IMPORTANT NOTICE
THIS OFFERING IS AVAILABLE ONLY TO INVESTORS WHO ARE EITHER
(1) QIBs (AS DEFINED BELOW) UNDER RULE 144A OR
(2) NON-U.S. PERSONS OUTSIDE OF THE UNITED STATES PARTICIPATING IN AN OFFSHORE TRANSACTION (WITHIN THE MEANING OF REGULATION S)

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

IMPORTANT: You must read the following before continuing. The following applies to the attached offering circular, dated July 13, 2016 (the "Offering Circular"), and you are therefore advised to read this carefully before reading, accessing or making any other use of the Offering Circular. In accessing the Offering Circular, you agree to be bound by the following terms and conditions, including any modifications to them any time you receive any information from us as a result of such access. You acknowledge that this electronic transmission and the delivery of the attached Offering Circular is confidential and intended for you only and **you agree you will not forward this electronic transmission or the attached Offering Circular to any other person.**

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

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

Confirmation of your Representation: In order to be eligible to view the Offering Circular or make an investment decision with respect to the Securities, you must be either a (1) Qualified Institutional Buyer ("QIB") (within the meaning of Rule 144A under the Securities Act) or a (2) non-U.S. person outside of the United States participating in an offshore transaction (within the meaning of Regulation S under the Securities Act). By accessing the Offering Circular, you shall be deemed to have represented to us that (1) you and any customers you represent are either (a) QIBs, or (b) non-U.S. persons outside of the United States participating in an offshore transaction and the electronic mail address that you gave us and to which the attached Offering Circular has been delivered is not located in the United States and (2) you consent to delivery of such Offering Circular by electronic transmission.

The Offering Circular may only be communicated or caused to be communicated to persons in the United Kingdom in circumstances where section 21(1) of the Financial Services and Markets Act 2000 does not apply and may be distributed in the United Kingdom only to persons who (i) have professional experience in matters relating to investments falling within Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (as amended) (the "Order"), or (ii) are persons falling within Article 49(2)(a) to (d) of the Order (all such persons together being referred to as "Relevant Persons"). In the United Kingdom, the Offering Circular is directed only at Relevant Persons and must not be acted on or relied on by persons who are not Relevant Persons. Any investment or investment activity to which the Offering Circular relates is available only to Relevant Persons and will be engaged in only with Relevant Persons.

You are reminded that the Offering Circular has been delivered to you on the basis that you are a person into whose possession the Offering Circular may be lawfully delivered in accordance with the laws of the jurisdiction in which you are located and you may not, nor are you authorized to, deliver or disclose the contents of the Offering Circular to any other person.

The materials relating to the offering do not constitute, and may not be used in connection with, an offer or solicitation in any place where offers or solicitations are not permitted by law. If a jurisdiction requires that the offering be made by a licensed broker or dealer and the initial purchasers named in the attached Offering Circular (the "Initial Purchasers") or any affiliate of the Initial Purchasers is a licensed broker or dealer in that jurisdiction, the offering shall be deemed to be made by the Initial Purchasers or such affiliate on behalf of the issuer in such jurisdiction.

The Offering Circular has been sent to you in an electronic form. You are reminded that documents transmitted via this medium may be altered or changed during the process of electronic transmission and consequently, none of the issuer, the Initial Purchasers nor any of their affiliates accepts any liability or responsibility whatsoever in respect of any difference between the Offering Circular distributed to you in electronic format and the hard copy version available to you on request.

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

Assumption of the Securities by the Company's Successor and the U.S. Tax Consequences of the Assumption: On October 1, 2016, The Dai-ichi Life Insurance Company, Limited ("Dai-ichi") is scheduled to shift to a holding company structure by way of an absorption-type corporate split. The indenture for the Securities provides in Section 7.1 that The Dai-ichi Life Split Preparation Company, Limited (the "Successor") will assume Dai-ichi's rights and obligations with respect to the Securities upon completion of the transition, and the Successor will execute a supplemental indenture with the trustee to confirm its assumption of the Securities. Dai-ichi believes that the assumption of the Securities by the Successor will more likely than not be a taxable event to United States holders of the Securities for United States federal income tax purposes.

OFFERING CIRCULAR **STRICTLY CONFIDENTIAL**

By your side, for life

DAI-ICHI LIFE

The Dai-ichi Life Insurance Company, Limited

$2,500,000,000

4.00% Step-up Callable Perpetual Subordinated Notes

The Dai-ichi Life Insurance Company, Limited proposes to issue $2,500,000,000 aggregate principal amount of 4.00% step-up callable perpetual subordinated notes. Beginning on, and including, July 20, 2016 to but excluding, July 24, 2026, the notes will bear interest at 4.00% per annum, payable semi-annually in arrears on January 24 and July 24 of each year, beginning on January 24, 2017. Beginning on, and including, July 24, 2026, the notes will bear interest at a floating rate per annum equal to the London inter-bank offered rate for three-month deposits in U.S. dollars plus 3.66%, payable quarterly in arrears on January 24, April 24, July 24 and October 24 of each year, beginning on October 24, 2026. Payment of interest is subject to optional deferral at Dai-ichi's election and mandatory deferral in the case of a capital deficiency event.

The notes are undated and accordingly have no final maturity date. The notes are subject to redemption in whole but not in part, at our option and sole discretion on any interest payment date on or after July 24, 2026 or in the event of certain changes in Japanese tax laws, Japanese insurance business laws, or in the equity credit criteria, guidelines or methodology of S&P Global Ratings, Moody's Investors Service or Fitch Ratings in each case subject to compliance with applicable regulatory requirements, including the prior consent of the Financial Services Agency of Japan, or the FSA (if then required).

The notes will constitute irrevocable, direct, unsecured and subordinated obligations of Dai-ichi. Upon the occurrence of a subordination event as described in this offering circular, any amounts payable under the notes will be subordinated in right of payment to the prior payment of all senior indebtedness of Dai-ichi. Claims in respect of the notes will rank substantially *pari passu* with Dai-ichi's liquidation parity securities as to priority of liquidation payment and shall rank in priority to claims in respect of Dai-ichi's common stock. See "Description of the Notes—Status of the Notes; Subordination."

Payment of the principal of the notes may be accelerated only in the case of a subordination event, which would only occur in the event of the liquidation, bankruptcy, reorganization, civil rehabilitation or other equivalent proceedings of Dai-ichi. There is no right of acceleration of the payment of principal of the notes upon a default in the payment of interest or in the performance of any covenant by Dai-ichi. The notes will be issued only in registered form in denominations of $200,000 and integral multiples of $1,000 in excess thereof.

Approval in-principle has been received for the listing of the notes on the Singapore Exchange Securities Trading Limited, or the Singapore Exchange. The Singapore Exchange takes no responsibility for the correctness of any of the statements made or opinions or reports contained in this offering circular. Approval in-principle granted for the listing and quotation of the notes on the Singapore Exchange is not to be taken as an indication of the merits of us or the notes.

Investing in the notes involves risks that are described in the "Risk Factors" section beginning on page 10 of this offering circular.

Offering Price: 100% plus accrued interest, if any
Interest on the notes will accrue from July 20, 2016

The notes have not been and will not be registered under the U.S. Securities Act of 1933, as amended, or the Securities Act. The notes may not be offered or sold within the United States or to U.S. persons, except to qualified institutional buyers, or QIBs, in reliance on the exemption from registration provided by Rule 144A under the Securities Act, or Rule 144A, and to non-U.S. persons in offshore transactions in reliance on Regulation S under the Securities Act, or Regulation S.

It is expected that delivery of the notes will be made through the book-entry facilities of The Depository Trust Company, or DTC, and its participants, including Euroclear Bank S.A./N.V., or Euroclear, and Clearstream Banking S.A., or Clearstream, on or about July 20, 2016.

Joint Lead Managers and Joint Bookrunners

Goldman, Sachs & Co. **Mizuho Securities** **Morgan Stanley**

J.P. Morgan **Citigroup**

Nomura **BofA Merrill Lynch**

Co-Managers

SMBC Nikko **Daiwa Capital Markets** **Deutsche Bank Securities**

The date of this offering circular is July 13, 2016

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No person has been authorized in connection with the offering to give any information or to make any representations not contained in this offering circular. If given or made, any such information or representations must not be relied upon as having been authorized by us, any initial purchaser or any person affiliated with the initial purchasers. No action has been, or will be, taken to permit a public offering of the notes in any jurisdiction where action would be required for that purpose. Accordingly, the notes offered hereby may not be offered or sold, directly or indirectly, and this offering circular may not be distributed, in any jurisdiction, except in accordance with the legal requirements applicable in such jurisdiction. Neither delivery of this offering circular nor any sale made hereunder shall under any circumstances imply that the information herein is correct as of any date subsequent to the date hereof.

IN MAKING AN INVESTMENT DECISION, INVESTORS MUST RELY ON THEIR OWN EXAMINATION OF US AND THE TERMS OF THE OFFERING, INCLUDING THE MERITS AND RISKS INVOLVED. THE NOTES COVERED BY THIS OFFERING CIRCULAR HAVE NOT BEEN APPROVED OR DISAPPROVED BY THE UNITED STATES SECURITIES AND EXCHANGE COMMISSION OR ANY OTHER SECURITIES COMMISSION OR OTHER REGULATORY AUTHORITY, NOR HAVE THE FOREGOING AUTHORITIES APPROVED THIS OFFERING CIRCULAR OR CONFIRMED THE ACCURACY OR DETERMINED THE ADEQUACY OF THIS OFFERING CIRCULAR. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE UNDER THE LAWS OF THE UNITED STATES.

We are furnishing this offering circular solely for the purpose of enabling prospective investors to consider the purchase of notes in connection with an offering not registered under the Securities Act. The information contained in this offering circular has been provided by us and other sources identified in this offering circular. Any reproduction or distribution of this offering circular, in whole or in part, and any disclosure of its contents or use of any information contained in it for any purpose other than considering an investment in the notes offered hereby is prohibited. Each offeree of the notes, by accepting delivery of this offering circular, agrees to the foregoing.

No representation or warranty is made by the initial purchasers, the trustee or any of their respective agents, affiliates or advisors as to the accuracy or completeness of the information contained in this offering circular and nothing contained in this offering circular is, or shall be relied upon as, a promise or representation by the initial purchasers, the trustee or their respective agents, affiliates or advisors.

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

- in the United States only to QIBs in reliance on the exemption from the registration requirements of the Securities Act provided by Rule 144A; and
- outside the United States in offshore transactions to non-U.S. persons as defined in, and in accordance with, Regulation S.

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

The notes have not been and will not be registered under the Financial Instruments and Exchange Act of Japan (Law No. 25 of 1948, as amended), or the FIEA, and are subject to the Act on Special Measures Concerning Taxation of Japan (Law No. 26 of 1957, as amended), or the Special Taxation Measures Act. The notes may not be offered or sold in Japan or to, or for the benefit of, any person resident in Japan, or to others for reoffering or resale, directly or indirectly, in Japan or to, or for the benefit of, a person resident in Japan, for Japanese securities law purposes (including any corporation or other entity organized under the laws of Japan) except pursuant to an exemption from the registration requirements of, and otherwise in compliance with, the FIEA and any other applicable laws, regulations and governmental guidelines of Japan. In addition, the notes are not, as part of the initial distribution by the initial purchasers at any time, to be directly or indirectly offered or sold to, or for the benefit of, any person other than a Gross Recipient or to others for re-offering or resale, directly or indirectly, to, or for the benefit of, any person other than a Gross Recipient, except as specifically permitted under the Special Taxation Measures Act. A Gross Recipient for this purpose is (i) a beneficial owner that is, for Japanese tax purposes, neither an individual resident of Japan or a Japanese corporation, nor an individual non-resident of Japan or a non-Japanese corporation that in either case is a person having a special relationship with the issuer of the notes as described in Article 6, Paragraph (4) of the Special Taxation Measures Act, or a specially-related person of the issuer, (ii) a Japanese financial institution, designated in Article 3-2-2, Paragraph (28) of the Cabinet Order (Cabinet Order No. 43 of 1957, as amended), or the Cabinet Order, relating to the Special Taxation Measures Act that will hold notes for its own proprietary account or (iii) an individual resident of Japan or a Japanese corporation whose receipt of interest on the notes will be made through a payment handling agent in Japan as defined in Article 2-2, Paragraph (2) of the Cabinet Order. **By subscribing for the notes, an investor will be deemed to have represented that it is a Gross Recipient.**

Interest payments on the notes will be subject to Japanese withholding tax unless it is established that the notes are held by or for the account of a beneficial owner that is (i) for Japanese tax purposes, neither an individual resident of Japan or a Japanese corporation, nor an individual non-resident of Japan or a non-Japanese corporation that in either case is a specially-related person of the issuer, or (ii) a Japanese financial institution designated in Article 3-2-2, Paragraph (28) of the Cabinet Order which complies with the requirement for tax exemption under Article 6, Paragraph (9) of the Special Taxation Measures Act or (iii) a public corporation, a financial institution or a financial instruments business operator, etc. described in Article 3-3, Paragraph (6) of the Special Taxation Measures Act which complies with the requirement for tax exemption under that paragraph.

Interest payments on the notes to an individual resident of Japan, to a Japanese corporation not described in the preceding paragraph, or to an individual non-resident of Japan or a non-Japanese corporation that in either case is a specially-related person of the issuer will be subject to deduction in respect of Japanese income tax at a current rate of 15.315% (including a special additional tax for reconstruction from the Great East Japan Earthquake of 0.315% for the period up to and including December 31, 2037) of the amount of such interest.

Notice Concerning the European Economic Area

This offering circular has been prepared on the basis that all offers of notes in any member state of the European Economic Area, or the EEA, which has implemented the Prospectus Directive (each, a

“Relevant Member State”), will be made pursuant to an exemption under the Prospectus Directive, from the requirement to publish a prospectus for offers of notes. Accordingly, any person making or intending to make any offer in that Relevant Member State of notes which are the subject of the placement contemplated in this offering circular should only do so in circumstances that in which no obligation arises for us or any of the initial purchasers to publish a prospectus pursuant to Article 3 of the Prospectus Directive in relation to such offer. Neither we nor the initial purchasers have authorized nor do we authorize the making of any offer of notes in circumstances in which an obligation arises for us or the initial purchasers to publish a prospectus for such offer. The expression Prospectus Directive means Directive 2003/71/EC (and amendments thereto, including the 2010 PD Amending Directive, to the extent implemented in the Relevant Member State), and includes any relevant implementing measure in the Relevant Member State and the expression 2010 PD Amending Directive means Directive 2010/73/EU.

Notice Concerning the United Kingdom

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

In the United Kingdom, this offering circular is being distributed only to, and is directed at, and any offer subsequently made may only be directed at persons who are “qualified investors” (as defined in the Prospectus Directive) (i) who have professional experience in matters relating to investments falling within Article 19(5) of the Financial Services and Markets Act (Financial Promotion) Order 2005, as amended (the “Financial Promotion Order”) and/or (ii) who are high net worth companies (or persons to whom it may otherwise be lawfully communicated) falling within Article 49(2)(a) to (d) of the Financial Promotion Order (all such persons together being referred to as “relevant persons”). This offering circular must not be acted on or relied on in the United Kingdom by persons who are not relevant persons. In the United Kingdom any investment or investment activity to which this offering circular relates is available only to relevant persons and will be engaged in only with relevant persons.

Notice to Investors in Hong Kong

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

Notice to Investors in Singapore

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

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

FORWARD-LOOKING STATEMENTS

This offering circular contains forward-looking statements. These statements appear in a number of places in this offering circular and include statements regarding the intent, belief, or current and future expectations of our management with respect to our business, financial condition and results of operations. In some cases, you can identify forward-looking statements by terms such as "may," "will," "should," "would," "expect," "intend," "project," "plan," "aim," "seek," "target," "anticipate," "believe," "estimate," "predict," "potential" or the negative of these terms or other similar terminology. These statements are not guarantees of future performance and are subject to various risks and uncertainties. Actual results, performance or achievements, or those of the industries in which we operate, may differ materially from any future results, performance or achievements expressed or implied by these forward-looking statements. In addition, these forward-looking statements are necessarily dependent upon assumptions, estimates and data that may be incorrect or imprecise and involve known and unknown risks and uncertainties. Forward-looking statements regarding operating income and operating results are particularly subject to a variety of assumptions, some or all of which may not be realized. Accordingly, prospective purchasers of the notes should not interpret the forward-looking statements included in this offering circular as predictions or representations of future events or circumstances. Potential risks and uncertainties include, without limitation:

- adverse conditions in the global financial markets and the economy generally;
- investment risks associated with our portfolio of investment securities, including interest rate risk and fluctuations in the value of the investment securities in our portfolio;
- a reduction or perceived reduction in our financial strength, as well as negative events related to us or the Japanese life insurance industry;
- the adverse effects on our business of demographic trends in Japan;
- an inability to compete effectively in the increasingly competitive Japanese financial services industry;
- changes in Japanese laws and regulations that could adversely affect our businesses;
- differences between future claims and benefits and the actuarial assumptions used in pricing and establishing reserves for our insurance and annuity products;
- changes having an adverse effect on the market for individual life insurance policies and individual annuity products generally, and changes leading to increased competition from and acceptance of alternative distribution channels for such products;
- liquidity risk;
- risks associated with our international operations and overseas expansion;
- changes in relationships with or performance of our strategic partners; and
- an inability to realize the anticipated improvements in our group management and governance following our shift to a holding company structure.

Potential risks and uncertainties include those identified and discussed in “Risk Factors,” “Management’s Discussion and Analysis of Financial Condition and Results of Operations,” “Transition to a Holding Company Structure,” “Business” and elsewhere in this offering circular. Given these risks and uncertainties, prospective investors are cautioned not to place undue reliance on forward-looking statements, which speak only as of the date of this offering circular. We disclaim any obligation to update or announce publicly any revision to any of the forward-looking statements contained in this offering circular.

ENFORCEMENT OF CIVIL LIABILITIES

We are a Japanese joint stock corporation. All of our directors and audit and supervisory board members reside in Japan and a substantial portion of our assets and of such persons are located outside the United States. As a result, it may not be possible for investors to effect service of process within the United States or elsewhere outside Japan upon us or our directors and audit and supervisory board members or to enforce against us or our directors and audit and supervisory board members judgments obtained in U.S. courts, whether predicated upon the civil liability provisions of the U.S. federal or state securities laws or other laws of the United States or elsewhere. We have been advised by our Japanese counsel, Nishimura & Asahi, that in original actions or in actions for enforcement of judgments of U.S. courts brought before Japanese courts, there is doubt as to the enforceability in Japan of liabilities based solely on U.S. federal and state securities laws.

PRESENTATION OF FINANCIAL AND OTHER INFORMATION

In this offering circular, terms such as “we,” “our,” “us,” “Dai-ichi” or the “Dai-ichi Group” refer to The Dai-ichi Life Insurance Company, Limited and its consolidated subsidiaries or, as the context may require, The Dai-ichi Life Insurance Company, Limited on a non-consolidated basis. References to “Dai-ichi Life” are to The Dai-ichi Life Insurance Company, Limited on a stand-alone basis. As the context may require, terms such as “we,” “our,” “us” or “Dai-ichi” may also refer to The Dai-ichi Mutual Life Insurance Company (prior to our demutualization on April 1, 2010) and its consolidated subsidiaries or, as the context may require, The Dai-ichi Mutual Life Insurance Company (prior to the demutualization) on a non-consolidated basis.

In this offering circular, references to “U.S. dollars,” “dollars,” “USD” and “$” refer to the currency of the United States, those to “yen,” “JPY” and “¥” refer to the currency of Japan, those to “EUR” and “Euros” refer to the currency introduced at the third stage of European Economic and Monetary Union pursuant to the Treaty on the Functioning of the European Union, as amended, and those to “AUD” refer to the currency of Australia.

In this offering circular, where information is presented in thousands, millions, billions or trillions of yen or thousands or millions of dollars, amounts of less than one thousand, one million, one billion or one trillion, as the case may be, have been truncated. Amounts presented as percentages have been rounded to the nearest tenth of a percent or one hundredth of a percent. Accordingly, the total of each column of figures may not be equal to the total of the individual items.

Our financial statements are prepared in accordance with accounting principles generally accepted in Japan, or Japanese GAAP, which differ in certain significant respects from accounting principles generally accepted in other countries. All quarterly financial data are presented on an unaudited basis.

In accordance with applicable Japanese legal requirements, we prepare consolidated and non-consolidated financial statements for each fiscal year in accordance with Japanese GAAP. Our consolidated balance sheets as of March 31, 2014, 2015 and 2016 and the related consolidated statements of earnings, comprehensive income, changes in net assets and cash flows for the years ended March 31, 2014, 2015 and 2016, as well as our non-consolidated balance sheets as of March 31, 2014, 2015 and 2016 and the related non-consolidated statements of earnings and changes in net assets for the years ended March 31, 2014, 2015 and 2016 are contained elsewhere in this offering circular.

Our audited consolidated and non-consolidated financial statements as of and for the years ended March 31, 2014, 2015 and 2016 were prepared in accordance with the FIEA. For more information, see Note 1 to our audited consolidated and non-consolidated financial statements as of and for the years ended March 31, 2014, 2015 and 2016 contained elsewhere in this offering circular.

Except as otherwise indicated, all financial information with respect to us presented in this offering circular is presented on a consolidated basis. Our fiscal year end is March 31 of each year. The fiscal year end of our domestic consolidated subsidiaries is March 31 of each year, whereas that of our overseas consolidated subsidiaries is December 31 or March 31 of each year.

On February 1, 2015, we completed the acquisition of Protective Life Corporation, or Protective, and Protective became our wholly-owned subsidiary as of the same date. In accordance with Japanese GAAP, our audited consolidated statement of earnings, comprehensive income, changes in net assets and cash flows for the year ended March 31, 2015 does not include any of Protective's results but our audited consolidated balance sheet as of March 31, 2015 reflects Protective's assets and liabilities as of February 1, 2015. Protective's results for the 11-month period from February 1, 2015 to December 31, 2015 are included in our audited consolidated financial statements for the year ended March 31, 2016. For further information, see Note XVI to the audited consolidated financial statements included in this offering circular.

From the year ended March 31, 2016, due to the application of the "Revised Accounting Standard for Business Combinations," the presentation captions for minority interests, income before income taxes and minority interests, income before minority interests, minority interests in gain (loss) of subsidiaries, and net income for the year have been changed to non-controlling interests, income before income taxes, net income, net income (loss) attributable to non-controlling interests, and net income attributable to shareholders of parent company, respectively. Accordingly, changes in the presentation captions for such accounts have been made with respect for the financial information of the prior periods set forth in this offering circular. See "3. Summary of Significant Accounting Policies—(16) Changes in Accounting Policies" in the notes to our consolidated financial statements included in this offering circular.

AVAILABLE INFORMATION

We have agreed that so long as any of the notes are "restricted securities" within the meaning of Rule 144(a)(3) under the Securities Act, we will, at any time we are not subject to Section 13 or 15(d) of the U.S. Securities Exchange Act of 1934, as amended, or the Exchange Act, nor exempt from the reporting requirements under the Exchange Act pursuant to Rule 12g3-2(b) under the Exchange Act, provide to each holder of restricted securities and to each prospective purchaser (as designated by the holder) of restricted securities, upon request of the holder or prospective purchaser, the information required to be provided by Rule 144A(d)(4)(i) under the Securities Act. This undertaking is intended to be for the benefit of the holders, and the prospective purchasers designated by the holders, from time to time of restricted securities.

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SUMMARY

This summary highlights selected information contained elsewhere in this offering circular. You should read this summary together with the more detailed information, including "Risk Factors," "Management's Discussion and Analysis of Financial Condition and Results of Operations," "Transition to a Holding Company Structure" and our financial statements and related notes appearing elsewhere in this offering circular.

Overview

We are the second largest life insurance company in Japan, as measured by premium and other income for the year ended March 31, 2016 on a consolidated basis. Dai-ichi Life had approximately 8 million policyholders as of March 31, 2016.

Our core business is life insurance for individuals in Japan's retail market and our core product offering consists of "*Bright Way*," a whole life insurance product introduced in January 2014 that can be combined with additional policy riders, including supplemental term life insurance and a range of medical and nursing care riders, to meet the specific needs of the individual customer.

In October 2007, our wholly-owned subsidiary, The Dai-ichi Frontier Life Insurance Co., Ltd., or Dai-ichi Frontier Life, commenced operations in the individual annuity business in order to strengthen our offerings of annuity products through retail bank branches, referred to as the bancassurance channel, and through other financial institutions. Dai-ichi Frontier Life has recently experienced an increase in sales of individual insurance products and currently offers a balanced product mix of variable annuities as well as yen- and foreign currency-denominated fixed annuities and whole life policies. In August 2014, we completed the acquisition of a 90% stake in Sompo Japan DIY Life Insurance Co., Ltd. (renamed as The Neo First Life Insurance Company, Limited, or Neo First Life), previously owned by Sompo Japan Insurance Inc. (currently Sompo Japan Nipponkoa Insurance Inc., or Sompo Japan), thereby making it our wholly-owned subsidiary and transforming it into a new life insurance subsidiary. This acquisition has enabled us to reach new customers through non-traditional channels, such as the bancassurance channel and walk-in insurance shops. We also sell group insurance and group annuity products.

We have been actively expanding our overseas operations in recent years, particularly in the Asia Pacific region, which we believe presents significant potential for growth, and the United States, the world's largest life insurance market. We have acquired an insurance company in Vietnam and TOWER Australia Group Limited (renamed as TAL Limited, and which became a part of TAL Dai-ichi Life Australia Pty Ltd and its subsidiaries, or TAL), and invested in insurance companies in Indonesia, India and Thailand. We have also been developing our overseas asset management operations and have invested in Janus Capital Group Inc., or Janus, a U.S. investment management company. In addition, on February 1, 2015, we completed the acquisition of Protective, a holding company headquartered in Birmingham, Alabama, with subsidiaries that provide financial services primarily in the United States through the production, distribution, and administration of insurance and investment products. The acquisition allowed us to enter the U.S. life insurance market. By establishing a strong platform in the world's two largest life insurance markets, our overseas businesses entered a new stage of growth.

On October 30, 2015, we announced our plan to shift to a holding company structure by way of an absorption-type corporate split, or the Transition, which is scheduled to become effective on October 1, 2016. Upon completion of the Transition, substantially all of the assets and liabilities relating to Dai-ichi Life's domestic life insurance business, which does not include Dai-ichi Frontier Life and Neo First Life, will be transferred to a wholly-owned subsidiary of Dai-ichi Life, The Dai-ichi Life Split Preparation Company, Limited, or the Successor, and Dai-ichi Life will become a holding company renamed as Dai-ichi Life Holdings, Inc. Dai-ichi Life Holdings will manage the Successor and all the other major Dai-ichi Group operating companies, including Dai-ichi Frontier Life, Neo First Life, Protective, TAL and Dai-ichi Life Insurance Company of Vietnam, Limited, or Dai-ichi Life Vietnam. Pursuant to their terms, the notes will become obligations of the Successor upon completion of the Transition, and we and the Successor will execute a supplemental indenture to the indenture for the notes with the trustee to confirm its assumption of the notes. Following the Transition, holders of the notes will not have any direct or indirect claim on Dai-ichi Life Holdings, any of its subsidiaries other than the Successor, or any other of its future subsidiaries. See “Transition to a Holding Company Structure.”

As of March 31, 2016, we had a solvency margin ratio of 763.8% and 900.8% on a consolidated basis and non-consolidated basis, respectively, and we currently have insurer financial strength ratings of A+ from S&P Global Ratings, A+ from Fitch Ratings, A+ from A.M. Best and an unsolicited rating of A1 from Moody’s Investors Service. As of March 31, 2016, Dai-ichi Life had 54,617 employees, including 42,983 sales representatives.

Our Strengths

We believe that our main competitive strengths include the following:

- We have achieved solid financial performance in Japan through timely implementation of strategic initiatives in our third sector insurance products, investment management and operating efficiency.
- We engage in prudent asset management and risk management.
- We have secured a solid and stable capital base.

See “Business—Strengths.”

Our Strategies

Our main strategic initiatives are as follows:

- We will continue to grow our domestic life insurance business through the implementation of several initiatives regarding our products, distribution channels and strategic alliances.
- We will pursue further growth of the asset management business and our overseas life insurance business.
- We intend to support our growth through our transition to a holding company structure.

See “Business—Strategies.”

Company Information

Our head office is located at 13-1, Yurakucho 1-chome, Chiyoda-ku, Tokyo 100-8411, Japan, and our telephone number is 81-3-3216-1211. Our corporate website is *www.dai-ichi-life.co.jp*; the information on our website does not constitute a part of this offering circular.

THE OFFERING

Securities offered:	$2,500,000,000 aggregate principal amount of 4.00% step-up callable perpetual subordinated notes.
Transfer of the notes to the Successor:	On October 1, 2016, Dai-ichi is scheduled to shift to a holding company structure by way of an absorption-type corporate split. The indenture for the notes provides in Section 7.1 that the Successor will assume Dai-ichi's rights and obligations with respect to the notes upon completion of the Transition, and we and the Successor will execute a supplemental indenture with the trustee to confirm its assumption of the notes. See "Transition to a Holding Company Structure" and "Description of the Notes—Merger, Consolidation, Sale or Disposition." Following the assumption of the notes by the Successor on October 1, 2016, all references to "Dai-ichi" in this summary of the terms of the offering will become references to the Successor as operating company for our domestic life insurance business, which does not include Dai-ichi Frontier Life and Neo First Life. We believe that the assumption of the notes by the Successor will more likely than not be a taxable event to United States investors. See "Taxation—United States Federal Income Taxation—Taxation of the Assumption of the Notes."
Status of the notes/Ranking:	The notes will constitute irrevocable, direct, unsecured and subordinated obligations of Dai-ichi. Upon the occurrence of a subordination event, the notes will be subordinated in right of payment to all senior indebtedness of Dai-ichi, including all benefits and claims and other liabilities except for obligations ranking *pari passu* with the notes. Claims in respect of the notes shall at all times rank *pari passu* and without any preference among themselves and shall substantially rank *pari passu* with any liquidation parity securities of Dai-ichi as to priority of liquidation payment and shall rank in priority to claims in respect of Dai-ichi's common stock. The status of the notes is further described in "Description of the Notes—Status of the Notes; Subordination."
Minimum denomination:	The notes will be in denominations of $200,000 and integral multiples of $1,000 in excess thereof.
Interest on the notes:	*Fixed rate period:* Beginning on, and including, July 20, 2016 to but excluding, July 24, 2026, the notes will bear interest at 4.00% per annum, payable semi-annually in arrears on January 24 and July 24 of each year, beginning on January 24, 2017. Interest on the notes during the fixed rate period will be computed on a basis of a 360-day year consisting of 12 months of 30 days. *Floating rate period:* Beginning on, and including, July 24, 2026, the notes will bear interest at a floating rate per annum equal to the London inter-bank offered rate for three-month deposits in U.S. dollars plus 3.66% payable quarterly in arrears on January 24, April 24, July 24 and October 24 of each year, beginning on October 24, 2026. Interest on the notes during the floating rate period will be computed by multiplying the product of the

	relevant floating rate and the aggregate principal amount of the notes by the actual number of days elapsed in the floating rate interest period divided by 360.
Interest deferral:	*Optional Deferral:* Dai-ichi may, at its sole discretion, elect to defer payment of all (and no less than all) of the interest accrued on any interest payment date, unless such interest payment date is a mandatory interest deferral date or a compulsory interest payment date. *Mandatory Deferral:* Dai-ichi shall be required to defer payment of all (and no less than all) of the interest accrued if a capital deficiency event has occurred and is continuing to occur as of five business days prior to the record date for any interest payment date. A capital deficiency event occurs when (i) the capital adequacy condition is not met or would not be met as a result of such payment of interest on the notes, or (ii) the FSA has rendered a prompt corrective action order (*souki-zesei-sochi*) in relation to regulatory capital requirements to Dai-ichi that remains in effect. The capital adequacy condition shall be met if, as of the relevant date, (i) any solvency margin ratio applicable to Dai-ichi is 200% or above under the then applicable regulatory requirements in Japan or (ii) the regulatory capital (or such other terminology employed by the applicable regulatory requirements in the future) of Dai-ichi is sufficient to cover its minimum regulatory capital requirements (or such other terminology employed by the applicable regulatory requirements in the future) and a deferral of interest is not required under the applicable regulatory requirements in Japan in the future (or an official application or interpretation of those regulations, including a decision of a court or a tribunal in Japan). In the event of deferral of interest payment, arrears of interest shall accrue on a cumulative basis and shall bear no interest. See “Description of the Notes—Deferral of Interest Payments; Arrears of Interest; Compulsory Interest Payments.”
Compulsory interest payment:	A compulsory interest payment date occurs if, during the six months prior to the interest payment date, (i) a dividend on any Dai-ichi preferred stock or common stock, or any interest (including any arrears of interest) or its equivalent on any other liquidation parity securities, of Dai-ichi or the equivalent securities of a listed holding company was declared, paid or distributed, except where such payment was compulsory under the terms of the relevant liquidation parity securities or except for *pro rata* payments of accrued interest and arrears of interest of the relevant liquidation parity securities or (ii) Dai-ichi or a listed holding company, or a subsidiary of Dai-ichi or a listed holding company, has redeemed, purchased or otherwise acquired any preferred stock, common stock or any other liquidation parity securities of Dai-ichi, or the equivalent

securities of the listed holding company, as the case may be, except for certain permitted purchases; provided, however, that no compulsory interest payment date shall be deemed to occur if any capital deficiency event has occurred or continued to occur during the period commencing immediately following the relevant event in (i) or (ii) above and ending on the relevant compulsory interest payment date. All interest accrued (including any arrears of interest) as of any compulsory interest payment date shall become due and payable in full on such compulsory interest payment date, subject to compliance with applicable regulatory requirements, including the prior consent of the FSA (if then required).

See "Description of the Notes—Deferral of Interest Payments; Arrears of Interest; Compulsory Interest Payments."

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

Maturity: . . . . The notes are undated and accordingly have no final maturity date.

Redemption: . . . . The notes are subject to optional redemption and redemption in certain other circumstances as described below.

Optional redemption:

The notes may be redeemed at the option and sole discretion of Dai-ichi in whole, but not in part, on any interest payment date on or after July 24, 2026, subject to compliance with applicable regulatory requirements, including the prior consent of the FSA (if then required), on not less than 30 nor more than 60 days' notice of redemption to the holders of the notes, which notice shall be irrevocable, at the principal amount of the notes, together with interest accrued (including any arrears of interest) to the date fixed for redemption and any additional amounts owed on the notes.

Optional additional amounts redemption:

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

- Dai-ichi has been or will be obligated to pay additional amounts as described under "Description of the Notes—Taxation and Additional Amounts" as a result of any change in, or amendment to, the laws or regulations of Japan or any political subdivision or any authority thereof or therein having power to tax, or any change in the application or official interpretation of such laws or regulations, which change or amendment becomes effective on or after the date of the issuance of the notes, and
- such obligation cannot be avoided by Dai-ichi through the taking of reasonable measures available to Dai-ichi.

No notice of redemption for an additional amounts event shall be given sooner than 90 days prior to the earliest date on which Dai-ichi would actually be obliged to pay such additional amounts on payment with respect of the notes.

Special event redemption:

The notes may be redeemed at the option and sole discretion of Dai-ichi in whole, but not in part, subject to compliance with applicable regulatory requirements, including the prior consent of the FSA (if then required), on not less than 30 nor more than 60 days' notice of redemption to the holders of the notes, which notice shall be irrevocable, at a price equal to the make-whole amount, which includes interest accrued (including any arrears of interest) to the redemption date and any additional amounts owed on the notes, if a special event has occurred and is continuing prior to July 24, 2026. A special event means:

- a regulatory event, defined as any amendment or change to the Insurance Business Act of Japan (Law No. 105 of 1995, as amended, or the Insurance Business Act) or related regulations, or any official administrative pronouncement or judicial decision interpreting or applying such laws or regulations, that is publicly announced after the date of the issuance of the notes and that results or will result in the notes no longer qualifying in full or in part as "specified subordinated debt" (*tokutei fusaisei shihon*) under the Insurance Business Act and related regulations or as a similar class of capital under any similar applicable regulatory requirement in the future, and such disqualification cannot be avoided by Dai-ichi through the taking of reasonable measures available to Dai-ichi,

- a tax deductibility event, defined as the occurrence of a more than an insubstantial increase in the risk that interest payable by Dai-ichi on the notes is not or will not be deductible by Dai-ichi, in whole or in part, for Japanese (or, in the case of a successor person, such other jurisdiction of the successor person, as applicable) tax purposes, as a result of (i) any change (including any officially announced proposed changes) in, or amendment to, the laws or regulations (or rulings promulgated thereunder) of Japan (or, in the case of a successor person, such other jurisdiction of the successor person, as applicable) or any political subdivision or any authority thereof or therein having power to tax, that becomes effective on or after the date of the issuance of the notes (or, in the case of a successor, following the date of succession), or (ii) any administrative decision, judicial decision, administrative action or any other official pronouncement interpreting or applying those laws, regulations or rulings that is announced on or after the date of the issuance of the notes (or, in the case of a successor, following the date of succession), and, in each case, such non-deductibility cannot be avoided by Dai-ichi through the taking of reasonable measures available to Dai-ichi, or
- a rating agency event, defined as (i) the occurrence of an amendment, clarification or change in the equity credit criteria, guidelines or methodology of S&P Global Ratings, Moody's Investors Service or Fitch Ratings (including any of their respective successors to the ratings business) and (ii) the public announcement or notification to Dai-ichi by the relevant ratings agency that such amendment, clarification or change (x) results or will result in a lower equity credit for the notes than the equity credit assigned by such rating agency on the original issuance date of the notes or results or will result in no equity credit for the notes or (y) results or will result in the shortening of the length of time the notes are assigned a particular level of equity credit by such rating agency as compared to the length of time the notes would have been assigned that level of equity credit by such rating agency on the original issuance date of the notes.

For a description of "specified subordinated debt" referred to above, see "Management's Discussion and Analysis of Financial Condition and Results of Operations—Liquidity and Capital Resources—Solvency Margin Ratio."

No notice of redemption shall be given sooner than, in the case of a tax deductibility event, 90 days prior to the earliest date on which such non-deductibility would actually apply to Dai-ichi's interest payments on the notes, or, in the case of a regulatory event, 90 days prior to the earliest date on which such disqualification would actually become effective with respect to the notes, or, in the case of a rating agency event, 90 days prior to the earliest date on which such amendment, clarification or change would actually apply with respect to the notes.

The make-whole amount is as provided under "Description of the Notes—Redemption."

	See "Description of the Notes—Redemption."
Limited rights of acceleration:	Payment of the principal of the notes may be accelerated (and subject to subordination) only in the event that the liquidation, bankruptcy, reorganization or civil rehabilitation shall have commenced with respect to Dai-ichi or Dai-ichi shall have become subject to other equivalent proceedings pursuant to any applicable law of any jurisdiction other than Japan. See "Description of the Notes—Events of Acceleration; Limited Rights of Acceleration."
Use of proceeds:	Dai-ichi intends to use the net proceeds from the sale of the notes for general corporate purposes.
Global securities:	The notes will be initially represented by one or more global certificates in definitive, fully registered form without interest coupons. The global certificates will be deposited upon issuance with the custodian for DTC and registered in the name of DTC or its nominee. Beneficial interests in the global certificates may be held only through DTC (or any successor clearing system that holds global securities) and its participants, including Euroclear and Clearstream. The security numbers for the notes are: *For the notes sold under Regulation S:* CUSIP No: J09748 AD6 ISIN: USJ09748AD66 Common Code: 143769682 *For the notes sold under Rule 144A:* CUSIP No: 23380Y AD9 ISIN: US23380YAD94 Common Code: 143769666 Beneficial interests in the global certificates will be shown on, and transfers thereof will be effected only through, records maintained by the depositaries and their participants. The sole holder of the notes represented by a global certificate will at all times be DTC or its nominee (or a successor of DTC or its nominee), and voting and other consensual rights of holders of the notes will be exercisable by beneficial owners of the notes only indirectly through the rules and procedures of the depositaries from time to time in effect. Beneficial interests in the global certificates may not be exchanged for definitive notes except in the limited circumstances described under "Description of the Notes—Book-Entry; Delivery and Form—Exchanges of Global Notes for Definitive Notes."
Governing law:	The indenture and the notes will be governed by and construed in accordance with the laws of the State of New York.
Rating:	It is expected that the notes will be rated A- by Fitch Ratings and A- by S&P Global Ratings.

Listing and trading:	Approval in-principle has been received for the listing of the notes on the Singapore Exchange. The notes will be traded on the Singapore Exchange in a minimum board lot size of $200,000 for so long as any of the notes remain listed on the Singapore Exchange.
Trustee, Paying Agent, Transfer Agent, Calculation Agent and Registrar:	The Bank of New York Mellon.

RISK FACTORS

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

Risks Relating to Our Business

Adverse conditions in the economy and the global financial markets could have a material adverse impact on our business and results of operations and the recent economic recovery may not be sustainable.

Our results of operations are materially affected by conditions in the economy generally and in the global financial markets, both in Japan and elsewhere around the world. In Japan, market conditions, such as stock prices, improved from 2013 through the third quarter of 2015 due in part to the monetary easing measures aimed at overcoming deflation implemented by the Bank of Japan and expectations that economic measures would be implemented by the Japanese government to stimulate the economy. As a result, an improved corporate and consumer sentiment contributed to a boost in economic conditions. However, market conditions worsened as stock prices experienced increased volatility during the fourth quarter of 2015 and through most of the first half of 2016. Therefore, the future outlook of the Japanese economy remains uncertain. Particular concerns include whether the Japanese economy will succeed in ending deflation, the potential negative consequences of an increasing budget deficit, the uncertain effects of the introduction by the Bank of Japan of negative interest rates, and whether the strengthening of the yen could further hurt consumer sentiment and weaken demand. If economic conditions deteriorate, the demand for our insurance and annuity products could be adversely affected and our surrender and lapse rates for individual insurance products could increase. Low interest yields and any declines in stock prices could also have a negative impact on our net investment income.

Both in Japan and elsewhere around the world, concerns over the availability and cost of credit, declining prices for stocks, real estate and other assets and political instability in recent years have contributed to volatility in the global financial markets and diminished expectations for the performance of major developed economies.

Changes in the value of equity securities could have a material adverse impact on our financial condition and results of operations.

As of March 31, 2016, domestic stocks accounted for 9.6% of the non-consolidated total assets in our general account and foreign stocks accounted for 6.2%. Stocks of electric appliance manufacturers accounted for 13.8% and stocks of banks accounted for 10.3% of the domestic stocks in our general account. In addition, the amount of net unrealized gains on securities available for sale affects our non-consolidated net assets, our total solvency margin and our solvency margin ratio.

As of March 31, 2016, net unrealized gains on securities, net of tax, included in our non-consolidated net assets were ¥1,946.9 billion. Any declines in stock prices could have a significant adverse impact on our net investment income, net assets and solvency margin ratio.

In order to prepare for the risk of declines in stock prices caused by volatile market conditions and worsening economic conditions, we continuously pay attention to fluctuations in the market and also use derivative instruments to hedge market risks. If needed, we may also reverse our reserves. For example, in the year ended March 31, 2009, declines in stock prices due to the economic crisis and uncertainty about the prospects for recovery in major economies adversely affected our net investment income through losses on valuation of securities, losses on sale of securities and reduced unrealized gains on securities. Accordingly, we reversed our reserve for price fluctuations during the year ended March 31, 2009. We also reversed our reserve for price fluctuations during the years ended March 31, 2011 and 2012.

As of March 31, 2016, we had a balance of reserve for price fluctuations of ¥148.4 billion on a non-consolidated basis. For a description of our reserve for price fluctuations, see “Management’s Discussion and Analysis of Financial Condition and Results of Operations—Critical Accounting Policies—Reserve for Price Fluctuations.”

Changes in interest rates may significantly affect our profitability.

In an effort to manage our investment assets in a manner appropriate to our liabilities, which arise from the insurance policies we underwrite, we engage in asset liability management, or ALM, which considers the long-term balance between assets and liabilities in an effort to ensure stable returns. Any significant changes in market conditions, such as the recent decrease in liquidity of Japanese government bonds and the increase in volatility of yields, could make our ALM objectives more difficult to achieve and have a material adverse effect on our financial condition and results of operations.

In particular, because our liabilities to policyholders generally have a longer duration than our investment assets, we are subject to risks related to changes in interest rates as a result of the inability to match the duration of assets to liabilities. During periods of declining interest rates, our average yield on investments declines because maturing investments, as well as bonds and loans that are redeemed or prepaid to take advantage of the lower interest rate environment, are replaced with new investments that provide lower yields. Such lower interest rates reduce yields on our investment portfolio while premiums remain generally unchanged on outstanding policies. As a result, our profitability and long-term ability to meet policy commitments can be materially and adversely affected. For example, the significant decline in yen interest rates during the 1990s resulted in the average yield on our investment portfolio being lower than the assumed rates of return used to set premium levels on existing policies, a phenomenon known as "negative spread." In recent years we had reduced negative spread both through improvements in investment yield and through reductions in average assumed rates of return, as a result of the replacement, through maturity, surrenders, lapses and conversions, of older policies with higher assumed rates of return on investments with newer policies with lower assumed rates of return on investments, and by accumulating additional policy reserves since the year ended March 31, 2008. The declining yield on our investment portfolio associated with lower interest yields in Japan in the wake of the global financial crisis, however, resulted in our recording negative spread of ¥91.4 billion in the year ended March 31, 2012 and ¥61.1 billion in the year ended March 31, 2013, in each case on a non-consolidated basis. As a result of improvements in investment yields, we recorded positive spread of ¥28.0 billion in the year ended March 31, 2014, ¥69.2 billion in the year ended March 31, 2015 and ¥97.8 billion in the year ended March 31, 2016, each on a non-consolidated basis. If investment yields decrease again for an extended period, we may incur negative spread. See "Management's Discussion and Analysis of Financial Condition and Results of Operations—Negative Spread and Positive Spread."

On January 29, 2016, the Bank of Japan announced that it would introduce a negative interest rate policy, applying a rate of negative 0.1% to certain excess reserves held by financial institutions at the Bank of Japan. The new policy was implemented on February 16, 2016 and the Bank of Japan subsequently announced its intention to lower the interest rate further if it believes it to be necessary. If this new policy results in lower interest rates on our investments, our average yield on investments could be adversely affected. In addition, if mid- or long-term interest rates were to fluctuate within a significantly lower range, it would make it difficult for us to maintain the current level of profitability and may require us to suspend the sale of additional savings-type insurance products.

In periods of increasing interest rates, while the increased investment yields should lead to increased returns on our investment portfolio, surrenders of policies may tend to increase as policyholders seek investments with higher returns. In addition, a rise in interest rates in a given fiscal year will have a negative impact on our net assets in that fiscal year due to a decrease in the fair value of our fixed income assets. Fixed income assets represented 70.9% of the assets in our general account as of March 31, 2016, on a non-consolidated basis. In particular, Japanese government bonds represent a significant part of our fixed income portfolio. At the end of 2012, the Japanese government introduced new policies to end deflation, and in January 2013 it announced an accord with the Bank of Japan to set a 2% inflation target. Because interest rates are often determined by considering inflation trends, inflation may result in an increase in interest rates. In addition, an increasing budget deficit may also result in an increase in interest rates. While we accumulate policy-reserve-matching bonds that are valued based on the book value of investment assets in our portfolio subject to certain duration-matching strategies as part of our measures to manage the risks related to a rise in interest rates, a significant rise in interest rates over a short period of time could have a material adverse effect on our financial condition and our profitability.

Our investment portfolio exposes us to a number of other risks in addition to risks related to changes in the value of equity securities and changes in interest rates.

The global financial crisis in 2008 led to sharp price declines and extreme volatility affecting a broad range of mortgage- and asset-backed and other fixed income securities, including securities with investment-grade ratings, the U.S. and international credit and interbank money markets generally, and a wide range of financial markets and asset classes. Such events create significant challenges in managing our large investment portfolio. The value of our assets is likely to decline in such circumstances and our net assets could be impaired.

Generating stable investment income is important to our operations and we invest in a variety of asset classes, including Japanese government and corporate bonds, foreign government and corporate bonds, domestic stocks, foreign stocks, loans, real estate and alternative investments. While we manage our investment portfolio in order to minimize risks, our investment portfolio exposes us to a variety of other risks that we may be unable to avoid, as summarized below.

Foreign exchange risk

Our investment securities include non-yen-denominated securities. The non-yen-denominated securities consist primarily of foreign bonds (principally foreign government and agency bonds and foreign corporate bonds), foreign stocks and securitized instruments. While we hedge our foreign currency exposure with respect to a portion of our foreign bond holdings, our aggregate unhedged exposure to foreign bonds represented 5.5% of the total assets in our general account as of March 31, 2016, on a non-consolidated basis. Significant strengthening of the yen against major foreign currencies exposes us to the risk of foreign exchange losses.

Credit risk

We are subject to the risk that issuers of the debt securities we hold may suffer a decline in credit quality, such as a credit rating downgrade, which would cause a decline of the market value of the debt securities we hold. We are also subject to the risk that issuers of the debt securities we hold may default on principal and interest payments due on their obligations. These risks could lead to losses on valuation of securities, reduced gains or losses on sales of securities or reduced unrealized gains on securities. Our single largest exposure is to Japanese government bonds. We also face counterparty risk with respect to the over-the-counter derivative instruments that we use to hedge market risks, such as interest rate swaps, foreign exchange forward contracts and stock index futures. Any failure by a counterparty to honor the terms of its derivatives contracts with us could lead to losses on valuation of securities and other losses or losses on sales of securities and reduced gains, which would have an adverse effect on our results of operations and financial condition.

In addition, on a non-consolidated basis, loans represented 8.1% of the total assets in our general account as of March 31, 2016, with loans to large Japanese corporations accounting for 85.2% of our total balance of domestic loans of ¥2,027.6 billion as of that date. We are exposed to the risk that the financial position and the credit quality of our borrowers will erode, which could lead to increased credit costs in our lending portfolio. We provide for an allowance for doubtful accounts based on evaluations and estimates regarding borrowers. However, actual losses on loans could exceed the amount of the allowance or we could be required to increase allowance amounts in the event of failures or a deterioration of the credit quality of borrowers as a result of adverse conditions in the Japanese economy, specific industry issues or other causes.

We have significant exposure to Japan’s major banking groups, the majority of which is in the form of subordinated debt and preferred securities. Generally, the value of such instruments is more sensitive to changes in the credit profile of the relevant bank issuer than the value of its senior debt instruments. Adverse changes in the creditworthiness and financial performance of Japanese banks could lead to losses on valuation of securities, increases in our reserves, and other losses or reduced gains, which would have an adverse effect on our results of operations and financial condition.

Securitized instruments

We hold securitized instruments, including instruments backed by U.S. and other residential mortgages. In the event that the adverse conditions in credit markets and the lack of market liquidity for such instruments worsen, the value of our securitized instruments and other investments that we hold could decline, and our financial condition and results of operations could be adversely affected as a result.

Real estate investment risk

As of March 31, 2016, real estate represented 3.3% of the total assets in our non-consolidated general account. In the event an economic downturn resulted in a downward trend in real estate prices, rent and occupancy rates in Japan, our real estate-related income may decrease and our financial condition and results of operations could be materially and adversely affected as a result.

A reduction or perceived reduction in our financial strength, including as a result of a downgrade in our credit ratings or our transition to a holding company structure, as well as negative events related to us or to the Japanese life insurance industry, could result in an increase in policy surrenders and withdrawals, a decrease in new policy sales and an increase in funding costs.

Developments that reduce our actual or perceived financial strength could have an adverse effect on our business, financial condition and results of operations due to increases in policy surrenders, withdrawals, decreases in new policy sales or increased costs and other difficulties with respect to our investment, funding and capital raising activities. Such effects could be caused by an actual downgrade in our ratings by credit rating agencies, a significant reduction in our solvency margin ratio, or our transition to a holding company structure, as well as the potential for ratings downgrades, negative media coverage, negative rumors or negative developments in the Japanese life insurance industry as a whole.

As a result of increases in unrealized gains on securities, rising stock prices and lower interest rates, our solvency margin ratio on a non-consolidated basis increased from 772.1% as of March 31, 2014 to 913.2% as of March 31, 2015 and was 900.8% as of March 31, 2016. Upon our transition to a holding company structure on October 1, 2016, and without taking into account the effect of this offering, we expect that the solvency margin ratio of the Successor on a non-consolidated basis would decline only slightly. Significant declines in our solvency margin ratio, particularly relative to other major life insurance companies in Japan, could adversely affect our business, financial condition and results of operations.

In addition, we or the Successor may be unable to raise capital on favorable terms, or at all, in the future in the event of a reduction or perceived reduction in our financial strength or due to adverse conditions in debt or equity capital markets or other factors.

Differences between future claims and benefits and the actuarial assumptions used in pricing and establishing reserves for our insurance and annuity products may materially and adversely affect our earnings, profitability and financial condition.

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

Pursuant to the Insurance Business Act, we re-estimate our policy reserves periodically and, as necessary, record changes in our policy reserves as expenses or revenues. To the extent that actual claims results are less favorable than the assumptions originally used, or if changing circumstances require us to modify our underlying assumptions, we could be required to increase our policy reserves. Such an increase, if significant, could have a material adverse effect on our financial condition and results of operations.

In addition, some of the variable annuity products we sell through our wholly-owned subsidiary, Dai-ichi Frontier Life, feature guaranteed minimum benefits. For guaranteed products, we are required to re-estimate our policy reserves on a quarterly basis and to make additional provisions for any shortfall, thus increasing expenses and potentially requiring us to strengthen the capital base of Dai-ichi Frontier Life. In the event that we are required to make significant additional provisions, this could have an adverse effect on our financial condition and results of operations. In addition, the yen-denominated and foreign currency-denominated fixed annuity products that Dai-ichi Frontier Life offers for sale also include market value-adjusted annuities. In the event that domestic and foreign market interest rates are in a decreasing trend, this may require us to make additional provisions to our policy reserves, which could constitute a key factor in the temporary decline of our profitability. On the other hand, if the market interest rates increase, we may be required to reverse our policy reserves, which could be a key factor affecting our results of operations.

Following the Transition, Dai-ichi Frontier Life will become a sister company of the Successor, and following the assumption of the notes by the Successor, holders of the notes will not have any direct or indirect claim on Dai-ichi Frontier Life.

Our sales are concentrated in individual life insurance policies and individual annuity products through the sales representative channel.

For the year ended March 31, 2016, premium income from individual life insurance policies represented 54.3%, and premium income from individual annuity products represented 12.8% of our total premium income, both on a non-consolidated basis. A variety of factors affect the market for individual life insurance policies and individual annuity products generally, including:

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

Changes in these and other factors could result in a decrease in sales of new individual life insurance policies and individual annuity products or an increase in policy surrenders and lapses, any of which could have an adverse effect on our results of operations and financial condition.

Although our sales of individual life insurance policies and individual annuity products have relied primarily on the sales representative channel and financial institutions such as banks, deregulation of the sale of insurance products in Japan by other types of financial institutions has made other sales channels, particularly retail bank branches, referred to as the bancassurance channel, important for sales of annuity products. Comparison shopping of relatively simple products through outlets such as walk-in insurance shops is also gaining popularity, and the market share of this non-traditional sales channel has been increasing as a result. In the future, if changes in regulations or business environment result in the emergence of other distribution channels for individual life insurance policies or for individual annuity products, or if a fierce recruitment environment for sales representatives results in our inability to hire the number of sales personnel that we had originally intended to, thereby resulting in a significant reduction of our sales force, we may face challenges in maintaining our competitive position, profitability and market share, and this could have an adverse effect on our business and results of operations.

We are exposed to liquidity risk.

Many of the products we offer allow policyholders to make policy withdrawals of a portion of the amount of accumulated premiums and to surrender their policies in return for the payment of a pre-determined amount.

We manage our liabilities and configure our investment portfolios to provide and maintain sufficient liquidity to meet anticipated withdrawal and surrender demands, payments of policy benefits and requests to pledge collateral in relation to derivative contracts with financial and other institutions and have also entered into overdraft facilities to increase our liquidity. A certain portion of our assets, however, such as real estate, loans and privately placed securities, are generally illiquid. If we are required to pay significant amounts of cash on short notice, for example due to unanticipated withdrawal or surrender activity or a catastrophic event such as a pandemic, we could exhaust our liquid assets and overdraft facilities and be forced to liquidate other assets, possibly on unfavorable terms. In addition, turmoil in financial markets could lead to a liquidity crisis in which we are unable to dispose of our otherwise liquid assets on favorable terms or at all. If we are forced to dispose of assets on unfavorable terms or are unable to dispose of assets, it could have an adverse effect on our financial condition and results of operations.

Our plans to increase sales of annuity products through bank and securities company sales agents may be unsuccessful.

We believe that investment-type products, particularly individual annuity products, are a growth business and in recent years we have strengthened our efforts to increase sales of these products through bank and securities company sales agents, including through the establishment of Dai-ichi Frontier Life, our wholly-owned subsidiary that commenced operations in October 2007 and is dedicated to the development and sale of new annuity products through these channels. It is possible that demand for its products may be reduced by factors such as poor consumer sentiment in Japan, weak investment performance or increased competition among life insurance companies. In addition, we may have to limit, suspend or cease sales of our variable annuity products through certain of our financial institution sales agents in order to manage our exposure to the risks associated with the guaranteed minimum benefits that some of these products feature.

Following the Transition, Dai-ichi Frontier Life will become a sister company of the Successor, and following the assumption of the notes by the Successor, holders of the notes will not have any direct or indirect claim on Dai-ichi Frontier Life.

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

In recent years we have aggressively developed our overseas insurance and asset management operations in an effort to secure revenue sources outside of the Japanese market. Specifically, we acquired Protective, invested in Janus (currently an equity-method affiliate) in the United States, acquired an insurance company in Vietnam, acquired TOWER Australia Group Limited (renamed as TAL Limited, and which became a part of TAL) in Australia and invested in overseas insurance companies in Indonesia, India and Thailand. As our operations are expanding overseas, we have enhanced our management and business support structures by establishing regional headquarters in the North America region and the Asia Pacific region. While we strive to increase the value of our insurance operations overseas, there is no assurance that sales of life insurance products will grow as we expected, or will grow at similar rates experienced in more mature markets. As a result, our international operations may adversely affect our business development, financial condition or results of operations.

In addition, our international operations and continuing overseas expansion are exposed to a number of risks, including:

- fluctuations in foreign currency exchange rates;
- unfavorable tax regulations that may become effective in the future;
- unexpected legal or regulatory changes;
- lack of understanding of customer needs, market conditions and local regulations;
- difficulties in recruiting and retaining personnel and managing international operations; and
- competition with additional multinational firms.

Following the Transition, our overseas subsidiaries will become sister companies of the Successor, and following the assumption of the notes by the Successor, holders of the notes will not have any direct or indirect claim on the overseas subsidiaries.

Acquisitions we undertake may not produce the intended benefits.

Since our reorganization from a mutual life insurance company to a joint stock corporation, we have engaged in acquisitions as part of our business strategy, and we intend to continue to seek opportunities for further acquisitions in the future. It is possible, however, that we will be unable to engage in future acquisitions due to our inability to identify appropriate acquisition targets, negotiate and agree on acceptable terms of the transaction, obtain adequate financing, obtain required consents, clearances or approvals, address other legal or regulatory issues or for any other reasons. While we have gained some experience in recent years in identifying attractive acquisition targets, executing mergers and acquisitions and integrating acquired businesses, the success of any future mergers and acquisitions we undertake will depend on factors such as:

- our ability to integrate the acquired business operations, products, services and personnel with our existing business operations and culture;
- our ability to extend our risk management, internal controls and reporting systems and procedures to acquired companies and businesses;
- the degree to which the products and services of acquired businesses complement our existing business lines;
- continued demand for the acquired products and services; and
- our ability to realize any targeted cost efficiencies.

Depending on the size of the target and nature of assets acquired, as well as the type of consideration used, any future acquisitions could potentially have an adverse effect on our financial condition and credit ratings.

Our risk management policies and procedures may not be effective.

Our risk management policies and procedures are meant to address a range of risks, encompassing insurance underwriting risk, investment risk, liquidity risk, operational risk and system risk. Many of our methods of managing risks and exposures are based on our use of observed historical market behavior or statistics based on historical data. These methods may not predict future losses, which could be significantly greater than indicated by the relevant historical data. Other risk management methods depend in part on our evaluation of publicly available information regarding markets, customers or other matters, and such information may not always be accurate, complete, up-to-date or properly evaluated. In addition, our risk management procedures depend in part on the consolidation of information gathered from numerous branch offices and other sources, and errors may be introduced during the process of gathering and compiling such information. Generally, any failure or ineffectiveness of our risk management policies or procedures could materially and adversely affect our business, financial condition and results of operations. In particular, management of operational risk requires, among other things, policies and procedures to record properly and verify a large number of transactions and events, and our policies and procedures may not be entirely effective. Operational errors by our employees, strategic partners or outside service providers could result in reputational or financial harm to us and in regulatory sanctions.

In addition, as the domestic and overseas life insurance markets continue to evolve and develop in the future, we intend to broaden and diversify the range of products and services that we offer while also expanding our customer base. As we expand our product and service offerings and increase the scale of our business, we may have difficulty achieving the risk management improvements necessary to manage the risks associated with new business activities and increased scale. If we fail to adapt our risk management policies and procedures to changes in our business and in the business environment in which we operate, our results of operations and financial condition could be materially and adversely affected.

The shift to a holding company structure may not result in the anticipated improvements in our group management and governance.

Our plan for the Transition is scheduled to become effective on October 1, 2016. By implementing the Transition, we intend to achieve several management reforms at the group level that we believe will allow us to make further progress in implementing our business strategies both domestically and overseas. See "Transition to a Holding Company Structure." However, there can be no assurance that the Transition will result in the expected improvements in our group management and governance if, for example, Dai-ichi Life Holdings is unable to allocate management or other resources among the Dai-ichi Group companies efficiently, or issues arise with respect to the implementation of effective governance or internal controls under the holding company structure, and our financial condition and results of operations could be adversely affected as a result.

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

Pursuant to Japanese GAAP, we establish, with respect to each consolidated entity, deferred tax assets for tax benefits expected to be realized during a period that is reasonably foreseeable, net of deferred tax liabilities. The calculation of deferred tax assets is based on various assumptions, including assumptions with respect to future taxable income. Adverse changes in economic conditions or other factors could lead us to decrease our estimated future taxable income which would require us to increase the valuation allowance for our deferred tax assets. As a result, we would recognize additional income tax expense and our results of operations could be materially adversely affected. In addition, changes in Japanese tax policies could result in the reduction of our deferred tax assets. For example, the Partial Amendment of the Income Tax Act of Japan (Law No. 9 of 2015), or the Income Tax Act, promulgated in March 2015, resulted in a reduction of our effective statutory tax rate from 33.23% to 30.68% for the year ended March 31, 2015 and to 28.76% for the year ended March 31, 2016. As a result, deferred tax liabilities decreased by ¥27,626 million and corporate income taxes-deferred increased by ¥39,121 million in the year ended March 31, 2015, both on a non-consolidated basis. Furthermore, the Partial Amendment of the Income Tax Act (Law No. 15 of 2016) and the Local Tax Act of Japan (Law No. 13 of 2016), promulgated in March 2016, resulted in a reduction of our effective statutory tax rate from 28.76% to 28.16% for the year ending March 31, 2017 and for the year ending March 31, 2018, and to 27.92% for the year ending March 31, 2019. As a result, deferred tax liabilities decreased by ¥5,083 million and corporate income taxes-deferred increased by ¥17,568 million in the year ended March 31, 2016, both on a non-consolidated basis. As of March 31, 2016, we had ¥638.9 billion of deferred tax assets on a gross basis on a non-consolidated basis. In addition, as of the same date, we had ¥777.6 billion of deferred tax liabilities on a gross basis on a non-consolidated basis. Of this amount, ¥744.6 billion was deferred tax liabilities associated with net unrealized gains on securities (recorded in our net assets as net unrealized gains on securities, net of tax). As of March 31, 2016, the effective statutory tax rate applicable to Dai-ichi was 28.76%.

Further decreases in the effective statutory tax rate may require us to reverse our deferred tax assets estimated based on the corporate income tax rates in effect prior to the reform, and this could have an adverse effect on our results of operations.

Changes in relationships with or performance of our strategic partners could harm our business.

We have entered into a number of business alliances with companies inside and outside of the life insurance industry to expand our distribution channels and product offerings, including important alliances with Sompo Japan, American Family Life Assurance Company of Columbus, or AFLAC, Mizuho Financial Group, Inc. and Resona Holdings, Inc. On March 29, 2016, we entered into a business alliance agreement with Japan Post Insurance Co., Ltd., which is aimed at enhancing our respective business bases through cooperation in the international life insurance business and the asset management business. These relationships are integral to our business strategy of growing our sales of third sector insurance products and annuity products. In addition, DIAM Co., Ltd., one of Japan's largest pension asset managers, and our 50-50 joint venture with Mizuho Financial Group, is scheduled to be integrated with the asset management functions of Mizuho Trust & Banking Co., Ltd., Mizuho Asset Management Co., Ltd. and Shinko Asset Management Co., Ltd. into a newly established company, Asset Management One Co., Ltd., in October 2016. If our strategic partners encounter financial or other business difficulties, if their strategic objectives change (due to industry consolidation or otherwise), or if they come to believe we are no longer an attractive alliance partner, they may no longer desire or be able to participate in our alliances. Our business and results of operations could be harmed if we become unable to continue our alliances.

We may not be able to hire, train and retain a sufficient number of qualified sales representatives and other employees.

Competition to attract qualified sales representatives is intense. Like many of our competitors in the Japanese life insurance industry, our business depends to a significant extent on our ability to hire, train and retain qualified sales representatives. Sales generated by sales representatives account for most of our premium income, and sales by our more productive sales representatives account for a disproportionately high percentage of our sales of individual insurance and annuity products. Average turnover of our sales representatives is significantly higher than our other employees, and our efforts to retain or replace productive sales representatives may not be successful. Other employees, including investment and actuarial personnel, also require a high level of expertise, and special efforts are required to attract, train and retain qualified personnel. If we are unable to attract, train and retain qualified sales representatives, and other personnel, or if, as a result of these reasons, our sales fall significantly below our estimates, our business and results of operations could be materially and adversely affected.

We rely heavily on information technology systems in conducting our business and any failure of these systems could harm our business.

We rely heavily on information technology systems, including those of third-party service providers, in conducting our business. We rely on these systems to manage customer policies, invest our assets, record and maintain statistics and personal information of our customers and in other areas of our operations. As we expand our operations and product offerings, our information technology systems could potentially require significant additional investments.

Our information technology systems could fail due to various causes, including problems affecting the internet generally or damage to equipment, software or networks as a result of accidents, fires, natural disasters, power loss, high user volume, human errors, sabotage, hacking, employee misconduct, software and hardware defects and malfunctions, viruses or network intrusions. Any such failure could disrupt the services we provide to customers at our branches, our payments and collections, and the investment of our assets, among other things. Such failures could also have other adverse consequences, including reputational damage, customer dissatisfaction or a loss of customer confidence, which could result in increased policy surrenders, a decrease in new policy sales and legal or regulatory sanctions, and this could have an adverse effect on our results of operations. In addition, because our operations and information technology and other systems, as well as those of our third-party service providers and business partners, are concentrated in and around the greater Tokyo area, an earthquake or other disaster affecting the greater Tokyo area could significantly disrupt our operations. There can be no assurance that we or our third-party service providers and business partners would be able to resume services in a timely fashion, or at all, in the event of any such earthquake or other disasters.

Our reputation and business could be harmed and we could be subject to legal claims if there is unintentional loss, disclosure or misappropriation of our customers' personal information or other breaches of our security.

We make extensive use of online services and centralized data processing, including through the use of third-party service providers, so the secure maintenance and transmission of confidential information is a critical element of our operations. There can be no assurance that customer information has not been and will not be lost or disclosed or taken without consent or that our information technology and other systems, or those of our third-party service providers or strategic business partners, will not be compromised. If we lose, or disclose without consent, customers' personal information or if a third party is able to penetrate our or our business partners' or service providers' network or otherwise misappropriate our customers' personal information, we could be subject to legal claims, and our reputation could be damaged. Inadvertent loss, disclosure or misappropriation of customer information by our own employees would subject us to similar risks. The Japanese media, regulators and consumers have intensified their scrutiny of incidents involving the loss, disclosure or misappropriation of personal information in recent years. In addition, the regulatory requirements applicable to us in our handling of customers' personal information have become more stringent under the Act on Protection of Personal Information of Japan, or the Act on Protection of Personal Information, which became effective in April 2005 as part of the Japanese government's response to widely publicized losses, disclosures and misappropriations of customer information by companies in Japan. Pursuant to the Act on the Use of Numbers to Identify a Specific Individual in the Administrative Procedure of Japan that came into effect in October 2015, residents in Japan have each been issued a unique number, or *My Number*, which identifies them for specific administrative procedures related to social security and taxation. We have obtained the *My Number* of our customers as well as that of our management and employees. The handling of specific personal information, including *My Number*, requires more stringent protection measures than for general personal information. Any loss, disclosure or misappropriation of customer information or other breach of our security would likely have a serious impact on our reputation and could have a significant adverse effect on our business and results of operations.

Misconduct by our employees, independent sales agents, third-party service providers or customers could subject us to losses.

We are exposed to potential losses resulting from fraud and other misconduct by our employees, independent sales agents, third-party service providers and customers. We employed 42,983 sales representatives and had contracts with approximately 3,056 independent sales agents as of March 31, 2016. Our sales representatives and independent sales agents have direct contact with customers and knowledge of their personal and financial information. In addition, some of our third-party service providers also have knowledge of personal and financial information relating to our customers. Misconduct can include, among other things, illegal sales practices, fraud, identity theft or other improper use of personal information.

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

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

We may face additional costs relating to our employees' retirement benefit plans from changes in the market value of pension assets, a decline in returns on our pension assets or changes in the assumptions and investment returns on which the calculation of projected benefit obligations is based. We may also experience unrecognized losses on plan amendments in the future resulting from amendments to our employees' retirement benefit plans.

We are involved in litigation relating to our insurance operations on an ongoing basis, and such litigation could result in financial losses or harm our business.

We are involved in litigation relating to our insurance operations on an ongoing basis. While we cannot predict the outcome of any pending or future litigation, we do not believe that any pending legal matter will have a material adverse effect on our business, financial condition or results of operations. However, given the inherent unpredictability of litigation, it is possible that an adverse outcome in one or more of these matters could have a material adverse effect on our operating results or cash flows.

Risks Relating to the Japanese Life Insurance Industry

Demographic trends in Japan may adversely affect our business.

Since the mid-1970s, Japan's total fertility rate had generally been on a long-term decline. Since 2005, this trend has reversed but the modest recovery in the total fertility rate is slowing down. As a result of the declining birthrate over the long term, the number of people aged between 15 and 64 declined by 10.9% from 86.3 million in 2000 to 76.9 million in 2015. This age group is considered to be the country's potential workforce population and covers in any given year almost all of our customers purchasing insurance products with death benefits, our core product group. Total life insurance policy amounts in force for all life insurance companies in Japan declined by 12.5% from ¥1,564 trillion as of March 31, 2006 to ¥1,368 trillion as of March 31, 2015, according to the Life Insurance Association of

Japan, and we believe the above demographic trend was one of the primary contributing factors to this decline in policy amount in force. The National Institute of Population and Social Security Research projects that the number of people aged between 15 and 64 will decrease from 79.0 million in 2013 to an estimated 67.7 million in 2030 and will continue to decline for decades thereafter. If these trends continue and lead to reduced demand for life insurance products, the scale of our life insurance business in Japan may diminish and our financial condition and results of operations may be materially and adversely affected.

Competition in the Japanese financial services industry is increasing and an inability to compete effectively could adversely affect our results of operations.

We face intense competition in the Japanese life insurance market from both domestic and foreign-owned life insurance companies and from large domestic financial service providers that either have their own insurance subsidiaries or enter into cooperative arrangements with major insurance companies. Particularly in recent years, competition has increased in the Japanese life insurance market due to industry deregulation, an overall decline in demand for insurance products with death benefits and increased competition from foreign insurance companies, among other factors. Some of these competitors may have advantages over us, including greater financial resources and financial strength ratings, greater brand awareness, more extensive marketing and sales networks, more competitive pricing, larger customer bases, higher policyholder dividends and a wider range of products and services.

In addition, Japan Post Insurance enjoys competitive advantages in the Japanese insurance market due to its large existing customer base and nationwide network of post office branches. Japan Post Insurance, which listed its shares of common stock on the Tokyo Stock Exchange in November 2015, remains subject to limitations on the type and amount of insurance coverage it may provide. If these limitations are eased or eliminated, upon Japan Post Holdings Co., Ltd. ceasing to hold 50% or more of the voting rights of Japan Post Insurance or otherwise, competition in Japan's life insurance market could further intensify. Under these circumstances, on March 29, 2016, we entered into a basic agreement with Japan Post Insurance to form a business alliance in certain areas with the aim to complement our expertise and further strengthen our business foundation. We also face competition from various cooperative associations such as the Japan Agricultural Cooperatives, the National Federation of Workers and Consumers Insurance Cooperatives and the Japanese Consumers' Co-operative Union, all of which offer competing life insurance products.

Various deregulatory measures have had the effect of increasing competition in the Japanese life insurance industry. For example, a number of deregulatory changes enacted between 1998 and 2007 enabled securities companies and banks, respectively, to engage in sales of an increasing array of insurance and annuity products. Future deregulatory measures that favor large, established financial conglomerates could result in additional consolidation in Japan's financial services industry. As the regulatory barriers between different financial services industries in Japan continue to be relaxed, we expect competition within these industries to continue to intensify. In addition, we may face price competition from other Japanese life insurance companies that sell lower-priced insurance products through outlets such as walk-in insurance shops, as well as increasing price competition in the future from new entrants to the Japanese life insurance industry that rely on the internet as their primary sales channel. Japan's financial sector has also experienced significant consolidation in recent years and further consolidation could affect the competitive environment for the sale and distribution of life insurance products.

Increased competitive pressures resulting from these and other factors may cause our new policy sales to decline and policy surrenders to increase if we are not successful in maintaining our competitiveness, which could have a material adverse effect on our businesses and our results of operations.

We are subject to extensive regulation as a Japanese life insurance company, including monitoring and inspection of our financial soundness.

As a Japanese insurance company, we are subject to extensive oversight, including comprehensive regulation by the FSA under the Insurance Business Act and related regulations. The primary purpose of the Insurance Business Act and its related regulations is to protect policyholders, not debt holders or shareholders. The Insurance Business Act places restrictions on the types of businesses that we may engage in, imposes limits on the types of investments that we may make and requires us to maintain specified reserves and a minimum solvency margin ratio. The Insurance Business Act also gives the FSA broad regulatory powers over our business, including the authority to revoke operating licenses, suspend operations, request information and conduct rigorous on-site inspections of books and records. In addition, we generally must receive prior FSA authorization for the sale of new insurance products and changes in the pricing terms of our products. See "Regulation of the Japanese Life Insurance Industry." Following the Transition, the Successor, as the subsidiary operating our domestic life insurance business, will also be subject to these regulations.

Currently, we are required to maintain a solvency margin ratio, which is a measure of capital adequacy, of 200% or above, on both a consolidated basis and non-consolidated basis. See "Management's Discussion and Analysis of Financial Condition and Results of Operations—Liquidity and Capital Resources—Solvency Margin Ratio." If we fail to maintain an appropriate solvency margin ratio or other indicators of financial soundness, the FSA could require us to take a variety of corrective actions. See "Regulation of the Japanese Life Insurance Industry—Insurance Business Act—Financial Regulations—Prompt Corrective Action." In April 2010, aiming to improve the credibility of the Japanese solvency margin ratio regulations, amendments to the relevant regulations on the solvency margin ratio calculation method were promulgated. The amendments included (i) an introduction of restrictions on the inclusion of certain items in the amount of solvency margin, (ii) a requirement of stricter and more elaborate risk assessment, and (iii) a requirement of actuaries' confirmation on the appropriate calculation of the solvency margin ratio. The amendments took effect as of March 31, 2012. In addition, amendments to the Insurance Business Act to introduce a consolidated solvency margin ratio regulation took effect as of March 31, 2012. For a summary of these amendments, see "Management's Discussion and Analysis of Financial Condition and Results of Operations—Liquidity and Capital Resources—Solvency Margin Ratio."

The International Association of Insurance Supervisors, or the IAIS, has been examining the possible adoption of new standards for solvency assessment. In connection with any such adoption, the FSA, which is a member of the IAIS, is expected to adopt new regulations that are generally consistent with the calculation methods being examined by the IAIS and launched its field tests of the economic value-based solvency regime in June 2010. The new regulations, which will introduce a solvency regime based on economic value, are expected to be significantly different from the current regulations. Additional requirements that may be proposed in the future, such as the Insurance Capital Standard, or the ICS, currently developed by the IAIS as part of its Common Framework for the Supervision of Internationally Active Insurance Groups, could result in significant changes to the current solvency margin regulations, and restrictions included in any such new regulations could result in new limitations on our business or investment activities.

Future changes in the laws and regulations applicable to us could adversely affect our business, financial condition and results of operations.

Changes in the laws and regulations applicable to us and changes in government policies regarding their enforcement, regulatory actions against our group and other life insurance companies, and the regulatory trend related to the expansion of the product lineup our group offers, could adversely affect our new policy sales, lead to increased compliance risk and increased expenses required to strengthen and improve compliance, increase the level of competition we face or otherwise adversely affect our business. In addition, we have many third-party sales agents as well as our own sales representatives, and there can be no assurance that they will be able to effectively and timely adjust their sales practices to comply with future regulatory changes.

Current income tax laws permit individuals to deduct for income tax purposes all or a portion of the premium payments on almost all of the insurance and annuity products we offer. Similarly, corporate and small business policyholders are permitted to deduct as a business expense, subject to certain conditions, all or a portion of the costs of premiums of certain types of life insurance products, such as term life insurance, and annuity products. Any further changes in Japanese tax laws or regulations that negatively affect the tax treatment of premiums on our insurance and annuity products could adversely affect our number of new policy sales.

We may be subject to regulatory sanctions and additional payments to policyholders in connection with non-payments and underpayments of claims and benefits.

In October 2007, in response to a reporting order from the FSA, we conducted self-assessments of non-payments and underpayments of claims and benefits and omissions to inform policyholders of the claims they may be able to make in cases where payments were warranted during the five-year period beginning April 2001. We reported nearly 70,000 cases, representing an aggregate of ¥18.9 billion in claims and benefits, in each case on a non-consolidated basis, of non-payments and underpayments to our policyholders. A substantial majority of our underpayments related to unclaimed payments for medical riders to life insurance policies, and we believe they occurred due to the lack of comprehensiveness and other deficiencies in our original claims review process.

In July 2008, the FSA issued a business improvement order that required an enhancement of governance and internal audit structures and an implementation and assessment of the effectiveness of remedial measures. In August 2008, we submitted a business improvement plan to the FSA describing the remedial measures we are undertaking to strengthen and improve our governance and internal audit policies and procedures and to prevent non-payments and underpayments in the future. We have aimed to establish and enhance the effectiveness of improvement measures by sharing the understanding that the value of insurance is to be displayed when the claims and benefits are paid to our policyholders with our employees based on the perspective of our customers. Although the reporting obligation to the FSA was lifted in December 2011, in the event that the FSA deems that the development of our management structure for payments is insufficient for any reason, our reputation could be harmed and our business and results of operations could be adversely affected. We will continue to regularly report the occurrence of non-payments and underpayments of claims and benefits and improve our management structure for payments while monitoring the advancement of medical technology.

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

The Insurance Business Act and related regulations and guidelines set forth the standards under which policy reserves are calculated. Changes to such standards that would require us to increase our policy reserves could have a material adverse effect on our reported financial condition and results of operations. For example, the International Accounting Standards Board, which develops International Financial Reporting Standards, or IFRS, is currently considering new accounting standards for insurance contracts, including current value accounting for liabilities. Current value accounting for liabilities would require us to calculate policy reserves based on the current fair value of policy obligations taking into account factors such as current interest rate levels. In anticipation of the application of current value accounting for liabilities, we make provisions for policy reserves in excess of the amount currently required under applicable standards. If higher provisions for policy reserves than those that we have made are required, this could have an adverse effect on our financial condition and results of operations.

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

We, along with other life insurers in Japan, are required to support policyholders of failed life insurance companies through payments to the Life Insurance Policyholders Protection Corporation of Japan, or the LIPPC. The LIPPC provides funds upon acceptance and assumption by a successor life insurance company of the insurance policies of a failed life insurance company and also performs certain other specified functions. See “Regulation of the Japanese Life Insurance Industry—Insurance Business Act—Regulations for the Protection of Policyholders—Life Insurance Policyholders Protection Corporation of Japan.” The proportion of required contributions allocated to us could increase if our income from insurance premiums and policy reserves increase relative to other life insurance companies in Japan. In the event of future failures of Japanese life insurance companies or if the legal requirements for contributing to the LIPPC change, we may be required to make additional contributions to the LIPPC and our financial condition and results of operations could be adversely affected.

The failure of other Japanese life insurance companies could also damage the reputation of the Japanese life insurance industry and undermine consumer confidence in Japanese life insurers in general, which could lead to a decrease in our sales of new policies or an increase in lapses or surrenders of existing policies.

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

We are exposed to the risk of unpredictable liabilities for insurance claim payments in the event of catastrophic mortality in Japan due to catastrophic events, such as earthquakes, tsunamis, terror attacks or a pandemic, such as avian or swine flu, and other more localized disasters affecting Tokyo or other densely populated areas in Japan. Although we maintain a contingency reserve consistent with industry practice and accounting standards, there can be no assurance that such reserve will be adequate to cover actual claim liabilities. In addition, physical damage and other effects of such catastrophes could result in significant disruptions to our business operations.

Risks Relating to the Notes

Following our transition to a holding company structure, the Successor will be the sole obligor of the notes.

