tax rate | 28.16 % |
| (Adjustments) | |
| Decrease in valuation allowances | (0.64%) |
| Others | (0.05%) |
| <u>Actual effective tax rate after considering deferred taxes</u> | <u>27.47 %</u> |

23. Contingent Liabilities

Guarantee for debt obligations of a separate company were as follows:

| | |
|-----------------------------------|---------------------|
| | (Unit: million yen) |
| Dai-ichi Life Holdings, Inc. | 450,000 |

24. Changes in Reserve for Policyholder Dividends

Changes in reserve for policyholder dividends were as follows:

| | (Unit: million yen) |
|---|---------------------|
| Balance at the beginning of the fiscal year..... | 385,884 |
| Dividends paid during the fiscal year..... | (90,542) |
| Interest accrual during the fiscal year..... | 8,308 |
| Provision for reserve for policyholder dividends..... | 95,000 |
| <u>Balance at the end of the fiscal year.....</u> | <u>398,650</u> |

25. Stock of Subsidiaries and Affiliated Companies

The amount of stocks of subsidiaries and affiliated companies of the Company held as of March 31, 2018 was ¥74,923 million.

26. Organization Change Surplus

As of March 31, 2018, the amount of organizational change surplus stipulated in Article 91 of the Insurance Business Act was ¥117,776 million.

27. Assets Pledged as Collateral / Secured Liabilities

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

| | (Unit: million yen) |
|---|---------------------|
| Securities | 265,609 |
| Cash and deposits | 86 |
| <u>Securities and cash and deposits pledged as collateral ...</u> | <u>265,696</u> |

The amounts of secured liabilities were as follows:

| | (Unit: million yen) |
|---|---------------------|
| Cash collateral for securities lending transactions | 272,984 |

“Securities” pledged as collateral for securities lending transactions with cash collateral as of March 31, 2018 was ¥226,296 million.

28. Reinsurance

The amount of reserves for outstanding claims for reinsured parts defined in Article 71, Paragraph 1 of the Ordinance for Enforcement of the Insurance Business Act, which is referred to in Article 73, Paragraph 3 of the Ordinance (hereinafter “reserves for outstanding claims reinsured”) was ¥2 million. The amount of policy reserves provided for reinsured parts defined in Article 71, Paragraph 1 of the Ordinance (hereinafter “policy reserves reinsured”) was ¥0 million.

29. Net Assets per Share

The amount of net assets per share of the Company as of March 31, 2018 was ¥481,376,520. 53.

30. Employees’ Retirement Benefits

(1) Overview of Employees’ Retirement Benefit Plan

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

For its administrative personnel, the Company 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.

(2) Defined Benefit Plans

a) Reconciliations of beginning and ending balances of projected benefit obligations

(Unit: million yen)

| | | |
|----|--|----------------|
| a. | Beginning balance of the projected benefit obligations | 693,819 |
| b. | Service cost | 27,862 |
| c. | Interest cost | 2,078 |
| d. | Accruals of actuarial (gains) and losses | 3,073 |
| e. | Payment of retirement benefits | (32,659) |
| f. | Others | (1,109) |
| g. | <u>Ending balance of the projected benefit obligation (a + b + c + d + e + f).....</u> | <u>693,065</u> |

b) Reconciliations of beginning and ending balances of pension assets

(Unit: million yen)

| | | |
|----|--|----------------|
| a. | Beginning balance of pension assets | 285,308 |
| b. | Estimated return on assets | 381 |
| c. | Accruals of actuarial (gains) and losses | 17,928 |
| d. | Contribution from the employer | 7,129 |
| e. | Payment of retirement benefits | (20,215) |
| f. | <u>Ending balance of pension assets (a + b + c + d + e).....</u> | <u>290,532</u> |

c) 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 balance sheet

(Unit: million yen)

| | | |
|----|---|------------------|
| a. | Projected benefit obligation for funded pensions | 378,425 |
| b. | <u>Pension assets</u> | <u>(290,532)</u> |
| c. | Subtotal (a + b) | 87,892 |
| d. | <u>Projected benefit obligation for unfunded pensions</u> | <u>314,639</u> |
| e. | <u>Unrecognized actuarial differences</u> | <u>(9,583)</u> |
| f. | <u>Net of assets and liabilities recorded in the balance sheet (c + d + e).....</u> | <u>392,948</u> |