On October 1, 2016, we will shift to a holding company structure by way of an absorption-type corporate split transaction and substantially all of the assets and liabilities relating to Dai-ichi Life's domestic life insurance business, which does not include Dai-ichi Frontier Life and Neo First Life, will be transferred to the Successor. Shares of major Dai-ichi Group operating companies, including our domestic and overseas life insurance subsidiaries, will be retained at the holding company level. As a result, we expect total shareholders' equity of the Successor as of October 1, 2016 will be significantly less than shareholders' equity of Dai-ichi on a non-consolidated basis immediately before the effectiveness of the Transition, subject to any positive impact of the expected drawdown under a loan agreement with Mizuho Bank, Ltd. After our transition to a holding company structure, insurance and other risks related to the operating companies of the Dai-ichi Group to be retained at the holding company level will not directly be borne by the Successor. We expect that, upon our transition to a holding company structure on October 1, 2016, and without taking into account the effect of this offering, the solvency margin ratio of the Successor on a non-consolidated basis would decline only slightly compared to that of Dai-ichi on a non-consolidated basis as of March 31, 2016.

The indenture provides that all our rights and obligations with respect to the notes will be assumed by the Successor and, accordingly, holders of the notes will not be able to satisfy their claims, directly or indirectly, from the assets of the holding company, subsidiaries of the holding company other than the Successor or any other future subsidiary of the holding company. See "Transition to a Holding Company Structure."

We will have the right to, and under certain circumstances we will be required to, defer interest payments on the notes for an unlimited period of time.

We will have the right to defer all (and no less than all) interest payments on the notes for an unlimited period of time in our sole discretion, subject only to the occurrence of certain limited compulsory payment events when we or Dai-ichi Life Holdings, the listed holding company that will be our ultimate parent company upon consummation of the Transition on October 1, 2016 (or any other listed holding company that in the future may be our ultimate parent company), have made dividend payments on, or make certain repurchases of, preferred stock or common stock or, subject to certain exceptions, any liquidation parity securities, during a period of six months prior to the relevant interest payment date. Upon consummation of the Transition, the dividend policy of the Successor will be subject to the discretion of Dai-ichi Life Holdings. In addition, because the shares of common stock of the Successor will not be listed on any stock exchange and because Dai-ichi Life Holdings, as the Successor's sole shareholder, will be a holding company, it will have significant flexibility in determining the Successor's dividend policy due to its ample capital buffer, the absence of other shareholders and the existence of other dividend sources. Thus, the Successor's decision to pay dividends at any given time will be impacted by Dai-ichi Life Holdings' capital and dividend policy. Furthermore, we will be required to defer all interest payments on the notes upon the occurrence of certain mandatory interest deferral events, which include any failure to meet certain solvency margin ratio and regulatory capital requirements under the then-applicable regulations in Japan, as well as certain other events. This obligation to defer all interest payments will apply even if an otherwise compulsory payment event has occurred. During any such deferral, holders of the notes will receive no payments on the notes, and will have no remedies against us for nonpayment. In addition, no interest will accrue on any interest that has been deferred. See "Description of the Notes—Deferral of Interest Payments; Arrears of Interest; Compulsory Interest Payments."

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

Upon the occurrence of a subordination event (as defined under "Description of the Notes—Status of the Notes; Subordination"), any amounts payable under the notes will be subordinated in right of payment to the prior payment of all of our senior indebtedness. Senior indebtedness means all benefits and claims and other liabilities of Dai-ichi, or the Successor following the Transition (including any subordinated debt or obligation, whether dated or perpetual, outstanding as of the date hereof, and for the avoidance of doubt, statutory subordinated bankruptcy claims (*retsugoteki hasan saiken*), as defined in the Bankruptcy Law of Japan (Law No. 75 of 2004, as amended), or the Bankruptcy Law), other than liabilities under the notes and any liquidation parity securities. We expect from time to time to incur additional indebtedness and other obligations that will constitute senior indebtedness and the indenture does not contain any provisions restricting our ability to incur senior indebtedness, including the amount of any such senior indebtedness.

For this purpose, "liquidation parity securities" means any (i) preferred stock and (ii) any other liabilities of Dai-ichi that are expressly designated as being on a parity with, or ranking *pari passu* with, the preferred stock or the notes as to priority of liquidation payment. As of March 31, 2016, we had no outstanding preferred stock and had liquidation parity securities outstanding consisting of 7.25% step-up callable perpetual subordinated notes with a total principal amount of $1,300,000,000, which are subject to optional redemption on any quarterly interest payment date on or after July 25, 2021, or the 2011 subordinated notes, and 5.10% step-up callable perpetual subordinated notes with a total principal amount of $1,000,000,000, which are subject to optional redemption on any quarterly interest payment date on or after October 28, 2024, or the 2014 subordinated notes. At the time of the Transition, these outstanding subordinated notes will also be assumed by the Successor.

See "Description of the Notes—Status of the Notes; Subordination."

There are only limited rights of acceleration.

The trustee may accelerate payment of the principal and accrued and unpaid interest on the notes only upon the occurrence and continuation of an event of acceleration. An event of acceleration is generally limited to events of liquidation, bankruptcy, reorganization, civil rehabilitation or other equivalent proceedings. Failure to make any interest payments on the notes will not by itself result in any such event of acceleration.

We may redeem the notes at our option on or after July 24, 2026, and upon the occurrence of certain adverse tax or special events.

We will have the option to redeem the notes in whole (but not in part), subject to compliance with applicable regulatory requirements, on July 24, 2026 and on any interest payment date thereafter. In addition, we will have the option to redeem the notes in whole (but not in part) upon the occurrence prior to July 24, 2026 of certain adverse tax or special events. Any redemption of the notes will be subject to the conditions described under "Description of the Notes—Redemption." If the notes were redeemed, holders may not be able to reinvest the money received upon such redemption at the same rate of return. For the tax consequences to holders of a redemption, see "Taxation."

The notes are perpetual securities, and holders will have no right to call for their redemption.

The notes are perpetual securities and have no fixed maturity date or redemption date. We are under no obligation to redeem the notes at any time, and holders will have no rights to call for their redemption.

The market for the notes offered by this offering circular may have limited liquidity.

Although approval in-principle has been received for the listing of the notes on the Singapore Exchange, there can be no assurance that any liquid markets for the notes will ever develop or be maintained. Furthermore, there can be no assurance as to the liquidity of any markets that may develop for the notes or the prices at which you will be able to sell your notes, if at all.

Future trading prices of the notes will depend on many factors, including:

- prevailing interest rates;
- our financial condition and results of operations;
- the then-current ratings assigned to the notes;
- the market for similar securities; and
- general economic conditions.

Any trading markets that develop would be affected by many factors independent of and in addition to the foregoing, including the outstanding amount of the notes, and the level, direction and volatility of market interest rates generally.

The ratings of the notes could be lowered.

The notes have received a provisional rating of A- from S&P Global Ratings and a provisional rating of A- from Fitch Ratings. In addition, other rating agencies may assign credit ratings to the notes without solicitation from or provision of information by us. Such ratings are limited in scope, and do not address all material risks relating to an investment in the notes, but reflect only the view of each rating agency at the time the rating is issued. There is no assurance that such credit ratings will remain in effect for any given period of time or that such ratings will not be lowered, suspended or withdrawn entirely by the rating agencies, if, in each rating agency's judgment, circumstances so warrant. A downgrade or potential downgrade in these ratings or the assignment of new ratings that are lower than existing ratings could reduce the population of potential investors in the notes and adversely affect the price and liquidity of the notes. A rating is based upon information furnished by us or obtained by the rating agency from its own sources and is subject to revision, suspension or withdrawal by the rating agency at any time.

Deferral of interest payments and other characteristics of the notes could adversely affect the market price of the notes.

We currently do not intend to exercise our right to defer payments of interest on the notes. However, if we exercise that right in the future, the market price of the notes is likely to be affected. As a result of the existence of our deferral right, the market price of the notes may be more volatile than the market price of other securities that are not subject to optional or mandatory deferrals. If we do defer interest on the notes and you elect to sell notes during the period of that deferral, you may not receive the same return on your investment as a holder that continues to hold its notes until we pay the deferred interest at the end of the applicable deferral period.

The notes are unlike traditional subordinated debt securities not only with respect to the possible optional and mandatory deferral of interest, but also in that holders will have limited remedies. Investor demand for securities with the characteristics of the notes may change as these characteristics are assessed by market participants, regulators, rating agencies and other. Accordingly, the notes that you purchase, whether pursuant to the offer made by this offering circular or in the secondary market, may trade at a significant discount to the price that you paid.

The assumption of the notes will more likely than not be a taxable event to United States Holders of the notes.

As part of our transition to a holding company structure, the Successor will assume our rights and obligations with respect to the notes upon completion of the Transition, and we and the Successor will execute a supplemental indenture with the trustee to confirm its assumption of the notes. See "Transition to a Holding Company Structure." Although the treatment of the assumption of the notes for United States federal income tax purposes is unclear, we believe that the assumption of the notes by the Successor will more likely than not be a taxable event to United States Holders (as defined in "Taxation—United States Federal Income Taxation") of the notes. However, we are unaware of any binding authority directly applicable to the tax treatment of the assumption and no assurance can be given that the Internal Revenue Service, or the IRS, will not take a different position as to the tax consequences to United States Holders for United States federal income tax purposes and that a court would not sustain such assertion. See "Taxation—United States Federal Income Taxation—Taxation of the Assumption of the Notes."

The notes are expected to be treated as equity interests for United States federal income tax purposes, in which case United States Holders could be subject to adverse United States federal income tax consequences if we are or we or the Successor were to become a "passive foreign investment company" for United States federal income tax purposes.

The notes are expected to be characterized as equity interests, rather than as indebtedness, for United States federal income tax purposes. As a result, United States Holders (as defined in "Taxation—United States Federal Income Taxation") could be subject to certain adverse United States federal income tax consequences in the event that we or the Successor, as applicable, are classified as a passive foreign investment company, or PFIC, for United States federal income tax purposes. While we do not believe we are a PFIC and we do not expect that we or the Successor will become one in the future, there can be no assurance in this regard. In addition, our determination is based in part upon certain proposed United States Treasury regulations that are not yet in effect and which are subject to change in the future. Those regulations and other administrative pronouncements from the IRS provide special rules for determining the character of income and assets derived in the active conduct of an insurance business for purposes of the PFIC rules. Although we believe we have adopted a reasonable interpretation of the regulations and administrative pronouncements, there can be no assurance that the IRS will follow the same interpretation.

Additionally, since PFIC status depends upon the composition of our income and assets and the market value of our assets, or those of the Successor, as applicable, from time to time, there can be no assurance that we or the Successor will not be considered a PFIC for any future taxable year. If we are, or the Successor is, as applicable, a PFIC for any taxable year during which you hold the notes in the relevant entity, you will be subject to special tax rules. See "Taxation—United States Federal Income Taxation—Passive Foreign Investment Company."

USE OF PROCEEDS

The aggregate gross proceeds from the offering of the notes will be $2,500,000,000.

In addition, we expect that the estimated aggregate net proceeds from the offering of the notes, after deducting the initial purchasers' discounts and other estimated expenses related to the offering, will be approximately $2,472,000,000.

We intend to use the net proceeds of the sale of the notes for general corporate purposes.

EXCHANGE RATES

The following table sets forth, for each period indicated, the high, low and average exchange rates for yen against dollars traded in the Tokyo foreign exchange market, based on the telegraphic transfer of middle rate published by The Bank of Tokyo-Mitsubishi UFJ, Ltd., and the exchange rate quotations at each period end, expressed in yen per $1.00.

Year ended/ending March 31,	High	Low	Average(1)	Period end
	(yen per dollar)			
2012	¥ 85.44	¥ 75.98	¥ 79.08	¥ 82.19
2013	96.45	77.60	82.91	94.05
2014	105.39	92.91	100.17	102.92
2015	121.58	101.26	109.76	120.17
2016	125.49	111.17	120.15	112.68
2017 (through July 13, 2016)	112.35	100.76	107.28	104.65
Most recent six months:				
January 2016	120.87	117.05	118.34	120.87
February 2016	121.17	111.96	115.08	113.62
March 2016	113.96	111.17	113.03	112.68
April 2016	112.35	108.01	109.83	109.75
May 2016	110.94	106.42	109.12	110.94
June 2016	110.63	100.76	105.48	102.91
July 2016 (through July 13, 2016)	104.65	100.81	102.12	104.65

Note:

(1) Averages are calculated based on the average of the telegraphic transfer middle rate published by The Bank of Tokyo-Mitsubishi UFJ, Ltd. on each business day for the period.

The exchange rates included above are for reference only and are not necessarily the rates used to calculate ratios or to convert yen to U.S. dollars in our financial statements or elsewhere in this offering circular. No representation is made that the yen amounts referred to herein have been, could have been or could be converted into U.S. dollars at these or any other rates.

CAPITALIZATION

The following table sets forth our unaudited consolidated capitalization as of March 31, 2016 on a historical basis and an adjusted basis to give effect to the offering of the notes. The data set forth in the following table and notes thereto should be read in conjunction with the audited consolidated financial statements and notes thereto included elsewhere in this offering circular.

	As of March 31, 2016	
	Actual	As adjusted for the offering of the notes
	(billions of yen)	
Foreign currency-denominated subordinated bonds	¥ 269.8	¥ 269.8
Subordinated notes offered hereby[1]	—	281.7
Subordinated debt	283.0	283.0
Net assets:		
Capital stock	343.1	343.1
Common stock:		
Authorized—4,000,000,000 shares		
Issued—1,198,023,000 shares		
Class A preferred stock:		
Authorized—100,000,000 shares		
Issued—0 shares		
Capital surplus	330.1	330.1
Retained earnings	479.2	479.2
Accumulated remeasurements of defined benefit plans	(33.6)	(33.6)
Subscription rights to shares	0.9	0.9
Net unrealized gains on securities, net of tax	1,840.0	1,840.0
Deferred hedge gains (losses)	(3.8)	(3.8)
Reserve for land revaluation	(16.4)	(16.4)
Foreign currency translation adjustments	16.5	16.5
Treasury stock[2]	(23.2)	(23.2)
Non-controlling interests	0.0	0.0
Total net assets	¥2,932.9	¥2,932.9
Total capitalization	¥3,485.8	¥3,767.5

Notes:

(1) The amount of subordinated notes offered hereby has been translated into yen at the rate of $1.00 to ¥112.68, the rate of exchange prevailing as of March 31, 2016.

(2) The table does not reflect our repurchase of an aggregate of 11,695,500 shares of our common stock from the open market, which was completed on June 9, 2016 or the distribution of approximately ¥41.6 billion of dividends on June 27, 2016.

(3) Except as set forth above, and except for changes to retained earnings due to the results of our operations in the ordinary course of business, there has been no material change to our consolidated capitalization since March 31, 2016.

SELECTED FINANCIAL DATA

The tables below set forth certain selected consolidated and non-consolidated financial data as of and for the periods indicated.

The selected consolidated statement of earnings data, changes in net assets data and balance sheet data set forth below as of and for the years ended March 31, 2014, 2015 and 2016 have been derived from, and should be read in conjunction with, our annual consolidated financial statements and the notes thereto contained elsewhere in this offering circular, which have been audited by Ernst & Young ShinNihon LLC, independent auditors. The selected consolidated statement of earnings data, changes in net assets data and balance sheet data as of and for the years ended March 31, 2012 and 2013 have been derived from our annual consolidated financial statements and the notes thereto not contained in this offering circular, which have been audited by Ernst & Young ShinNihon LLC, independent auditors.

The information below should also be read in conjunction with, and is qualified in its entirety by reference to, "Management's Discussion and Analysis of Financial Condition and Results of Operations."

Our consolidated financial statements are prepared and presented in accordance with Japanese GAAP, which differs in certain significant respects from accounting principles generally accepted in other countries, including the United States, as well as IFRS.

	As of and for the year ended March 31,				
	2012	2013	2014	2015	2016
	(millions of yen)				
Statement of Earnings Data					
Ordinary revenues:					
Premium and other income	¥3,539,579	¥3,646,831	¥4,353,229	¥5,432,717	¥5,586,000
Investment income	1,035,662	1,335,120	1,320,066	1,444,012	1,344,852
Other ordinary revenues	356,539	302,037	371,659	375,513	403,094
Total ordinary revenues	4,931,781	5,283,989	6,044,955	7,252,242	7,333,947
Ordinary expenses:					
Benefits and claims	¥2,688,419	¥2,795,355	¥2,903,587	¥3,380,827	¥3,830,941
Provision for policy reserves and others	718,673	1,191,953	1,634,864	2,271,268	1,496,360
Investment expenses	380,315	221,738	234,950	168,935	524,041
Operating expenses	471,061	486,419	517,566	559,344	661,384
Other ordinary expenses	447,390	431,227	449,236	465,022	403,052
Total ordinary expenses	4,705,860	5,126,695	5,740,205	6,845,400	6,915,780
Ordinary profit	225,920	157,294	304,750	406,842	418,166
Extraordinary gains	30,477	8,882	3,634	3,310	308
Extraordinary losses	36,348	24,054	67,374	29,451	55,272
Provision for reserve for policyholder dividends	69,000	86,000	94,000	112,200	97,500
Income before income taxes	151,048	56,122	147,010	268,502	265,702
Corporate income taxes-current	29,597	80,625	117,221	125,503	103,064
Corporate income taxes-deferred	104,024	(54,086)	(46,467)	509	(15,887)
Net income	17,427	29,583	76,256	142,489	178,524
Net income (loss) attributable to non-controlling interests	(2,930)	(2,843)	(1,674)	12	9
Net income attributable to shareholders of parent company	20,357	32,427	77,931	142,476	178,515

	2012	2013	2014	2015	2016
	As of and for the year ended March 31, (millions of yen)				
Changes in Net Assets Data:					
Balance at the beginning of the year	¥ 731,835	¥ 991,745	¥ 1,649,020	¥ 1,947,613	¥ 3,589,927
Cumulative effect of changes in accounting policies	—	—	—	11,272	(16,962)
Balance at the beginning of the year after reflecting the effect of changes in accounting policies	731,835	991,745	1,649,020	1,958,885	3,572,965
Changes for the year:					
Issuance of new shares	—	—	—	265,684	—
Issuance of new shares—exercise of subscription rights to shares	—	14	35	74	84
Dividends	(15,776)	(15,818)	(15,855)	(19,846)	(33,359)
Net income attributable to shareholders of parent company	20,357	32,427	77,931	142,476	178,515
Purchase of treasury stock	—	—	—	—	(15,000)
Disposal of treasury stock	2,459	2,182	1,967	1,890	1,967
Transfer from reserve for land revaluation	13,284	(24,718)	1,055	771	(14,609)
Others	0	0	62	(1,239)	(995)
Net changes of items other than shareholders' equity	239,584	663,187	233,396	1,241,230	(756,608)
Total changes for the year	259,909	657,274	298,593	1,631,042	(640,006)
Balance at the end of the year	991,745	1,649,020	1,947,613	3,589,927	2,932,959
Balance Sheet Data:					
Total assets	¥33,468,670	¥35,694,411	¥37,705,176	¥49,837,202	¥49,924,922
Liabilities:					
Policy reserves	29,862,729	31,012,539	32,574,923	41,634,712	42,922,534
Total liabilities	32,476,924	34,045,391	35,757,563	46,247,274	46,991,963
Net assets:					
Capital stock	210,200	210,207	210,224	343,104	343,146
Capital surplus	210,200	210,207	210,262	343,255	330,105
Retained earnings	165,557	156,357	219,552	352,985	479,241
Treasury stock	(16,703)	(13,431)	(11,500)	(9,723)	(23,231)
Total shareholders' equity	569,253	563,340	628,538	1,029,622	1,129,262
Net unrealized gains (losses) on securities, net of tax	483,446	1,099,351	1,322,731	2,528,262	1,840,084
Deferred hedge gains (losses)	(44)	(1,801)	(2,586)	(12,036)	(3,865)
Reserve for land revaluation	(61,616)	(36,995)	(38,320)	(33,424)	(16,402)
Foreign currency translation adjustments	(8,535)	18,229	19,756	22,654	16,570
Accumulated remeasurements of defined benefit plans	—	—	16,854	54,027	(33,688)
Total accumulated other comprehensive income	413,249	1,078,784	1,318,435	2,559,484	1,802,698
Subscription rights to shares	150	379	583	753	925
Non-controlling interests	9,091	6,514	55	67	72
Total net assets	991,745	1,649,020	1,947,613	3,589,927	2,932,959
Total liabilities and net assets	33,468,670	35,694,411	37,705,176	49,837,202	49,924,922

	As of and for the year ended March 31,				
	2012	2013	2014	2015	2016
	(billions of yen, except percentages)				
Other Data (non-consolidated, except where indicated):					
Annualized net premiums from policies in force (sum of consolidated companies)	¥ 2,322	¥ 2,425	¥ 2,560	¥ 3,217	¥ 3,396
Dai-ichi	2,006	2,025	2,016	2,037	2,065
Dai-ichi Frontier Life	191	237	328	451	565
Neo First Life	—	—	—	3	3
Protective	—	—	—	500	511
TAL	119	154	204	207	229
Dai-ichi Life Vietnam	5	7	10	15	20
Annualized net premiums from new business (sum of consolidated companies)	205	244	303	339	387
Dai-ichi	128	149	119	145	140
Dai-ichi Frontier Life	47	60	111	164	153
Neo First Life	—	—	—	0	0
Protective	—	—	—	—	35
TAL	28	31	69	24	49
Dai-ichi Life Vietnam	1	2	3	5	7
Total policy amount in force for individual life insurance and annuities	146,135	141,861	136,893	130,947	124,721
New individual life insurance and annuities sales	7,051	7,821	6,467	4,643	3,297
Fundamental profit (Dai-ichi Group basis)(1)	319.9	364.2	446.1	472.0	535.1
Average annual yield of general account assets (Dai-ichi)(2)	1.99%	2.42%	2.59%	2.71%	2.50%

	As of March 31,				
	2012	2013	2014	2015	2016
	(billions of yen)				
Embedded Value Data:					
Embedded value (Dai-ichi Group basis)(3)(4)(5)	¥2,661.5	¥3,341.9	¥4,294.7	¥5,987.6	¥4,646.1
Embedded value (Dai-ichi)(3)(4)	2,715.0	3,352.9	4,268.5	5,908.8	4,441.4

Notes:

(1) The Dai-ichi Group's fundamental profit for the three years ended March 31, 2016 is the sum of fundamental profit of Dai-ichi, Dai-ichi Frontier Life and Neo First Life (only for the nine months ended March 31, 2015 and the year ended March 31, 2016), Protective's net income before tax (only for the year ended March 31, 2016), TAL's underlying profit (before tax) and Dai-ichi Life Vietnam's net income before tax (after partial elimination of intra-group transactions). The Dai-ichi Group's fundamental profit for the year ended March 31, 2013 is the sum of fundamental profit of Dai-ichi, Dai-ichi Frontier Life, TAL's underlying profit (before tax) and Dai-ichi Life Vietnam's net income before tax (after partial elimination of intra-group transactions). The Dai-ichi Group's fundamental profit for the year ended March 31, 2012 is the sum of fundamental profit of Dai-ichi and Dai-ichi Frontier Life. See "Management's Discussion and Analysis of Financial Condition and Results of Operations—Fundamental Profit."

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

(3) Embedded value figures are calculated in accordance with European Embedded Value Principles, as set forth in the May 2004 publication, European Embedded Value Principles, and related guidance published by the CFO Forum, an organization comprising the chief financial officers of Europe's leading life insurers. For a discussion of embedded value, including changes in the assumptions used to calculate embedded value, see "Management's Discussion and Analysis of Financial Condition and Results of Operations—Embedded Value." For calculations of the embedded value as of March 31, 2016, the extrapolation method beyond the last liquid data point of Japanese interest rate was changed from a method taking into account the yield curve of Japanese swap rate to a method using an ultimate forward rate. In conjunction with this, allowance has been made for the uncertainty in the realization of the ultimate forward rate. For consistent valuation, the embedded value as of March 31, 2015 has been restated using the new method. See "Management's Discussion and Analysis of Financial Condition and Results of Operations—Embedded Value— Embedded Value as of March 31, 2014, 2015 and 2016" for restatements of the embedded value as of March 31, 2015 and value of new business for the year ended March 31, 2015 for the Dai-ichi Group and Dai-ichi using the new method.

(4) For purposes of embedded value calculations, the Dai-ichi Group refers to Dai-ichi, Dai-ichi Frontier Life and TAL for the years ended March 31, 2012, 2013 and 2014, to Dai-ichi, Dai-ichi Frontier Life, TAL and Protective for the year ended March 31, 2015, and to Dai-ichi, Dai-ichi Frontier Life, Neo First Life, TAL and Protective for the year ended March 31, 2016. For the years ended March 31, 2012, 2013 and 2014, embedded value of the Dai-ichi Group is calculated as (i) the embedded value of Dai-ichi plus (ii) the embedded value of Dai-ichi Frontier Life corresponding to Dai-ichi's equity stake in Dai-ichi Frontier Life plus (iii) the embedded value of TAL corresponding to Dai-ichi's equity stake in TAL less (iv) the carrying amount of the equity of Dai-ichi Frontier Life held by Dai-ichi less (v) the carrying amount of the equity of TAL held by Dai-ichi. For the year ended March 31, 2015, embedded value of the Dai-ichi Group is calculated as (i) the embedded value of Dai-ichi plus (ii) the embedded value of Dai-ichi Frontier Life corresponding to Dai-ichi's equity stake in Dai-ichi Frontier Life plus (iii) the embedded value of Protective as of February 1, 2015 corresponding to Dai-ichi's equity stake in

Protective plus (iv) the embedded value of TAL corresponding to Dai-ichi's equity stake in TAL less (v) the carrying amount of the equity of Dai-ichi Frontier Life held by Dai-ichi less (vi) the carrying amount of the equity of Protective held by Dai-ichi less (vii) the carrying amount of the equity of TAL held by Dai-ichi. For the year ended March 31, 2016, embedded value of the Dai-ichi Group is calculated as (i) the embedded value of Dai-ichi plus (ii) the embedded value of Dai-ichi Frontier Life corresponding to Dai-ichi's equity stake in Dai-ichi Frontier Life plus (iii) the embedded value of Neo First Life corresponding to Dai-ichi's equity stake in Neo First Life plus (iv) the embedded value of Protective as of December 31, 2015 corresponding to Dai-ichi's equity stake in Protective plus (v) the embedded value of TAL corresponding to Dai-ichi's equity stake in TAL less (vi) the carrying amount of the equity of Dai-ichi Frontier Life held by Dai-ichi less (vii) the carrying amount of the equity of Neo First Life held by Dai-ichi less (viii) the carrying amount of the equity of Protective held by Dai-ichi less (ix) the carrying amount of the equity of TAL held by Dai-ichi. Dai-ichi held 90.0% of the shares of Dai-ichi Frontier Life as of March 31, 2012 and 2013, and 100.0% of the shares of Dai-ichi Frontier Life as of March 31, 2014, 2015 and 2016. Dai-ichi held 100.0% of the shares of Neo First Life as of March 31, 2016. Dai-ichi held 100.0% of the shares of Protective as of March 31, 2015 and 2016. Dai-ichi held 100.0% of the shares of TAL as of March 31, 2012, 2013, 2014, 2015 and 2016. The carrying amount of the equity of Dai-ichi Frontier Life held by Dai-ichi was ¥163.4 billion as of March 31, 2012 and 2013, and ¥181.9 billion as of March 31, 2014, 2015 and 2016. The carrying amount of the equity of Neo First Life held by Dai-ichi was ¥35.7 billion as of March 31, 2016. The carrying amount of the equity of Protective held by Dai-ichi was ¥578.3 billion as of March 31, 2015 and 2016. The carrying amount of the equity of TAL held by Dai-ichi was ¥136.5 billion as of March 31, 2012 and 2013, ¥142.0 billion as of March 31, 2014, ¥154.5 billion as of March 31, 2015 and ¥162.5 billion as of March 31, 2016.

(5) In the table, embedded values of Protective used in calculations as of March 31, 2015 and March 31, 2016 are as of February 1, 2015 and as of December 31, 2015, respectively.

Supplemental Non-Consolidated Financial Data

We present below tables that set forth certain selected non-consolidated financial data of Dai-ichi as of and for the periods indicated. The selected non-consolidated statement of earnings data, changes in net assets data and balance sheet data set forth below as of and for the years ended March 31, 2014, 2015 and 2016 have been derived from, and should be read in conjunction with, our annual non-consolidated financial statements and the notes thereto contained elsewhere in this offering circular, which have been audited by Ernst & Young ShinNihon LLC, independent auditors. The selected non-consolidated statement of earnings data, changes in net assets data and balance sheet data as of and for the years ended March 31, 2012 and 2013 have been derived from our annual non-consolidated financial statements and the notes thereto not contained in this offering circular, which have been audited by Ernst & Young ShinNihon LLC, independent auditors.

Our non-consolidated financial statements are prepared and presented in accordance with Japanese GAAP, which differs in certain significant respects from accounting principles generally accepted in other countries, including the United States, as well as IFRS.

	As of and for the year ended March 31,				
	2012	2013	2014	2015	2016
	(millions of yen)				
Statement of Earnings Data:					
Ordinary revenues:					
Premium and other income	¥ 3,056,096	¥ 2,921,863	¥ 2,868,061	¥ 3,266,361	¥ 2,866,602
Investment income	974,046	1,104,462	1,161,432	1,174,430	1,060,017
Other ordinary revenues	368,063	289,631	355,176	357,675	339,158
Total ordinary revenues	4,398,207	4,315,957	4,384,670	4,798,467	4,265,779
Ordinary expenses:					
Benefits and claims	¥ 2,508,726	¥ 2,467,768	¥ 2,439,165	¥ 2,718,186	¥ 2,681,396
Provision for policy reserves and others	431,636	642,751	583,309	702,820	209,103
Investment expenses	363,380	206,514	213,928	131,253	273,985
Operating expenses	415,611	408,876	410,515	398,588	404,114
Other ordinary expenses	435,087	416,239	430,140	438,854	352,956
Total ordinary expenses	4,154,442	4,142,150	4,077,058	4,389,702	3,921,556
Ordinary profit	243,765	173,806	307,612	408,764	344,222
Extraordinary gains	7,589	8,877	3,618	3,029	286
Extraordinary losses	35,962	23,502	66,415	27,252	52,274
Provision for reserve for policyholder dividends	69,000	86,000	94,000	112,200	97,500
Income before income taxes	146,391	73,182	150,815	272,341	194,734
Corporate income taxes-current	24,798	76,190	112,720	119,336	95,850
Corporate income taxes-deferred	103,968	(54,473)	(47,449)	808	(30,238)
Total of corporate income taxes	128,766	21,716	65,270	120,145	65,611
Net income	17,624	51,465	85,544	152,196	129,123

	As of and for the year ended March 31,				
	2012	2013	2014	2015	2016
	(millions of yen)				
Changes in Net Assets Data:					
Balance at the beginning of the year	¥ 766,437	¥ 1,028,379	¥ 1,677,691	¥ 1,971,839	¥ 3,551,333
Cumulative effect of changes in accounting policies	—	—	—	10,330	—
Balance at the beginning of the year after reflecting the effect of changes in accounting policies	766,437	1,028,379	1,677,691	1,982,170	3,551,333
Changes for the year:					
Issuance of new shares	—	—	—	265,684	—
Issuance of new shares—exercise of subscription rights to shares	—	14	35	74	84
Dividends	(15,776)	(15,818)	(15,855)	(19,846)	(33,359)
Net income	17,624	51,465	85,544	152,196	129,123
Purchase of treasury stock	—	—	—	—	(15,000)
Disposal of treasury stock	2,459	2,182	1,967	1,890	1,967
Transfer from reserve for land revaluation	13,284	(24,718)	1,055	771	(14,609)
Net changes of items other than shareholders' equity	244,350	636,186	221,400	1,168,391	(516,344)
Total changes for the year	261,941	649,311	294,148	1,569,163	(448,138)
Balance at the end of the year	1,028,379	1,677,691	1,971,839	3,551,333	3,103,195
Balance Sheet Data:					
Total assets	¥ 31,461,940	¥ 33,072,490	¥ 34,028,823	¥ 36,828,768	¥35,894,956
Liabilities:					
Policy reserves and others	28,529,906	29,168,377	29,744,001	30,449,617	30,635,217
Total liabilities	30,433,560	31,394,799	32,056,983	33,277,434	32,791,760
Net assets:					
Capital stock	210,200	210,207	210,224	343,104	343,146
Capital surplus	210,200	210,207	210,262	343,255	343,772
Retained earnings	206,703	216,541	287,286	430,738	511,892
Treasury stock	(16,703)	(13,431)	(11,500)	(9,723)	(23,231)
Total shareholders' equity	610,399	623,524	696,272	1,107,375	1,175,581
Net unrealized gains on securities, net of tax	479,490	1,092,583	1,315,890	2,488,665	1,946,957
Deferred hedge gains (losses)	(44)	(1,801)	(2,586)	(12,036)	(3,865)
Reserve for land revaluation	(61,616)	(36,995)	(38,320)	(33,424)	(16,402)
Total of valuation and translation adjustments	417,829	1,053,786	1,274,983	2,443,204	1,926,688
Subscription rights to shares	150	379	583	753	925
Total net assets	1,028,379	1,677,691	1,971,839	3,551,333	3,103,195
Total liabilities and net assets	31,461,940	33,072,490	34,028,823	36,828,768	35,894,956

	As of and for the year ended March 31,				
	2012	2013	2014	2015	2016
	(billions of yen, except number of sales representatives and percentages)				
Other data:					
Fundamental profit	¥ 302.4	¥ 314.5	¥ 399.8	¥ 458.2	¥ 465.4
Number of sales representatives(1)	43,948	44,418	43,366	42,262	42,983
Amounts of surrender and lapse (trillions of yen)	7.1	6.6	6.1	5.6	5.0
Surrender and lapse rate	4.69%	4.53%	4.31%	4.12%	3.87%

Note:

(1) Sales representatives in the table above include all persons who have entered into mandate agreements for the sale of life insurance products with, and are registered as life insurance solicitors of, Dai-ichi. The number of such sales representatives who were not full-time employees of Dai-ichi, and who were engaged mainly in ancillary work, was 678, 639, 603, 567 and 512 as of March 31, 2012, 2013, 2014, 2015 and 2016, respectively.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Prospective investors should read the following discussion of our financial condition and results of operations together with the consolidated and non-consolidated financial statements and notes to such statements included elsewhere in this offering circular. The consolidated and non-consolidated financial statements have been prepared in accordance with Japanese GAAP, which differs in certain significant respects from accounting principles generally accepted in other countries, including the United States, as well as IFRS. This section contains forward-looking statements that involve risks, uncertainties and assumptions. Our actual results may differ materially from those anticipated in these forward-looking statements as a result of factors, including, but not limited to, those set forth under "Risk Factors" and elsewhere in this offering circular.

Overview

We are the second largest life insurance company in Japan, as measured by premium and other income for the year ended March 31, 2016 on a consolidated basis. We offer a wide range of products, including individual and group life insurance and annuities and other insurance products. Our ordinary revenues include premium and other income, investment income and other ordinary revenues. We earn most of our ordinary revenues from premium and other income, which accounted for 76.2% of our ordinary revenues for the year ended March 31, 2016.

We operate primarily in Japan, currently the world's second largest market for life insurance based on total premium volume. The Japanese life insurance market is a mature one, characterized by high penetration rates. Since the late 1990s, total policy amount in force, total sales of new life insurance products and penetration rates for the Japanese market as a whole have been decreasing, due in part to changing demographics and shifts in demand reflecting changes in consumer lifestyles and preferences. These trends have contributed to a market characterized by:

- increased offerings of "third sector" insurance products such as medical, cancer and nursing care insurance products;
- diversification of distribution channels, including the growing importance of retail bank branches, referred to as the bancassurance channel, sales and marketing partnerships with other types of financial services providers, and walk-in insurance shops, partly as a result of the deregulation of sales of insurance products;
- strong competition for market share among Japan's traditional life insurance companies as well as newer market entrants; and
- growing demand for individual annuities as a source of post-retirement income.

The sale of individual policies via our sales representatives remains our core business. In recent periods, we have maintained our "Customer First" management philosophy and taken steps to improve training of our sales representatives and to deepen their relationships with our customers. As a result, we have been able to reduce policy surrenders and lapses of individual life insurance each year in the eleven-year period ended March 31, 2016. We have also undertaken a number of initiatives in other areas, including:

- expanding offerings of third sector insurance products;
- establishing Dai-ichi Frontier Life, which commenced operations in October 2007, to strengthen our offerings of annuity products through the bancassurance channel and other financial institutions;
- investing in business opportunities in other markets in the Asia Pacific region and the United States with long-term growth potential; and
- acquiring a 90% stake in Sompo Japan DIY Life Insurance (renamed as Neo First Life) previously owned by Sompo Japan in August 2014 and making it our wholly-owned subsidiary in order to reach new customers through non-traditional channels, such as the bancassurance channel and walk-in insurance shops.

On February 1, 2015, we completed the acquisition of Protective and Protective became our wholly-owned subsidiary, thereby leading us into the third stage of our overseas business growth and establishing a basis for sustainable growth across Japan, Asia and the United States. Our current overseas operations also include wholly-owned life insurance companies in Vietnam, in operation since 2007, and Australia, where we made TAL a wholly-owned subsidiary in 2011. We have also invested in overseas insurance companies in Indonesia, India and Thailand. In the asset management area, we invested in Janus in the United States, which is currently an equity-method affiliate.

Scope of Consolidated Group

As of March 31, 2016, we had 61 consolidated subsidiaries and 48 affiliates accounted for under the equity method. Dai-ichi on a non-consolidated basis accounted for 51.3% of our consolidated premium and other income for the year ended March 31, 2016. The premium and other income of Dai-ichi Frontier Life (before adjustments) accounted for 33.5% of our consolidated premium and other income for the year ended March 31, 2016. Neo First Life, our wholly-owned subsidiary since August 2014, sells simpler insurance products through non-traditional channels, such as the bancassurance channel and walk-in insurance shops. We also offer life insurance policies in the United States through our wholly-owned subsidiary, Protective, in Australia through our wholly-owned subsidiary, TAL, and in Vietnam through our consolidated subsidiary, Dai-ichi Life Vietnam. Premium and other income of Protective, TAL and Dai-ichi Life Vietnam (before adjustments) accounted for 10.1%, 4.7% and 0.3%, respectively, of our consolidated premium and other income for the year ended March 31, 2016.

Unless otherwise noted, the discussion of results of operations and financial condition included below refers to the consolidated financial statements included elsewhere in this offering circular.

On October 1, 2016, Dai-ichi is scheduled to shift to a holding company structure by way of an absorption-type corporate split. Upon completion of the Transition, substantially all of the assets and liabilities relating to Dai-ichi Life's domestic life insurance business, which does not include Dai-ichi Frontier Life and Neo First Life, will be transferred to the Successor and we will become a holding company managing the Successor and all the other Dai-ichi Group operating companies. Pursuant to their terms, the notes will become obligations of the Successor upon completion of the Transition, and we and the Successor will execute a supplemental indenture with the trustee to confirm its assumption of the notes. Following the Transition, holders of the notes will not have any direct or indirect claim on Dai-ichi Life Holdings, any of its subsidiaries other than the Successor, or any other of its future subsidiaries. See "Transition to a Holding Company Structure."

Our Medium-term Management Plan

Under our current medium-term management plan, "D-Ambitious," for the Dai-ichi Group, publicly announced on May 15, 2015 and which covers the three years ending March 31, 2018, we have established several management objectives to be attained by the end of the plan with the aim of improving our corporate value, growth, financial soundness and shareholder return.

The Dai-ichi Group management objectives for our consolidated group include:

- an average return on embedded value of over 8% per year over the period of the plan;
- consolidated adjusted net income of ¥220 billion in the fiscal year ending March 31, 2018. Consolidated adjusted net income is calculated by adding (subtracting) provision for (reversal of) reserves that are classified as liabilities, such as reserve for price fluctuation and contingency reserve, over the statutory minimum, to (from) consolidated net income (after tax);
- an increase in annualized net premiums from policies in-force on a group basis of 9% as of March 31, 2018 as compared to March 31, 2015; and
- improve our total payout ratio to approximately 40% during the period of the plan.

Our economic capital adequacy ratio was 98% (on a group basis) as of March 31, 2016. We consider the economic capital adequacy ratio to be a mid- to long-term indicator of financial soundness and calculate it by dividing the amount of capital based on economic capital by the amount of risk based on our internal model (after tax, confidence interval of 99.5%). We are proactively monitoring a Solvency II-like indicator based on an internal model despite the ICS not being finalized yet. We have targeted an economic capital adequacy ratio of 170% to 200% (on a group basis) under our current medium-term management plan. We intend to achieve this target by increasing the value of new business as well as implementing several other measures to increase capital (such as non-dilutive measures of capital increase) and decreasing risk (such as adequate control of risk asset exposure and asset duration in accordance with the level of interest rates). Despite the negative interest rate policy introduced by the Bank of Japan and the resulting very low interest rate environment, we have assumed that some level of economic recovery would contribute to increasing our economic capital adequacy ratio (on a group basis). However, if the current very low interest rate environment persists, we may consider additional initiatives in order to improve our economic capital adequacy ratio (on a group basis), or reconsidering our timeline for the target, if necessary.

The management objectives in our medium-term management plan are forward-looking statements. See "Forward-Looking Statements." The management objectives set forth above are presented on a Dai-ichi Group basis and do not represent the objectives or targets of the Successor after the Transition. Our ability to achieve these objectives is subject to risks and uncertainties, including those described under "Risk Factors," "Management's Discussion and Analysis of Financial Condition and Results of Operations" and elsewhere in this offering circular. Our management objectives are based upon a number of assumptions, beliefs and expectations established at the time the objectives were announced on May 15, 2015. Such assumptions, beliefs and expectations involve significant subjective judgment and relate to matters that are outside of our control, such as the assumption that the economic environment would remain similar to that as of May 15, 2015. There can be no assurance that we will achieve such management objectives.

Business Environment

In part as a result of the introduction by the Bank of Japan of a plan for quantitative and qualitative monetary easing in April 2013 in order to attain a 2% inflation target, the Japanese yen weakened gradually against the U.S. dollar, the Euro and other currencies until January 2016. The weakening yen positively affected Japanese corporate earnings during this period. While the Nikkei Stock Average increased significantly from 2013 to 2015 in comparison to its performance during the years that followed the global financial crisis of 2008, it reached a peak in August 2015 and has subsequently been on a decreasing trend and has experienced significant volatility. Real gross domestic product in Japan decreased by 0.9% and grew by 0.8% in the years ended March 31, 2015 and 2016, respectively.

Recent economic indicators in Japan include:

- The Nikkei Stock Average, which is an average of the price of 225 major domestic stocks listed on the Tokyo Stock Exchange, increased by 19.6% to 14,827.83 during the year ended March 31, 2014, further increased by 29.5% to 19,206.99 during the year ended March 31, 2015 and decreased by 12.7% to 16,758.67 during the year ended March 31, 2016, and was at 16,231.43 as of July 13, 2016.
- The yield on newly-issued 10-year Japanese government bonds declined from 0.641% as of March 31, 2014 to 0.398% as of March 31, 2015, and then declined to -0.049% as of March 31, 2016, and was -0.280% as of July 13, 2016.
- According to data released by the Bank of Japan, the total financial assets of Japanese households increased from ¥1,630 trillion as of March 31, 2014 to ¥1,716 trillion as of March 31, 2015 as a result of the recovery of the economy and then decreased to ¥1,706 trillion as of March 31, 2016.
- According to data released by the Life Insurance Association of Japan, the ending balance of individual annuity policies in force sold in Japan increased from ¥103.7 trillion as of March 31, 2014, to ¥104.1 trillion as of March 31, 2015 and to ¥103.6 trillion as of March 31, 2016.
- According to data released by the Statistics Bureau of the Ministry of Internal Affairs and Communications, the unemployment rate in Japan (on a seasonally adjusted basis) fluctuated between 3.4% and 3.7% during 2014 and decreased gradually during 2015 to 3.3% as of December 31, 2015. The unemployment rate declined gradually to 3.2% as of March 31, 2016 and was 3.2% as of April 30, 2016.

Policyholder Dividends

Accounting Treatment for Policyholder Dividends

We classify our profits and losses into the following management accounts in order to determine the appropriate amount of policyholder dividends:

- profits and losses associated with participating insurance policies, including participating riders;
- profits and losses associated with non-participating insurance policies, including non-participating riders; and
- profits and losses associated with operations other than insurance policies.

We may transfer profits and losses between two of the management accounts described above: profits and losses associated with participating insurance policies and profits and losses associated with operations other than insurance policies. We may make such transfers, based on criteria we deem reasonable, in order to provide sufficiently for the possibility that unfavorable events beyond ordinary expectations related to participating insurance policies may occur after the relevant fiscal period or for any losses resulting from such event when such event becomes realizable.

Profits and losses for each management account will include profits and losses attributable to insurance policies entered into following the demutualization. We may establish a new management account with respect to any new type of insurance policy that cannot be classified in the above management accounts.

Determination of Provision for Reserve for Policyholder Dividends

Following demutualization, our articles of incorporation established our policy for policyholder dividends by setting forth the minimum level of provision for reserve for policyholder dividends. The articles of incorporation state that we shall provide for reserve for policyholder dividends at the end of each fiscal year in an amount not less than a certain percentage of the reference amount for the calculation of policyholder dividends. The reference amount for the calculation of policyholder dividends shall be calculated, with respect to the profits and losses associated with the related insurance policies, as of the end of each fiscal year based on the amount equivalent to the current net profits from the insurance policies attributable to the management account for profits and losses associated with participating insurance policies prior to the provision for reserve for policyholder dividends, less:

- an amount equivalent to the amount attributable to the management account for profits and losses associated with participating insurance policies and calculated in relation to the difference between adjustments related to goodwill and capital amount and others, included in the amount to be deducted from the amount distributable to shareholders stated in the Companies Act of Japan (Law No. 86 of 2005, as amended), or the Companies Act, and the ministerial ordinance of the Ministry of Justice; and
- reversal of reserve for policyholder dividends attributable to the management account for profits and losses associated with participating insurance policies if such reversal is included in our retained earnings at the end of the fiscal year.

The certain percentage referred to above is defined in our articles of incorporation to be the same as that set forth by regulations regarding minimum policyholder dividend levels applicable to mutual life insurance companies, which is currently 20%. The amount of provision for reserve for policyholder dividends made will be allocated to groups of products classified by the characteristics of each insurance product, based on the profitability of each product group. Policyholder dividends are distributed to each policyholder from the allocated reserve associated with the policy held by such policyholder and in the manner prescribed by the relevant policies. This method of calculation is essentially the same as that applied prior to demutualization.

The ministerial ordinances under the Insurance Business Act stipulate that the provisions for reserve for policyholder dividends shall not exceed the aggregate sum of the following amounts:

(a) the amount of policyholder dividends allocated and accumulated with interest;

(b) the amount of policyholder dividends allocated but unpaid, excluding the amount (a) above, but, at the end of the current fiscal year, including the amount of policyholder dividends to be allocated for the following fiscal year;

(c) the amount of policyholder dividends which would be required to be paid upon termination if all participating insurance policies were to be terminated; and

(d) other amounts to be calculated in accordance with the method set forth in the statement of the manner of calculation of insurance premiums and policy reserves.

In addition to the guidelines included in our policy regarding the distribution of policyholder dividends described above, the Actuarial Standards of Practice for Life Insurance Companies, professional rules authorized by the Commissioner of the FSA regarding chief actuaries' duties under the Insurance Business Act, place limits on the amount of policyholder dividends that a life insurance company can distribute. Pursuant to these rules, chief actuaries must confirm, among other things, the following:

- on a company-wide basis, there are sufficient sources of funds for policyholder dividends to be paid out in the following fiscal year and the amount of such dividends is at a level that does not impair the company's financial health;
- on a company-wide basis, there are sufficient sources of funds for policyholder dividends to be paid out in the following fiscal year, which are calculated on the assumption that all policies are to be terminated in the following fiscal year;
- on a product line basis (or another basis selected by the chief actuaries), there will be sufficient sources of funds for policyholder dividends to be paid out in the following fiscal year, which are to be calculated on the assumption that all policies are to be terminated in the following year;
- with regard to policies under which, upon termination of the policies, terminal policyholder dividends must be paid as final settlement money, the aggregate amounts of ordinary policyholder dividends for representative policies, which are selected by the chief actuaries from a variety of policy types in accordance with the Actuarial Standards of Practice for Life Insurance Companies, to be paid out in the following fiscal year and terminal policyholder dividends which would be required to be paid if all such policies were to be terminated in the following fiscal year, do not exceed the amount of the share of net assets at the end of the current fiscal year, which is calculated as the difference between the amount of a portion of the assets of the company, based on current fair value, attributable to such representative policies, and the amount of policy reserves attributable to such representative policies; and
- with regard to policies under which, upon termination of the policies, terminal policyholder dividends must be paid as the final settlement money, the share of net assets attributable to representative policies, which are selected by the chief actuaries from a variety of policy types in accordance with Actuarial Standards of Practice for Life Insurance Companies, will not be below the level required to maintain financial health even if the ordinary policyholder dividends are continuously paid at the same level as the following fiscal year in the fiscal years thereafter.

The determination of the actual amount of the provision for reserve for policyholder dividends is left to our discretion provided we are between these minimum and maximum levels. Factors that we consider when making this determination include the competitiveness of our products, our results of operations and our solvency margin ratio.

The following table shows the amounts of reserve for policyholder dividends by product line as of the dates indicated, on a non-consolidated basis:

	As of March 31,		
	2014	**2015**	**2016**
		(millions of yen)	
Individual insurance	¥295,260	¥293,226	¥298,090
Individual annuities	6,882	5,916	6,166
Group insurance	60,599	62,774	65,210
Group annuities	27,698	40,281	18,067
Financial insurance/annuities	1,255	1,101	951
Others	2,325	2,266	2,215
Total	¥394,022	¥405,566	¥390,701

Factors Related to the Provision for Reserve for Policyholder Dividends that Affect Our Net Income

Because the provision for reserve for policyholder dividends is accounted for as an expense and reduces the amount of net income, the following additional factors affect the amount of our net income:

- the amount of our unappropriated retained earnings attributable to participating policies and to semi-participating policies, which in each case depends mainly on:
  - investment returns categorized as attributable to such policies;
  - actual mortality rates related to such policies; and
  - the amount deducted as risk premiums corresponding to the risk that payments or charges related to such policies may be higher than reasonably anticipated, which amount we plan to determine based primarily on the level of our solvency margin and our financial strength ratings.
- the percentage of unappropriated retained earnings attributable to participating policies and semi-participating policies that we use to determine the amount of provision for reserve for policyholder dividends; and
- the relative amount of our participating, semi-participating and non-participating policy business.

In addition, policyholder dividends on semi-participating policies are more stable over the long term than policyholder dividends on participating policies. The majority of the policies we have sold in recent years have been semi-participating policies. An increase in the proportion of semi-participating policies relative to participating policies should contribute to relatively lower provisions for reserve for policyholder dividends.

Factors Affecting Our Results of Operations

Except as otherwise indicated, the financial information included in this section is presented on a consolidated basis.

Ordinary Revenues

Premium and Other Income

Premium and other income, which forms the core of our ordinary revenues, consists mainly of premium income from outstanding individual life insurance policies and, to a lesser extent, outstanding individual and group annuity policies, group life insurance policies and other insurance policies.

Premium and other income is affected by the amount of policies in force, which is a function of the amount of sales of new policies, maturity and payment of existing policies and the surrender and lapse of existing policies, as well as by the level of premium rates on outstanding policies, which is affected by the mix of products sold and industry price competition. Some of the specific factors that affect premium and other income include:

- *Number of new policies that our sales representatives are able to sell.* Our sales representative channel is still our largest channel for sales of our new policies. Our ability to maintain or increase our income from insurance premiums depends in large part on the size, training and experience of our sales representative force and its ability to establish and maintain relationships with our customers.
- *Market interest rate levels.* Market interest rates and other determinants of the relative attractiveness of our products as compared to other financial products also affect premium income. For example, in periods of increasing interest rates, surrenders and withdrawals of policies may increase as policyholders seek investments with higher perceived or actual returns than returns on their policies, thereby adversely affecting premium income.
- *Competition.* Industry competition, including efficiency and productivity of sales representatives and sales agents, as well as price competition, affects premium and other income, with increasing competition leading to lower insurance premiums.
- *Mix of products sold.* The premium payment characteristics of our policies vary significantly from product to product. Because of this, changes in the overall mix of outstanding policies underwritten by us affect premium and other income. For example, changes in the amount of sales of insurance products with premiums that are high in proportion to policy amounts, such

as annuity products, endowment insurance, medical, cancer and nursing care insurance products, and products with premiums that are low in proportion to benefit payments and policy amounts, such as individual term life insurance products, may lead to changes in income from insurance premiums that are not proportional to changes in total policy amount in force. In addition, sales of single premium products, such as certain individual whole life products, may significantly impact income from insurance premiums in a given period.

- *Consumer confidence in the life insurance industry.* Changes in consumer confidence in the life insurance industry affect income from insurance premiums. For example, negative public perception of the financial strength of insurance companies could lead to a decline in consumer confidence. Declining consumer confidence could cause both an increase in policy surrenders and a decrease in new policy sales, particularly for individual insurance and individual annuity products.
- *Demographic trends.* Demographic trends in Japan also affect demand for our life insurance products. In particular, the overall aging of the population and the declining birthrate may reduce the demand for life insurance products. According to The National Institute of Population and Social Security Research, while the number of people in Japan aged 65 and above is expected to increase by 9.1 million between 2010 and 2040, the number of people aged 15 to 64, who have historically been the main target age group for life insurance products, is expected to decrease by 23.8 million over the same period. Also, with Japan's birthrate decreasing to 1.46 as of calendar year 2015 compared to 1.75 in 1980, our potential customers may have reduced needs for death benefits to provide security for their dependents as compared to prior generations. We believe the decrease in recent years in the number of people in this target age group has been one of the primary factors contributing to the decline in our sales of insurance products offering death benefits, which constitutes our core product group, and that this trend could continue.

However, the aging of the population should result in an increase in demand for savings and annuity products as well as an increase in medical expenses, only a portion of which are currently covered by corporate benefit plans or Japan's national health care insurance system. The increasing portion of medical expenses not covered is expected to lead to continuing growth in the market for third sector insurance products, including medical, cancer and nursing care insurance products.

- *Household income levels.* Household income levels and the relative burden of insurance premium payments on policyholders affect income from insurance premiums. Any decrease in household income tends to cause both an increase in policy surrenders and a decrease in new policy sales. According to the Ministry of Internal Affairs and Communications of Japan, the average monthly disposable income per Japanese household increased from ¥380,966 in 2013 to ¥381,929 in 2014 and decreased slightly to ¥381,193 in 2015.

We believe the increased level of communication with our policyholders conducted in light of our demutualization had a positive effect on our sales of new policies and lapse and surrender rates and we have continued to focus on initiatives to maintain a high level of regular communications in our subsequent operations in order to improve customer satisfaction.

Investment Income

Yen-denominated fixed-income assets, including Japanese government and corporate bonds, loans to corporations and policy loans, form the core of our investment portfolio. We also invest in domestic stocks, foreign bonds, foreign stocks, real estate and other assets. Our investments in foreign bonds include both hedged investments (representing a majority of our foreign bonds), which we manage as part of our yen-denominated investment portfolio, and unhedged investments that provide diversification. When warranted by market interest rates, we have been expanding our investment in longer-term Japanese government bonds to better match the duration of our assets with our liabilities, particularly when we can acquire bonds that qualify as policy reserve-matching bonds under Japanese GAAP. Recently, with continued very low interest rates in Japan and the adoption of negative interest rates by the Bank of Japan, we have slowed our investment in very long-term policy reserve-matching yen bonds and increased our investment in hedged foreign currency-denominated bonds.

We are exposed to foreign exchange risk with respect to our unhedged foreign currency-denominated investments. A decrease in the value of the yen relative to the value of the currency in which such investments are denominated will result in an increase in gains on sales of those securities. Conversely, an increase in the value of the yen relative to the value of the currency in which such investments are denominated will result in an increase in losses on sales of those securities.

We utilize derivatives to offset a portion of the interest rate risk and foreign exchange risk related to our investments. Gains (losses) related to interest rate risk, such as gains (losses) on sale of domestic bonds, and gains (losses) related to foreign exchange risk, such as foreign exchange gain (losses)—net, are offset by (losses) gains on derivatives—net to the extent such hedges are utilized. In addition, we utilize derivatives as part of our dynamic hedging measures to offset a portion of the minimum guarantee risk associated with certain of our individual variable annuity products.

Gains and losses on investment in separate accounts (which relate to our individual variable insurance, individual variable annuities and group variable annuity products) may materially affect investment income and investment expenses since all separate account securities are marked to market each period. Assets in separate accounts include Japanese and foreign stocks, as well as domestic and foreign bonds. Accordingly, gains and losses on investment in separate accounts are a function of changes in the market value and aggregate balance of the securities held in our separate accounts. However, gains and losses on assets in our separate accounts are almost entirely offset by corresponding provisions for (or reversals of) policy reserves.

Other Ordinary Revenues

Other ordinary revenues consist primarily of fund receipt for claim deposit payment and reversal of reserve for employees' retirement benefits.

Fund receipt for claim deposit payment fluctuates as a result of changes in amounts of deferred insurance payments. Deferred insurance payments are insurance claims and other payments due to policyholders which, at such policyholders' request, are deferred by and entrusted to us and later paid to policyholders with accrued interest. The amount due to policyholders is recorded as an expense in insurance claims and other payments even though such amounts are not actually paid to policyholders in that fiscal period. The amount deferred is recorded as other income and correspondingly recognized as an expense in provision for policy reserves. Deferred insurance payments are held in policy reserves until paid upon policyholder request or at the end of the term of deferment.

The reserve for employees' retirement benefits fluctuates primarily as a result of the amortization of actuarial differences. When accruals of actuarial losses are recorded, a provision for reserve of employees' retirement benefits may be recorded, which results in an increase in reserve for employees' retirement benefits. On the other hand, when accruals of actuarial gains are recorded, the amortization of actuarial differences results in a decrease in reserve for employees' retirement benefits.

Commissions we receive for our sales of the property and casualty insurance products of Sompo Japan and the cancer insurance products of AFLAC are also recorded in other ordinary revenues. Such commissions are influenced by the timing of product introductions and the commission levels set for individual products.

Ordinary Expenses

Ordinary expenses include benefits and claims, provision for policy reserves and others, investment expenses, operating expenses and other ordinary expenses.

Benefits and Claims

Benefits and claims mainly include insurance claims paid, surrender payments, insurance benefits paid, and annuity payments. Factors that affect the amount of benefits and claims primarily include:

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

Although mortality and morbidity rates of individuals insured under our policies have generally been low during our recent operating history, there have been increases in particular years that have resulted in corresponding increases in the amounts of insurance claims and other payments. The mortality and morbidity rates related to our policies are further affected by our management of the underwriting process. For example, although we permit prospective policyholders to submit a written self-declaration of health with respect to policies providing smaller benefits, we require a medical examination performed by a physician with respect to policies providing larger benefits, thereby managing the risks we assume with respect to those policies.

The annual amount of policy surrenders and lapses as a percentage of the total policy amount of individual life insurance and individual annuity product in force was 4.31%, 4.12% and 3.87% for the years ended March 31, 2014, 2015 and 2016, respectively, for Dai-ichi on a non-consolidated basis. We believe that our surrender and lapse rates on a policy amount basis during recent periods have been relatively low compared to most of the other major Japanese life insurance companies.

Provision for (or Transfer from) Policy Reserves and Others

We must maintain policy reserves in accordance with the requirements of the Insurance Business Act, which consist of a premium reserve (other than unearned premiums), an unearned premium reserve, a reserve for refunds and a contingency reserve.

Under the Insurance Business Act, each year we are required to set aside a “standard policy reserve,” a certain minimum amount of policy reserve, to fund future claims payments. We calculate this minimum amount by the net level premium method. Under the net level premium method, we set aside policy reserves assuming that the ratio of net premium (the portion of the premium covering insurance underwriting risk, based on factors such as mortality rates, assumed rates of return on investments, surrender rates and other factors) to total premium paid remains constant over the payment term of the policy. The mortality rates used in calculating the standard policy reserve are based on rates established by the Institute of Actuaries of Japan and confirmed by the Commissioner of the FSA. Expected mortality rates were revised downward, effective from April 1, 2007. In general, the decrease in expected mortality rates will reduce premiums and required policy reserves for term life insurance products and increase premiums and policy reserves for whole life insurance products. The interest rates used in calculating the standard policy reserve are established by the FSA, regardless of the actual investment returns that we experience. At the beginning of each fiscal quarter, the entire amount of reserves recorded at the end of the previous fiscal quarter is reversed, and the provision for the current fiscal quarter is transferred to the reserve account. Differences that arise are recorded as provision for, or reversal of, policy reserves. We also record provision for additional policy reserves. See “—Critical Accounting Policies—Policy Reserves.”

In general, the amount of provision for (or reversal of) policy reserves is proportional to increases (or decreases) in the policy amount in force. However, the amount of provision for (or reversal of) policy reserves is also affected by the overall mix of outstanding policies underwritten by us. For example, a relative increase in the policy amount in force of products that incorporate savings features, such as endowment insurance products and interest rate-sensitive whole life insurance products, will generally result in an increase in the amount of provision for policy reserves, even if the total policy amount in force remains constant. In addition, because policy reserves include the value of assets in our separate accounts, fluctuations in such value also impact the amount of provision for (or reversal of) policy reserves.

The provision for outstanding claims, another component of provision for policy reserves and others, is the provision for a reserve used to fund payments that are due, but have not yet been paid, on outstanding claims as of the end of the fiscal year.

Investment Expenses

Investment expenses consist mainly of losses on sale of securities, losses on valuation of securities, losses on investment in separate accounts, foreign exchange losses, derivative transaction losses, interest expenses and depreciation of rented real estate and others. Accordingly, investment expenses are affected primarily by conditions in the markets in which we invest, including the securities and real estate markets.

Operating Expenses

Operating expenses consist mainly of general administrative expenses, including administrative and system-related costs associated with the maintenance and administration of our policies and our investment activities, as well as personnel and related costs, expenses related to our sales activities and expenses related to our premises. The majority of personnel and related costs are sales commissions paid by us to our sales representatives, and to a lesser extent, sales agency fees paid to our financial institution sales agents, such as the banks, securities companies and other institutions that distribute our individual annuity products. The amount of sales agency fees we pay to our financial institution sales agents is affected by competition with other life insurance companies that sell their products through this channel.

Under Japanese GAAP, we are required to record policy acquisition costs as expenses at the time such costs are incurred, and thus no policy acquisition costs are capitalized as deferred assets. Policy acquisition costs include sales-related expenses and costs related to the underwriting of new policies. Sales-related expenses primarily include sales commissions paid to our sales representatives and independent sales agents, advertising expenses and expenses related to training our sales representatives. Costs related to the underwriting of new policies primarily include research-related costs, policy confirmation costs, medical examination expenses and other administrative expenses. These costs are significant and they are incurred primarily when the policy is sold.

Other Ordinary Expenses

Other ordinary expenses consist of claim deposit payments, national and local taxes, depreciation and provision for reserve for employees' retirement benefits. Claim deposit payments are payments made to policyholders who request that deposits be returned to them. National and local taxes include revenue stamp duty, business taxes, fixed property taxes and consumption taxes. Commissions and other fees paid to certain of our strategic partner sales agents in return for services provided in connection with their sales of our products are also charged to other ordinary expenses.

Extraordinary Gains and Losses

We maintain a reserve for price fluctuations based upon guidelines under the Insurance Business Act as described under "—Critical Accounting Policies—Reserve for Price Fluctuations." In the years ended March 31, 2014, 2015 and 2016, we made a provision for reserve for price fluctuations of ¥28.9 billion, ¥18.0 billion and ¥18.9 billion, respectively.

Gains on disposal of fixed assets and gains on step acquisitions are also recorded in extraordinary gains. We recorded extraordinary gains on disposal of fixed assets of ¥3.6 billion, ¥3.0 billion and ¥0.2 billion in the years ended March 31, 2014, 2015 and 2016, respectively.

Other amounts included in extraordinary losses include losses on disposal of fixed assets and impairment losses on fixed assets. We recorded impairment losses on fixed assets of ¥23.8 billion, ¥5.4 billion and ¥34.5 billion in the years ended March 31, 2014, 2015 and 2016, respectively.

Acquisition of Protective

On February 1, 2015, we completed the acquisition of Protective, and Protective became our wholly-owned subsidiary as of the same date. See "Business—Expansion of Overseas Insurance and Asset Management Operations—North America—Protective."

In accordance with Japanese GAAP, our audited consolidated statement of earnings for the year ended March 31, 2015 does not include any of Protective's results but our audited consolidated balance sheet as of March 31, 2015 reflects Protective's assets and liabilities as of February 1, 2015. Protective's results for the 11-month period from February 1, 2015 to December 31, 2015 are included in our audited consolidated financial statements for the year ended March 31, 2016. For further information, see Note XVI to the audited consolidated financial statements included in this offering circular.

Negative Spread and Positive Spread

During protracted periods of low interest rates in Japan beginning in the 1990s, the rates of return on investments of Japanese life insurers included in fundamental profit (that is, investment income other than capital gains and losses) fell below the assumed rates of return on investments used to calculate the premiums on a significant portion of outstanding policies. This phenomenon is generally referred to as "negative spread."

Negative spread and positive spread are not Japanese GAAP financial measures and should not be viewed as measures of our financial performance or liquidity under Japanese GAAP or as an alternative to any Japanese GAAP measure. The calculation of negative spread in the Japanese life insurance industry was standardized beginning in the year ended March 31, 2001. Negative spread is calculated as:

Rate of return on investments included in fundamental profit:	an amount the numerator of which is investment income from the general account included in fundamental profit (which excludes capital gains and losses), less the interest portion of provision for policyholder dividends, and the denominator of which is the general account policy reserve.
less	
Average assumed rate of return on investments:	an amount the numerator of which is the assumed return on investments in the general account and the denominator of which is the general account policy reserve.
multiplied by	
General account policy reserve:	the general account policy reserve excluding the contingency reserve, which is equal to the accrued policy reserve calculated as follows: (policy reserve at the beginning of the relevant fiscal year + policy reserve at the end of the relevant fiscal year—amount of assumed rate of return on investments) multiplied by 1/2.

The assumed mortality and morbidity rates and administrative expenses, among other factors, that we use in calculating premiums for our policies are estimated conservatively, compared to our historical mortality and morbidity rates and administrative expenses. As a result, they have generally offset shortfalls in the assumed rates of return on investments and this has enabled us to record positive fundamental profit. However, in the event the shortfall is large and positive mortality and morbidity rate margins and administrative expense margin do not cover the shortfall, we may experience a net loss as a whole.

The following table sets forth the assumed rates of return on investments generally used for individual insurance and annuity policies sold by Dai-ichi in the years indicated:

	Year ended March 31,				
	1997–2001	2002–2013	2014	2015	2016
Assumed rates of return on investments of level premium individual insurance/annuity policies sold in the years indicated.	2.00%–2.75%	1.50%	1.00%	1.00%	1.00%

The following table sets forth the average assumed rates of return on investments, actual rates of return on investments included in fundamental profit, positive spread and positive spread amount for the outstanding policies of Dai-ichi for the years indicated:

	Year ended March 31,		
	2014	2015	2016
Average assumed rate of return on investments	2.57%	2.48%	2.41%
Actual rate of return on investments included in fundamental profit.	2.67%	2.74%	2.76%
Positive spread	0.10%	0.25%	0.35%
Positive spread amount (billions of yen)	28.0	69.2	97.8

As set forth in the tables above, the average assumed rates of return on investments for the outstanding policies of Dai-ichi have been decreasing as a result of the replacement, through maturity, surrenders, lapses and conversions, of older policies that have higher assumed rates of return on investments with newer policies that have lower assumed rates of return on investments, as well as due to our accumulation of additional policy reserves. However, the effect of this decrease in average assumed rates of return on investments has been offset in part by increases in the actual rates of return on investments included in fundamental profit as well as our increased investment in hedged foreign currency-denominated bonds. After several years of gradual reductions, Dai-ichi had no negative spread on an aggregate basis in the year ended March 31, 2008. From the year ended March 31, 2009 through the year ended March 31, 2013, however, the declining yield on Dai-ichi's investment portfolio associated with the global financial crisis resulted in negative spread, which declined in part as a result of our recording additional provisions for policy reserves, and in recent years also in part to the recovering economy. We recorded additional provisions for policy reserves of ¥126.7 billion for the year ended March 31, 2014, ¥122.9 billion for the year ended March 31, 2015 and ¥142.1 billion for the year ended March 31, 2016, each on a non-consolidated basis. In the years ended March 31, 2014, 2015 and 2016, we recorded positive spread amount of ¥28.0 billion, ¥69.2 billion and ¥97.8 billion, respectively.

Recent Changes in Accounting Policies

The financial information included in this section is presented on a consolidated basis.

Retirement Benefits

For the year ended March 31, 2014

Effective the year ended March 31, 2014, Dai-ichi and its domestic consolidated subsidiaries applied "Accounting Standard for Retirement Benefits" (ASBJ Statement No. 26 issued on May 17, 2012, or the Standard) and "Guidance on Accounting Standard for Retirement Benefits" (ASBJ Guidance No. 25 issued on May 17, 2012, or the Guidance), except for provisions stipulated in Paragraph 35 of the Standard and Paragraph 67 of the Guidance.

As Dai-ichi changed the calculation method of net defined benefit liabilities by recording the projected benefit obligations minus pension assets, the unrecognized actuarial differences and unrecognized past service cost were recorded as net defined benefit liabilities.

As the application of the Standard and the Guidance conforms to the tentative measure stipulated in Paragraph 37 of the Standard, for the year ended March 31, 2014, the impact of the change is included in the accumulated remeasurements of defined benefit plans as a component of the accumulated other comprehensive income.

As a result, Dai-ichi recorded ¥385,436 million net defined benefit liabilities and consolidated accumulated other comprehensive income of Dai-ichi as of March 31, 2014 was ¥16,854 million higher than it would have been if calculated using the previous method.

For the year ended March 31, 2015

Effective the year ended March 31, 2015, Dai-ichi and its domestic consolidated subsidiaries applied the Standard and the Guidance, including provisions stipulated in Paragraph 35 of the Standard and Paragraph 67 of the Guidance.

Dai-ichi and its domestic consolidated subsidiaries revised the calculation method of the projected benefit obligations and service cost by changing the allocation of estimated retirement benefits from the straight-line method to the benefit formula basis and by changing the determination of the discount rate from using the discount rate based on a certain period close to employees' average remaining service period to using the single weighted-average discount rate taking into account the assumed payment period of retirement benefits and the amount per each assumed payment period.

Upon the adoption of these new standards, Dai-ichi and its domestic consolidated subsidiaries followed the transitional treatment stipulated in Paragraph 37 of the Standard and the impact of adoption at the beginning of the year ended March 31, 2015 related to changes in calculation method of projected benefit obligations and service cost was included in Dai-ichi and its domestic consolidated subsidiaries' retained earnings.

As a result, net defined benefit assets increased by ¥450 million, net defined benefit liabilities decreased by ¥15,900 million and retained earnings increased by ¥11,272 million at the beginning of the year ended March 31, 2015 as compared to what they would have been if calculated using the previous method. Also, for the year ended March 31, 2015, both ordinary profit and income before income taxes decreased by ¥289 million.

Business Combinations

For the year ended March 31, 2016

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

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

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

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

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

As cumulative effects have been reflected in net assets for the beginning of the fiscal year under review, the beginning balances of capital surplus decreased by ¥13,667 million and retained earnings in the consolidated statements of changes in net assets decreased by ¥3,295 million.

Critical Accounting Policies

We prepare our consolidated financial statements in accordance with Japanese GAAP. In doing so, we make estimates and assumptions that affect our reported amounts of assets, liabilities, revenues and expenses, as well as related disclosure of contingent assets and liabilities. In addition, certain accounting principles require significant judgment by management in applying complex accounting principles to individual transactions to determine the most appropriate accounting treatment. Although our actual results may be different from the results anticipated in the estimates we use, we base our estimates on our historical experience and other assumptions that we consider reasonable under the circumstances based on the best information available to us at the time we make our estimates. In some cases, we could reasonably have used different accounting policies and estimates. For a discussion of significant accounting policies used in the preparation of our financial statements, see the notes to our audited consolidated financial statements as of and for the years ended March 31, 2014, 2015 and 2016, in each case included elsewhere in this offering circular.

We refer to some of our accounting policies as "critical accounting policies" because:

- the estimates involved in these policies require us to make assumptions about matters that are uncertain at the time the estimates are made; and
- different estimates that we reasonably could have used in the current period, or changes in the accounting estimate that are reasonably likely to occur from period to period, could have a material impact on the presentation of our financial condition, or changes in our financial condition or results of operations.

We consider the following significant accounting policies to be our critical accounting policies.

Policy Reserves

Policy reserves are established in amounts adequate to meet the estimated future obligations of policies in force. The reserves are computed by the net level premium method, which assumes a constant or level amount of net insurance premiums over the term of the relevant policy in calculating the amount of the reserve required to fund all future policy benefits. The net insurance premium is a portion of the premium covering insurance underwriting risk, based on factors such as mortality rates, investment yield and other factors. Generally these assumptions are "locked-in" upon the issuance of new insurance. While our management believes that the assumptions used are appropriate, differences in actual experience or changes in assumptions may affect our future insurance claims and other payments.

The net level premium method does not allow policy acquisition costs, which are higher in the first year of the policy, to be offset against the amount of provision for policy reserve required. We recognize insurance claims expense on the full amount of claims paid, even if previously reserved against in the policy reserve. The amount of policy reserves thereby retained is applied against anticipated future claims, correspondingly reducing the amount of reserves recognized as expense.

In the year ended March 31, 2008, in light of the large guaranteed yields associated with certain whole life insurance contracts acquired on or before March 31, 1996, the premium payments for which were already completed, we decided to revise our investment yield assumptions with respect to such policies and to make a special provision of policy reserve with respect to such policies. Accordingly, we made a provision for additional policy reserve of ¥186.1 billion in the year ended March 31, 2008, on a non-consolidated basis, initially planning to make such provisions over a five-year period. In the year ended March 31, 2009, we decided to change this period to nine years (until the year ended March 31, 2016). As a result, we recorded a provision for additional policy reserve of ¥126.7 billion for the year ended March 31, 2014, ¥122.9 billion for the year ended March 31, 2015 and ¥142.1 billion for the year ended March 31, 2016, each on a non-consolidated basis.

Within policy reserves required under the Insurance Business Act, we maintain a contingency reserve to cover losses resulting from unexpectedly high claims or unexpectedly low actual rates of return on investments due to unforeseen catastrophes or poor market performance. This contingency reserve may be used only to cover losses such as those described above.

The Insurance Business Act establishes minimum and maximum parameters for the contingency reserve pursuant to a formula based on insurance risk and other factors within which an insurance company may make provisions for, or cause the reversal of, the contingency reserve. We recorded a provision for contingency reserve in the amount of ¥36.0 billion, ¥27.0 billion and ¥18.0 billion in the years ended March 31, 2014, 2015 and 2016, on a non-consolidated basis, respectively.

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

	As of March 31,		
	2014	2015	2016
		(billions of yen)	
Policy reserve:			
Individual insurance	¥17,971.3	¥18,442.6	¥18,682.9
Individual annuities	3,940.1	4,045.3	4,269.8
Group insurance	24.2	24.4	25.0
Group annuities	6,353.4	6,397.4	6,064.2
Other	378.9	373.0	365.9
Contingency reserve	531.0	558.0	576.0
Total	¥29,199.2	¥29,840.9	¥29,984.2

Fair Value Estimates for Financial Instruments

We record derivative transactions and certain types of securities at fair value, in accordance with ASBJ Statement No. 10, "Accounting Standard for Financial Instruments," and Implementation Guidance No. 19, "Guidance on Disclosures about Fair Value of Financial Instruments." In principle, we measure fair value based on quoted market prices, but when there is no market for the relevant financial instrument we are required to make estimates based on certain assumptions. We estimate fair value for financial instruments with no readily ascertainable market value using the discounted cash flow method and other methods. However, these methods require the use of estimates that may differ from actual results.

Impairment of Securities

We recognize impairments in the value of our investments in securities other than trading securities based upon the degree to which the fair market value of such securities declines. If the fair value of a security at a measurement date has declined by 50% or more compared to its acquisition cost (including amortized cost), we will automatically write down the fair value of the security by a charge to income. If the fair value of a security at a measurement date has declined by 30% or more, but less than 50%, compared to its acquisition cost, and the creditworthiness of the issuer remains below a certain level, we will write down the fair value of the security by a charge to income unless it is deemed that there is a possibility that the fair value of the security will recover sufficiently to equal or exceed the acquisition cost. Our judgment of the possibility and magnitude of a future recovery in the fair value of a security may inherently rely on our subjective views concerning the creditworthiness of the issuer of the securities, market uncertainties and various other factors. Different judgments could lead to different conclusions regarding the need to recognize impairments in value.

Impairment Losses on Fixed Assets

We classify our fixed assets into asset groups for purposes of determining the necessity of recording impairment losses on fixed assets. One asset group consists of real estate and other assets used for insurance business purposes. Each property recorded as real estate for rent and each property recorded as real estate not in use, none of which are used for insurance business purposes, is treated as an independent asset group. In the event of a significant decline in the profitability or market value of any asset group, we compare the book value of the assets belonging to that asset group with the amount of the estimated future undiscounted cash flows generated through the use of the assets and on their eventual disposition. If the estimated future undiscounted cash flows do not exceed the book value of the assets, we write down the book value of the assets to their recoverable value and record such reduced amount on our statement of earnings as an impairment loss under extraordinary losses.

For asset groups consisting of real estate for rent, the recoverable value is based on value in use or net sales value. For asset groups consisting of real estate not in use, the recoverable value is based on net sales value.

For the year ended March 31, 2016, value in use was calculated using a discount rate of 2.48%. Net sales value is calculated based on estimated disposal value, appraisal value based on real estate appraisal standards or appraisal value based on publicly assessed land value.

Reserve for Possible Loan Losses

We calculate our reserve for possible loan losses based on our 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, referred to as "bankrupt obligors," and for loans to and claims on obligors that have suffered substantial business failure, referred to as "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 and claims to obligors that have not yet suffered business failure but are considered highly likely to fail, referred to as "obligors at risk of bankruptcy," the reserve is calculated by deducting the estimated recoverable amount, determined based on an overall assessment of the obligor's ability to pay and collateral or guarantees, from book value of the loans and claims. 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 internal department performs an asset quality assessment based on our internal rules for self-assessment, and an internal audit department audits the result of the assessment. The reserves described above are established based on the results of these assessments.

For loans and claims to bankrupt and substantially bankrupt obligors, the unrecoverable amount is calculated by deducting the amount deemed recoverable from collateral and guarantees from the amount of the loans and claims and is directly written off from the amount of the loans and claims. The amount written off during the year ended March 31, 2016 was ¥58 million on a consolidated basis.

Net Defined Benefit Liabilities and Net Defined Benefit Assets

For the net defined benefit liabilities and the net defined benefit assets, the amount is provided by deducting the pension assets from the projected benefit obligations based on the estimated amounts as of the closing date of the fiscal year.

(1) Allocation of estimated retirement benefits

In calculating the projected benefit obligations, the straight-line method is adopted to allocate estimated retirement benefits for the year ended March 31, 2014, and the benefit formula basis is adopted to allocate estimated retirement benefits for the years ended March 31, 2015 and 2016.

(2) Amortization of actuarial differences and past service cost

Past service cost is amortized under the straight-line method through a certain period (three years) within the employees' average remaining service period. Actuarial differences are amortized under the straight-line method through a certain period (three or seven years) within the employees' average remaining service period, starting from the following year. Certain foreign consolidated subsidiaries applied the corridor approach. Certain of our consolidated subsidiaries applied the simplified method in calculating their projected benefit obligations.

Employees' retirement benefit costs and obligations are dependent on certain assumptions including discount rates and retirement rates, which are based upon current statistical data, as well as expected return on pension assets and other factors. Actual results that differ from the assumptions are accumulated and amortized over future periods. Therefore, actual results generally affect recognized costs and the recorded obligations for employees' retirement benefits plans in future periods. While we believe that the assumptions used are appropriate, differences in actual experience or changes in assumptions may affect our obligations and future costs.

Reserve for Price Fluctuations

Pursuant to provisions of the Insurance Business Act, we maintain a reserve to cover losses due to price fluctuations in assets subject to market price volatility, particularly investments in equities, bonds and foreign currency-denominated investments. This reserve may generally be used only to reduce deficits arising from price fluctuations of those assets. The provision for reserve for price fluctuations is charged to income as an extraordinary loss and a reversal of reserve for price fluctuations is treated as an extraordinary gain. The Insurance Business Act establishes a minimum provision for each fiscal year and a maximum amount of reserve with parameters pursuant to a formula based on investment risk and other factors within which an insurance company may make provision for, or cause reversal of, the reserve for price fluctuations. If we incur significant losses due to price fluctuations, a portion of the reserve may be reversed within the amount permitted under the Insurance Business Act. We made a provision for reserve for price fluctuations of ¥28.9 billion, ¥18.0 billion and ¥18.9 billion in the years ended March 31, 2014, 2015 and 2016, respectively, on a consolidated basis.

Valuation of Deferred Tax Assets

The financial information included below is presented on a consolidated basis.