d) Amount of the components of retirement benefit expenses

(Unit: million yen)

| | | |
|----|---|---------------|
| a. | Service cost | 27,862 |
| b. | Interest cost | 2,078 |
| c. | Expected return on assets | (381) |
| d. | Amortization of unrecognized actuarial differences | 3,001 |
| e. | Others | 257 |
| f. | <u>Retirement benefit expenses for defined benefit plans (a + b + c + d + e).....</u> | <u>32,818</u> |

e) Pension assets

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

| | |
|--------------------------------------|-------------|
| Stocks | 59% |
| Asset under joint management | 16% |
| Bonds | 9% |
| Life insurance general account | 8% |
| <u>Others</u> | <u>8%</u> |
| <u>Total</u> | <u>100%</u> |

The proportion of retirement benefit trust to total pension assets that has been set for the retirement lump sum grants as of March 31, 2018 was 55%.

f) The method for 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.

| | |
|--|-------|
| g) Calculation basis of actuarial gains and losses | |
| Major assumptions of basis of actuarial calculation as of March 31, 2018 are as follows: | |
| Discount rate | 0.30% |
| Expected long-term rate of return | |
| Defined benefit corporate pension | 0.30% |
| Employee pension trust | 0.00% |

(3) **Defined Contribution Plans**

Required amount of contribution to defined contribution plans for the fiscal year ended March 31, 2018 is ¥1,556 million.

31. Securities Borrowing

Of securities borrowed under borrowing agreements, the market value of the securities which can be sold or pledged as collateral but were not sold nor pledged as of March 31, 2018 was ¥64,444 million, among which none of the securities were pledged as collateral.

32. Commitment Line

As of March 31, 2018, there were unused commitment line agreements under which the Company was the lender of ¥45,592 million.

33. Subordinated Debt

As of March 31, 2018, other liabilities included subordinated debt of ¥283,000 million, the repayment of which is subordinated to other obligations.

34. Subordinated Bonds

As of March 31, 2018, bonds payable included foreign currency-denominated subordinated bonds of ¥476,277 million, the repayment of which is subordinated to other obligations.

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

The estimated future obligations of the Company to the Life Insurance Policyholders Protection Corporation of Japan under Article 259 of the Insurance Business Act as of March 31, 2018 were ¥47,606 million. These obligations will be recognized as operating expenses in the period in which they are paid.

II. NOTES TO THE UNAUDITED STATEMENT OF EARNINGS FOR THE FISCAL YEAR ENDED MARCH 31, 2018

1. Revenues and Expenses from Transactions with Subsidiaries and Affiliated Companies

The total amounts of revenues and expenses from transactions with subsidiaries and affiliated companies were ¥5,378 million and ¥21,048 million, respectively.

2. Gains/Losses on Sale of Securities, Losses on Valuation of Securities

Gains on sale of securities included gains on sale of domestic bonds, domestic stocks, foreign securities and other securities of ¥134,364 million, ¥51,614 million, ¥43,579 million and ¥44 million, respectively.

Losses on sale of securities included losses on sales of domestic bonds, domestic stocks, foreign securities and other securities of ¥4,765 million, ¥7,997 million, ¥98,299 million and ¥222 million, respectively.

Losses on valuation of securities included losses on valuation of domestic stocks and foreign securities of ¥741 million and ¥83 million, respectively.

3. Reinsurance

In calculating the reversal of reserves for outstanding claims, a reversal of reserves for outstanding claims reinsured of ¥3 million was subtracted. In calculating the provision for policy reserves, a provision for reserves for policy reserves reinsured of ¥0 million was subtracted.

4. Gains/Losses on Money Held in Trust

Gains on money held in trust included gains on valuation of securities of ¥1,232 million.

5. Derivative Transaction Gains/Losses

Derivative transaction losses included gains on valuation of ¥11,784 million.

6. Net Income per Share

Net income per share for the fiscal year ended March 31, 2018 was ¥28,317,569.09. Diluted net income per share for the same period is not presented because there were no existing diluted shares.