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

In December 2011, the promulgation of a new act revising Japanese income tax regulations reduced the corporate income tax rate. Another act created a special reconstruction corporation tax following the Great East Japan Earthquake of March 2011, which was imposed from the year beginning on April 1, 2012 through the year ended March 31, 2014. As a result of these tax reforms, we changed our effective statutory tax rate to calculate our deferred tax assets and liabilities from 36.09% to 33.23% during the two years ended March 31, 2014 and to 30.68% from the year ended March 31, 2015. As of March 31, 2016, we had ¥833,854 million of deferred tax assets on a gross basis. In addition, as of the same date, we had ¥1,103,259 million of deferred tax liabilities on a gross basis. Of this amount, ¥761,560 million was deferred tax liabilities associated with net unrealized gains on securities (recorded in our net assets as net unrealized gains on securities, net of tax). As of March 31, 2016, the effective statutory tax rate applicable to Dai-ichi was 28.76%.

Following the promulgation of the Income Tax Act in March 2015, Dai-ichi changed its effective statutory tax rate for calculating its deferred tax assets and liabilities from 30.68% to 28.76% as of March 31, 2015 and for the year ended March 31, 2016. As a result, its deferred tax assets decreased by ¥69 million, deferred tax liabilities decreased by ¥32,366 million and corporate income taxes-deferred increased by ¥39,189 million as of and for the year ended March 31, 2015, and deferred tax assets decreased by ¥54 million, deferred tax liabilities decreased by ¥5,188 million and corporate income taxes-deferred increased by ¥17,626 million as of and for the year ended March 31, 2016.

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

Reserve for Outstanding Claims

The reserve for outstanding claims is a reserve used to fund payments that are due, but have not yet been paid, on outstanding claims as of the end of the fiscal year. Provisions for reserve for outstanding claims are recorded on our statement of earnings under provision for policy reserves and others. While we believe that the assumptions we use to estimate the amount of claims we will ultimately be required to pay are reasonable, differences in actual experience or changes in our assumptions may affect our future insurance claims and future provisions for reserve for outstanding claims.

Results of Operations

The following table shows selected consolidated statement of earnings data for the years ended March 31, 2014, 2015 and 2016:

	Year ended March 31,		
	2014	2015	2016
	(billions of yen)		
Ordinary revenues:			
Premium and other income	¥4,353.2	¥5,432.7	¥5,586.0
Investment income	1,320.0	1,444.0	1,344.8
Other ordinary revenues	371.6	375.5	403.0
Total ordinary revenues	6,044.9	7,252.2	7,333.9
Ordinary expenses:			
Benefits and claims	2,903.5	3,380.8	3,830.9
Provision for policy reserves and others	1,634.8	2,271.2	1,496.3
Investment expenses	234.9	168.9	524.0
Operating expenses	517.5	559.3	661.3
Other ordinary expenses	449.2	465.0	403.0
Total ordinary expenses	5,740.2	6,845.4	6,915.7
Ordinary profit	304.7	406.8	418.1
Extraordinary gains	3.6	3.3	0.3
Extraordinary losses	67.3	29.4	55.2
Provision for reserve for policyholder dividends	94.0	112.2	97.5
Income before income taxes	147.0	268.5	265.7
Corporate income taxes-current	117.2	125.5	103.0
Corporate income taxes-deferred	(46.4)	0.5	(15.8)
Net income attributable to non-controlling interests	(1.6)	0.0	0.0
Net income attributable to shareholders of parent company	¥ 77.9	¥ 142.4	¥ 178.5

The following table shows a breakdown of our premium and other income by product line for the periods indicated for Dai-ichi on a non-consolidated basis:

	Year ended March 31,					
	2014		2015		2016	
	(billions of yen, except percentages)					
Individual insurance	¥1,647.4	57.4%	¥1,922.4	58.9%	¥1,556.3	54.3%
Individual annuities	211.2	7.4	239.1	7.3	366.8	12.8
Group insurance	147.8	5.2	148.0	4.5	149.2	5.2
Group annuities	821.3	28.6	921.6	28.2	759.2	26.5
Others	39.2	1.4	34.5	1.1	33.6	1.2
Total premium income	2,867.2	100.0	3,265.7	100.0	2,865.3	100.0
Reinsurance income	0.8	0.0	0.5	0.0	1.2	0.0
Total premium and other income	¥2,868.0	100.0%	¥3,266.3	100.0%	¥2,866.6	100.0%

The following tables show our annualized net premiums from individual insurance policies and individual annuities for Dai-ichi on a non-consolidated basis for the periods indicated:

Policies in Force:(1)

	Year ended March 31, 2014	2015	2016
	(billions of yen)		
Individual insurance	¥1,640.1	¥1,638.3	¥1,629.9
Individual annuities	375.9	399.3	435.0
Total	¥2,016.0	¥2,037.7	¥2,065.0
Medical and survival benefits	¥ 540.2	¥ 556.1	¥ 576.5

New Policies:(1)(2)

	Year ended March 31, 2014	2015	2016
	(billions of yen)		
Individual insurance	¥ 98.0	¥115.3	¥ 99.0
Individual annuities	21.1	30.2	41.6
Total	¥119.2	¥145.5	¥140.6
Medical and survival benefits	¥ 48.8	¥ 47.5	¥ 51.2

Notes:
(1) Annualized net premiums are calculated by using multipliers for various premium payment terms to the premium per payment. For single premium contracts, the amount is calculated by dividing the relevant premiums by the duration of the relevant policies. Annualized net premiums for medical and survival benefits include (a) premium related to the 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.
(2) New policies include net increase by conversion.

The following tables show changes in the composition of policy amounts in force of Dai-ichi's main product lines on a non-consolidated basis for the years ended March 31, 2014, 2015 and 2016.

Individual Insurance

	Year ended March 31, 2014		2015		2016	
	Number of policies	Policy amount(1)	Number of policies	Policy amount(1)	Number of policies	Policy amount(1)
	(billions of yen and thousands of policies)					
At the beginning of the year	11,442	¥133,344.7	11,466	¥128,094.8	11,593	¥121,665.7
Increases due to:						
New policies	590	5,676.4	671	4,714.6	529	4,152.6
Renewals	57	1,040.8	44	751.4	35	622.3
Reinstatements	17	279.4	18	263.4	18	231.7
Conversions	450	8,152.1	382	5,765.7	474	6,403.5
Decreases due to:						
Death	64	408.1	66	408.2	70	416.4
Maturity	232	3,233.3	210	2,513.4	163	2,136.6
Decrease in coverage amount	n.a.	927.4	n.a.	883.3	n.a.	754.4
Conversions	353	7,992.4	286	6,727.3	337	8,301.8
Surrender	361	5,799.4	348	5,488.7	327	4,948.8
Lapse	73	1,076.0	69	983.2	65	836.1
Other	6	961.7	7	930.0	6	855.6
At year-end	11,466	128,094.8	11,593	121,655.7	11,680	114,816.0
Net increase (decrease)	24	¥ (5,249.9)	127	¥ (6,439.0)	86	¥ (6,839.7)

Note:
(1) Policy amounts for individual insurance represent the aggregate policy amounts for death protection insurance, mixed insurance and endowment insurance.

Individual Annuities

	Year ended March 31,					
	2014		2015		2016	
	Number of policies	Policy amount[1]	Number of policies	Policy amount[1]	Number of policies	Policy amount[1]
	(billions of yen and thousands of policies)					
At the beginning of the year	1,431	¥8,516.8	1,477	¥8,798.3	1,544	¥9,291.5
Increases due to:						
New policies	92	639.0	117	900.4	157	1,056.3
Reinstatements	3	25.2	4	29.7	4	31.8
Conversions	—	—	—	—	—	—
Decreases due to:						
Death	4	33.7	4	33.4	4	31.9
Full Payment	10	2.1	11	2.0	12	2.0
Decrease in coverage amount	n.a.	19.9	n.a.	26.1	n.a.	31.4
Conversions	1	7.5	1	10.5	1	13.2
Surrender	26	181.6	27	187.5	28	192.2
Lapse	9	63.1	10	70.2	11	72.7
Other	(2)	74.3	(1)	107.0	(2)	130.5
At year-end	1,477	8,798.3	1,544	9,291.5	1,650	9,905.6
Net increase (decrease)	45	¥ 281.5	66	¥ 493.1	106	¥ 614.1

Note:

(1) Policy amounts for individual annuities are equal to (a) the funds to be held at the time annuity payments are to commence for an annuity for which annuity payments have not yet commenced and (b) the amount of policy reserve for an annuity for which payments have commenced. Because the amount of policy reserves changes over time, in contrast to the static nature of policy amounts of individual insurance policies, the amount of net increase in the policy amount column does not match the total of the individual items.

Group Insurance

	Year ended March 31,					
	2014		2015		2016	
	Number of policies[1]	Policy amount[2]	Number of policies[1]	Policy amount[2]	Number of policies[1]	Policy amount[2]
	(billions of yen and thousands of policies)					
At the beginning of the year	25,107	¥48,766.6	24,881	¥48,357.1	24,260	¥48,092.2
Increases due to:						
New policies	230	344.7	140	414.7	136	162.4
Renewals	13,230	26,169.3	13,055	25,346.0	12,794	25,921.3
Reinstatements	2,010	4,239.6	1,797	3,943.3	1,806	4,114.9
Increase in coverage amount	n.a.	634.9	n.a.	1,014.6	n.a.	687.3
Decreases due to:						
Death	50	72.7	49	69.3	46	66.9
Maturity	13,380	26,470.3	13,430	26,113.6	13,189	26,200.2
Withdrawal	2,101	1,475.6	1,930	1,468.6	1,871	1,583.4
Decrease in coverage amount	n.a.	3,580.6	n.a.	3,214.9	n.a.	2,963.6
Surrender	25	60.9	209	80.6	23	99.2
Lapse	1	0.8	0	0.5	0	0.1
Other	138	136.9	(6)	36.0	22	44.3
At year-end	24,881	48,357.1	24,260	48,092.2	23,842	48,020.2
Net increase (decrease)	(226)	¥ (409.4)	(621)	¥ (264.8)	(417)	¥ (72.0)

Notes:

(1) The table above does not include new insured persons entered, and insured persons exiting without benefit payments, with respect to an existing group annuity contract during each respective period. As a result, the amount of net increase in the number of insured column does not match the total of the individual items.

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

Group Annuities

	Year ended March 31,					
	2014		2015		2016	
	Number of policies[1]	Policy amount[2]	Number of policies[1]	Policy amount[2]	Number of policies[1]	Policy amount[2]
	(billions of yen and thousands of policies)					
At the beginning of the year	10,995	¥6,146.1	10,433	¥6,353.4	9,589	¥6,397.4
Increases due to:						
New policies	17	0.2	51	0.1	—	0.2
Decreases due to:						
Annuity payments	4,509	336.1	4,752	349.0	3,953	303.3
Lump sum payments	647	265.8	607	238.1	579	215.7
Surrender	259	54.0	547	137.3	835	212.7
At year-end	10,433	6,353.4	9,589	6,397.4	8,810	6,064.2
Net increase (decrease)	(561)	¥ 207.2	(843)	¥ 43.9	(778)	¥ (333.1)

Notes:

(1) The table above does not include new insured persons entered, and insured persons exiting without benefit payments, with respect to an existing group annuity contract during each respective period. As a result, the amount of net increase in the number of insured column does not match the total of the individual items.

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

Separate Accounts

Assets related to individual variable insurance, individual variable annuities and a portion of group annuity products, including group employee pension fund insurance and national pension fund insurance, are held in separate accounts. Separate account assets and liabilities represent funds that are administered and invested to meet specific investment objectives of policyholders and for which such policyholders bear the investment risk of the invested assets. Dai-ichi invests its separate account assets related to group annuity products and individual variable insurance, which accounted for 94.2% of non-consolidated total separate account assets as of March 31, 2016, based on investment advice provided by DIAM, our asset management affiliate. The following table sets forth the amount of Dai-ichi's non-consolidated separate account assets as of the dates indicated:

	As of March 31,		
	2014	2015	2016
	(millions of yen)		
Individual variable insurance	¥ 53,284	¥ 60,475	¥ 56,211
Individual variable annuities	112,848	94,089	60,298
Group annuities	1,077,304	1,104,893	926,292
Total separate account assets	¥1,243,437	¥1,259,458	¥1,042,803

Comparison of the Year Ended March 31, 2016 with the Year Ended March 31, 2015

Except as otherwise indicated, the financial information included in this section is presented on a consolidated basis.

Ordinary Revenues

Ordinary revenues increased ¥81.7 billion, or 1.1%, to ¥7,333.9 billion in the year ended March 31, 2016 as compared to the prior year. Ordinary revenues of Dai-ichi, on a non-consolidated basis, decreased ¥532.6 billion, or 11.1%, to ¥4,265.7 billion in the year ended March 31, 2016 as compared to the prior year.

Premium and Other Income

Premium and other income increased ¥153.2 billion, or 2.8%, to ¥5,586.0 billion. This increase was mainly attributable to the consolidation of Protective's financial results for the 11-month period ended December 31, 2015. This increase was offset in part by a decrease in premium and other income of Dai-ichi on a non-consolidated basis of ¥399.7 billion, or 12.2%, compared to the prior year, mainly due to a decrease in the assumed rate of return of single premium whole life insurance in light of lower interest rates.

Net Investment Income

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

	Year ended March 31,	
	2015	2016
	(billions of yen)	
Investment income:		
Interest and dividends	¥ 856.5	¥1,075.3
Gains on money held in trust	3.2	—
Gains on investments in trading securities	26.4	—
Gains on sale of securities	162.1	222.4
Gains on redemption of securities	24.6	45.5
Reversal of reserve for possible loan losses	0.4	0.8
Reversal of reserve for possible investment losses	0.2	—
Other investment income	0.6	0.6
Gains on investments in separate accounts	369.7	—
Total investment income	1,444.0	1,344.8
Investment expenses:		
Interest expenses	16.9	29.5
Losses on money held in trust	—	1.7
Losses on investments in trading securities	—	36.9
Losses on sale of securities	24.2	64.2
Losses on valuation of securities	0.4	4.1
Losses on redemption of securities	0.3	1.2
Derivative transaction losses	5.5	53.8
Foreign exchange losses	68.1	180.4
Provision for reserve for possible investment losses	—	0.4
Write-down of loans	0.0	0.2
Depreciation of real estate for rent and others	14.6	14.1
Other investment expenses	38.5	40.7
Losses on investments in separate accounts	—	96.1
Total investment expenses	168.9	524.0
Net investment income	¥1,275.0	¥ 820.8

Investment income decreased ¥99.1 billion, or 6.9%, to ¥1,344.8 billion in the year ended March 31, 2016 compared to ¥1,444.0 billion in the prior year, due primarily to an absence of gains on investments in separate accounts in the year ended March 31, 2016 compared to gains on investments in separate accounts of ¥369.7 billion in the prior year, reflecting changes in the market value and aggregate balance of the securities held in our separate account. This was offset by increases in interest and dividends and gains on sales of securities of ¥218.8 billion and ¥60.2 billion, respectively. Investment income of Dai-ichi, on a non-consolidated basis, decreased ¥114.4 billion, or 9.7%, to ¥1,060.0 billion in the year ended March 31, 2016 compared to the prior year.

Investment expenses increased to ¥524.0 billion in the year ended March 31, 2016 as compared to ¥168.9 billion in the year ended March 31, 2015. The increase was primarily due to foreign exchange losses of ¥180.4 billion for the year ended March 31, 2016 as compared with foreign exchange losses of ¥68.1 billion in the prior year, reflecting the strengthening of the yen against other currencies during the fourth quarter, as well as losses on investments in separate accounts of ¥96.1 billion in the year ended March 31, 2016 compared to none in the prior year, in part due to losses on investments in separate accounts of Dai-ichi on a non-consolidated basis in the year ended March 31, 2016 compared to the prior year. Investment expenses of Dai-ichi, on a non-consolidated basis, increased to ¥273.9 billion in the year ended March 31, 2016, or a 108.7% increase, compared to the prior year, due mainly to derivative transaction losses compared to none in the prior year, an increase in losses on sales of securities, and losses on investments in separate accounts as described above.

As a result of the foregoing, we recorded net investment income of ¥820.8 billion in the year ended March 31, 2016 as compared with net investment income of ¥1,275.0 billion in the year ended

March 31, 2015. Dai-ichi, on a non-consolidated basis, recorded net investment income of ¥786.0 billion in the year ended March 31, 2016 as compared with net investment income of ¥1,043.1 billion in the prior year.

Other Ordinary Revenues

Other ordinary revenues increased ¥27.5 billion, or 7.3%, to ¥403.0 billion as compared with the year ended March 31, 2015.

Ordinary Expenses

Ordinary expenses for the year ended March 31, 2016 totaled ¥6,915.7 billion, a ¥70.3 billion, or 1.0%, increase from the year ended March 31, 2015. Ordinary expenses of Dai-ichi, on a non-consolidated basis, for the year ended March 31, 2016 decreased ¥468.1 billion, or 10.7%, compared to the prior year.

Investment expenses increased ¥355.1 billion to ¥524.0 billion primarily due to an increase in foreign exchange losses as well as losses on investments in separate accounts in the year ended March 31, 2016 compared to none in the prior year, as noted above.

Benefits and claims increased ¥450.1 billion, or 13.3%, to ¥3,830.9 billion in the year ended March 31, 2016 compared to ¥3,380.8 billion in the prior year. This increase was largely due to the consolidation of Protective's financial results for the 11-month period ended December 31, 2015.

Operating expenses increased ¥102.0 billion, or 18.2%, to ¥661.3 billion in the year ended March 31, 2016 compared to ¥559.3 billion in the prior year. This increase was largely due to the consolidation of Protective's financial results for the 11-month period ended December 31, 2015.

The above increases were offset by a decrease in provision for policy reserves from ¥2,174.5 billion in the year ended March 31, 2015 to ¥1,396.2 billion in the year ended March 31, 2016, reflecting the losses on investments in separate accounts during the year ended March 31, 2016.

Other ordinary expenses decreased ¥61.9 billion, or 13.3%, to ¥403.0 billion in the year ended March 31, 2016 compared to ¥465.0 billion in the prior year. Other ordinary expenses of Dai-ichi, on a non-consolidated basis, decreased ¥85.8 billion, or 19.6%, to ¥352.9 billion in the year ended March 31, 2016 compared to the prior year, mainly as a result of a decrease in claim deposit payments.

Ordinary Profit

As a result of the foregoing, ordinary profit increased ¥11.3 billion, or 2.8%, to ¥418.1 billion in the year ended March 31, 2016 as compared to ¥406.8 billion in the prior year. Ordinary profit of Dai-ichi, on a non-consolidated basis, decreased ¥64.5 billion, or 15.8%, to ¥344.2 billion in the year ended March 31, 2016 as compared to ¥408.7 billion in the prior year.

Extraordinary Gains and Losses

Extraordinary gains decreased ¥3.0 billion to ¥0.3 billion in the year ended March 31, 2016 compared to ¥3.3 billion in the prior year. The primary reason was a decrease in gains on disposal of fixed assets to ¥0.2 billion in the year ended March 31, 2016 compared to ¥3.0 billion in the prior year, due mainly to a similar decrease at Dai-ichi, on a non-consolidated basis. Extraordinary losses increased by ¥25.8 billion to ¥55.2 billion in the year ended March 31, 2016 compared to ¥29.4 billion in the prior year. The increase was primarily due to impairment losses on fixed assets of ¥34.5 billion in the year ended March 31, 2016 compared to ¥5.4 billion in the prior year as a result of our decision to sell some of our properties in Tokyo in connection with the relocation of part of Dai-ichi's system functions.

Provision for Reserve for Policyholder Dividends

Provision for reserve for policyholder dividends decreased ¥14.7 billion to ¥97.5 billion in the year ended March 31, 2016 compared to ¥112.2 billion in the prior year.

Income before Income Taxes; Net Income Attributable to Shareholders of Parent Company

As a result of the foregoing, income before income taxes decreased ¥2.8 billion, or 1.0%, to ¥265.7 billion in the year ended March 31, 2016 as compared to ¥268.5 billion in the prior year. Corporate income taxes-current decreased from ¥125.5 billion in the year ended March 31, 2015 to ¥103.0 billion in the year ended March 31, 2016. Corporate income taxes-deferred decreased from ¥0.5 billion in the year ended March 31, 2015 to a benefit of ¥15.8 billion in the year ended March 31, 2016. As a result, our total of corporate income taxes decreased from ¥126.0 billion in the year ended March 31, 2015 to ¥87.1 billion in the year ended March 31, 2016. Accordingly, after reflecting non-controlling interests, our net income attributable to shareholders of parent company increased ¥36.0 billion, or 25.3%, to ¥178.5 billion in the year ended March 31, 2016 compared to ¥142.4 billion in the prior year.

Income before income taxes of Dai-ichi, on a non-consolidated basis, decreased ¥77.6 billion, or 28.5%, to ¥194.7 billion in the year ended March 31, 2016 as compared to ¥272.3 billion in the prior year. Total of corporate income taxes of Dai-ichi, on a non-consolidated basis, decreased from ¥120.1 billion in the year ended March 31, 2015 to ¥65.6 billion in the year ended March 31, 2016, and as a result net income for the year of Dai-ichi, on a non-consolidated basis, decreased by ¥23.0 billion, or 15.2%, to ¥129.1 billion compared to ¥152.1 billion in the prior year.

Comparison of the Year Ended March 31, 2015 with the Year Ended March 31, 2014

Except as otherwise indicated, the financial information included in this section is presented on a consolidated basis.

Ordinary Revenues

Ordinary revenues increased ¥1,207.2 billion, or 20.0%, to ¥7,252.2 billion in the year ended March 31, 2015 as compared to the prior year. Ordinary revenues of Dai-ichi, on a non-consolidated basis, increased ¥413.7 billion, or 9.4%, to ¥4,798.4 billion in the year ended March 31, 2015 as compared to the prior year.

Premium and Other Income

Premium and other income increased ¥1,079.4 billion, or 24.8%, to ¥5,432.7 billion. This increase was mainly attributable to strong sales of individual insurance and individual annuities by Dai-ichi and Dai-ichi Frontier Life. Premium and other income of Dai-ichi, on a non-consolidated basis, increased ¥398.3 billion, or 13.9%, to ¥3,266.3 billion in the year ended March 31, 2015 compared to the prior year.

Net Investment Income

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

	Year ended March 31, 2014	Year ended March 31, 2015
	(billions of yen)	
Investment income:		
Interest and dividends	¥ 797.3	¥ 856.5
Gains on money held in trust	—	3.2
Gains on investments in trading securities	20.6	26.4
Gains on sale of securities	210.4	162.1
Gains on redemption of securities	25.4	24.6
Reversal of reserve for possible loan losses	1.3	0.4
Reversal of reserve for possible investment losses	—	0.2
Other investment income	2.5	0.6
Gains on investment in separate accounts	262.3	369.7
Total investment income	1,320.0	1,444.0
Investment expenses:		
Interest expenses	20.0	16.9
Losses on money held in trust	13.3	—
Losses on sale of securities	67.4	24.2
Losses on valuation of securities	1.4	0.4
Losses on redemption of securities	3.0	0.3
Derivative transaction losses	61.0	5.5
Foreign exchange losses	13.2	68.1
Provision for reserve for possible investment losses	0.2	—
Write-down of loans	0.0	0.0
Depreciation of real estate for rent and others	14.1	14.6
Other investment expenses	40.8	38.5
Total investment expenses	234.9	168.9
Net investment income	¥1,085.1	¥1,275.0

Investment income increased ¥123.9 billion, or 9.4%, to ¥1,444.0 billion in the year ended March 31, 2015 compared to ¥1,320.0 billion in the prior year, due primarily to an increase in gains on investments in separate accounts reflecting a stronger performance of separate account assets for the year ended March 31, 2015 compared to that for the year ended March 31, 2014 in connection with improvements in the economic environment throughout the year ended March 31, 2015, offset by a decrease in gains on sale of securities. Investment income of Dai-ichi, on a non-consolidated basis, increased ¥12.9 billion, or 1.1%, to ¥1,174.4 billion in the year ended March 31, 2015 compared to the prior year, mainly due to an increase in interest and dividends.

Investment expenses decreased to ¥168.9 billion in the year ended March 31, 2015 as compared to ¥234.9 billion in the year ended March 31, 2014. The decrease was primarily due to derivative transaction losses of ¥5.5 billion and losses on sale of securities of ¥24.2 billion for the year ended March 31, 2015. Investment expenses of Dai-ichi, on a non-consolidated basis, decreased to ¥131.2 billion in the year ended March 31, 2015, or a 38.6% decrease, in part due to an absence of derivative transaction losses, in the year ended March 31, 2015 compared to the prior year.

As a result of the foregoing, we recorded net investment income of ¥1,275.0 billion in the year ended March 31, 2015 as compared with net investment income of ¥1,085.1 billion in the year ended March 31, 2014. Net investment income of Dai-ichi, on a non-consolidated basis, was ¥1,043.1 billion in the year ended March 31, 2015 as compared with net investment income of ¥947.5 billion in the prior year.

Other Ordinary Revenues

Other ordinary revenues increased ¥3.8 billion, or 1.0%, to ¥375.5 billion as compared with the year ended March 31, 2014.

Ordinary Expenses

Ordinary expenses for the year ended March 31, 2015 totaled ¥6,845.4 billion, a ¥1,105.1 billion, or 19.3%, increase from the year ended March 31, 2014. The primary factor behind this increase was a ¥609.6 billion increase in provision for policy reserves from ¥1,564.9 billion in the year ended March 31, 2014 to ¥2,174.5 billion in the year ended March 31, 2015, reflecting the increase in sales of individual insurance and individual annuities by Dai-ichi and Dai-ichi Frontier Life. Ordinary expenses of Dai-ichi, on a non-consolidated basis, increased ¥312.6 billion, or 7.7%, in the year ended March 31, 2015, also in part as a result of an increase in provision for policy reserves and others.

Investment expenses decreased ¥66.0 billion to ¥168.9 billion primarily due to a decrease in derivative transaction losses and a decrease in losses on sale of securities in the year ended March 31, 2015, as noted above.

Benefits and claims increased ¥477.2 billion, or 16.4%, to ¥3,380.8 billion in the year ended March 31, 2015 compared to ¥2,903.5 billion in the prior year. This increase was primarily due to an increase in surrender values by customers of savings products at Dai-ichi and Dai-ichi Frontier Life in connection with improvements in the economic environment. Benefits and claims of Dai-ichi, on a non-consolidated basis, increased by ¥279.0 billion, or 11.4%, to ¥2,718.1 billion in the year ended March 31, 2015 compared to the prior year.

Operating expenses increased ¥41.7 billion, or 8.1%, to ¥559.3 billion in the year ended March 31, 2015 compared to ¥517.5 billion in the prior year. This increase was largely due to an increase in operating expenses of Dai-ichi Frontier Life associated with the increase in sales of individual insurance and individual annuities by Dai-ichi Frontier Life.

Other ordinary expenses increased ¥15.7 billion, or 3.5%, to ¥465.0 billion in the year ended March 31, 2015 compared to ¥449.2 billion in the prior year.

Ordinary Profit

As a result of the foregoing, ordinary profit increased ¥102.0 billion, or 33.5%, to ¥406.8 billion in the year ended March 31, 2015 as compared to ¥304.7 billion in the prior year. Ordinary profit of Dai-ichi, on a non-consolidated basis, increased ¥101.1 billion, or 32.9%, to ¥408.7 billion in the year ended March 31, 2015 as compared to ¥307.6 billion in the prior year.

Extraordinary Gains and Losses

Extraordinary gains decreased ¥0.3 billion to ¥3.3 billion in the year ended March 31, 2015 compared to ¥3.6 billion in the prior year. The primary reason was a ¥0.5 billion decrease in gains on disposal of fixed assets compared to the prior year. Extraordinary losses decreased ¥37.9 billion to ¥29.4 billion in the year ended March 31, 2015 compared to ¥67.3 billion in the prior year. The decrease was primarily due to impairment losses on fixed assets of ¥5.4 billion in the year ended March 31, 2015 compared to ¥23.8 billion in the prior, the recording of a provision for reserve for price fluctuations of ¥18.0 billion in the year ended March 31, 2015 compared to ¥28.9 billion in the prior year, and losses on disposal of fixed assets of ¥5.3 billion in the year ended March 31, 2015 compared to ¥13.8 billion in the prior year, the greater part of which were recorded by Dai-ichi on a non-consolidated basis in the year ended March 31, 2015.

Provision for Reserve for Policyholder Dividends

Provision for reserve for policyholder dividends increased ¥18.2 billion to ¥112.2 billion in the year ended March 31, 2015 compared to ¥94.0 billion in the prior year.

Income before Income Taxes; Net Income Attributable to Shareholders of Parent Company

As a result of the foregoing, income before income taxes increased ¥121.4 billion, or 82.6%, to ¥268.5 billion in the year ended March 31, 2015 as compared to ¥147.0 billion in the prior year. Corporate income taxes-current increased from ¥117.2 billion in the year ended March 31, 2014 to ¥125.5 billion in the year ended March 31, 2015. Corporate income taxes-deferred increased from a benefit of ¥46.4 billion in the year ended March 31, 2014 to ¥0.5 billion in the year ended March 31, 2015. As a result, our total of corporate income taxes increased from ¥70.7 billion in the year ended March 31, 2014 to ¥126.0 billion in the year ended March 31, 2015. Accordingly, after reflecting non-controlling interests, our net income attributable to shareholders of parent company increased ¥64.5 billion, or 82.8%, to ¥142.4 billion in the year ended March 31, 2015 compared to ¥77.9 billion in the prior year.

Income before income taxes of Dai-ichi, on a non-consolidated basis, increased ¥121.5 billion, or 80.6%, to ¥272.3 billion in the year ended March 31, 2015 as compared to ¥150.8 billion in the prior year. Total corporate income taxes of Dai-ichi, on a non-consolidated basis, increased from ¥65.2 billion in the year ended March 31, 2014 to ¥120.1 billion in the year ended March 31, 2015, and as a result net income for the year of Dai-ichi, on a non-consolidated basis, increased ¥66.6 billion, or 77.9%, to ¥152.1 billion compared to ¥85.5 billion in the prior year.

Unrealized Gains and Losses

Unrealized gains and losses reflect the difference between the book value and the fair value of certain investment assets. Unrealized gains and losses on available-for-sale securities and real estate are reflected in the computation of our total solvency margin. As of March 31, 2016, net unrealized gains (losses) on available-for-sale securities, before taxes, and deferred hedge gains (losses), before taxes, accounted for 37.6% of our total solvency margin on a consolidated basis.

We are also required to record in net assets any unrealized gains or losses, net of tax, on our available-for-sale securities.

The following table sets forth, as of the dates indicated, a breakdown of net unrealized gains or losses on general account investment assets, other than certain investment assets without readily obtainable market value, on a non-consolidated basis:

	As of March 31,		
	2014	2015	2016
	(billions of yen)		
Securities:			
Domestic bonds(1)	¥1,381.3	¥2,236.8	¥4,022.9
Domestic stocks	931.8	1,785.6	1,312.8
Foreign bonds(1)(2)	484.9	1,011.6	678.7
Foreign stocks and other securities(2)	157.3	389.2	172.0
Other securities	36.3	54.4	12.5
Others(3)	13.9	13.8	12.8
Total securities	3,005.6	5,491.7	6,212.0
Real estate(4)	48.2	75.5	130.3
Total net unrealized gains (including others not listed above)	¥3,050.5	¥5,550.7	¥6,334.6

Notes:
(1) Includes unrealized gains and losses on policy-reserve matching bonds and held-to-maturity bonds.
(2) For foreign securities without fair market value, only foreign exchange valuation gains (losses) are taken into account.
(3) Includes assets that are considered appropriate to be treated as securities, as defined in the FIEA.
(4) For real estate, the difference between book value before revaluation and fair market value is reported as unrealized gains and losses.

Unrealized gains on domestic bonds increased from ¥1,381.3 billion as of March 31, 2014 to ¥2,236.8 billion as of March 31, 2015, and to ¥4,022.9 billion as of March 31, 2016. Reflecting general market trends, unrealized gains on domestic stocks increased from ¥931.8 billion as of March 31, 2014 to ¥1,785.6 billion as of March 31, 2015 and thereafter decreased to ¥1,312.8 billion as of March 31, 2016. Net unrealized gains on foreign stocks and other securities increased from ¥157.3 billion as of March 31, 2014 to ¥389.2 billion as of March 31, 2015 and thereafter decreased to ¥172.0 billion as of March 31, 2016. Primarily as a result of these trends, our total net unrealized gains increased from ¥3,050.5 billion as of March 31, 2014 to ¥5,550.7 billion as of March 31, 2015 and to ¥6,334.6 billion as of March 31, 2016. All of the figures above are presented on a non-consolidated basis.

Fundamental Profit

Net surplus from operations of a mutual life insurance company and ordinary profit of a joint stock life insurance company, as presented in its statements of earnings, include profit from its investment activities as well as profit from its insurance business. Therefore, profit from the insurance business is not readily ascertainable from the statements of earnings. For purposes of disclosing profit from the insurance business, commencing with the year ended March 31, 2001, life insurance companies in Japan have been required under the disclosure standards set by the Life Insurance Association of Japan to disclose "fundamental profit," also known as "core profit" or "base profit." Fundamental profit is not a Japanese GAAP financial measure and should not be viewed as a measure of our financial performance or liquidity under Japanese GAAP or as an alternative to any Japanese GAAP measure. Fundamental profit is defined as:

Fundamental revenues:	consisting mainly of premium and other income plus investment income other than capital gains and losses and not including certain one-time gains, such as reversal of contingency reserve,
Less	
Fundamental expenses:	consisting mainly of benefits and claims, provision for policy reserve and others, operating expenses and other ordinary expenses, not including certain one-time losses, such as provision for contingency reserve and additional provisions for policy reserve.

Fundamental profit is calculated without deducting policyholder dividends to be paid with respect to the relevant fiscal year or hedging costs associated with foreign currency-denominated bonds. Nonetheless, we believe that our fundamental profit, viewed in the context of our overall business results as reflected in our financial statements, provides a meaningful metric for understanding our financial performance.

The following table sets forth the fundamental profit of Dai-ichi, on a non-consolidated basis, for each of the three years in the period ended March 31, 2016 and reconciles fundamental profit to ordinary profit by adding back capital gains and losses as well as other one-time gains and losses:

	Year ended March 31,		
	2014	2015	2016
	(billions of yen)		
Fundamental revenues:			
Premium and other income	¥2,868.0	¥3,266.3	¥2,866.6
Investment income, excluding capital gains	952.2	1,010.3	847.9
Other ordinary revenues	355.1	357.6	356.6
Total fundamental revenues	4,175.5	4,634.4	4,071.1
Fundamental expenses:			
Benefits and claims	2,439.1	2,718.1	2,681.3
Provision for policy reserves and others	419.9	552.2	65.8
Investment expenses	75.9	68.2	101.3
Operating expenses	410.5	398.5	404.1
Other ordinary expenses	430.1	438.8	352.9
Total fundamental expenses	3,775.6	4,176.1	3,605.7
Fundamental profit [A]	¥ 399.8	¥ 458.2	¥ 465.4
Capital gains	208.1	163.6	211.9
Gains on money held in trust	5.8	7.6	—
Gains on sale of securities	202.3	146.5	211.9
Derivative transaction gains	—	9.4	—
Capital losses	137.7	62.9	172.1
Losses on money held in trust	—	—	0.7
Losses on sale of securities	67.3	24.4	62.4
Losses on valuation of securities	1.4	0.4	0.8
Derivative transaction losses	49.1	—	54.1
Foreign exchange losses	19.9	38.0	53.8
Net capital gains [B]	70.4	100.6	39.8
Fundamental profit plus net capital gains [A+B]	470.2	558.9	505.2
Other one-time gains	0.9	0.4	0.1
Reversal from specific reserve for possible loan losses	0.9	0.2	0.1
Others(1)	—	0.2	—
Other one-time losses	163.5	150.6	161.2
Provision for contingency reserve	36.0	27.0	18.0
Write-down of loans	0.0	0.0	0.0
Others(2)	127.5	123.5	143.1
Other one-time gains and losses, net [C]	(162.6)	(150.1)	(161.0)
Ordinary profit [A+B+C]	¥ 307.6	¥ 408.7	¥ 344.2

Notes:

(1) For the year ended March 31, 2015, others in other one-time gains represents reversal of reserve for possible investment losses of ¥0.2 billion.

(2) For the year ended March 31, 2014, others in other one-time losses represents the total of ¥127.3 billion in additional policy reserves provided in accordance with Article 69, Paragraph 5 of the Enforcement Regulations of the Insurance Business Act, and ¥0.2 billion in provision for reserve for possible investment losses. For the year ended March 31, 2015, others in other one-time losses represents the total of ¥123.5 billion in additional policy reserves provided in accordance with Article 69, Paragraph 5 of the Enforcement Regulations of the Insurance Business Act. For the year ended March 31, 2016, others in other one-time losses represents the total of ¥142.7 billion in additional policy reserves provided in accordance with Article 69, Paragraph 5 of the Enforcement Regulations of the Insurance Business Act, and ¥0.4 billion in provision for reserve for possible investment losses.

Embedded Value

Overview

We disclose embedded value in order to provide investors with an additional tool to evaluate the corporate value of our business. Embedded value is not a Japanese GAAP financial measure and should not be viewed as a measure of our financial performance or liquidity under Japanese GAAP or as an alternative to any Japanese GAAP measure.

We disclose embedded value on a non-consolidated basis for each of Dai-ichi, Dai-ichi Frontier Life, Neo First Life, TAL and Protective as well as on a combined basis for the five companies, as described in more detail below. For purposes of this discussion of embedded value, we refer to Dai-ichi, Dai-ichi Frontier Life, Neo First Life, TAL and Protective collectively as the Dai-ichi Group.

Dai-ichi, Dai-ichi Frontier Life and Neo First Life report their profits in financial statements prepared in accordance with Japanese GAAP, as required by Japanese regulations. TAL reports its profits in financial statements prepared in accordance with Australian accounting standards which are subsequently reclassified and adjusted for disclosure in accordance with Japanese GAAP. Protective reports its profits in financial statements prepared in accordance with U.S. GAAP which are subsequently reclassified and adjusted for disclosure in accordance with Japanese GAAP. The bases used to value assets and liabilities reported in Japanese GAAP financial statements are primarily concerned with demonstrating the solvency of life insurance companies, and Japanese GAAP financial statements do not indicate the present value of future profits on in-force business. An alternative method of measuring the corporate value and profitability of a life insurance company is the embedded value method. Embedded value is an actuarially determined estimate of the economic value of the life insurance operations of an insurance company based on a particular set of future experience assumptions. While, under Japanese GAAP, there is a lag time between the sale of policies and the recognition of profits, embedded value recognizes the contribution of future profits on in-force business as of the date of the embedded value calculation, excluding any value attributable to any potential new business in the future and the impact of expenses assumed to be allocated to such new business.

While embedded value can provide insight into the financial progress of a life insurance company, no particular measure can be used as a sole means of analysis. Because of the technical complexity of embedded value calculations, investors should read this discussion in its entirety, use care in interpreting embedded value and seek advice of experts familiar with embedded value interpretation. See “Forward-Looking Statements.”

While no standard of practice has been drafted in Japan with respect to the development of embedded values, a broad consensus regarding methods and choice of assumptions can be said to exist worldwide. In May 2008, we began disclosing embedded value on an annual basis in accordance with traditional embedded value principles. In September 2009, we began disclosing embedded value on an annual basis in accordance with European Embedded Value Principles, or the EEV Principles, as set forth in the May 2004 publication, *European Embedded Value Principles*, and related guidance published by the CFO Forum, an organization comprising the chief financial officers of Europe’s leading life insurers. We elected to disclose embedded value in accordance with the EEV Principles in order to improve the consistency and transparency of our embedded value reporting. In December 2009, we began disclosing embedded value on a semi-annual basis in accordance with the EEV Principles.

In addition, we have mainly adopted a market-consistent approach to calculating embedded value in order to address potential shortcomings in embedded value calculations based on traditional embedded value principles and to improve the transparency of our embedded value calculations. Under a market-consistent embedded value approach, cash flows from assets and liabilities are valued consistently with comparable financial instruments traded in deep and liquid markets. A number of insurers, mainly in Europe, have implemented similar market-consistent approaches.

In calculating embedded value, numerous assumptions, only some of which are described here, are required concerning the business lines of the Dai-ichi Group with respect to industry performance, business and economic conditions and other factors, many of which are outside of our control. Although the assumptions used represent estimates that we believe are appropriate for the purpose of embedded value reporting, future operating conditions may differ, possibly materially, from those assumed in the calculation of embedded value. Consequently, the inclusion of embedded value in this offering circular should not be regarded as a statement by us or any other entity, that the stream of future after-tax profits discounted to produce the embedded value figures below will actually be achieved. In addition, calculated embedded values will vary, possibly materially, as key experience assumptions are varied. Any analysis is a matter of informed judgment, and each investor should develop its own view of the Dai-ichi Group based on a detailed analysis of financial and qualitative information available about Dai-ichi, Dai-ichi Frontier Life, Neo Fist Life, TAL and Protective, combined with a consideration of overall expectations regarding the performance of financial markets, attitudes towards risk and return and a variety of other factors. You should not place undue reliance on embedded value calculations in assessing the financial condition of the Dai-ichi Group.

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

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

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

Methodology

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

In calculating embedded value, the covered business is defined as all of the life insurance businesses of Dai-ichi, Dai-ichi Frontier Life, Neo First Life, TAL and Protective, meaning that all of the businesses and subsidiaries of Dai-ichi, Dai-ichi Frontier Life, Neo First Life, TAL and Protective are covered in the embedded value calculations. In the calculation of embedded value, the Dai-ichi Group has mainly adopted a market-consistent approach. More specifically, the embedded value for Dai-ichi, Dai-ichi Frontier Life, Neo First Life, TAL and the variable annuity business of Protective are calculated based on a market-consistent approach, while the embedded value for the non-variable annuity businesses of Protective is calculated based on a top-down approach.

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

Adjusted Net Worth

Adjusted net worth represents net assets attributable to shareholders and represents the market value of assets in excess of policyholder liabilities, represented by statutory reserves (excluding contingency reserve) and other liabilities (excluding reserve for price fluctuations). In other words, adjusted net worth is calculated by adjusting total net assets on the balance sheet for retained earnings in liabilities, general reserve for possible loan losses, unrealized gains/losses in assets/liabilities not accounted for under the mark-to-market method, unfunded retirement benefit obligations, and tax effect equivalent of the items above.

Adjusted net worth is calculated by adjusting the total net assets on the balance sheet for the following:

- In order to mark to market, differences in market value and book value of assets are reflected. Specifically, differences of bonds held to maturity, policy-reserve-matching bonds, loans, land, buildings, debt and borrowings etc., after adjusting for unrealized gains/losses after tax, are reflected. For retirement benefits, the sum of unrecognized gains/losses on plan amendments and unrecognized actuarial differences has been used after adjustment for tax.
- Consolidated subsidiaries and affiliates accounted for under the equity method that operate life insurance businesses are treated as follows:
  - Dai-ichi Frontier Life: Embedded value is calculated and included in the Dai-ichi Group's embedded value.

- Neo First Life: Embedded value is calculated and included in the Dai-ichi Group's embedded value.
- Dai-ichi Life Insurance Company of Vietnam: Dai-ichi Life Vietnam, our consolidated life insurance subsidiary in Vietnam, is assumed to have a limited impact on the embedded value of the Dai-ichi Group. Accordingly, the embedded value of Dai-ichi Life Vietnam is included in the adjusted net worth of the Dai-ichi Group as the fair value of Dai-ichi's ownership interest.
- TAL: Embedded value is calculated and included in the Dai-ichi Group's embedded value.
- Protective: Embedded value of Protective attributable to Dai-ichi's equity stake in Protective is calculated and included in the Dai-ichi Group's embedded value. Embedded value for all of Protective's businesses except the variable annuity business is calculated with a top-down approach. Embedded value for the variable annuity business is calculated with a market-consistent approach. For the asset protection business, net assets based on the U.S. GAAP balance sheet are included in adjusted net worth.
- Affiliates accounted for under the equity method: Embedded value is not calculated and differences in market value and book value of assets are reflected as unrealized gains (losses) in adjusted net worth.

- Liabilities that are appropriate to be added to adjusted net worth (contingency reserve, reserve for price fluctuations, unallocated portion of reserve for policyholder dividends, asset valuation reserve, and general reserve for possible loan losses) are added on an after-tax basis.
- An adjustment is made for Dai-ichi Frontier Life's surplus relief reinsurance.
- An adjustment is made for TAL's intangible assets, including goodwill and value of in-force business.
- An adjustment is made for Protective's deferred tax assets.

Value of In-Force Business

Value of in-force business is the amount of:

- present value of future profits, *less*
- time value of financial options and guarantees, *less*
- cost of holding required capital, *less*
- cost of non-hedgeable risks.

Future profits for each year are estimated based on the assumption that policy reserves are held on a statutory basis. There are no projected residual assets at the end of the projection period. With regard to reinsurance, both reinsured and reinsuring parts are reflected.

A brief explanation of each of the items in the equation above is provided below:

Present Value of Future Profits

Present value of future profits consists of the certainty equivalent present value of future profits for business valued using a market-consistent approach and present value of future profits for business valued using a top-down approach. Certainty equivalent present value of future profits is the present value of after-tax profits based on the projected cash flows, calculated on a deterministic basis. All cash flows are discounted at the risk-free rate, assuming the investment yield of all assets is equivalent to the risk-free rate.

The certainty equivalent present value of future profits reflects the intrinsic value of options and guarantees.

Time Value of Financial Options and Guarantees

The time value of financial options and guarantees is calculated as the difference between (i) the average of the present value of future after-tax profits calculated by stochastic methods where economic assumptions are consistent with current market prices for traded assets, and (ii) the certainty equivalent present value of future profits. Asset allocation is assumed to be the same as that at the valuation date over the projection periods and any discretion of management in terms of investment strategy is not incorporated.

There are various options in insurance contracts. The following principal options and guarantees are considered in calculating the time value of financial options and guarantees using stochastic methods.

- Participating policies options: When profits arise, policyholder dividends are paid out. On the other hand, when losses arise, the cost of guarantees is not attributed to policyholders. Such asymmetric nature emerges in the net surplus after distribution of policyholder dividends. The value of this option is calculated in the time value of financial options and guarantees by assuming future policyholder dividends along with future profits by stochastic scenarios.
- Minimum guarantees for variable life insurance: When investment performance is good, policyholders will be entitled to the full amount of the account. On the other hand, when investment performance is poor, an insurance company will bear the cost of guarantees attached to variable life insurance policies. The value of this option is calculated in the time value of financial options and guarantees.
- Minimum interest-rate guarantee for interest rate-sensitive products: When interest rates rise, high interest rates are credited to interest rate-sensitive products. On the other hand, even when interest rates decline, the minimum interest rate is guaranteed in some cases. Accordingly, changes in interest rates have an asymmetric effect on future cash flows. The value of this option is calculated in the time value of financial options and guarantees.
- Policyholder behavior: Policyholders have options depending on the movement of financial markets. The cost of selective lapses, such as the lapses based on the “in-the-moneyness” in variable annuities or the relation between assumed interest rate and interest rate in saving products, is reflected in the time value of financial options and guarantees.

Cost of Holding Required Capital

The cost of holding required capital is referred to as “frictional cost” under market-consistent methodology.

In order to secure financial solidity, life insurance companies are required to hold additional assets in excess of the statutory liability. The cost of holding required capital is the cost incurred through the payment of taxes on the investment income of the assets backing the required capital and the related investment expenses incurred for the management of the assets.

The EEV Principles define the minimum required capital to be equal to the statutory minimum capital requirement, and if the required capital calculated by an internal model exceeds the statutory requirement, an internal model may be used. Dai-ichi, Dai-ichi Frontier Life and Neo First Life define required capital as the level required to maintain 400% level of solvency margin ratio. TAL defines required capital as the level required by the regulations in Australia. Protective defines required capital as the level required to maintain 400% of Company Action Level Risk-based Capital, as defined by the National Association of Insurance Commissioners. The value of required capital as of March 31, 2014, on a combined basis for Dai-ichi, Dai-ichi Frontier Life and TAL, was ¥813.9 billion. The value of required capital as of March 31, 2015, on a combined basis for Dai-ichi, Dai-ichi Frontier Life, TAL and Protective, was ¥1,257.0 billion. The value of required capital as of March 31, 2016, on a combined basis for Dai-ichi, Dai-ichi Frontier Life, Neo First Life, TAL and Protective, was ¥1,303.6 billion.

The European Insurance CFO Forum Market Consistent Embedded Value Principles© (Copyright© Stichting CFO Forum Foundation 2008) state that required capital should be at least the statutory minimum capital level and should include amounts required to meet internal objectives. We will continue to investigate and review the definition of required capital, taking into account worldwide trends and discussions on economic value-based solvency assessment.

Cost of Non-hedgeable Risks

The EEV Principles define embedded value to be the present value of distributable profits attributable to shareholders arising from assets allocated to the covered business, calculated taking into account all the risks of the covered business including non-hedgeable risks.

The uncertainty relating to the return on most risks can be diversified away. Thus, for some risks such as mortality, no further allowance is required, provided the best estimate assumptions are set to provide the mean expected financial outcome to shareholders.

There are some non-hedgeable risks where the existing best estimate experience assumptions do not reflect the mean expected financial outcome to shareholders. A typical example is operational risk.

When profits arise, tax must be paid. On the other hand, when losses arise, tax cannot be negative. In such cases, carrying losses on a tax accounting basis are collectable in most cases. However, there is a risk of uncollectibility within the deferrable period.

For risk-free rates beyond the last liquid data point, there is a risk of uncertainty due to the low liquidity, which has also been included.

We quantify non-hedgeable risks using a simplified model.

Value of In-force Business for Non-variable Annuity Businesses of Protective

The value of in-force business is calculated by deducting the cost of holding required capital from the present value of future profits. The time value of financial options and guarantees is not material for the non-variable annuity businesses. The present value of future profits is the after-tax statutory profits of non-variable annuity in-force covered business based on projected cash flows calculated on a deterministic basis, and discounted by an appropriate risk discount rate. Investment cash flows were calculated based on economic assumptions as of February 1, 2015 and December 31, 2015 for the embedded value as of February 1, 2015 and December 31, 2015, respectively, and on then-current and expected asset allocations. The cost of holding required capital is a spread between the investment yield and the discount rate for holding the required capital.

Value of New Business

The value of new business for a given reporting period is the value of new policies issued during such reporting period, which is calculated by the same method as the value of in-force business, as discussed above. The value of new business is the value at the time of sale of the new policies. The profit from new business during a given reporting period is calculated based on the same assumptions used to calculate the value of in-force business. The economic assumptions applied are generally as of the end of each reporting period.

In addition to the new policies, net increases in conversions and addition of riders are included in the value of new business, although renewal of policies is not included. With regard to corporate insurance, such as group insurance, corporate pension and workers compensation insurance, the increase of the proportion underwritten in a group scheme, the increase of members in a group scheme and the increase of the sum insured by members in a group scheme are included.

Embedded Value as of March 31, 2014, 2015 and 2016

For purposes of embedded value calculations as of March 31, 2016 and the value of new business for the year ended March 31, 2016 for the Dai-ichi Group, Dai-ichi and Dai-ichi Frontier Life, the extrapolation method beyond the last liquid data point of Japanese interest rate was changed from a method taking into account the yield curve of Japanese swap rate to a method using the ultimate forward rate. For consistent valuation, the embedded value as of March 31, 2015 and the value of new business for the year ended March 31, 2015 are also presented on a restated basis in the tables below.

Embedded Value of the Dai-ichi Group

Embedded value of the Dai-ichi Group as of March 31, 2014 is calculated as:

- the embedded value of Dai-ichi, *plus*
- the embedded value of Dai-ichi Frontier Life corresponding to Dai-ichi's equity stake in Dai-ichi Frontier Life, *plus*
- the embedded value of TAL corresponding to Dai-ichi's equity stake in TAL, *less*
- the carrying amount of the equity of Dai-ichi Frontier Life held by Dai-ichi, *less*
- the carrying amount of the equity of TAL held by Dai-ichi.

Embedded value of the Dai-ichi Group as of March 31, 2015 is calculated as:

- the embedded value of Dai-ichi, *plus*
- the embedded value of Dai-ichi Frontier Life corresponding to Dai-ichi's equity stake in Dai-ichi Frontier Life, *plus*
- the embedded value of TAL corresponding to Dai-ichi's equity stake in TAL, *plus*
- the embedded value of Protective corresponding to Dai-ichi's equity stake in Protective, *less*
- the carrying amount of the equity of Dai-ichi Frontier Life held by Dai-ichi, *less*
- the carrying amount of the equity of TAL held by Dai-ichi, *less*
- the carrying amount of the equity of Protective held by Dai-ichi.

Embedded value of the Dai-ichi Group as of March 31, 2016 is calculated as:

- the embedded value of Dai-ichi, *plus*
- the embedded value of Dai-ichi Frontier Life corresponding to Dai-ichi's equity stake in Dai-ichi Frontier Life, *plus*
- the embedded value of Neo First Life corresponding to Dai-ichi's equity stake in Neo First Life, *plus*
- the embedded value of TAL corresponding to Dai-ichi's equity stake in TAL, *plus*
- the embedded value of Protective corresponding to Dai-ichi's equity stake in Protective, *less*
- the carrying amount of the equity of Dai-ichi Frontier Life held by Dai-ichi, *less*
- the carrying amount of the equity of Neo First Life held by Dai-ichi, *less*
- the carrying amount of the equity of TAL held by Dai-ichi, *less*
- the carrying amount of the equity of Protective held by Dai-ichi.

Dai-ichi held 100.0% of the shares of Dai-ichi Frontier Life and TAL as of March 31, 2014, 2015 and 2016. Dai-ichi held 100.0% of the shares of Protective as of March 31, 2015 and 2016. Dai-ichi held 100.0% of the shares of Neo First Life as of March 31, 2016. The carrying amount of the equity of Dai-ichi Frontier Life held by Dai-ichi was ¥181.9 billion as of March 31, 2014, 2015 and 2016. The carrying amount of the equity of TAL held by Dai-ichi was ¥142.0 billion, ¥154.5 billion and ¥162.5 billion as of March 31, 2014, 2015 and 2016, respectively. The carrying amount of the equity of Protective held by Dai-ichi was ¥578.3 billion as of March 31, 2015 and 2016. The carrying amount of the equity of Neo First Life held by Dai-ichi was ¥35.7 billion as of March 31, 2016.

Neo First Life became a wholly-owned subsidiary of Dai-ichi on August 1, 2014. The Dai-ichi Group's embedded value as of March 31, 2014 and 2015 does not include Neo First Life's embedded value. The Dai-ichi Group's embedded value as of March 31, 2016 includes Neo First Life's embedded value as of March 31, 2016. The Dai-ichi Group's value of new business for the years ended March 31, 2014 and 2015 does not include the value of new business for Neo First Life.

Protective became a wholly-owned subsidiary of Dai-ichi on February 1, 2015. The Dai-ichi Group's embedded value as of March 31, 2014 does not include Protective's embedded value. The

Dai-ichi Group's embedded value as of March 31, 2015 and 2016 includes Protective's embedded value as of February 1, 2015 and December 31, 2015, respectively. The Dai-ichi Group's value of new business for the years ended March 31, 2014 and 2015 does not include the value of new business for Protective.

The table below sets forth the embedded value of the Dai-ichi Group as of March 31, 2014, 2015 and 2016 and the value of new business of the Dai-ichi Group for the years ended March 31, 2014, 2015 and 2016:

	As of or for the year ended March 31,				Increase (Decrease)
	2014	2015	2015 (restated)	2016	
	(billions of yen)				
Embedded value	¥4,294.7	¥5,779.6	¥5,987.6	¥ 4,646.1	¥(1,341.5)
Adjusted net worth	3,431.3	5,540.8	5,540.8	6,287.3	746.5
Value of in-force business	863.3	238.8	446.8	(1,641.2)	(2,088.1)
Value of new business	255.4	274.0	286.1	216.1	(70.0)

The table below sets forth a breakdown of the adjusted net worth of the Dai-ichi Group as of March 31, 2014, 2015 and 2016:

	As of March 31,			Increase (Decrease)
	2014	2015	2016	
	(billions of yen)			
Adjusted net worth	¥ 3,431.3	¥ 5,540.8	¥ 6,287.3	¥ 746.5
Total net assets on the balance sheet(1)	891.2	1,588.4	1,710.1	121.7
Retained earnings in liabilities(2)	765.8	862.4	890.6	28.1
General reserve for possible loan losses	1.4	1.1	0.4	(0.6)
Unrealized gains on securities and miscellaneous items(3)	3,179.0	5,664.6	6,490.1	825.4
Unrealized gains (losses) on loans	218.1	250.0	273.1	23.0
Unrealized gains (losses) on real estate(4)	3.5	42.9	132.7	89.7
Unrealized gains (losses) on liabilities(5)	(25.9)	(32.3)	(32.1)	0.2
Unfunded retirement benefit obligation(6)	24.7	75.9	(47.8)	(123.7)
Tax effect equivalent of above items	(1,233.4)	(1,905.1)	(2,101.2)	(196.1)
Adjustment for the Trust Fund for Employee Stock Holding Partnership and Stock Granting Trust(7)	11.6	10.3	8.1	(2.1)
Consolidation adjustment regarding Dai-ichi Frontier Life(8)	(181.9)	(181.9)	(181.9)	0.0
Consolidation adjustment regarding Neo First Life(9)	—	0.0	(35.7)	(35.7)
Adjustment for deferred tax assets in Protective and miscellaneous items(10)	—	(39.5)	(28.4)	11.0
Consolidation adjustment regarding Protective(11)	—	(578.3)	(578.3)	0.0
Adjustment for intangible assets in TAL and miscellaneous items(12)	(81.0)	(63.4)	(49.6)	13.7
Consolidation adjustment regarding TAL(13)	(142.0)	(154.5)	(162.5)	(8.0)

Notes:

(1) The total of valuation and translation adjustments is excluded. An adjustment regarding the surplus relief reinsurance has been made for Dai-ichi Frontier Life's EEV calculation.

(2) The sum of reserve for price fluctuations, contingency reserve, and the unallocated portion of reserve for policyholder dividends is reported.

(3) For purposes of EEV calculations, domestic listed stocks are recorded at their market value as of the end of the reporting period, whereas for accounting purposes under Japanese GAAP, they are recorded on the balance sheet at their average value during the last month of the reporting period. The difference (the value for purposes of EEV calculations less the value recorded on our balance sheet) (after tax) was ¥24.2 billion as of March 31, 2014, ¥(18.5) billion as of March 31, 2015, and ¥(11.1) billion as of March 31, 2016.

(4) With respect to land, the difference between fair value and carrying amount before revaluation is posted.

(5) The figure represents the unrealized gains (losses) in subordinated debt that Dai-ichi issued.

(6) The sum of unrecognized gains/losses on plan amendments and unrecognized actuarial differences is reported.

(7) The fair value of the Trust Fund for the Employee Stock Holding Partnership and Stock Granting Trust (collectively, the "Trust") is reported (the fair value of the Trust Fund for the Employee Stock Holding Partnership does not exceed the loan amount of the trust fund).
(8) Dai-ichi's carrying amount of the equity of Dai-ichi Frontier Life, which is reported in "Total net assets on the balance sheet," is deducted to offset.
(9) Dai-ichi's carrying amount of equity of Neo First Life, which is reported in "Total net assets on the balance sheet," is deducted to offset.
(10) An adjustment is made for Protective's deferred tax assets and for other miscellaneous items.
(11) Dai-ichi's carrying amount of the equity of Protective, which is reported in "Total net assets on the balance sheet," is deducted to offset.
(12) An adjustment is made for TAL's intangible assets, including goodwill and value of in-force business.
(13) Dai-ichi's carrying amount of the equity of TAL, which is reported in "Total net assets on the balance sheet," is deducted to offset.
(14) All the items from "Total net assets on the balance sheet" to "Tax effect equivalent of above items" as of March 31, 2014 display the sum of the figures for Dai-ichi, Dai-ichi Frontier Life and TAL. All the items from "Total net assets on the balance sheet" to "Tax effect equivalent of above items" as of March 31, 2015 display the sum of the figures for Dai-ichi, Dai-ichi Frontier Life, TAL and Protective. All the items from "Total net assets on the balance sheet" to "Tax effect equivalent of above items" as of March 31, 2016 display the sum of the figures for Dai-ichi, Dai-ichi Frontier Life, Neo First Life, TAL and Protective.

The table below sets forth a breakdown of the value of in-force business of the Dai-ichi Group as of March 31, 2014, 2015 and 2016:

	As of March 31,				
	2014	2015	2015 (restated)	2016	Increase (Decrease)
	(billions of yen)				
Value of in-force business	¥ 863.3	¥ 238.8	¥ 446.8	¥(1,641.2)	¥(2,088.1)
Present value of future profits(1)(2)	1,113.8	632.4	920.5	(1,103.8)	(2,024.3)
Time value of financial options and guarantees	(131.0)	(190.4)	(172.8)	(178.7)	(5.8)
Cost of holding required capital(3)	(57.2)	(130.7)	(131.2)	(121.1)	10.0
Cost of non-hedgeable risks	(62.1)	(72.4)	(169.5)	(237.5)	(67.9)

Notes:
(1) An adjustment regarding the surplus relief reinsurance has been made for Dai-ichi Frontier Life's EEV calculation.
(2) Includes the certainty equivalent present value of future profits for business valued using a market-consistent approach and present value of future profits for business valued using a top-down approach.
(3) Includes the frictional cost of capital for business valued using a market-consistent approach and the cost of capital for business valued using a top-down approach.

The table below sets forth a breakdown of the value of new business of the Dai-ichi Group for the years ended March 31, 2014, 2015 and 2016:

	For the year ended March 31,				
	2014	2015	2015 (restated)	2016	Increase (Decrease)
	(billions of yen)				
Value of new business(1)(2)	¥255.4	¥274.0	¥286.1	¥216.1	¥(70.0)
Present value of future profits	266.0	287.0	306.1	244.7	(61.4)
Time value of financial options and guarantees	(0.4)	(1.9)	(1.2)	(4.6)	(3.4)
Cost of holding required capital	(5.8)	(5.0)	(5.1)	(8.4)	(3.2)
Cost of non-hedgeable risks	(4.2)	(6.0)	(13.6)	(15.4)	(1.8)

Notes:
(1) Dai-ichi held 90.0% of the shares of Dai-ichi Frontier Life as of March 31, 2013. Dai-ichi Frontier Life became a wholly-owned subsidiary of Dai-ichi on March 31, 2014. The Dai-ichi Group's value of new business for the year ended March 31, 2014 is calculated based on Dai-ichi's 90.0% equity stake in Dai-ichi Frontier Life.
(2) The Dai-ichi Group's value of new business for the years ended March 31, 2014 and 2015 does not include the value of new business of Protective.

The table below sets forth the new business margins (the ratio of the value of new business to the present value of premium income) of the Dai-ichi Group for the years ended March 31, 2014, 2015 and 2016:

	For the year ended March 31,				
	2014	2015	2015 (restated)	2016	Increase (Decrease)
	(billions of yen, except for percentages and points)				
Value of new business	¥ 255.4	¥ 274.0	¥ 286.1	¥ 216.1	¥ (70.0)
Present value of premium income(1)	4,087.8	5,179.5	5,174.7	5,514.2	339.4
New business margin	6.25%	5.29%	5.53%	3.92%	(1.61) points

Note:

(1) Future premium income (as for Protective, based on the statutory accounting) is discounted by the risk-free rate or the risk discount rate used for the value of new business calculation.

Embedded Value of Dai-ichi

The table below sets forth the embedded value of Dai-ichi as of March 31, 2014, 2015 and 2016 and the value of new business for the years ended March 31, 2014, 2015 and 2016:

	As of March 31,				
	2014	2015	2015 (restated)	2016	Increase (Decrease)
	(billions of yen)				
Embedded value(1)	¥ 4,268.5	¥ 5,700.8	¥ 5,908.8	¥ 4,441.4	¥(1,467.3)
Adjusted net worth	3,520.9	5,791.8	5,791.8	6,483.3	691.4
Total net assets(2)	696.8	1,108.1	1,108.1	1,176.5	68.3
Retained earnings in liabilities(3)	656.9	703.2	703.2	743.9	40.6
General reserve for possible loan losses	1.3	1.1	1.1	0.4	(0.6)
Unrealized gains on securities and miscellaneous items(4)	3,161.5	5,485.7	5,485.7	6,267.2	781.5
Unrealized gains (losses) on loans	218.1	250.0	250.0	273.1	23.0
Unrealized gains (losses) on real estate(5)	3.5	42.9	42.9	132.7	89.7
Unrealized gains (losses) on liabilities(6)	(25.9)	(32.3)	(32.3)	(32.1)	0.2
Unfunded retirement benefit obligation(7)	24.7	75.9	75.9	(47.8)	(123.7)
Tax effect equivalent of above items	(1,228.0)	(1,853.4)	(1,853.4)	(2,038.8)	(185.3)
Adjustment for the Trust Fund for Employee Stock Holding Partnership and Stock Granting Trust(8)	11.6	10.3	10.3	8.1	(2.1)
Value of in-force business	747.6	(91.0)	116.9	(2,041.9)	(2,158.8)
Certainty equivalent present value of future profits	920.3	113.5	401.5	(1,669.6)	(2,071.2)
Time value of financial options and guarantees	(75.0)	(104.4)	(86.8)	(131.4)	(44.5)
Cost of holding required capital	(41.9)	(38.3)	(38.8)	(16.2)	22.6
Cost of non-hedgeable risks	(55.6)	(61.8)	(158.9)	(224.6)	(65.6)

	For the year ended March 31,				
	2014	2015	2015 (restated)	2016	Increase (Decrease)
	(billions of yen)				
Value of new business	¥216.9	¥198.1	¥210.2	¥134.6	¥(75.5)
Certainty equivalent present value of future profits	221.0	205.9	225.0	151.2	(73.8)
Time value of financial options and guarantees	(0.4)	(1.9)	(1.2)	(2.7)	(1.5)
Cost of holding required capital	(1.3)	(2.3)	(2.4)	(1.0)	1.3
Cost of non-hedgeable risks	(2.3)	(3.6)	(11.2)	(12.7)	(1.5)

Notes:

(1) Dai-ichi's share of Dai-ichi Frontier Life, Neo First Life, Protective and TAL is valued on a book value basis. The EEV of the Dai-ichi Group is adjusted for consolidation.

(2) The total of valuation and translation adjustments is excluded.

(3) The sum of reserve for price fluctuations, contingency reserves, and the unallocated portion of reserve for policyholder dividends is reported.

(4) For purposes of EEV calculations, domestic listed stocks are recorded at their market value as of the end of the reporting period, whereas for accounting purposes under Japanese GAAP, they are recorded on the balance sheet at their average value during the last month of the reporting period. The difference (the value for purposes of EEV calculations less the value recorded on our balance sheet) (after tax) was ¥24.2 billion as of March 31, 2014, ¥(18.5) billion as of March 31, 2015 and ¥(11.1) billion as of March 31, 2016.

(5) With respect to land, the difference between fair value and carrying value before revaluation is posted.

(6) The figure represents the unrealized gains (losses) in subordinated debt that Dai-ichi issued.

(7) The sum of unrecognized gains/losses on plan amendments and unrecognized actuarial differences is reported.

(8) The fair value of the Trust is reported (the fair value of the Trust Fund for the Employee Stock Holding Partnership does not exceed the loan amount of the trust fund).

The table below sets forth the new business margins (the ratio of the value of new business to the present value of premium income) of Dai-ichi for the years ended March 31, 2014, 2015 and 2016:

	For the year ended March 31,				
	2014	2015	2015 (restated)	2016	Increase (Decrease)
	(billions of yen, except for percentages and points)				
Value of new business	¥ 216.9	¥ 198.1	¥ 210.2	¥ 134.6	¥ (75.5)
Present value of premium income[(1)]	2,649.5	3,258.1	3,253.3	3,017.9	(235.4)
New business margin	8.19%	6.08%	6.46%	4.46%	(2.00) points

Note:

(1) Future premium income is discounted by the risk-free rate used for the value of new business calculation.

Movement Analysis

Movement Analysis for Embedded Value of the Dai-ichi Group

The table below sets forth a movement analysis of the change in the embedded value of the Dai-ichi Group from March 31, 2014 to March 31, 2015:

	Adjusted net worth	Value of in-force business	Embedded value
		(billions of yen)	
Values as of March 31, 2014	¥3,431.3	¥ 863.3	¥4,294.7
Adjustments to the values as of March 31, 2014	252.3	(2.8)	249.4
Shareholder dividend	(20.0)	0.0	(20.0)
Issuance of new shares	265.6	0.0	265.6
Accounting policies variance	10.3	0.0	10.3
Foreign exchange variance	(3.6)	(2.8)	(6.5)
Adjusted values as of March 31, 2014	3,683.6	860.5	4,544.2
Value of new business	0.0	274.0	274.0
Expected existing business contribution (risk-free rate)	(9.8)	23.5	13.6
Expected existing business contribution (in excess of risk-free rate)	63.3	289.1	352.5
Expected transfer from value of in-force business to adjusted net worth	(53.3)	53.3	0.0
On in-force at beginning of year	158.2	(158.2)	0.0
On new business	(211.6)	211.6	0.0
Non-economic experience variances	8.9	3.7	12.6
Non-economic assumptions changes	0.2	51.8	52.0
Economic variances	1,990.8	(1,476.0)	514.7
Other variances	83.5	7.4	91.0
Adjustments to the values as of March 31, 2015	(226.6)	151.2	(75.3)
Values as of March 31, 2015	¥5,540.8	¥ 238.8	¥5,779.6

The table below sets forth a movement analysis of the change in the embedded value of the Dai-ichi Group from March 31, 2015 to March 31, 2016:

	Adjusted net worth	Value of in-force business	Embedded value
	(billions of yen)		
Values as of March 31, 2015	¥5,540.8	¥ 238.8	¥ 5,779.6
Change in the extrapolation method of interest rates	0.0	208.0	208.0
Values as of March 31, 2015 (restated)	5,540.8	446.8	5,987.6
Adjustments to the values as of March 31, 2015	(49.7)	(4.1)	(53.9)
Shareholder dividend	(33.5)	0.0	(33.5)
Repurchase of the company's shares	(14.9)	0.0	(14.9)
Foreign exchange variance	(1.2)	(4.1)	(5.3)
Adjusted values as of March 31, 2015	5,491.0	442.6	5,933.7
Value of new business	0.0	216.1	216.1
Expected existing business contribution (market-consistent approach)	104.6	373.0	477.6
Risk-free rate	(10.2)	33.8	23.5
In excess of risk-free rate	114.8	339.2	454.1
Expected existing business contribution (top-down approach)	11.8	19.1	30.9
Expected transfer from value of in-force business to adjusted net worth	(4.3)	4.3	0.0
On in-force at beginning of year	235.8	(235.8)	0.0
On new business	(240.1)	240.1	0.0
Non-economic experience variances	20.2	8.2	28.4
Non-economic assumptions changes	(1.1)	69.5	68.4
Economic variances	624.0	(2,764.1)	(2,140.1)
Other variances	40.3	(23.8)	16.4
Adjustments to the values as of March 31, 2016	0.7	13.6	14.3
Values as of March 31, 2016	¥6,287.3	¥(1,641.2)	¥ 4,646.1

Set forth below are brief summaries of the line items included in the table above regarding the change in the embedded value of the Dai-ichi Group from March 31, 2015 to March 31, 2016.

Change in the extrapolation method of interest rates

We have changed the extrapolation method beyond the last liquid data point of Japanese interest rates from a method taking into account the yield curve of Japanese swap rate to a method using an ultimate forward rate. In conjunction with this, allowance has been made for the uncertainty in the realization of the ultimate forward rate.

Adjustments to the values as of March 31, 2015

Adjusted net worth of Dai-ichi decreased by ¥33.5 billion, as it paid out shareholder dividends during the year ended March 31, 2016. Further, adjusted net worth of Dai-ichi decreased by ¥14.9 billion, as it repurchased its own shares during the year ended March 31, 2016. In addition, this item also includes the foreign exchange variance, because TAL's and Protective's EEV are converted into yen.

Value of new business

The value of new business represents the value at the time of sale, after all acquisition-related costs, attributable to new business obtained during the year ended March 31, 2016.

Expected existing business contribution (market-consistent approach)

This item includes the expected business contribution of Dai-ichi, Dai-ichi Frontier Life, TAL and Protective's variable annuity business including required capital of variable annuity business with the following breakdown.

Risk-free rate

In calculating the value of in-force business, future expected profits are discounted back using risk-free rates. Thus, the discounted value is assumed to earn the risk-free rate over time. Moreover, this item includes the expected return on the assets backing adjusted net worth using risk-free rates, and the release for the year ended March 31, 2016 of time value of financial options and guarantees, cost of holding required capital and cost of non-hedgeable risks. This item includes the expected profit/loss over time derived from derivative transactions, which Dai-ichi Frontier Life utilizes to reduce minimum guarantee risks of variable annuities.

In excess of risk-free rate

Rates of future expected returns are assumed to be risk-free rates in calculating EEV. However, the Dai-ichi Group expects higher rates of returns on these assets than the risk-free rates. In calculating this item, the Dai-ichi Group uses the expected rates of returns described below (see "—Assumptions"). This item includes the expected profit/loss from the higher rate of returns than the risk-free rates derived from derivative transactions for reducing minimum guarantee risks of variable annuities by Dai-ichi Frontier Life. This item also includes the expected profit/loss from derivative transactions for hedging against the variable annuity business of Protective.

Expected existing business contribution (top-down approach)

This item includes Protective's non-variable business, including free surplus and required capital of non-variable annuity business. In calculating the value of in-force business, future expected profits are discounted back using the risk discount rates. Thus, the discounted value is assumed to earn the risk discount rate over time. Moreover, this item includes the expected return on the assets backing adjusted net worth, and the release of the year ended March 31, 2016 of the cost of capital.

Expected transfer from VIF (value of in-force business) to adjusted net worth

The total expected profit during the year ended March 31, 2016 on a statutory accounting basis is transferred to the adjusted net worth. This item includes both the profit expected to emerge from business in force at the start of the reporting period, as well as the expected emergence in adjusted net worth during the period of statutory losses, including the impact of acquisition costs, and a corresponding increase in the value of in-force business, arising from the new business issued in the period. Note that the transferred amounts do not affect the total amount of the Dai-ichi Group's EEV.

Non-economic experience variances

This item represents the difference between (i) the non-economic assumptions, which were used for calculating EEV as of March 31, 2015 and (ii) the actual experience during the year ended March 31, 2016 corresponding to such assumptions.

Non-economic assumptions changes

This item quantifies the amount of change attributable to increase/decrease in future profits/losses after March 31, 2016 due to changes made to the assumptions.

Economic variances

This item represents the impact of differences between actual investment returns in the period and the expected investment returns and the impact on the value of in-force business from the change to the end of period economic assumptions. This item includes the impact of changing the risk discount rate of Protective.

Other variances

This item includes the impact of factors other than stated above and "Adjustments to the values as of March 31, 2016" below. Model changes are included in this item. For the year ended March 31, 2016, EEV increased by ¥24.3 billion due to the impact of the change in the Japanese corporate tax system effective from the year ended March 31, 2016. This figure excludes the impact of the tax system change on new business written in the past year, which is already reflected in the value of new business.

Adjustments to the values as of March 31, 2016

Calculation and disclosure of the EEV of Neo First Life is reflected for the first time in the EEV as of March 31, 2016. This effect represented as the difference in the EEV of Neo First Life and fair value of Neo First Life is included in this item.

Movement Analysis for Embedded Value of Dai-ichi

The table below sets forth a movement analysis of the change in the embedded value of Dai-ichi from March 31, 2014 to March 31, 2015:

	Adjusted net worth	Value of in-force business	Embedded value
		(billions of yen)	
Values as of March 31, 2014	¥3,520.9	¥ 747.6	¥4,268.5
Adjustments to the values as of March 31, 2014	256.0	0.0	256.0
Shareholder dividend(1)	(20.0)	0.0	(20.0)
Issuance of new shares(2)	265.6	0.0	265.6
Accounting policies variance(3)	10.3	0.0	10.3
Adjusted values as of March 31, 2014	3,776.9	747.6	4,524.5
Value of new business	0.0	198.1	198.1
Expected existing business contribution (risk-free rate)	1.5	4.7	6.3
Expected existing business contribution (in excess of risk-free rate)	41.1	293.5	334.6
Expected transfer from value of in-force business to adjusted net worth	(41.2)	41.2	0.0
On in-force at beginning of year	110.1	(110.1)	0.0
On new business	(151.4)	151.4	0.0
Non-economic experience variances	9.6	(0.8)	8.8
Non-economic assumptions changes	0.0	55.3	55.3
Economic variances	1,919.2	(1,438.3)	480.9
Other variances(4)	84.6	7.3	92.0
Values as of March 31, 2015	¥5,791.8	¥ (91.0)	¥5,700.8

Notes:

(1) Adjusted net worth of Dai-ichi decreased by ¥20.0 billion, as it paid out shareholder dividends during the year ended March 31, 2015.

(2) Adjusted net worth of Dai-ichi increased by ¥265.6 billion, as it issued new shares during the year ended March 31, 2015.

(3) Adjusted net worth of Dai-ichi increased by ¥10.3 billion, as it revised the valuation method for its retirement benefit plan, following the changes to the Accounting Standard for Retirement Benefits.

(4) Includes the impact of both changes in the Japanese corporate tax system effective from the year ended March 31, 2015 and changes in the consumption tax rate that were scheduled at the time this item was calculated.

The table below sets forth a movement analysis of the change in the embedded value of Dai-ichi from March 31, 2015 to March 31, 2016:

	Adjusted net worth	Value of in-force business	Embedded value
		(billions of yen)	
Values as of March 31, 2015	¥5,791.8	¥ (91.0)	¥ 5,700.8
Change in the extrapolation method of interest rates	0.0	208.0	208.0
Values as of March 31, 2015 (restated)	5,791.8	116.9	5,908.8
Adjustments to the values as of March 31, 2015	(48.5)	0.0	(48.5)
Shareholder dividend(1)	(33.5)	0.0	(33.5)
Repurchase of the company's shares(2)	(14.9)	0.0	(14.9)
Adjusted values as of March 31, 2015	5,743.3	116.9	5,860.3
Value of new business	0.0	134.6	134.6
Expected existing business contribution (market-consistent approach)	73.6	356.5	430.1
Risk-free rate	1.2	10.1	11.3
In excess of risk-free rate	72.4	346.3	418.7
Expected existing business contribution (top-down approach)	0.0	0.0	0.0
Expected transfer from value of in-force business to adjusted net worth	(14.5)	14.5	0.0
On in-force at beginning of year	143.3	(143.3)	0.0
On new business	(157.9)	157.9	0.0
Non-economic experience variances	0.4	13.6	14.0
Non-economic assumptions changes	0.0	57.3	57.3
Economic variances	628.0	(2,715.2)	(2,087.2)
Other variances(3)	43.7	(20.3)	23.3
Adjustments to the values as of March 31, 2016(4)	8.7	0.0	8.7
Values as of March 31, 2016	¥6,483.3	¥(2,041.9)	¥ 4,441.4

Notes:

(1) Adjusted net worth of Dai-ichi decreased by ¥33.5 billion, as it paid out shareholder dividends during the year ended March 31, 2016.

(2) Adjusted net worth of Dai-ichi decreased by ¥14.9 billion, as it repurchased its own shares during the year ended March 31, 2016.

(3) This item includes the impact of changes in the Japanese corporate tax system effective from the year ended March 31, 2016.

(4) Calculation of the EEV of Neo First Life is reflected for the first time in the EEV as of March 31, 2016. This effect represented as the difference in fair value of Neo First Life and book value of Neo First Life is included in this item.

Sensitivity Analysis

Sensitivity Analysis for Embedded Value of the Dai-ichi Group

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

The sensitivities are calculated based on the assumption that the management actions of Dai-ichi, Dai-ichi Frontier Life, Neo First Life, TAL and Protective would remain unaffected by changes in parameters.

In the tables in this section, the abbreviation "bp" means basis point(s).

Assumptions	Embedded value	Increase (Decrease)
	(billions of yen)	
Values as of March 31, 2016	¥4,646.1	¥ —
Sensitivity 1: 50bp upward parallel shift in risk-free yield curve	5,138.4	492.3
Sensitivity 2: 50bp downward parallel shift in risk-free yield curve	4,297.6	(348.5)
Sensitivity 3: 10% decline in equity and real estate values	4,239.1	(406.9)
Sensitivity 4: 10% decline in maintenance expenses	4,887.5	241.4
Sensitivity 5: 10% decline in surrender and lapse rate	4,827.5	181.4
Sensitivity 6: 5% decline in mortality and morbidity rates for life insurance products	4,848.8	202.6
Sensitivity 7: 5% decline in mortality and morbidity rates for annuities	4,619.1	(26.9)
Sensitivity 8: Setting required capital at statutory minimum level	4,726.6	80.5
Sensitivity 9: 25% increase in implied volatilities of equity and real estate values	4,610.8	(35.2)
Sensitivity 10: 25% increase in implied volatilities of swaptions	4,625.0	(21.0)

The following table shows the effect on the Dai-ichi Group's adjusted net worth for each sensitivity:

	Increase (Decrease)
	(billions of yen)
Sensitivity 1: 50bp upward parallel shift in risk-free yield curve	¥(1,384.7)
Sensitivity 2: 50bp downward parallel shift in risk-free yield curve	817.8
Sensitivity 3: 10% decline in equity and real estate values	(400.9)
Sensitivity 4: 10% decline in maintenance expenses	0.0
Sensitivity 5: 10% decline in surrender and lapse rate	0.2
Sensitivity 6: 5% decline in mortality and morbidity rates for life insurance products	2.1
Sensitivity 7: 5% decline in mortality and morbidity rates for annuities	(0.2)
Sensitivity 8: Setting required capital at statutory minimum level	3.4
Sensitivity 9: 25% increase in implied volatilities of equity and real estate values	2.1
Sensitivity 10: 25% increase in implied volatilities of swaptions	0.1

The following table shows the sensitivity analysis of the Dai-ichi Group's value of new business for each sensitivity:

Assumptions	Value of new business	Increase (Decrease)
	(billions of yen)	
Values for the year ended March 31, 2016	¥216.1	¥ —
Sensitivity 1: 50bp upward parallel shift in risk-free yield curve	271.8	55.7
Sensitivity 2: 50bp downward parallel shift in risk-free yield curve	176.9	(39.2)
Sensitivity 3: 10% decline in equity and real estate values	215.4	(0.6)
Sensitivity 4: 10% decline in maintenance expenses	234.0	17.9
Sensitivity 5: 10% decline in surrender and lapse rate	241.8	25.6
Sensitivity 6: 5% decline in mortality and morbidity rates for life insurance products	226.1	10.0
Sensitivity 7: 5% decline in mortality and morbidity rates for annuities	215.9	(0.2)
Sensitivity 8: Setting required capital at statutory minimum level	220.4	4.2
Sensitivity 9: 25% increase in implied volatilities of equity and real estate values	215.0	(1.0)
Sensitivity 10: 25% increase in implied volatilities of swaptions	215.5	(0.6)

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

- *Sensitivity 1*: This item represents the effect on the embedded value of the Dai-ichi Group of an upward parallel shift of 50 basis points in the yield curve of risk-free forward rates. As prices of bonds and loans change, the adjusted net worth changes. Also, as future expected investment yields change, the value of in-force business changes. In accordance with the EEV Principles, life insurers are required to disclose their embedded value sensitivities to a 100 basis point parallel shift in the yield curve. However, taking into consideration the low level of interest rates in Japan, we disclose sensitivities to a 50 basis point parallel shift in the yield curve. The ultimate forward rate used for the extrapolation beyond the last liquid data point of Japanese interest rates is not shifted for this sensitivity. For the business valued using a top-down approach, the item is calculated based on simultaneous upward parallel shift of 50 basis points in both the investment yields and the risk discount rate.

- *Sensitivity 2*: This item represents the effect on the embedded value of the Dai-ichi Group of a downward parallel shift of 50 basis points in the yield curve of risk-free forward rates. The lower limit of the risk-free forward rates is assumed to be zero. Risk-free forward rates that are negative before this downward shift are not adjusted. The ultimate forward rate used for the extrapolation beyond the last liquid data point of Japanese interest rates is not shifted for this sensitivity. For the business valued using a top-down approach, the item is calculated based on simultaneous downward parallel shift of 50 basis points in both the investment yields and the risk discount rate.
- *Sensitivity 3*: This item shows the effect on the embedded value of the Dai-ichi Group of a decline of 10% in equity and real estate values.
- *Sensitivity 4*: This item represents the effect on the embedded value of the Dai-ichi Group of a decrease of 10% in estimated maintenance expenses associated with maintaining in-force business.
- *Sensitivity 5*: This item represents the effect on the embedded value of the Dai-ichi Group of a decrease of 10% in surrender and lapse rates.
- *Sensitivity 6*: This item represents the effect on the embedded value of the Dai-ichi Group of a decrease of 5% in mortality and morbidity rates for life and medical insurance products.
- *Sensitivity 7*: This item represents the effect on the embedded value of the Dai-ichi Group of a decrease of 5% in mortality and morbidity rates for annuities.
- *Sensitivity 8*: The item represents the effect on the embedded value of the Dai-ichi Group in the event that required capital was changed to the statutory minimum level in Japan (Dai-ichi, Dai-ichi Frontier Life and Neo First Life), the United States (Protective) and Australia (TAL). As items such as subordinated debt and policy reserves in excess of surrender values are regarded as solvency margin within a certain limit under the Japanese solvency margin framework, the cost of holding required capital is not proportional to the level of capital, and the cost to satisfy the statutory minimum level can be nil.
- *Sensitivity 9*: This item represents the effect on the embedded value of the Dai-ichi Group of an increase of 25% in the implied volatilities of equity and real estate values.
- *Sensitivity 10*: This item represents the effect on the embedded value of the Dai-ichi Group of an increase of 25% in the implied volatilities of swaptions.

Sensitivity Analysis for Embedded Value of Dai-ichi

The table below shows a sensitivity analysis of the embedded value of Dai-ichi to changes in the assumptions underlying the embedded value calculations:

Assumptions	**Embedded value**	**Increase (Decrease)**
	(billions of yen)	
Values as of March 31, 2016	¥4,441.4	¥ —
Sensitivity 1: 50bp upward parallel shift in risk-free yield curve	4,951.5	510.0
Sensitivity 2: 50bp downward parallel shift in risk-free yield curve	4,080.7	(360.7)
Sensitivity 3: 10% decline in equity and real estate values	4,043.4	(398.0)
Sensitivity 4: 10% decline in maintenance expenses	4,657.6	216.1
Sensitivity 5: 10% decline in surrender and lapse rate	4,598.0	156.5
Sensitivity 6: 5% decline in mortality and morbidity rates for life insurance products	4,599.3	157.9
Sensitivity 7: 5% decline in mortality and morbidity rates for annuities	4,418.2	(23.1)
Sensitivity 8: Setting required capital at statutory minimum level	4,453.9	12.4
Sensitivity 9: 25% increase in implied volatilities of equity and real estate values	4,427.0	(14.4)
Sensitivity 10: 25% increase in implied volatilities of swaptions	4,420.7	(20.6)

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

	Increase (Decrease)
	(billions of yen)
Sensitivity 1: 50bp upward parallel shift in risk-free yield curve	¥(1,246.1)
Sensitivity 2: 50bp downward parallel shift in risk-free yield curve	712.8
Sensitivity 3: 10% decline in equity and real estate values	(400.9)

The following table shows the sensitivity analysis of Dai-ichi's value of new business for each sensitivity:

Assumptions	Value of new business	Increase (Decrease)
	(billions of yen)	
Values for the year ended March 31, 2016	¥134.6	¥ —
Sensitivity 1: 50bp upward parallel shift in risk-free yield curve	191.0	56.4
Sensitivity 2: 50bp downward parallel shift in risk-free yield curve	94.9	(39.6)
Sensitivity 3: 10% decline in equity and real estate values	134.8	0.2
Sensitivity 4: 10% decline in maintenance expenses	149.5	14.8
Sensitivity 5: 10% decline in surrender and lapse rate	154.7	20.1
Sensitivity 6: 5% decline in mortality and morbidity rates for life insurance products	139.6	5.0
Sensitivity 7: 5% decline in mortality and morbidity rates for annuities	134.3	(0.2)
Sensitivity 8: Setting required capital at statutory minimum level	135.3	0.7
Sensitivity 9: 25% increase in implied volatilities of equity and real estate values	134.2	(0.3)
Sensitivity 10: 25% increase in implied volatilities of swaptions	133.7	(0.8)

Assumptions Principally Related to Dai-ichi

Economic Assumptions

Risk-free Rates

Issues such as appropriate reference rates for risk-free rates and extrapolation beyond the last liquid data point are discussed broadly in the context of European Solvency II or the ICS being developed by the IAIS. With regard to the extrapolation method, term structures of interest rates for various currencies are set based on a method using the ultimate forward rates in the technical specifications for ICS 2015 field testing.

Reference Interest Rates. In the certainty equivalent calculation, for Japanese yen, Japanese government bonds are used as a proxy for risk-free rates, and for foreign currencies, the swap rates are used as a proxy for risk-free rates, taking into account the assets in the portfolio of Dai-ichi, Dai-ichi Frontier Life, Neo First Life, Protective and TAL and market liquidity.

Extrapolation Methods. We have changed the extrapolation method beyond the last liquid data point of Japanese yen interest rates from a method taking into account the yield curve of Japanese swap rates to a method using an ultimate forward rate in order to avoid excessive instability in the valuation of ultra-long insurance liabilities. For Japanese risk-free rates (forward rates), the ultimate forward rate is set at 3.5% and the last liquid data point is set at the 30th year. Beyond the 30th year, we extrapolate the yield curve to the ultimate forward rate over a convergence period of 30 years by using the Smith-Wilson method. We set these parameters based on the developing ICS discussions.

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

	As of March 31,			
	JGB			
	2014	2015	2015 (restated)	2016
1 Year	0.058%	0.030%	0.030%	-0.154%
2 Year	0.072%	0.037%	0.037%	-0.206%
3 Year	0.112%	0.057%	0.057%	-0.229%
4 Year	0.150%	0.093%	0.093%	-0.205%
5 Year	0.174%	0.131%	0.131%	-0.190%
10 Year	0.641%	0.402%	0.402%	-0.048%
15 Year	1.129%	0.817%	0.817%	0.209%
20 Year	1.679%	1.198%	1.198%	0.454%
25 Year	1.811%	1.406%	1.406%	0.601%
30 Year	1.849%	1.450%	1.450%	0.571%
35 Year	1.908%	1.473%	1.563%	0.709%
40 Year	1.997%	1.502%	1.741%	0.967%
45 Year	2.073%	1.526%	1.912%	1.216%
50 Year	2.134%	1.545%	2.062%	1.432%

Source: Bloomberg, after interpolation/extrapolation, as of March 31, 2014; Ministry of Finance Japan and Bloomberg, after interpolation/extrapolation as of March 31, 2015 and March 31, 2016

Principal Dynamic Assumptions

In the EEV calculation for Dai-ichi, dynamic assumptions are used.

Interest Rate Model. As an interest rate model, Dai-ichi has adopted a single-factor Hull-White model, in which interest rates associated with yen, U.S. dollars, Euros, Australian dollars and New Zealand dollars are calculated. The model has been adjusted to be in line with a risk-neutral approach in which yen is set as a base currency, and correlations between the interest rates have been also taken into account. The interest rate model has been calibrated consistently with the market environment as of each reporting date, and parameters used are estimated from the yield curve and implied volatilities of interest rate swaptions with various maturities. 5,000 scenarios are used in calculating the time value of financial options and guarantees through the stochastic method. These scenarios have been generated by an independent actuarial firm.

The table below sets forth the implied volatilities of interest rate swaptions used to calibrate the scenarios:

		As of March 31,											
		2014				2015				2016			
Option Term	Swap Term	JPY	USD	EUR	AUD	JPY	USD	EUR	AUD	JPY	USD	EUR	AUD
5 Year	5 Year	36.8%	23.6%	30.9%	16.2%	47.0%	37.3%	84.6%	27.1%	—	42.4%	70.3%	28.8%
5 Year	7 Year	32.2%	22.4%	28.7%	15.3%	43.3%	35.8%	82.3%	26.0%	107.4%	40.4%	63.1%	27.7%
5 Year	10 Year	27.8%	21.0%	26.8%	14.6%	38.5%	34.6%	83.6%	25.0%	79.4%	38.4%	58.7%	25.9%
7 Year	5 Year	29.1%	21.4%	26.1%	14.6%	38.7%	34.6%	83.5%	25.1%	95.6%	38.4%	56.0%	26.1%
7 Year	7 Year	26.7%	20.7%	25.2%	14.1%	35.9%	33.7%	82.5%	24.2%	76.6%	37.0%	53.7%	25.0%
7 Year	10 Year	24.6%	19.8%	24.7%	13.8%	33.7%	32.8%	84.3%	23.4%	65.2%	34.7%	53.6%	23.6%
10 Year	5 Year	23.9%	19.2%	23.4%	13.5%	32.8%	31.9%	95.0%	23.3%	—	33.8%	50.5%	23.5%
10 Year	7 Year	22.9%	18.8%	23.4%	13.2%	30.9%	31.3%	95.7%	22.6%	—	32.7%	51.5%	22.6%
10 Year	10 Year	22.5%	18.3%	23.7%	13.1%	29.8%	30.1%	101.0%	22.0%	55.0%	32.1%	53.5%	21.5%

Source: Bloomberg

Implied Volatilities of Equities and Currencies. Volatilities of traditional equity indices and currencies are calibrated based on implied volatilities of relevant options traded in the market.

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

Currency	Underlying Asset	Option Term	Volatility as of March 31, 2014	2015	2016
JPY	Nikkei 225	3 Year	20.7%	20.3%	20.2%
		4 Year	20.6%	20.4%	19.9%
		5 Year	20.6%	20.6%	19.8%
USD......................	S&P 500	3 Year	17.2%	19.6%	18.8%
		4 Year	18.1%	21.0%	20.1%
		5 Year	19.1%	22.2%	21.3%
EUR......................	EuroStoxx 50	3 Year	18.4%	21.1%	20.1%
		4 Year	18.6%	21.5%	20.1%
		5 Year	18.8%	21.7%	20.2%

Source: Markit Ltd. data analyzed by an independent actuarial firm

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

Currency	Option Term	Volatility as of March 31, 2014	2015	2016
USD	10 Year	16.5%	14.2%	12.4%
EUR	10 Year	17.4%	14.7%	14.1%
AUD	5 Year	15.9%	14.0%	15.7%

Source: Bloomberg

Volatilities of Real Estate and Other Asset Classes. Market-consistent implied volatilities have not been observed with regard to real estate. Therefore, the volatility of real estate has been derived by multiplying the historical volatility ratio of the Tokyo Stock Exchange REIT Index to the Nikkei Stock Average (Nikkei 225) for volatility as of March 31, 2014, 2015 and 2016 (105.6% for the EEV calculation as of March 31, 2014, 105.8% for the EEV calculation as of March 31, 2015 and 104.5% for the EEV calculation as of March 31, 2016) by the implied volatility of Japanese equities.

In addition, foreign real estate and emerging equity/bond markets are modeled as an asset class in stochastic calculation for variable type products. Volatilities of those asset classes have been derived in the same manner.

Correlations. In addition to the implied volatilities described above, Dai-ichi has calculated implied volatilities reflecting its asset portfolio and correlation factors. The share of each asset is assumed to be unchanged over the projection periods.

With regard to correlation factors, market-consistent data from exotic options with sufficient liquidity have not been observed in the market. Therefore, we estimated correlation factors based on historical market data. Specifically, the monthly data for 10 years to each reporting date have been used.

The following table shows correlation factors between major variables used in the calculations as of March 31, 2016:

	Short Rate / JPY	Short Rate / USD	Short Rate / EUR	Exchange Rate / USD	Exchange Rate / EUR	Stock Index / JPY	Stock Index / USD	Stock Index / EUR	REIT Index / Tokyo Stock Exchange REIT Index
Short Rate / JPY	1.00	0.40	0.40	0.32	0.19	0.35	0.23	0.23	0.13
Short Rate / USD	0.40	1.00	0.64	0.49	0.32	0.41	0.32	0.29	0.24
Short Rate / EUR	0.40	0.64	1.00	0.34	0.54	0.41	0.45	0.43	0.31
Exchange Rate / USD	0.32	0.49	0.34	1.00	0.61	0.62	0.25	0.29	0.30
Exchange Rate / EUR	0.19	0.32	0.54	0.61	1.00	0.66	0.57	0.47	0.41
Stock Index / JPY	0.35	0.41	0.41	0.62	0.66	1.00	0.72	0.71	0.65
Stock Index / USD	0.23	0.32	0.45	0.25	0.57	0.72	1.00	0.85	0.55
Stock Index / EUR	0.23	0.29	0.43	0.29	0.47	0.71	0.85	1.00	0.45
REIT Index / Tokyo Stock Exchange REIT Index	0.13	0.24	0.31	0.30	0.41	0.65	0.55	0.45	1.00

Source: Bloomberg

Assumed Investment Yields on each Asset Class Used for Expected Return Calculations. The table below sets forth the assumed investment yields on each asset used to calculate "Expected existing business contribution (in excess of risk-free rate)" in "—Movement Analysis" above for Dai-ichi:

	Assumed investment yield (used to calculate the change from March 31, 2014 to March 31, 2015)	Assumed investment yield (used to calculate the change from March 31, 2015 to March 31, 2016)
Cash and deposits, call loans	0.06%	0.03%
Fixed income assets	0.96%	0.95%
Domestic stocks	4.26%	4.57%
Foreign bonds	3.56%	3.54%
Other assets	3.86%	4.42%

The assumed investment yield used to calculate "Expected existing business contribution (in excess of risk-free rate)" is calculated by multiplying the share of each asset as of March 31, 2015 and 2016 by the assumed investment yield of each asset above. For Dai-ichi, the weighted-average assumed investment yield was 1.80% as of March 31, 2016.

Non-economic Assumptions

All cash flows, including premiums, operating expenses, benefits and claims, cash surrender value, taxes and others, are projected applying the best estimate assumptions up to the termination of the policies, by product, referring to past, current and expected future experience.

Operating Expenses

Operating expenses assumptions are established based on the experience of each company. The look-through basis is applied in terms of operating expenses of insurance businesses in the Dai-ichi Group.

For Dai-ichi, adjustments are made for one-time expenses which are considered to be non-recurrent in the future. The amount added to the expense assumption was ¥2.7 billion for the year ended March 31, 2016, which corresponds to a one-time benefit related to retirement plan reform.

For Dai-ichi, increases in the consumption tax rate in future years (8% until March 31, 2017 and 10% thereafter) are assumed for EEV calculation as of March 31, 2015 and 2016, due to revisions of the consumption tax promulgated as of the time such assumptions were made (which have not been adjusted to account for the delay of implementation of the consumption tax increase to October 2019).

The future inflation rate is assumed to be zero for Dai-ichi.

Policyholder Dividends

For Dai-ichi, assumptions regarding policyholder dividend rates are established based on the current dividend policy. The rate of Dai-ichi is consistent with the post-demutualization policyholder dividend policy, as stated in its plan for demutualization.

Effective Tax Rates

Assumptions regarding effective tax rates are based on the most recent effective tax rate. For EEV calculation as of March 31, 2016 for Dai-ichi, the assumption is 28.76% for the year ended March 31, 2016, 28.16% for the two years ending March 31, 2018, and is 27.92% thereafter.

Life Insurance Policyholders Protection Corporation of Japan

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

The life insurance industry as a whole is required to accept funding commitments to the LIPPC of an aggregate of up to approximately ¥33 billion per year. This funding obligation is allocated among all Japanese life insurance companies licensed under the Insurance Business Act based on amounts of premium income and policy reserves. The allocation amounts are revised annually. We account for our yearly contributions as operating expenses. We expect the amount of our contribution in the current and future years to be comparable to the amounts of our contributions made in prior years. However, as stated above, this amount is adjusted annually based on the relative size of our premium income and policy reserve amounts within the life insurance industry as a whole and could be increased.

In addition to these annual contributions, the LIPPC may borrow up to an aggregate of ¥460 billion from banks, insurance companies and other financial institutions, with the authorization of the Commissioner of the FSA and the Minister of Finance, and may also borrow with a guarantee from the Japanese government. The LIPPC may, in accordance with its rules, request that licensed life insurance companies provide security for any such borrowings.

Employees' Retirement Benefit Plans

1. Overview of Employees' Retirement Benefit Plan of the Dai-ichi Group

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

As a defined benefit plan for its administrative personnel, Dai-ichi has established and maintained a benefit plan consisting of defined benefit corporate pension, retirement lump sum grants and a defined contribution pension. Certain consolidated subsidiaries maintain their benefit plan consisting of retirement lump sum grants and defined benefit corporate pension.

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

2. *Defined benefit plans*

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

(Except for the plans which apply the simplified method)

	Year ended March 31, 2014	2015	2016
		(millions of yen)	
Beginning balance of the projected benefit obligations	¥664,459	¥634,657	¥649,776
Cumulative effect of changes in accounting policies	—	(16,351)	—
Beginning balance of the year reflecting the effect of changes in accounting policies	664,459	618,306	649,776
Service cost	24,559	25,013	25,452
Interest cost	10,740	10,469	11,612
Accruals of actuarial (gains) and losses	419	(7,748)	86,221
Payment of retirement benefits	(34,726)	(34,400)	(34,863)
Increases due to new consolidation	—	39,299	—
Others[1]	(30,794)	(1,161)	(495)
Ending balance of the projected benefit obligation	¥634,657	¥649,776	¥737,704

Note:
(1) The amount of changes associated with the transition to a defined contribution pension plan was included in "Others."

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

(Except for the plans which apply the simplified method)

	Year ended March 31, 2014	2015	2016
		(millions of yen)	
Beginning balance of pension assets	¥235,369	¥249,559	¥319,579
Expected return on assets	1,935	2,049	3,797
Accruals of actuarial (gains) and losses	12,949	45,024	(26,447)
Contributions from the employer	7,569	7,448	7,675
Payment of retirement benefits	(8,265)	(8,367)	(10,042)
Increases due to new consolidation	—	23,865	—
Others	—	—	476
Ending balance of pension assets	¥249,559	¥319,579	¥295,038

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

	Year ended March 31, 2014	2015	2016
		(millions of yen)	
Beginning balance of the net defined benefit liabilities	¥ 302	¥ 338	¥ 419
Retirement benefit expenses	104	114	101
Payment of retirement benefits	(68)	(73)	(107)
Increases due to new consolidation	—	39	—
Others	0	0	(1)
Ending balance of the net defined benefit liabilities	¥ 338	¥ 419	¥ 412

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

	Year ended March 31,		
	2014	2015	2016
		(millions of yen)	
Projected benefit obligation of funded plans	¥ 349,797	¥ 387,074	¥ 422,745
Pension assets	(249,559)	(319,579)	(295,038)
	100,237	67,494	127,706
Projected benefit obligation of unfunded plans	285,198	263,122	315,371
Net of assets and liabilities recorded in the consolidated balance sheets	385,436	330,616	443,077
Net defined benefit liabilities	385,436	331,322	443,842
Net defined benefit assets	—	(705)	(764)
Net of assets and liabilities recorded in the consolidated balance sheets	¥ 385,436	¥ 330,616	¥ 443,077

(5) Amount of the components of retirement benefit expenses

	Year ended March 31,		
	2014	2015	2016
		(millions of yen)	
Service cost	¥24,559	¥25,013	¥ 25,452
Interest cost	10,740	10,469	11,612
Expected return on assets	(1,935)	(2,049)	(3,797)
Expense of actuarial (gains) and losses	1,404	(1,315)	(10,118)
Expense of prior service cost	2	—	—
Retirement benefit expenses calculated in simplified method	104	114	101
Others	654	501	418
Retirement benefit expenses of defined benefit plans	¥35,530	¥32,733	¥ 23,670

(6) Remeasurements of defined benefit plans

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

	Year ended March 31,		
	2014	2015	2016
		(millions of yen)	
Actuarial gains (losses)	¥—	¥51,547	¥(122,463)
Total	¥—	¥51,547	¥(122,463)

(7) Accumulated remeasurements of defined benefit plans

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

	Year ended March 31,		
	2014	2015	2016
		(millions of yen)	
Unrecognized actuarial gains (losses)	¥(24,336)	¥(75,883)	¥46,579
Total	¥(24,336)	¥(75,883)	¥46,579

(8) Pension assets

(i) The main components of the pension assets

Ratio of the major assets to the pension assets is as follows:

	Year ended March 31,		
	2014	2015	2016
Stock	58%	61%	55%
Bond	16%	16%	14%
Asset under Cooperative Management	—	6%	14%
Life insurance general account	17%	11%	9%
Others	9%	6%	8%
Total	100%	100%	100%

Note:

(1) The proportion of retirement benefit trust to total pension assets that has been set for the unfunded retirement benefit plans as of March 31, 2014, 2015 and 2016 was 51%, 52% and 49%, respectively.

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

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

(9) Calculation basis of actuarial gains and losses

Major assumptions of actuarial gains and losses as of the current fiscal year-end are as follows:

	Year ended March 31,		
	2014	2015	2016
Discount rate	1.1 or 1.7%	1.10 to 3.55%	0.30 to 4.29%
Expected long-term rate of return:			
Defined benefit corporate pension	1.0 or 1.7%	1.00 or 1.70%	1.00 to 7.25%
Employee pension trust	0.0%	0.00%	0.00%

3. Defined Contribution Plans

The required amount of contribution to defined contribution plans for the years ended March 31, 2014, 2015 and 2016 was ¥1,536 million, ¥1,644 million and ¥2,360 million, respectively.

Liquidity and Capital Resources

Consolidated Cash Flows

The following table shows information about our consolidated cash flows during the years ended March 31, 2014, 2015 and 2016:

	Year ended March 31,		
	2014	2015	2016
		(billions of yen)	
Net cash flows provided by (used in) operating activities	¥1,093.9	¥ 1,875.6	¥ 2,013.8
Net cash flows provided by (used in) investing activities	(783.2)	(2,032.1)	(2,265.6)
Net cash flows provided by (used in) financing activities	(99.1)	349.4	(33.4)
Effect of exchange rate changes on cash and cash equivalents	1.1	0.3	(8.2)
Net increase (decrease) in cash and cash equivalents	212.6	193.3	(293.5)
Cash and cash equivalents at the beginning of the year	848.7	1,061.3	1,254.7
Cash and cash equivalents at the end of the year	1,061.3	1,254.7	961.2

Cash flow provided by operating activities is roughly equal to the sum of premium and other income and interest and dividend income less insurance payments and operating expenses. We generally use cash provided by operating activities to increase our asset base, to provide funds to meet future insurance claims and other product-related payments and to write and acquire new policies.

Net cash flows provided by (used in) operating activities for the year ended March 31, 2016 increased by ¥138.1 billion, or 7.4%, to ¥2,013.8 billion from ¥1,875.6 billion in the prior year.

Life insurance companies generally produce a negative cash flow from investing activities. This negative cash flow reflects mainly the fact that life insurance companies allocate surplus cash generated from operating activities for use in investing activities. The increase in net cash flows used in investing activities in the year ended March 31, 2015, to ¥2,032.1 billion from ¥783.2 billion in the prior year was primarily the result of a decrease in proceeds from sale and redemption of securities and an increase in acquisition of stock of subsidiaries resulting in change in scope of consolidation during the period. The net cash flows used in investing activities in the year ended March 31, 2016 increased to ¥2,265.6 billion from ¥2,032.1 billion in the prior year, which was primarily due to an increase in purchase of securities during the period.

Net cash flows used in financing activities were ¥99.1 billion in the year ended March 31, 2014. Net cash flows provided by financing activities increased to ¥349.4 billion in the year ended March 31, 2015, primarily due to proceeds from issuing bonds and proceeds from issuing common stock during the period. During the year ended March 31, 2016, net cash flows used in financing activities amounted to ¥33.4 billion, primarily due to repayment of borrowings and purchase of treasury stock.

Liquidity Management

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

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

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

We seek, to the extent possible, to manage the maturity and liquidity mix of our investments to match the projected payment requirements of our products. Accordingly, we classify our investments based on their level of liquidity. Domestic bonds form the largest portion of our general account investment portfolio. Of the domestic bonds held by us, as of March 31, 2016, 73.3% were categorized as held-to-maturity bonds or policy-reserve-matching bonds, which are carried at amortized cost on our balance sheet and are not marked to market. Japanese GAAP requires re-categorizing all of our held-to-maturity bonds as available-for-sale securities carried at fair value upon the sale prior to maturity of any bond categorized as a held-to-maturity bond.

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

Dai-ichi Life is party to a ¥450 billion loan facility with Mizuho Bank, Ltd. Although no amounts are currently drawn under this facility, we expect that prior to the Transition we may draw down a maximum of ¥450 billion thereunder. See “Transition to a Holding Company Structure—Schedule and Details of the Transition.” Dai-ichi Life has no other committed lines or outstanding letters of credit and we do not expect to use such other lines as sources of cash in the near term.

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

Capital Resources

Reserves and Subordinated Debt

Our contingency reserves provide us with a buffer against losses that arise from unexpectedly high claims due to catastrophes or from poor market performance. Our reserve for price fluctuations provides us a cushion for unexpected declines in stock market values. Both the contingency reserve and the reserve for price fluctuations contribute to our solvency margin.

As of March 31, 2016, ¥498.7 billion of ¥552.8 billion of total subordinated debt qualified as "specified subordinated debt" (*tokutei fusaisei shihon*) which consisted of ¥283.0 billion of yen-dominated subordinated debt and ¥215.7 billion of foreign currency (U.S. dollar) denominated perpetual subordinated bonds. Our specified subordinated debt provides us with another buffer against unexpected shocks.

Of our total subordinated debt, ¥139.0 billion may be prepaid in whole on or after the interest payment scheduled for October 2020 and ¥144.0 billion may be prepaid in whole on or after the interest payment scheduled for October 2022. If such debt is not prepaid, there will be a 1.0% step-up in the applicable interest rate on and after the interest payment scheduled for October 2020 and October 2022, respectively. ¥107.5 billion of perpetual subordinated notes may be prepaid in whole on or after the interest payment scheduled for July 2021 and ¥108.1 billion of perpetual subordinated notes may be prepaid in whole on or after the interest payment scheduled for October 2024.

Historically, Japanese banks have been the major investors in our subordinated debt. Following proposals by the Basel Committee on Banking Supervision, or the BCBS, in December 2009 for regulatory measures to strengthen global bank capital, known as Basel III, in December 2010 the BCBS announced new capital requirements for banks and bank holding companies. As a result, the FSA revised its guidelines and capital requirements for Japanese banks and bank holding companies, which came into effect in March 2013 with respect to banks and bank holding companies with international operations and in March 2014 with respect to banks and bank holding companies with only domestic operations. These heightened capital requirements could make investments in our equity and debt less attractive to Japanese banks and bank holding companies, which could adversely affect our ability to raise capital.

The following table sets forth the amounts of our contingency reserve, reserve for price fluctuations, subordinated bonds and subordinated debt on a non-consolidated basis as of the dates indicated:

	As of March 31,		
	2014	2015	2016
	(billions of yen)		
Contingency reserve	¥531.0	¥558.0	¥576.0
Reserve for price fluctuations	116.4	132.4	148.4
Subordinated bonds	107.5	215.7	215.7
Subordinated debt	320.0	320.0	283.0

Off-Balance Sheet Arrangements

For information regarding our derivative instruments, see Note XII to our audited consolidated financial statements as of and for the years ended March 31, 2014, 2015 and 2016 included elsewhere in this offering circular.

We have no other material off-balance sheet arrangements.

Solvency Margin Ratio

In 1996, the Japanese government introduced the solvency margin ratio as a means of measuring the financial soundness of life insurance companies to provide for better policyholder protection under a system of prompt corrective action. The solvency margin ratio is a measure of capital adequacy which is calculated by dividing the solvency margin (net assets (less certain items), plus unrealized gains on assets, subordinated debt and other items) by a quantified measure of total risk. In Japan, insurance companies are required to maintain a solvency margin ratio of 200% or above, on both a consolidated and non-consolidated basis, and insurance companies with solvency margin ratios of 200% or higher are considered sound and not requiring prompt corrective action. If the ratio falls below 200%, the Commissioner of the FSA may order the insurer to submit a plan for capital reinforcement. If it falls below 100%, the Commissioner may order measures including a suspension of shareholder and/or policyholder dividend payments and director compensation. If it falls below 0%, the Commissioner may suspend the insurer's operations. As of March 31, 2016, our solvency margin ratio was 900.8% on a non-consolidated basis. See "Regulation of the Japanese Life Insurance Industry—Insurance Business Act—Financial Regulations—Solvency Margin Ratio."

In April 2010, amendments to the relevant regulations on the solvency margin ratio calculation method were promulgated to improve the credibility of Japanese solvency margin ratio regulations. The amendments:

- introduced restrictions on the inclusion of certain items in the amount of solvency margin, such as the surplus portion of the insurance premium reserves and unearned premiums, and deferred tax assets related to net loss carried forward. With regard to subordinated debt, the total amount of subordinated debt and surplus portion of the insurance premium reserves and unearned premiums to be included in the solvency margin is limited to the amount of core margin (*chukaku-teki shiharai yoryoku*), which was a new concept under the revised solvency margin regulations in Japan, generally calculated by summing up net assets, reserve for price fluctuations, contingency reserves, catastrophe loss reserve and unallotted portion of reserves for policyholder dividends, and making certain deductions (including loss on valuation of other securities) and adjustments. However, this limitation is not applied in the case of certain perpetual subordinated debt ("specified subordinated debt") which satisfies not only certain requirements for subordinated debt under the current regulations (such as limitation of redemption and deferral of interest payment obligations), but also additional requirements under the revised regulations (such as stricter restrictions on coupon step-up and requirement of deferred interest being non-cumulative or cumulative but deferrable for an unlimited period);
- tightened risk assessments, by such means as raising the confidence level of the co-efficient of each risk (from 90% to 95%), renewing statistical data to be used as the basis of the co-efficient of each risk, and introducing a calculation of the investment diversification effect related to price change risk based on each company's portfolio (previously, a uniform ratio of 30% was applied to life insurance companies); and
- required an actuary to confirm the appropriateness of solvency margin ratio calculations.

As a part of the amendments to the FIEA and other financial regulation laws, the amendments to the Insurance Business Act, which require insurance companies and insurance holding companies to disclose solvency margin ratio information on a consolidated basis, took effect as of March 31, 2012.

The following table sets forth, on a consolidated basis, our solvency margin ratio and information related to its calculation as of the dates indicated:

	As of March 31,		
	2014	2015	2016
	(billions of yen, except ratios)		
Common stock, etc.(1)	¥ 484.3	¥ 639.6	¥ 763.0
Reserve for price fluctuations	118.1	136.2	155.2
Contingency reserve	638.3	678.8	691.1
General reserve for possible loan losses	1.4	1.1	0.4
(Net unrealized gains (losses) on securities (before tax) and deferred hedged gains (losses) (before tax)) x 90%(2)	1,718.8	3,193.4	2,270.8
Net unrealized gains (losses) on real estate x 85%(2)	19.1	40.7	82.1
Sum of unrecognized actuarial differences and unrecognized past service cost	24.3	75.8	(46.5)
Policy reserves in excess of surrender values	1,801.4	1,970.7	2,121.8
Qualifying subordinated debt	427.5	535.7	498.7
Excluded portion of policy reserves in excess of surrender values and qualifying subordinated debt	(551.2)	(503.2)	(521.3)
Excluded items	(125.9)	(152.3)	(177.9)
Others	125.1	170.8	199.3
Total solvency margin	¥4,681.4	¥6,787.8	¥6,037.0
Insurance risk [R_1]	¥ 94.0	¥ 125.6	¥ 122.4
General insurance risk [R_5]	—	4.5	5.0
Catastrophe risk [R_6]	—	1.7	1.8
Third sector insurance risk [R_8]	176.0	181.2	186.2
Small amount and short-term insurance risk [R_9]	—	—	—
Assumed investment yield risk [R_2]	269.1	270.4	262.5
Guaranteed minimum benefit risk [R_7](3)	28.0	87.7	87.7
Investment risk [R_3]	880.1	1,231.7	1,160.6
Business risk [R_4]	28.9	38.0	36.5
Total risk(4)	¥1,236.9	¥1,659.1	¥1,580.5
Solvency margin ratio(5)	756.9%	818.2%	763.8%

Notes:

(1) Expected disbursements from capital to outside Dai-ichi and accumulated other comprehensive income etc. are excluded.

(2) Multiplied by 100% if losses.

(3) Calculated by the standard method.

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

(5) Solvency margin ratio = $\dfrac{\text{Total solvency margin}}{\text{Total risk x 1/2}}$ x 100

(6) The figures as of March 31, 2014, 2015 and 2016 are calculated based on Article 86-2 and 88 of the Enforcement Regulations of the Insurance Business Act, and Notification of the FSA No. 23, 2011.

The decrease in our solvency margin ratio between March 31, 2015 and 2016 was primarily the result of a decline in domestic and foreign stock prices and rising interest rates overseas.

The following table sets forth, on a non-consolidated basis, our solvency margin ratio and information related to its calculation as of the dates indicated:

	As of March 31,		
	2014	2015	2016
	(billions of yen, except ratios)		
Common stock, etc.(1)	¥ 676.8	¥1,072.1	¥1,132.9
Reserve for price fluctuations	116.4	132.4	148.4
Contingency reserve	531.0	558.0	576.0
General reserve for possible loan losses	1.3	1.1	0.4
(Net unrealized gains (losses) on securities (before tax) and deferred hedge gains (losses) (before tax)) x 90%(2)	1,708.4	3,143.9	2,426.0
Net unrealized gains (losses) on real estate x 85%(2)	19.1	40.7	82.1
Policy reserves in excess of surrender values	1,731.4	1,846.7	1,932.9
Qualifying subordinated debt	427.5	535.7	498.7
Excluded portion of policy reserves in excess of surrender values and qualifying subordinated debt	(397.6)	(71.3)	(56.0)
Excluded items	(169.5)	(169.5)	(199.5)
Others	125.1	170.8	199.3
Total solvency margin	¥4,770.3	¥7,261.0	¥6,741.7
Insurance risk [R_1]	¥ 82.2	¥ 78.6	¥ 74.4
Third sector insurance risk [R_8]	166.7	168.8	172.5
Assumed investment yield risk [R_2]	256.2	244.8	233.0
Guaranteed minimum benefit risk(3) [R_7]	4.3	3.4	3.3
Investment risk [R_3]	920.5	1,286.5	1,205.5
Business risk [R_4]	28.6	35.6	33.7
Total risk(4)	¥1,235.6	¥1,590.2	¥1,496.7
Solvency margin ratio(5)	772.1%	913.2%	900.8%

Notes:

(1) Expected disbursements from capital to outside Dai-ichi and valuation and translation adjustments are excluded.

(2) Multiplied by 100% if losses.

(3) Calculated by the standard method.

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

(5) Solvency margin ratio = $\dfrac{\text{Total solvency margin}}{\text{Total risk x 1/2}}$ x 100

(6) The figures as of March 31, 2014, 2015 and 2016 are calculated based on Article 86, 87 of the Enforcement Regulations of the Insurance Business Act, and Announcement No. 50, Ministry of Finance, 1996.

The decrease in our solvency margin ratio between March 31, 2015 and 2016 was primarily the result of a decline in domestic and foreign stock prices and an appreciation of the yen.

Adjusted Net Assets

Adjusted net assets is one of the indicators used to measure the financial soundness of a life insurance company, and the FSA examines adjusted net assets to determine whether a life insurance company is functionally insolvent for the purpose of taking prompt corrective action. For example, even if the solvency margin ratio is above 0%, if adjusted net assets are a negative amount or expected to be a negative amount, the Commissioner of the FSA may suspend the operations of the company. See "Regulation of the Japanese Life Insurance Industry—Insurance Business Act—Financial Regulations—Prompt Corrective Action."

The amount of adjusted net assets is calculated by subtracting non-capital real liabilities from real assets. For this purpose, real assets represent the aggregate amount to be recorded in the asset section of the balance sheet, which is calculated based on on-balance-sheet assets. The amount of real assets is calculated in accordance with the method promulgated by the Cabinet Office and the Ministry of Finance, which prescribe, among other things, that the amounts of certain assets, such as securities and real estate, are to be calculated at fair value. For this purpose, non-capital real liabilities represent an amount calculated based on the aggregate amount to be recorded in the liability section of the balance sheet (that is, on-balance-sheet liabilities minus certain reserves and allowances, such as reserve for price fluctuations and contingency reserves). Non-capital real liabilities are calculated in accordance with the method promulgated by the FSA and the Ministry of Finance.

As of March 31, 2016, our non-consolidated and consolidated adjusted net assets totaled ¥10,072.9 billion and ¥10,227.9 billion, respectively. As of March 31, 2015, our non-consolidated and consolidated adjusted net assets totaled ¥9,101.2 billion and ¥9,430.7 billion, respectively. As of March 31, 2014, our non-consolidated and consolidated adjusted net assets totaled ¥6,019.7 billion and ¥6,165.7 billion, respectively.

Financial Strength Ratings

Our financial strength ratings, which reflect each rating agency's opinion of our financial strength, operating performance and ability to meet our obligations to policyholders are as follows:

Rating agency	Rating	Rating structure
S&P Global Ratings	A+	Third highest of nine rating categories and highest within the category based on modifiers (e.g. A+, A and A- are within the same category).
Fitch Ratings	A+	Third highest of nine rating categories and highest within the category based on modifiers (e.g. A+, A and A- are within the same category).
Moody's Investors Service(1)	A1	Third highest of nine rating categories and highest within the category based on modifiers (e.g. A1, A2 and A3 are within the same category).
A.M. Best	A+	Highest of seven rating categories and second highest within the category based on modifiers (e.g. A++ and A+ are within the same category).
Rating and Investment Information, Inc.	A+	Third highest of nine rating categories and highest within the category based on modifiers (e.g. A+, A and A- are within the same category).
Japan Credit Rating Agency, Ltd.	A+	Third highest of nine rating categories and highest within the category based on modifiers (e.g. A+, A and A- are within the same category).

Note:
(1) The rating provided by Moody's Investors Service was provided on an unsolicited basis.

The ratings are not a recommendation to buy, sell or hold securities. The ratings are subject to revision or withdrawal at any time by the assigning rating agency. Each of the financial strength ratings should be evaluated independently.

Status of Problem Loans

As of March 31, 2016, our balance of problem loans on a non-consolidated basis was ¥3.5 billion, compared to ¥4.0 billion as of March 31, 2015 and ¥8.8 billion as of March 31, 2014. Our problem loan ratio (which is defined as the ratio of the amount of problem loans over loans) decreased to 0.12% as of March 31, 2016 from 0.13% as of March 31, 2015 and 0.29% as of March 31, 2014.

For a breakdown of our problem loans, see "Business—Investments—Loans—Problem Loans."

TRANSITION TO A HOLDING COMPANY STRUCTURE

On October 30, 2015, we announced our plan to shift to a holding company structure by way of an absorption-type corporate split, or the Transition, which is scheduled to become effective on October 1, 2016. Upon completion of the Transition, substantially all of the assets and liabilities relating to Dai-ichi Life's domestic life insurance business, which does not include Dai-ichi Frontier Life and Neo First Life, will be transferred to a wholly-owned subsidiary of Dai-ichi Life, The Dai-ichi Life Split Preparation Company, Limited, or the Successor, and Dai-ichi Life will become a holding company managing the Successor and all the other major Dai-ichi Group operating companies, including Dai-ichi Frontier Life, Neo First Life, Protective, TAL and Dai-ichi Life Vietnam. Pursuant to their terms, the notes will become obligations of the Successor upon completion of the Transition and we will be released from liabilities under the notes.

The following describes in further detail the background and objectives of the Transition, the schedule and details of the Transition, and the holding company structure following the Transition.

Background and Objectives of the Transition

Over recent years, we have implemented growth strategies in pursuit of a larger share of the domestic insurance market and developed our overseas businesses for an increased profit contribution. Such initiatives have been further facilitated by the establishment of our group management headquarters in 2012 as well as our North America regional headquarters and Asia Pacific regional headquarters in 2015. Following our acquisition of Protective in February 2015, and in order to continue to pursue our growth strategies globally, we announced on May 15, 2015 that our board of directors had adopted a plan for the Transition. By implementing the Transition, we intend to achieve: (i) a flexible allocation of management resources; (ii) a governance structure for swifter decision-making; and (iii) fundamental reforms of group management. We consider the Transition to be the second stage of our growth following our demutualization and the listing of our shares of common stock on the Tokyo Stock Exchange in 2010, and we believe that the Transition will allow us to make further progress in implementing our business strategies.

In line with such objectives, we also announced on March 29, 2016 our plan to shift to a company with a board with audit committee structure on October 1, 2016, the effective date of the Transition, in order to implement a stronger corporate governance structure for the Dai-ichi Group.

Schedule and Details of the Transition

On April 1, 2016, we incorporated the Successor, a new wholly-owned subsidiary of Dai-ichi Life which will succeed substantially all of the assets and liabilities relating to Dai-ichi Life's domestic life insurance business, which does not include Dai-ichi Frontier Life and Neo First Life. On April 8, 2016, Dai-ichi Life's board of directors approved the execution of an agreement, dated the same date, between Dai-ichi and the Successor, with respect to the absorption-type corporate split, or the Agreement. On June 24, 2016, Dai-ichi Life's annual general meeting of shareholders approved the Agreement. The Transition is still subject to the authorization of the Japanese regulatory authorities and statutory creditor protection procedures. Following such authorization and statutory creditor protection procedures, the Transition is scheduled to take effect on October 1, 2016. Upon the corporate split becoming effective, the corporate name of the Successor will be changed to The Dai-ichi Life Insurance Company, Limited and our corporate name will be changed to Dai-ichi Life Holdings, Inc.

Pursuant to the Agreement, upon implementation of the absorption-type corporate split on October 1, 2016, Dai-ichi Life's domestic life insurance business will be transferred to the Successor and the Successor will assume substantially all of the assets, liabilities, employment contracts and other rights and obligations relating to the domestic life insurance business. The liabilities to be assumed by the Successor include all perpetual subordinated notes issued by us (including the notes offered in this offering), as well as our perpetual subordinated borrowings. The liabilities to be succeeded by the Successor will be solely assumed by the Successor, and we will be released from such liabilities. The indenture for the notes provides in Section 7.1 that the Successor will assume our rights and obligations with respect to the notes upon completion of the Transition, and we and the Successor will execute a supplemental indenture with the trustee to confirm its assumption of the notes.

Pursuant to the Agreement, all of the domestic life insurance businesses in which Dai-ichi Life engages (which does not include Dai-ichi Frontier Life and Neo First Life), or the Transferred Business, will be succeeded by the Successor. The only operations which will not be transferred to the Successor are (i) businesses related to the control or management of the business activities of group companies in which we hold shares or equity; and (ii) businesses related to group management.

Substantially all of Dai-ichi Life's ordinary revenues on a non-consolidated basis are generated by the Transferred Business. We currently estimate that ordinary revenues generated by the Transferred Business would constitute approximately 99.7% of Dai-ichi Life's non-consolidated ordinary revenues of ¥4,265.7 billion for the year ended March 31, 2016. Because Dai-ichi Life Holdings will be the continuing shareholder of the other major Dai-ichi Group operating companies, including Dai-ichi Frontier Life, Neo First Life, TAL, Protective and Dai-ichi Life Vietnam, any dividends paid by such subsidiaries and affiliates will continue to be paid to Dai-ichi Life Holdings following the Transition. Dividend income we recorded with respect to shares of subsidiaries and affiliates to be retained by Dai-ichi Life Holdings totaled ¥3,876 million for the year ended March 31, 2015 and ¥13,717 million for the year ended March 31, 2016. We expect that Dai-ichi Life Holdings will enter into management services agreements with the Successor and certain other major group operating entities in order to defray its operating expenses as a holding company.

The assets that will be transferred to the Successor consist of (i) all assets relating to the Transferred Business as of October 1, 2016 and (ii) the shares of certain subsidiaries and affiliates relating to the Transferred Business, except the following assets:

- income tax receivables; and
- deposits recorded under other assets (mainly deposits for payment of dividends to our shareholders).

The liabilities that will be transferred to the Successor consist of all liabilities relating to the Transferred Business as of October 1, 2016, except the following liabilities:

- liabilities under the Loan Agreement (as defined below);
- income tax liabilities; and
- accrued dividends.

We currently estimate that assets of the Transferred Business would constitute approximately 97.0% of Dai-ichi Life's non-consolidated total assets of ¥35,894.9 billion as of March 31, 2016 and that liabilities of the Transferred Business would constitute approximately 99.9% of Dai-ichi Life's non-consolidated total liabilities of ¥32,791.7 billion as of March 31, 2016. In addition, we expect that prior to the Transition we may draw down up to a maximum of ¥450 billion under a loan agreement between Dai-ichi Life and Mizuho Bank, Ltd., or the Loan Agreement. Any drawdown under the Loan Agreement is expected to increase the assets of the Transferred Business and, accordingly, the equity of the Successor will increase, while Dai-ichi Life Holdings will remain the primary obligor under the Loan Agreement with a subsidiary guarantee to be provided by the Successor. The carrying amount of the shares of the subsidiaries and affiliates to be retained by Dai-ichi Life Holdings was ¥997.5 billion as of March 31, 2016.

In connection with the Transition, the Successor will issue 5,990 shares to be allotted to us in consideration for the Transferred Business. As of October 1, 2016:

- total net assets of the Successor will consist of the difference between assets of the Transferred Business minus liabilities of the Transferred Business immediately before effectiveness of the Transition; and
- total shareholders' equity of the Successor will consist of the Successor's total net assets minus total of valuation and translation adjustments of Dai-ichi on a non-consolidated basis immediately before the effectiveness of the Transition. Capital stock of the Successor as of October 1, 2016 will be ¥60.0 billion.

In addition, the following rights and obligations as of October 1, 2016 will also be transferred to the Successor:

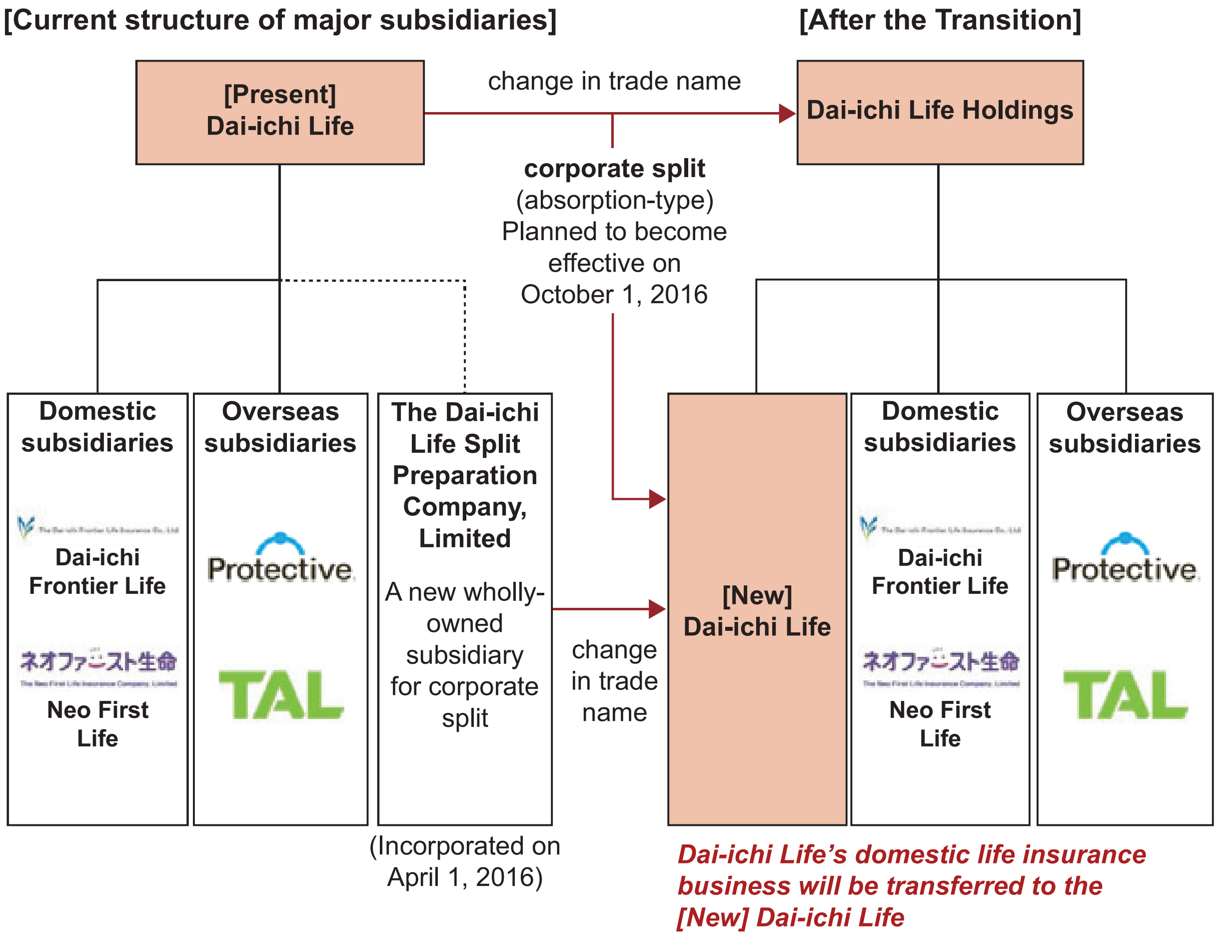
- all labor agreements for all of our employees and all collective labor agreements with a labor union relating to the Transferred Business;

- certain permits and licenses relating to the Transferred Business, to the extent permitted by law; and
- all contractual rights and obligations relating to the Transferred Business, except for certain agreements pertaining to the management of Dai-ichi Life Holdings and agreements not related to assets or liabilities that will be transferred to the Successor.

For certain selected non-consolidated financial data of Dai-ichi, see "Selected Financial Data—Supplemental Non-Consolidated Financial Data."

Holding Company Structure

The following diagram summarizes the current structure of the Dai-ichi Group and the structure of the Dai-ichi Group after the Transition:



BUSINESS

Overview

We are the second largest life insurance company in Japan, as measured by premium and other income for the year ended March 31, 2016 on a consolidated basis. Dai-ichi Life had approximately 8 million policyholders as of March 31, 2016.

Our core business is life insurance for individuals in Japan's retail market and our core product offering consists of "*Bright Way*," a whole life insurance product introduced in January 2014 that can be combined with additional policy riders, including supplemental term life insurance and a range of medical and nursing care riders, to meet the specific needs of the individual customer.

In October 2007, our wholly-owned subsidiary, Dai-ichi Frontier Life, commenced operations in the individual annuity business in order to strengthen our offerings of annuity products through retail bank branches, referred to as the bancassurance channel, and through other financial institutions. Dai-ichi Frontier Life has recently experienced an increase in sales of individual insurance products and currently offers a balanced product mix of variable annuities as well as yen- and foreign currency-denominated fixed annuities and whole life policies. In August 2014, we completed the acquisition of a 90% stake in Sompo Japan DIY Life Insurance (renamed as Neo First Life) from Sompo Japan thereby making it our wholly-owned subsidiary and transforming it into a new life insurance subsidiary. This acquisition has enabled us to reach new customers through non-traditional channels, such as the bancassurance channel and walk-in insurance shops. We also sell group insurance and group annuity products.

We have been actively expanding our overseas operations in recent years, particularly in the Asia Pacific region, which we believe presents significant potential for growth, and the United States, the world's largest life insurance market. We have acquired an insurance company in Vietnam and TOWER Australia Group Limited (renamed as TAL Limited, and which became a part of TAL), and invested in insurance companies in Indonesia, India and Thailand. We have also been developing our overseas asset management operations and have invested in Janus, a U.S. investment management company. In addition, on February 1, 2015, we completed the acquisition of Protective, a holding company headquartered in Birmingham, Alabama, with subsidiaries that provide financial services primarily in the United States through the production, distribution, and administration of insurance and investment products. The acquisition allowed us to enter the U.S. life insurance market. By establishing a strong platform in the world's two largest life insurance markets, our overseas businesses entered a new stage of growth.

On October 30, 2015, we announced our plan for the Transition, which is scheduled to become effective on October 1, 2016. Upon completion of the Transition, substantially all of the assets and liabilities relating to Dai-ichi Life's domestic life insurance business, which does not include Dai-ichi Frontier Life and Neo First Life, will be transferred to the Successor, and Dai-ichi Life will become a holding company renamed as Dai-ichi Life Holdings. Dai-ichi Life Holdings will manage the Successor and all the other major Dai-ichi Group operating companies, including Dai-ichi Frontier Life, Neo First Life, Protective, TAL and Dai-ichi Life Vietnam. Pursuant to their terms, the notes will become obligations of the Successor upon completion of the Transition, and we and the Successor will execute a supplemental indenture to the indenture for the notes with the trustee to confirm its assumption of the notes. Following the Transition, holders of the notes will not have any direct or indirect claim on Dai-ichi Life Holdings, any of its subsidiaries other than the Successor, or any other of its future subsidiaries. See "Transition to a Holding Company Structure."

As of March 31, 2016, we had a solvency margin ratio of 763.8% and 900.8% on a consolidated basis and non-consolidated basis, respectively, and we currently have insurer financial strength ratings of A+ from S&P Global Ratings, A+ from Fitch Ratings, A+ from A.M. Best and an unsolicited rating of A1 from Moody's Investors Service. As of March 31, 2016, Dai-ichi Life had 54,617 employees, including 42,983 sales representatives.

History

Dai-ichi was formed in 1902 as Japan's first mutual life insurance company. In 1938, our head office was moved to its current Tokyo location, which served as the General Headquarters of the Allied Powers following the Second World War.

In 1975, we established a representative office in New York as our first overseas office. In 1996, we established a property and casualty insurance subsidiary. In 1998, we entered into a business alliance with The Industrial Bank of Japan, Ltd. (currently Mizuho Financial Group), focused primarily on asset management services. In 2000, we entered into a business alliance with The Yasuda Fire and Marine Insurance Co., Ltd. (currently Sompo Japan Nipponkoa Insurance Inc.), focused on our sales of Sompo Japan's products, and a marketing alliance with AFLAC under which we sell AFLAC's cancer insurance products.

In 2007, our new subsidiary, Dai-ichi Frontier Life, commenced operations in the individual annuity insurance business. The same year, we acquired an insurance company in Vietnam, which we renamed Dai-ichi Life Insurance Company of Vietnam, Limited, becoming the first Japanese life insurer to do business in Vietnam, and in the same year we entered into a business alliance and capital tie-up with Resona Holdings.

In order to achieve sustainable growth and fulfill our Declaration of Quality Assurance over the long-term, in spite of increasingly severe competition, in March 2008 we announced our plans to convert from a mutual company to a joint stock corporation. On April 1, 2010, we completed this reorganization in accordance with our plan for demutualization and the Insurance Business Act and listed shares of our common stock on the First Section of the Tokyo Stock Exchange.

Since 2007, we have developed our overseas insurance and asset management operations in an effort to secure revenue sources outside of the Japanese market. Specifically, we acquired an insurance company in Vietnam, acquired TOWER Australia Group Limited (renamed as TAL Limited, and which became a part of TAL), invested in overseas insurance companies in Indonesia, India and Thailand, invested in Janus in 2013, and acquired Protective on February 1, 2015, thereby entering the North American life insurance market and setting a new stage for growth. In January 2015, we announced the creation of North America regional headquarters in New York and Asia-Pacific regional headquarters in Singapore, which together with our group management headquarters in Japan form a global trilateral structure that enables us to have a more efficient management of our domestic and international businesses.

Strengths

We believe our main competitive strengths include the following:

We have achieved solid financial performance in Japan through timely implementation of strategic initiatives in our third sector insurance products, investment management and operating efficiency.

We are the second largest life insurance company in Japan, as measured by our premium and other income for the year ended March 31, 2016, which was ¥5,586.0 billion on a consolidated basis, a record high result, and ¥2,866.6 billion on a non-consolidated basis. Over the last five years, our annualized net premiums from policies in force and our annualized net premiums from new business in the domestic market have both grown steadily as a result of the contribution from third sector insurance products (a term used in Japan to refer to products such as medical insurance, cancer insurance and nursing care insurance products), and also due to strong sales of foreign currency-denominated savings products at Dai-ichi Frontier Life. These increases have more than offset a declining trend from traditional death protection products due to demographic trends. Our investments in product development and the diversification of our distribution channels have driven this performance.

The growth of our domestic life insurance business has led to a solid financial performance track record. Our fundamental profit has steadily increased over the last five years and was ¥535.1 billion and ¥465.4 billion for the year ended March 31, 2016, on a consolidated and a non-consolidated basis, respectively, demonstrating our solid profit generation capability. While net income on a non-consolidated basis decreased in the year ended March 31, 2016, we recorded net income of ¥178.5 billion on a consolidated basis for the year ended March 31, 2016, a record high result. We have successfully improved investment yields despite the very low interest rate environment through increased investments in currency-hedged foreign bonds, and this has resulted in higher investment returns that allowed us to record positive investment spread in each of the three years in the period ended March 31, 2016. Our efforts and strategies have also resulted in a decrease in surrender and lapse rate for individual insurance and individual annuity products on a non-consolidated basis over the last five years, and the number of new policies per sales representative of Dai-ichi, on a non-consolidated basis, has remained steady over the same period.

We engage in prudent asset management and risk management.

Our financial performance has been strengthened through our prudent asset management and risk management. We have maintained a significant portion of our investment portfolio in yen-denominated fixed income assets and decreased our exposure to loans and domestic stocks in order to secure a stable investment return while gradually increasing the proportion and balance of currency-hedged foreign bonds. We have also gradually decreased the duration gap between our assets and liabilities over the years by increasing the proportion of long-term bonds in our investment portfolio. Domestic bonds with maturities of over ten years represented 82.7% of all the domestic bonds in our general account as of March 31, 2016. Our ability to flexibly adjust our asset management and risk management to address changes in the economic and financial environment allows us to strike an optimal balance among different types of investments, which has helped us achieve our solid financial performance.

We have secured a solid and stable capital base.

Our capital strategy, supported by the steady accumulation of profits and strategic capital raisings consisting primarily of subordinated borrowings and issuances of subordinated notes, as well as the issuance of shares of our common stock, has allowed us to reinforce our capital structure. As of March 31, 2016, our capitalization on a non-consolidated basis (which is the sum of net assets, contingency reserve (after tax), reserve for price fluctuation (after tax), and subordinated debt and borrowings) was ¥2,191.4 billion, a 53.6% increase compared to March 31, 2012. Our capital adequacy on a regulatory basis has also strengthened, as demonstrated by the significant improvements in our solvency margin ratio over the last four years. As of March 31, 2016, our solvency margin ratio on a non-consolidated basis was 900.8% as compared to 575.9% as of March 31, 2012.

Strategies

Our main strategic initiatives are as follows:

We will continue to grow our domestic life insurance business through the implementation of several initiatives regarding our products, distribution channels and strategic alliances.

We intend to support the growth of our domestic life insurance business by introducing new competitive insurance products that address the evolving needs of our customers in Japan. We believe that our deep understanding of the domestic life insurance market allows us to understand the different characteristics and needs of customers, and this enables us to carefully craft our insurance products in order to enhance customer satisfaction. We intend to continue to develop and introduce new insurance products that cover a wide range of life insurance needs and, as part of the implementation of a firm enterprise risk management framework, we will adjust our product portfolio and pricing in light of the market environment. We also intend to improve the consultation capabilities and productivity of Dai-ichi's total life plan designers, who form the largest group of sales representatives and possess broad knowledge of our insurance products, through an extension of the duration of their training period from two years to five years, a more selective recruitment process, and investments in information systems, such as tablet computers. We also intend to pursue growth of our domestic life insurance business through the continued diversification and expansion of distribution channels for our insurance products.

Based on our strategic alliance with Japan Post Insurance, we and Japan Post Insurance will participate in joint research on the domestic life insurance business in order to engage in product development and the deployment of IT technologies to pursue future growth, improve the quality of insurance products and services, and streamline expenses. In addition, in connection with the expected creation of Asset Management One, as described below, we believe that we will be able to use the asset management knowhow of Asset Management One to achieve goals such as the further enhancement of our proprietary investments and the development of highly competitive savings-type insurance products.

We will pursue further growth of the asset management business and our overseas life insurance business.

Our asset management business has achieved solid growth over the past five fiscal years, as demonstrated by the steady increase in assets under management of DIAM, our 50-50 joint venture with Mizuho Financial Group, and Janus, the U.S. investment management company in which we hold a 19.8% equity interest. We aim to support further growth of the asset management business through the integration of the asset management functions of DIAM, Mizuho Trust & Banking Co., Ltd., Mizuho Asset Management Co., Ltd. and Shinko Asset Management Co., Ltd., which we announced in September 2015, in order to build the number one asset management business platform in Japan in terms of quality and size, and to become the representative asset management company in Asia. In connection with the integration, we and Mizuho Financial Group intend to create a new joint venture company, Asset Management One, which will manage our integrated businesses. Voting rights in Asset Management One will be held 51% by Mizuho Financial Group and 49% by us. We and Mizuho Financial Group are also discussing to hold an economic interest of 30% and 70%, respectively. The integration is expected to be effective on October 1, 2016 and is subject to the execution of a definitive agreement between Mizuho Financial Group and us. Giving effect to the integration on a *pro forma* basis based on the assets under management of each entity as of June 30, 2015, the total assets under management of Asset Management One would be ¥54.2 trillion as of June 30, 2015. We also intend to achieve growth of our asset management business through our existing strategic alliance with Janus, as well as our strategic alliance with Japan Post Insurance, pursuant to which Japan Post Insurance intends to manage part of its assets through DIAM and Janus.

We also believe that our acquisition of Protective in February 2015 has set a new stage of growth for the Dai-ichi Group. We expect that Protective will continue to grow its life insurance business, including through its acquisitions segment, thereby expanding our overseas life insurance business as a whole. We also expect continued growth in our subsidiaries in the Asia-Pacific region. With life insurance operations across seven countries in three regions that include Japan, Asia-Pacific and North America, the Dai-ichi Group is well-equipped to continue to grow its life insurance business both domestically and overseas.

We intend to support our growth through our transition to a holding company structure.

We believe that the Transition, which is scheduled to become effective on October 1, 2016, will allow us to achieve: (i) a flexible allocation of management resources; (ii) a governance structure for swifter decision-making; and (iii) fundamental reforms of group management. We consider the Transition to signal the second stage of our growth following our demutualization and the listing of our shares of common stock on the Tokyo Stock Exchange in 2010, and we believe that the Transition will allow us to make further progress in implementing our business strategies, including with respect to our domestic life insurance operations in Japan. See “Transition to a Holding Company Structure.”

Products

We offer various types of individual life insurance products, individual annuities and group insurance and annuities, as well as other insurance products and asset management services aimed at serving our customers’ financial needs. Our individual insurance products include individual endowment, term life, whole life and other insurance products, which are supplemented by so-called “third sector” insurance products. In the Japanese insurance industry, life insurance products and non-life insurance products are called “first sector” and “second sector” insurance products, respectively, and insurance products that do not fit into either category are called “third sector” insurance products. Third sector insurance products include medical insurance, cancer insurance and nursing care insurance. We also offer a wide variety of policy riders, including “third sector” riders, that are used to supplement a base insurance policy to provide additional benefits tailored to the needs of the individual policyholder.

Our individual annuities offerings include fixed and variable annuities, including those developed and marketed through Dai-ichi Frontier Life. We offer both yen- and foreign currency-denominated fixed annuities and whole life insurance products. Our primary group insurance products consist of group term life insurance and group life insurance for loans.

We continually review, update and expand our product offerings to respond to the needs of our customers while maintaining our focus on individual life insurance.

We offer participating, semi-participating policies and non-participating policies. Holders of participating policies receive yearly dividends from the third year after writing the policy for individual insurance and from the second year after writing the policy for group insurance and group annuities. These dividends are calculated based on three variables: mortality and morbidity rate margin, investment yield margin and administrative expense margin. If the combined effect of actual mortality and morbidity rates, rates of return on investments and administrative expense levels during a given period is more favorable to us compared to the assumptions used when pricing these products, a net surplus will generally result for that period. A portion of the net surplus attributable to participating policies may then be distributed to the policyholder as policyholder dividends. In the case of individual insurance policies, policyholders typically receive the policyholder dividend in the form of an increase in policy amount, although the policyholder may also elect to receive cash or to offset the dividend amount against premiums. We may pay a terminal dividend, depending on the product, in addition to regular policyholder dividends. In contrast to participating policies, semi-participating policies allocate dividends calculated at the end of each five-year period in the following year of the policy. Dividends on our semi-participating policies entered into before April 2, 2007 are based on the investment yield margin, whereby policyholders receive a portion of the net positive return on investments in excess of the assumed rate of return as calculated at the end of a five-year period. Dividends on our semi-participating policies entered into after April 2, 2007 are calculated based on the same three variables described above in respect of participating policies: mortality and morbidity rate margin, investment yield margin and administrative expense margin. Semi-participating policies generally feature lower premiums than participating policies and generally distribute smaller dividends relative to participating policies. The majority of the policies we have sold in recent years have been semi-participating policies, while the number of non-participating policies sold has increased in recent years because of lower premiums and the absence of limits on sales of non-participating policies for joint stock corporations.

The following table sets forth selected information regarding our individual insurance, individual annuities, group insurance, group annuities and other insurance businesses of Dai-ichi on a non-consolidated basis.

	As of and for the year ended March 31,		
	2014	2015	2016
	(billions of yen and thousands of policies)		
Individual Insurance Products(1)			
Whole Life with Term Insurance			
Number of new policies	196	133	124
New policy amount	¥ 1,617	¥ 1,027	¥ 838
Total number of policies	4,480	4,566	4,646
Total policy amount in force	¥ 53,038	¥ 51,846	¥ 49,957
Whole Life			
Number of new policies	40	53	63
New policy amount	¥ 89	¥ 92	¥ 88
Total number of policies	2,020	2,011	2,031
Total policy amount in force	¥ 12,107	¥ 11,735	¥ 11,404
Other Individual Insurance			
Number of new policies	353	483	341
New policy amount	¥ 3,968	¥ 3,594	¥ 3,225
Total number of policies	4,966	5,016	5,002
Total policy amount in force	¥ 62,948	¥ 58,073	¥ 53,454
Total Individual Insurance Products			
New policy amount	¥ 5,676	¥ 4,714	¥ 4,152
Total policy amount in force	¥128,094	¥121,655	¥114,816
Individual Annuity Products(2)			
Number of new policies	92	117	157
New policy amount	¥ 639	¥ 900	¥ 1,056
Total number of policies	1,477	1,544	1,650
Total policy amount in force	¥ 8,798	¥ 9,291	¥ 9,905

	As of and for the year ended March 31,		
	2014	2015	2016
	(billions of yen and thousands of policies)		
Group Insurance Products(3)			
Number of new policies	230	140	136
New policy amount	¥ 344	¥ 414	¥ 162
Total number of policies	24,881	24,260	23,842
Total policy amount in force	¥ 48,357	¥ 48,092	¥ 48,020
Group Annuity Products(4)			
Number of new policies	17	51	0
New policy amount	¥ 0	¥ 0	¥ 0
Total number of policies	10,433	9,589	8,810
Total policy amount in force	¥ 6,353	¥ 6,397	¥ 6,064
Other(5)			
Number of new policies	21	25	18
New policy amount	¥ 9	¥ 9	¥ 5
Total number of policies	772	744	654
Total policy amount in force	¥ 460	¥ 472	¥ 455

Notes:

(1) New policy amounts for individual insurance products do not include increases in policy amounts due to conversions. Data for individual insurance products represent figures for stand-alone policies as well as all riders attached to such policies.

(2) Policy amounts for individual annuity products are equal to (a) the funds to be held at the time annuity payments are to commence for an annuity for which annuity payments have not yet commenced and (b) the amount of policy reserve for an annuity for which payments have commenced.

(3) For group insurance, the number of policies is equal to the number of insured.

(4) For group annuity products, the new policy amount is equal to the initial premium payment and the policy amount in force is equal to the amount of outstanding corresponding policy reserve.

(5) Includes financial insurance, financial annuities, medical care insurance, group disability insurance and reinsurance.

Unless otherwise indicated, the figures provided in this “—Products” section represent Dai-ichi non-consolidated figures.

Individual Insurance

Individual insurance is our main product line, accounting for 92.1% of our total policy amount in force (for individual insurance and individual annuities) as of March 31, 2016. Individual insurance constituted 90.9% of total new policy amounts written (for individual insurance and individual annuities), including net increases in policy amounts due to conversions, during the year ended March 31, 2016. Premiums from individual insurance constituted 54.3% of total premium income for the year ended March 31, 2016. We offer a variety of individual insurance products.

Our core product offering includes “*Bright Way*,” a whole life insurance product introduced in January 2014 that can be combined with additional policy riders, including supplemental term life insurance and a range of medical and nursing care riders, to meet the specific needs of the individual customers.

Unless stated otherwise, references to new individual insurance policy amounts do not include increases in policy amounts due to conversions.

Whole Life and Whole Life with Term Insurance

Whole life insurance pays a death benefit to the beneficiary upon the death of the policyholder irrespective of when the policyholder dies. Whole life with term insurance policies combine whole life insurance and term life policy riders to provide for a higher payment if the insured dies within a specified period. Term policy riders offer extensive coverage for relatively inexpensive premiums, and whole life with term insurance has traditionally been one of our main life insurance products. Our *Bright Way* whole life insurance is sold both with and without term policy riders.

Whole life with term insurance accounted for 41.4%, 42.6% and 43.5% of our total policy amount in force for individual insurance policies as of March 31, 2014, 2015 and 2016, respectively. Whole life with term insurance accounted for 47.3%, 39.6% and 38.1% of new individual insurance policy amounts written for individual insurance during the years ended March 31, 2014, 2015 and 2016, respectively.

Our lineup of whole life insurance products includes our “*Yu-Yu Hoken U*,” “*Escort U*” and “*Time U*” products, which feature different premium payment methods, basic coverage terms and applicable policy rider options. Whole life insurance accounted for 9.5%, 9.6% and 9.9% of our total policy amount in force for individual insurance policies as of March 31, 2014, 2015 and 2016, respectively. Whole life insurance accounted for 1.2%, 1.6% and 1.6% of new individual insurance policy amounts written for individual insurance during the years ended March 31, 2014, 2015 and 2016, respectively.

Other Individual Insurance

Our other individual insurance products include term life insurance, term life with survival benefits insurance, endowment insurance, nursing care insurance, medical care insurance and others. Our nursing care insurance and medical care insurance comprise our third sector insurance products.

These other individual insurance products accounted for 46.6% of our total policy amount in force for individual insurance policies as of March 31, 2016. These other individual insurance products also accounted for 60.3% of new policy amounts written for individual insurance during the year ended March 31, 2016.

Term Life Insurance. Term life insurance, including our “*Top Plan Success U*” and “*Top Plan Majesty U*” products, accounted for 2.8% of our total policy amount in force for individual insurance policies as of March 31, 2016. These products feature a death benefit with low premiums and are sold mainly to businesses. Term life insurance accounted for 3.5% of new individual insurance policy amounts written for individual insurance during the year ended March 31, 2016.

Term Life with Survival Benefits Insurance. Term life with survival benefits insurance, including our “*Nanairo Skip*” and “*Skip U*” products, accounted for 1.0% of our total policy amount in force for individual insurance policies as of March 31, 2016. Term life with survival benefits insurance combines term insurance with a survival benefit paid at set intervals. Term life with survival benefits insurance accounted for 0.5% of new individual insurance policy amounts written for individual insurance during the year ended March 31, 2016.

Endowment Insurance. Endowment insurance, including our “*Yoro Hoken U*” product, accounted for 2.6% of our total policy amount in force for individual insurance policies as of March 31, 2016. Endowment insurance pays a death benefit if the insured dies within a specified term, or a maturity benefit of the same amount if the insured survives to the end of that term. Endowment insurance accounted for 1.4% of new individual insurance policy amounts written for individual insurance during the year ended March 31, 2016.

Nursing Care Insurance. Nursing care insurance, including our “*Crest Way*” products introduced in January 2014 pays a benefit if the insured requires a specified level of nursing care with no prospect of recovery.

Medical Care Insurance. Our lineup of medical care insurance products includes “*Medical Yell*”, “*Nadeshiko Yell*” and “*Shield U*.” *Medical Yell* is our first non-participating product since our demutualization, taking advantage of our status as a joint stock corporation to offer comprehensive medical coverage with lower premium amounts. *Nadeshiko Yell* was introduced in January 2016 and is aimed at and offered only to women in order to address the specific needs of women for medical insurance. Some of these products combine term insurance with a one-time benefit for specified illnesses, while others offer medical protection for hospitalizations.

Education Endowment Insurance. Education endowment insurance, including our “*Kodomo Ouendan*” and “*Mickey*” products, accounted for 0.2% of our total policy amount in force for individual insurance policies as of March 31, 2016. Education endowment insurance pays a benefit to the beneficiary when an insured reaches a certain age in order to finance studies.

Third Sector Insurance Products. Annualized net premiums from third sector policies in force, consisting of our nursing care and medical care insurance products as of March 31, 2016 were ¥576.5 billion, an increase of 3.7% compared to ¥556.1 billion for the previous year. Annualized net premiums from new sales of such third sector policies for the year ended March 31, 2016 were ¥51.2 billion, an increase of 7.7% compared to ¥47.5 billion for the previous year.

Riders

We also offer a wide variety of policy riders, such as term riders for specified diseases, which can be combined with our insurance products. Our lineup of riders includes third sector medical riders such as:

- our "*Assist Seven*" and "*Assist Seven Plus*" riders, both introduced in January 2014, which pay benefits for medical care and, in certain circumstances, hospital stays, in connection with certain serious medical conditions;
- our "*Ino Ichiban NEO*", "*Rider D of Hospitalization for Eight Large Lifestyle Diseases*" and "*Rider D of Hospitalization for Women (H22)*" riders, which pay benefits for hospital stays for one day or more and operation benefits (for *Ino Ichiban NEO* rider only) that are, in principle, interlocked with Japan's national medical insurance system;
- our "*Income Support*" rider, which adds support for a loss of income arising from events such as the three major illnesses, the first of its kind in the Japanese life insurance industry;
- our "*Yell to Ladies More*" rider, which incorporates support for the costs of operations in relation to women's health issues; and
- our "*Accel*" rider, which adds support for a loss of income arising from an accident.

The figures for number of new policies, new policy amount, total number of policies and total policy amount in force for our rider products are not shown separately in the table above. Instead, figures for our rider products in the table and the descriptions above are included within the figures for the insurance policies to which such riders are attached.

Individual Annuities

Individual annuities, including our "*Shiawase Monogatari*" defined benefit-type annuity, accounted for 7.9% of our total policy amount in force (for individual insurance and individual annuities) as of March 31, 2016. Individual annuities accounted for 9.1% of total new policy amounts written (for individual insurance and individual annuities) during the year ended March 31, 2016.

Our individual annuity products consist of individual fixed annuities and individual variable annuities. We offer fixed annuity products that pay benefits for a fixed term and products that pay benefits throughout the life of the insured. Deposits made into these contracts are allocated to our general account, and we bear the risk that investments in the general account do not meet the assumed rates of return. Variable annuity products pay a periodic amount linked to investment returns. Deposits made into these contracts are allocated to our separate account and are administered and invested to meet the specific investment objectives of policyholders. For both individual fixed annuities and individual variable annuities, a lump sum benefit payment is made upon the death of the insured prior to commencement of annuity payments.

Group Insurance

Our group insurance products consist mainly of group term life insurance and group life insurance for loans.

Group Term Life Insurance

Group term life insurance accounted for 21.2% of our total policy amount in force for group insurance policies as of March 31, 2016. Group term life insurance is similar to term life insurance offered on an individual basis. Only one application is processed on behalf of the many individuals covered under the policy. We offer these products through corporations and other organizations as sponsored benefit programs with premiums paid by the organizations or on a non-sponsored basis with premiums paid by the insured. Group insurance policies are offered on a one-year renewable basis. Group term life insurance accounted for 14.3% of new group insurance policy amounts written during the year ended March 31, 2016.

Group Life Insurance for Loans

Group life insurance for loans accounted for 46.3% of our total policy amount in force for group insurance policies as of March 31, 2016. Under this type of policy, in the event of the death or severe disability of the insured, we pay a benefit that is applied toward the repayment of the insured's loans, which are typically for housing. The amount of the benefit paid by us depends upon the amount of the remaining debt. Group life insurance for loans accounted for 0.1% of new group insurance policy amounts written during the year ended March 31, 2016.

Group Annuities

We offer group annuity products that can be packaged to meet the specific needs of a corporation or other organization to offer defined benefit plans to its employees or other organization members. These plans offer fixed pension benefits with premium payments calculated based on the amount of the fixed benefits. A portion of the plan can be allocated to the separate account so that variable returns based on actual investment results can be received. Plans that meet specified conditions may qualify for preferential tax treatment. Products include pension benefits insurance for retired employees, employee pension fund insurance, which is a publicly mandated pension fund system funded by corporate and employee contributions, and national pension fund insurance, which is a public pension system also funded by voluntary contributions of individuals. We offer our group annuity products to pension funds of large corporations and public pension funds.

We provide products and services that corporations may use to offer defined contribution plans to their employees. These plans do not guarantee minimum returns but rather reflect the results of investments made in a variety of segregated accounts between which the individual may allocate plan assets. Plan assets may be transferred to the plan of a new employer when the employee changes employment. We offer various products for investment of plan assets, including contribution-type pension benefits insurance, which is funded by individual employee contributions.

Other Insurance Products

We also offer other insurance products, including financial insurance, financial annuities, medical care insurance and group disability insurance.

Property and Casualty Insurance; Cancer Insurance

We offer our customers property and casualty insurance through our business alliance with Sompo Japan and cancer insurance through our business alliance with AFLAC. See "—Strategic Alliances with Domestic Financial Institutions" below.

The property and casualty insurance products of Sompo Japan that we offer include automobile insurance and home fire insurance. We also offer our customers the cancer insurance products of AFLAC. We act as a sales agent for Sompo Japan and AFLAC and receive sales fees from each of Sompo Japan and AFLAC without underwriting the resulting property and casualty insurance policies or cancer insurance policies. For the year ended March 31, 2016, our sales of Sompo Japan products, measured by premiums from new policies on an annualized basis, equaled approximately ¥30.7 billion. During the same period, our sales of AFLAC products, measured by premiums from policies in force on an annualized basis, equaled approximately ¥49.8 billion.

Asset Management and Investment Trust Management Products and Services

We currently offer various investment trust management products, including those managed by DIAM, our 50-50 joint venture with Mizuho Financial Group. DIAM provides investment advisory services and investment trust management services to us and to third-party customers.

As of March 31, 2016, DIAM provided investment advisory services for ¥10,769.2 billion of assets.

As of March 31, 2016, DIAM had a net balance of investment trust assets totaling ¥6,180.5 billion.

As a result of our investment and strategic cooperation agreement with Janus, we are actively promoting cross-selling opportunities between DIAM and Janus. Janus also shares its asset management expertise with DIAM.

On September 30, 2015, we and Mizuho Financial Group announced that we had entered into a memorandum of understanding regarding the integration of the asset management functions of DIAM Co., Ltd., Mizuho Trust & Banking Co., Ltd., Mizuho Asset Management Co., Ltd. and Shinko Asset Management Co., Ltd. in order to build a leading asset management platform in Asia and Japan. In connection with the integration, we and Mizuho Financial Group intend to create a new joint venture company, Asset Management One. Voting rights in Asset Management One will be held 51% by Mizuho Financial Group and 49% by us. We and Mizuho Financial Group are also discussing to hold an economic interest of 30% and 70%, respectively. The integration is expected to be effective on October 1, 2016. Through the integration of the asset management functions of these entities, we believe that we will be able to use the asset management knowhow of Asset Management One to achieve goals such as the further enhancement of our proprietary investments and the development of highly competitive savings-type insurance products.