7. Impairment Losses on Fixed Assets

Details of impairment losses on fixed assets for the fiscal year ended March 31, 2018 were as follows:

(1) Method of Grouping Assets

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

(2) Background for Recognition of Impairment Losses

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

(3) Breakdown of Impairment Losses

Impairment losses by asset group for the fiscal year ended March 31, 2018 were as follows:

| Asset Group | Place | Number | Impairment Losses | | |
|------------------------|--------------------------------|--------|-------------------|-----------|--------|
| | | | Land | Buildings | Total |
| (Unit: million yen) | | | | | |
| Real estate not in use | Chuo City, Tokyo and others | 46 | 7,961 | 3,627 | 11,589 |

(4) Calculation of Recoverable Value

Value in use or net sale value is used as the recoverable value of real estate for rent, and net sale value is used as the recoverable value of real estate not in use. A discount rate of 2.34% for the fiscal year ended March 31, 2018 was applied for discounting future cash flows in the calculation of value in use. Estimated disposal value, appraisal value based on real estate appraisal standards, or appraisal value based on publicly assessed land value for tax purposes is used as the net sale value.

III. NOTES TO THE UNAUDITED STATEMENT OF CHANGES IN NET ASSETS FOR THE FISCAL YEAR ENDED MARCH 31, 2018

1. Number of Shares Outstanding

| | At the beginning of the fiscal year | Increase during the fiscal year | Decrease during the fiscal year | At the end of the fiscal year |
|--------------|-------------------------------------|---------------------------------|---------------------------------|-------------------------------|
| Common Stock | 6,000 | - | - | 6,000 |

2. Dividends on Common Stock

(1) Dividends

| | |
|---------------------|---|
| Date of resolution | June 21, 2017 (at the Annual General Meeting of Shareholders) |
| Type of shares | Common stock |
| Total dividends | ¥29,972 million |
| Dividends per share | ¥4,995,400 |
| Record date | March 31, 2017 |
| Effective date | June 22, 2017 |
| Dividend resource | Retained earnings |

(2) Dividends to be paid out in the year ending March 31, 2019

| | |
|---------------------|---|
| Date of resolution | June 20, 2018 (at the Annual General Meeting of Shareholders) |
| Type of shares | Common stock |
| Total dividends | ¥135,862 million |
| Dividends per share | ¥22,643,700 |
| Record date | March 31, 2018 |
| Effective date | June 21, 2018 |
| Dividend resource | Retained earnings |

| | |
|---------------------|---|
| Date of resolution | June 20, 2018 (at the Annual General Meeting of Shareholders) |
| Type of shares | Common stock |
| Total dividends | ¥49,999 million |
| Dividends per share | ¥8,333,300 |
| Record date | March 31, 2018 |
| Effective date | June 21, 2018 |
| Dividend resource | Capital surplus |

7. Breakdown of Ordinary Profit (Fundamental Profit)

(millions of yen)

| | Year ended March 31, 2017 | Year ended March 31, 2018 |
|---|------------------------------|------------------------------|
| Fundamental revenues | 3,742,507 | 3,553,101 |
| Premium and other income | 2,547,581 | 2,321,998 |
| Investment income | 867,782 | 912,447 |
| [Interest and dividends] | 773,506 | 836,004 |
| Other ordinary revenues | 327,143 | 318,655 |
| Other fundamental revenues (a) | - | - |
| Fundamental expenses | 3,350,857 | 3,124,044 |
| Benefits and claims | 2,327,502 | 2,265,295 |
| Provision for policy reserves and others | 170,574 | 77,376 |
| Investment expenses | 74,415 | 70,160 |
| Operating expenses | 422,089 | 408,621 |
| Other ordinary expenses | 355,726 | 302,427 |
| Other fundamental expenses (b) | 549 | 163 |
| Fundamental profit ^(Note 1) | A 391,650 | 429,057 |
| Capital gains | 204,815 | 238,989 |
| Gains on money held in trust | 4,207 | 9,222 |
| Gains on investments in trading securities | - | - |
| Gains on sale of securities | 200,059 | 229,603 |
| Derivative transaction gains | - | - |
| Foreign exchange gains | - | - |
| Others (c) | 549 | 163 |
| Capital losses | 211,825 | 219,961 |
| Losses on money held in trust | - | - |
| Losses on investments in trading securities | - | - |
| Losses on sale of securities | 91,167 | 111,285 |
| Losses on valuation of securities | 24,814 | 825 |
| Derivative transaction losses | 14,750 | 32,771 |
| Foreign exchange losses | 81,093 | 75,078 |
| Others (d) | - | - |
| Net capital gains (losses) ^(Note 1) | B (7,009) | 19,028 |
| Fundamental profit plus net capital gains (losses) | A + B 384,640 | 448,085 |
| Other one-time gains | - | 6 |
| Reinsurance income | - | - |
| Reversal of contingency reserve | - | - |
| Reversal of specific reserve for possible loan losses | - | 6 |
| Others | - | - |
| Other one-time losses | 102,830 | 89,228 |
| Ceding reinsurance commissions | - | - |
| Provision for contingency reserve | 18,000 | 4,400 |
| Provision for specific reserve for possible loan losses | (1) | - |
| Provision for specific reserve for loans to refinancing countries | - | - |
| Write-down of loans | 41 | 43 |
| Others ^(Note 2) | 84,791 | 84,784 |
| Other one-time profits (losses) | C (102,830) | (89,222) |
| Ordinary profit | A + B + C 281,810 | 358,863 |

Note 1: Beginning from disclosures for fiscal year 2017, the disclosure method of the breakdown of ordinary profit relating to the effect of provision for (reversal of) policy reserve associated with market value adjustments of fixed life insurance and the effect of change in the exchange rates related to foreign currency denominated insurance contracts have been modified. The figures for the fiscal year ended March 31, 2017 were also re-calculated based on the modified disclosure method. As a result, compared to before the modification, fundamental profit decreased by 549 million yen and net capital gains increased by 549 million yen for the fiscal year ended March 31, 2017.

2: "Others" in "Other one-time losses" represents the sum of the amount of provision for reserve for possible investment losses (For the fiscal year ended March 31, 2017: 21 million yen, For the fiscal year ended March 31, 2018: 205 million yen) and the amount of the additional policy reserves provided (For the fiscal year ended March 31, 2017: 84,770 million yen, For the fiscal year ended March 31, 2018: 84,579 million yen) in accordance with Article 69, Paragraph 5 of the Enforcement Regulations of the Insurance Business Act.

(Reference) Breakdown of other fundamental revenues, etc.

(millions of yen)

| | Year ended March 31, 2017 | Year ended March 31, 2018 |
|---|------------------------------|------------------------------|
| Other fundamental revenues (a) | - | - |
| The effect of provision for (reversal of) policy reserve associated with market value adjustments of fixed life insurance | - | - |
| The effect of change in the exchange rates related to foreign currency denominated insurance contracts | - | - |
| Other fundamental expenses (b) | 549 | 163 |
| The effect of provision for (reversal of) policy reserve associated with market value adjustments of fixed life insurance | 361 | 107 |
| The effect of change in the exchange rates related to foreign currency denominated insurance contracts | 187 | 55 |
| The impact on fundamental profit <i>(a) - (b)</i> | (549) | (163) |
| Other capital gains (c) | 549 | 163 |
| The effect of provision for (reversal of) policy reserve associated with market value adjustments of fixed life insurance | 361 | 107 |
| The effect of change in the exchange rates related to foreign currency denominated insurance contracts | 187 | 55 |
| Other capital losses (d) | - | - |
| The effect of provision for (reversal of) policy reserve associated with market value adjustments of fixed life insurance | - | - |
| The effect of change in the exchange rates related to foreign currency denominated insurance contracts | - | - |
| The impact on net capital gains (losses) <i>(c) - (d)</i> | 549 | 163 |

8. Disclosed Claims Based on Categories of Obligors

(millions of yen)

| | As of March 31, 2017 | As of March 31, 2018 |
|---|----------------------|----------------------|
| Claims against bankrupt and quasi-bankrupt obligors | 128 | 115 |
| Claims with collection risk | 2,569 | 2,537 |
| Claims for special attention | 24 | 4 |
| Subtotal | 2,722 | 2,657 |
| [Percentage] | [0.06%] | [0.06%] |
| Claims against normal obligors | 4,584,681 | 4,262,082 |
| Total | 4,587,404 | 4,264,739 |