Sales and Marketing

Retail Sales and Marketing

We have a network of sales representatives and independent sales agents that market our products mainly to retail customers.

Sales Representatives

Our sales representatives are our most significant distribution channel. Our total number of sales representatives (excluding those who are not full-time employees of Dai-ichi and are engaged mainly in ancillary work) was 42,763 as of March 31, 2014, 41,695 as of March 31, 2015 and 42,471 as of March 31, 2016. We had 1,259 retail offices located throughout Japan as of April 1, 2016. Our sales representatives are licensed pursuant to industry-wide standards. Door-to-door sales and workplace sales constitute the primary means by which our sales representatives market our products to new customers. Although we intend to continue to diversify our sales channels, we believe that our sales representative channel has been and will continue to be one of the keys to maintaining our strong customer base and profitability.

We classify our sales representatives into three different general categories:

- total life plan designers, who form the largest group of sales representatives and possess broad knowledge of our insurance products, allowing them to provide thorough and effective advice and support to our customers;
- total consultants, who specialize in workplace and public offices sales; and
- customer consultants, who provide after-sales advice and support to customers at the counters of our Dai-ichi Life Insurance Shops or directly at our customers' homes.

We employ our sales representatives on an exclusive basis and we continually strive to improve their quality, productivity and efficiency. The productivity of our sales representatives is illustrated by the solid performance of the number of new policies per sales representative, which was 26.2, 27.7 and 27.6 on a non-consolidated basis for the years ended March 31, 2014, 2015 and 2016, respectively. The value of new business per sales representative is calculated as the value of new business divided by the average number of sales representatives in each period.

In order to ensure the efficiency and productivity of our sales representatives, we apply strict standards in our hiring practices. In addition, we believe that providing our sales representatives with thorough and effective training is one of the keys to maintaining their productivity and efficiency. Along with day-to-day, on-the-job training, our sales representatives also participate in periodic training courses held at our branch offices. At the beginning of their careers, all sales representatives participate in an intensive training course taught by experienced instructors. Selected sales representatives continue their education at specialized seminars taught at the head office. In addition, we offer sales representatives a number of standardized insurance industry courses in which they can receive varying levels of degrees.

In addition, to strengthen the relationships between our sales representatives and customers, we send an annual "total life plan report" to each customer that provides detailed information about the customer's existing policies and riders, and we schedule a visit from a sales representative to each customer to coincide with the arrival of that customer's "total life plan report." We believe these efforts have contributed to our relatively low surrender and lapse rates and improved policy persistency. In order to further deepen our relationship with customers and serve them better, we have initiated our "Lifelong Partner—With You Project" in our domestic life insurance operations. The objective is to enhance the existing consulting services of our sales representatives by dedicating additional group resources to ensure customers' peace of mind at any point in the life of the policy contracts: from policy signing, making claims, receiving benefits and effective utilization of the funds. For example, we are enhancing our health support services in order to provide helpful information about health and medical issues such as by raising awareness to prevent cancer, cardiovascular disease and dementia. In December 2014, we expanded our information network by introducing a new service to support our senior policyholders, "*Declaration to Support Total Life Plan for the Second Half of Life*." *Declaration to Support Total Life Plan for the Second Half of Life* provides several services aimed at senior policyholders, such as toll-free numbers to obtain information on our products and services, exclusive seminars on life planning, and delivery services for leaflets and application forms through our alliance with Yamato Transport Co., Ltd. to increase accessibility to senior policyholders located in remote areas.

Independent Sales Agents and Bancassurance

We also sell our products through independent financial institution sales agents, including bank and securities company sales agents and the sales agents of our alliance partner in the non-life insurance industry, Sompo Japan.

A number of deregulatory changes enacted between 1998 and 2007 enabled securities companies and banks to engage in sales of an increasing array of insurance and annuity products. Deregulation of sales of insurance and annuity products by securities companies and banks began in 1998 and 2001, respectively, and as a result of December 2007 amendments to regulations under the Insurance Business Act and the Banking Act of Japan, as amended, now both securities companies and banks are permitted to sell all types of life insurance and annuity products. As a result of these deregulatory changes, bank sales agents, with their extensive retail branch networks and their large base of customers with financial assets already deposited in or invested through the banks, have become the most important sales channel for individual annuity products in Japan.

We maintain sales agency relationships with some of Japan's largest banks, including our alliance partners Mizuho Financial Group and Resona Holdings. We also have relationships with an extensive network of regional banks and securities companies, as well as local financial institutions including "*shinkin*" banks (*shinyou kinko*). As of March 31, 2016, we had entered into sales agency agreements with 121 financial institutions. For more information regarding our business alliances with Mizuho Financial Group, Resona Holdings, Japan Post Insurance, Sompo Japan and AFLAC, see "—Strategic Alliances with Domestic Financial Institutions."

In October 2007, our consolidated subsidiary Dai-ichi Frontier Life commenced operations, with the primary focus of its business being the development and sale of individual annuity products through financial institution sales agents, including bank and securities company sales agents. Through Dai-ichi Frontier Life we intend to strengthen our offerings of individual annuity products and increase sales of individual annuities through the independent sales agent channel.

In August 2014, we completed the acquisition of a 90% stake in Sompo Japan DIY Life Insurance (renamed as Neo First Life) previously owned by Sompo Japan, thereby making it our wholly-owned subsidiary. The addition of Neo First Life to our group enables us to target new customers and sell simpler insurance products through non-traditional channels, such as the bancassurance channel and walk-in insurance shops. We developed a new administrative and IT infrastructure to support the agency channel and we began offering a new generation of products and services from August 2015 through agency channels such as retail bank branches and walk-in insurance shops.

Corporate and Asset Management Sales

In addition to our main retail sales channels described above, we also have a staff of corporate relationship managers located in metropolitan areas such as Tokyo, Osaka and Nagoya and elsewhere throughout Japan that markets mainly group insurance and group annuity products directly to large corporations and public entities. Our corporate relationship managers also work closely with our sales representatives to support workplace sales activities.

In addition, our corporate relationship managers market our investment advisory services to pension funds of large corporations and to public pension funds. We also market our investment trust products to the retail market through financial planners.

Sales Support

Our sales representatives are equipped with “DL Pad” wireless tablet computers, which they can use to present easy-to-understand information about our products, remotely access our headquarters’ computer system to respond to customers’ inquiries and transmit data necessary for policy applications and other administrative tasks. We believe that DL Pad is a powerful tool that bolsters our “total life plan” sales concept, through which our sales representatives provide tailored consultation to each individual customer in light of the stages and major events of each customer’s individual life plan, such as child birth, home-buying, children’s educational needs, medical needs, and retirement and nursing needs, as well as death protection.

Our sales representatives are also supported in their sales activities by a team of approximately 500 financial planners located throughout Japan. These financial planners complement the efforts of our sales representatives with high-level financial and tax expertise.

Collection Procedures

Our sales representatives generally do not play a role in collection of premiums. Our primary methods of collecting premiums are through automatic withdrawals from policyholders’ bank accounts and employer withholding, while bank and non-bank transfers are also used.

Strategic Alliances with Domestic Financial Institutions

As part of our strategy to expand our product and service offerings and broaden our distribution channels, we have entered into alliances with the following domestic financial institutions:

- Mizuho Financial Group: In October 1998, we formed a business alliance with The Industrial Bank of Japan, Ltd. (currently Mizuho Financial Group). As part of our alliance, we and Mizuho Financial Group established a 50-50 joint venture, DIAM, which provides asset management services to us and to third-party customers. DIAM is one of the largest pension asset managers in Japan. In addition, Mizuho Financial Group sells our individual annuity and insurance products to its customers through its retail banking and securities subsidiaries, Mizuho Bank, Ltd., Mizuho Trust & Banking Co., Ltd. and Mizuho Securities Co., Ltd. On September 30, 2015, we and Mizuho Financial Group announced that we had entered into a memorandum of understanding regarding the integration of the asset management functions of DIAM Co., Ltd., Mizuho Trust & Banking Co., Ltd., Mizuho Asset Management Co., Ltd. and Shinko Asset Management Co., Ltd. in order to build a leading asset management platform in Asia and Japan. See “—Products—Asset Management and Investment Trust Management Products and Services.”
- Sompo Japan: In August 2000, we formed a business alliance with Yasuda Fire and Marine Co., Ltd. (currently Sompo Japan Nipponkoa Insurance Inc.). As part of this alliance, we merged our property and casualty subsidiary into Yasuda Fire and Marine. We currently offer property and casualty insurance products from Sompo Japan, primarily automobile insurance and home fire insurance, to our existing customers. We earn sales fees from our sales of Sompo Japan products. In turn, Sompo Japan offers our life insurance products to its customers through its sales agents. Our sales of Sompo Japan’s non-life insurance products, as measured by annualized net premiums from new policies were ¥30.7 billion in the year ended March 31, 2016.
- In September 2008, we and Sompo Japan announced the terms of an agreement to make reciprocal investments in each other’s operating subsidiaries. Under this agreement, Sompo Japan purchased new shares in Dai-ichi Frontier Life equivalent to a 10.0% stake and we acquired new shares in Sompo Japan DIY Life Insurance, a direct marketing life insurance

subsidiary of Sompo Japan, equivalent to a 10.0% stake. In August 2014, we completed the acquisition of a 90% stake in Sompo Japan DIY Life Insurance previously owned by Sompo Japan, thereby making it our wholly-owned subsidiary, and renamed it as Neo First Life.

- In February 2014, we announced our acquisition of Sompo Japan's 10% stake in Dai-ichi Frontier Life. As a result of the acquisition, Dai-ichi Frontier Life became our wholly-owned subsidiary as of March 31, 2014.
- AFLAC: In September 2000, we formed a business alliance with AFLAC. As part of this alliance, we offer AFLAC's cancer insurance products to our customers and we earn sales fees from our sales of those products.
- Resona Holdings: In July 2007, we entered into a business alliance and capital tie-up with Resona Holdings. Under the terms of our alliance, we have acquired ¥100.0 billion of Resona Holdings' Class Five Preferred Shares and Resona Holdings offers our individual annuity and other insurance products to its customers through its operating bank subsidiaries: Resona Bank, Ltd., Saitama Resona Bank, Ltd. and The Kinki Osaka Bank, Ltd.
- Japan Post Insurance: In March 2016, we entered into a business alliance with Japan Post Insurance. Under the terms of our alliance, we and Japan Post Insurance will cooperate in the international life insurance business and the asset management business. We will also participate in joint research on the domestic life insurance business in order to engage in product development and the deployment of IT technologies to pursue future growth, improve the quality of products and services, and streamline expenses.

In addition to our alliances with Mizuho Financial Group, Resona Holdings, Japan Post Insurance, Sompo Japan and AFLAC, we have also formed marketing alliances with an extensive network of Japan's regional banks and securities companies, as well as local financial institutions including "*shinkin*" banks (*shinyou kinko*).

Expansion of Overseas Insurance and Asset Management Operations

In recent years we expanded into overseas insurance operations in an effort to secure revenue sources outside of the domestic Japanese insurance market. We have focused our overseas expansion in North America, notably with the acquisition of Protective in February 2015, and in the Asia Pacific region, which has shown significant growth in recent years and is expected to continue to grow in the future. We plan to continue to allocate corporate resources towards attractive overseas growth opportunities in the future.

We manage our global operations with our global trilateral structure, which consists of our group management headquarters in Japan, our North America regional headquarters in New York and our Asia-Pacific regional headquarters in Singapore. Upon completion of the Transition, Dai-ichi Life Holdings will manage the Dai-ichi Group's global operations, including Protective, TAL and Dai-ichi Life Vietnam.

North America

Protective

On February 1, 2015, we completed the acquisition of Protective, a holding company headquartered in Birmingham, Alabama, with subsidiaries that provide financial services primarily in the United States through the production, distribution, and administration of insurance and investment products. Founded in 1907, Protective Life Insurance Company, or PLICO, is Protective's largest operating subsidiary. Protective, PLICO and their respective subsidiaries are referred to as the Protective Group. Over its history, Protective's retail business strategy and acquisition strategy have merged into a distinctive business model wherein the two strategies complement each other and contribute to the overall strength of the Protective Group. Since its founding in 1907, PLICO has always had a strong retail business segment, forming the cornerstone of its business operations. Since the 1970s, the Protective Group has also developed advanced competencies and capabilities for executing life insurance acquisitions, mainly targeting "closed blocks." Having successfully completed 48 acquisition transactions over the last 40 years, including a $1.1 billion transaction in 2013 in which PLICO purchased MONY Life Insurance Company and reinsured a portion of the life insurance business of MONY Life Insurance Company of America as well as the approximately $661 million acquisition via reinsurance of certain blocks of term life insurance from affiliates of Genworth Life and Annuity Insurance in January 2016, the second largest acquisition in Protective's history, the Protective Group has gained strong institutional experience and capabilities in the complex activities required to be successful in such acquisitions.

Protective operates several operating segments, each having a strategic focus. Protective's operating segments are:

- *Life Marketing*, which markets universal life insurance, variable universal life insurance, bank-owned life insurance, and level premium term insurance products throughout the United States, primarily through networks of independent insurance agents and brokers, stockbrokers, and independent marketing organizations.
- *Acquisitions*, which focuses on acquiring, converting, and servicing policies from other insurance companies. This segment's primary focus is on life insurance policies and annuity products that were sold to individuals. The level of the segment's acquisition activity is predicated upon many factors, including available capital, operating capacity, potential return on capital, and market dynamics. Acquisitions typically have not included the acquisition of an active sales force, and thus policies acquired through this segment are typically blocks of business where no new policies are being marketed.
- *Annuities*, which markets fixed and variable annuity products. These products are primarily sold through broker-dealers, financial institutions, and independent agents and brokers.
- *Stable Value Products*, which sells fixed and floating rate funding agreements directly to the trustees of municipal bond proceeds, money market funds, bank trust departments, and other institutional investors. This segment also issues funding agreements to the Federal Home Loan Bank, and markets guaranteed investment contracts, or GICs, to 401(k) and other qualified retirement savings plans. Additionally, Protective has contracts outstanding pursuant to a funding agreement-backed notes program registered with the U.S. Securities and Exchange Commission, or the SEC, which offers notes to both institutional and retail investors. This segment's products complement Protective's overall asset/liability management in that the terms may be tailored to the needs of PLICO as the seller of the contracts. Protective's emphasis is on a consistent and disciplined approach to product pricing and asset/liability management, careful underwriting of early withdrawal risks, and maintaining low distribution and administration costs. Most GICs and funding agreements written have maturities of one to ten years.
- *Asset Protection*, which markets extended service contracts and credit life and disability insurance to protect consumers' investments in automobiles, watercraft, and recreational vehicles. In addition, this segment markets a guaranteed asset protection, or GAP, product. GAP coverage covers the difference between the loan pay-off amount and an asset's actual cash value in the case of a total loss. This segment's products are primarily marketed through a national network of approximately 8,500 automobile, marine, and RV dealers. A network of direct employee sales representatives and general agents distribute these products to the dealer market.

Protective has an additional segment referred to as Corporate and Other which consists of net investment income not assigned to the segments above (including the impact of carrying liquidity) and expenses not attributable to the segments above (including interest on certain corporate debt). This segment also includes earnings from several non-strategic or runoff lines of business, various investment-related transactions, the operations of several small subsidiaries, and the repurchase of non-recourse funding obligations.

As of December 31, 2015, Protective's total assets were $68,493 million on a consolidated basis. For the 11-month period ended December 31, 2015, Protective had premium and other income of $4,689 million and net income of $268 million, both on a consolidated basis.

Janus

In August 2012, we entered into an investment and strategic cooperation agreement with Janus, a U.S. investment management company that provides investment management, administration, distribution and related services to financial advisors, individuals and institutional clients in both domestic and international markets. In January 2013, we acquired a 19.9% stake in Janus through open-market purchases, making it an equity-method affiliate of ours.

Asia-Pacific Region

Vietnam

In January 2007, we acquired a local insurance company in Vietnam that is now operating as Dai-ichi Life Vietnam, marking the first instance of a Japanese life insurer doing business in Vietnam. With the Vietnamese life insurance market experiencing rapid growth, Dai-ichi Life Vietnam has managed to expand its business ahead of the market as a whole, increasing its market share in Vietnam in terms of premium and other income from 4.4% for the year ended December 31, 2006 to 9.3% for the year ended December 31, 2015.

In May 2015, Dai-ichi Life Vietnam and Ho Chi Minh City Development Joint Stock Commercial Bank entered into a business alliance, pursuant to which they entered into a 10-year exclusive bancassurance partnership agreement. Since July 2015, Dai-ichi Life Vietnam has been able to sell insurance products at the approximately 220 branches of Ho Chi Minh City Development Joint Stock Commercial Bank in Vietnam.

In January 2016, Dai-ichi Life Vietnam and Vietnam Post Corporation entered into a 15-year exclusive business partnership agreement. Since April 2016, Dai-ichi Life Vietnam has been offering insurance products at Vietnam Post Corporation's approximately 11,000 branch offices in Vietnam. In addition, in April 2016, based on our business alliance with Japan Post Insurance, we, Japan Post Insurance and Vietnam Post Corporation executed a memorandum of understanding to provide life insurance services in Vietnam Post Corporation's branch offices in Vietnam.

Australia

In May 2011, we acquired TOWER Australia Group Limited, now operating as TAL and a wholly-owned subsidiary of ours. We believe that this acquisition has helped us to significantly strengthen our operating base in Australia by combining TAL's competitive advantages in the Australian life insurance market and our capital strength. As of March 31, 2016, TAL had consolidated total assets of AUD7,043 million (¥607.5 billion) and for the year then ended recorded premium and other income of AUD3,020 million (¥260.5 billion) and net income of AUD119 million (¥10.3 billion). TAL had AUD2,666 million (¥229.9 billion) in annualized net premiums in force as of March 31, 2016, making it the industry leader in the Australian life insurance market in terms of protection products. In October 2013, TAL acquired National Financial Solutions Pty Ltd, which runs an internet life insurance comparison business, which made it a wholly-owned subsidiary of TAL. Australian dollars are converted into yen at the rate of ¥86.25 to AUD1.00 as of March 31, 2016.

Indonesia

In June 2013, we announced our acquisition of 5.0% of the shares of PT Panin Life, an Indonesian life insurance company, and our acquisition of 36.842% of the shares of PT Panin Internasional, an intermediate stock holding company that holds 95.0% of the shares of PT Panin Life. Through these direct and indirect investments, we effectively acquired a 40.0% stake in PT Panin Life. PT Panin Life was renamed PT Panin Dai-ichi Life in December 2013.

India

In February 2009, Star Union Dai-ichi Life Insurance Company Limited, our joint venture life insurance company established in India together with Bank of India and Union Bank of India, commenced operations, marking the first entry by a Japanese life insurance company into the Indian market. Bank of India and Union Bank of India, two of India's major public sector banks, enjoy significant brand awareness and together have a network of more than 10,000 branches across the country, including their rural regional bank subsidiaries. Star Union Dai-ichi Life intends to combine our knowhow in life insurance with the powerful sales network and customer base of our joint venture partners to develop a strong bancassurance business. As of March 31, 2016, we held 26.0% of the voting rights of Star Union Dai-ichi Life, which we account for as an equity-method affiliate. On June 21, 2016, we exercised an option to increase our equity interest in Star Union Dai-ichi Life to 44.0% of the voting rights. The increase is subject to the approval of Indian regulatory authorities.

Thailand

In July 2008, we announced our acquisition of 24.0% of the shares of Ocean Life Insurance Co., Ltd. of Thailand and our formation of a strategic alliance focused on exchanging management resources relating to the group insurance business and cooperating in areas including a capital relationship and personnel exchanges. We aim to enhance the corporate value of Ocean Life and contribute to the development of the life insurance market in Thailand. Ocean Life is our equity-method affiliate.

Customer Support Services in Japan

Contact Center and Online Services

We maintain customer service contact centers equipped with a total of approximately 460 operator booths. Our contact centers provide customers an efficient and speedy means to access information about their insurance policies.

We also provide an online service for our policyholders to supplement the services available through our customer support phone service. Through our online services, customers can conveniently and expeditiously receive direct deposits of loan amounts and deferred annuities into specified accounts. Customers may also view information regarding their policies, and make certain changes to personal data, through our corporate website. We also allow policyholders to obtain policy loans, withdraw dividends, view their accounts, pay premiums and receive other services through third-party ATMs. Customer service is also available through the mail.

Nationwide Consulting Counters

During the year ended March 31, 2013, our consulting counters were standardized by naming the offices directly managed by the head office and the counters at our branch offices across Japan as "Dai-ichi Life Insurance Shops." These consulting counters located across Japan offer our customers in-person information and advice about our products. In addition to consulting counters located along streets in cities, we have been increasing the number of consulting counters located in train stations and in shopping centers. We have also increased the number of consulting counters that have extended business hours on weekdays and on weekends in order to improve convenience for our customers. As of March 31, 2016, we had 74 Dai-ichi Life Insurance Shops in Japan.

Other Customer Services and Consultation Services

We also offer our customers a point incentive program, "*With Partner*," which offers a wide array of services, including discounts for medical examinations and nursing and health care consultation services.

Besides the consultation services provided by our sales representatives in connection with insurance and annuity products, we also offer customers the following additional consultation services:

- an internet-based virtual branch office offering advice on insurance and annuities; and
- "*Success Net*," a membership based service offered jointly with Sompo Japan to business customers offering business matching assistance services and business and employee benefits-related information.

Pricing and Underwriting

Pricing of our life insurance and annuity products is based mainly on assumptions with respect to expected mortality and morbidity rates, rates of return on investments and administrative expenses.

We maintain underwriting policies and guidelines intended to prevent actual insurance payment events from occurring at a higher rate than the expected mortality and morbidity rates and certain other assumptions used when pricing our products. Our insurance underwriting involves a centralized application and risk evaluation process that determines whether the risk related to a particular applicant, including mortality and morbidity risk and risk of insurance fraud, is consistent with the amount of risk we are willing to accept. The process considers the risk characteristics of the individual to be insured, including a detailed medical condition, occupation and financial profile. We maintain strict guidelines regarding the exact type of examination depending on the type and amount of each policy. For example, in the case of policies that provide for death benefits exceeding a specified level, the individual to be insured must undergo medical examinations performed by physicians employed by or affiliated with us. Other products offering lower levels of benefits require simplified examination procedures, such as interviews with insurance interview specialists, submission of the results of a physical examination, or in some cases only a written self-declaration. We underwrite our group policies generally by evaluating the risk characteristics of the prospective insured group. Additionally, our product development-related departments conduct thorough evaluations of the insurance underwriting risk on existing policies to assess the risks associated with pricing of new products or product lines, which often involves the use of assumptions based on limited experience when compared to existing products or product lines. To maintain high standards of underwriting quality and consistency, we engage in a multilevel series of ongoing internal underwriting audits at our branch offices and corporate headquarters.

Investments

Our investments are divided into two accounts, the general account and the separate account. Payments to customers for products providing a fixed benefit are made from investments in our general account. We bear the risk that the investments in the general account will not yield sufficient return to cover benefits paid for products for which premiums are calculated based on a fixed assumed rate of return. In order to safeguard the funds from which policyholder benefits are paid, regulations issued under the Insurance Business Act previously restricted the percentage of general account assets that may be allocated to specified types of investments, but such regulations were abolished as of April 18, 2012. See "—Regulatory Restrictions on Investments." In contrast, products for which customers bear the investment risk are paid from funds managed in our separate account. These products include individual variable insurance, individual variable annuities and group annuities with separate account policy riders. While there are no regulations restricting allocation of separate account assets to specified types of investments, we generally invest such assets in investments for which a market price is readily available so that we may realize the returns for payment to policyholders. We invest our separate account assets related to group annuity products and individual variable insurance, which accounted for 88.8% and 5.4% of our total separate account assets as of March 31, 2016, based on investment advice provided to us by DIAM, our asset management affiliate.

Of our total non-consolidated assets as of March 31, 2016, which totaled ¥35,894.9 billion, ¥34,971.5 billion were general account assets.

Unless otherwise noted, the discussion in this section relates to our general account assets on a non-consolidated basis.

Management of Investments

In order to maintain an optimum asset and liability mix, we have established a fundamental investment policy for investment of our general account assets based on the ALM approach, which considers the long-term balance between assets and liabilities. Our board of directors has ultimate responsibility for our investment policy, which seeks to achieve the goals of stability, quality and profitability.

- *Stability*. Targeting a long-term, stable flow of earnings, based on the cash flow, duration and other characteristics of our liabilities, we engage primarily in investment activities yielding yen-denominated interest income such as domestic bonds.
- *Quality*. We seek to maintain the quality of our portfolio by managing investment risk utilizing a risk management system that monitors market risk, credit risk and other risks related to individual assets on a daily basis.
- *Profitability*. We seek to augment earnings by assuming a certain degree of risk such as credit risk and price volatility risk, while maintaining controls that restrict the assumption of risk to acceptable limits. Specifically, we invest in foreign bonds, Japanese and foreign equity securities, and other investments with fluctuating prices, seeking to increase the market price of our assets to a greater degree than is generally possible through investments in less risky assets.

Consistent with the basic policy described above, fixed income assets, including domestic bonds and loans, represented 70.9% of the total assets in our general account as of March 31, 2016. Yen-denominated bonds, loans and foreign-currency bonds with currency hedges represented 49.5%, 8.1% and 11.6%, respectively, of the total assets in our general account as of March 31, 2016, and Japanese government bonds accounted for 87.9% of the total balance of domestic bonds in our general account as of March 31, 2016. Loans to large corporate borrowers accounted for 85.2% of the total balance of loans to corporate borrowers in Japan in our general account as of March 31, 2016.

In recent periods we have shifted our asset allocation priorities to reflect risk reduction measures, including:

- *Reducing our exposure to domestic stocks*: We have reduced the balance of domestic stocks (excluding stocks issued by subsidiaries, affiliated companies and unlisted domestic companies) by book value in our non-consolidated general account by ¥1,310.8 billion, or 43.9%, between March 31, 2008 and March 31, 2016. As a result, our holdings of domestic stocks as a percentage of the total assets in our non-consolidated general account decreased from 14.9% as of March 31, 2008 to 9.6% as of March 31, 2016.
- *Lengthening the duration of our bond portfolio*: We have lengthened the duration of our bond portfolio in recent years in an effort to minimize interest rate risk and promote ALM. In particular, while carefully monitoring interest rate trends, we have greatly expanded our holdings of policy reserve-matching bonds, which increased from 40.4% of the domestic bonds in our general account as of March 31, 2008 to 73.0% as of March 31, 2016. As a result, as of March 31, 2016, approximately 82.7% of the domestic bonds in our general account had a duration of over 10 years as compared to 47.6% as of March 31, 2008. As of March 31, 2016, 89.1% of Japanese government bonds in our general account had more than 10 years to maturity, a significant increase compared to 61.0% with more than 10 years to maturity as of March 31, 2008.
- *Managing Japanese government bonds depreciation risks*: In order to manage the depreciation risks associated with Japanese government bonds that we hold, we have increased our balance of policy reserve-matching bonds from ¥4.9 trillion as of March 31, 2008 to ¥12.0 trillion as of March 31, 2016.

We are exposed to three primary sources of investment risk:

- market risk associated with changes in equity prices, interest rates and foreign currency exchange rates;
- credit risk arising from the uncertainty related to the ability of a given obligor to continue to make timely payments of principal, interest or other amounts; and
- real estate investment risk arising from fluctuations in market values for and cash flows from rental income properties.

We manage market risk by quantifying our exposure to this risk and by limiting this exposure to within a permissible amount. The balance of assets, including securities and derivatives, which involve market risks, and their transactions, as well as their unrealized gains and losses, are monitored on a daily basis and reported to our management. We establish the level of our investments in stocks and other investments which have a relatively higher level of risk in order to maximize our investment returns within acceptable risk parameters. In addition, various methods, including value-at-risk, or VaR, analysis, a principal method of measuring market risk, are used to provide quantitative measures of market risk volume, allowing for more effective management of these risks.

We manage interest rate risk by optimizing the characteristics of our investment portfolio in relation to our liabilities, and to a lesser extent through the use of derivative instruments such as interest rate swaps. We manage foreign exchange rate risk through a policy limiting unhedged exposure, which we monitor using the VaR method. We manage our hedged foreign currency-denominated bonds together with our yen-denominated portfolio on the basis of the net yield after hedging.

Measures for credit risk management include rigorous preliminary reviews and post-transaction follow-ups on individual transactions. From the perspective of portfolio management, we analyze and manage transactions based on our internal credit ratings, the degree of obligor concentration, and other factors. We have also developed a framework to prevent a concentration of credit extension, for example by setting credit limits for large borrowers. In addition to these measures, we quantify portfolio credit risk for management through the periodic measurement of credit risk volumes using methods including VaR analysis.

In recognition of the fact that real estate investments cause large amounts of capital to become illiquid for long periods of time, we set minimum investment return levels and maximum permissible unrealized loss levels for each investment property. For properties that do not meet these standards, we manage real estate investment risk by considering measures to maintain rental income and potential sales of properties.

For further information on our risk management policies and procedures, see "—Risk Management."

Regulatory Restrictions on Investments

Japanese regulations previously restricted the percentage of our general account assets that could be allocated to specified types of investments. However, these provisions were abolished as of April 18, 2012 in recent deregulation changes and currently there are no other provisions specifying such restrictions on the percentage of general account assets that may be allocated to domestic or overseas investments.

Japanese regulations limit our investments in any single company and its related companies to a certain percentage. See "Regulation of the Japanese Life Insurance Industry—Insurance Business Act—Regulations on Business Operations and Ongoing Supervisory Control—Restrictions on Investments."

Japanese regulations do not impose restrictions on the maximum percentage of assets that may be allocated to specified types of investments within separate account assets.

Overall Composition of Investments

The following table summarizes the invested assets and other assets in our non-consolidated general account as of the dates indicated:

	As of March 31,					
	2014		2015		2016	
	Carrying amount	% of total	Carrying amount	% of total	Carrying amount	% of total
	(billions of yen, except percentages)					
Cash, deposits, call loans	¥ 827.4	2.5%	¥ 901.8	2.5%	¥ 607.4	1.7%
Securities repurchased under resale agreements	—	—	—	—	—	—
Deposit paid for securities borrowing transaction	—	—	—	—	—	—
Monetary claims bought	275.8	0.8	259.7	0.7	233.2	0.7
Trading account securities	—	—	—	—	—	—
Money held in trust	34.6	0.1	36.1	0.1	52.8	0.2
Securities:						
Domestic bonds	16,120.3	49.1	16,088.9	45.1	16,372.8	46.8
Domestic stocks(1)	2,862.1	8.7	3,754.7	10.5	3,353.5	9.6
Foreign bonds(2)	5,817.3	17.7	6,959.4	19.5	6,907.9	19.8
Foreign stocks(2)	1,718.3	5.2	2,433.1	6.8	2,183.6	6.2
Other securities	387.2	1.2	433.9	1.2	589.4	1.7
Total securities	26,905.4	82.0	29,670.2	83.2	29,407.4	84.1
Loans:						
Policy loans	452.9	1.4	428.5	1.2	405.0	1.2
Ordinary loans	2,570.2	7.8	2,600.7	7.3	2,420.9	6.9
Total loans	3,023.1	9.2	3,029.2	8.5	2,826.0	8.1
Total real estate	1,206.1	3.7	1,196.0	3.4	1,157.5	3.3
Real estate for rent	781.5	2.4	783.2	2.2	784.7	2.2
Deferred tax assets	11.1	0.0	—	—	—	—
Other assets	538.8	1.6	564.5	1.6	688.2	2.0
Reserves for possible loan losses	(2.7)	(0.0)	(2.1)	(0.0)	(1.2)	(0.0)
Total	¥32,820.0	100.0%	¥35,655.7	100.0%	¥34,971.5	100.0%

Notes:

(1) Domestic stocks include stocks issued by subsidiaries, affiliated companies and unlisted domestic companies.

(2) Foreign stocks and bonds include yen-denominated securities issued by foreign issuers.

The following table summarizes changes in our invested assets and other assets in our non-consolidated general account as of each year-end shown from the prior year-end:

	Year ended March 31,		
	2014	2015	2016
		(billions of yen)	
Cash, deposits, call loans	¥ 117.3	¥ 74.4	¥(294.3)
Securities repurchased under resale agreements	—	—	—
Deposit paid for securities borrowing transaction	—	—	—
Monetary claims bought	(7.2)	(16.0)	(26.5)
Trading account securities	—	—	—
Money held in trust	10.6	1.4	16.6
Securities:			
Domestic bonds	(307.0)	(31.3)	283.8
Domestic stocks	304.7	892.5	(401.2)
Foreign bonds	629.7	1,142.1	(51.5)
Foreign stocks	89.7	714.7	(249.4)
Other securities	108.3	46.6	155.5
Total securities	825.6	2,764.7	(262.8)
Loans:			
Policy loans	(27.2)	(24.3)	(23.4)
Ordinary loans	(89.2)	30.5	(179.7)
Total loans	(116.4)	6.1	(203.2)
Total real estate	(18.2)	(10.1)	(38.4)
Real estate for rent	(3.2)	1.6	1.4
Deferred tax assets	(54.4)	(11.1)	—
Other assets	149.6	25.6	123.7
Reserves for possible loan losses	1.3	0.6	0.8
Total	¥ 908.1	¥2,835.6	¥(684.1)

Investment Results

The following table sets forth the average rates of return based on net investment income for each of the components of our investment portfolio for each of the periods indicated:

	Year ended March 31,		
	2014	2015	2016
Cash, deposits, call loans	0.15%	0.34%	(0.22)%
Securities repurchased under resale agreements	—	—	—
Deposit paid for securities borrowing transaction	—	—	—
Monetary claims bought	2.27	2.21	2.16
Trading account securities	—	—	—
Money held in trust	22.52	26.81	(1.70)
Domestic bonds	2.06	1.69	1.68
Domestic stocks	4.41	4.42	4.85
Foreign bonds	3.99	5.27	4.06
Foreign stocks	4.35	4.36	4.74
Loans:			
Ordinary loans	2.05	1.81	1.76
Total loans	2.45	2.22	2.17
Real estate	3.30	3.49	3.73
Total	2.59%	2.71%	2.50%

The average rates of return on foreign investments were 3.76%, 4.64% and 3.87% for the years ended March 31, 2014, 2015 and 2016, respectively.

Average Assets

The following table sets forth the average balance of our assets for each of the periods indicated, calculated based on the averages of daily ending balances:

	Year ended March 31,		
	2014	2015	2016
		(billions of yen)	
Cash, deposits, call loans	¥ 641.0	¥ 909.4	¥ 740.8
Securities repurchased under resale agreements	—	—	—
Deposit paid for securities borrowing transaction	—	—	—
Monetary claims bought	265.0	256.0	234.4
Trading account securities	—	—	—
Money held in trust	25.8	28.6	46.6
Domestic bonds	16,011.9	15,586.0	15,794.0
Domestic stocks	1,936.3	1,913.5	2,018.8
Foreign bonds	4,762.3	5,743.0	6,113.9
Foreign stocks	1,570.6	1,700.6	2,119.4
Loans:			
Ordinary loans	2,629.4	2,588.3	2,492.8
Total loans	3,095.8	3,028.8	2,910.0
Real estate	792.0	783.9	792.7
Total	¥30,849.2	¥31,768.3	¥32,647.0

The average amounts of foreign investments were ¥6,937.6 billion, ¥8,218.8 billion and ¥8,997.5 billion for the years ended March 31, 2014, 2015 and 2016, respectively.

Unrealized Gains and Losses

Our investments in securities other than subsidiaries and affiliates are classified into four categories:

- trading securities (including money held in trust for which we are the beneficiary), which are securities held for the purpose of generating profits through trading of such securities;
- held-to-maturity bonds, which are bonds that are expected to be held to maturity;
- policy-reserve-matching bonds, which are debt securities that are held long-term to match our policy reserves; and
- available-for-sale securities, which are all other securities.

Trading securities and available-for-sale securities with readily obtainable fair market value, referred to as available-for-sale securities, are stated at fair value. Unrealized gains and losses on trading securities are recognized in earnings. Unrealized gains and losses on available-for-sale securities are included in a separate component of net assets, net of income taxes, unless a decline in fair value is considered a significant impairment, in which case the decline is recognized in earnings as a loss on valuation of securities. See "Management's Discussion and Analysis of Financial Condition and Results of Operations—Critical Accounting Policies—Impairment of Securities." Held-to-maturity bonds, policy reserve-matching bonds and government and corporate bonds (including foreign bonds) included in available-for-sale securities without readily obtainable fair value are stated at amortized cost. For the purpose of computing realized gains and losses, cost is determined using a moving average method.

The following tables set forth unrealized gains and losses related to our held-to-maturity bonds as of the date indicated:

	As of March 31, 2016		
	Carrying amount	Market value	Unrealized gains
		(billions of yen)	
Held-to-maturity securities with unrealized gains:			
Domestic bonds	¥45.7	¥51.2	¥5.5
Foreign securities	—	—	—
Total	¥45.7	¥51.2	¥5.5

	As of March 31, 2016		
	Carrying amount	Market value	Unrealized gains
	(billions of yen)		
Held-to-maturity securities with unrealized losses:			
Domestic bonds	¥—	¥—	¥—
Foreign securities	—	—	—
Total	¥—	¥—	¥—

The following tables set forth unrealized gains and losses related to our policy-reserve-matching bonds as of the dates indicated:

	As of March 31, 2016		
	Carrying amount	Market value	Unrealized gains
	(billions of yen)		
Policy reserve-matching bonds with unrealized gains:			
Domestic bonds	¥11,948.2	¥15,369.4	¥3,421.1
Foreign securities	54.5	55.9	1.4
Total	¥12,002.7	¥15,425.3	¥3,422.5

	As of March 31, 2016		
	Carrying amount	Market value	Unrealized (losses)
	(billions of yen)		
Policy reserve-matching bonds with unrealized losses:			
Domestic bonds	¥ —	¥ —	¥ —
Foreign securities	24.9	24.5	(0.3)
Total	¥ 24.9	¥ 24.5	¥ (0.3)

The following tables set forth unrealized gains and losses related to our marketable available-for-sale securities as of the dates indicated:

	As of March 31, 2016		
	Carrying amount	Acquisition cost	Unrealized gains
	(billions of yen)		
Available-for-sale securities with unrealized gains:			
Domestic bonds	¥ 4,351.7	¥ 3,754.8	¥ 596.8
Domestic stocks	2,618.0	1,208.7	1,409.2
Foreign bonds[1]	5,955.3	5,241.0	714.2
Other foreign securities	390.8	274.8	115.9
Other securities	218.2	192.7	25.4
Total	¥13,534.1	¥10,672.3	¥2,861.8

	As of March 31, 2016		
	Carrying amount	Acquisition cost	Unrealized (losses)
	(billions of yen)		
Available-for-sale securities with unrealized losses:			
Domestic bonds	¥ 27.1	¥ 27.7	¥ (0.6)
Domestic stocks	372.4	468.9	(96.4)
Foreign bonds[1]	873.1	909.7	(36.5)
Other foreign securities	306.9	333.9	(27.0)
Other securities[1]	278.8	291.8	(13.0)
Total	¥ 1,858.5	¥ 2,032.2	¥ (173.7)

Note:
(1) Figures in the table above include trust beneficiary rights (purchase cost: ¥220.4 million; carrying amount: ¥233.2 million), which were recorded as monetary claims bought on the consolidated balance sheet, respectively.

The following table sets forth our securities held on a non-consolidated basis that cannot be assigned a market value as of the date indicated:

	Carrying amount as of March 31, 2016
	(billions of yen)
Stocks of subsidiaries and affiliates:	
Unlisted domestic stocks	¥ 236.9
Unlisted foreign stocks	783.9
Others	79.7
Subtotal	1,100.6
Available-for-sale securities:	
Unlisted domestic stocks	126.1
Unlisted foreign stocks(1)	665.0
Unlisted foreign bonds	—
Other	22.7
Subtotal	813.8
Total	¥1,914.5

Note:
(1) Unlisted foreign stocks consist mainly of preferred securities issued by overseas finance subsidiaries of Japanese banks.

As of March 31, 2015 and 2016, unrealized gains on real estate amounted to ¥75.5 billion and ¥130.3 billion, respectively.

Domestic Bonds

Domestic bonds consist mainly of publicly traded debt securities and debt securities with readily obtainable market value and represented 45.1% and 46.8% of total assets in our general account as of March 31, 2015 and 2016, respectively. Our domestic bonds had a weighted average yield of 1.69% and 1.68% for the years ended March 31, 2015 and 2016, respectively. All of the domestic bonds held by us as of March 31, 2016 were listed on a Japanese securities exchange or were not listed but could reasonably be assigned a fair value.

We invest mainly in debt securities issued by the Japanese government, other public entities and corporations which, based on our own internal analyses, have high credit quality. As of March 31, 2016, none of the domestic bonds we held were in default.

The following table sets forth the amount of domestic bonds held by us on a non-consolidated general account basis as of the dates indicated:

	As of March 31,			
	2015		2016	
	Carrying amount	% of total	Carrying amount	% of total
	(billions of yen, except percentages)			
Government bonds	¥14,358.0	89.2%	¥14,394.5	87.9%
Local government bonds	135.5	0.8	125.0	0.8
Public entities	525.4	3.3	527.9	3.2
Other corporate bonds	1,069.9	6.7	1,325.2	8.1
Total	¥16,088.9	100.0%	¥16,372.8	100.0%

The following table sets forth the contractual maturity dates for our domestic bonds held by us on a non-consolidated basis as of the dates indicated:

	Due in 1 year or less	Due after 1 year through 3 years	Due after 3 years through 5 years	Due after 5 years through 7 years	Due after 7 years through 10 years	Due after 10 years or having no maturity date	Total
				(billions of yen)			
As of March 31, 2015:							
Government bonds	¥128.3	¥200.3	¥423.8	¥204.1	¥ 501.5	¥12,899.8	¥14,358.0
Local government bonds	17.8	20.4	7.0	26.4	4.9	58.7	135.5
Corporate and public entity bonds	131.4	469.3	255.9	137.2	180.4	421.0	1,595.3
Total	¥277.6	¥690.1	¥686.8	¥367.8	¥ 686.9	¥13,379.6	¥16,088.9
As of March 31, 2016:							
Government bonds	¥108.7	¥291.8	¥323.8	¥ 81.2	¥ 760.7	¥12,828.1	¥14,394.5
Local government bonds	16.4	8.8	28.5	2.7	19.9	48.4	125.0
Corporate and public entity bonds	237.8	315.0	258.9	155.2	226.2	659.8	1,853.1
Total	¥363.0	¥615.7	¥611.2	¥239.3	¥1,006.9	¥13,536.4	¥16,372.8

Loans

Loans represented 8.5% and 8.1% of the total assets in our non-consolidated general account as of March 31, 2015 and 2016, respectively. Our loans consist mainly of fixed interest rate, unsecured loans to large corporations. Our balance of loans includes loans to borrowers located outside of Japan.

We rate each proposed loan based on an evaluation of the ability of the borrower, and the guarantor in the case of a guaranteed loan, to repay the loan, as well as the specific terms of the loan. We closely monitor loans that we consider to have higher than usual credit risk.

The following table shows a breakdown of our loans by type as of the dates indicated:

	As of March 31,			
	2015		2016	
	Carrying amount	% of total	Carrying amount	% of total
	(billions of yen, except percentages)			
Loans to corporations(1)	¥2,263.2	74.7%	¥2,062.4	73.0%
Loans to government, government-related organizations and international organizations	18.1	0.6	17.1	0.6
Loans to local governments and public entities	318.0	10.5	340.4	12.0
Mortgage loans	1.2	0.0	0.8	0.0
Consumer loans	0.0	0.0	0.0	0.0
Policy loans	428.5	14.1	405.0	14.3
Others	0.0	0.0	—	—
Total loans(2)	¥3,029.2	100.0%	¥2,826.0	100.0%

Notes:

(1) As of March 31, 2015 and 2016, loans to corporations included ¥331.3 billion and ¥258.8 billion, respectively, of subordinated loans to Japanese financial institutions and, to a lesser extent, foreign banks.

(2) Of the amount of total loans, ¥67.8 billion and ¥45.0 billion were made to borrowers located outside of Japan, mainly to sovereigns and international public organizations, as of March 31, 2015 and 2016, respectively.

The following table sets forth the amounts of loans, excluding policy loans, based on the type of collateral as of the dates indicated:

	As of March 31,			
	2015		2016	
	Carrying amount	% of total	Carrying amount	% of total
	(billions of yen, except percentages)			
Secured loans:				
Stocks and other securities	¥ 2.5	0.1%	¥ 2.2	0.1%
Real and personal estate	2.5	0.1	1.7	0.1
Others	0.0	0.0	0.0	0.0
Subtotal	5.0	0.2	4.0	0.2
Guarantees	91.5	3.5	93.7	3.9
Unsecured loans	2,502.8	96.2	2,322.2	95.9
Others	1.2	0.0	0.8	0.0
Total loans(1)	¥2,600.7	100.0%	¥2,420.9	100.0%

Note:
(1) Total loans included ¥331.3 billion and ¥258.8 billion of subordinated loans as of March 31, 2015 and 2016, respectively.

We make loans to corporations across a wide range of industries, with a significant portion of total loans being made to corporations in the finance and insurance, the wholesale trade and the electricity, gas, heat supply and water industries. We also make loans to governmental and quasi-governmental entities. The following table shows the amounts of loans to domestic and foreign borrowers based on industry as of the dates indicated:

	As of March 31,			
	2015		2016	
	Carrying amount	% of total	Carrying amount	% of total
	(billions of yen, except percentages)			
Domestic:				
Manufacturing industries:				
Foodstuffs and beverages	¥ 34.7	1.3%	¥ 34.7	1.4%
Textile products	4.2	0.2	4.2	0.2
Lumber and wood products	0.5	0.0	0.5	0.0
Pulp, paper and paper products	29.8	1.1	29.9	1.2
Printing	16.2	0.6	15.0	0.6
Chemical and allied products	24.8	1.0	25.8	1.1
Petroleum refining	25.6	1.0	19.9	0.8
Ceramic, stone and clay products	29.4	1.1	29.4	1.2
Iron and steel	69.3	2.7	69.3	2.9
Non-ferrous metals and products	7.6	0.3	7.0	0.3
Fabricated metal products	0.8	0.0	0.7	0.0
General purpose and production- and business-oriented machinery	47.7	1.8	46.5	1.9
Electrical machinery equipment and supplies	76.0	2.9	73.0	3.0
Transportation equipment	17.0	0.7	14.1	0.6
Other manufactured goods	5.2	0.2	5.1	0.2
Agriculture and forestry	—	—	—	—
Fishery	—	—	—	—
Mining and quarrying of stone and gravel	—	—	—	—
Construction	10.7	0.4	10.4	0.4
Electricity, gas, heat supply and water	434.6	16.7	415.5	17.2
Information and communications	50.0	1.9	49.8	2.1
Transport and postal activities	268.9	10.3	262.8	10.9
Wholesale trade	488.9	18.8	478.2	19.8
Retail trade	14.7	0.6	12.3	0.5
Finance and insurance	589.0	22.6	497.0	20.5

	As of March 31,			
	2015		2016	
	Carrying amount	% of total	Carrying amount	% of total
	(billions of yen, except percentages)			
Real estate	140.1	5.4	132.0	5.5
Goods rental and leasing	105.6	4.1	104.1	4.3
Scientific research, professional and technical services	1.0	0.0	0.8	0.0
Accommodations	0.2	0.0	0.0	0.0
Eating and drinking services	—	—	—	—
Living-related and personal services and amusement services	3.1	0.1	3.2	0.1
Education, learning support	0.0	0.0	—	—
Medical, health care and welfare	—	—	0.1	0.0
Other services	3.2	0.1	3.4	0.1
Local governments	30.9	1.2	28.5	1.2
Individuals	1.2	0.0	0.8	0.0
Others	0.4	0.0	0.3	0.0
Total domestic	2,532.9	97.4	2,375.9	98.1
Foreign:				
Governments	20.3	0.8	10.3	0.4
Financial institutions	16.5	0.6	11.5	0.5
Commercial and industrial	30.9	1.2	23.2	1.0
Total foreign	67.8	2.6	45.0	1.9
Total	¥2,600.7	100.0%	¥2,420.9	100.0%

The following table sets forth the amounts of loans based on interest rate type and contractual maturity dates as of the dates indicated:

	Due in 1 year or less	Due after 1 year through 3 years	Due after 3 years through 5 years	Due after 5 years through 7 years	Due after 7 years through 10 years	Due after 10 years or having no maturity date	Total
	(billions of yen)						
As of March 31, 2015:							
Floating-rate loans	¥ 11.8	¥ 10.2	¥ 7.1	¥ 22.1	¥ 1.0	¥ 37.8	¥ 90.3
Fixed-rate loans	220.2	517.4	389.3	302.2	468.4	612.6	2,510.4
Total	¥232.1	¥527.7	¥396.4	¥324.4	¥469.4	¥650.5	¥2,600.7
As of March 31, 2016:							
Floating-rate loans	¥ 6.5	¥ 11.9	¥ 19.5	¥ 7.5	¥ 6.8	¥ 39.3	¥ 91.7
Fixed-rate loans	301.5	426.5	309.5	306.2	480.7	504.5	2,329.2
Total	¥308.1	¥438.4	¥329.1	¥313.7	¥487.5	¥543.9	¥2,420.9

The following table sets forth the numbers of corporate borrowers located in Japan and amounts of loans to corporations located in Japan based on borrower size as of the dates indicated:

	As of March 31,			
	2015		2016	
	Number/ amount	% of total	Number/ amount	% of total
	(billions of yen, except percentages and number of borrowers)			
Large corporations(1)				
Number of borrowers(2)	247	65.9%	237	67.9%
Amount of loans	¥1,902.4	85.9	¥1,727.9	85.2
Medium-sized corporations(3)				
Number of borrowers(2)	10	2.7	10	2.9
Amount of loans	¥ 6.0	0.3	¥ 13.8	0.7
Small-sized corporations(4)				
Number of borrowers(2)	118	31.5	102	29.2
Amount of loans	¥ 307.3	13.9	¥ 285.8	14.1
Total number of corporate borrowers located in Japan(2)	375	100.0	349	100.0
Total amount of loans to corporations located in Japan	¥2,215.7	100.0%	¥2,027.6	100.0%

Notes:

(1) Large corporations include corporations with paid-in capital of at least ¥1 billion and more than 300 employees (more than 50 employees in the case of retailers and restaurants; more than 100 employees in the case of service companies and wholesalers).

(2) Number of borrowers does not equal the number of loan transactions.

(3) Medium-sized corporations include corporations with paid-in capital of more than ¥300 million and less than ¥1 billion (more than ¥50 million and less than ¥1 billion in the case of retailers, restaurants and service companies; more than ¥100 million and less than ¥1 billion in the case of wholesalers) and more than 300 employees (more than 50 employees in the case of retailers and restaurants; more than 100 employees in the case of service companies and wholesalers).

(4) Small-sized corporations include all other corporations.

The following table is a breakdown of foreign loans as of the dates indicated, based on the location of the borrower. These loans were all denominated in yen as of each of the dates indicated and categorization of regions is generally based on the nationalities of the borrowers.

	As of March 31,			
	2015		2016	
	Carrying amount	% of total	Carrying amount	% of total
	(billions of yen, except percentages)			
North America	¥ 18.9	27.9%	¥ 11.7	26.0%
Europe	26.5	39.1	11.2	24.9
Oceania	5.0	7.4	5.0	11.1
Asia	1.5	2.2	1.5	3.3
Latin America	5.5	8.1	5.3	11.9
Middle East	—	—	—	—
Africa	—	—	—	—
International organizations	10.3	15.2	10.3	22.8
Total	¥ 67.8	100.0%	¥ 45.0	100.0%

Problem Loans

We classify problem loans according to the three different standards described below.

Disclosed Claims under the Insurance Business Act. We disclose our commercial loan assets (including interest due, principal due, suspense payments for foreclosure and lent securities) based on the following categories of obligors under the Insurance Business Act: (1) claims against bankrupt and quasi-bankrupt obligors; (2) claims with collection risk; (3) claims for special attention; and (4) claims against normal obligors. The categories of obligors under the Insurance Business Act are the same, and are based on the same standards, as those set forth in the Financial Revitalization Law of Japan, which prescribes the standards by which Japanese banks are required to classify and disclose their claims.

The following table sets forth a breakdown of loans in accordance with such categories as of the dates indicated:

	As of March 31,			
	2015		2016	
	Carrying amount	% of total	Carrying amount	% of total
	(billions of yen, except percentages)			
Claims against bankrupt and quasi-bankrupt obligors[(1)]	¥ 0.1	0.0%	¥ 0.1	0.0%
Claims with collection risk[(2)]	3.4	0.1	2.9	0.1
Claims for special attention[(3)]	0.4	0.0	0.4	0.0
Subtotal	4.0	0.1	3.5	0.1
Claims against normal obligors[(4)]	5,024.5	99.9	5,169.6	99.9
Total	¥5,028.6	100.0%	¥5,173.2	100.0%

Notes:

(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.

Problem Loans under the Insurance Business Act. We also classify our problem loans, as defined in the Insurance Business Act, for financial reporting purposes based on the repayment condition of our loans as follows:

	As of March 31,			
	2015		2016	
	Carrying amount	% of total	Carrying amount	% of total
	(billions of yen, except percentages)			
Credits to bankrupt borrowers[(1)(2)]	¥ 0.1	2.7%	¥ 0.0	2.6%
Delinquent loans[(3)]	3.5	86.7	3.0	85.5
Total non-accrual	3.6	89.3	3.0	88.2
Loans past due for three months or more[(4)]	—	—	—	—
Restructured loans[(5)]	0.4	10.7	0.4	11.8
Total	¥ 4.0	100.0%	¥ 3.5	100.0%

Notes:

(1) For loans and claims to bankrupt and substantially bankrupt obligors, the unrecoverable amount is calculated by deducting the amount deemed recoverable from collateral and guarantees from the amount of the loans and claims and is directly written off from the amount of the loans and claims. The write-offs relating to bankrupt borrowers in the years ended March 31, 2015 and 2016 were ¥4 million and ¥2 million, respectively. The write-offs relating to delinquent loans in the years ended March 31, 2015 and 2016 were ¥54 million and ¥56 million, respectively.

(2) Credits to bankrupt borrowers represent non-accrual loans to borrowers which are subject to bankruptcy, corporate reorganization or rehabilitation or other similar, including but not limited to foreign, proceedings. Accrual of interest on such loans has been suspended based upon a determination that collection or repayment of principal or interest is unlikely due to significant delay in payment of principal or interest or for some other reason.

(3) 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.

(4) 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 loans classified as credits to bankrupt borrowers or delinquent loans.

(5) 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.

The following table sets forth the amounts of our reserves established for possible loan losses as of the dates indicated, with reference to loan classifications based on the repayment situation of our loans:

	As of March 31,			
	2015		2016	
	Carrying amount	% of total	Carrying amount	% of total
	(billions of yen, except percentages)			
Loans[(1)]	¥ 3,029.2	100.0%	¥2,826.0	100.0%
Total of problem loans	¥ 4.0	0.1%	¥ 3.5	0.1%
Specific reserve	0.9	45.6	0.7	60.5
Reserve for specified overseas loans	—	—	—	—
General reserve	1.1	54.4	0.4	39.4
Total reserve for possible loan losses	¥ 2.1	100.0%	¥ 1.2	100.0%

Note:
(1) Total loans, on a non-consolidated basis, including loans to policyholders.

Foreign Investments

Foreign investments represented 28.9% and 28.7% of the total assets in our general account as of March 31, 2015 and 2016, respectively. Our foreign investments consist mainly of investments in bonds issued by foreign issuers. Cash and cash equivalents denominated in currencies other than yen are categorized as "cash and cash equivalents," loans to borrowers located outside of Japan are categorized as "loans," and neither are included in foreign investments unless otherwise noted. Of the foreign bonds, stocks and other securities held by us on a non-consolidated basis as of March 31, 2016, 83.9%, based on carrying amount, were listed on one or more securities exchanges, or were not listed but could reasonably be assigned a fair value. As of March 31, 2016, we held ¥5.9 trillion of foreign bonds, of which 36% had a credit rating of AAA, 25% had a credit rating of AA, 21% had a credit rating of A and 16% had a credit rating of BBB.

The average yield on foreign investments (interest, dividends and realized gains and losses), was 4.64% for the year ended March 31, 2015 and 3.87% for the year ended March 31, 2016.

The following table sets forth the amounts of foreign investments (including non-yen-denominated cash and cash equivalents and other assets) classified as denominated in foreign currency or denominated in yen as of the dates indicated.

	As of March 31,			
	2015		2016	
	Carrying amount	% of total	Carrying amount	% of total
	(billions of yen, except percentages)			
Denominated in foreign currency:				
Foreign bonds[(1)]	¥ 6,132.7	59.6%	¥ 5,971.8	59.6%
Foreign stocks	1,427.6	13.9	1,341.2	13.4
Cash, cash equivalents and other assets	220.4	2.1	348.7	3.5
Sub-total	7,780.8	75.6	7,661.7	76.5
Swapped into yen:[(1)]				
Cash, cash equivalents and other assets	605.7	5.9	508.7	5.1
Denominated in yen:				
Loans to borrowers outside Japan	61.2	0.6	31.8	0.3
Foreign bonds and other	1,850.4	18.0	1,818.6	18.1
Sub-total	1,911.7	18.6	1,850.5	18.5
Total foreign investments	¥10,298.2	100.0%	¥10,021.0	100.0%

Note:
(1) Assets swapped into yen are assets the settlement amount for which is fixed in yen by foreign currency forward contracts and other agreements and which are reported in such yen amounts on the balance sheet.

The following table sets forth the amounts of foreign investments denominated in a foreign currency based on the type of foreign currency as of the dates indicated:

	As of March 31,			
	2015		2016	
	Carrying amount	% of total	Carrying amount	% of total
	(billions of yen, except percentages)			
U.S. dollar	¥3,838.8	49.3%	¥3,995.1	52.1%
Euro	2,045.4	26.3	1,757.7	22.9
Australian dollar	742.4	9.5	674.0	8.8
British pound	279.5	3.6	315.1	4.1
Mexican peso	147.7	1.9	250.1	3.3
New Zealand dollar	151.9	2.0	150.3	2.0
Polish zloty	136.1	1.8	127.9	1.7
Total (including others not listed above)	¥7,780.8	100.0%	¥7,661.7	100.0%

The following tables set forth the amounts of foreign investments based on the location of the issuer as of the dates indicated, with the categorization of region generally based on the nationality of the issuer:

	As of March 31, 2015					
	Foreign bonds		Foreign stocks and other securities		Total	
	Carrying amount	% of total	Carrying amount	% of total	Carrying amount	% of total
	(billions of yen, except percentages)					
North America	¥2,661.4	38.2%	¥ 820.5	33.7%	¥3,481.9	37.1%
Europe	2,552.3	36.7	205.7	8.5	2,758.1	29.4
Oceania	729.1	10.5	183.0	7.5	912.2	9.7
Asia	119.0	1.7	211.2	8.7	330.3	3.5
Latin America(1)	656.1	9.4	1,012.2	41.6	1,668.3	17.8
Middle East	—	—	—	—	—	—
Africa	38.5	0.6	0.3	0.0	38.8	0.4
International organizations	202.5	2.9	—	—	202.5	2.2
Total	¥6,959.4	100.0%	¥2,433.1	100.0%	¥9,392.5	100.0%

Note:
(1) Investments in foreign stocks and other securities of issuers located in Latin America consist mainly of preferred securities issued by Cayman Islands finance subsidiaries of Japanese banks. Other than the foregoing, we generally do not make direct investments in securities of Latin American issuers.

	As of March 31, 2016					
	Foreign bonds		Foreign stocks and other securities		Total	
	Carrying amount	% of total	Carrying amount	% of total	Carrying amount	% of total
	(billions of yen, except percentages)					
North America	¥2,887.5	41.8%	¥ 788.6	36.1%	¥3,676.2	40.4%
Europe	2,341.3	33.9	197.4	9.0	2,538.7	27.9
Oceania	639.4	9.3	184.4	8.4	823.8	9.1
Asia	109.7	1.6	155.5	7.1	265.3	2.9
Latin America(1)	734.2	10.6	857.2	39.3	1,591.5	17.5
Middle East	—	—	—	—	—	—
Africa	25.8	0.4	0.2	0.0	26.0	0.3
International organizations	169.7	2.5	—	—	169.7	1.9
Total	¥6,907.9	100.0%	¥2,183.6	100.0%	¥9,091.6	100.0%

Note:
(1) Investments in foreign stocks and other securities of issuers located in Latin America consist mainly of preferred securities issued by Cayman Islands finance subsidiaries of Japanese banks. Other than the foregoing, we generally do not make direct investments in securities of Latin American issuers.

The following table sets forth the contractual maturity dates of our foreign bonds and other securities held by us on a non-consolidated basis, as of the dates indicated:

	Due in 1 year or less	Due after 1 year through 3 years	Due after 3 years through 5 years	Due after 5 years through 7 years	Due after 7 years through 10 years	Due after 10 years or having no maturity date	Total
	(billions of yen)						
As of March 31, 2015:							
Foreign bonds	¥285.3	¥1,129.1	¥1,114.2	¥878.2	¥ 831.0	¥2,721.5	¥6,959.4
Other foreign securities	1.2	11.0	3.2	1.5	11.2	2,404.7	2,433.1
Total foreign securities	¥286.5	¥1,140.2	¥1,117.4	¥879.8	¥ 842.2	¥5,126.3	¥9,392.5
As of March 31, 2016:							
Foreign bonds	¥467.9	¥ 796.4	¥ 818.8	¥664.6	¥1,020.7	¥3,139.2	¥6,907.9
Other foreign securities	7.1	3.7	1.2	7.2	16.0	2,148.2	2,183.6
Total foreign securities	¥475.0	¥ 800.2	¥ 820.0	¥671.9	¥1,036.8	¥5,287.4	¥9,091.6

Domestic Stocks

Domestic stocks represented 10.5% and 9.6% of the total assets in our non-consolidated general account as of March 31, 2015 and 2016, respectively. Domestic stocks consist mainly of investments in common stock. By carrying amount, 89.2% of our domestic stocks as of March 31, 2016 were listed on Japanese securities exchanges, or were not publicly traded but could reasonably be assigned a fair value.

We own stock of domestic corporations across a wide range of industries, with the largest proportions, as of March 31, 2016, in the electric appliances manufacturing industry and the banking industry. The following table sets forth the amounts of domestic stocks held by us on a non-consolidated basis, based on the industry of the issuer, as of the dates indicated:

	As of March 31,			
	2015		2016	
	Carrying amount	% of total	Carrying amount	% of total
	(billions of yen, except percentages)			
Forestry and fisheries	¥ 0.1	0.0%	¥ 0.2	0.0%
Mining	0.2	0.0	0.2	0.0
Construction	91.7	2.4	103.1	3.1
Manufacturing industries:				
Food products	217.2	5.8	230.7	6.9
Textiles and clothing	29.5	0.8	27.7	0.8
Pulp and paper	2.8	0.1	2.9	0.1
Chemicals	166.8	4.4	140.7	4.2
Medical supplies	63.0	1.7	74.2	2.2
Oil and coal products	4.0	0.1	3.3	0.1
Rubber products	29.0	0.8	22.7	0.7
Glass and stone products	127.5	3.4	97.7	2.9
Steel	84.7	2.3	53.7	1.6
Non-steel metals	12.8	0.3	13.3	0.4
Metal products	45.4	1.2	40.1	1.2
Machinery	202.0	5.4	156.3	4.7
Electric appliances	579.7	15.4	462.4	13.8
Transportation vehicles	248.9	6.6	193.5	5.8
Precision instruments	92.0	2.5	101.5	3.0
Others	80.0	2.1	78.6	2.3
Electric and gas utilities	130.2	3.5	105.5	3.1
Transportation and communications industries:				
Ground transportation	339.3	9.0	336.7	10.0
Water transportation	0.0	0.0	0.0	0.0

	As of March 31,			
	2015		2016	
	Carrying amount	% of total	Carrying amount	% of total
	(billions of yen, except percentages)			
Air transportation	4.2	0.1	4.7	0.1
Warehouses	4.7	0.1	4.2	0.1
Telecommunications	62.8	1.7	81.6	2.4
Wholesale	125.6	3.3	114.8	3.4
Retail	118.8	3.2	111.6	3.3
Financial industries:				
Banks	454.2	12.1	346.1	10.3
Security and trading companies	9.5	0.3	7.2	0.2
Insurance	211.7	5.6	238.5	7.1
Other	21.8	0.6	20.8	0.6
Real estate	24.8	0.7	22.1	0.7
Service	168.1	4.5	155.3	4.6
Total	¥3,754.7	100.0%	¥3,353.5	100.0%

Money Held in Trust

Money held in trust represented 0.1% and 0.2% of the total assets in our non-consolidated general account as of March 31, 2015 and 2016, respectively. The carrying amount of our money held in trust as of March 31, 2015 and 2016 was ¥36.1 billion and ¥52.8 billion, respectively.

Real Estate

Real estate represented 3.4% and 3.3% of the total assets in our non-consolidated general account as of March 31, 2015 and 2016, respectively. We hold real estate for both operating and investment purposes. Real estate held for investment purposes includes mainly commercial buildings held for rental income. Investments in real estate are diversified based on location within Japan and type of real estate. We manage our real estate investments to maximize rental and other income. Of our real estate investments as of March 31, 2016, 32.2% was used for operating purposes. Such real estate may be subject to future sale depending on the amount of unrealized gains and the availability and price of rental office space. Real estate held for operating purposes includes mainly office space and employee housing.

The following table sets forth a breakdown of the real estate in our non-consolidated general account as of the dates indicated:

	As of March 31,			
	2015		2016	
	Carrying amount	% of total	Carrying amount	% of total
Real estate for investment purpose	¥ 783.2	65.5%	¥ 784.7	67.8%
Real estate for operating purpose	412.7	34.5	372.7	32.2
Total real estate	¥1,196.0	100.0%	¥1,157.5	100.0%

As of March 31, 2016, we owned 274 buildings for rental purposes.

Derivative Instruments

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

- to hedge against fluctuations in the market value of our investments;
- to hedge against foreign currency exposure, primarily with respect to the principal of our investments;
- on a supplemental basis with our investments to cover the time before such investments can be incorporated into our asset portfolio or as a measure to address liquidity risk;

- to adjust the term or the type of interest (fixed or floating) of certain investments in our asset portfolio; and
- to hedge the credit risk related to investments in our asset portfolio or for diversification of credit risk.

We use derivatives primarily to hedge the risks associated with our existing asset portfolio. However, we occasionally enter into derivatives transactions to supplement our investment objectives, taking into account liquidity needs and transaction costs. Such activity is, however, limited to credit derivatives and to derivative transactions with a defined amount of risk that are executed in connection with our annual investment plan. We also establish position frameworks and position percentages for all of our derivative transactions. We apply hedge accounting for yen interest rate swaps, equity forward contracts, currency swaps and foreign currency forward contracts.

The following table sets forth the notional amount or contract amount and credit risk amounts of the derivative instruments held by us on a non-consolidated basis as of the dates indicated:

	As of March 31,			
	2015		2016	
	Contract value or notional amount	Credit risk equivalent amount(1)	Contract value or notional amount	Credit risk equivalent amount(1)
	(billions of yen)			
Interest rate swaps	¥ 359.0	¥ 0.5	¥ 609.1	¥ 4.7
Yen interest rate swaptions	960.0	8.0	1,600.0	15.5
Foreign currency forward contracts	6,555.3	96.8	6,298.6	81.2
Currency options	115.9	1.1	298.7	1.4
Currency swaps	347.6	23.8	454.9	14.0
Bond forward contracts	—	—	—	—
Bond options	773.7	5.5	402.2	4.7
Equity forward contracts to hedge domestic stocks	159.8	6.0	20.0	0.4
Stock options	0.7	0.0	—	—
Credit default swaps	15.0	0.1	24.5	0.2
Total	¥9,287.4	¥142.3	¥9,708.3	¥122.4

Note:
(1) Costs related to reestablishing the same position in the event of the default of the counterparty, plus the risk related to the possible future increase of such costs. The current exposure method was used in computing the credit risk equivalent amount.

We disclose unrealized gains and losses related to derivative transactions on a non-consolidated basis that are not eligible for hedge accounting and reflect such gains and losses in ordinary revenues and expenses. These gains and losses were as set forth in the table below as of the dates indicated:

	As of March 31,	
	2015	2016
	(billions of yen)	
Interest-related transactions	¥ (9.8)	¥(11.4)
Currency-related transactions	19.3	0.7
Stock-related transactions	(0.0)	(6.3)
Bond-related transactions	(2.2)	(0.4)
Others	0.2	0.5
Total	¥ 7.4	¥(16.9)

The following tables set forth the amounts of contract value, fair value, gains or losses, and hedge accounting applied gains or losses on our currency forward contracts as of the dates indicated:

	As of March 31, 2015			
	Contract value	Fair value	Gains (losses)	Hedge accounting applied gain (loss)
	(billions of yen)			
Foreign currency forward contracts to hedge foreign currency-denominated bonds				
Sold:				
U.S. dollar	¥1,992.7	¥ (73.7)	¥ (73.7)	¥ (68.3)
Euro	1,511.5	45.7	45.7	20.5
Australian dollar	439.1	8.6	8.6	7.1
British pound	182.2	(0.9)	(0.9)	(1.1)
Canadian dollar	96.1	(0.4)	(0.4)	(0.3)
Others	533.0	(6.5)	(6.5)	(5.5)
Total	¥4,754.9	¥ (27.3)	¥ (27.3)	¥ (47.7)
Bought:				
U.S. dollar	¥ 616.7	¥ 0.5	¥ 0.5	¥ 0.0
Euro	114.3	(0.1)	(0.1)	(0.1)
Australian dollar	52.9	(0.2)	(0.2)	—
British pound	32.7	(0.5)	(0.5)	0.0
Canadian dollar	69.7	(0.0)	(0.0)	—
Others	203.9	0.0	0.0	0.0
Total	¥1,090.6	¥ (0.2)	¥ (0.2)	¥ (0.0)

	As of March 31, 2016			
	Contract value	Fair value	Gains (losses)	Hedge accounting applied gain (loss)
	(billions of yen)			
Foreign currency forward contracts to hedge foreign currency-denominated bonds				
Sold:				
U.S. dollar	¥2,263.1	¥ 65.6	¥ 65.6	¥ 54.9
Euro	1,307.5	48.2	48.2	43.8
Australian dollar	436.0	(14.8)	(14.8)	(10.0)
British pound	236.0	9.0	9.0	8.6
Canadian dollar	51.2	(1.0)	(1.0)	(1.0)
Others	545.6	10.6	10.6	12.1
Total	¥4,839.7	¥117.7	¥117.7	¥108.5
Bought:				
U.S. dollar	¥ 435.4	¥ (10.2)	¥ (10.2)	¥ (0.1)
Euro	117.1	0.9	0.9	(0.0)
Australian dollar	85.8	2.9	2.9	0.0
British pound	62.9	0.0	0.0	(0.0)
Canadian dollar	27.3	0.0	0.0	—
Others	96.1	0.2	0.2	0.0
Total	¥ 824.9	¥ (6.0)	¥ (6.0)	¥ (0.1)

The following table sets forth the contract values on a non-consolidated basis of our currency option contracts as of the dates indicated. Unrealized gains and losses on such contracts, which are marked to market, were not material in amount as of such dates.

	As of March 31, 2015	As of March 31, 2016
	(billions of yen)	
Call		
Euro	¥ —	¥ 57.1
Put		
U.S. dollar	¥115.9	¥219.4
Australian dollar	¥ —	¥ 22.1

The following tables set forth the notional amount and the average receipt or payment rate of our interest rate swaps as of the dates indicated:

	As of March 31, 2015						
	1 year or shorter	Over 1 year to 3 years	Over 3 years to 5 years	Over 5 years to 7 years	Over 7 years to 10 years	Over 10 years	Total
	(billions of yen, except percentages)						
Receipts fixed, payments floating:							
Notional amount	¥ 11.3	¥ 7.5	¥ 1.5	¥ 5.2	¥ 4.6	¥ 2.3	¥ 32.4
Average fixed rate (receipt)	1.37%	1.71%	0.37%	0.44%	0.98%	1.19%	1.19%
Average floating rate (payment)	0.11%	0.15%	0.14%	0.14%	0.14%	0.17%	0.13%
Receipts floating, payments fixed:							
Notional amount	¥322.5	¥ —	¥ —	¥ —	¥ —	¥ 4.1	¥326.6
Average fixed rate (payment)	0.52%	—%	—%	—%	—%	1.61%	0.54%
Average floating rate (receipt)	0.30%	—%	—%	—%	—%	0.14%	0.30%

	As of March 31, 2016						
	1 year or shorter	Over 1 year to 3 years	Over 3 years to 5 years	Over 5 years to 7 years	Over 7 years to 10 years	Over 10 years	Total
	(billions of yen, except percentages)						
Receipts fixed, payments floating:							
Notional amount	¥ 4.0	¥ 4.8	¥ 3.0	¥ 9.8	¥ 2.3	¥300.0	¥323.9
Average fixed rate (receipt)	1.85%	1.20%	0.46%	0.66%	1.19%	0.51%	0.55%
Average floating rate (payment)	0.12%	0.08%	(0.00)%	0.05%	0.10%	0.01%	0.02%
Receipts floating, payments fixed:							
Notional amount	¥ —	¥ —	¥139.0	¥144.0	¥ —	¥ 2.2	¥285.2
Average fixed rate (payment)	—%	—%	0.28%	0.42%	—%	1.08%	0.36%
Average floating rate (receipt)	—%	—%	0.26%	0.26%	—%	0.02%	0.26%

For more information regarding our derivative instruments, see Note XII to our audited consolidated financial statements as of and for the years ended March 31, 2015 and 2016.

Competition

We face intense competition in the Japanese life insurance market from both domestic and foreign-owned life insurance companies and from large domestic financial service providers that either have their own insurance subsidiaries or enter into cooperative arrangements with major insurance companies. Particularly in recent years, competition has increased in the Japanese life insurance market due to industry deregulation, an overall decline in demand for insurance products with death benefits and increased competition from foreign insurance companies, among other factors. Some of these competitors may have advantages over us, including greater financial resources and financial strength ratings, greater brand awareness, more extensive marketing and sales networks, more competitive pricing, larger customer bases, higher policyholder dividends and a wider range of products and services.

In addition, Japan Post Insurance enjoys competitive advantages in the Japanese insurance market due to its large existing customer base and nationwide network of post office branches. Japan Post Insurance, which listed its shares of common stock on the Tokyo Stock Exchange in November

2015, remains subject to limitations on the type and amount of insurance coverage it may provide. If these limitations are eased or eliminated, upon Japan Post Holdings ceasing to hold 50% or more of the voting rights of Japan Post Insurance or otherwise, competition in Japan's life insurance market could further intensify. Under these circumstances, on March 29, 2016, we entered into a basic agreement with Japan Post Insurance to form a business alliance in certain areas with the aim to complement our expertise and further strengthen our business foundation. We also face competition from various cooperative associations such as the Japan Agricultural Cooperatives, the National Federation of Workers and Consumers Insurance Cooperatives and the Japanese Consumers' Co-operative Union, all of which offer competing life insurance products.

Various deregulatory measures have had the effect of increasing competition in the Japanese life insurance industry. For example, a number of deregulatory changes enacted between 1998 and 2007 enabled securities companies and banks, respectively, to engage in sales of an increasing array of insurance and annuity products. Future deregulatory measures that favor large, established financial conglomerates could result in additional consolidation in Japan's financial services industry. As the regulatory barriers between different financial services industries in Japan continue to be relaxed, we expect competition within these industries to continue to intensify. In addition, we may face price competition from other Japanese life insurance companies that sell lower-priced insurance products through outlets such as walk-in insurance shops, as well as increasing price competition in the future from new entrants to the Japanese life insurance industry that rely on the internet as their primary sales channel. Japan's financial sector has also experienced significant consolidation in recent years and further consolidation could affect the competitive environment for the sale and distribution of life insurance products.

In addition, as a result of our acquisition of Protective, our investment in Janus (currently an equity-method affiliate), our acquisition of an insurance company in Vietnam, our acquisition of TOWER Australia Group Limited (renamed as TAL Limited, and which became a part of TAL), and our investments in overseas insurance companies in Indonesia, India and Thailand, we face competition from life insurers already operating in each of these overseas markets.

Risk Management

The following is a summary of the risk management policies and procedures of Dai-ichi.

Investment Risk Management

Objective of Investment Risk Management

The objective of our investment risk management is to maintain the soundness of our assets while giving due consideration to the balance between risk and return from a mid- to long-term perspective.

Investment Risk Management Structures

Our Risk Management Department carries out integrated risk management in which it oversees risks for our entire portfolio, including market risk, credit risk, and real estate investment risk, and strengthens its monitoring function from the perspective of financial soundness.

Market Risk Management

The balance of assets, including securities and derivatives, that involve market risks and their related transactions, as well as related unrealized gains and losses, are managed on a daily basis and reported to our management. We have established a framework to control risk by setting risk limits in relation to our assets. In addition, we use various methods, including VaR analysis, to monitor market risk volume on a quantitative basis in an effort to ensure more effective management of market risk.

Credit Risk Management

Established procedures for credit risk management include rigorous preliminary reviews and post-transaction follow-ups on individual transactions. From the perspective of portfolio management, we analyze and manage the makeup of transactions classified according to our internal credit ratings, degree of concentration of credit extension, and other factors. We have also developed a framework to prevent concentrations of credit extension, for example by setting credit limits for large borrowers. In addition to these measures, portfolio credit risks are monitored for management on a quantitative basis through periodic measurement of credit risk volumes using methods including VaR analysis.

Internal Control and Overall Risk Management

Status of Internal Control Systems

In April 2006, we established our "basic internal control policy", which sets out our basic approach and policies regarding internal control.

Also in April 2006, we established our internal control committee. The committee is a special organization that assists our board of directors and our executive management board and is responsible for operating our internal control system, checking the appropriateness of financial reports and the effectiveness of internal audits, and checking and discussing issues of compliance, the protection of information property (as discussed below), risk management and the handling of antisocial forces. As an organization, our internal control committee oversees our compliance committee, risk management committees and antisocial forces handling committee. The internal control committee, which holds a meeting every month, in principle, consists of representative directors and the executive officers in charge of the divisions responsible for internal control.

To enhance the effectiveness of internal control, we also carry out internal control self-assessment, or CSA, in all of our operations. Through CSA, we identify major risks in each business, evaluate the importance of those risks in light of the magnitude of potential losses they may cause for, and other effects they may have on, policyholders should they arise, and assess risk prevention systems. We promote these CSA efforts in order to determine and control risks and improve our operations.

Compliance

We understand that conducting fair business activities in compliance with all laws and regulations, social standards, our articles of incorporation and internal regulations is the basis for fulfilling our social responsibility and the public mission of a life insurance company. We believe that compliance is the most important issue for management, and so we have established and strengthened our compliance systems, and we strive to operate all of our businesses in accordance with the law.

We have established our fundamental approach to compliance in our basic internal control policy, which was developed by our board of directors. We have also established detailed compliance regulations that set out the development and promotion of compliance, and have created insurance solicitation management systems that operate under our basic internal control policy. In connection with recent changes in the laws affecting our businesses, such as the adoption of the FIEA and revisions to the comprehensive guidelines for supervising insurance companies, we revised our salesmanship policy to put forward a unique solicitation posture that emphasizes the customers' perspective. We published the latest revised version of our salesmanship policy in April 2016. We also updated our Code of Conduct and Compliance Manual in April 2016.

Our board of directors has developed our code of conduct, which sets out specific principles of behavior for our officers and employees. We have created a compliance manual that includes these policies and regulations, accompanied by explanations of laws and regulations, and have distributed the compliance manual to all of our officers and employees to keep them informed of the policies and regulations. In addition, we have prepared a card showing our basic internal control policy, our salesmanship policy, and our code of conduct and have distributed copies of this card to all of our officers and employees.

Basic Recognition of Risk Management

To ensure sound and proper business operations and to ensure that we fulfill the obligations arising from our insurance policies, we identify and evaluate potential risks, take appropriate action based on the specific characteristics of each risk and comprehensively manage these risks.

We are committed, on a company-wide basis, to improving soundness through the management and control of financial fundamentals, including risk volume and capital.

We have also established a crisis management system and a risk management system to respond to catastrophes and large-scale disasters in addition to our everyday risk management system.

Risk Management Policies and Regulations

Our basic internal control policy includes our basic philosophy and policies regarding risk management. The approach used to manage each type of risk is formulated in line with our basic internal control policies. In addition, each of the risk management regulations and standards is translated into practical rules, following the basic risk management policies.

Risk Management Structures

For risks arising from operations at the discretion of the departments responsible for executing the related operations, the departments responsible for risk management activities monitor the operations for each risk category in accordance with our basic risk management policies. To strengthen our risk management structure, we have established a risk management department, which manages risks comprehensively, on a company-wide basis. The Group Risk Management Unit has taken a central role in strengthening our risk management system by monitoring the status and soundness of our overall risk management and its financial soundness on a group basis. Management shares information regarding individual risks at regular meetings of our ALM committee, operational risk and system risk management committee, and uses the shared information to guide its decision-making. Moreover, our internal audit department examines the effectiveness and appropriateness of our risk management functions.

Our board of directors, executive management board and group management headquarters' meeting receive reports on risk management. The executive management board and the group management headquarters' meetings discuss the status of risk management, and our board of directors makes decisions based on these reports and discussions. Our audit and supervisory board members inspect overall risk management, including risk management by our management.

Integrated Risk Management Initiatives

Integrated risk management is an approach in which we control the risks we are exposed to in our overall operations, including in the flow of business such as underwriting insurance and setting premium rates, by considering risks, including potentially significant ones, as a whole and comparing them against our capital, among other things. We ensure our financial stability by integrating various risks on an accounting and economic value basis and comparing them against our capital, among other things. The economic value basis is a valuation standard that is consistent with embedded value, one of the indicators that represent the corporate value of a life insurance company. To ensure sound management and conduct ALM appropriately, we have established an ALM committee, and we encourage the refinement of our management system and the improvement of financial soundness.