- Note:
1. Claims against bankrupt and quasi-bankrupt obligors are loans to borrowers who are subject to bankruptcy, corporate reorganization or rehabilitation or other similar proceedings and other borrowers in serious financial difficulties.
 2. Claims with collection risk are loans to obligors (other than bankrupt and quasi-bankrupt obligors) with deteriorated financial condition and results of operations from which it is unlikely that the principal and interest on the loans will be recovered.
 3. Claims for special attention are loans on which principal and/or interest are past due for three months or more and loans with a concessionary interest rate, as well as loans with renegotiated conditions in favor of the borrower, including renegotiated schedule and/or waivers, in each case, other than the loans described in note 1. or 2. above.
 4. Claims against normal obligors are all other loans.

9. Solvency Margin Ratio

(millions of yen)

| | As of March 31, 2017 | As of March 31, 2018 |
|--|----------------------|----------------------|
| Total solvency margin (A) | 5,936,832 | 6,328,252 |
| Common stock, etc. ^{*1} | 527,591 | 506,935 |
| Reserve for price fluctuations | 164,453 | 181,453 |
| Contingency reserve | 594,093 | 598,493 |
| General reserve for possible loan losses | 737 | 483 |
| (Net unrealized gains (losses) on securities (before tax) and deferred hedge gains (losses) (before tax)) × 90% ^{*2} | 2,446,154 | 2,770,215 |
| Net unrealized gains (losses) on real estate × 85% ^{*2} | 113,883 | 155,521 |
| Policy reserves in excess of surrender values | 2,019,361 | 2,133,716 |
| Qualifying subordinated debt | 759,277 | 759,277 |
| Excluded portion of policy reserves in excess of surrender values and qualifying subordinated debt | (709,214) | (816,184) |
| Excluded items | (4,000) | (4,000) |
| Others | 24,495 | 42,340 |
| Total risk $\sqrt{(R_1 + R_8)^2 + (R_2 + R_3 + R_7)^2} + R_4$ (B) | 1,396,021 | 1,435,172 |
| Insurance risk R_1 | 70,408 | 66,458 |
| 3rd sector insurance risk R_8 | 177,428 | 185,798 |
| Assumed investment yield risk R_2 | 223,664 | 213,601 |
| Guaranteed minimum benefit risk R_7 ^{*3} | 3,215 | 3,019 |
| Investment risk R_3 | 1,114,653 | 1,163,041 |
| Business risk R_4 | 31,787 | 32,638 |
| Solvency margin ratio $\frac{(A)}{(1/2) \times (B)} \times 100$ | 850.5% | 881.8% |

*1: Expected disbursements from capital outside the Company and valuation and translation adjustments are excluded.

*2: Multiplied by 100% if losses.

*3: Calculated by standard method.

Note: The figures are calculated based on Articles 86, 87 of the Enforcement Regulations of Insurance Business Act, and Announcement No. 50, Ministry of Finance, 1996.

(Reference) Consolidated Solvency Margin Ratio

(millions of yen)