Promotion of Enterprise Risk Management

We promote enterprise risk management, or ERM, a risk management approach to promote business activities, by formulating a management plan and capital strategies in accordance with our capital, risk, and profit situation. When formulating a management plan and capital strategies based on ERM, the departments in charge of ERM examine the adequacy of the plan and the strategies, properly controls capital, risks, and profits by setting and managing risk tolerance, taking into consideration the source, types, and characteristics of risks, and promotes the enhancement of our risk management.

Stress Tests

To recognize and determine events that cannot be captured by quantifying risks, we implement stress tests, assuming a worst-case scenario based on past events, such as disruptions of the financial market and large-scale disasters, as well as our future outlook to analyze the effect on the our financial soundness. Stress test results are regularly reported to our board of directors and executive management board so that management is able to check market conditions, strengthen its monitoring, and consider and implement managerial and financial measures as necessary.

Information Property Protection

We use the term "information property" to refer to the information and information systems that we possess. Information includes "customer information," which is information that has come into our possession in the course of our insurance, financial and other business transactions and which can identify individual persons and corporations, and "personal information," which is information including names, dates of birth and other facts that can be used to identify individual persons. We aim to maintain the trust of our customers and of society through the protection of information property.

To protect information property, which includes customer information, we have established our basic internal control policy, information property protection and control regulations, and information property protection and control standards. These are specific standards for security measures that follow the basic internal control policy and the information property protection and control regulations.

We have also established a personal information protection policy that sets forth, among other matters, the purpose of use of, and the protection and control of, personal information. This policy is disclosed (in Japanese) on our corporate website.

We have established an information property protection working group and we take seriously our duty to protect information property. Each department and branch office has nominated a person who is responsible for the protection and control of information property and a person who is responsible for promoting information property protection and control. We are committed, on a company-wide basis, to the proper handling of information property. In addition, we periodically monitor our information property protection activities to ensure that our systems are working effectively, and we report the results of our monitoring to our board of directors and executive management board.

Information Technology

We rely heavily on information technology systems, including those of third-party service providers, in conducting our business. We rely on these systems to manage customer policies, invest our assets, record and maintain statistics and personal information of our customers and employees and in other areas of our operations.

We currently maintain our primary information management and retention systems at a facility in Fuchu, Tokyo. A back-up system, which is regularly updated, is also maintained at a facility in Toyosu, Tokyo, and in Toyama and Osaka, as third backup facilities. We also maintain a corporate website and customer contact centers. In addition to our centralized facilities, all of our sales representatives are equipped with mobile computing terminals.

Legal Proceedings

We are subject to legal actions in the ordinary course of our business. These legal actions include claims related to individual sales practices and denial or delay of claims payments. We are not involved in any litigation or other legal proceedings that, if determined adversely to us, would individually or in the aggregate be expected to have a material adverse effect on our business or results of operations.

Properties

We own or lease real property for our Tokyo headquarters, 84 branch offices (as of March 31, 2016) and other facilities located nationwide. We believe our properties are adequate and suitable for our business as currently conducted and are adequately maintained. The above properties do not include properties that we own for investment purposes only.

Employees

As of March 31, 2016, we had 54,617 employees on a non-consolidated basis, including 42,983 sales representatives. We consider our level of remuneration and non-wage benefits to be generally competitive with those offered by other major Japanese life insurance companies. Most of our full-time non-management employees are members of a labor union. We consider our labor relations to be excellent.

We also have an employee stock ownership association for employees of Dai-ichi: the Dai-ichi Life Insurance Employee Stock Holding Partnership, or the Partnership. Members of the Partnership set aside certain amounts from their monthly salaries to purchase shares of our common stock through the Partnership. In addition, we have agreed to supplement the amounts that members of the Partnership set aside to purchase shares of our common stock with incentive payments equal to a certain percentage of such members' individual contributions. Cash dividends received by the Partnership on shares of our common stock that it holds are used to purchase additional shares. In December 2010, we introduced an incentive plan related to the Partnership: the Trust-type Employee Stockholding Incentive Plan ("E-Ship") for all our employees who are members of the Partnership. Under the E-Ship plan, we set up a trust, which trust estimates the number of shares of our common stock which the Partnership is to acquire in the coming five years after the setup of the trust and purchases the shares in advance. The Partnership buys our shares from the trust periodically. On June 30, 2016, the date of the end of the trust period, the Partnership's retained earnings, accumulation of net gains on sales of our shares, if any, are to be distributed to the members who fulfill the requirements for eligible beneficiaries.

We also have a management stock ownership association, as described under "Management—Compensation."

Together with the E-Ship plan, we introduced another incentive plan: the Stock Granting Trust, or J-ESOP, for managerial level employees in December 2010. According to the J-ESOP plan, we vest points to each managerial level employee based on his or her contribution to Dai-ichi and grant stocks of Dai-ichi based on his or her total points at retirement. We expect that this plan, together with the E-Ship plan, will incentivize our employees to improve our corporate value in the medium- to long-term.

REGULATION OF THE JAPANESE LIFE INSURANCE INDUSTRY

Insurance Business Act

We are regulated principally under the Insurance Business Act, which governs both life and non-life insurance businesses in Japan. Pursuant to the Insurance Business Act, the Prime Minister of Japan has the authority to supervise insurance companies in Japan, including Japanese branch offices of foreign-based insurers. Most of such authority is delegated to the Commissioner of the FSA, who in turn has delegated a part of such authority to the Directors of Local Finance Bureaus of the Ministry of Finance of Japan.

Certain of the provisions of and regulations under the Insurance Business Act and certain other recent regulatory developments are briefly described below. In this description, the term "insurance products" includes annuity products that are sold by life insurance companies in Japan. Such annuity products are regarded as insurance products for purposes of the Insurance Business Act, and the term "insurance" should be interpreted accordingly.

Entry Regulations

Corporate Entities

Under the Insurance Business Act, insurance underwriting may be conducted by a licensed joint stock corporation, a licensed mutual company (which is a corporate structure provided for in the Insurance Business Act) or a Japanese branch of a licensed foreign-based insurer, with certain limited exceptions.

Joint stock corporations are incorporated under and operate pursuant to the Companies Act and those which are insurance companies are subject to additional regulations, such as special procedures for reducing the amount of capital under the Insurance Business Act. In contrast, mutual companies are incorporated and operated pursuant to the Insurance Business Act.

A mutual company that conducts insurance business may be converted into a joint stock corporation, and *vice versa*, both subject to the procedural requirements, including authorization from the Commissioner of the FSA, under the Insurance Business Act. Previously, we were a mutual company but we converted into a joint stock corporation on April 1, 2010.

Licensing Requirements

Under the Insurance Business Act, a license must be obtained from the Prime Minister in order to engage in the business of underwriting insurance, with certain limited exceptions. There are two types of insurance business licenses, one for underwriting life insurance products and one for underwriting non-life insurance products. The same entity cannot obtain both of these licenses. Only joint stock corporations with paid-in capital of ¥1 billion or more, or mutual companies with foundation funds of ¥1 billion or more are entitled to obtain such licenses. The issuance of a license is subject to the satisfaction of certain requirements relating to such matters as financial condition, prospective results of operations, knowledge, experience, insurance products to be offered, and the manner of calculation of insurance premiums and policy reserves. An applicant for an insurance license must submit to the Prime Minister, together with the application for the license, certain documents such as its articles of incorporation, a statement of the manner of operations, a form of general policy conditions and a statement of the manner of calculation of insurance premiums and policy reserves. The Prime Minister also has the authority to order the suspension of businesses in whole or in part, dismiss officers including directors, executive officers, accounting advisors and audit and supervisory board members, and revoke licenses, in the event of violation of material provisions of laws or regulations or in certain other cases prescribed by the Insurance Business Act.

Foreign insurance companies may not engage, with limited exceptions, in the insurance business in Japan without establishing a branch or office in Japan and obtaining a license from the Prime Minister. Application procedures and requirements for such a license are substantially the same as in the case of Japanese insurance companies. Also, the Prime Minister, the Commissioner of the FSA, and the Director of the relevant Local Finance Bureau of the Ministry of Finance of Japan have supervisory authority over foreign insurance companies' branches and offices in Japan, which is similar to the authority they have over Japanese insurance companies.

The amendment to the Insurance Business Act in 2006 introduced a concept of small-amount, short-term insurers. Joint stock corporations or mutual companies that are registered as small-amount, short-term insurers may conduct underwriting of insurance products. However, the maximum amount of the insurance claims and term of such insurance products are restricted. The small-amount, short-term insurers are subject to less strict regulations than the insurers with a license.

Restrictions on Insurance Business by Other Financial Corporations, etc.

Banks, securities companies and other financial institutions (other than insurance companies) were previously prohibited from engaging in insurance business or selling insurance products in Japan. However, the legal barriers preventing banks, securities companies and other financial institutions from entering into the insurance markets have gradually been lifted as follows:

- from December 1998, it became possible for securities companies in Japan to sell insurance products underwritten by their insurance subsidiaries or by other insurance companies;
- from October 2000, it became possible for Japanese banks to have insurance subsidiaries;
- from April 2001, it became possible for banks in Japan to sell credit life insurance policies issued by their subsidiary or affiliate insurance companies in connection with housing loans made by banks and also to sell certain kinds of non-life insurance products;
- from October 2002, it became possible for banks in Japan to sell specified additional types of life insurance products, including both fixed and variable individual annuity products;
- from December 2005, it became possible for banks in Japan to sell specified additional types of life and non-life insurance products, including single premium whole life insurance products and reserve-type accident insurance products; and
- from December 2007, it became possible for banks in Japan to sell all types of life and non-life insurance products under certain administrative restrictions set forth in the relevant regulations.

Cooperative associations (*kyosai*) are mutual aid societies traditionally formed by a group of persons such as those with the same occupation or regional community, which provide mutual aids, such as funeral expenses, from the pooled contributions of members. Except for some cooperative associations, including the Japan Agricultural Cooperatives, the National Federation of Workers and Consumers Insurance Cooperatives and the Japanese Consumers' Co-operative Union, which are regulated by special laws, cooperative associations are subject to regulations under the Insurance Business Act as a result of an amendment to the Insurance Business Act that became effective in 2006. In May 2011, a further amendment to the Insurance Business Act became effective and under the amended Insurance Business Act, cooperative associations which meet certain requirements would be allowed to provide mutual aids with the special authorization of the relevant authorities even if they have no insurance business licenses.

Restrictions Concerning Scope of Business

Scope of Business

Under the Insurance Business Act, insurance companies in Japan are permitted to engage only in the business of underwriting insurance, investing premium revenues and other assets, and certain other businesses provided in the Insurance Business Act (with the prior authorization of the Commissioner of the FSA for certain types of businesses), including:

- representing the businesses of or carrying out certain services on behalf of other insurance companies and other financial service operators, such as preparation or delivery of documents relating to the underwriting of insurance, collection of premiums, payment of insurance claims and benefits or execution of insurance policies (including brokerage), each for or on behalf of other insurance companies;
- providing guarantees for third parties;
- underwriting bonds issued or guaranteed by the Japanese government or bonds issued by Japanese local governments or handling of public offerings to which such underwriting relates;
- acquisition or transfer of accounts receivable;

- underwriting bonds issued by special purpose companies (*tokutei mokuteki kaisha*) under the Act on Securitization of Assets of Japan or the handling of offerings to which such underwriting relates;
- acquisition or transfer of short-term notes;
- handling of private placements of securities;
- dealing in or acting as intermediary, broker or agent with respect to dealing in certain kinds of financial futures and other derivatives;
- certain types of securities business specified in the Insurance Business Act and the FIEA, such as the sale of units of investment trusts;
- subscription or commissioning the administration of local government bonds or company bonds or other bonds;
- trust business concerning secured bonds that is carried out pursuant to the Secured Bond Trust Act of Japan;
- investment advisory business;
- execution of agreements to obtain or transfer carbon dioxide equivalent quotas, or the intermediary, brokerage or agency service therefor;
- fund settlement business; and
- trust business relating to insurance claims paid.

Restrictions on Scope of Business of Subsidiaries

The Insurance Business Act restricts the types of businesses in which Japanese insurance companies may engage through their subsidiaries to, among other things, banking businesses, certain securities businesses, and certain financial-related and other incidental businesses, with the prior authorization of, or prior notice to, the Commissioner of the FSA. However, this restriction had been criticized for putting Japanese insurance companies at a disadvantage when they competed with insurance companies in other countries to acquire foreign insurance companies, in that only the Japanese insurance companies, when bidding, need to set conditions to dispose of subsidiary companies engaged in the unpermitted types of businesses, thus impeding the entry of Japanese insurance companies into overseas markets. In July 2012, the regulations were relaxed in respect of acquisitions of foreign insurance companies. This amendment allows Japanese insurance companies to hold subsidiary companies engaged in the unpermitted types of businesses for five years, if such companies are subsidiaries of acquired foreign insurance companies. In addition, upon the approval of the FSA such Japanese insurance companies may extend their holding of such subsidiary companies. In addition, an amendment in 2014, effective from November 2014, has further relaxed such restrictions. After this amendment, Japanese insurance companies can hold subsidiary companies engaged in the unpermitted types of businesses for five years if such companies are subsidiaries of foreign financial institutions as well as foreign insurance companies that have been acquired by the Japanese insurance companies. Holding companies that hold more than 50% of the voting rights of an insurance company ("insurance holding companies") can hold subsidiaries engaging in businesses identical to the foregoing only with prior notice, and may also hold subsidiaries engaging in other businesses with the prior authorization of the Commissioner of the FSA.

Previously, the Insurance Business Act prohibited Japanese life insurance companies from directly, or indirectly through subsidiaries, engaging in the non-life insurance business and also prohibited Japanese non-life insurance companies from directly, or indirectly through subsidiaries, engaging in the life insurance business. As a result of deregulation, however, life insurance companies are permitted to have non-life insurance subsidiaries, and non-life insurance companies are permitted to have life insurance subsidiaries.

Regulations Concerning Third Sector Insurance Products

In the Japanese insurance industry, life insurance products and non-life insurance products are called "first sector" and "second sector" insurance products, respectively, and insurance products which do not fit into either category are called "third sector" insurance products. Before the deregulation described below, third sector insurance products were permitted to be sold as independent products only by foreign-owned or small- to medium-sized life insurance companies, although large life insurance companies and life insurance subsidiaries of non-life insurance companies were permitted to sell such products as riders to first sector insurance products.

Deregulation has gradually relaxed the restrictions imposed on the sale of third sector insurance products, and currently it is possible for life insurance companies (including life insurance subsidiaries of non-life insurance companies) in Japan to sell third sector non-life insurance products. Non-life insurance companies in Japan are also now permitted to sell third sector life insurance products.

Restrictions on Shareholdings of Other Companies

With the exception of certain companies that are allowed to be subsidiaries of insurance companies, the Insurance Business Act generally prohibits an insurance company and/or its subsidiaries from acquiring or holding aggregate voting rights of another domestic company in excess of 10% of the total voting rights of all shareholders of such domestic company. Also, the Act concerning the Prohibition of Private Monopoly and Maintenance of Fair Trade of Japan generally prohibits an insurance company from acquiring or holding voting rights of another domestic company in excess of 10% of the total voting rights of all shareholders of such domestic company without obtaining the prior authorization of the Fair Trade Commission, pursuant to the standards established by the Fair Trade Commission.

Regulations on Shareholding of Insurance Companies

The Insurance Business Act also provides the following regulations for the purpose of supervision of the shareholding of Japanese insurance companies.

Under the Insurance Business Act, a person who intends to hold 20% (or in certain cases, 15%) or more of the voting rights of an insurance company, defined for the purpose of this section as a major shareholder, must obtain prior authorization from the Commissioner of the FSA with certain limited exceptions. In addition, the Commissioner of the FSA may request reports or the submission of materials from, or may inspect any major shareholder if necessary for securing the sound and appropriate operation of the business and protection of policyholders of such insurance company. The Commissioner of the FSA may also impose certain administrative sanctions against major shareholders under the Insurance Business Act, including rescinding the authorization given to a major shareholder in the event that it violates any laws and regulations or an administrative disposition or acts against the public interest. A shareholder who holds 20% (or in certain cases, 15%) or more of the voting rights of an insurance company through an insurance holding company is also subject to regulations identical to those applicable to a major shareholder.

Additionally, under the Insurance Business Act, any person who becomes a holder of more than 5% of the voting rights of an insurance company, or of an insurance holding company must report its ownership of voting rights or certain changes in, among others, the percentage of owned voting rights to the Director of the relevant Local Finance Bureau, or in the case of a major shareholder, to the Commissioner of the FSA, generally within five business days.

Regulations on Business Operations and Ongoing Supervisory Control

Matters to be Authorized by the Commissioner of the FSA

An insurance company must obtain authorization from the Commissioner of the FSA with respect to (a) any change in its products or any other term provided in the statement of manner of operations, the form of general policy conditions, or the statement of manner of calculation of insurance premiums and policy reserves (although some of these changes are subject only to prior notification requirements), or certain material provisions of the articles of incorporation, (b) the establishment or acquisition of certain subsidiaries, (c) demutualization, mutualization, mergers, consolidations, demergers, dissolution or the cessation of insurance business, or (d) the transfer of insurance policies, business transfer or entrustment of administration to another insurance company.

The Commissioner of the FSA also has extensive supervisory authority over insurance companies, including:

- issuance of orders to insurance companies or their subsidiaries requiring such entities to submit reports or materials concerning the operation of their businesses or the condition of their assets;

- examination of the operation of insurance companies or their subsidiaries at their offices and other premises;
- setting of standards for measuring the soundness of the management of insurance companies (See "—Financial Regulations—Solvency Margin Ratio");
- issuance of orders to insurance companies to change any term provided in any statement of manner of operations, general policy conditions, or statement of manner of calculation of insurance premiums and policy reserves; and
- issuance of orders to insurance companies to submit or amend business improvement plans or to suspend all or part of their business.

Based on the above authority, on February 1, 2007, the Commissioner of the FSA ordered all life insurance companies to submit reports concerning the non-payment of insurance claims for a five year-period from April 2001 to March 2006. In response to this regulatory action, the life insurance companies concerned (including Dai-ichi) investigated past payments for insurance policies to identify non-payment and underpayment of claims and benefits and submitted reports on the amount of such non-payment and underpayment on October 5, 2007.

Reporting Requirements

Insurance companies are subject to various reporting requirements under the Insurance Business Act. Among these requirements, insurance companies in Japan must submit to the Commissioner of the FSA annual and semi-annual business reports in each business year as well as notifications with respect to any increase in paid-in capital, the election or resignation of representative directors or directors who engage in the ordinary business of the insurance company or audit and supervisory board members, and the issuance of stock acquisition rights or bonds with stock acquisition rights, or subordinated bonds or the borrowing of subordinated loans.

Restrictions on Investments

Under the Insurance Business Act, restrictions on the amount of investment by an insurance company were delegated to the related provisions, which are under the authority of the FSA. Previously, insurance companies were subject to restrictions on the percentage of their general account assets that they could allocate to specified types of investments. General account assets represent total assets less separate account assets and accumulated account assets, as prescribed in the related regulations. However, these provisions were abolished as of April 18, 2012 in recent deregulation changes and currently there are no other provisions specifying such restrictions on the percentage of general account assets that may be allocated to domestic or overseas investments.

Under the Insurance Business Act, aggregate investments by an insurance company in any single company and its related companies (including the purchase of debt or equity securities issued by, and loans to or deposits with, such company or any of its related companies) may not exceed 10% (or 3% in the case of loans) of its general account assets, except as approved by the Commissioner of the FSA. If an insurance company has subsidiaries or affiliates, except as approved by the Commissioner of the FSA, the aggregate investments by such insurance company and its subsidiaries and affiliates in a single company or its related companies may not exceed 10% (or 3% in the case of loans) of the aggregate of such insurance company's general account assets, as prescribed in the related regulations, and the equity of such subsidiaries and affiliates, which aggregate amount will be adjusted to such extent as may be deemed necessary by the Commissioner of the FSA. However, amendments, effective from July 20, 2012, have relaxed such restrictions with regard to the investment by an insurance company in its subsidiary, on the condition that such subsidiary is also an insurance company or an insurance holding company and the investment is via the purchase of shares of such subsidiary.

Regulations on Solicitation and Brokerage of Insurance Policies

Under the Insurance Business Act, life insurance solicitors, including sales representatives and independent sales agents, and insurance brokers must be registered with the Director of the relevant Local Finance Bureau. The Directors of the Local Finance Bureau also have the authority to revoke any existing registration upon the occurrence of certain events provided in the Insurance Business Act and to supervise the operation of such representatives, agents and brokers.

Sales representatives were previously not permitted to work for more than one life insurance company. However, as a result of an amendment to the Insurance Business Act in 1995, this exclusivity requirement was relaxed in 1996. As a result of this amendment, an independent sales agent may become a sales representative of two or more life insurance companies in certain circumstances specified by the relevant cabinet order which are not likely to result in impairing the protection of policyholders in light of the relevant factors, including the ability of the sales representative to carry on the insurance solicitation. Based on this exception, banks registered as sales agents under the Insurance Business Act for over-the-counter insurance sales activities are permitted to act as sales representatives for two or more life insurance companies.

Additionally, the Insurance Business Act prohibits certain solicitation activities, such as false notice or nondisclosure of important matters, for the purpose of protecting potential insurance policyholders. In addition, amendments, effective from May 2016, have established general rules for insurance solicitation. These general rules impose on insurance companies and sales representatives (i) an obligation to ascertain the customer's wishes and to propose products in accordance with the customer's wishes and (ii) an obligation to provide customers with product information and other necessary information during insurance solicitation. Furthermore, sales representatives of life insurance companies are prohibited under the Insurance Business Act from selling insurance policies (excluding certain insurance policies specified by the Commissioner of the FSA) to employees and other persons affiliated with their own company, for the purpose of protecting the persons concerned from coercive purchasing under pressure from their employers or other affiliated entities. This restriction has long been and still is under discussion for future amendment, with the possibility that it could be replaced by more effective alternative regulations.

In this context, the FIEA, which replaced the Securities and Exchange Law and came into force on September 30, 2007, aims to cover a wide range of financial instruments, as a type of cross-sectoral legal framework for protecting investors. Although insurance policies are not directly regulated by the FIEA, an amendment to the Insurance Business Act revised the regulation of insurance policies with strong investment characteristics, such as foreign currency-denominated insurance and variable insurance, to the effect that the rules for sales and solicitation activities for such insurance products would be subject to similar restrictions as those established under the FIEA. These rules include, among others, (i) regulations on advertisements, (ii) the obligation to deliver documents in a written form which must clearly state the possibility of incurring losses and the amount of fees, prior to concluding a contract, (iii) prohibition of loss compensation, and (iv) the suitability rule. These restrictions apply to sales representatives as well as insurance companies.

Financial Regulations

Distribution of Surplus

The Insurance Business Act prescribes certain financial requirements that must be met before an insurance company that is a joint stock corporation may distribute surplus to its shareholders. When an insurance company that is a joint stock corporation makes a distribution of surplus on a non-consolidated basis, it must set aside in its additional paid-in capital and/or retained earnings an amount equal to 20% of the amount of surplus so distributed until the sum of additional paid-in capital and retained earnings reaches the amount of its stated capital.

Policyholder Dividends

The Insurance Business Act provides that the distribution of policyholder dividends by insurance companies must be made in a fair and equitable manner in accordance with the provisions of the related regulations. An insurance company must calculate the amount of profits to be reserved for distribution of policyholder dividends for each type of insurance policy categorized by the nature of the policy, and must choose a calculation method from among those provided in the regulations. The ministerial ordinances under the Insurance Business Act also provide that the amount of reserve for policyholder dividends may not exceed the aggregate sum of the following items:

- the amount of policyholder dividends allocated and accumulated with interest;
- the amount of policyholder dividends allocated but unpaid, excluding the amount prescribed above, but, at the end of a fiscal year, including the amount of policyholder dividends to be allocated for the following fiscal year;

- the amount of policyholder dividends which would be required to be paid upon termination if all participating insurance policies were to be terminated; and
- other amounts to be calculated in accordance with the method set forth in the statement of the manner of calculation of insurance premiums and policy reserves.

The Insurance Business Act does not require an insurance company which is a joint stock corporation to apply a certain percentage of unappropriated retained earnings to provision for reserve for policyholder dividends. In addition, the Actuarial Standards of Practice for Life Insurance Companies provide certain criteria which must be considered by the chief actuary in determining whether the distribution of policyholder dividends by a life insurance company is made in a fair and equitable manner. See "Management's Discussion and Analysis of Financial Condition and Results of Operations—Our Demutualization—Determination of Provision for Reserve for Policyholder Dividends."

Policy Reserves

Under the Insurance Business Act, insurance companies in Japan are required to provide policy reserves at the end of each fiscal year for the fulfillment of future obligations under insurance policies. The policy reserves of life insurance companies shall be calculated based on the amount of insurance premiums actually received and shall consist of the following:

- premium reserve;
- unearned premium reserve;
- reserve for refunds; and
- contingency reserve.

The Insurance Business Act and related regulations provide that the amount of the premium reserve (other than unearned premiums) and reserve for refunds with respect to certain insurance policies specified in such regulations must not be lower than the amount of the "standard policy reserve." The concept of "standard policy reserve" was introduced by an amendment to the Insurance Business Act effective in April 1996 to ensure the financial soundness of life insurance companies. A public notification issued under the Insurance Business Act by the Ministry of Finance in 1996, as amended, sets forth the method of provision for the standard policy reserve and the assumed rate of return on investments and mortality rates which must be adopted or used in calculating the amounts of the standard policy reserve. Pursuant to this public notification, the amount of the standard policy reserve must in general be calculated by the net level premium method, applying an assumed rate of return on investments, which is calculated based on the then-current yield of long-term Japanese government bonds, and applying the mortality rates, which must be set by the Institute of Actuaries of Japan and confirmed by the Commissioner of the FSA, regardless of the amount of insurance premiums actually received. The amount of the premium reserve (other than unearned premiums) and reserve for refunds with respect to insurance policies which are not subject to the provision of standard policy reserve, must be calculated as set out in the statement of the manner of calculation of insurance premiums and policy reserves by each life insurance company based on the amount of insurance premiums actually received.

Appointment of Chief Actuary

Under the Insurance Business Act, a life insurance company is required to appoint a chief actuary by a resolution of its board of directors. The chief actuary so appointed must participate in the calculation of insurance premiums, policy reserves, policyholder dividends, reserve for outstanding claims, and certain other matters set forth in the ministerial ordinance promulgated under the Insurance Business Act. Also, the chief actuary must examine, at the end of every fiscal year, whether the provision for policy reserves and the distribution of policyholder dividends have been made appropriately and whether it is difficult to continue the insurance business based upon the reasonable projections made in accordance with actuarial principles of the future revenue and expenditure, and must submit an opinion to the board of directors of life insurance companies in Japan and a copy of such opinion to the Commissioner of the FSA. The Commissioner of the FSA may seek explanations with respect to the opinion issued by the chief actuary or seek an opinion on any matter in which the chief actuary is involved. The role of the chief actuary has been strengthened by recent amendments to the related regulations. The Financial System Council stated in its interim report dated June 26, 2001 that it is necessary to further strengthen the role of chief actuaries to ensure that the calculation methods of insurance companies are appropriate. Since March 31, 2012, the chief actuary must also examine, at every fiscal year-end, whether the solvency margin ratio (as explained below) of the insurance company has been appropriately calculated based upon actuarial principles.

Solvency Margin Ratio

Under the Insurance Business Act, the Commissioner of the FSA has the authority to set standards for measuring the financial soundness of the management of insurance companies. The solvency margin ratio is a standard designed to measure the ability of insurance companies to make payments for insurance claims and other claims upon the occurrence of unforeseeable events such as natural disasters. The solvency margin ratio is calculated on a non-consolidated basis pursuant to the following formula:

$$\frac{\text{Solvency margin ratio}}{\text{Total risk x } {}^{1}/_{2}} = \text{Total solvency margin} \quad \text{x} \quad 100$$

In the above formula:

"Total solvency margin" represents the sum of the following:

- net assets (less certain items);
- reserve for price fluctuations;
- contingency reserve and special catastrophe reserve;
- general reserve for possible loan losses;
- sum of net unrealized gains/losses on securities and deferred hedge gains (losses) (multiplied by 90% if gains or 100% if losses) and real estate (multiplied by 85% if gains or 100% if losses); and
- certain other items (including perpetual subordinated debt which satisfy certain requirements (such as deferral of interest payment obligation) and dated subordinated debt with maturity longer than five years).

"Total risk" is a quantified measure of the total unforeseeable risk borne by the insurance company, which consists of risk amounts calculated based on standards specified by the Commissioner of the FSA as follows:

- the amount of "(general) insurance risk" and "third sector insurance risk," that is, the risk which may arise as a result of the actual rate of occurrence of insurance events exceeding normal expectations;
- the amount of the "assumed investment yield risk," that is, the risk of failing to secure the assumed rate of return on investments which serves as the basis of calculation of the policy reserves;
- the amount of "investment risk," that is, the sum of (i) the amount equal to the "risk of price fluctuation," or the risk which may arise due to, among other things, fluctuation of prices of securities and any other assets held by the insurance company beyond normal expectations, (ii) the amount equal to the "credit risk," or the risk which may arise due to, among other things, default of obligations by the other party to any transaction with respect to the securities, loans and any other assets held by the insurance company, (iii) the amount equal to the "affiliate companies' risk," or the risk which may arise due to, among other things, investment in any affiliate company, (iv) the amount equal to the "derivative transaction risk," or the risk which may arise due to, among other things, certain securities futures or forward transactions or certain derivative transactions, (v) the amount equal to the "credit spread risk," or the risk which may arise due to credit derivatives transactions, and (vi) the amount equal to the "reinsurance risk," or the risk which may arise due to reinsurance transactions;
- the amount of "business risk," that is, the other risks which cannot be foreseen in the ordinary course of the company's business; and
- the amount of "guaranteed minimum benefit risk," that is, the risk associated with any insurance policy with a separate account, that may arise if the amount of the assets in the relevant separate account does not reach the minimum amount of the payment guaranteed under such insurance policy due to price fluctuations of the assets in such separate account or other reasons which may arise beyond normal expectations.

The concept of the "solvency margin ratio" was introduced by an amendment to the Insurance Business Act and related regulations which became effective in April 1996. The manner of calculation of solvency margin ratios is provided in the ministerial ordinance promulgated under the Insurance Business Act, and by public notifications and administrative directives issued previously by the Ministry of Finance, and currently by the FSA, and has been revised several times to ensure that solvency margin ratios represent more appropriately the ability of insurance companies to make the required payments upon the occurrence of unforeseeable events.

In April 2010, to improve the credibility of the Japanese solvency margin ratio regulations, the amendments to the current regulations on the solvency margin ratio calculation method were promulgated. Such amendments include (i) introduction of restrictions on the inclusion of certain items in the amount of solvency margin (including introduction of the new concept of specified subordinated debt), (ii) requirement of stricter and more elaborate risk assessment, and (iii) requirement of actuaries' confirmation on the appropriate calculation of the solvency margin ratio. The amendments took effect as of March 31, 2012, and we were required to use this new calculation method from the year ended March 31, 2012, while Japanese insurance companies were allowed to disclose their solvency margin ratio calculated using this new calculation method, for reference purposes, for the year ended March 31, 2011. In addition, the amendments to the Insurance Business Act effective from March 31, 2012 introduced the consolidated solvency margin ratio regulation. For a summary of the amendments, see "Management's Discussion and Analysis of Financial Condition and Results of Operations—Liquidity and Capital Resources—Solvency Margin Ratio."

Adjusted Net Assets

Adjusted net assets is one of the indicators used to measure the financial soundness of a life insurance company, and the FSA examines adjusted net assets to determine whether a life insurance company is functionally insolvent for the purpose of taking prompt corrective action. See "—Prompt Corrective Action."

The amount of adjusted net assets is calculated by subtracting non-capital real liabilities from real assets. For this purpose, real assets represent the aggregate amount to be recorded in the asset section of the balance sheet, which is calculated based on on-balance-sheet assets. The amount of real assets is calculated in accordance with the method promulgated by the Cabinet Office and the Ministry of Finance, which prescribe, among other things, that the amounts of certain assets, such as securities and real estate, are to be calculated at fair value. For this purpose, non-capital real liabilities represent an amount calculated based on the aggregate amount to be recorded in the liability section of the balance sheet (that is, on-balance-sheet liabilities minus certain reserves and allowances, such as reserve for price fluctuations and contingency reserves). Non-capital real liabilities are calculated in accordance with the method promulgated by the FSA and the Ministry of Finance.

Prompt Corrective Action

The Commissioner of the FSA has the authority to order an insurance company with an insufficient solvency margin ratio or negative adjusted net assets to take prompt corrective action. In general, insurance companies with solvency margin ratios of 200% or higher are considered sound. If the ratio falls below 200%, the Commissioner of the FSA may order the insurance company to submit and implement a business improvement plan that will reasonably ensure the soundness of the management. If the ratio falls below 100%, the Commissioner of the FSA may order the insurance company to take measures to enhance solvency, including without limitation:

- suspension or reduction of payment of dividends to shareholders or policyholders, or payment of remuneration to directors;
- revision of the manner of calculation of insurance premiums for new insurance policies;
- reduction of business expenses;
- suspension or reduction of investments in certain manners;
- closure of offices other than the head or main office; and
- curtailment of business of subsidiaries and affiliates.

If the solvency margin ratio falls below 0%, the Commissioner of the FSA may order the insurance company to suspend all or part of its operations for a certain period specified by the Commissioner of the FSA; however, even if the solvency margin ratio falls below 0%, if adjusted net assets is a positive amount or expected to be a positive amount, the Commissioner of the FSA may order a suspension of shareholder and policyholder dividend payments and director compensation, or such other measures as may be taken for a company with a ratio from 0% to 100%, rather than suspending the operations of the company.

Furthermore, even if the solvency margin ratio is above 0%, if adjusted net assets is a negative amount or expected to be a negative amount, the Commissioner of the FSA may order the suspension of operations of the insurance company.

As stated above, on invocation of prompt corrective action, both the solvency margin ratio and the substantial insolvency criteria based on the adjusted net assets are considered.

Regulations for the Protection of Policyholders

Special Measures to Protect Policyholders

The Insurance Business Act was amended in 2003 to permit a life insurance company which is likely to have difficulty in continuing its business to alter its policy terms and, among other things, reduce the assumed rate of return to policyholders. In order to implement such alteration to its policy terms, in the case of a joint stock corporation, after the approval of the Commissioner of the FSA has been obtained, recognizing such likelihood of difficulty in continuing its business, a general meeting of shareholders has to decide on a plan to alter the policy terms. Approval by such general meeting of shareholders requires the approval of two-thirds or more of those shareholders having voting rights and attending the general meeting of shareholders at which shareholders having voting rights representing a majority of the total number of voting rights shall attend, except as otherwise provided by articles of incorporation of such joint stock corporation. Furthermore, the insurance company must obtain the approval of the Commissioner of the FSA on the plan to alter its policy terms, after being approved by the general meeting of shareholders. In cases where more than 10% of the total number of policyholders whose policies will be subject to the plan object, and the amount provided in the ministerial ordinance promulgated under the Insurance Business Act as the amount of the claims regarding the insurance policies of such objecting policyholders exceeds 10% of the aggregate amount of the claims regarding the insurance policies subject to the plan, it shall be disapproved. Notwithstanding the foregoing, the assumed rate of return may not currently be reduced to less than 3%, as prescribed in the cabinet order under the Insurance Business Act. In addition to the above autonomous measure, the Commissioner of the FSA is authorized under the Insurance Business Act, when it considers that in view of the business condition or assets of an insurance company it is difficult for the insurance company to continue its business, or that because the business operations of the insurance company are significantly inappropriate continuation of such business would likely be detrimental to protection of policyholders, to (i) order the company to discuss the merger or suspension of business operations or transfer of its insurance portfolio or to take any other necessary measures, or (ii) order an insurance custodian to take over the administration of the company’s business and assets.

Life Insurance Policyholders Protection Corporation of Japan

The Insurance Business Act prescribes the establishment and manner of operations of corporations for the protection of insurance policyholders and requires that all life insurance companies participate in such a corporation. The LIPPC is the sole corporation for the protection of life insurance policyholders that has been established to date. All life insurance companies in Japan are members of the LIPPC and make contributions to the LIPPC pursuant to the Insurance Business Act and the articles of incorporation of the LIPPC. The amount of such contributions is calculated pursuant to the Insurance Business Act and the articles of incorporation of the LIPPC, principally based upon the amount of income from insurance premiums for a business year, the amount of policy reserves at the end of the business year of each insurance company, and a contribution percentage specified by the LIPPC. Under this calculation mechanism, the amount of contribution of each insurance company may be changed each year by (a) any change in the amount of income from insurance premiums for a business year and the amount of policy reserves at the end of the business year, and (b) an amendment to the contribution percentage, which may be made by the resolution of the members of the LIPPC with the permission of the Commissioner of the FSA and the Minister of Finance.

In addition to annual contributions, LIPPC may make and increase its borrowings to a maximum of ¥460 billion in total by borrowing from banks, insurance companies or financial institutions with the authorization of the Commissioner of the FSA and the Minister of Finance, and may also borrow with a guarantee from the Japanese government. The LIPPC may ask licensed life insurance companies to provide security for such borrowings, in accordance with its rules.

Further, the Insurance Business Act provides that, if the LIPPC needs funds in excess of ¥460 billion (with certain exceptions) to support life insurance companies which fail between April 1, 2006 and March 31, 2017, the Japanese government may, subject to provisions in a budget approved by the Diet, make contributions to the LIPPC.

The LIPPC is responsible for providing support to maintain outstanding insurance policies issued by failing life insurance companies. The term "failing life insurance companies" in this context is defined as life insurance companies that suspend or, based on the state of their operations or assets, threaten to suspend payment of insurance claims or which are, or threaten to be, unable to perform their obligations. The support to be provided by the LIPPC includes the following:

- financial aid for the transfer of insurance portfolios from a failing life insurance company to another life insurance company, merger of a failing life insurance company into another life insurance company, or acquisition of the shares of a failing life insurance company by another life insurance company or an insurance holding company;
- establishment and management of a successor life insurance company which will assume the liabilities for all insurance policies of the failing life insurance company by way of transfer of insurance portfolios, or a merger with the failing life insurance company, provided that no other insurance companies are expected to assume liabilities under the insurance policies sold by the failing life insurance company;
- assumption of all or a part of the insurance policies sold by a failing life insurance company; provided that no other insurance companies are expected to assume such insurance policies;
- financial aid for the payment of insurance claims by a failing life insurance company suspending payments pursuant to an order for suspending business operations under the Insurance Business Act, or under rehabilitation or bankruptcy proceedings; and
- purchasing from policyholders their unpaid insurance claims against a failing life insurance company.

The amount of financial aid which can be provided by the LIPPC for life insurance policies is, with certain exceptions depending upon the kind of insurance policy, principally limited to an amount which is necessary to maintain 90% (for policies with a high expected rate of return, lower than 90%) of the sum of policy reserves (not including the contingency reserve), the reserve for outstanding claims, and the reserve for policyholder dividends (excluding the undistributed portion thereof).

Policyholders' Lien

Every holder of a life insurance policy issued by a life insurance company has a statutory lien (*sakidori tokken*) over the life insurance company's total assets with respect to the amount of reserve for payment to the insured under such policy. In addition, each person (including policyholders) who has any right to (i) receive insurance claims or benefits, (ii) seek compensation by a life insurance company for damages suffered by such person, or (iii) receive any refund, surplus, dividend or other distribution from the company, has a statutory lien over the life insurance company's total assets with respect to the amount of such right. The rights secured by statutory liens created under the Insurance Business Act have priority over the rights of general creditors, and are subordinated only to the rights secured by certain other statutory liens or by mortgages, pledges or other security interests.

Deposit Insurance Act

The Deposit Insurance Act of Japan, or the Deposit Insurance Act, was originally enacted in order to protect depositors when banks and other banking institutions fail to meet their obligations. In June 2013, an amendment to the Deposit Insurance Act was promulgated, and such amendment took effect from March 2014, for the purpose of introducing a new resolution regime for failed financial institutions, including insurance companies, with a view to preventing systemic risks. The new regime has the following characteristics: (i) financial institutions including banks, insurance companies and securities companies and their holding companies are subject to the regime, (ii) when necessary measures such as provision of liquidity and financial assistance are implemented, the bail-in options (writing down of unsecured debts or converting unsecured debts into equity) are exercised and (iii) the expenses for implementation of the measures under this regime are borne by the financial industry with an exception under which it may be partially borne by the government of Japan.

Insurance Act

Although an insurance contract had been governed as a commercial transaction by the Commercial Code of Japan, the Insurance Act of Japan, or the Insurance Act, was newly promulgated in June 2008 as the act which generally governs insurance contracts. The Insurance Act became effective as of April 1, 2010.

The Insurance Act provides for formation, effectiveness and other issues regarding insurance contracts, and is applied to mutual aid contracts and accident and health insurance contracts, as well as life insurance contracts and non-life insurance contracts. In addition to the establishment of rules for a change of insurance beneficiary and measures to prevent moral hazard and other improvements, the Insurance Act also strengthens policyholder protections, as compared to previous legislative measures. This includes the following:

- Under the Commercial Code, a policyholder and an insured party are required to provide notice regarding important matters concerning the possibility of death or survival of the insured whether or not expressly requested by the life insurer. In contrast, the Insurance Act requires them to provide notice regarding important matters only when the life insurer expressly requests that it be provided with notice of such matters.
- In the case where the possibility of death has significantly decreased after the execution of a life insurance policy, the policyholder shall have the right to request a reduction of the insurance premium.
- Even if a payment date for an insurance benefit is specified in a life insurance policy and such date has not yet arrived, the life insurer shall be obliged to pay the insurance benefit after a reasonable period of time has elapsed for the insurer to be able to confirm the items necessary for payment of the insurance benefit.
- Any agreement which is less favorable for any policyholder, any insured and/or any insurance beneficiary than the measures stipulated in certain provisions including the above-mentioned provisions of the Insurance Act shall be invalid.
- When a life insurance contract is executed, the life insurer must deliver to the policyholder a document explaining the contents of the insurance contract and certain other items without delay.

In addition, the Insurance Act has established a new rule for the protection of certain insurance beneficiaries. Under this rule, insurance beneficiaries can defeat cancellation of certain insurance contracts by a third party who holds a right of cancellation, such as an attaching creditor or bankruptcy administrator, with the consent of the policyholder, by the payment of a certain amount to such third party and by giving notice to the insurer within one month of the cancellation.

Financial Instruments and Exchange Act

Under the FIEA, each life insurance company must be registered as a registered financial institution with the Director of the relevant Local Finance Bureau if it is to engage in financial instruments businesses, which includes securities businesses, permitted under such law. Life insurance companies are subject to the supervision of the Director of such Local Finance Bureau with respect to their financial instruments business, substantially in the same manner as other financial instruments business operators in Japan. Further, if the life insurance company is to engage in such financial instruments business for an unspecified number of customers, the life insurance company is required to set forth the contents and method of said business and acquire authorization from the Commissioner of the FSA, pursuant to the Insurance Business Act. We have acquired such authorization to conduct the sale and purchase of government bonds, municipal bonds, and government-guaranteed bonds, and a brokerage service for the offering of units of investment trusts.

Act on Sales of Financial Products

The Act on Sales of Financial Products of Japan provides for measures to protect financial services customers by requiring financial services providers, including us as a life insurance company, to explain adequately to customers certain material matters such as risks of losses incurred by customers and mechanism of financial products causing losses; requiring financial service providers to ensure that their solicitation of customers to purchase financial products are made in a fair manner, taking into account customer's knowledge, experience, financial condition and purpose; and prohibiting financial services providers from providing deceptive or misleading information in respect of uncertain matters in connection with the sale of financial products. Further, the act holds financial services providers liable for damages caused by a failure to follow these requirements. The amount of damages is refutably presumed by the act to be the loss of principal.

Consumer Contracts Act

The Consumer Contracts Act of Japan is designed to protect individual consumers who enter into contracts, or consumer contracts, with business operators, including us, in light of the wide disparity between individual consumers and business operators in terms of the volume and quality of information and bargaining power. Under this act, a consumer may cancel, within the shorter of six months after the time when the consumer is entitled to the ratification and five years after the contract date, any consumer contract entered into by such consumer if he or she has proposed or agreed to enter into the relevant consumer contract due to his or her misunderstanding arising from a material false statement or a conclusive statement of uncertain items related to the contract. A similar cancellation right is also given to consumers if the relevant consumer contract was entered into by a consumer due to solicitation by a business operator in a certain troubling manner. This act also requires business operators to make efforts to ensure that the terms of consumer contracts are provided in a simple and clear manner so that they are understandable to consumers. If a consumer contract contains a clause which is unfairly prejudicial to the interests of consumers (such as a total waiver of consumers' rights to seek compensation from a business operator for damages suffered by them as a result of the business' default) such clause will be void under this act.

Act on Special Provisions to the Civil Court Proceedings for Recovery of Collective Consumer Damages

The Act on Special Provisions to the Civil Court Proceedings for Recovery of Collective Consumer Damages was promulgated in December, 2013 and will be in effect from October 1, 2016. Once effective, this Act will introduce a class action type of litigation system with respect to claims by consumers against business operators concerning (i) performance of obligations relating to a consumer contract; (ii) unjust enrichment relating to a consumer contract; (iii) damages due to failure to perform obligations under a consumer contract, and damages based on defect liability; and (iv) damages due to tort under the Civil Code relating to a consumer contract.

Act Preventing Transfer of Profits Generated from Crime

Under the Act Preventing Transfer of Profits Generated from Crime of Japan, or the Act Preventing Transfer of Profits Generated from Crime, financial institutions and other entities, including us, are required to perform customer identification procedures and keep records of customer identifications and transactions with customers as prescribed by a ministerial ordinance. The Act Preventing Transfer of Profits Generated from Crime also requires financial institutions and other entities, including us, to report to a competent authority if they suspect that any property accepted from a customer has been obtained illegally or the customer conducts certain criminal acts. Customer identification requirements were tightened by the amendment to the Act Preventing Transfer of Profits Generated from Crime which has been in effect from April 2013.

Act on Protection of Personal Information

The Act on Protection of Personal Information aims to protect personal information in the context of a society increasingly reliant on information technology. The Act on Protection of Personal Information contains various provisions including those imposing obligations on a business enterprise, including us, utilizing personal information databases which store personal information such as addresses, family members and medical histories. A business enterprise utilizing personal information databases is required to (i) specify the purpose of the use of the personal information as clearly as possible, (ii) refrain from using the personal information beyond such purpose without consent by the person to whom such information relates, (iii) notify the person to whom such information relates or publish the purpose of the use when or prior to acquiring the personal information, and (iv) disclose the personal information if the person to whom such information relates requests it. Further, in certain cases, the person to whom such information relates may request the business enterprise to correct, add, refrain from using or erase the personal data.

Act on the Use of Numbers to Identify a Specific Individual in the Administrative Procedure

The Act on the Use of Numbers to Identify a Specific Individual in the Administrative Procedure of Japan came into effect in October 2015, and the number issued to each resident in Japan (*My Number*) has been in use since January 2016. The main purpose of this Act is for efficiency in the administration of information in the field of social security, tax and disaster control. This Act contains provisions imposing obligations on business enterprises, including us, to obtain and utilize the *My Numbers*. Business enterprises are required to (i) obtain a *My Number* through appropriate measures, (ii) use the *My Number* to the limited extent pursuant to the relevant laws and regulations, and (iii) take necessary measures for the appropriate management of the *My Number*, such as prevention of divulgation, loss, or damage of the *My Number*.

MANAGEMENT

Directors and Audit and Supervisory Board Members

The table below sets forth our current directors and audit and supervisory board members.

Name	Title	Date first elected as director or audit and supervisory board member
Katsutoshi Saito	Representative Director, Chairman of the Board	1994
Koichiro Watanabe	Representative Director, President	2001
Shigeo Tsuyuki	Representative Director, Deputy President	2003
Norimitsu Horio	Representative Director, Deputy President	2013
Satoru Tsutsumi	Representative Director, Deputy President	2015
Kazuma Ishii.	Director, Senior Managing Executive Officer	2003
Tomoyasu Asano	Director, Senior Managing Executive Officer	2009
Hideo Teramoto	Director, Senior Managing Executive Officer	2012
Takashi Kawashima	Director, Senior Managing Executive Officer	2013
Kenji Sakurai	Director, Senior Managing Executive Officer	2014
Morinobu Nagahama . . .	Director, Managing Executive Officer	2014
Seiji Inagaki	Director, Managing Executive Officer	2016
Haruo Funabashi(1)	Director	2009
Michiko Miyamoto(1)	Director	2012
George Olcott(1)	Director	2015
Rieko Sato(1).	Director	2015
Ungyong Shu(1)	Director	2015
Atsushi Nagayama	Senior Audit and Supervisory Board Member	2014
Fusakazu Kondo	Senior Audit and Supervisory Board Member	2012
Masasuke Omori(2)	Audit and Supervisory Board Member	2007
Takashi Wachi(2)	Audit and Supervisory Board Member	2008
Tsuneaki Taniguchi(2) . . .	Audit and Supervisory Board Member	2012

Notes:

(1) Messrs. Funabashi, Olcott and Shu and Ms. Sato and Ms. Miyamoto satisfy the requirements for an “outside director” under the Companies Act.

(2) Messrs. Omori, Wachi and Taniguchi satisfy the requirements for an “outside audit and supervisory board member” under the Companies Act.

Our board of directors has the ultimate responsibility for the management and administration of our affairs. Our articles of incorporation provide for not more than 20 directors and not more than five audit and supervisory board members. Our directors and audit and supervisory board members are elected at a general meeting of shareholders.

The normal term of office for a director expires at the close of the general meeting of shareholders held with respect to the last settlement of accounts within two years after such director’s assumption of office. The normal term of office for an audit and supervisory board member expires at the close of the ordinary general meeting of shareholders held with respect to the last settlement of accounts within four years after such audit and supervisory board member’s assumption of office. However, directors and audit and supervisory board members may serve any number of consecutive terms.

Under our articles of incorporation, our board of directors may elect from among its members a Chairman of the Board and Director, a Deputy Chairman of the Board and Director and a President and Director. Our board of directors shall also elect one or more Representative Directors from among its members. Each of the Representative Directors has the authority to represent us in the conduct of our affairs.

Our audit and supervisory board members are not required to be, and are not, certified public accountants. The audit and supervisory board members may not at the same time be directors, accounting assistants, managers or other employees of us or any of our subsidiaries, and at least one-half of them must be outside audit and supervisory board members. Outside audit and supervisory board members must satisfy certain requirements, such as an absence of relationship with us, and they must not have been directors, accounting assistants, corporate executive officers, managers or other employees of us or any of our subsidiaries for a certain period of time. Each audit and supervisory board member has a statutory duty to examine the financial statements and business reports to be submitted by a representative director at general meetings of shareholders, to prepare an audit report and to supervise the administration by the directors of our affairs. They are obligated to participate in meetings of the board of directors and, if necessary, to express their opinions at such meetings, but are not entitled to vote.

The audit and supervisory board members form the board of audit and supervisory board members. The board of audit and supervisory board members has a statutory duty to prepare audit reports based on the audit reports issued by the individual audit and supervisory board members and submit such audit reports to a specified director and (only with regard to the audit report related to financial statements) independent auditors each year. An audit and supervisory board member may note his or her opinion in the audit report issued by the board of audit and supervisory board members if his or her opinion expressed in the individual audit report is different from the opinion expressed in the audit report issued by the board of audit and supervisory board members. The board of audit and supervisory board members is empowered to establish audit principles, the method of examination by the audit and supervisory board members of our affairs and financial position and any other matters relating to the performance of the audit and supervisory board members' duties. On March 29, 2016, we announced our plan to shift to a company with a board with audit committee structure on October 1, 2016, the effective date of the Transition, in order to implement a stronger corporate governance structure for the Dai-ichi Group.

We are required to appoint and have appointed independent auditors, who have a statutory duty to examine the financial statements to be submitted by a representative director at the general meeting of shareholders and to report their opinion thereon to the relevant audit and supervisory board members and directors. Currently, Ernst & Young ShinNihon LLC act as our independent auditors.

The table below sets forth our current non-director executive officers.

Name	Title	Executive officer since
Koichi Maruno	Senior Managing Executive Officer	2008
Akio Tanaka	Managing Executive Officer and Chief General Manager of Chubu Operations Bureau	2008
Nobuyuki Akimoto	Managing Executive Officer and Chief General Manager of Kansai Operations Bureau	2010
Atsushi Takahashi	Managing Executive Officer	2010
Shinichi Aizawa	Managing Executive Officer and Chief General Manager of North America	2012
Satoru Sato	Managing Executive Officer	2011
Masamitsu Nambu	Managing Executive Officer	2012
Masao Taketomi	Managing Executive Officer, Chief of Group Human Resources Unit and General Manager of Human Resources Department	2012
Masahiro Takashima	Managing Executive Officer, Chief General Manager of Eastern Market and General Manager of Hokkaido Sales Bureau	2013
Katsuhisa Watanabe	Managing Executive Officer	2013
Hideo Hatanaka	Managing Executive Officer	2013
Kimihiro Sato	Managing Executive Officer and Chief General Manager of Metropolitan Corporate Relations	2014
Tetsuya Kikuta	Executive Officer and Chief General Manager of Investment	2014
Chieko Takahashi	Executive Officer and General Manager of Public Sector Relations Department	2015
Munehiro Uryu	Executive Officer and General Manager of Total Life Planning and Sales Training Department	2015
Hiroshi Shoji	Executive Officer and General Manager of Financial Planning and Actuarial Department	2015

Name	Title	Executive officer since
Tatsusaburo Yamamoto . .	Executive Officer, Chief of Asset Management Business Unit and General Manager of Investment Planning Department	2015
Sumie Watanabe.	Executive Officer	2016
Mitsunori Moriguchi	Executive Officer, Chief General Manager of Western Market and General Manager of West Japan Sales Bureau	2016
Norimitsu Kawahara.	Executive Officer and Chief General Manager of Asia Pacific	2016
Takahiro Shibagaki.	Executive Officer and General Manager of Financial Institution Relations Department	2016
Yasuhiro Miyata.	Executive Officer and General Manager of Group Pension Business Unit	2016
Ichiro Okamoto	Executive Officer and General Manager of Government Relations Department	2016

Our executive officers are appointed by our board of directors and have executive responsibility within their appointed business areas. Generally, the term of office for executive officers is two years, although they may serve any number of consecutive terms.

Agreements with our Directors and Audit and Supervisory Board Members

Our articles of incorporation provide that we may enter into agreements with our outside directors and outside audit and supervisory board members to limit their respective liabilities to us in accordance with the Companies Act. We have entered into such agreements with our outside directors, Mr. Funabashi, Ms. Miyamoto, Mr. Olcott, Ms. Sato and Mr. Shu, and outside audit and supervisory board members, Messrs. Omori, Wachi and Taniguchi, to limit their respective liabilities to us to either (a) ¥20 million, or (b) the total amount stipulated in Article 425, paragraph (1) of the Companies Act, whichever is higher, so long as those outside directors or outside audit and supervisory board members act in good faith and without gross negligence in performing their duties.

Compensation

The aggregate compensation, including bonuses and stock options, we paid to our directors and audit and supervisory board members for the year ended March 31, 2016 was ¥851 million.

We have a management stock ownership association for the directors, audit and supervisory board members, executive officers and advisors of Dai-ichi and for certain members of the management of certain of our subsidiaries. Members of the management stock ownership association set aside certain amounts from their monthly remuneration to purchase shares of our common stock through the management stock ownership association. In addition, cash dividends received by the management stock ownership association on shares of our common stock that it holds are used to purchase additional shares.

We also have an employee stock ownership association for employees of Dai-ichi and two incentive plans for employees of Dai-ichi, as described under “Business—Employees.”

RELATED PARTY TRANSACTIONS

We enter into agreements and engage in transactions with a number of our subsidiaries and affiliates. Set forth below are brief descriptions of some of the important agreements and transactions we have entered into with our subsidiaries and affiliates.

We outsource printing, delivery and safekeeping of our records and other documents to our non-consolidated subsidiary, Dai-ichi Seimei Business Service K.K.

We rely heavily on information technology systems to conduct our business, including to manage customer policies, invest our assets, record and maintain statistics and personal information of our customers and employees and in other areas of our operations. Much of the software we use in our business is developed by, and purchased by us from, our consolidated subsidiary, Dai-ichi Life Information Systems Co., Ltd. In addition, we outsource to Dai-ichi Life Information Systems most of the information technology services that we use in our day-to-day operations.

We outsource certain services related to the administration of pension assets associated with our group annuities, such as policy management and management of balance of payments, to Corporate-pension Business Service Co., Ltd., an equity-method affiliate in which we hold a 50.0% stake.

We receive asset management services, including investment advisory services and investment trust management services, from our equity-method affiliate DIAM, a 50-50 joint venture with Mizuho Financial Group.

Trust & Custody Services Bank Ltd., our equity-method affiliate in which we hold a 23.0% stake, provides us with asset management services for master trusts, security assets and defined contribution annuity plans.

In addition, Dai-ichi Frontier Life, our wholly-owned subsidiary, pays us sales commissions in connection with our sales of its individual insurance and annuity products.

All of the transactions described above have been conducted on terms no less favorable to us than those we believe we could obtain in similar transactions entered into with independent third parties. We expect to continue to engage in the above types of transactions for the foreseeable future.

Except for the transactions described above, there have been no material transactions between us and any of our directors, audit and supervisory board members, executive officers or any companies over which any of them have significant influence.

SUBSIDIARIES AND AFFILIATES

As of March 31, 2016, we had 61 consolidated subsidiaries, 18 subsidiaries that were not consolidated due to their immateriality and 48 affiliates accounted for by the equity method.

The following table sets forth information on our consolidated subsidiaries and our primary equity-method affiliates as of March 31, 2016.

Entity name	Country of organization	Main business	Issued capital	Percentage of voting rights held directly or indirectly by us
Consolidated Subsidiaries:				
The Dai-ichi Frontier Life Insurance Co., Ltd.	Japan	Life insurance business in Japan	¥117.5 billion	100.0%
The Neo First Life Insurance Company, Limited	Japan	Life insurance business in Japan	¥25.1 billion	100.0
Protective Life Corporation	U.S.A.	Life insurance business in the U.S.A.	$10	100.0
TAL Dai-ichi Life Australia Pty Ltd.	Australia	Life insurance business in Australia	AUD1,630 million	100.0
TAL Dai-ichi Life Group Pty Ltd	Australia	Life insurance business in Australia	AUD2,212 million	100.0
TAL Life Limited	Australia	Life insurance business in Australia	AUD604 million	100.0
Dai-ichi Life Insurance Company of Vietnam, Limited	Vietnam	Life insurance business in Vietnam	Vietnam Dong 1,767.0 billion	100.0
The Dai-ichi Life Information Systems Co., Ltd.	Japan	Computer systems and software development	¥1.0 billion	97.0
Primary Equity-Method Affiliates:				
PT Panin Internasional	Indonesia	Life insurance business in Indonesia	Indonesian Rupias 1,022.5 billion	36.8
PT Panin Dai-ichi Life	Indonesia	Life insurance business in Indonesia	Indonesian Rupias 1,067.3 billion	5.0
Star Union Dai-ichi Life Insurance Company Limited(1)	India	Life insurance business in India	Indian Rupees 2,500 million	26.0
OCEAN LIFE INSURANCE PUBLIC COMPANY LIMITED	Thailand	Life insurance business in Thailand	Thai Baht 2,360 million	24.0
Corporate-pension Business Service Co., Ltd.	Japan	Corporate pension system and administration management	¥6.0 billion	50.0

Entity name	Country of organization	Main business	Issued capital	Percentage of voting rights held directly or indirectly by us
DIAM Co., Ltd.	Japan	Investment advisory and investment trust services	¥2.0 billion	50.0
NEOSTELLA CAPITAL CO., LTD.	Japan	Investment advisory and investment trust services	¥0.1 billion	40.0
Trust & Custody Services Bank Ltd.	Japan	Master trust and custody services	¥50.0 billion	23.0
Japan Excellent Asset Management Co., Ltd.	Japan	Real estate management and asset liquidity consulting	¥0.4 billion	26.0
Janus Capital Group Inc.	U.S.A.	Investment advisory and investment trust services	$1 million	19.8
Mizuho-DL Financial Technology Co., Ltd.	Japan	Research, development and consulting for financial technology	¥0.2 billion	30.0

Notes:

(1) On June 21, 2016, we exercised an option to increase our equity interest in Star Union Dai-ichi Life to 44.0% of the voting rights. The increase is subject to the approval of Indian regulatory authorities.

(2) Upon completion of the Transition on October 1, 2016, substantially all of the assets and liabilities relating to Dai-ichi Life's domestic life insurance business, which does not include Dai-ichi Frontier Life and Neo First Life, will be transferred to the Successor, and Dai-ichi Life will become a holding company managing the Successor and all the other major Dai-ichi Group operating companies, including Dai-ichi Frontier Life, Neo First Life, Protective, TAL and Dai-ichi Life Vietnam. See "Transition to a Holding Company Structure."

DESCRIPTION OF THE NOTES

The notes will be issued pursuant to an indenture to be dated on or around July 20, 2016 between Dai-ichi and The Bank of New York Mellon, a United States national banking corporation, in its respective capacities as (i) trustee, (ii) paying and transfer agent ("paying agent"), (iii) calculation agent and (iv) notes registrar.

On October 1, 2016, Dai-ichi is scheduled to shift to a holding company structure by way of an absorption-type corporate split, subject to receipt of the authorization of the Japanese regulatory authorities and statutory creditor protection procedures. See "Transition to a Holding Company Structure." Upon the completion of the Transition, all rights and obligations of Dai-ichi with respect to the notes will be assumed by the Successor, we and the Successor will execute a supplemental indenture to the indenture governing the notes with the trustee to confirm its assumption of the notes and, accordingly, all references to "Dai-ichi" and "Dai-ichi Life" in this description of the notes will become references to the Successor as the operating company for the Dai-ichi Group's domestic life insurance business. See "—Merger, Consolidation, Sale or Disposition."

The following description of the notes is a summary of the detailed provisions of the notes and the indenture. It does not purport to be complete. This summary is subject to and is qualified by reference to all the provisions of the notes and the indenture, including the definitions of certain terms used therein. We urge you to read those documents in their entirety because they, and not this description, define the rights of holders of the notes. Copies of those documents are available for inspection from the corporate trust office of the trustee located at 101 Barclay Street, New York, NY 10286.

General

The notes initially will be limited to $2,500,000,000 aggregate principal amount with a minimum denomination of $200,000 and integral multiples of $1,000 in excess thereof. The notes are undated and accordingly will have no final maturity date and will only be redeemable or repayable as described under "—Redemption" and "—Events of Acceleration; Limited Rights of Acceleration."

During the fixed rate period beginning on, and including, July 20, 2016, to, but excluding, July 24, 2026, the notes will bear interest at 4.00% per annum on each $1,000 principal amount thereof, payable semi-annually in arrears on January 24 and July 24 of each year, beginning on January 24, 2017 to, and including, July 24, 2026. Interest on the notes during the fixed rate period will be calculated on the basis of a 360-day year of twelve 30-day months, and in the case of an incomplete month, the number of days elapsed, rounding the resulting figure to the nearest cent (half a cent being rounded upwards). The interest amount per $1,000 principal amount of notes will be $20.44 for the first interest period to, but excluding, January 24, 2017.

During the floating rate period beginning on, and including, July 24, 2026, the notes will bear interest at a floating rate per annum equal to 3.66% above three-month USD LIBOR (as defined below) for the relevant floating rate interest period on each $1,000 principal amount thereof, payable quarterly in arrears on January 24, April 24, July 24 and October 24 of each year beginning on October 24, 2026. Interest on the notes during the floating rate period will be computed by multiplying the product of the floating rate applicable to the relevant floating rate interest period and the aggregate principal amount of the notes by the actual number of days elapsed in the floating rate interest period divided by 360, and rounding the resulting figure to the nearest cent (half a cent being rounded upwards).

The floating rate of interest shall be determined by The Bank of New York Mellon, in its capacity as the calculation agent, on the floating rate interest determination date (as defined below). For purposes of calculating the floating rate of interest, the three-month USD LIBOR shall be the London inter-bank offered rate for three- month deposits in U.S. dollars which appears on the display designated as Reuters Screen LIBOR01 Page (or such other page or service as may replace it for the purpose of displaying the London inter-bank offered rate for three-month USD LIBOR) at approximately 11:00 a.m., London time, two London banking days before the first day of the relevant floating rate interest period (the "floating rate interest determination date"). If such rate does not appear or if the relevant page is unavailable, three-month USD LIBOR will be determined on the basis of the rates that three-month U.S. Dollar deposits are offered to prime banks in the London interbank market by four major banks in the London interbank market selected by the calculation agent, at approximately

11:00 a.m., London time, on that floating rate interest determination date. The calculation agent will request the principal London office of each such bank to provide a quotation of its rate. If at least two such quotations are provided, three-month USD LIBOR with respect to that floating rate interest determination date will be the arithmetic mean of such quotations. If fewer than two quotations are provided, three-month USD LIBOR with respect to that floating rate interest determination date will be the arithmetic mean of the rates quoted by three major banks in New York City selected by the calculation agent, at approximately 11:00 a.m., New York City time, on the first day of the relevant floating rate interest period for loans in U.S. dollars to leading European banks for a three- month period commencing on the first day of the relevant floating rate interest period and in a principal amount that is representative for a single transaction in the relevant market at the relevant time. However, if the banks selected by the calculation agent to provide quotations are not quoting as described in this paragraph, three-month USD LIBOR for the applicable period will be the same as three-month USD LIBOR as determined for the previous floating rate interest period. The term "London banking day" means a day, other than a Saturday or Sunday, that is neither a legal holiday nor a day on which commercial banking institutions are authorized or required by law, regulation or executive order to close in London.

If any interest payment date in relation to the fixed rate period falls on a day that is not a business day, then Dai-ichi will make the required payment of principal or interest (or additional amounts, if any) on the next succeeding business day, and no additional interest will accrue in respect of the payment made on that next succeeding business day.

If any interest payment date in relation to the floating rate period falls on a day that is not a business day, the interest payment date will be moved to the next succeeding business day, unless such next succeeding business day is in the following calendar month, in which case it will be moved to the preceding business day. With respect to payment made on such business day, interest shall accrue and be adjusted to but excluding the actual interest payment date.

Interest on the notes will be paid to the persons in whose names the notes are registered as of the close of business on the 15th calendar day (whether or not such date is a business day) immediately preceding the applicable interest payment date (each, a "record date"). The principal of, and interest on, the notes will be payable in U.S. dollars (or in such other coin or currency of the United States of America as of the time of payment that is legal tender for the payment of public or private debts). The term "business day" means a day, other than a Saturday or Sunday, that is neither a legal holiday nor a day on which commercial banking institutions are authorized or required by law, regulation or executive order to close in The City of New York, London or Tokyo.

Status of the Notes; Subordination

The notes will constitute irrevocable, direct, unsecured and subordinated obligations of Dai-ichi. Claims in respect of the notes shall at all times rank *pari passu* and without any preference among themselves, substantially *pari passu* with liquidation parity securities, as defined below, as to priority of liquidation payment in the sense that payment in respect of the notes is limited upon the occurrence of a subordination event, as described in the following paragraph, and in priority to the claims of holders of common stock of Dai-ichi. "Liquidation parity securities" means (i) any preferred stock of Dai-ichi and (ii) any other liabilities of Dai-ichi that are expressly designated as being on a parity with, or ranking *pari passu* with, the preferred stock referred to in (i) above or the notes as to priority of liquidation payment. Liquidation parity securities outstanding as at the date hereof consist of (a) 7.25% step-up callable perpetual subordinated notes with a total principal amount of $1,300,000,000, which are subject to optional redemption on any quarterly interest payment date on or after July 25, 2021 and (b) 5.10% step-up callable perpetual subordinated notes with a total principal amount of $1,000,000,000, which are subject to optional redemption on any quarterly interest payment date on or after October 28, 2024. See "—Summary of Basic Terms of Existing Liquidation Parity Securities."

Upon the occurrence of a subordination event, as defined below, the obligations of Dai-ichi pursuant to the notes shall be subordinated in right of payment to all senior indebtedness (as defined below) of Dai-ichi and, so long as the subordination event continues, no payment will be made under the notes unless and until a condition for liquidation payment (as defined below) shall have occurred. Payments in respect of the principal of and interest on the notes and indemnification of judgment currency, following the occurrence of a condition for liquidation payment, shall not exceed the amount of the preference liquidation distributions which would have been paid from the assets of Dai-ichi in respect of the notes if the notes and all liquidation parity securities were preferred stock of Dai-ichi with a liquidation preference equal to the amount due in respect of the notes and the liquidation parity securities.

"Condition for liquidation payment" means (i) in the case of subordination event (a) below, the total amount of any and all senior indebtedness of Dai-ichi which was filed within the prescribed period in the liquidation proceedings or of which Dai-ichi has knowledge shall have been paid in full in the liquidation proceedings, to the extent that the liabilities shall have been fixed, (ii) in the case of subordination event (b) below, the total amount of any and all senior indebtedness of Dai-ichi listed on the final distribution list, as amended, submitted to the court in the bankruptcy proceedings shall have been paid or provided in full (including discharge by deposit of funds with the competent authority) pursuant to the relevant law, (iii) in the case of subordination event (c) below, the total amount of any and all senior indebtedness which is listed on the reorganization plan of Dai-ichi at the time when the court's approval of the plan becomes final and conclusive shall have been paid in full in the reorganization proceedings to the extent that the liabilities shall have been fixed, (iv) in the case of subordination event (d) below, the total amount of any and all senior indebtedness which is listed on the rehabilitation plan of Dai-ichi at the time when the court's approval of the plan becomes final and conclusive shall have been paid in full in the civil rehabilitation proceedings to the extent that the liabilities shall have been fixed, provided that if the court finally and conclusively approves summary or consent rehabilitation proceedings or the cancellation of the rehabilitation plan, or the civil rehabilitation proceedings are finally and conclusively cancelled or discontinued by the court, Dai-ichi shall be deemed to have never been subject to subordination event (d), and accordingly this paragraph shall not apply, or (v) in the case of subordination event (e) below, conditions equivalent to those set forth in (i), (ii), (iii) or (iv) above have been fulfilled (provided that if the imposition of any such condition is not allowed under such proceedings, any amount which becomes due under the notes shall become payable in accordance with the notes and not subject to such condition).

The rights of the holders of the notes will be reinstated with respect to any payments made to the holders that are subsequently avoided in the bankruptcy, reorganization or civil rehabilitation proceedings of Dai-ichi, as though such payments had not been made.

A holder of a note by acceptance of the note agrees that (i) if any payment on the notes is made to the holder after the occurrence of a subordination event and the amount of the payment shall exceed the amount, if any, that should have been paid to the holder upon the proper application of the subordination provisions of the note, the payment of the excess amount shall be deemed null and void and the holder shall be obliged to return the amount of the excess payment within ten days after receiving notice of the excess payment, and (ii) upon the occurrence of a subordination event and so long as the subordination event shall continue, the holder shall not exercise any right to set off any liabilities of Dai-ichi under the notes (except for such amounts which shall have become due and payable, other than solely by way of acceleration, prior to the date on which a subordination event shall have occurred) against any liabilities of the holder owed to Dai-ichi unless, until and only in the amount as the liabilities of Dai-ichi under the notes become payable pursuant to the proper application of the subordination provisions (provided, however, that if the court finally and conclusively approves summary or consent rehabilitation proceedings or the cancellation of the rehabilitation plan, or the rehabilitation proceedings are finally and conclusively cancelled or discontinued by the court, Dai-ichi shall be deemed to have never been subject to subordination event (d) below).

No amendment or modification to the subordination provisions contained in the indenture which is prejudicial to any present or future creditor in respect of any senior indebtedness of Dai-ichi shall be made in any respect. No such amendment or modification shall in any event be effective against any such creditor.

"Subordination event" means any one of the following events:

(a) a liquidation proceeding (including the voluntary liquidation proceeding (*tsujyo seisan*) or special liquidation proceeding (*tokubetsu seisan*)) shall have commenced with respect to Dai-ichi pursuant to the Companies Act or any successor legislation thereto;

(b) a court of competent jurisdiction in Japan shall have commenced bankruptcy proceedings with respect to Dai-ichi pursuant to the provisions of the Bankruptcy Law or any successor legislation thereto;

(c) a court of competent jurisdiction in Japan shall have commenced reorganization proceedings with respect to Dai-ichi pursuant to the provisions of the Corporate Reorganization Law of Japan (Law No. 154 of 2002, as amended), or the Reorganization Law, or any successor legislation thereto;

(d) a court of competent jurisdiction in Japan shall have commenced civil rehabilitation proceedings with respect to Dai-ichi pursuant to the provisions of the Civil Rehabilitation Law of Japan (Law No. 225 of 1999, as amended), or the Civil Rehabilitation Law, or any successor legislation thereto; or

(e) Dai-ichi shall have become subject to liquidation, bankruptcy, reorganization, civil rehabilitation or other equivalent proceedings pursuant to any applicable law of any jurisdiction other than Japan, which proceedings have an equivalent effect to those set out in (a), (b), (c) or (d) above.

"Senior indebtedness" means all benefits and claims and other liabilities of Dai-ichi (including any subordinated debt or obligation, whether dated or perpetual, outstanding as of the date hereof, and for the avoidance of doubt, statutory subordinated bankruptcy claims (*retsugoteki hasan saiken*)) other than liabilities under the notes and any liquidation parity securities.

As a consequence of the subordination provisions in the notes, in the event of the occurrence of a subordination event, the holders of the notes may recover less ratably than the holders of insurance policies, other unsubordinated liabilities of Dai-ichi and certain subordinated perpetual borrowings of Dai-ichi (other than liquidation parity securities). Holders of the notes may be required to pursue their claims with respect to the notes in Japan. To the extent that holders of the notes are entitled to any recovery in any Japanese action or proceeding, the holders might not be entitled in the action or proceeding to a recovery in U.S. dollars and might be entitled in the action or proceeding only to a recovery in Japanese yen. Dai-ichi will agree pursuant to the terms of the notes to indemnify the holders of the notes against certain losses incurred as a result of any judgment or order being given or made for any amount due under the notes and the judgment or order being expressed and paid in a currency other than U.S. dollars. Any amounts due under this indemnification and any additional amounts due in respect of Japanese withholding taxes as provided by the terms of the notes will be subordinated in right of payment in any such proceeding.

Pursuant to the provisions of the Companies Act, the Bankruptcy Law, the Reorganization Law or the Civil Rehabilitation Law, the holders of liabilities, both subordinated and unsubordinated, of Dai-ichi will be required to file a notice of claim in Japan upon the occurrence of a subordination event. Upon the expiration of the period for filing the notices, based on the notices filed and the records of Dai-ichi, an official list of liabilities that will be entitled to receive distribution in a bankruptcy, reorganization or civil rehabilitation proceeding will be determined pursuant to the provisions of the Bankruptcy Law, the Reorganization Law or the Civil Rehabilitation Law. To the extent that any liabilities senior to the notes are not included on the final official list in Japan or are not accorded equivalent status pursuant to any applicable law of any jurisdiction other than Japan, the liabilities will no longer rank senior to any amounts payable under the notes.

As of March 31, 2016, Dai-ichi had ¥32,576.0 billion of outstanding obligations (including insurance policies), which, upon the occurrence of a subordination event and the satisfaction of any procedural requirements, would rank senior to the obligations under the notes. The indenture and the notes do not contain any limitations on the amount of senior indebtedness or other liabilities that may be hereafter incurred or assumed, including through guarantee obligations, by Dai-ichi.

Deferral of Interest Payments; Arrears of Interest; Compulsory Interest Payments

Optional Deferral of Interest Payments

Dai-ichi may, at its sole discretion, elect to defer payment of all (and no less than all) of the interest accrued on any interest payment date, so long as such interest payment date does not constitute (i) a mandatory interest deferral date (as defined under "—Mandatory Deferral of Interest Payments") or (ii) a compulsory interest payment date (as defined under "—Compulsory Interest Payments"). Any such election to defer payment of interest accrued as of an interest payment date shall not constitute a default by Dai-ichi for any purpose. Any such accrued interest not paid on an interest payment date, so long as such interest remains unpaid, shall constitute "arrears of interest," and be subject to the provisions described under "—Arrears of Interest." In order to elect deferral of payments, Dai-ichi must provide written notice to the trustee and the holders no later than one business day prior to the record date of the relevant interest payment date.

Mandatory Deferral of Interest Payments

If a capital deficiency event (as defined below) has occurred and is continuing to occur as of a date that is five business days prior to the record date for any interest payment date, Dai-ichi shall be required to (i) defer payment of all (and no less than all) of the interest that shall have accrued as of such interest payment date and (ii) provide written notice to the trustee and the holders at least one business day prior to such record date. Any such mandatory deferral of interest accrued as of an interest payment date shall not constitute a default by Dai-ichi for any purpose. Any such accrued interest not paid on an interest payment date, so long as such interest remains unpaid, shall constitute arrears of interest and shall be subject to the provisions described under "—Arrears of Interest." Any such interest payment date subject to this mandatory deferral requirement shall constitute a "mandatory interest deferral date."

A "capital deficiency event" shall be deemed to have occurred if, as of the relevant date, (i) the capital adequacy condition (as defined below) is not met or would not be met as a result of such payment of interest on the notes or (ii) there is any prompt corrective action order (*souki-zesei-sochi*) in relation to regulatory capital requirements that has been rendered to Dai-ichi by the FSA that remains in effect.

The "capital adequacy condition" shall be met if, as of the relevant date, (i) any solvency margin ratio applicable to Dai-ichi is 200% or above under the then applicable regulatory requirements in Japan or (ii) the regulatory capital (or such other terminology employed by the applicable regulatory requirements in the future) of Dai-ichi is sufficient to cover its minimum regulatory capital requirements (or such other terminology employed by the applicable regulatory requirements in the future) and a deferral of interest is not required under the applicable regulatory requirements in Japan in the future (or an official application or interpretation of those regulations, including a decision of a court or a tribunal in Japan).

If any capital deficiency event occurs, Dai-ichi intends to take such action as may be appropriate in order to facilitate a restoration of its regulatory capital position, which may include but is not limited to the following:

I. not to propose a dividend, distribution or other payment on any class of shares at the general meeting of shareholders of Dai-ichi or to declare a dividend, distribution or other payment on any class of shares at the meeting of the board of directors of Dai-ichi or make any payment of interest (including arrears of interest) on any other liquidation parity securities; and

II. not to redeem, repurchase or otherwise acquire any preferred stock, common stock or any other liquidation parity securities of Dai-ichi.

The foregoing statement of intent does not form part of the terms and conditions of the notes.

Arrears of Interest

Arrears of interest shall accrue on a cumulative basis and shall bear no interest and, for the avoidance of doubt, any claims thereon shall rank *pari passu* with the notes.

Arrears of interest may at the option of Dai-ichi be paid in whole or in part at any time upon the expiration of not more than 15 nor less than five business days' written notice to such effect (which written notice shall specify the amount of such arrears of interest), provided that such payments (i) shall be subject to any applicable regulatory requirements or approvals, (ii) shall be conditional upon no capital deficiency event having occurred and continuing to occur and (iii) shall be conditional upon a deferral of any payment in relation to liquidation parity securities not having occurred and continuing to occur as of the time of such written notice. Notwithstanding the foregoing, even if any payment in relation to a liquidation parity security has been deferred and continues to be in deferral, Dai-ichi may make payments of all or any portion of the interest on the notes that shall have accrued as of such payment date, if Dai-ichi also makes *pro rata* payments of accrued interest and arrears of interest that shall have accrued as of such time on such liquidation parity securities, it being understood that such payment on the liquidation parity securities must be made substantially concurrently. Where arrears of interest are paid in part, each such payment shall be applied in or towards satisfaction of the full amount of the arrears of interest accrued in respect of the earliest interest period in respect of which arrears of interest have accrued and have not been paid in full.

Arrears of interest shall become due and payable in full on whichever is the earliest of (i) any compulsory interest payment date (as defined below), (ii) the date set for any redemption of the notes and (iii) the occurrence of any subordination event (but subject to subordination as set forth in "—Status of the Notes; Subordination").

Compulsory Interest Payments

All interest accrued (including any arrears of interest) as of any compulsory interest payment date shall become due and payable in full on such compulsory interest payment date, subject to compliance with applicable regulatory requirements, including the prior consent of the FSA (if then required), in which case a written notice of compulsory interest payments shall be given by Dai-ichi to the trustee not more than 15 nor less than seven days prior to such compulsory interest payment date. Any optional deferral notice provided as to any amount due and payable on any compulsory interest payment date shall have no force or effect.

An interest payment date shall constitute a "compulsory interest payment date" if, during a period of six months prior to such interest payment date, (i) a dividend on any preferred stock or common stock, or any interest (including any arrears of interest) or its equivalent on any other liquidation parity securities, of Dai-ichi or the equivalent securities of a listed holding company (as defined below) was declared, paid or distributed, except where such payment was compulsory under the terms of the relevant liquidation parity securities or except for *pro rata* payments of accrued interest and arrears of interest of the relevant liquidation parity securities as described under "—Arrears of Interest," or (ii) Dai-ichi or a listed holding company, or a subsidiary of Dai-ichi or a listed holding company, has redeemed, purchased or otherwise acquired any preferred stock, common stock or any other liquidation parity securities of Dai-ichi, or the equivalent securities of the listed holding company, as the case may be, except for a permitted purchase; provided, however, that no compulsory interest payment date shall be deemed to occur if any capital deficiency event has occurred or continued to occur during the period commencing immediately following the relevant event in (i) or (ii) above and ending on the relevant compulsory interest payment date.

"Listed holding company" means any company that, at any given time, is the ultimate parent company of Dai-ichi and whose shares of common stock (or equivalent) are publicly listed on a securities exchange. Upon consummation of the Transition, Dai-ichi Life Holdings is expected to be the "listed holding company."