| | As of March 31, 2017 | As of March 31, 2018 |
|---|----------------------|----------------------|
| Total solvency margin (A) | 5,858,298 | 6,251,712 |
| Common stock, etc. *1 | 532,465 | 511,592 |
| Reserve for price fluctuations | 164,453 | 181,453 |
| Contingency reserve | 594,093 | 598,493 |
| Catastrophe loss reserve | - | - |
| General reserve for possible loan losses | 737 | 483 |
| (Net unrealized gains (losses) on securities (before tax) and deferred hedge gains (losses) (before tax)) × 90% *2 | 2,446,154 | 2,770,215 |
| Net unrealized gains (losses) on real estate × 85% *2 | 113,883 | 155,521 |
| Sum of unrecognized actuarial differences and unrecognized past service cost | (27,581) | (9,600) |
| Policy reserves in excess of surrender values | 2,019,361 | 2,133,716 |
| Qualifying subordinated debt | 759,277 | 759,277 |
| Excluded portion of policy reserves in excess of surrender values and qualifying subordinated debt | (709,214) | (816,184) |
| Excluded items | (59,827) | (75,597) |
| Others | 24,495 | 42,340 |
| Total risk $\sqrt{(\sqrt{R_1^2 + R_2^2 + R_8 + R_9})^2 + (R_2 + R_3 + R_7)^2} + R_4 + R_6$ (B) | 1,379,562 | 1,413,924 |
| Insurance risk R_1 | 70,408 | 66,458 |
| General insurance risk R_5 | - | - |
| Catastrophe risk R_6 | - | - |
| 3rd sector insurance risk R_8 | 177,428 | 185,798 |
| Small amount and short-term insurance risk R_9 | - | - |
| Assumed investment yield risk R_2 | 223,664 | 213,601 |
| Guaranteed minimum benefit risk R_7 *3 | 3,215 | 3,019 |
| Investment risk R_3 | 1,098,246 | 1,141,866 |
| Business risk R_4 | 31,459 | 32,214 |
| Solvency margin ratio $\frac{(A)}{(1/2) \times (B)} \times 100$ | 849.2% | 884.3% |

*1: Expected disbursements from capital outside the Company and accumulated other comprehensive income, etc. are excluded.

*2: Multiplied by 100% if losses.

*3: Calculated by standard method.

Note: The above figures are calculated based on Article 86-2 and 88 of the Enforcement Regulations of Insurance Business Act, and Notification of the Financial Services Agency No. 23, 2011.

10. Status of Separate Account for the Fiscal Year Ended March 31, 2018

(1) Separate Account Assets by Product

(millions of yen)

| | As of March 31, 2017 | As of March 31, 2018 |
|-------------------------------|-------------------------|-------------------------|
| Individual variable insurance | 55,680 | 57,728 |
| Individual variable annuities | 47,116 | 38,001 |
| Group annuities | 993,781 | 1,090,099 |
| Separate account total | 1,096,578 | 1,185,829 |

(2) Individual Variable Insurance (Separate Account)

A. Policies in force

(millions of yen except number of policies)

| | As of March 31, 2017 | | As of March 31, 2018 | |
|---------------------------------|-----------------------|---------|-----------------------|---------|
| | Number of policies | Amount | Number of policies | Amount |
| Variable insurance (term life) | 129 | 629 | 84 | 418 |
| Variable insurance (whole life) | 42,827 | 264,207 | 41,913 | 258,414 |
| Total | 42,956 | 264,837 | 41,997 | 258,833 |

Note: Policies in force include term life riders.

B. Breakdown of separate account assets for individual variable insurance

(millions of yen)

| | As of March 31, 2017 | | As of March 31, 2018 | |
|-------------------------------------|----------------------|-------|----------------------|-------|
| | Amount | % | Amount | % |
| Cash, deposits, and call loans | 4 | 0.0 | 5 | 0.0 |
| Securities | 52,739 | 94.7 | 54,758 | 94.9 |
| Domestic bonds | 15,272 | 27.4 | 14,775 | 25.6 |
| Domestic stocks | 17,123 | 30.8 | 18,609 | 32.2 |
| Foreign securities | 20,343 | 36.5 | 21,374 | 37.0 |
| Foreign bonds | 5,184 | 9.3 | 5,674 | 9.8 |
| Foreign stocks and other securities | 15,158 | 27.2 | 15,699 | 27.2 |
| Other securities | - | - | - | - |
| Loans | - | - | - | - |
| Others | 2,936 | 5.3 | 2,964 | 5.1 |
| Reserve for possible loan losses | - | - | - | - |
| Total | 55,680 | 100.0 | 57,728 | 100.0 |

C. Investment gains and losses of separate account for individual variable insurance

(millions of yen)

| | Year ended March 31, 2017 | Year ended March 31, 2018 |
|------------------------------------|------------------------------|------------------------------|
| Interest and dividends | 916 | 883 |
| Gains on sale of securities | 3,409 | 5,095 |
| Gains on redemption of securities | - | - |
| Gains on valuation of securities | 13,930 | 8,007 |
| Foreign exchange gains | 197 | 167 |
| Derivative transaction gains | 36 | 14 |
| Other investment income | 1 | 1 |
| Losses on sale of securities | 1,811 | 1,208 |
| Losses on redemption of securities | 0 | - |
| Losses on valuation of securities | 12,468 | 7,762 |
| Foreign exchange losses | 233 | 134 |
| Derivative transaction losses | 44 | 8 |
| Other investment expenses | 1 | 2 |
| Net investment income | 3,934 | 5,051 |

D. Fair value information on securities in separate account for individual variable insurance

* Valuation gains (losses) of trading securities

(millions of yen)

| | As of March 31, 2017 | | As of March 31, 2018 | |
|--------------------|---|--|---|--|
| | Carrying amount on the balance sheet | Valuation gains (losses) included in the statement of earnings | Carrying amount on the balance sheet | Valuation gains (losses) included in the statement of earnings |
| Trading securities | 52,739 | 1,462 | 54,758 | 244 |

* Fair value information on money held in trust

The Company had no balance as of March 31, 2017 or March 31, 2018.

(3) Individual Variable Annuities (Separate Account)

A. Sum insured of policies in force

(millions of yen except number of policies)

| | As of March 31, 2017 | | As of March 31, 2018 | |
|-------------------------------|----------------------|--------|----------------------|--------|
| | Number | Amount | Number | Amount |
| Individual variable annuities | 12,828 | 68,599 | 10,886 | 50,903 |

Note: Sum insured of policies in force includes that of annuities for which payments have commenced.

B. Breakdown of separate account assets for individual variable annuities

(millions of yen)

| | As of March 31, 2017 | | As of March 31, 2018 | |
|-------------------------------------|----------------------|-------|----------------------|-------|
| | Amount | % | Amount | % |
| Cash, deposits, and call loans | 576 | 1.2 | 398 | 1.0 |
| Securities | 44,759 | 95.0 | 35,991 | 94.7 |
| Domestic bonds | 7,116 | 15.1 | 7,393 | 19.5 |
| Domestic stocks | 5,721 | 12.1 | 6,316 | 16.6 |
| Foreign securities | 3,034 | 6.4 | 3,479 | 9.2 |
| Foreign bonds | 1,197 | 2.5 | 1,360 | 3.6 |
| Foreign stocks and other securities | 1,836 | 3.9 | 2,118 | 5.6 |
| Other securities | 28,885 | 61.3 | 18,802 | 49.5 |
| Loans | - | - | - | - |
| Others | 1,780 | 3.8 | 1,611 | 4.2 |
| Reserve for possible loan losses | - | - | - | - |
| Total | 47,116 | 100.0 | 38,001 | 100.0 |

C. Investment gains and losses of separate account for individual variable annuities

(millions of yen)

| | Year ended March 31, 2017 | Year ended March 31, 2018 |
|------------------------------------|------------------------------|------------------------------|
| Interest and dividends | 5,423 | 5,208 |
| Gains on sales of securities | 719 | 1,055 |
| Gains on redemption of securities | - | - |
| Gains on valuation of securities | 23,042 | 9,686 |
| Foreign exchange gains | 12 | 10 |
| Derivative transaction gains | - | - |
| Other investment income | 0 | 0 |
| Losses on sales of securities | 353 | 232 |
| Losses on redemption of securities | - | 0 |
| Losses on valuation of securities | 25,690 | 11,716 |
| Foreign exchange losses | 16 | 9 |
| Derivative transaction losses | - | - |
| Other investment expenses | 53 | 0 |
| Net investment income | 3,083 | 4,000 |

D. Fair value information on securities in separate account for individual variable annuities

* Valuation gains (losses) of trading securities

(millions of yen)

| | As of March 31, 2017 | | As of March 31, 2018 | |
|--------------------|---|--|---|--|
| | Carrying amount on the balance sheet | Valuation gains (losses) included in the statement of earnings | Carrying amount on the balance sheet | Valuation gains (losses) included in the statement of earnings |
| Trading securities | 44,759 | (2,648) | 35,991 | (2,030) |

* Fair value information on money held in trust

The Company had no balance as of March 31, 2017 or March 31, 2018.

11. Consolidated Financial Summary

Not applicable