"Permitted purchase" means any of the following:

(a) any redemption, purchase or other acquisition which is required under the Companies Act;

(b) any acquisition by the listed holding company of all the shares of common stock and preferred stock of Dai-ichi in connection with the creation of a holding company by way of a share exchange (*kabushiki kokan*) or share transfer (*kabushiki iten*) under the Companies Act involving no business combination with a third party;

(c) any purchase or acquisition by the listed holding company of any shares of common stock or preferred stock of Dai-ichi (including newly issued shares of Dai-ichi) from Dai-ichi;

(d) any purchase or acquisition which occurs as a result of a merger, amalgamation, consolidation or any other corporate reorganization; or

(e) any purchase or acquisition in connection with any incentive plan for employees, officers or directors, including any stock option plan and employee stock ownership plan.

Redemption

Optional Redemption

The notes may be redeemed at the option and sole discretion of Dai-ichi in whole, but not in part, subject to compliance with applicable regulatory requirements, including the prior consent of the FSA (if then required), on any interest payment date on or after July 24, 2026, and upon giving not less than 30 nor more than 60 days' notice of redemption to the trustee and the holders (which notice shall be irrevocable) at the principal amount of the notes together with interest accrued (including any arrears of interest) to the date fixed for redemption and any additional amounts thereon, provided such early redemption may be only permitted if (i) the FSA determines that Dai-ichi maintains a sufficient solvency margin ratio after giving effect to the redemption or (ii) Dai-ichi procures qualifying financing, which includes issuance of shares and subordinated debt financing, in an amount not less than the amount of the redemption.

Prior to the publication of any notice of redemption, Dai-ichi shall deliver to the trustee a certificate signed by an authorized officer stating that the conditions precedent to its right to so redeem have been fulfilled.

Optional Redemption due to an Additional Amounts Event

The notes may be redeemed at any time at the option and sole discretion of Dai-ichi in whole, but not in part, subject to compliance with applicable regulatory requirements, including the prior consent of the FSA (if then required), and upon giving not less than 30 nor more than 60 days' notice of redemption to the trustee and the holders (which notice shall be irrevocable) at the principal amount of the notes together with interest accrued (including any arrears of interest) to the date fixed for redemption and any additional amounts thereon, if Dai-ichi has been or will be obliged to pay any additional amounts as a result of any change in, or amendment to, the laws or regulations of Japan or any political subdivision or any authority thereof or therein having power to tax, or any change in application or official interpretation of such laws or regulations, which change or amendment becomes effective on or after the date of the issuance of the notes and such obligation cannot be avoided by Dai-ichi through the taking of reasonable measures available to Dai-ichi (an "additional amounts event"), provided such early redemption may be only permitted if (i) the FSA determines that Dai-ichi maintains a sufficient solvency margin ratio after giving effect to the redemption or (ii) Dai-ichi procures qualifying financing, which includes issuance of shares and subordinated debt financing, in an amount not less than the amount of the redemption.

Prior to the publication of any notice of such redemption, Dai-ichi shall deliver to the trustee (i) a certificate signed by an authorized officer stating that the conditions precedent to its right to so redeem have been fulfilled and (ii) an opinion of independent legal advisors of recognized standing confirming that an additional amounts event has occurred. The trustee shall accept such opinion as sufficient evidence of the satisfaction of the conditions precedent described above, in which event it shall be conclusive and binding on the holders.

No notice of redemption for an additional amounts event shall be given sooner than 90 days prior to the earliest date on which Dai-ichi would actually be obliged to pay such additional amounts on payment with respect of the notes.

Optional Redemption due to Special Events

The notes may be redeemed at the option and sole discretion of Dai-ichi in whole, but not in part, if a special event (as defined below) has occurred and is continuing prior to July 24, 2026, subject to compliance with applicable regulatory requirements, including the prior consent of the FSA (if then required), and upon giving not less than 30 nor more than 60 days' notice of redemption to the trustee and the holders (which notice shall be irrevocable) at a redemption price equal to the make-whole amount (as defined below), which includes interest accrued (including any arrears of interest) to the redemption date and any additional amounts thereon, provided such early redemption may be only permitted if (i) the FSA determines that Dai-ichi maintains a sufficient solvency margin ratio after giving effect to the redemption or (ii) Dai-ichi procures qualifying financing, which includes issuance of shares and subordinated debt financing, in an amount not less than the amount of the redemption.

Prior to the publication of any notice of such a redemption, Dai-ichi shall deliver to the trustee (i) a certificate signed by an authorized officer stating that the conditions precedent to its right to so redeem have been fulfilled and (ii) in the case of a tax deductibility event (as defined below), an opinion of independent tax advisors of recognized standing confirming that a tax deductibility event has occurred. The trustee shall accept such opinion as sufficient evidence of the satisfaction of the conditions precedent described above, in which event it shall be conclusive and binding on the holders.

For the purposes of the above:

"Make-whole amount" means, as calculated by the calculation agent, the higher of (i) the principal amount of the notes plus accrued interest to the redemption date including any arrears of interest and (ii) an amount equal to the sum of (a) the present value of the principal amount of the notes, assuming a repayment thereof on the interest payment date on July 24, 2026, plus the present value of the remaining interest scheduled to be paid (for the avoidance of doubt, excluding any accrued interest) through the interest payment date on July 24, 2026, in each case discounted from the relevant payment date to the redemption date on the basis of a 360-day year consisting of 12 months of 30 days each, at the applicable treasury yield plus the make-whole spread of 0.5%, plus (b) accrued interest to the redemption date including any arrears of interest. For purposes of this definition, the applicable "treasury yield" will be calculated as follows: Dai-ichi will appoint three or more primary U.S. Government securities dealers or their respective successors as reference dealers; provided, however, that if any such dealer ceases to be a primary U.S. Government securities dealer, Dai-ichi will (in consultation with the calculation agent) substitute for such dealer another primary U.S. Government securities dealer. Dai-ichi will (in consultation with the calculation agent) also appoint one of the reference dealers as the quotation agent. The quotation agent will select a United States Treasury security or securities having an actual or interpolated maturity comparable to July 24, 2026, which would be used in accordance with customary financial practice to price new issues of corporate debt securities with a maturity comparable to such date (the "Reference Treasury Security"). The reference dealers will provide the calculation agent with the bid and asked prices for the Reference Treasury Security as of 3:30 p.m. New York City time on the third business day before the redemption date. The calculation agent will calculate the average of the bid and asked prices provided by each reference dealer to obtain such reference dealer's quotation. The calculation agent will eliminate the highest and the lowest quotations and then calculate the average of the remaining quotations; provided, however, that if the calculation agent obtains fewer than four quotations, it will calculate the average of all the quotations without eliminating any of them. The average quotation is called the "comparable treasury price". The applicable treasury yield will be determined by the quotation agent and will be the semi-annual equivalent yield to maturity of a security whose price is equal to the comparable treasury price, in each case expressed as a percentage of its principal amount.

"Special event" means any one of the following events:

(a) a regulatory event, defined as any amendment or change to the Insurance Business Act or related regulations, or any official administrative pronouncement or judicial decision interpreting or applying such laws or regulations, that is publicly announced after the date of the issuance of the notes and that results or will result in the notes no longer qualifying in full or in part as "specified subordinated debt" (*tokutei fusaisei shihon*) under the Insurance Business Act and related regulations or as a similar class of capital under any similar applicable regulatory requirement in the future, and such disqualification cannot be avoided by Dai-ichi through the taking of reasonable measures available to Dai-ichi,

(b) a tax deductibility event, defined as the occurrence of a more than insubstantial increase in the risk that interest payable by Dai-ichi on the notes is not or will not be deductible by Dai-ichi, in whole or in part, for Japanese (or, in the case of a successor person, such other jurisdiction of the successor person, as applicable) tax purposes, as a result of (i) any change (including any officially announced proposed changes) in, or amendment to, the laws or regulations (or rulings promulgated thereunder) of Japan (or, in the case of a successor person, such other jurisdiction of the successor person, as applicable) or any political subdivision or any authority thereof or therein having power to tax, that becomes effective on or after the date of the issuance of the notes (or, in the case of a successor, following the date of succession), or (ii) any administrative decision, judicial decision, administrative action or any other official pronouncement interpreting or applying those laws, regulations or rulings that is announced on or after the date of the issuance of the notes (or, in the case of a successor, following the date of succession), and, in each case, such non-deductibility cannot be avoided by Dai-ichi through the taking of reasonable measures available to Dai-ichi, or

(c) a rating agency event, defined as (i) the occurrence of an amendment, clarification or change in the equity credit criteria, guidelines or methodology of S&P Global Ratings, Moody's Investors Service or Fitch Ratings (including any of their respective successors to the ratings business) and (ii) the public announcement or notification to Dai-ichi by the relevant ratings agency that such amendment, clarification or change (x) results or will result in a lower equity credit for the notes than the equity credit assigned by such rating agency on the original issuance date of the notes or results or will result in no equity credit for the notes or (y) results or will result in the shortening of the length of time the notes are assigned a particular level of equity credit by such rating agency as compared to the length of time the notes would have been assigned that level of equity credit by such rating agency on the original issuance date of the notes.

No notice of redemption shall be given sooner than, in the case of a tax deductibility event, 90 days prior to the earliest date on which such non-deductibility would actually apply to Dai-ichi's interest payments on the notes, in the case of a regulatory event, 90 days prior to the earliest date on which such disqualification would actually become effective with respect to the notes, or, in the case of a rating agency event, 90 days prior to the earliest date on which such amendment, clarification or change would actually apply with respect to the notes.

Purchases

Dai-ichi may, at any time, subject to compliance with applicable regulatory requirements, including the prior consent of the FSA (if then required), purchase the notes for cancellation in the open market or otherwise at any price, provided that such purchase may be only permitted if (i) the FSA determines that Dai-ichi maintains a sufficient solvency margin ratio after giving effect to the purchase or (ii) Dai-ichi procures qualifying financing, which includes issuance of shares and subordinated debt financing, in an amount not less than the amount of the purchase.

Merger, Consolidation, Sale or Disposition

The indenture provides that Dai-ichi may not merge or consolidate into any other corporation, entity or person (Dai-ichi not being the continuing entity), or sell, lease or dispose of its properties and assets substantially as an entirety (including by way of a corporate split (*kaisha bunkatsu*)), whether as a single transaction or a number of transactions, related or not, to any other corporation, entity or person unless:

- the corporation, entity or person assumes or succeeds the obligations of Dai-ichi under the notes and the indenture (and, if such corporation, entity or person is organized in a jurisdiction other than Japan, agrees to pay any additional amounts in respect of any taxes, duties, assessments or governmental charges of whatever nature imposed or levied by or on behalf of the jurisdiction of such corporation, entity or person, or any authority therein or thereof having power to tax, corresponding to the obligation to pay additional amounts as described under "—Taxation and Additional Amounts" substituting such jurisdiction for references to "Japan"), and
- after giving effect thereto, no event of acceleration with respect to the notes shall have occurred and be continuing.

In addition, the indenture provides that if the Transition is consummated while any notes are outstanding, Dai-ichi and the Successor will execute a supplemental indenture to the indenture governing the notes with the trustee, pursuant to which the obligations of Dai-ichi under the notes will be assumed by the Successor. Pursuant to the Transition, the Successor will succeed to substantially all of the assets and liabilities relating to the domestic life insurance business conducted by Dai-ichi Life, which does not include Dai-ichi Frontier Life and Neo First Life. Upon the execution of such supplemental indenture, Dai-ichi Life Holdings, as the new holding company following the Transition, will be released from its obligations under the indenture governing the notes. Dai-ichi will not seek consent or waiver from the holders of the notes in connection with the Transition.

Taxation and Additional Amounts

All payments of principal and interest in respect of the notes shall be made without withholding or deduction for or on account of any present or future taxes, duties, assessments or governmental charges of whatever nature imposed or levied by or on behalf of Japan, or any authority thereof or therein having power to tax, unless such withholding or deduction is required by law or by the authority. In such event, Dai-ichi shall pay such additional amounts as will result in the receipt by the holders of such amounts as would have been received by them had no such withholding or deduction been required, except that no such additional amounts shall be payable with respect to any notes under any of the following circumstances:

(i) the holder or beneficial owner of the notes is an individual non-resident of Japan or a non-Japanese corporation and is liable for such taxes in respect of such notes by reason of its (A) having some present or former connection with Japan other than the mere holding of such notes or (B) being a specially-related person of Dai-ichi as described in Article 6, Paragraph (4) of the Special Taxation Measures Act;

(ii) the holder or beneficial owner of the notes would otherwise be exempt from any such withholding or deduction but fails to comply with any applicable requirement to provide interest recipient information (as defined below) or to submit a written application for tax exemption (as defined below) to the relevant paying agent to whom the relevant notes are presented (where presentation is required), or whose interest recipient information is not duly communicated through the relevant participant (as defined below) and the relevant international clearing organization to such paying agent;

(iii) the holder or beneficial owner of the notes is for Japanese tax purposes treated as an individual resident of Japan or a Japanese corporation (except for (A) a designated financial institution (as defined below) that complies with the requirement to provide interest recipient information or to submit a written application for tax exemption and (B) an individual resident of Japan or a Japanese corporation that duly notifies (directly, through the participant or otherwise) the relevant paying agent of its status as not being subject to taxes to be withheld or deducted by Dai-ichi by reason of receipt by such individual resident of Japan or Japanese corporation of interest on such notes through a payment handling agent in Japan appointed by Dai-ichi);

(iv) the note is presented for payment (where presentation is required) more than 30 days after the day on which such payment on the notes became due or after the full payment was provided for, whichever occurs later, except to the extent the holder thereof would have been entitled to additional amounts on presenting the same for payment on the last day of such period of 30 days;

(v) the withholding or deduction is imposed pursuant to European Union Council Directive 2003/48/EC or any other directive implementing the conclusions of the ECOFIN Council meeting of November 26-27, 2000 regarding the taxation of savings income or any law implementing or complying with, or introduced in order to comply with, such directive or directives;

(vi) the withholding or deduction is imposed on a holder or beneficial owner that could have avoided such withholding or deduction by presenting its notes (where presentation is required) to another paying agent in the EEA;

(vii) the holder is a fiduciary or partnership or is not the sole beneficial owner of the payment of the principal of, or any interest on, any note, and Japanese law requires the payment to be included for tax purposes in the income of a beneficiary or settlor with respect to such fiduciary or a member of such partnership or a beneficial owner, in each case, who would not have been entitled to such additional amounts had it been the beneficial owner of such note; or

(viii) any combination of (i) through (vii) above.

For the avoidance of doubt, none of Dai-ichi, the trustee, any paying agent or any other person shall be required to pay any additional amounts with respect to any withholding or deduction imposed on or in respect of any note pursuant to Sections 1471 to 1474 of the Code, commonly referred to as FATCA, any treaty, law, regulation or other official guidance implementing FATCA, or any agreement between Dai-ichi, the trustee, a paying agent or any other person and the United States, any other jurisdiction, or any authority of any of the foregoing implementing FATCA.

Where the notes are held through a participant of an international clearing organization or a financial intermediary (referred to in this section as a “participant”), in order to receive payments free of withholding or deduction by Dai-ichi for or on account of any present or future taxes, duties, assessments or governmental charges of whatever nature imposed or levied by or on behalf of Japan, or any authority thereof or therein having power to tax, if the relevant beneficial owner is (a) an individual non-resident of Japan or a non-Japanese corporation (other than a specially-related person of Dai-ichi) or (b) a Japanese financial institution (referred to in this section as a “designated financial institution”) falling under certain categories prescribed by the Special Taxation Measures Act, all in accordance with the Special Taxation Measures Act, such beneficial owner shall, at the time of entrusting a participant with the custody of the relevant notes, provide certain information prescribed by the Special Taxation Measures Act (referred to in this section as “interest recipient information”) to enable the participant to establish that such beneficial owner is exempted from the requirement for taxes to be withheld or deducted, and advise the participant if the beneficial owner ceases to be so exempted (including the case where a beneficial owner that is an individual non-resident of Japan or a non-Japanese corporation becomes a specially-related person of Dai-ichi).

Where notes are not held by a participant, in order to receive payments free of withholding or deduction by Dai-ichi for or on account of any present or future taxes, duties, assessments or governmental charges of whatever nature imposed or levied by or on behalf of Japan, or any authority thereof or therein having power to tax, if the relevant beneficial owner is (a) an individual non-resident of Japan or a non-Japanese corporation (other than a specially-related person of Dai-ichi) or (b) a designated financial institution, all in accordance with the Special Taxation Measures Act, such beneficial owner shall, prior to each time at which it receives interest, submit to the relevant paying agent a written application for tax exemption (*hikazei tekiyo shinkokusho*) (referred to in this section as a “written application for tax exemption”) in a form obtainable from the paying agent stating, inter alia, the name and address of the beneficial owner, the title of the notes, the relevant interest payment date, the amount of interest and the fact that the beneficial owner is qualified to submit the written application for tax exemption, together with documentary evidence regarding its identity and residence.

By subscribing to the notes, an investor will be deemed to have represented that it is a “Gross Recipient” for Japanese tax purposes. For more details regarding Japanese withholding tax, see “Taxation—Japanese Taxation.”

Dai-ichi shall make any required withholding or deduction and remit the full amount withheld or deducted to the Japanese taxing authority in accordance with applicable law. Dai-ichi shall use reasonable efforts to obtain certified copies of tax receipts evidencing the payment of any tax, duty, assessment, fee or other governmental charge so withheld or deducted from the Japanese taxing authority imposing such tax, duty, assessment, fee or other governmental charge, and if certified copies are not available, Dai-ichi shall use reasonable efforts to obtain other evidence satisfactory to the paying agent, and the paying agent shall make such certified copies or other evidence available to the holders of the notes upon reasonable request to the paying agent and subject to verification of the identity of such holders by the paying agent.

The obligation to pay additional amounts with respect to any taxes, duties, assessments and other governmental charges shall not apply to any estate, inheritance, gift, sales, transfer, personal property or any similar tax, duty, assessment, fee or other governmental charge or any tax, duty, assessment, fee or other governmental charge which is payable otherwise than by withholding or deduction from payments of principal or interest on the notes; provided that, except as otherwise set forth in the notes and in the indenture, Dai-ichi will pay all stamp, court or documentary taxes or any excise or property taxes, charges or similar levies and other duties, if any, which may be imposed by Japan, the United States or any political subdivision or any taxing authority thereof or therein, with respect to the indenture or as a consequence of the initial issuance, execution, delivery or registration of the notes.

References to principal or interest in respect of the notes shall be deemed to include any additional amounts due which may be payable as set forth in the notes and the indenture.

Events of Acceleration; Limited Rights of Acceleration

An “event of acceleration” with respect to the notes means the occurrence of a subordination event.

In case an event of acceleration set forth above shall occur and be continuing, then the trustee may, or if so requested by the holders of not less than 25% in aggregate principal amount of the notes then outstanding and subject to the trustee being secured and/or indemnified to its satisfaction, shall, by written notice to Dai-ichi declare the principal of and all interest then accrued on the notes to be forthwith due and payable upon receipt of such notice by Dai-ichi. Immediately upon delivery of such notice, the notes shall become immediately due and payable, subject to the subordination provisions described herein.

If (i) a liquidation proceeding with respect to Dai-ichi shall be rescinded or terminated without distribution of assets pursuant to the Companies Act, (ii) a court of competent jurisdiction shall rescind or terminate a bankruptcy action with respect to Dai-ichi without a distribution of assets pursuant to the Bankruptcy Law, (iii) a court of competent jurisdiction shall rescind or terminate a reorganization proceeding with respect to Dai-ichi whether having approved or without approving the reorganization plan pursuant to the Reorganization Law, (iv) a court of competent jurisdiction shall rescind or terminate a civil rehabilitation proceeding with respect to Dai-ichi whether having approved or without approving the rehabilitation plan pursuant to the Civil Rehabilitation Law, (v) a court of competent jurisdiction shall rescind or terminate any proceedings giving rise to an event of acceleration due to the occurrence of subordination event (e) described under the definition of "subordination event" in "—Status of the Notes; Subordination", such rescission, termination or other event having an equivalent effect to that set forth in the foregoing clause (i), (ii), (iii) or (iv), as applicable, or (vi) if an event of acceleration with respect to the notes shall otherwise be rescinded or terminated, then the event of acceleration shall have the same effect as if it had not occurred.

Neither the trustee nor any holder of the notes shall have any rights to accelerate the repayment of the notes upon a default in the payment of principal of or interest on the notes, upon the non-performance of any covenant of Dai-ichi in relation to the notes or upon the happening of any other event in relation to the notes other than a subordination event.

Further Issues

Dai-ichi may from time to time, without the consent of the holders of the notes, create and issue further notes having the same terms and conditions as the notes in all respects except for the issue date, issue price and first interest payment date. Additional notes issued in this manner may be consolidated with and form a single series with the previously outstanding notes. If any additional notes are not fungible with the notes offered hereby for U.S. federal income tax purposes, such additional notes will not have the same CUSIP number as the notes offered hereby.

Indemnification of Judgment Currency

Dai-ichi will indemnify each holder of a note and the trustee to the full extent permitted by applicable law against any loss incurred by the holder as a result of any judgment or order being given or made for any amount due under the note and the judgment or order being expressed and paid in a currency, referred to as judgment currency, other than U.S. dollars and as a result of any variation as between (a) the rate of exchange at which the U.S. dollar is converted into the judgment currency for the purpose of the judgment or order and (b) the spot rate of exchange in The City of New York at which the holder or the trustee, as applicable, on the date that payment is made pursuant to the judgment or order is able to purchase U.S. dollars with the amount of the judgment currency actually received by the holder or the trustee, as applicable.

Modification and Waiver

Subject to the sixth paragraph under "—Status of the Notes; Subordination," modification and amendment of the notes and the indenture may be made by Dai-ichi and the trustee with the written consent of the holders of at least 66% in aggregate principal amount of the outstanding notes; provided, however, that no such modification or amendment may, without the consent of the holder of each outstanding note affected thereby:

(i) change the maturity date of the principal or payment date of any interest or change any obligation of Dai-ichi to pay any additional amounts,

(ii) reduce the principal amount of, or rate of interest on, any note,

(iii) affect the rights of holders of less than all the outstanding notes,

(iv) change the place of payment where, or the coin or currency in which, any note or interest thereon is payable, or

(v) impair the right of a holder to institute suit for the enforcement of any payment on or with respect to any note on or after the date when due;

provided, further, that no such modification may, without the consent of the holders of all notes outstanding at the time, alter the respective percentages of outstanding notes necessary, pursuant to the indenture, to modify the terms of the notes, waive past defaults or accelerate the payment of the principal amount of the notes.

It shall not be necessary for any act of holders under the relevant section of the indenture to approve the particular form of any proposed supplemental indenture, but it shall be sufficient if such act shall approve the substance thereof.

Notwithstanding the foregoing, without the consent of any holders of the notes, Dai-ichi and the trustee, at any time and from time to time, may enter into one or more indentures supplemental to the indenture, in form satisfactory to the trustee, for any of the following purposes:

(i) to evidence the succession of another corporation, entity or person to Dai-ichi and the assumption by any such successor of the covenants of Dai-ichi in the indenture and the notes,

(ii) to add to the covenants of Dai-ichi or to surrender any right or power in the indenture conferred upon Dai-ichi for the benefit of the holders of the notes,

(iii) to evidence and provide for the acceptance of appointment under the indenture by a successor trustee,

(iv) to cure any ambiguity, to correct or supplement any provision in the indenture which may be defective or inconsistent with any other provision in the indenture, or to make any other provisions with respect to matters or questions arising under the indenture, *provided* that such action shall not adversely affect the interests of the holders of the notes in any material respect, or

(v) to make any other change that does not adversely affect the interests of the holders of the notes in any material respect.

Paying Agent

The paying agent shall initially be The Bank of New York Mellon. A paying agent shall be permitted to resign as paying agent upon 30 days' written notice to Dai-ichi. In the event that the paying agent shall no longer be a paying agent, Dai-ichi shall appoint a bank or trust company with an office in The City of New York acceptable to Dai-ichi to act as the successor paying agent.

Paying Agent in Singapore

For so long as the notes are listed on the Singapore Exchange and the rules of the Singapore Exchange so require, in the event that a global note is exchanged for definitive notes, we will appoint and maintain a paying agent in Singapore, where the notes may be presented or surrendered for payment or redemption. In addition, in the event that a global note is exchanged for definitive notes, an announcement of such exchange shall be made by or on our behalf through the Singapore Exchange and such announcement will include all material information with respect to the delivery of the definitive notes, including details of the paying agent in Singapore.

The Trustee

The trustee, The Bank of New York Mellon, is organized under the laws of the State of New York, with offices located at 101 Barclay Street, New York, NY 10286. The indenture provides that during the existence of an event of acceleration with respect to the notes, the trustee will exercise the rights and powers vested in it by the indenture, and use the same degree of care and skill in the exercise thereof as a prudent person would exercise or use under the circumstances in the conduct of his or her own affairs. In the absence of an event of acceleration with respect to the notes, the trustee need only perform the duties specifically set forth in the indenture.

The indenture does not contain limitations on the rights of the trustee under the indenture, should it be or become a creditor of Dai-ichi, to obtain payment of claims. The trustee is not precluded from engaging in other transactions and if it has or acquires any conflicting interest, as defined in Section 310(b) of the U.S. Trust Indenture Act of 1939, as amended, it is not required to eliminate the conflict or resign.

The trustee will be under no obligation to exercise any rights or powers vested in it by the indenture at the request or direction of any holder, unless such holders have offered to the trustee security and/or indemnity satisfactory to it against the costs, expenses (including the properly incurred fees and expenses of its counsel) and liabilities which might be incurred by it in compliance with such request or direction.

Successor Trustee

Any successor trustee appointed pursuant to the terms of the indenture shall have a combined capital and surplus of not less than $50,000,000 and shall be a bank or trust company organized and doing business under the laws of the United States or of the State of New York, in good standing and having an office in the Borough of Manhattan, The City of New York.

Repayment of Funds

Any money deposited by Dai-ichi with the trustee or a paying agent in trust for payment of principal of or interest and any additional amounts on any note which remains unclaimed for two years after such principal, interest or additional amounts have become due and payable and paid to the trustee shall, upon Dai-ichi's request, be repaid to Dai-ichi and all liability of the trustee or such paying agent with respect to such payments will cease and, to the extent permitted by law, the holder of that note shall thereafter look only to Dai-ichi for payment thereof as a general unsecured creditor.

Governing Law; Consent to Jurisdiction and Service of Process; Communications

The indenture and the notes will be governed by, and construed in accordance with, the laws of the State of New York.

Dai-ichi has irrevocably submitted to the non-exclusive jurisdiction of the courts of any New York State or United States Federal court sitting in the Borough of Manhattan, The City of New York with respect to any action that may be brought in connection with the indenture or the notes. As long as any of the notes remain outstanding, Dai-ichi will at all times have an authorized agent upon whom process may be served in any action arising out of or relating to the indenture or the notes. Dai-ichi has appointed DLI NORTH AMERICA INC. as its agent for such purpose.

The indenture provides that if any holder of a note applies in writing to the trustee for information for the purpose of communicating with other holders of the notes, the trustee must, upon satisfaction of certain conditions by such applicant, either afford such applicant access to such information or mail copies of the communication prepared by such applicant to the registered holders of the notes, at the expense of such applicant.

Limitation on Suits

Other than the right to institute a suit for the enforcement of the payment of principal of, or interest on (including, in each case, any additional amounts, if applicable), any notes after the applicable due date specified in the notes, no holder of any note shall have any right to institute any proceeding with respect to the indenture, or for the appointment of a receiver or trustee, or for any other remedy thereunder, unless (a) such holder has previously given written notice to the trustee of either (i) a continuing event of acceleration, (ii) default by Dai-ichi with respect to the covenant described under "—Merger, Consolidation, Sale or Disposition," or (iii) default made in the performance by Dai-ichi of any other obligation under the indenture or the notes which continues for 60 days after notice of such default is given to Dai-ichi by the trustee or the holders of not less than 10% in principal amount of the notes; (b) the holders of not less than 25% in aggregate principal amount of the notes shall have made written request to the trustee to institute proceedings in respect of such event or default in its own name as trustee; (c) such holder or holders have offered to the trustee indemnity and/or security against the costs, expenses and liabilities to be incurred in compliance with such request; (d) the trustee for 60 days after its receipt of such notice, request and offer of indemnity and/or security has failed to institute any such proceeding; and (e) no direction inconsistent with such written request has been given to the trustee during such 60-day period by the holders of a majority in aggregate principal amount of the notes.

No one or more of such holders shall have any right in any manner whatsoever by virtue of, or by availing of, any provision of the indenture to affect, disturb or prejudice the rights of any other of such holders, or to obtain or to seek to obtain priority or preference over any other of such holders or to enforce any right under the indenture, except in the manner therein provided and for the equal and ratable benefit of all of such holders.

Undertaking for Costs

In any suit for the enforcement of any right or remedy under the indenture, or in any suit against the trustee for any action taken, suffered or omitted by it as trustee, a court may require any party litigant in such suit to file an undertaking to pay the costs of such suit, and may assess reasonable costs, including reasonable attorneys' fees, against any such party litigant; provided that this paragraph shall not be deemed to authorize any court to require such an undertaking or to make such an assessment in any suit instituted by Dai-ichi, the trustee or any holder or group of holders holding in aggregate more than 10% in aggregate principal amount of the outstanding notes, or to any suit instituted by any holder for the enforcement of the payment of the principal of or interest on any outstanding note on or after the due date expressed in such note.

Book-Entry; Delivery and Form

DTC, Euroclear and Clearstream

The notes will initially be issued to investors only in book-entry form. The notes sold in reliance on Regulation S under the Securities Act will be initially in the form of one or more fully-registered global notes, or the Regulation S global notes, and the notes sold in reliance on Rule 144A under the Securities Act will initially be in the form of one or more fully-registered global notes, or the Rule l44A global notes. The global notes will be issued and registered in the name of Cede & Co., acting as nominee for DTC which will act as securities depositary for the notes. The global notes will initially be deposited with The Bank of New York Mellon, acting as custodian for DTC.

The notes (including beneficial interests in the global notes) will be subject to certain restrictions on transfer set forth in the notes and the indenture and will bear a legend regarding the restrictions as set forth under "Transfer Restrictions." Under certain circumstances, transfers may be made only upon receipt by the trustee of a written certification (in the form provided in the indenture).

Prior to the 40th day after the later of the commencement of the offering and the closing date, a beneficial interest in a Regulation S global note may be transferred to a person who takes delivery in the form of an interest in a Rule 144A global note upon receipt by the trustee of a written certification (in the form provided in the indenture) from the transferor to the effect that the transferor (i) reasonably believes that the transferee is a QIB purchasing for its own account (or for the account of one or more QIBs over which account it exercises sole investment discretion) and (ii) has notified the transferee of the restrictions on transfer set forth under "Transfer Restrictions."

Beneficial interests in a Rule 144A global note may be transferred to a person who takes delivery in the form of an interest in a Rule 144A global note without any written certification from the transferor or the transferee. Beneficial interests in a Rule 144A global note may be transferred to a person who takes delivery in the form of an interest in a Regulation S global note only upon receipt by the trustee of a written certification (in the form provided in the indenture) from the transferor to the effect that such transfer is being made in compliance the restrictions on transfer set forth under "Transfer Restrictions" and pursuant to and in accordance with Rule 903 or 904 of Regulation S under the Securities Act.

Any beneficial interest in one of the global notes that is transferred to an entity that takes delivery in the form of an interest in another global note will, upon transfer, cease to be an interest in such global note and become an interest in the other global note and, accordingly, will thereafter be subject to all transfer restrictions, if any, and other procedures applicable to beneficial interest in such other global note for as long as it remains such an interest.

Persons that acquire beneficial ownership interests in the global notes will hold their interests through DTC in the United States or through Euroclear or Clearstream in Europe, if they are participants of those systems, or indirectly through organizations that are participants in those systems. Euroclear and Clearstream will hold omnibus positions on behalf of their participants through customers' securities accounts in Euroclear's and Clearstream's names on the books of their respective depositories, which in turn will hold those positions in customers' securities accounts in the depositories' names on the books of DTC. Unless and until certificated securities are issued, the only holder of the notes will be Cede & Co., as nominee of DTC, or the nominee of a successor depositary. Beneficial owners will be permitted to exercise their rights only indirectly through DTC, Euroclear, Clearstream and their participants.

DTC is a limited-purpose trust company organized under the New York Banking Law, a banking organization within the meaning of the New York Banking Law, a member of the Federal Reserve System, a clearing corporation within the meaning of the New York Uniform Commercial Code, and a clearing agency registered pursuant to the provisions of Section 17A of the Exchange Act. DTC holds securities that its participants deposit with it. DTC also facilitates the settlement among its participants of securities transactions, such as transfers and pledges, in deposited securities through electronic computerized book-entry changes in its participants' accounts, eliminating the need for physical movement of securities certificates. Participants in DTC include Euroclear and Clearstream, securities brokers and dealers, banks, trust companies, clearing corporations and certain other organizations. DTC is owned by a number of its participants and by the New York Stock Exchange, the American Stock Exchange and the National Association of Securities Dealers. Access to the DTC system is also available to others, such as securities brokers and dealers, banks, trust companies and clearing corporations that clear through or maintain a custodial relationship with a DTC participant, either directly or indirectly. The rules applicable to DTC and its participants are on file with the SEC.

Euroclear was created in 1968 to hold securities for its participants and to clear and settle transactions among its participants through simultaneous electronic book-entry delivery against payment, thereby eliminating the need for physical movement of certificates and any risk from lack of simultaneous transfers of securities and cash. Euroclear provides various other services, including securities lending and borrowing, and interfaces with domestic markets in several countries. The Euroclear system is operated by Euroclear Bank S.A./N.V., a bank incorporated under the laws of the Kingdom of Belgium as the "Euroclear operator." All operations are conducted by the Euroclear operator, and all Euroclear securities clearance accounts and Euroclear cash accounts are accounts with the Euroclear operator. Euroclear participants include banks (including central banks), securities brokers and dealers and other professional financial intermediaries and may include the initial purchasers or their affiliates. Indirect access to Euroclear is also available to other firms that clear through or maintain a custodial relationship with a Euroclear participant, either directly or indirectly.

Securities clearance accounts and cash accounts with the Euroclear operator are governed by the Terms and Conditions Governing Use of Euroclear and the related operating procedures of the Euroclear system and applicable Belgian law. The Euroclear terms and conditions govern transfers of securities and cash within Euroclear, withdrawals of securities and cash from Euroclear, and receipts of payments with respect to securities in Euroclear. All securities in Euroclear are held on a fungible basis without attribution of specific certificates to specific securities clearance accounts. The Euroclear operator acts under the Euroclear terms and conditions only on behalf of Euroclear participants, and has no record of or relationship with persons holding through Euroclear participants.

Clearstream is incorporated under the laws of Luxembourg as a professional depositary. Clearstream holds securities for its participating organizations and facilitates the clearance and settlement of securities transactions between its participants through electronic book-entry changes in accounts of its participants, eliminating the need for physical movement of certificates. Clearstream provides to its participants, among other things, services for safekeeping, administration, clearance and settlement of internationally traded securities and securities lending and borrowing. Clearstream interfaces with domestic markets in several countries. As a professional depositary, Clearstream is subject to regulation by the Luxembourg Monetary Institute. Clearstream participants are recognized financial institutions around the world, including underwriters, securities brokers and dealers, banks, trust companies, clearing corporations and certain other organizations and may include the initial purchasers or their affiliates. Indirect access to Clearstream is also available to others, such as banks, brokers, dealers and trust companies that clear through or maintain a custodial relationship with a Clearstream participant, either directly or indirectly.

Purchases of notes within the DTC system must be made by or through DTC participants, which will receive a credit for the notes on DTC's records and on the records of Euroclear or Clearstream, if applicable. The ownership interest of each actual purchaser of notes, a beneficial owner of an interest in a global note, is in turn to be recorded on the DTC participants' and indirect participants' records. Beneficial owners of interests in a global note will not receive written confirmation from DTC of their purchases, but they are expected to receive written confirmations providing details of the transactions, as well as periodic statements of their holdings, from the DTC participants or indirect participants through which they purchased the notes. Transfers of ownership interests in the notes are to be accomplished by entries made on the books of the DTC participants and indirect participants acting on behalf of beneficial owners of interests in a global note. Beneficial owners of interests in a global note will not receive certificates representing their ownership interests in the notes unless use of the book-entry system for the notes is discontinued.

Limitations on Responsibilities

DTC, Euroclear and Clearstream have no knowledge of the actual beneficial owners of interests in a global note. DTC's records reflect only the identity of the DTC participants to whose accounts those notes are credited, which may or may not be the beneficial owners of interests in a global note. Similarly, the records of Euroclear and Clearstream reflect only the identity of the Euroclear or Clearstream participants to whose accounts those notes are credited, which also may or may not be the beneficial owners of interests in a global note. DTC, Euroclear and Clearstream participants and indirect participants will remain responsible for keeping account of their holdings on behalf of their customers.

DTC's Procedures for Notices, Voting and Payments

So long as DTC, or its nominee, is the registered owner or holder of a global note, DTC or that nominee, as the case may be, will be considered the sole owner or holder of the notes represented by the global note for all purposes under the notes and the indenture. No beneficial owner of an interest in a global note will be able to transfer that interest except in accordance with DTC's applicable procedures, in addition to those provided for under the indenture.

DTC has advised Dai-ichi that it will take any action permitted to be taken by a holder of notes, including the presentation of notes for exchange as described below, only at the direction of one or more of its participants to whose account DTC's interests in the global notes are credited and only in respect of that portion of the aggregate, principal amount of notes as to which that participant or participants has or have given the direction.

Conveyance of notices and other communications by DTC to its participants, by those participants to its indirect participants, and by participants and indirect participants to beneficial owners of interests in a global note will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

The trustee will make payments of principal of and interest on the notes and send any notices in respect of the notes held in book-entry form to Cede & Co.

Payment of principal of and interest on the notes held in book-entry form will be made to Cede & Co. or another nominee of DTC in immediately available funds. DTC's practice is to credit its participants, accounts on the relevant payment date in accordance with their respective holdings shown on DTC's records unless DTC has reason to believe that it will not receive payments on that payment date. Payments by DTC's participants and indirect participants to beneficial owners of interests in a global note will be governed by standing instructions and customary practices, and will be the responsibility of those participants and indirect participants and not of DTC or Dai-ichi, subject to any statutory or regulatory requirements that may be in effect from time to time. Payment of principal of and interest on the notes or other amounts to DTC is the responsibility of Dai-ichi, disbursement of these payments to participants is the responsibility of DTC, and disbursement of those payments to the beneficial owner of an interest in a global note is the responsibility of participants and indirect participants.

The principal amount of the notes in definitive form will be payable by check, drawn on a bank in The City of New York, upon presentation and surrender of the notes at Dai-ichi or at the principal office of the trustee in The City of New York or at such other place or places in the Borough of Manhattan, The City of New York as the trustee shall designate by notice to the holders of the notes. Interest on the notes will be payable by check, drawn on a bank in The City of New York, mailed to the persons in whose names the notes, or one or more predecessor notes, are registered on each record date. Notwithstanding the foregoing, the person in whose name a note is registered may elect to receive payments of principal or interest by wire transfer in immediately available funds to a bank account in The City of New York designated by such person in a written notice received by the trustee (a) in the case of a payment of interest, prior to the record date immediately preceding the interest payment date on which such payment is due and (b) in the case of payment of principal on the redemption date, prior to the record date immediately preceding the redemption date, provided that in the case of such payment of principal, the note shall have been surrendered to the trustee for payment together with such notice.

Except as described in this offering circular, a beneficial owner of an interest in a global note will not be entitled to receive physical delivery of notes. Accordingly, each beneficial owner of an interest in a global note must rely on the procedures of DTC to exercise any rights under the notes.

Although DTC, Euroclear and Clearstream have agreed to the foregoing procedures in order to facilitate transfers of interests in the global notes among participants, none of them is under any obligation to perform or continue to perform those procedures, and those procedures may be discontinued at any time. Dai-ichi will not have any responsibility for the performance by DTC, Euroclear, Clearstream or their participants or indirect participants under the rules and procedures governing them. DTC, Euroclear and Clearstream may discontinue providing their services as securities depositary with respect to the notes at any time by giving notice to Dai-ichi. Under those circumstances, definitive notes would be delivered as described below.

The information in this section concerning DTC, Euroclear and Clearstream and DTC's book-entry system has been obtained from sources that Dai-ichi believes to be reliable, but Dai-ichi takes no responsibility for the accuracy thereof.

Exchange of Global Notes for Definitive Notes

If (i) DTC is at any time unwilling or unable to continue as a depositary for the global notes and a successor depositary is not appointed by Dai-ichi within 90 days or (ii) there shall have occurred and be continuing an event of acceleration (as described below) with respect to the notes, definitive notes will be issued in exchange for the global notes. Definitive notes delivered in exchange for beneficial interests in any global note will be registered in the names, and issued in denominations of $200,000 or integral multiples of $1,000 in excess thereof, requested by or on behalf of DTC or the successor depositary, in accordance with its customary procedures, and will be issued without coupons.

Trustee's Powers

In considering the interests of the holders of the notes while title to the notes is registered in the name of a nominee of DTC, the trustee may rely upon any information made available to it by DTC as to the identity (either individually or by category) of its participants with entitlements to notes and may consider such interests as if such accountholders were the holders of the notes. See "—The Trustee."

Enforcement

For the purposes of enforcement of the provisions of the indenture by the trustee, the persons named in a certificate of the holder of the global note in respect of which a global certificate is issued shall be recognized as the beneficiaries of the indenture, to the extent of the principal amounts of their interests in the notes set out in the certificate of the holder, as if they were themselves the holders of the notes in such principal amounts.

Registration, Transfer and Exchange

The registrar will maintain at its principal office in The City of New York, currently located at 101 Barclay Street, New York, NY 10286, a notes register with respect to the notes. The name of the registered holder of each note will be recorded in the notes register. Dai-ichi and the trustee may treat the person in whose name any note is registered as the absolute owner of the note for all purposes and none of them shall be affected by any notice to the contrary.

At the option of the holder of a note, subject to the restrictions contained in the note and in the indenture, the note may be transferred or exchanged for a like aggregate principal amount of notes of different authorized denominations, upon surrender for exchange or registration of transfer, at the trustee's notice. Any note surrendered for exchange or presented for registration of transfer shall be duly endorsed, or be accompanied by a written instrument of transfer in form satisfactory to Dai-ichi and the transfer agent duly executed, by the holder thereof or his attorney duly authorized in writing (with the signatures guaranteed in satisfactory form). Notes issued upon exchange or transfer shall be registered in the name of the holder requesting the exchange or, as the case may be, the designated transferee or transferees and delivered at the transfer agent's office, or mailed, at the request, risk and expense of, and to the address requested by, the designated transferee or transferees.

No service charge, other than any cost of delivery, shall be imposed for any transfer or exchange of notes, but Dai-ichi may require payment of a sum sufficient to cover any tax or other governmental charge that may be imposed in connection with any transfer or exchange of notes.

Summary of Basic Terms of Existing Liquidation Parity Securities

On March 15, 2011, we issued an aggregate principal amount of $1,300,000,000 of 7.25% step-up callable perpetual subordinated notes, or the 2011 subordinated notes.

On October 28, 2014, we issued an aggregate principal amount of $1,000,000,000 of 5.10% step-up callable perpetual subordinated notes, or the 2014 subordinated notes.

The 2011 subordinated notes and the 2014 subordinated notes are the only liquidation parity securities outstanding as of the date hereof. The basic terms of the 2011 subordinated notes and the 2014 subordinated notes are described below.

Upon consummation of the Transition, Dai-ichi and the Successor will execute a supplemental indenture to each of the respective indentures governing the 2011 subordinated notes and the 2014 subordinated notes with the trustee, pursuant to which the obligations of Dai-ichi under the 2011 subordinated notes and the 2014 subordinated notes, respectively, will be assumed by the Successor. Upon the execution of such supplemental indentures, Dai-ichi Life Holdings, as the new holding company following the Transition, will be released from its obligations under the indentures governing the 2011 subordinated notes and the 2014 subordinated notes.

2011 Subordinated Notes

Interest Rate

The 2011 subordinated notes bear, and until, but excluding, July 25, 2021, will continue to bear, interest at 7.25% per annum, payable semi-annually in arrears on January 25 and July 25 of each year. Beginning on, and including, July 25, 2021, the 2011 subordinated notes will bear interest at a floating rate equal to the three-month USD LIBOR plus 4.56% payable quarterly in arrears on January 25, April 25, July 25 and October 25 of each year.

Interest Deferral

Dai-ichi may, at its sole discretion, elect to defer payment of all (and no less than all) of the interest accrued on the 2011 subordinated notes on any interest payment date, unless such interest payment date is a mandatory interest deferral date or a compulsory interest payment date.

Dai-ichi shall be required to defer payment of all (and no less than all) of the interest accrued on the 2011 subordinated notes if a capital deficiency event has occurred and is continuing to occur as of five business days prior to the record date for any interest payment date. A capital deficiency event occurs when (i) certain conditions with respect to Dai-ichi's capital adequacy are not met, or (ii) the FSA has rendered a prompt corrective action order (*souki-zesei-sochi*) to Dai-ichi that remains in effect.

In the event of deferral of interest payment, arrears of interest shall accrue on the 2011 subordinated notes on a cumulative basis and shall bear no interest.

Compulsory Interest Payment

Dai-ichi must make a compulsory interest payment with respect to the 2011 subordinated notes if, during the six months prior to the relevant interest payment date, a dividend on any Dai-ichi preferred stock or common stock was declared, paid or distributed or Dai-ichi has redeemed, purchased or otherwise acquired any Dai-ichi preferred stock or common stock, subject to certain conditions and exceptions.

Redemption

The 2011 subordinated notes may be redeemed at the option and sole discretion of Dai-ichi in whole, but not in part, on any interest payment date on or after July 25, 2021, subject to compliance with applicable regulatory requirements, at the principal amount of the 2011 subordinated notes, together with interest accrued and any additional amounts owed on the 2011 subordinated notes.

Optional Additional Amounts Redemption

The 2011 subordinated notes may be redeemed at the option and sole discretion of Dai-ichi in whole, but not in part, subject to compliance with applicable regulatory requirements, at the outstanding principal amount of the 2011 subordinated notes, together with interest accrued and any additional amounts owed on the 2011 subordinated notes, if Dai-ichi has been or will be obligated to pay additional amounts under the 2011 subordinated notes as a result of any change in, or amendment to, the laws or regulations of Japan or the application or interpretation of thereof, and such obligation cannot be avoided through reasonable measures available to Dai-ichi.

Special Event Redemption

The 2011 subordinated notes may be redeemed at the option and sole discretion of Dai-ichi in whole, but not in part, subject to compliance with applicable regulatory requirements, at a price equal to the make-whole amount, which includes interest accrued and any additional amounts owed on the 2011 subordinated notes, if one of the following special events has occurred and is continuing prior to July 25, 2021:

- any amendment or change to the Insurance Business Act or related regulations in Japan, or the application or interpretation of thereof, that results in the 2011 subordinated notes no longer qualifying as “specified subordinated debt” (*tokutei fusaisei shihon*) or as a similar class of capital, and such disqualification cannot be avoided through reasonable measures available to Dai-ichi, or
- the occurrence of a more than insubstantial increase in the risk that interest payable by Dai-ichi on the 2011 subordinated notes is not deductible by Dai-ichi, in whole or in part, for Japanese tax purposes, as a result of any change in, or amendment to, the laws or regulations of Japan or the application or interpretation thereof, and such non-deductibility cannot be avoided through reasonable measures available to Dai-ichi.

Subordination

The 2011 subordinated notes constitute irrevocable, direct, unsecured and subordinated obligations of Dai-ichi. Upon the occurrence of a subordination event (as defined in the terms of the 2011 subordinated notes), the 2011 subordinated notes will be subordinated in right of payment to all senior indebtedness of Dai-ichi except for obligations ranking *pari passu* with the 2011 subordinated notes. Claims in respect of the 2011 subordinated notes shall substantially rank *pari passu* with any preferred stock of Dai-ichi and shall rank in priority to claims in respect of Dai-ichi’s common stock.

2014 Subordinated Notes

Interest Rate

The 2014 subordinated notes bear, and until, but excluding, October 28, 2024, will continue to bear, interest at 5.10% per annum, payable semi-annually in arrears on April 28 and October 28 of each year. Beginning on, and including, October 28, 2024, the 2014 subordinated notes will bear interest at a floating rate equal to the three-month USD LIBOR plus 3.68% payable quarterly in arrears on January 28, April 28, July 28 and October 28 of each year.

Interest Deferral

Dai-ichi may, at its sole discretion, elect to defer payment of all (and no less than all) of the interest accrued on the 2014 subordinated notes on any interest payment date, unless such interest payment date is a mandatory interest deferral date or a compulsory interest payment date.

Dai-ichi shall be required to defer payment of all (and no less than all) of the interest accrued on the 2014 subordinated notes if a capital deficiency event has occurred and is continuing to occur as of five business days prior to the record date for any interest payment date. A capital deficiency event occurs when (i) certain conditions with respect to Dai-ichi's capital adequacy are not met, or (ii) the FSA has rendered a prompt corrective action order (*souki-zesei-sochi*) to Dai-ichi that remains in effect.

In the event of deferral of interest payment, arrears of interest shall accrue on the 2014 subordinated notes on a cumulative basis and shall bear no interest.

Compulsory Interest Payment

Dai-ichi must make a compulsory interest payment with respect to the 2014 subordinated notes if, during the six months prior to the relevant interest payment date, a dividend on any Dai-ichi preferred stock or common stock was declared, paid or distributed or Dai-ichi has redeemed, purchased or otherwise acquired any Dai-ichi preferred stock or common stock, subject to certain conditions and exceptions.

Redemption

The 2014 subordinated notes may be redeemed at the option and sole discretion of Dai-ichi in whole, but not in part, on any interest payment date on or after October 28, 2024, subject to compliance with applicable regulatory requirements, at the principal amount of the 2014 subordinated notes, together with interest accrued and any additional amounts owed on the 2014 subordinated notes.

Optional Additional Amounts Redemption

The 2014 subordinated notes may be redeemed at the option and sole discretion of Dai-ichi in whole, but not in part, subject to compliance with applicable regulatory requirements, at the outstanding principal amount of the 2014 subordinated notes, together with interest accrued and any additional amounts owed on the 2014 subordinated notes, if Dai-ichi has been or will be obligated to pay additional amounts under the 2014 subordinated notes as a result of any change in, or amendment to, the laws or regulations of Japan or the application or interpretation of thereof, and such obligation cannot be avoided through reasonable measures available to Dai-ichi.

Special Event Redemption

The 2014 subordinated notes may be redeemed at the option and sole discretion of Dai-ichi in whole, but not in part, subject to compliance with applicable regulatory requirements, at a price equal to the make-whole amount, which includes interest accrued and any additional amounts owed on the 2014 subordinated notes, if one of the following special events has occurred and is continuing prior to October 28, 2024:

- any amendment or change to the Insurance Business Act or related regulations in Japan, or the application or interpretation of thereof, that results in the 2014 subordinated notes no longer qualifying as "specified subordinated debt" (*tokutei fusaisei shihon*) or as a similar class of capital, and such disqualification cannot be avoided through reasonable measures available to Dai-ichi,

- the occurrence of a more than insubstantial increase in the risk that interest payable by Dai-ichi on the 2014 subordinated notes is not deductible by Dai-ichi, in whole or in part, for Japanese tax purposes, as a result of any change in, or amendment to, the laws or regulations of Japan or the application or interpretation thereof, and such non-deductibility cannot be avoided through reasonable measures available to Dai-ichi, or
- the occurrence of an amendment, clarification or change in the rating methodologies of S&P Global Ratings or Moody's Investors Service and the public announcement or notification to Dai-ichi by the relevant ratings agency that such amendment, clarification or change (i) results or will result in a lower equity credit for the 2014 subordinated notes or (ii) results or will result in the shortening of the length of time the 2014 subordinated notes are assigned a particular level of equity credit.

Subordination

The 2014 subordinated notes constitute irrevocable, direct, unsecured and subordinated obligations of Dai-ichi. Upon the occurrence of a subordination event (as defined in the terms of the 2014 subordinated notes), the 2014 subordinated notes will be subordinated in right of payment to all senior indebtedness of Dai-ichi except for obligations ranking *pari passu* with the 2014 subordinated notes. Claims in respect of the 2014 subordinated notes shall substantially rank *pari passu* with any preferred stock of Dai-ichi and shall rank in priority to claims in respect of Dai-ichi's common stock.

TAXATION

The following summaries are not intended to be a complete analysis of the tax consequences under Japanese or United States law as a result of the acquisition, ownership and sale of notes by investors. Potential investors should consult their own tax advisers on the tax consequences of acquisition, ownership, sale, and other relevant circumstances concerning the notes, including specifically the applicable tax consequences under Japanese or United States law, the law of the jurisdiction of their country of residence (if different) and any tax treaty between Japan and their country of residence.

Japanese Taxation

The following is a general description of certain aspects of Japanese taxation applicable to notes. It does not purport to be a comprehensive description of the tax aspects of the notes. Prospective purchasers should note that, although the general tax information on Japanese taxation is described hereunder for convenience, the statements below are general in nature and not exhaustive.

Prospective purchasers are advised to consult their own legal, tax, accountancy or other professional advisers in order to ascertain their particular circumstances regarding taxation. The statements below are based on current tax laws and regulations in Japan and current income tax treaties executed by Japan all as in effect on the date hereof and all of which are subject to change or differing interpretations (possibly with retroactive effect). Neither such statements nor any other statements in this offering circular are to be regarded as advice on the tax position of any beneficial owner of the notes or any person purchasing, selling or otherwise dealing in the notes or any tax implication arising from the purchase, sale or other dealings in respect of the notes.

The Notes

The notes do not fall under the concept of so-called "taxable linked notes" as described in Article 6, Paragraph (4) of the Special Taxation Measures Act, i.e., notes of which the amount of interest is to be calculated by reference to certain indexes (as prescribed by the Cabinet Order relating to the Special Taxation Measures Act) regarding the issuer of the notes or a person who has a special relationship with the issuer of the notes (that is, in general terms, a person who directly or indirectly controls or is directly or indirectly controlled by, or is under direct or indirect common control with, the issuer of the notes) within the meaning prescribed by the Cabinet Order (such person is referred to as a specially-related person of the issuer).

Representation of Gross Recipient Status upon Initial Distribution

By subscribing to the notes, an investor will be deemed to have represented it is a "Gross Recipient," i.e., (i) a beneficial owner that is, for Japanese tax purposes, neither an individual resident of Japan or a Japanese corporation, nor an individual non-resident of Japan or a non-Japanese corporation that in either case is a specially-related person of the issuer, (ii) a Japanese bank, Japanese insurance company, Japanese financial instruments business operator or other Japanese financial institution falling under certain categories prescribed by the Article 3-2-2, Paragraph (28) of the Cabinet Order, each, a Designated Financial Institution, that will hold notes for its own proprietary account or (iii) an individual resident of Japan or a Japanese corporation whose receipt of interest on the notes will be made through a payment handling agent in Japan as defined in Article 2-2, Paragraph (2) of the Cabinet Order, or a Japanese Payment Handling Agent. Among other restrictions, the notes are not, as part of the initial distribution by the initial purchasers at any time, to be directly or indirectly offered or sold to, or for the benefit of, any person other than a Gross Recipient or to others for re-offering or resale, directly or indirectly, to, or for the benefit of, any person other than a Gross Recipient, except as specifically permitted under the Special Taxation Measures Act.

Interest Payments on Notes and Redemption Gain

The following description of Japanese taxation (limited to national taxes) applies exclusively to interest on the notes and the redemption gain, meaning any difference between the acquisition price of the interest-bearing notes of the holder and the amount which the holder receives upon redemption of such interest-bearing notes, or the Redemption Gain, where such notes are issued by the issuer of the notes outside Japan on or after April 1, 2010 and payable outside Japan. In addition, the following description assumes that, only global notes are issued for the notes, and no definitive notes and *coupons that are independently traded are issued, in which case different tax consequences may apply. It is not intended to be exhaustive and prospective purchasers are recommended to consult their tax advisers as to their exact tax position.*

1. Non-resident Investors

If the recipient of interest on the notes or of the Redemption Gain with respect to interest-bearing notes is an individual non-resident of Japan or a non-Japanese corporation for Japanese tax purposes, as described below, the Japanese tax consequences on such individual non-resident of Japan or non-Japanese corporation are significantly different depending upon whether such individual non-resident of Japan or non-Japanese corporation is a specially-related person of the issuer. Most importantly, if such individual non-resident of Japan or non-Japanese corporation is a specially-related person of the issuer, income tax at the rate of 15.315% of the amount of such interest will be withheld by the issuer of the notes under Japanese tax law.

1.1. Interest

(1) If the recipient of interest on the notes is an individual non-resident of Japan or a non-Japanese corporation having no permanent establishment within Japan or having a permanent establishment within Japan but where the receipt of the interest on the notes is not attributable to such permanent establishment, no Japanese income tax or corporate tax is payable with respect to such interest whether by way of withholding or otherwise, if such recipient complies with certain requirements, *inter alia*:

(i) if the relevant notes are held through certain participants in an international clearing organization such as DTC or certain financial intermediaries prescribed by the Special Taxation Measures Act and the Cabinet Order, and together with the Special Taxation Measures Act and the ministerial ordinance and other regulations thereunder, or the Law, (each such participant or financial intermediary, a Participant), the requirement to provide, at the time of entrusting a Participant with the custody of the relevant notes, certain information prescribed by the Law to enable the Participant to establish that the recipient is exempt from the requirement for Japanese tax to be withheld or deducted, or the Interest Recipient Information, and to advise the Participant if such individual non-resident of Japan or non-Japanese corporation ceases to be so exempted (including the case where it became a specially-related person of the issuer); and

(ii) if the relevant notes are not held by a Participant, the requirement to submit to the relevant paying agent a written application for tax exemption (*Hikazei Tekiyo Shinkokusho*), or the Written Application for Tax Exemption, together with certain documentary evidence.

Failure to comply with such requirements described above (including the case where the Interest Recipient Information is not duly communicated as required under the Law) will result in the withholding by the issuer of the notes of income tax at the rate of 15.315% of the amount of such interest.

(2) If the recipient of interest on the notes is an individual non-resident of Japan or a non-Japanese corporation having a permanent establishment within Japan and the receipt of interest is attributable to such permanent establishment, such interest will not be subject to a 15.315% withholding tax by the issuer of the notes, if the recipient provides the Interest Recipient Information or submits the Written Application for Tax Exemption as set out in paragraph 1.1(1). Failure to do so will result in the withholding by the issuer of the notes of income tax at the rate of 15.315% of the amount of such interest. The amount of such interest will be aggregated with the recipient's other Japanese source income and will be subject to regular income tax or corporate tax, as appropriate.

(3) Notwithstanding paragraphs 1.1(1) and (2), if an individual non-resident of Japan or a non-Japanese corporation mentioned above is a specially-related person of the issuer as of the beginning of the fiscal year of the issuer of the notes in which the relevant interest payment date falls, the exemption from Japanese withholding tax on interest mentioned above will not apply, and income tax at the rate of 15.315% of the amount of such interest will be withheld by the issuer of the notes. If such individual non-resident of Japan or non-Japanese corporation has a permanent establishment within Japan and the receipt of interest is attributable to such permanent establishment, regular income tax or corporate tax, as appropriate, collected otherwise by way of withholding, will apply to such interest under Japanese tax law.

(4) If an individual non-resident of Japan or a non-Japanese corporation (regardless of whether it is a specially-related person of the issuer) is subject to Japanese withholding tax with respect to interest on the notes under Japanese tax law, a reduced rate of withholding tax or exemption from such withholding tax may be available under the relevant income tax treaty between Japan and the country of tax residence of such individual non-resident of Japan or non-Japanese corporation. As of the date of this offering circular, Japan has income tax treaties, conventions or agreements whereby the above-mentioned withholding tax rate is reduced, generally to 10% with, *inter alia*, Australia, Austria, Belgium, Canada, Denmark, Finland, France, Germany, Hong Kong, Ireland, Italy, Luxembourg, the Netherlands, New Zealand, Norway, Portugal, Qatar, Singapore, Spain, Switzerland and the United States. In addition, Japan has income tax treaties, conventions or agreements, whereby the above-mentioned withholding tax is exempted, with Sweden and the United Kingdom. Under the income tax treaty between Japan and the United States, certain limited categories of qualified United States residents receiving interest on the notes may, subject to compliance with certain procedural requirements under Japanese law, be fully exempt from Japanese withholding tax for interest on the notes. Under the income tax treaties with France, Australia, the Netherlands, New Zealand, Qatar and Switzerland similar exemptions to those provided in the income tax treaty between Japan and the United States will be available (provided that no exemption will apply to pension funds in the case of Australia and New Zealand). Japan and the United States have recently signed a protocol amending the current tax treaty between the two governments, whereby interest paid to qualified United States residents is expected to be generally exempt from Japanese withholding tax. A new tax treaty having substantially the same effect has also been signed with Germany. However, these amending protocol and new tax treaty have not yet been ratified and accordingly it is not certain at what specific time they will enter into force. In order to avail themselves of such reduced rate of, or exemption from, Japanese withholding tax under any applicable income tax treaty, individual non-residents of Japan or non-Japanese corporations which are entitled, under any applicable income tax treaty, to a reduced rate of, or exemption from, Japanese withholding tax on payment of interest by the issuer of the notes are required to submit an application form for income tax convention regarding relief from Japanese income tax on interest (as well as any other required forms and documents) in advance through the issuer of the notes to the relevant tax authority before payment of interest.

(5) Under the Law, if an individual non-resident of Japan or a non-Japanese corporation that is a beneficial owner of the notes becomes a specially-related person of the issuer, or an individual non-resident of Japan or a non-Japanese corporation that is a specially-related person of the issuer becomes a beneficial owner of the notes, and if such notes are held through a Participant, then such individual non-resident of Japan or non-Japanese corporation should notify the Participant of such change in status by the immediately following interest payment date of the notes. As described in paragraph 1.1(3) above, as the status of such individual non-resident of Japan or non-Japanese corporation as a specially-related person of the issuer for Japanese withholding tax purposes is determined based on the status as of the beginning of the fiscal year of the issuer in which the relevant interest payment date falls, such individual non-resident of Japan or non-Japanese corporation should, by such notification, identify and advise the Participant of the specific interest payment date on which Japanese withholding tax starts to apply with respect to such individual non-resident of Japan or non-Japanese corporation as being a specially-related person of the issuer.

1.2. Redemption Gain

(1) If the recipient of the Redemption Gain is an individual non-resident of Japan or a non-Japanese corporation having no permanent establishment within Japan or having a permanent establishment within Japan but the receipt of such Redemption Gain is not attributable to such permanent establishment, no income tax or corporate tax is payable with respect to such Redemption Gain.

(2) If the recipient of the Redemption Gain is an individual non-resident of Japan or a non-Japanese corporation having a permanent establishment within Japan and the receipt of such Redemption Gain is attributable to such permanent establishment, such Redemption Gain will not be subject to any withholding tax but will be aggregated with the recipient's other Japanese source income which is subject to Japanese taxation and subject to regular income tax or corporate tax, as appropriate.

(3) Notwithstanding paragraphs 1.2(1) and (2), if an individual non-resident of Japan or a non-Japanese corporation mentioned above is a specially-related person of the issuer as of the

beginning of the fiscal year of the issuer of the notes in which such individual non-resident of Japan or non-Japanese corporation acquired such notes, the Redemption Gain will not be subject to withholding tax but will be subject to regular income tax or corporate tax, as appropriate, under Japanese tax law, regardless of whether such individual non-resident of Japan or non-Japanese corporation has a permanent establishment within Japan; provided that an exemption may be available under the relevant income tax treaty.

2. Resident Investors

If the recipient of interest on the notes is an individual resident of Japan or a Japanese corporation for Japanese tax purposes, as described below, regardless of whether such recipient is a specially-related person of the issuer, income tax will be withheld at the rate of 15.315% of the amount of such interest, if such interest is paid to an individual resident of Japan or a Japanese corporation (except for (i) a Designated Financial Institution which complies with the requirement for tax exemption under Article 6, Paragraph (9) of the Special Taxation Measures Act or (ii) a Japanese public corporation or a Japanese public-interest corporation designated by the relevant law, each, a Public Corporation etc., or a Japanese bank, a Japanese insurance company, a Japanese financial instruments business operator or other Japanese financial institution falling under certain categories prescribed by Article 3-3, Paragraph (6) of the Special Taxation Measures Act, each, a Specified Financial Institution, through a Japanese Payment Handling Agent with custody of the notes, or the Japanese Custodian, in compliance with the requirement for tax exemption under Article 3-3, Paragraph (6) of the Special Taxation Measures Act). In addition to the withholding tax consequences upon resident investors as explained in this section 2, resident investors should consult their own tax advisors regarding their regular income tax or corporate tax consequences other than by way of withholding.

2.1. Interest

(1) If an individual resident of Japan or a Japanese corporation (other than a Specified Financial Institution or a Public Corporation etc., who complies with the requirement as referred to in paragraph 2.1(2)) receives payments of interest on the notes through Japanese Payment Handling Agents, income tax at the rate of 15.315% of the amount of such interest will be withheld by the Japanese Payment Handling Agent rather than by the issuer of the notes. As the issuer of the notes is not in a position to know in advance the recipient's status, the recipient of interest falling within this category should inform the issuer of the notes through a paying agent of its status in a timely manner. Failure to so inform may result in double withholding. In addition, interest on the notes received by an individual resident of Japan through a Japanese Payment Handling Agent will be subject to 15.315% separate net basis taxation in Japan by filing a separate tax return, and if any withholding tax stated above is to be withheld by the Japanese Payment Handling Agent, the amount of such withholding tax would be credited to Japanese individual income tax upon filing of such separate tax return; provided, however, that an individual noteholder being an individual resident of Japan may choose not to include the interest on the notes to be paid each time in his or her tax return, in which case the above-stated withholding tax would be the final Japanese tax for such individual noteholder being an individual resident of Japan. On the other hand, in the case of other recipients who are Japanese corporations referred to in the beginning of this paragraph, the amount of interest received by any such recipient will be included in such recipient's other taxable income and subject to regular corporate tax.

(2) If the recipient of interest on the notes is a Public Corporation etc. or a Specified Financial Institution that keeps its notes deposited with, and receives the interest through, the Japanese Custodian, and such recipient submits through such Japanese Custodian to the competent tax authority the report prescribed by the Law, no withholding tax is levied on the amount of interest, provided that a Specified Financial Institution will be subject to regular corporate tax with respect to such interest. However, since the issuer of the notes is not in a position to know in advance the recipient's tax exemption status, the recipient of interest falling within this category should inform the issuer of the notes through a paying agent of its status in a timely manner. Failure to so notify the issuer of the notes may result in the withholding by the issuer of the notes of a 15.315% income tax.

(3) If an individual resident of Japan or a Japanese corporation (except for a Designated Financial Institution which complies with the requirements described in paragraph 2.1(4) below) receives interest on the notes not through a Japanese Payment Handling Agent, income tax at the rate of 15.315% of

the amount of such interest will be withheld by the issuer of the notes, and the amount of such interest will be aggregated with the recipient's other taxable income and subject to income tax or corporate tax, as appropriate.

(4) If a Designated Financial Institution receives interest on the notes not through a Japanese Payment Handling Agent and such recipient complies with the requirement, *inter alia*, to provide the Interest Recipient Information or to submit the Written Application for Tax Exemption as referred to in paragraph 1.1(1), no withholding tax will be imposed, while the Designated Financial Institution will be subject to regular corporate tax with respect to such interest.

2.2. Redemption Gain

If the recipient of the Redemption Gain is an individual resident of Japan or a Japanese corporation, such Redemption Gain will not be subject to any withholding tax. In addition, if the recipient of the Redemption Gain is an individual resident of Japan, such Redemption Gain will be subject to 15.315% separate net basis taxation in Japan by filing a separate tax return. If the recipient of the Redemption Gain is a Japanese corporation such Redemption Gain will be included in the recipient's other taxable income and subject to regular corporate tax with some limited exceptions.

3. Special Additional Withholding Tax for Reconstruction from the Great East Japan Earthquake

Due to the imposition of a special additional withholding tax of 0.315% (or 2.1% of 15%) to secure funds for reconstruction from the Great East Japan Earthquake, the withholding tax rate has been effectively increased to 15.315% during the period beginning on January 1, 2013 and ending on December 31, 2037.

Capital Gains, Stamp Tax and Other Similar Taxes, Inheritance Tax and Gift Tax

Gains derived from the sale of notes outside Japan by an individual non-resident of Japan or a non-Japanese corporation having no permanent establishment within Japan are, in general, not subject to Japanese income tax or corporate tax.

No stamp, issue, registration or similar taxes or duties will, under current Japanese law, be payable in Japan by holders of the notes in connection with the issue of the notes, or will such taxes be payable by holders of the notes in connection with their transfer if such transfer takes place outside Japan.

Japanese inheritance tax or gift tax at progressive rates may be payable by an individual, wherever resident, who has acquired notes from another individual as legatee, heir or donee.

United States Federal Income Taxation

The following summary describes certain United States federal income tax consequences of the purchase, ownership or disposition of the notes as of the date hereof. The discussion set forth below is applicable to United States Holders (as defined below) (i) who are residents of the United States for purposes of the current income tax treaty between Japan and the United States, or the Treaty, (ii) whose notes are not, for purposes of the Treaty, effectively connected with a permanent establishment in Japan and (iii) who otherwise qualify for the full benefits of the Treaty. Except where noted, this summary deals only with notes held as capital assets.

As used herein, the term "United States Holder" means a beneficial owner of the notes that is for United States federal income tax purposes:

- an individual citizen or resident of the United States;
- a corporation (or other entity treated as a corporation for United States federal income tax purposes) created or organized in or under the laws of the United States, any state thereof or the District of Columbia;

- an estate the income of which is subject to United States federal income taxation regardless of its source; or
- a trust if it (1) is subject to the primary supervision of a court within the United States and one or more United States persons have the authority to control all substantial decisions of the trust or (2) has a valid election in effect under applicable United States Treasury regulations to be treated as a United States person.

This summary does not represent a detailed description of the United States federal income tax consequences applicable to you if you are subject to special treatment under the United States federal income tax laws, including if you are:

- a dealer in securities or currencies;
- a financial institution;
- a regulated investment company;
- a real estate investment trust;
- an insurance company;
- a tax-exempt organization;
- a person holding the notes as part of a hedging, integrated or conversion transaction, a constructive sale or a straddle;
- a trader in securities that has elected the mark-to-market method of accounting for your securities;
- a person liable for alternative minimum tax;
- a person who owns or is deemed to own 10% or more of our voting stock;
- a partnership or other pass-through entity for United States federal income tax purposes;
- a person whose "functional currency" is not the U.S. dollar; or
- a person or entity who owns our common stock or preferred stock in Dai-ichi Life in addition to the notes.

The discussion below is based upon the provisions of the Code and regulations, rulings and judicial decisions thereunder as of the date hereof, and such authorities may be replaced, revoked or modified, perhaps retroactively, so as to result in United States federal income tax consequences different from those discussed below.

If a partnership (or other entity treated as a partnership for United States federal income tax purposes) holds the notes, the tax treatment of a partner will generally depend upon the status of the partner and the activities of the partnership. If you are a partner of a partnership holding the notes, you should consult your tax advisors.

This summary does not contain a detailed description of all the United States federal income tax consequences to you in light of your particular circumstances and does not address the Medicare tax on net investment income or the effects of any state, local or non-United States tax laws. If you are considering the purchase, ownership or disposition of the notes, you should consult your own tax advisors concerning the United States federal income tax consequences to you in light of your particular situation as well as any consequences arising under the laws of any other taxing jurisdiction.

United States Federal Income Tax Characterization of the Notes

For United States federal income tax purposes, one of the primary characteristics used to distinguish the treatment of an instrument as indebtedness from an instrument treated as equity is whether the instrument, according to its terms, provides an unconditional promise to pay a fixed sum certain on a particular date in the future. We believe that the notes, due to their perpetual term, should be treated as equity for United States federal income tax purposes, and the following discussion assumes such treatment. However, no assurance can be given that the IRS will not assert that the notes should be treated as indebtedness or in some other manner for United States federal income tax purposes and that a court would not sustain such assertion. If the notes were treated as indebtedness for United States federal income tax purposes, the timing, amount and character of income, gain and loss recognized by a United States Holder could be different than as described below. United States Holders should consult their independent tax advisors regarding the proper treatment of the notes for United States federal income tax purposes.

Taxation of the Assumption of the Notes

As part of our transition to a holding company structure, the Successor will assume our rights and obligations with respect to the notes upon completion of the Transition, and will execute a supplemental indenture with the trustee to confirm its assumption of the notes. See "Transition to a Holding Company Structure." Although the treatment of the assumption of the notes for United States federal income tax purposes is unclear, we believe that the assumption of the notes by the Successor will more likely than not be a taxable event to United States Holders of the notes. However, we are unaware of any binding authority directly applicable to the tax treatment of the assumption and no assurance can be given that the IRS will not take a different position as to the tax consequences to United States Holders for United States federal income tax purposes and that a court would not sustain such assertion.

For United States federal income tax purposes, assuming the assumption is a taxable transaction, United States Holders will recognize taxable gain or loss on the notes when assumed by the Successor in an amount equal to the difference between the fair market value of the notes received from the Successor and the United States Holder's tax basis in the notes originally received from Dai-ichi Life. Such gain or loss will generally be short-term capital gain or loss. The deductibility of capital losses is subject to limitations. Any gain or loss recognized by a United States Holder will generally be treated as United States source gain or loss.

We have not obtained, nor do we intend to obtain, a ruling from the IRS with respect to the treatment of the assumption, and there can be no assurance that the IRS will take the position discussed above. United States Holders should consult their independent tax advisors regarding the proper treatment of the assumption of the notes for United States federal income tax purposes.

Payments of Interest

Subject to the discussion under "—Passive Foreign Investment Company" below, the gross amount of distributions on the notes (including payments referred to as "interest," any additional amounts as described under "Description of the Notes—Taxation and Additional Amounts," and amounts, if any, withheld to reflect Japanese withholding taxes) will be includible in gross income by a United States Holder as dividend income to the extent paid out of our current or accumulated earnings and profits, or those of the Successor, as applicable, as determined under United States federal income tax principles. Such income (including withheld taxes) will be includable in your gross income as ordinary income on the day actually or constructively received by you. Such dividends will not be eligible for the dividends received deduction allowed to corporations under the Code. With respect to non-corporate United States Holders, certain dividends received from a qualified foreign corporation may be subject to reduced rates of taxation. A qualified foreign corporation includes a foreign corporation that is eligible for the benefits of a comprehensive income tax treaty with the United States that the United States Treasury Department determines to be satisfactory for these purposes and that includes an exchange of information provision. The United States Treasury Department has determined that the Treaty meets these requirements, and we believe we are eligible for the benefits of the Treaty. It is unclear, however, whether the Successor will be eligible for the benefits of the Treaty, and if it is not so eligible, payments that it makes that are treated as dividends will not be eligible for the reduced rates of taxation. Furthermore, non-corporate United States Holders that do not meet a minimum holding period requirement during which they are not protected from a risk of loss or that elect to treat the dividend income as "investment income" pursuant to Section 163(d)(4) of the Code will not be eligible for the reduced rates of taxation. In addition, the rate reduction will not apply to dividends if the recipient of a dividend is obligated to make related payments with respect to positions in substantially similar or related property. This disallowance applies even if the minimum holding period has been met. You should consult your own tax advisors regarding the application of these rules to your particular circumstances.

Non-corporate United States Holders will not be eligible for reduced rates of taxation on any dividends received from us if we are, or the Successor is, as applicable, a PFIC in the taxable year in which such dividends are paid or in the preceding taxable year.

The maximum rate of withholding tax on dividends paid to you pursuant to the Treaty is 10%. If the Japanese statutory rate applicable to you is lower than the maximum applicable Treaty rate, the Japanese statutory rate will be applicable. If the statutory rate applicable to you is higher than the maximum Treaty rate, you generally will be required to properly demonstrate to us and the Japanese tax authorities your entitlement to the reduced rate of withholding under the Treaty (as discussed above under "—Japanese Taxation"). Subject to certain conditions and limitations, Japanese withholding taxes on dividends may be treated as foreign taxes eligible for credit against your United States federal income tax liability. For purposes of calculating the foreign tax credit, dividends paid on the notes will be treated as income from sources outside the United States and will generally constitute passive category income. Further, in certain circumstances, if you:

- have held the notes for less than a specified minimum period during which you are not protected from risk of loss, or
- are obligated to make payments related to the dividends,

you will not be allowed a foreign tax credit for foreign taxes imposed on dividends paid on the notes. In addition, to the extent a refund of the tax withheld is available to you under Japanese law or under the Treaty, the amount of tax withheld that is refundable will not be eligible for a credit against your United States federal income tax liability. The rules governing the foreign tax credit are complex. You are urged to consult your tax advisors regarding the availability of the foreign tax credit under your particular circumstances.

To the extent that the amount of any distribution exceeds the current and accumulated earnings and profits of us or the Successor, as applicable, for a taxable year, as determined under United States federal income tax principles, the distribution will first be treated as a tax-free return of capital, causing a reduction in the adjusted basis of the notes (thereby increasing the amount of gain, or decreasing the amount of loss, to be recognized by you on a subsequent disposition of the notes), and the balance in excess of adjusted basis will be taxed as capital gain recognized on a sale or exchange. However, we do not expect that we or the Successor will maintain earnings and profits in accordance with United States federal income tax principles. Therefore, you should expect that a distribution will generally be treated as a dividend (as discussed above).

Passive Foreign Investment Company

Based on the projected composition of our income and valuation of our assets, including goodwill, we believe that we are not, and we do not expect we or the Successor to become in the future, a PFIC, although there can be no assurance in this regard.

In general, we or the Successor will be a PFIC for any taxable year in which:

- at least 75% of our or the Successor's, as applicable, gross income is passive income, or
- at least 50% of the value (determined based on a quarterly average) of our or the Successor's, as applicable, assets is attributable to assets that produce or are held for the production of passive income.

For this purpose, passive income generally includes dividends, interest, royalties and rents (other than royalties and rents derived in the active conduct of a trade or business and not derived from a related person). If we or the Successor own at least 25% (by value) of the stock of another corporation, we or the Successor, as applicable, will be treated, for purposes of the PFIC tests, as owning the proportionate share of the other corporation's assets and receiving the proportionate share of the other corporation's income. In addition, special rules apply for determining the character of income and assets derived in the active conduct of an insurance business by a corporation that is predominantly engaged in an insurance business. Our determination is based in part upon certain proposed United States Treasury regulations that are not yet in effect and which are subject to change in the future. Although we believe we have adopted a reasonable interpretation of the regulations and administrative pronouncements, there can be no assurance that the IRS will follow the same interpretation. The determination of whether we or the Successor are a PFIC is made annually. Accordingly, it is possible that we or the Successor may become a PFIC in the current or any future taxable year due to changes in our asset or income composition, or that of the Successor, as applicable. Because goodwill may be valued based on the market value of our equity or that of the Successor, as applicable, a decrease in the price of our shares, or those of the Successor, as applicable, may also result in our or the

Successor, as applicable, becoming a PFIC. If we are, or the Successor is, as applicable, a PFIC for any taxable year during which you hold the notes in the relevant entity, you will be subject to special tax rules discussed below.

If we are, or the Successor is, as applicable, a PFIC for any taxable year during which you hold the notes in the relevant entity, and you do not make either of the elections discussed below, you will be subject to special tax rules with respect to any "excess distribution" received with respect to such notes and any gain realized from a sale or other disposition, including a pledge, of the notes (including, with respect to the notes, an assumption by the Successor, as described above under "—Taxation of the Assumption of the Notes"). Distributions received in a taxable year that are greater than 125% of the average annual distributions received during the shorter of the three preceding taxable years or your holding period for the notes will be treated as excess distributions. Under these special tax rules:

- the excess distribution or gain will be allocated ratably over your holding period for the notes,
- the amount allocated to the current taxable year, and any taxable year prior to the first taxable year in which we were, or the Successor was, as applicable, a PFIC, will be treated as ordinary income, and
- the amount allocated to each other year will be subject to tax at the highest tax rate in effect for that year and the interest charge generally applicable to underpayments of tax will be imposed on the resulting tax attributable to each such year.

In addition, non-corporate United States Holders will not be eligible for reduced rates of taxation on any dividends received from us or from the Successor, as applicable, if the entity in which you hold the notes is a PFIC in the taxable year in which such dividends are paid or in the preceding taxable year. You will generally be required to file IRS Form 8621 if you hold the notes in any year in which we are, or the Successor is, as applicable, classified as a PFIC.

If we are, or the Successor is, as applicable, a PFIC for any taxable year during which you hold the notes and any of the non-United States subsidiaries of the entity in which you hold the notes is also a PFIC, a United States Holder would be treated as owning a proportionate amount (by value) of the shares of the lower-tier PFIC for purposes of the application of these rules. You are urged to consult your tax advisors about the application of the PFIC rules to any of our, or the Successor's, subsidiaries.

Although the determination of whether we are or the Successor is a PFIC is made annually, if we are or the Successor is a PFIC for any taxable year in which you hold the notes in the relevant entity, you will generally be subject to the special tax rules described above for that year and for each subsequent year in which you hold such notes (even if we do not or the Successor does not qualify as a PFIC in such subsequent years). However, if we, or the Successor, as applicable, cease to be a PFIC, you can avoid the continuing impact of the PFIC rules by making a special election to recognize gain as if your notes had been sold on the last day of the last taxable year during which we were, or the Successor was, as applicable, a PFIC. You are urged to consult your own tax advisor about this election.

In certain circumstances, in lieu of being subject to the rules discussed above with respect to excess distributions and recognized gains, you may make an election to include gain on the notes as ordinary income under a mark-to-market method, provided that the notes are regularly traded on a qualified exchange or other market within the meaning of the applicable United States Treasury regulations.

If you make an effective mark-to-market election, you will include in each year that we are, or the Successor is, as applicable, a PFIC as ordinary income the excess of the fair market value of your notes at the end of the year over your adjusted tax basis in the notes. You will be entitled to deduct as an ordinary loss in each such year the excess of your adjusted tax basis in the notes over their fair market value at the end of the year, but only to the extent of the net amount previously included in income as a result of the mark-to-market election. If you make an effective mark-to-market election, in each year that we are, or the Successor is, as applicable, a PFIC, any gain you recognize upon the sale or other disposition of the notes will be treated as ordinary income and any loss will be treated as ordinary loss, but only to the extent of the net amount of previously included income as a result of the mark-to-market election.

Your adjusted tax basis in the notes will be increased by the amount of any income inclusion and decreased by the amount of any deductions under the mark-to-market rules. If you make a mark-to-market election, it will be effective for the taxable year for which the election is made and all subsequent taxable years unless the notes are no longer regularly traded on a qualified exchange or other market or the IRS consents to the revocation of the election. You are urged to consult your tax advisors about the availability of the mark-to-market election, and whether making the election would be advisable in your particular circumstances.

Alternatively, you can sometimes avoid the rules described above by electing to treat a PFIC as a "qualified electing fund" under Section 1295 of the Code. However, this option is not available to you because we and the Successor each do not intend to comply with the requirements necessary to permit you to make this election.

You are urged to consult your tax advisors concerning the United States federal income tax consequences of holding the notes if the entity in which you hold the notes is considered a PFIC in any taxable year.

Sale or Other Taxable Disposition of the Notes

For United States federal income tax purposes, you will recognize taxable gain or loss on any sale or exchange of a note in an amount equal to the difference between the amount realized for the note and your tax basis in the note. Subject to the discussion under "—Passive Foreign Investment Company" above, such gain or loss will generally be capital gain or loss. Capital gains of individuals derived with respect to capital assets held for more than one year are eligible for reduced rates of taxation. The deductibility of capital losses is subject to limitations. Any gain or loss recognized by you will generally be treated as United States source gain or loss.

Foreign Account Tax Compliance Withholding

A 30% withholding tax ("FATCA Withholding") may be imposed on certain payments to certain non-United States financial institutions (which is broadly defined for this purpose) that fail to comply with information reporting requirements or certification requirements in respect of their direct and indirect United States account holders. The United States has entered into an intergovernmental agreement with Japan under which the Japanese authorities have committed to work together with the United States to facilitate the implementation of FATCA Withholding in a way that minimizes the burden on Japanese financial institutions. To avoid becoming subject to the 30% withholding tax on payments, we may be required to report information to the IRS regarding the holders of notes and to withhold on a portion of payments under the notes to certain holders that fail to comply with the relevant information reporting requirements (or hold notes directly or indirectly through certain non-compliant intermediaries). However, such withholding will not apply to payments made before January 1, 2019. The rules for the implementation of this legislation have not yet been fully finalized, so it is impossible to determine at this time what impact, if any, this legislation will have on holders of the notes.

Information Reporting and Backup Withholding

In general, information reporting will apply to dividends in respect of the notes and the proceeds from the sale, exchange or other disposition of the notes that are paid to you within the United States (and in certain cases, outside the United States), unless you are an exempt recipient. A backup withholding tax may apply to such payments if you fail to provide a taxpayer identification number or certification of other exempt status or fail to report in full dividend and interest income.

Any amounts withheld under the backup withholding rules will be allowed as a refund or a credit against your United States federal income tax liability provided the required information is furnished to the IRS.

BENEFIT PLAN INVESTOR CONSIDERATIONS

The following is a summary of certain considerations associated with the purchase of the notes by employee benefit plans that are subject to Title I of the U.S. Employee Retirement Income Security Act of 1974, as amended, or ERISA, plans, individual retirement accounts and other arrangements that are subject to Section 4975 of the Code or provisions under any other federal, state, local, non-U.S. or other laws or regulations that are similar to such provisions of ERISA or the Code, or collectively, Similar Laws, and entities whose underlying assets are considered to include "plan assets" of any such plan, account or arrangement, or each, a Plan.

General Fiduciary Matters

ERISA and the Code impose certain duties on persons who are fiduciaries of a Plan subject to Title I of ERISA or Section 4975 of the Code, or an ERISA Plan, and prohibit certain transactions involving the assets of an ERISA Plan and its fiduciaries or other interested parties. Under ERISA and the Code, any person who exercises any discretionary authority or control over the administration of such an ERISA Plan or the management or disposition of the assets of such an ERISA Plan, or who renders investment advice for a fee or other compensation to such an ERISA Plan, is generally considered to be a fiduciary of the ERISA Plan.

In considering an investment in the notes of a portion of the assets of any Plan, a fiduciary should determine whether the investment is in accordance with the documents and instruments governing the Plan and the applicable provisions of ERISA, the Code or any Similar Law relating to a fiduciary's duties to the Plan including, without limitation, the prudence, diversification, delegation of control and prohibited transaction provisions of ERISA, the Code and any other applicable Similar Laws.

Prohibited Transaction Issues

Section 406 of ERISA and Section 4975 of the Code prohibit ERISA Plans from engaging in specified transactions involving plan assets with persons or entities who are "parties in interest," within the meaning of ERISA, or disqualified persons, within the meaning of Section 4975 of the Code, unless an exemption is available. A party in interest or disqualified person who engaged in a non-exempt prohibited transaction may be subject to excise taxes and other penalties and liabilities under ERISA and the Code. In addition, the fiduciary of the ERISA Plan that engaged in such a non-exempt prohibited transaction may be subject to penalties and liabilities under ERISA and the Code.

Whether or not the underlying assets of the issuer or the Successor were deemed to include "plan assets," as described below, the acquisition and/or holding of the notes by an ERISA Plan with respect to which we are, or the Successor is, as applicable, considered a party in interest or a disqualified person may constitute or result in a direct or indirect prohibited transaction under Section 406 of ERISA and/or Section 4975 of the Code, unless the investment is acquired and is held in accordance with an applicable statutory, class or individual prohibited transaction exemption. In this regard, the U.S. Department of Labor, or the DOL, has issued prohibited transaction class exemptions, or PTCEs, that may apply to the acquisition and holding of the notes. These class exemptions include, without limitation, PTCE 84-14 respecting transactions determined by independent qualified professional asset managers, PTCE 90-1 respecting insurance company pooled separate accounts, PTCE 91-38 respecting bank collective investment funds, PTCE 95-60 respecting life insurance company general accounts and PTCE 96-23 respecting transactions determined by in-house asset managers. In addition, Section 408(b)(17) of ERISA and Section 4975(d)(20) of the Code provide relief from the prohibited transaction provisions of ERISA and Section 4975 of the Code for certain transactions, provided that neither the issuer of the securities, nor the Successor, nor any of their affiliates (directly or indirectly) have or exercise any discretionary authority or control or render any investment advice with respect to the assets of any ERISA Plan involved in the transaction and provided further that the ERISA Plan pays no more than adequate consideration in connection with the transaction. There can be no assurance that all of the conditions of any such exemptions will be satisfied.

Plan Asset Issues

ERISA and the regulations, or the Plan Asset Regulations, promulgated under ERISA by the DOL generally provide that when an ERISA Plan acquires an equity interest in an entity that is neither a "publicly-offered security" nor a security issued by an investment company registered under the U.S. Investment Company Act of 1940, as amended, or the Investment Company Act, the ERISA Plan's assets include both the equity interest and an undivided interest in each of the underlying assets of the entity unless it is established either that less than 25% of the total value of each class of equity interest in the entity is held by "benefit plan investors" as defined in Section 3(42) of ERISA, or the 25% Test, or that the entity is an "operating company," as defined in the Plan Asset Regulations. The Plan Asset Regulations define an "equity interest" as any interest in an entity, other than an instrument that is treated as indebtedness under applicable local law and which has no substantial equity features. For purposes of the 25% Test, the assets of an entity will not be treated as "plan assets" if, immediately after the most recent acquisition of any equity interest in the entity, less than 25% of the total value of each class of equity interest in the entity is held by "benefit plan investors," excluding equity interest held by persons (other than benefit plan investors) with discretionary authority or control over the assets of the entity or who provide investment advice for a fee (direct or indirect) with respect to such assets, and any affiliates thereof. The term "benefit plan investors" is generally defined to include employee benefit plans subject to Title I of ERISA or Section 4975 of the Code (including "Keogh" plans and IRAs), as well as any entity whose underlying assets include plan assets by reason of a plan's investment in such entity (e.g., an entity of which 25% or more of the value of any class of equity interests is held by benefit plan investors and which does not satisfy another exception under ERISA). Under the Plan Asset Regulations, an "operating company" is an entity that is primarily engaged, directly or through a majority owned subsidiary or subsidiaries, in the production or sale of a product or service other than the investment of capital.

As set forth in the discussion under "Taxation—United States Federal Income Taxation—United States Federal Income Tax Characterization of the Notes," in the view of tax counsel, the notes will be properly characterized as equity for U.S. federal income tax purposes. Under the Plan Asset Regulations, the standard for determining whether a security is to be treated as debt or equity is based on whether the security is treated as indebtedness under applicable local law and whether the security has any substantial equity features. However, because there is no authority that clarifies the relationship between the standards used for Plan Asset Regulations purposes and the standards used for U.S. federal income tax purposes in evaluating the proper characterization of a security as debt or equity, each prospective investor should make its own assessment as to whether or not the notes will be respected as debt for purposes of the Plan Asset Regulations, and should consult with its own legal advisors concerning the potential consequences under the fiduciary responsibility and prohibited transaction provisions of Title I of ERISA and Section 4975 of the Code of an investment in the notes with the assets of a Plan. There can also be no assurance that the issuer or the Successor will satisfy the 25% Test, and it is not anticipated that the issuer or the Successor will register as an investment company under the Investment Company Act. Although no assurances can be given, we believe that the issuer qualifies, and that the Successor will qualify, as applicable, as an "operating company."

Plan Asset Consequences

In the event that the notes were considered equity for purposes of ERISA and the assets of the issuer or the Successor were deemed to be "plan assets" under ERISA, this would result, among other things, in (i) the application of the prudence and other fiduciary responsibility standards of ERISA to investments made by the issuer or the Successor and (ii) the possibility that certain transactions in which the issuer or the Successor might seek to engage could constitute "prohibited transactions" under ERISA and the Code.

Governmental plans, certain church plans and non-United States plans, while not subject to the fiduciary responsibility provisions of Title I of ERISA or the prohibited transaction provisions of Title I of ERISA or Section 4975 of the Code may nevertheless be subject to local, state, federal, non-U.S. or other laws that are substantially similar to the foregoing provisions of ERISA or the Code. Fiduciaries of any such plans should consult with their counsel before purchasing any notes.

Representation

Accordingly, by acceptance of the notes, each purchaser and subsequent transferee of the notes will be deemed to have represented and warranted that either (i) no portion of the assets used by such purchaser or transferee to acquire or hold the notes constitutes assets of any Plan or (ii) the purchase and holding of the notes by such purchaser or transferee will not constitute a non-exempt prohibited transaction under Section 406 of ERISA or Section 4975 of the Code or similar violation under any applicable Similar Laws.

The foregoing discussion is general in nature and is not intended to be all-inclusive. Due to the complexity of these rules and the penalties that may be imposed upon persons involved in non-exempt prohibited transactions, it is particularly important that fiduciaries or other persons considering purchasing the notes on behalf of, or with the assets of, any Plan, consult with their counsel regarding the potential applicability of ERISA, Section 4975 of the Code and any Similar Laws to such investment and whether an exemption would be applicable to the purchase and holding of the notes.

TRANSFER RESTRICTIONS

Because of the following restrictions, investors are advised to consult legal counsel prior to making any reoffering, resale, pledge or transfer of the notes.

The offering is being made in accordance with Rule 144A and Regulation S under the Securities Act. The notes have not been and will not be registered under the Securities Act or with any securities regulatory authority of any state or other jurisdiction and, accordingly, may not be offered, sold, pledged or otherwise transferred or delivered within the United States or to, or for the account or benefit of, U.S. persons (as defined in Regulation S) except as set forth below.

Rule 144A Notes

Each purchaser of the notes offered hereby in reliance on Rule 144A (the "Rule 144A Notes") will be deemed to have represented and agreed as follows:

(1) It (A) is a QIB, (B) is aware that the sale of the notes to it is being made in reliance on Rule 144A, and (C) is acquiring the notes for its own account or for the account of a QIB, as the case may be.

(2) It understands that the notes have not been and will not be registered under the Securities Act and may not be offered, resold, pledged or otherwise transferred except as permitted by the legend set forth in paragraph (3) below.

(3) It understands that the notes will bear a legend to the following effect, unless Dai-ichi determines otherwise in compliance with applicable law:

"THIS NOTE HAS NOT BEEN REGISTERED UNDER THE UNITED STATES SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"). THE HOLDER HEREOF AGREES FOR THE BENEFIT OF THE DAI-ICHI LIFE INSURANCE COMPANY, LIMITED (THE "COMPANY") THAT THIS NOTE MAY BE RESOLD, PLEDGED OR OTHERWISE TRANSFERRED ONLY (1) TO THE COMPANY, (2) TO A QUALIFIED INSTITUTIONAL BUYER (AS DEFINED IN RULE 144A UNDER THE SECURITIES ACT ("RULE 144A")) OR A PERSON WHO THE SELLER AND ANY PERSON ACTING ON ITS BEHALF REASONABLY BELIEVES IS A QUALIFIED INSTITUTIONAL BUYER IN ACCORDANCE WITH RULE 144A, PURCHASING FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF A QUALIFIED INSTITUTIONAL BUYER, (3) IN AN OFFSHORE TRANSACTION IN ACCORDANCE WITH RULE 903 OR RULE 904 OF REGULATION S UNDER THE SECURITIES ACT, (4) PURSUANT TO AN EXEMPTION FROM REGISTRATION UNDER THE SECURITIES ACT, PROVIDED THAT, AS A CONDITION TO THE REGISTRATION OF THE TRANSFER THEREOF, THE COMPANY OR THE TRUSTEE MAY REQUIRE THE DELIVERY OF ANY DOCUMENTS, INCLUDING AN OPINION OF COUNSEL, THAT IT, IN ITS SOLE DISCRETION, MAY DEEM NECESSARY OR APPROPRIATE TO EVIDENCE COMPLIANCE WITH SUCH EXEMPTION (IF AVAILABLE), OR (5) PURSUANT TO AN EFFECTIVE REGISTRATION STATEMENT UNDER THE SECURITIES ACT, IN EACH CASE IN ACCORDANCE WITH ANY APPLICABLE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES AND OTHER JURISDICTIONS. THE HOLDER HEREOF, BY, PURCHASING OR ACCEPTING THIS NOTE, REPRESENTS AND AGREES FOR THE BENEFIT OF THE COMPANY THAT IT WILL NOTIFY ANY PURCHASER OF THIS NOTE FROM THE HOLDER OF THE RESALE RESTRICTIONS REFERRED TO ABOVE."

Regulation S Notes

Each purchaser of notes other than the Rule 144A Notes ("Regulation S Notes") will be deemed to have represented and agreed as follows:

(1) It is a non-U.S. person who is acquiring such Regulation S Notes in an offshore transaction in accordance with Rule 903 or Rule 904 of Regulation S under the Securities Act.

(2) It understands that such Regulation S Notes have not been and will not be registered under the Securities Act and may not be offered, resold, pledged or transferred within the United States or to, or for the account or benefit of U.S. persons except as permitted by the legend set forth in paragraph (3) below.

(3) It understands that the notes will bear a legend to the following effect, unless Dai-ichi determines otherwise in compliance with applicable law:

"THIS NOTE HAS NOT BEEN REGISTERED UNDER THE UNITED STATES SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), OR WITH ANY SECURITIES REGULATORY AUTHORITY OF ANY JURISDICTION AND MAY NOT BE REOFFERED, RESOLD, PLEDGED OR OTHERWISE TRANSFERRED WITHIN THE UNITED STATES OR TO A U.S. PERSON (AS DEFINED IN REGULATION S UNDER THE SECURITIES ACT) EXCEPT PURSUANT TO AN EXEMPTION FROM REGISTRATION UNDER THE SECURITIES ACT OR PURSUANT TO AN EFFECTIVE REGISTRATION STATEMENT UNDER THE SECURITIES ACT. THE DAI-ICHI LIFE INSURANCE COMPANY, LIMITED HAS AGREED THAT THIS LEGEND SHALL BE DEEMED TO HAVE BEEN REMOVED ON THE 41ST DAY FOLLOWING THE LATER OF THE COMMENCEMENT OF THE OFFERING OF THE NOTES AND THE FINAL DELIVERY DATE WITH RESPECT THERETO."

Each purchaser and transferee of the notes offered hereby will be deemed to have represented and agreed that either (i) no portion of the assets used by such purchaser or transferee, as applicable, constitute the assets of (a) an "employee benefit plan" subject to Title I of ERISA, (b) a plan, individual retirement account or other arrangement that is subject to Section 4975 of the Code or provisions under any Similar Laws, or (c) a Plan or (ii) its purchase of such note or any interest therein will not result in a non-exempt prohibited transaction under Section 406 of ERISA, or Section 4975 of the Code, or a similar violation of any applicable Similar Laws.

PLAN OF DISTRIBUTION

Goldman, Sachs & Co., Mizuho Securities USA Inc., Morgan Stanley & Co. LLC, J.P. Morgan Securities LLC and Citigroup Global Markets Inc. are acting as representatives of each of the initial purchasers named below. Subject to the terms and conditions set forth in a purchase agreement among us and the initial purchasers, we have agreed to sell to the initial purchasers, and each of the initial purchasers has agreed, severally and not jointly, to purchase from us, the principal amount of notes set forth opposite its name below.

Initial Purchaser	Principal Amount of Notes
Goldman, Sachs & Co.	$ 675,000,000
Mizuho Securities USA Inc.	$ 500,000,000
Morgan Stanley & Co. LLC	$ 300,000,000
J.P. Morgan Securities LLC	$ 250,000,000
Citigroup Global Markets Inc.	$ 250,000,000
Nomura Securities International, Inc.	$ 200,000,000
Merrill Lynch, Pierce, Fenner & Smith Incorporated	$ 175,000,000
SMBC Nikko Securities America, Inc.	$ 75,000,000
Daiwa Capital Markets America Inc.	$ 50,000,000
Deutsche Bank Securities Inc.	$ 25,000,000
Total	$2,500,000,000

Subject to the terms and conditions set forth in the purchase agreement, the initial purchasers have agreed, severally and not jointly, to purchase all of the notes sold under the purchase agreement if any of these notes are purchased. If an initial purchaser defaults, the purchase agreement provides that the purchase commitments of the non-defaulting initial purchasers may be increased or the purchase agreement may be terminated.

We have agreed to indemnify the initial purchasers and their controlling persons against certain liabilities in connection with this offering, including liabilities under the Securities Act, or to contribute to payments the initial purchasers may be required to make in respect of those liabilities.

The initial purchasers are offering the notes, subject to prior sale, when, as and if issued to and accepted by them, subject to approval of legal matters by their counsel, including the validity of the notes, and other conditions contained in the purchase agreement, such as the receipt by the initial purchasers of officer's certificates and legal opinions. The initial purchasers reserve the right to withdraw, cancel or modify offers to the public and to reject orders in whole or in part.

The representatives have advised us that the initial purchasers propose initially to offer the notes at the offering price set forth on the cover page of this offering circular. After the initial offering, the offering price or any other term of the offering may be changed.

Notes Are Not Being Registered

The notes have not been and will not be registered under the Securities Act or any state securities laws. The initial purchasers propose to offer the notes for resale in transactions not requiring registration under the Securities Act or applicable state securities laws, including sales pursuant to Rule 144A and Regulation S. The initial purchasers will not offer or sell the notes except to persons they reasonably believe to be QIBs or pursuant to offers and sales to non-U.S. persons that occur outside of the United States within the meaning of Regulation S. In addition, until 40 days following the commencement of this offering, an offer or sale of the notes within the United States by a dealer (whether or not participating in the offering) may violate the registration requirements of the Securities Act unless the dealer makes the offer or sale in compliance with Rule 144A or another exemption from registration under the Securities Act. Each purchaser of the notes will be deemed to have made acknowledgments, representations and agreements as described under "—Notice to Investors."

New Issue of Notes

The notes are a new issue of securities with no established trading market. Approval in-principle has been received for the listing of the notes on the Singapore Exchange. For so long as the notes are listed on the Singapore Exchange, the notes will be traded on the Singapore Exchange in a minimum board lot size of $200,000. We have been advised by certain of the initial purchasers that they presently intend to make a market in the notes after completion of the offering. However, they are under no obligation to do so and may discontinue any market-making activities at any time without any notice. We cannot assure the liquidity of the trading market for the notes. If an active trading market for the notes does not develop, the market price and liquidity of the notes may be adversely affected. If the notes are traded, they may trade at a discount from their initial offering price, depending on prevailing interest rates, the market for similar securities, our operating performance and financial condition, general economic conditions and other factors. See "Risk Factors—Risks Relating to the Notes—The market for the notes offered by this offering circular may have limited liquidity."

Settlement

We expect that delivery of the notes will be made to investors on or about July 20, 2016, which will be the 5th business day following the date of this offering circular (such settlement being referred to as "T+5"). Under Rule 15c6-1 under the Exchange Act, trades in the secondary market are required to settle in three business days, unless the parties to any such trade expressly agree otherwise. Accordingly, purchasers who wish to trade notes prior to the delivery of the notes hereunder will be required, by virtue of the fact that the notes initially settle in T+5, to specify an alternate settlement arrangement at the time of any such trade to prevent a failed settlement. Purchasers of the notes who wish to trade the notes prior to their date of delivery hereunder should consult their advisors.

No Sales of Similar Securities

We have agreed that we will not, during a period of 30 days from the date of this offering circular, without first obtaining the prior written consent of the representatives of the initial purchasers, directly or indirectly, issue, sell, offer or agree to sell, or otherwise dispose of, any U.S. dollar-denominated debt securities of ours with a maturity greater than one year, or guarantee any U.S. dollar-denominated debt securities with a maturity greater than one year issued by any of our subsidiaries, except for the notes sold to the initial purchasers pursuant to the purchase agreement.

Short Positions

In connection with the offering, the initial purchasers may purchase and sell the notes in the open market. These transactions may include short sales and purchases on the open market to cover positions created by short sales. Short sales involve the sale by the initial purchasers of a greater principal amount of notes than they are required to purchase in the offering. The initial purchasers must close out any short position by purchasing notes in the open market. A short position is more likely to be created if the initial purchasers are concerned that there may be downward pressure on the price of the notes in the open market after pricing that could adversely affect investors who purchase in the offering.

Similar to other purchase transactions, the initial purchasers' purchases to cover the syndicate short sales may have the effect of raising or maintaining the market price of the notes or preventing or retarding a decline in the market price of the notes. As a result, the price of the notes may be higher than the price that might otherwise exist in the open market.

Neither we nor any of the initial purchasers make any representation or prediction as to the direction or magnitude of any effect that the transactions described above may have on the price of the notes. In addition, neither we nor any of the initial purchasers make any representation that the representatives will engage in these transactions or that these transactions, once commenced, will not be discontinued without notice.

Other Relationships

Some of the initial purchasers and their affiliates have engaged in, and may in the future engage in, investment banking and other commercial dealings in the ordinary course of business with us or our affiliates. They have received, or may in the future receive, customary fees and commissions for these transactions.

In addition, in the ordinary course of their business activities, the initial purchasers and their affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (including bank loans) for their own account and for the accounts of their customers. Such investments and securities activities may involve securities and/or instruments of ours or our affiliates. If any of the initial purchasers or their affiliates has a lending relationship with us, certain of those initial purchasers or their affiliates routinely hedge, and certain other of those initial purchasers or their affiliates may hedge, their credit exposure to us consistent with their customary risk management policies. Typically, these initial purchasers and their affiliates would hedge such exposure by entering into transactions which consist of either the purchase of credit default swaps or the creation of short positions in our securities, including potentially the notes offered hereby. Any such credit default swaps or short positions could adversely affect future trading prices of the notes offered hereby. The initial purchasers and their affiliates may also make investment recommendations and/or publish or express independent research views in respect of such securities or financial instruments and may hold, or recommend to clients that they acquire, long and/or short positions in such securities and instruments. In connection with the offering of the notes, the initial purchasers and/or their respective affiliate(s) may act as investors for their own accounts and may take up the notes in the offering and in that capacity may retain, purchase or sell for their own accounts such securities and any of our other securities or related investments and may offer or sell such securities or other investments otherwise than in connection with the offering. Accordingly, references herein to the notes being offered should be read as including any offering of the notes to the initial purchasers and/or their respective affiliates acting in such capacity. Such persons do not intend to disclose the extent of any such investment or transactions otherwise than in accordance with any legal or regulatory obligation to do so. In addition, Mizuho Bank, Ltd., an affiliate of Mizuho Securities USA Inc., one of the initial purchasers, is one of our largest shareholders, holds subordinated loans issued by us and provides us with various business opportunities, including selling our insurance products through Mizuho Financial Group's Japan branch network. Also, we are party to a ¥450 billion loan facility with Mizuho Bank, Ltd. Although no amounts are currently drawn under this facility, we expect that prior to the Transition we may draw down a maximum of ¥450 billion thereunder. We hold shares of Mizuho Financial Group, preferred securities issued by affiliates of Mizuho Financial Group and subordinated bonds issued by Mizuho Financial Group.

Notice to Investors

Notice to Prospective Investors in Japan

The notes have not been and will not be registered under the FIEA, and are subject to the Special Taxation Measures Act. The notes may not be offered or sold directly or indirectly in Japan or to, or for the benefit of, any person resident in Japan (which term as used herein means any person resident in Japan, including any corporation or other entity organized under the laws of Japan), or to others for re-offering or resale, directly or indirectly, in Japan or to, or for the benefit of, any person resident in Japan, except pursuant to an exemption from the registration requirements of, and otherwise in compliance with, the FIEA and any other applicable laws, regulations and governmental guidelines of Japan. In addition, as part of the initial distribution by the initial purchasers, the notes are not at any time to be directly or indirectly offered or sold to, or for the benefit of, any person other than a Gross Recipient or to others for re-offering or resale, directly or indirectly, to, or for the benefit of, any person other than a Gross Recipient. A "Gross Recipient" as used above means (a) a beneficial owner that is, for Japanese tax purposes, neither (x) an individual resident of Japan or a Japanese corporation, nor (y) an individual non-resident of Japan or a non-Japanese corporation that in either case is a person having a special relationship with the issuer of the notes as described in Article 6, Paragraph (4) of the Special Taxation Measures Act, (b) a Japanese financial institution, designated in Article 3-2-2, Paragraph (28) of the Cabinet Order relating to the Special Taxation Measures Act that will hold notes for its own proprietary account, or (c) an individual resident of Japan or a Japanese corporation whose receipt of interest on the notes will be made through a payment handling agent in Japan as defined in Article 2-2, Paragraph (2) of the Cabinet Order.

Notice to Prospective Investors in the European Economic Area

In relation to each Member State of the European Economic Area (each, a "Relevant Member State"), no offer of notes which are the subject of the placement contemplated by this offering circular may be made to the public in that Relevant Member State other than:

A. to any legal entity which is a qualified investor as defined in the Prospectus Directive;

B. to fewer than 100 or, if the Relevant Member State has implemented the relevant provision of the 2010 PD Amending Directive, 150, natural or legal persons (other than qualified investors as defined in the Prospectus Directive), as permitted under the Prospectus Directive, subject to obtaining the prior consent of the representatives; or

C. in any other circumstances falling within Article 3(2) of the Prospectus Directive, provided that no such offer of notes shall require us or the initial purchasers to publish a prospectus pursuant to Article 3 of the Prospectus Directive.

For the purpose of the above provisions, the expression “an offer to the public” in relation to any notes in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offer and the notes to be offered so as to enable an investor to decide to purchase or subscribe the notes, as the same may be varied in the Relevant Member State by any measure implementing the Prospectus Directive in the Relevant Member State and the expression “Prospectus Directive” means Directive 2003/71/EC (and amendments thereto, including the 2010 PD Amending Directive, to the extent implemented in the Relevant Member States) and includes any relevant implementing measure in the Relevant Member State and the expression “2010 PD Amending Directive” means Directive 2010/73/EU.

Notice to Prospective Investors in Canada

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

The offer and sale of the notes in Canada will only be made under exemptions from the requirement to file a prospectus in any Canadian jurisdiction and will be made only by authorized dealer representatives that are properly registered under the laws of the relevant Canadian jurisdictions or, alternatively, are entitled to rely on exemptions from the dealer registration requirements in such jurisdictions.

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

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

Pursuant to section 3A.3 of National Instrument 33-105 Underwriting Conflicts (“NI 33-105”), the initial purchasers and any dealers or placement agents in the offering are not required to comply with the disclosure requirements of NI 33-105 regarding underwriter conflicts of interest in connection with this offering.

We hereby notify each prospective Canadian purchasers that: (a) it may be required to provide personal information pertaining to the purchaser as required to be disclosed in Schedule I of Form 45-106F1 under NI 45-106 (including its name, address, telephone number and the aggregate purchase price of any notes purchased) (“personal information”), which Form 45-106F1 may be required to be filed by us under NI 45-106, (b) such personal information may be delivered to the Ontario Securities Commission (the “OSC”) in accordance with NI 45-106, (c) such personal information is collected indirectly by the OSC under the authority granted to it under the securities legislation of Ontario, (d) such personal information is collected for the purposes of the administration and enforcement of the securities legislation of Ontario, and (e) the public official in Ontario who can answer questions about the OSC’s indirect collection of such personal information is the Administrative

Support Clerk at the OSC, Suite 1903, Box 55, 20 Queen Street West, Toronto, Ontario M5H 3S8, Telephone: (416) 593-3684. Prospective Canadian purchasers that purchase notes in this offering will be deemed to have authorized the indirect collection of the personal information by the OSC, and to have acknowledged and consented to its name, address, telephone number and other specified information, including the aggregate purchase price paid by the purchaser, being disclosed to other Canadian securities regulatory authorities, and to have acknowledged that such information may become available to the public in accordance with requirements of applicable Canadian laws.

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

Notice to Prospective Investors in Switzerland

This offering circular is not intended to constitute an offer or solicitation to purchase or invest in the notes described herein. Neither this offering circular nor any other offering or marketing material relating to the notes constitutes an issue prospectus pursuant to Article 652a or Article 1156 of the Swiss Code of Obligations and the notes will not be listed on the SIX Swiss Exchange or any other regulated trading facility in Switzerland. Therefore, this offering circular may not comply with the disclosure standards of the listing rules (including any additional listing rules or prospectus schemes) of the SIX Swiss Exchange or any other regulated trading facility in Switzerland. Accordingly, the notes may not be publicly offered, sold or advertised in, into or from Switzerland. Neither this offering circular nor any other offering or marketing material relating to the notes may be publicly distributed or otherwise made publicly available in Switzerland.

Notice to Prospective Investors in the United Kingdom

Each initial purchaser has (A) only communicated or caused to be communicated and will only communicate or cause to be communicated, an invitation or inducement to engage in investment activity (within the meaning of Section 21 of the FSMA) received by it in connection with the issue or sale of the notes in circumstances in which Section 21(1) of the FSMA does not apply to us and (B) has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to the notes in, from or otherwise involving the United Kingdom.

Notice to Prospective Investors in Hong Kong

This offering circular has not been approved by or registered with the Securities and Futures Commission of Hong Kong or the Registrar of Companies of Hong Kong. The notes will not be offered or sold in Hong Kong by means of any document other than (a) to "professional investors" as defined in the Securities and Futures Ordinance (Cap. 571) of Hong Kong and any rules made under that Ordinance; or (b) in other circumstances which do not result in this offering circular being a "prospectus" as defined in the Companies (Winding up and Miscellaneous Provisions) Ordinance (Cap. 32) of Hong Kong or which do not constitute an offer to the public within the meaning of that Ordinance. No advertisement, invitation or document relating to the notes which is directed at, or the contents of which are likely to be accessed or read by, the public of Hong Kong (except if permitted to do so under the securities laws of Hong Kong) has been issued or will be issued in Hong Kong or elsewhere other than with respect to securities which are or are intended to be disposed of only to persons outside Hong Kong or only to "professional investors" as defined in the Securities and Futures Ordinance and any rules made under that Ordinance.

Notice to Prospective Investors in Singapore

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

Where the notes are subscribed or purchased under Section 275 of the SFA by a relevant person which is:

(a) a corporation (which is not an accredited investor (as defined in Section 4A of the SFA)) the sole business of which is to hold investments and the entire share capital of which is owned by one or more individuals, each of whom is an accredited investor; or

(b) a trust (where the trustee is not an accredited investor) whose sole purpose is to hold investments and each beneficiary of the trust is an individual who is an accredited investor,

securities (as defined in Section 239(1) of the SFA) of that corporation or the beneficiaries' rights and interest (howsoever described) in that trust shall not be transferred within six months after that corporation or that trust has acquired the notes pursuant to an offer made under Section 275 of the SFA except:

(i) to an institutional investor or to a relevant person defined in Section 275(2) of the SFA, or to any person arising from an offer referred to in Section 275(1A) or Section 276(4)(i)(B) of the SFA;

(ii) where no consideration is or will be given for the transfer;

(iii) where the transfer is by operation of law;

(iv) as specified in Section 276(7) of the SFA; or

(v) as specified in Regulation 32 of the Securities and Futures (Offers of Investments) (Shares and Debentures) Regulations 2005 of Singapore.

Stamp Taxes and Other Charges

Purchasers of the notes offered by this offering circular may be required to pay stamp taxes and other charges in accordance with the laws and practices of the country of purchase and in addition to the offering price on the cover page of this offering circular.

INDEPENDENT AUDITORS

Our consolidated financial statements and non-consolidated financial statements as of March 31, 2014, 2015 and 2016 and for the years ended March 31, 2014, 2015 and 2016 included in this offering circular have been audited by Ernst & Young ShinNihon LLC, our independent auditors, as indicated in their reports included herein.

LEGAL MATTERS

Certain Japanese legal matters will be passed upon for us by Nishimura & Asahi in respect of Japanese law. The validity of the notes and certain U.S. legal matters will be passed upon for us by Simpson Thacher & Bartlett LLP and for the initial purchasers by Sullivan & Cromwell LLP.

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Independent Auditor's Report

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

We have audited the accompanying consolidated financial statements of The Dai-ichi Life Insurance Company, Limited and its consolidated subsidiaries, which comprise the consolidated balance sheets as at March 31, 2016, 2015 and 2014, and the consolidated statements of earnings, comprehensive income, changes in net assets, and cash flows for the years then ended and a summary of significant accounting policies and other explanatory information, all expressed in Japanese yen.

Management's Responsibility for the Consolidated Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of The Dai-ichi Life Insurance Company, Limited and its consolidated subsidiaries as of March 31, 2016, 2015 and 2014, and their consolidated financial performance and cash flows for the years then ended in conformity with accounting principles generally accepted in Japan.

Convenience Translation

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

/s/ Ernst & Young ShinNihon LLC

Tokyo, Japan
June 24, 2016

Consolidated Balance Sheets

As of March 31,	2014	2015	2016	*2016*
		(Unit: million yen)		*(Unit: million US dollars)*
(ASSETS)				
Cash and deposits	¥ 698,594	¥ 873,444	¥ 843,405	*$ 7,484*
Call loans	362,800	380,400	116,900	*1,037*
Monetary claims bought	281,859	265,813	239,299	*2,123*
Money held in trust	66,400	65,283	87,476	*776*
Securities	31,203,581	41,105,413	41,560,060	*368,832*
Loans	3,024,702	3,898,148	3,715,562	*32,974*
Tangible fixed assets	1,215,895	1,217,070	1,178,817	*10,461*
Land	796,436	804,035	795,829	*7,062*
Buildings	408,402	402,693	371,304	*3,295*
Leased assets	6,141	4,687	4,712	*41*
Construction in progress	1,349	850	2,402	*21*
Other tangible fixed assets	3,566	4,804	4,567	*40*
Intangible fixed assets	210,053	437,677	407,367	*3,615*
Software	65,040	63,364	63,268	*561*
Goodwill	77,108	79,293	54,832	*486*
Other intangible fixed assets	67,904	295,019	289,266	*2,567*
Reinsurance receivable	33,867	101,290	105,876	*939*
Other assets	516,436	1,401,047	1,573,118	*13,960*
Net defined benefit assets	—	705	764	*6*
Deferred tax assets	5,734	1,379	1,344	*11*
Customers' liabilities for acceptances and guarantees	88,225	91,648	97,056	*861*
Reserve for possible loan losses	(2,759)	(2,120)	(1,702)	*(15)*
Reserve for possible investment losses	(215)	—	(423)	*(3)*
Total assets	¥37,705,176	¥49,837,202	¥49,924,922	*$443,068*

Consolidated Balance Sheets—(Continued)

As of March 31,	2014	2015	2016	2016
		(Unit: million yen)		(Unit: million US dollars)
(LIABILITIES)				
Policy reserves and others	¥33,327,552	¥42,547,013	¥43,894,014	*$389,545*
Reserves for outstanding claims	358,606	506,735	580,778	*5,154*
Policy reserves	32,574,923	41,634,712	42,922,534	*380,924*
Reserve for policyholder dividends	394,022	405,566	390,701	*3,467*
Reinsurance payable	27,677	56,248	75,883	*673*
Bonds payable	107,562	489,045	485,682	*4,310*
Other liabilities	1,593,272	1,864,717	1,486,611	*13,193*
Net defined benefit liabilities	385,436	331,322	443,842	*3,938*
Reserve for retirement benefits of directors, executive officers and corporate auditors	2,163	2,017	1,886	*16*
Reserve for possible reimbursement of prescribed claims	800	700	800	*7*
Reserves under the special laws	118,167	136,254	155,246	*1,377*
Reserve for price fluctuations	118,167	136,254	155,246	*1,377*
Deferred tax liabilities	15,108	643,398	270,750	*2,402*
Deferred tax liabilities for land revaluation	91,595	84,908	80,189	*711*
Acceptances and guarantees	88,225	91,648	97,056	*861*
Total liabilities	¥35,757,563	¥46,247,274	¥46,991,963	*$417,039*
(NET ASSETS)				
Capital stock	¥ 210,224	¥ 343,104	¥ 343,146	*$ 3,045*
Capital surplus	210,262	343,255	330,105	*2,929*
Retained earnings	219,552	352,985	479,241	*4,253*
Treasury stock	(11,500)	(9,723)	(23,231)	*(206)*
Total shareholders' equity	628,538	1,029,622	1,129,262	*10,021*
Net unrealized gains (losses) on securities, net of tax	1,322,731	2,528,262	1,840,084	*16,330*
Deferred hedge gains (losses)	(2,586)	(12,036)	(3,865)	*(34)*
Reserve for land revaluation	(38,320)	(33,424)	(16,402)	*(145)*
Foreign currency translation adjustments	19,756	22,654	16,570	*147*
Accumulated remeasurements of defined benefit plans	16,854	54,027	(33,688)	*(298)*
Total accumulated other comprehensive income	1,318,435	2,559,484	1,802,698	*15,998*
Subscription rights to shares	583	753	925	*8*
Non-controlling interests	55	67	72	*0*
Total net assets	1,947,613	3,589,927	2,932,959	*26,029*
Total liabilities and net assets	¥37,705,176	¥49,837,202	¥49,924,922	*$443,068*

Consolidated Statements of Earnings

Year ended March 31,	2014	2015	2016	2016
		(Unit: million yen)		*(Unit: million US dollars)*
ORDINARY REVENUES	¥6,044,955	¥7,252,242	¥7,333,947	*$65,086*
Premium and other income	4,353,229	5,432,717	5,586,000	*49,574*
Investment income	1,320,066	1,444,012	1,344,852	*11,935*
Interest and dividends	797,309	856,550	1,075,389	*9,543*
Gains on money held in trust	—	3,228	—	—
Gains on investments in trading securities	20,659	26,405	—	—
Gains on sale of securities	210,417	162,163	222,409	*1,973*
Gains on redemption of securities	25,418	24,652	45,598	*404*
Reversal of reserve for possible loan losses	1,329	460	844	*7*
Reversal of reserve for possible investment losses	—	214	—	—
Other investment income	2,568	623	612	*5*
Gains on investments in separate accounts	262,363	369,713	—	—
Other ordinary revenues	371,659	375,513	403,094	*3,577*
ORDINARY EXPENSES	5,740,205	6,845,400	6,915,780	*61,375*
Benefits and claims	2,903,587	3,380,827	3,830,941	*33,998*
Claims	772,715	829,650	1,079,990	*9,584*
Annuities	576,951	672,898	629,640	*5,587*
Benefits	497,867	472,705	461,503	*4,095*
Surrender values	693,785	790,234	809,069	*7,180*
Other refunds	362,267	615,339	850,738	*7,550*
Provision for policy reserves and others	1,634,864	2,271,268	1,496,360	*13,279*
Provision for reserves for outstanding claims	61,004	87,946	91,447	*811*
Provision for policy reserves	1,564,912	2,174,573	1,396,273	*12,391*
Provision for interest on policyholder dividends	8,946	8,748	8,639	*76*
Investment expenses	234,950	168,935	524,041	*4,650*
Interest expenses	20,005	16,934	29,536	*262*
Losses on money held in trust	13,356	—	1,782	*15*
Losses on investments in trading securities	—	—	36,943	*327*
Losses on sale of securities	67,494	24,221	64,289	*570*
Losses on valuation of securities	1,407	469	4,128	*36*
Losses on redemption of securities	3,050	305	1,269	*11*
Derivative transaction losses	61,093	5,551	53,857	*477*
Foreign exchange losses	13,233	68,177	180,451	*1,601*
Provision for reserve for possible investment losses	215	—	423	*3*
Write-down of loans	31	43	233	*2*
Depreciation of real estate for rent and others	14,198	14,633	14,176	*125*
Other investment expenses	40,862	38,599	40,753	*361*
Losses on investments in separate accounts	—	—	96,194	*853*
Operating expenses	517,566	559,344	661,384	*5,869*
Other ordinary expenses	449,236	465,022	403,052	*3,576*
Ordinary profit	304,750	406,842	418,166	*3,711*
EXTRAORDINARY GAINS	3,634	3,310	308	*2*
Gains on disposal of fixed assets	3,624	3,030	287	*2*
Gains on step acquisitions	—	273	—	—
Other extraordinary gains	10	7	20	*0*
EXTRAORDINARY LOSSES	67,374	29,451	55,272	*490*
Losses on disposal of fixed assets	13,890	5,396	1,310	*11*
Impairment losses on fixed assets	23,890	5,472	34,548	*306*
Provision for reserve for price fluctuations	28,939	18,067	18,992	*168*
Other extraordinary losses	654	514	421	*3*
Provision for reserve for policyholder dividends	94,000	112,200	97,500	*865*
Income before income taxes	147,010	268,502	265,702	*2,358*
Corporate income taxes-current	117,221	125,503	103,064	*914*
Corporate income taxes-deferred	(46,467)	509	(15,887)	*(140)*
Total of corporate income taxes	70,753	126,013	87,177	*773*
Net income	76,256	142,489	178,524	*1,584*
Net income (loss) attributable to non-controlling interests	(1,674)	12	9	*0*
Net income attributable to shareholders of parent company	¥ 77,931	¥ 142,476	¥ 178,515	*$ 1,584*

Consolidated Statements of Comprehensive Income

Year ended March 31,	2014	2015	2016	2016
	(Unit: million yen)			(Unit: million US dollars)
Net income	¥ 76,256	¥ 142,489	¥ 178,524	$ 1,584
Other comprehensive income				
Net unrealized gains (losses) on securities, net of tax	224,078	1,203,801	(687,935)	*(6,105)*
Deferred hedge gains (losses)	(784)	(9,450)	8,170	*72*
Reserve for land revaluation	(269)	5,668	2,411	*21*
Foreign currency translation adjustments	(4,131)	(5,940)	(2,180)	*(19)*
Remeasurements of defined benefit plans, net of tax	—	37,171	(87,716)	*(778)*
Share of other comprehensive income of subsidiaries and affiliates accounted for under the equity method	5,031	10,575	(4,142)	*(36)*
Total other comprehensive income	223,924	1,241,826	(771,392)	*(6,845)*
Comprehensive income	300,180	1,384,315	(592,867)	*(5,261)*
(Details)				
Attributable to shareholders of the parent company	301,783	1,384,296	(592,879)	*(5,261)*
Attributable to non-controlling interests	¥ (1,603)	¥ 19	¥ 12	*$ 0*

Consolidated Statements of Changes in Net Assets

Year ended March 31, 2014

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
	(Unit: million yen)				
Balance at the beginning of the year	¥210,207	¥210,207	¥156,357	¥(13,431)	¥563,340
Cumulative effect of changes in accounting policies					—
Balance at the beginning of the year after reflecting the effect of changes in accounting policies	210,207	210,207	156,357	(13,431)	563,340
Changes for the year					
Issuance of new shares					—
Issuance of new shares—exercise of subscription rights to shares	17	17			35
Dividends			(15,855)		(15,855)
Net income attributable to shareholders of parent company			77,931		77,931
Purchase of treasury stock					—
Disposal of treasury stock		37		1,930	1,967
Transfer from reserve for land revaluation			1,055		1,055
Others			62		62
Net changes of items other than shareholders' equity					
Total changes for the year	17	54	63,194	1,930	65,197
Balance at the end of the year	¥210,224	¥210,262	¥219,552	¥(11,500)	¥628,538

	Accumulated other comprehensive income			
	Net unrealized gains (losses) on securities, net of tax	Deferred hedge gains (losses)	Reserve for land revaluation	Foreign currency translation adjustments
	(Unit: million yen)			
Balance at the beginning of the year	¥1,099,351	¥(1,801)	¥(36,995)	¥18,229
Cumulative effect of changes in accounting policies				
Balance at the beginning of the year after reflecting the effect of changes in accounting policies	1,099,351	(1,801)	(36,995)	18,229
Changes for the year				
Issuance of new shares				
Issuance of new shares—exercise of subscription rights to shares				
Dividends				
Net income attributable to shareholders of parent company				
Purchase of treasury stock				
Disposal of treasury stock				
Transfer from reserve for land revaluation				
Others				
Net changes of items other than shareholders' equity	223,379	(784)	(1,325)	1,527
Total changes for the year	223,379	(784)	(1,325)	1,527
Balance at the end of the year	¥1,322,731	¥(2,586)	¥(38,320)	¥19,756

	Accumulated other comprehensive income				
	Accumulated remeasurements of defined benefit plans	Total accumulated other comprehensive income	Subscription rights to shares	Non-controlling interests	Total net assets
	(Unit: million yen)				
Balance at the beginning of the year	¥ —	¥1,078,784	¥379	¥ 6,514	¥1,649,020
Cumulative effect of changes in accounting policies					—
Balance at the beginning of the year after reflecting the effect of changes in accounting policies	—	1,078,784	379	6,514	1,649,020
Changes for the year					
Issuance of new shares					—
Issuance of new shares—exercise of subscription rights to shares					35
Dividends					(15,855)
Net income attributable to shareholders of parent company					77,931
Purchase of treasury stock					—
Disposal of treasury stock					1,967
Transfer from reserve for land revaluation					1,055
Others					62
Net changes of items other than shareholders' equity	16,854	239,651	203	(6,458)	233,396
Total changes for the year	16,854	239,651	203	(6,458)	298,593
Balance at the end of the year	¥16,854	¥1,318,435	¥583	¥ 55	¥1,947,613

Consolidated Statements of Changes in Net Assets—(Continued)

Year ended March 31, 2015

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

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

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

Consolidated Statements of Changes in Net Assets—(Continued)

Year ended March 31, 2016

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

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

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

Consolidated Statements of Changes in Net Assets—(Continued)

Year ended March 31, 2016

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

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

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

Consolidated Statements of Cash Flows

Year ended March 31,	2014	2015	2016	*2016*
	(Unit: million yen)			*(Unit: million US dollars)*
CASH FLOWS FROM OPERATING ACTIVITIES				
Income before income taxes	¥ 147,010	¥ 268,502	¥ 265,702	*$ 2,358*
Depreciation of real estate for rent and others	14,198	14,633	14,176	*125*
Depreciation	38,278	37,650	49,623	*440*
Impairment losses on fixed assets	23,890	5,472	34,548	*306*
Amortization of goodwill	4,490	5,858	3,567	*31*
Increase (decrease) in reserves for outstanding claims	64,445	91,675	87,668	*778*
Increase (decrease) in policy reserves	1,563,285	2,164,622	1,261,466	*11,195*
Provision for interest on policyholder dividends	8,946	8,748	8,639	*76*
Provision for (reversal of) reserve for policyholder dividends	94,000	112,200	97,500	*865*
Increase (decrease) in reserve for possible loan losses	(1,351)	(640)	(418)	*(3)*
Increase (decrease) in reserve for possible investment losses	215	(215)	424	*3*
Write-down of loans	31	43	233	*2*
Decrease (increase) in net defined benefit assets	—	108	122	*1*
Increase (decrease) in net defined benefit liabilities	(29,962)	(2,502)	(10,816)	*(95)*
Increase (decrease) in reserve for retirement benefits of directors, executive officers and corporate auditors	(186)	(146)	(131)	*(1)*
Increase (decrease) in reserve for possible reimbursement of prescribed claims	100	(100)	100	*0*
Increase (decrease) in reserve for price fluctuations	28,939	18,067	18,992	*168*
Interest and dividends	(797,309)	(856,550)	(1,075,389)	*(9,543)*
Securities related losses (gains)	(446,907)	(557,939)	(65,181)	*(578)*
Interest expenses	20,005	16,934	29,536	*262*
Foreign exchange losses (gains)	13,233	68,177	180,451	*1,601*
Losses (gains) on disposal of fixed assets	9,764	1,585	846	*7*
Equity in losses (income) of affiliates	(5,359)	(6,460)	(6,119)	*(54)*
Losses (gains) on step acquisitions	—	(273)	—	—
Decrease (increase) in reinsurance receivable	(993)	(44,978)	(7,804)	*(69)*
Decrease (increase) in other assets unrelated to investing and financing activities	(73,269)	(23,605)	(44,454)	*(394)*
Increase (decrease) in reinsurance payable	11,554	(458)	20,744	*184*
Increase (decrease) in other liabilities unrelated to investing and financing activities	(31,334)	36,326	(46,653)	*(414)*
Increase (decrease) in accounts payable relating to introduction of defined-contribution pension plan	22,133	(7,782)	(6,707)	*(59)*
Others, net	115,120	43,551	140,905	*1,250*
Subtotal	¥ 792,970	¥1,392,504	¥ 951,573	*$ 8,444*
Interest and dividends received	¥ 837,102	¥ 901,607	¥ 1,302,101	*$11,555*
Interest paid	(19,722)	(14,968)	(36,019)	*(319)*
Policyholder dividends paid	(101,686)	(109,404)	(121,003)	*(1,073)*
Others, net	(297,517)	(153,024)	35,963	*319*
Corporate income taxes paid	(117,175)	(141,072)	(118,807)	*(1,054)*
Net cash flows provided by (used in) operating activities	¥1,093,970	¥1,875,642	¥ 2,013,807	*$17,871*

Consolidated Statements of Cash Flows—(Continued)

Year ended March 31,	2014	2015	2016	*2016*
	(Unit: million yen)			*(Unit: million US dollars)*
CASH FLOWS FROM INVESTING ACTIVITIES				
Purchases of monetary claims bought	¥ (33,040)	¥ (15,500)	¥ (9,800)	*$ (86)*
Proceeds from sale and redemption of monetary claims bought	32,924	31,407	35,567	*315*
Purchases of money held in trust	(23,287)	(1,900)	(27,500)	*(244)*
Proceeds from decrease in money held in trust	—	6,000	3,000	*26*
Purchases of securities	(8,698,928)	(7,052,529)	(7,668,854)	*(68,058)*
Proceeds from sale and redemption of securities	7,680,239	5,617,127	5,513,007	*48,926*
Origination of loans	(612,363)	(422,203)	(457,401)	*(4,059)*
Proceeds from collection of loans	728,934	413,966	646,044	*5,733*
Others, net	205,504	(42,431)	(258,221)	*(2,291)*
Total of net cash provided by (used in) investment transactions	(720,015)	(1,466,063)	(2,224,157)	*(19,738)*
Total of net cash provided by (used in) operating activities and investment transactions	373,955	409,579	(210,350)	*(1,866)*
Acquisition of tangible fixed assets	(38,333)	(27,858)	(22,049)	*(195)*
Proceeds from sale of tangible fixed assets	15,058	6,792	1,856	*16*
Acquisition of intangible fixed assets	(19,249)	(18,091)	(21,327)	*(189)*
Proceeds from sale of intangible fixed assets	18	303	18	*0*
Acquisition of stock of subsidiaries resulting in change in scope of consolidation	(2,236)	(526,206)	—	—
Acquisition of stock of subsidiaries and affiliates	(18,501)	(1,020)	—	—
Payments for execution of assets retirement obligations	(3)	—	—	—
Net cash flows provided by (used in) investing activities	¥ (783,262)	¥(2,032,143)	¥(2,265,659)	*$(20,107)*
CASH FLOWS FROM FINANCING ACTIVITIES				
Proceeds from borrowings	¥ —	¥ —	¥ 322,801	*$ 2,864*
Repayment of borrowings	(31,959)	(1,862)	(350,263)	*(3,108)*
Proceeds from issuing bonds	—	106,808	7,839	*69*
Redemption of bonds	(51,624)	—	(12,434)	*(110)*
Repayment of financial lease obligations	(1,735)	(1,669)	(1,726)	*(15)*
Net increase (decrease) in short-term financing	—	—	46,818	*415*
Proceeds from issuing common stock	—	264,175	—	—
Purchase of treasury stock	—	—	(15,000)	*(133)*
Proceeds from disposal of treasury stock	1,932	1,830	1,879	*16*
Cash dividends paid	(15,787)	(19,783)	(33,346)	*(295)*
Others, net	(14)	(7)	(7)	*(0)*
Net cash flows provided by (used in) financing activities	¥ (99,189)	¥ 349,490	¥ (33,439)	*$ (296)*
Effect of exchange rate changes on cash and cash equivalents	1,157	377	(8,247)	*(73)*
Net increase (decrease) in cash and cash equivalents	212,676	193,366	(293,538)	*(2,605)*
Cash and cash equivalents at the beginning of the year	848,717	1,061,394	1,254,760	*11,135*
Cash and cash equivalents at the end of the year	¥ 1,061,394	¥ 1,254,760	¥ 961,221	*$ 8,530*

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF AND FOR THE YEARS ENDED MARCH 31, 2014, 2015 AND 2016

I. BASIS FOR PRESENTATION

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

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

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

II. PRINCIPLES OF CONSOLIDATION

1. Scope of Consolidation

The consolidated financial statements include the accounts of DL and its consolidated subsidiaries (collectively, "the Group"), including The Dai-ichi Life Information Systems Co., Ltd., The Dai-ichi Frontier Life Insurance Co., Ltd. ("DFLI"), The Neo First Life Insurance Company, Limited ("Neo First Life"), Dai-ichi Life Insurance Company of Vietnam, Limited ("DLVN"), TAL Dai-ichi Life Australia Pty Ltd ("TDLA") and Protective Life Corporation. The number of consolidated subsidiaries as of March 31, 2014, 2015 and 2016 were twenty-one, sixty-one and sixty-one, respectively.

Effective the fiscal year ended March 31, 2014, seven new subsidiaries of TDLA and one new subsidiary of DLVN are included in the scope of consolidation. Two subsidiaries of TDLA are excluded from the scope of the consolidation as TDLA disposed of its interest in the subsidiaries. Effective the fiscal year ended March 31, 2015, Neo First Life, Protective Life Corporation and its forty subsidiaries are included in the scope of consolidation. Sompo Japan DIY Life Insurance Co., Ltd. ("DIY Life") changed its name to Neo First Life on November 25, 2014. Effective the fiscal year ended March 31, 2015, two subsidiaries of TDLA are excluded from the scope of the consolidation as TDLA disposed of its interest in the subsidiaries.

The main subsidiaries that are not consolidated for the purposes of financial reporting are Dai-ichi Seimei Business Service K.K and First U Anonymous Association. The fifteen, eighteen and eighteen non-consolidated subsidiaries as of March 31, 2014, 2015 and 2016, respectively, had, individually and in the aggregate, a minimal impact on the consolidated financial statements in terms of total assets, sales, net income (loss), retained earnings, cash flows, and others.

There was no non-consolidated subsidiary accounted for under the equity method as of March 31, 2014, 2015 and 2016.

The number of affiliated companies under the equity method as of March 31, 2014, 2015 and 2016 were thirty-two, forty-six and forty-eight, respectively. The affiliated companies included DIAM Co., Ltd., Mizuho-DL Financial Technology Co., Ltd., Trust & Custody Services Bank Ltd., Corporate-pension Business Service Co., Ltd., Japan Excellent Asset Management Co., Ltd., NEOSTELLA CAPITAL CO., LTD., OCEAN LIFE INSURANCE PUBLIC COMPANY LIMITED, Star Union Dai-ichi Life Insurance Company Limited, Janus Capital Group Inc. and PT Panin Internasional.

Effective the fiscal year ended March 31, 2014, one subsidiary of Janus Capital Group Inc., PT Panin Internasional and its subsidiary were newly included in the scope of the equity method. Effective the fiscal year ended March 31, 2015, six affiliated companies of Protective Life Corporation, five subsidiaries of Janus Capital Group Inc. and four subsidiaries of PT Panin International were newly included in the scope of the equity method, and Japan Real Estate Asset Management Co., Ltd. was excluded from the scope of the equity method as DL disposed of its interest in Japan Real Estate Asset Management Co., Ltd. Effective the fiscal year ended March 31, 2016, three subsidiaries of Janus Capital Group Inc. were newly accounted for under the equity method. Effective the fiscal year ended March 31, 2016, one affiliated company of Protective Life Corporation was excluded from the scope of the equity method as it had been liquidated. The non-consolidated subsidiaries (Dai-ichi Seimei Business Service K.K. and First U Anonymous Association and others), as well as affiliated companies (NEOSTELLA No.1 Investment Limited Partnership, O.M. Building Management Co., Ltd., and others) were not accounted for under the equity method. These companies had, individually and in the aggregate, a minimal impact on the consolidated financial statements, in terms of the net income (loss), retained earnings and others.

2. Year-end Dates of Consolidated Subsidiaries

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

Regarding certain consolidated overseas subsidiaries, financial information as of February 1, 2015, the date of business combination, is used for preparation of the consolidated financial statements as of March 31, 2015.

3. Summary of Significant Accounting Policies

(1) Valuation Methods of Securities

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

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

a) Trading Securities

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

b) Held-to-maturity Bonds

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

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

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

d) Stocks of Non-consolidated Subsidiaries and Affiliated Companies Not Accounted for under the Equity Method

Stocks of non-consolidated subsidiaries and affiliated companies not accounted for under the equity method are stated at cost determined by the moving average method.

e) Available-for-sale Securities

i) Available-for-sale Securities with Market Value

Available-for-sale securities which have market value are valued at fair value at the end of the fiscal year (for domestic stocks, the average fair value during March), with cost determined by the moving average method.

ii) Available-for-sale Securities Whose Market Values Are Extremely Difficult to Recognize

a. Government/Corporate Bonds (including Foreign Bonds), Whose Premium or Discount Represents the Interest Adjustment

Government/corporate bonds (including foreign bonds), whose premium or discount represents the interest adjustment are valued at the amortized cost determined by the moving average method.

b. Others

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

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

Securities held by certain consolidated overseas subsidiaries are stated at cost determined by the first-in first-out.

(2) Valuation Method of Derivative Transactions

Derivative transactions are reported at fair value.

(3) Depreciation of Depreciable Assets

a) Depreciation of Tangible Fixed Assets Excluding Leased Assets

Depreciation of tangible fixed assets excluding leased assets is calculated by the declining balance method (the depreciation of buildings other than attached improvements and structures is calculated by the straight-line method).

Estimated useful lives of major assets are as follows:

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

Tangible fixed assets other than land and buildings that were acquired for ¥100,000 or more but less than ¥200,000 are depreciated at equal amounts over three years.

With respect to tangible fixed assets that were acquired on or before March 31, 2007 and that were fully depreciated to their original depreciable limit, effective the year ended March 31, 2008, the remaining values are depreciated at equal amounts over five years from the following fiscal year of the year in which they reached the original depreciable limit.

Depreciation of tangible fixed assets owned by domestic consolidated subsidiaries is principally calculated by the declining balance method, while the straight-line method is principally used to compute depreciation for such assets of consolidated overseas subsidiaries.

b) Amortization of Intangible Fixed Assets Excluding Leased Assets

DL and its consolidated subsidiaries use the straight-line method for amortization of intangible fixed assets excluding leased assets. Software for internal use is amortized by the straight-line method based on the estimated useful lives of two to eight years.

c) Depreciation of Leased Assets

Depreciation of leased assets with regard to finance leases whose ownership does not transfer to the lessees is computed under the straight-line method assuming zero salvage value.

(4) Reserve for Possible Loan Losses

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

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

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

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

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

For loans and claims to bankrupt and substantially bankrupt obligors, the unrecoverable amount is calculated by deducting the amount deemed recoverable from collateral and guarantees from the amount of the loans and claims and is directly written off from the amount of the loans and claims. The amounts written off during the years ended March 31, 2014, 2015 and 2016 were ¥67 million, ¥59 million and ¥58 million (US$0 million), respectively.

(5) Reserve for Possible Investment Losses

For the fiscal years ended March 31, 2014, 2015 and 2016, in order to provide for future investment losses, a reserve for possible investment losses of DL is established for securities whose market values are extremely difficult to recognize. It is calculated based on the internal rules for self-assessment, write-offs, and reserves on assets.

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

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

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

(7) Reserve for Possible Reimbursement of Prescribed Claims

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

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

For the net defined benefit liabilities and the net defined benefit assets, the amount is provided by deducting the pension assets from the projected benefit obligations based on the estimated amounts as of March 31, 2014, 2015 and 2016.

a) Allocation of Estimated Retirement Benefits

In calculating the projected benefit obligations, the straight-line method is adopted to allocate estimated retirement benefits for the fiscal year ended March 31, 2014, and the benefit formula basis is adopted to allocate estimated retirement benefit for the fiscal years ended March 31, 2015 and 2016.

b) Amortization of Actuarial Differences and Past Service Cost

Past service cost is amortized under the straight-line method through a certain period (three years) within the employees' average remaining service period.

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

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

(9) Reserve for Price Fluctuations

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

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

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

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

(11) Methods for Hedge Accounting

a) Methods for Hedge Accounting

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

b) Hedging Instruments and Hedged Items

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

c) Hedging Policies

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

d) Assessment of Hedge Effectiveness

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

(12) Amortization of Goodwill

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

(13) Scope of Cash and Cash Equivalents

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

(14) Calculation of National and Local Consumption Tax

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

(15) Policy Reserves

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

a) Reserves for policies subject to the standard policy reserve rules are calculated based on the methods stipulated by the Commissioner of Financial Services Agency (Notification of the Minister of Finance No. 48, 1996).

b) Reserves for other policies are established based on the net level premium method.

Policy reserves of consolidated foreign subsidiaries are calculated based on the each country's accounting standard, such as US GAAP.

(Additional information)

Effective the fiscal year ended March 31, 2008, for whole life insurance contracts acquired by DL on or before March 31, 1996 for which premium payments were already completed (including lump-sum payments), additional policy reserves are provided in accordance with Article 69, Paragraph 5 of the Enforcement Regulation of the Insurance Business Act and will be provided in the following nine years. As a result, the amount of the provisions for policy reserves for the years ended March 31, 2014, 2015 and 2016 were ¥126,720 million, ¥122,957 million and ¥142,163 million (US$1,261 million), respectively.

(16) Changes in Accounting Policies

Effective the fiscal year ended March 31, 2014, DL and its domestic consolidated subsidiaries applied "Accounting Standard for Retirement Benefits" (ASBJ Statement No. 26 issued on May 17, 2012, hereinafter "the Standard") and "Guidance on Accounting Standard for Retirement Benefits" (ASBJ Guidance No. 25 issued on May 17, 2012, hereinafter "the Guidance"), except for provisions stipulated in Paragraph 35 of the Standard and Paragraph 67 of the Guidance.

As DL changed the calculation method of net defined benefit liabilities to record them as the projected benefit obligations minus pension assets, the unrecognized actuarial differences and unrecognized past service cost were recorded as net defined benefit liabilities.

Upon the adoption of these new standards, DL followed the transitional treatment stipulated in Paragraph 37 of the Standard and the impact of adoption as of March 31, 2014 is included in the accumulated remeasurements of defined benefit plans as a component of the accumulated other comprehensive income.

As a result, DL recorded ¥385,436 million of net defined benefit liabilities. Also accumulated other comprehensive income of DL as of March 31, 2014 increased by ¥16,854 million as compared to what it would have been if calculated using the previous method.

Effective the fiscal year ended March 31, 2015, DL and its domestic consolidated subsidiaries applied "Accounting Standard for Retirement Benefits" (ASBJ Statement No. 26 issued on May 17, 2012, hereinafter "the Standard") and "Guidance on Accounting Standard for Retirement Benefits" (ASBJ Guidance No. 25 issued on March 26, 2015, hereinafter "the Guidance"), subject to provisions stipulated in Paragraph 35 of the Standard and Paragraph 67 of the Guidance. DL and its domestic consolidated subsidiaries revised the calculation method of projected benefit obligations and service cost by changing the allocation of estimated retirement benefits from the straight-line method to the benefit formula basis and by changing the determination of the discount rate from using the discount rate based on a certain period close to employees' average remaining service period to using the single weighted average discount rate taking into account the assumed payment period of retirement benefits and the amount per each assumed payment period.

Upon the adoption of these new standards, DL and its domestic consolidated subsidiary followed the transitional treatment stipulated in Paragraph 37 of the Standard and the impact of adoption at the beginning of the fiscal year ended March 31, 2015 related to changes in calculation method of projected benefit obligations and service cost was included in DL and its domestic consolidated subsidiary's retained earnings.

As a result, net defined benefit assets increased by ¥450 million, net defined benefit liabilities decreased by ¥15,900 million and retained earnings increased by ¥11,272 million at the beginning of the fiscal year ended March 31, 2015 as compared to what they would have been if calculated using the previous method. Also, for the fiscal year ended March 31, 2015, both ordinary profit and income before income taxes and minority interests decreased by ¥289 million.

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

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

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

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

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

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

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

(17) Policy Acquisition Costs

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

(Additional information)

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

a) Overview of the transactions

i) J-ESOP

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

ii) E-Ship®

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

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

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

i) J-ESOP

a. Book value of the stocks of the Parent Company within the trust as of March 31, 2014, 2015 and 2016 were ¥6,839 million, ¥6,771 million and ¥6,672 million (US$59 million). These stocks were recorded as the treasury stock in the total shareholders’ equity.

b. The number of stocks within the trust as of March 31, 2014, 2015 and 2016 were 4,524 thousand shares, 4,479 thousand shares and 4,413 thousand shares, and the average number of stocks within the trust for the years ended March 31, 2014, 2015 and 2016 were 4,534 thousand shares, 4,496 thousand shares and 4,437 thousand shares. The number of shares at the year-end and the average number of stocks were included in the treasury stock, which is deducted when calculating per-share information.

ii) E-Ship®

a. Book value of the stocks of the Parent Company within the trust as of March 31, 2014, 2015 and 2016 were ¥4,661 million, ¥2,952 million and ¥1,558 million (US$13 million). These stocks were recorded as the treasury stock in the total shareholders' equity.

b. The number of stocks within the trust as of March 31, 2014, 2015 and 2016 were 3,219 thousand shares, 2,039 thousand shares and 1,076 thousand shares, and the average number of stocks within the trust for the years ended March 31, 2014, 2015 and 2016 were 3,789 thousand shares, 2,545 thousand shares and 1,545 thousand shares. The number of shares at the year-end and the average number of stocks were included in the treasury stock, which is deducted when calculating per-share information.

Note: The Parent Company conducted a 1:100 share split on October 1, 2013. The average number of stocks is calculated, assuming that the share split was conducted at the beginning of the fiscal year ended March 31, 2014.

III. NOTES TO THE CONSOLIDATED BALANCE SHEETS

1. Assets Pledged as Collateral / Secured Liabilities

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

As of March 31,	2014	2015	2016	*2016*
	(Unit: million yen)			*(Unit: million US dollars)*
Securities (Government bonds)	¥752,581	¥712,005	¥407,357	*$3,615*
Securities (Foreign securities)	4,149	181,804	235,367	*2,088*
Securities (Corporate bonds)	527	523	3,594	*31*
Cash and deposits	86	879	9,042	*80*
Securities and cash and deposits pledged as collateral	¥757,345	¥895,212	¥655,362	*$5,816*

The amounts of secured liabilities were as follows:

As of March 31,	2014	2015	2016	*2016*
	(Unit: million yen)			*(Unit: million US dollars)*
Cash collateral for securities lending transactions	¥773,937	¥731,505	¥473,284	*$4,200*
Loans payable	3	0	—	—
Secured liabilities	¥773,941	¥731,506	¥473,284	*$4,200*

"Securities (Government bonds)" pledged as collateral for securities lending transactions with cash collateral as of March 31, 2014, 2015 and 2016 were ¥726,832 million, ¥650,112 million and ¥381,453 million (US$3,385 million), respectively.

2. Securities Lending

Securities lent under lending agreements are included in the consolidated balance sheets. The total balance of securities lent as of March 31, 2014, 2015 and 2016 were ¥1,148,500 million, ¥1,888,894 million and ¥2,250,315 million (US$19,970 million), respectively.

3. Policy-reserve-matching Bonds

(1) Book Value and Market Value

The book value and the market value of policy-reserve-matching bonds as of March 31, 2014 were as follows:

As of March 31,	2014
	(Unit: million yen)
Book value	12,461,047
Market value	13,539,746

(2) Risk Management Policy

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

The sub-groups of insurance products of DL are:

Years ended March 31, 2014, 2015 and 2016

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

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

Years ended March 31, 2014 and 2015	Year ended March 31, 2016
i) individual life insurance and annuities (yen-denominated, short-term),	i) individual life insurance and annuities (yen-denominated, short-term),
ii) individual life insurance and annuities (yen-denominated, long-term),	ii) individual life insurance and annuities (yen-denominated, long-term),
iii) individual life insurance and annuities (U.S. dollar-denominated), and	iii) individual life insurance and annuities (U.S. dollar-denominated),
iv) individual life insurance and annuities (Australian dollar-denominated),	iv) individual life insurance and annuities (Australian dollar-denominated), and
with the exception of certain types and contracts.	v) individual life insurance and annuities (New Zealand dollar-denominated),
	with the exception of certain types and contracts.

(Additional information)

Effective the fiscal year ended March 31, 2014, in order to conduct appropriate duration control, taking into account the duration of liabilities to promote more sophisticated ALM, a certain subsidiary of DL added individual life insurance and annuities (yen-denominated, long-term) as a new sub-group. This addition did not have any impact on profits and losses of DL and the subsidiary for the year ended March 31, 2014.

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

4. Stocks of Subsidiaries and Affiliated Companies

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

As of March 31,	2014	2015	2016	*2016*
	(Unit: million yen)			*(Unit: million US dollars)*
Stocks	¥ 98,916	¥126,803	¥122,088	*$1,083*
Capital	40,026	51,591	70,902	*629*
Total	¥138,942	¥178,395	¥192,990	*$1,712*

5. Problem Loans

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

As of March 31,	2014	2015	2016	*2016*
	(Unit: million yen)			*(Unit: million US dollars)*
Credits to bankrupt borrowers	¥4,329	¥ 502	¥ 93	*$ 0*
Delinquent loans	4,463	3,525	3,005	*26*
Loans past due for three months or more	—	—	—	—
Restructured loans	35	2,040	415	*3*
Total	¥8,828	¥6,068	¥3,513	*$31*

Credits to bankrupt borrowers represent non-accrual loans, excluding the balances already written off, which meet the conditions prescribed in Article 96, Paragraph 1, Item 3 or 4 of the Enforcement Ordinance of the Corporation Tax Act. Interest accruals of such loans are suspended since the principal 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, decreases in credits to bankrupt borrowers and delinquent loans were as follows:

As of March 31,	2014	2015	2016	*2016*
	(Unit: million yen)			*(Unit: million US dollars)*
Credits to bankrupt borrowers	¥ 6	¥ 4	¥ 2	*$0*
Delinquent loans	60	54	56	*0*

6. Commitment Line

As of March 31, 2014, 2015 and 2016, there were unused commitment line agreements under which DL and its consolidated subsidiaries were the lenders of ¥27,767 million, ¥95,370 million and ¥104,987 million (US$931 million), respectively.

7. Accumulated Depreciation of Tangible Fixed Assets

The amounts of accumulated depreciation of tangible fixed assets as of March 31, 2014, 2015 and 2016 were ¥638,112 million, ¥648,947 million and ¥664,386 million (US$5,896 million), respectively.

8. Assets and Liabilities Held in Separate Accounts

The total amounts of assets held in separate accounts defined in Article 118, Paragraph 1 of the Insurance Business Act as of March 31, 2014, 2015 and 2016 were ¥3,052,249 million, ¥3,328,149 million and ¥3,140,639 million (US$27,872 million), respectively. Separate account liabilities were the same amount as the separate account assets.

9. Reinsurance

As of March 31, 2014, reserves for outstanding claims for reinsured parts defined in Article 71, Paragraph 1 of the Enforcement Regulations of the Insurance Business Act, which is referred to in Article 73, Paragraph 3 of the Regulations was ¥5 million.

As of March 31, 2014, the amounts of policy reserves provided for reinsured parts defined in Article 71, Paragraph 1 of the Regulations was ¥12,262 million.

10. Changes in Reserve for Policyholder Dividends

Changes in reserve for policyholder dividends were as follows:

Year ended March 31,	2014	2015	2016	*2016*
	(Unit: million yen)			*(Unit: million US dollars)*
Balance at the beginning of the year	¥ 392,761	¥394,022	¥405,566	*$3,599*
Dividends paid during the year	(101,686)	109,404	121,003	*1,073*
Interest accrual during the year	8,946	8,748	8,639	*76*
Provision for reserve for policyholder dividends	94,000	112,200	97,500	*865*
Balance at the end of the year	¥ 394,022	¥405,566	¥390,701	*$3,467*

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

The estimated future obligations of DL and its subsidiaries that operate a life insurance business in Japan to the Life Insurance Policyholders Protection Corporation of Japan under Article 259 of the Insurance Business Act as of March 31, 2014, 2015 and 2016 were ¥55,825 million, ¥54,887 million and ¥55,326 million (US$491 million), respectively. These obligations will be recognized as operating expenses in the years in which they are paid.

12. Revaluation of Land

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

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

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

- The excess of the new book value of the land over the fair value after revaluation in accordance with Article 10 of the Law for Revaluation of Land was ¥20,257 million as of March 31, 2014, which included ¥2,032 million attributable to real estate for rent, ¥2,525 million as of March 31, 2015, which included ¥(7,935) million attributable to real estate for rent, and no excess as of March 31, 2016.

13. Bonds Payable

(1) For the Year Ended March 31, 2014

As of March 31, 2013 and 2014, bonds payable included foreign currency-denominated subordinated bonds of ¥154,584 million and ¥107,562 million, respectively, the repayment of which is subordinated to other obligations.

Issuer	Description	Issuance date	Balance as of April 1, 2013	Balance as of March 31, 2014	Interest rate (%)	Collateral	Maturity date
			(Unit: million yen)				
DL	Foreign currency (US dollar) denominated subordinated bonds	March 17, 2004	¥ 47,022 [499 mil US$]	¥ —	5.73	None	March 17, 2014
DL	Foreign currency (US dollar) denominated perpetual subordinated bonds	March 15, 2011	¥107,562 [1,300 mil US$]	¥ 107,562 [1,300 mil US$]	7.25	None	Perpetual
Total	—	—	¥ 154,584	¥ 107,562	—	—	—

Note: Figures in [ ] are the principal amount in US dollars.

(2) For the Year Ended March 31, 2015

As of March 31, 2014 and 2015, bonds payable included foreign currency-denominated subordinated bonds of ¥107,562 million and ¥281,988 million, respectively, the repayment of which is subordinated to other obligations.

Issuer	Description	Issuance date	Balance as of April 1, 2014	Balance as of March 31, 2015	Interest rate (%)	Collateral	Maturity date
			(Unit: million yen)				
DL	Foreign currency (US dollar) denominated perpetual subordinated bonds	From March 15, 2011 To October 28, 2014	¥107,562 [1,300 mil US$]	¥215,727 [2,300 mil US$]	From 5.10 to 7.25	None	Perpetual
(*)	Foreign currency (US dollar) denominated bonds	From August 15, 1994 To October 10, 2012	—	¥207,056 [1,751 mil US$]	From 1.96 to 11.25	None	From January 15, 2018 To July 15, 2052
Protective Life Corporation	Foreign currency (US dollar) denominated subordinated bonds	From January 27, 2004 To August 15, 2012	—	¥ 66,261 [560 mil US$]	From 6.00 to 6.25	None	From January 27, 2034 To September 1, 2042
Total	—	—	¥107,562	¥489,045	—	—	—

Note: 1. The above (*) represents the total of bonds issued by the following consolidated overseas subsidiaries: Protective Life Corporation, Golden Gate II Captive Insurance Company, Golden Gate V Vermont Captive Insurance Company and MONY Life Insurance Company.
2. Figures in [ ] are the principal amount in US dollars.
3. The following table shows the maturities of long-term subordinated bonds for the 5 years subsequent to March 31, 2015

	Due in one year or less	Due after one year through two years	Due after two years through three years	Due after three years through four years	Due after four years through five years
			(Unit: million yen)		
Bonds Payable	—	—	¥17,737	—	¥47,300

(3) For the Year Ended March 31, 2016

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

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

Note: 1. The above (*) represents the total of bonds issued by the following consolidated overseas subsidiaries: Protective Life Corporation, Golden Gate II Captive Insurance Company, Golden Gate V Vermont Captive Insurance Company and MONY Life Insurance Company.
2. For the fiscal year ended March 31, 2016, 104 million US dollars of subordinated bonds were redeemed.
3. Figures in [ ] are the principle amount in US dollars.
4. The following table shows the maturities of long-term subordinated bonds for the 5 years subsequent to March 31, 2016

	Due in one year or less	Due after one year through two years	Due after two years through three years	Due after three years through four years	Due after four years through five years
			(Unit: million yen)		
Bonds payable	—	—	¥18,091	¥48,244	—

	Due in one year or less	*Due after one year through two years*	*Due after two years through three years*	*Due after three years through four years*	*Due after four years through five years*
			(Unit: million US dollars)		
Bonds payable	—	—	*$ 160*	*$ 428*	—

14. Subordinated Debt and Other liabilities

As of March 31, 2014, 2015 and 2016, other liabilities included subordinated debt of ¥320,000 million, ¥320,000 million and ¥283,000 million (US$2,511 million), respectively, the repayment of which is subordinated to other obligations.

(1) For the Year Ended March 31, 2014

Category	Balance as of April 1, 2013	Balance as of March 31, 2014	Average interest rate (%)	Maturity
	(Unit: million yen)			
Current portions of long-term borrowings	¥ 30,001	¥ 1	5.2	—
Current portions of lease obligations	1,679	1,642	—	—
Long-term borrowings (excluding current portion)	350,905	348,334	2.7	September 2015~ perpetual
Lease obligations (excluding current portion)	5,878	4,385	—	April 2015~ January 2019
Total	¥388,465	¥354,362	—	—

Note: 1. Those borrowings and lease obligations above are included in the “other liabilities” on the consolidated balance sheets.
2. The average interest rate represents the weighted-average rate applicable to the balance as of March 31, 2014. As for lease obligations, description is omitted since interest method is applied.
3. The following table shows the maturities of long-term borrowings (excluding the current portion or those without maturities) and lease obligations (excluding the current portion) for the 5 years subsequent to March 31, 2014:

	Due after one year through two years	Due after two years through three years	Due after three years through four years	Due after four years through five years
	(Unit: million yen)			
Long-term borrowings	¥21,275	¥ 0	¥ 0	¥ 0
Lease obligations	1,487	1,253	1,225	418

(2) For the Year Ended March 31, 2015

Category	Balance as of April 1, 2014	Balance as of March 31, 2015	Average interest rate (%)	Maturity
	(Unit: million yen)			
Current portions of long-term borrowings	¥ 1	¥ 20,575	3.8	—
Current portions of lease obligations	1,642	1,518	—	—
Long-term borrowings (excluding current portion)	348,334	371,315	2.4	July 2016~ perpetual
Lease obligations (excluding current portion)	4,385	3,064	—	April 2016~ February 2020
Total	¥354,362	¥396,474	—	—

Note: 1. Those borrowings and lease obligations above are included in the “other liabilities” on the consolidated balance sheets.
2. The average interest rate represents the weighted-average rate applicable to the balance as of March 31, 2015. As for lease obligations, description is omitted since interest method is applied.
3. The following table shows the maturities of long-term borrowings (excluding the current portion or those without maturities) and lease obligations (excluding the current portion) for the 5 years subsequent to March 31, 2015:

	Due after one year through two years	Due after two years through three years	Due after three years through four years	Due after four years through five years
	(Unit: million yen)			
Long-term borrowings	¥ 0	¥ —	¥ —	¥—
Lease obligations	1,298	1,269	458	34

(3) For the Year Ended March 31, 2016

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

Note: 1. Those borrowings and lease obligations above are included in the “other liabilities” on the consolidated balance sheets.

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

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

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

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

15. Securities Borrowing

Securities borrowed under borrowing agreements and securities received as collateral of reinsurance transactions can be sold or pledged as collateral. As of March 31, 2014, 2015 and 2016, the market value of the securities which were not sold or pledged as collateral was ¥43,418 million, ¥94,474 million and ¥267,875 (US$2,377 million), respectively. None of the securities were pledged as collateral as of March 31, 2014, 2015 and 2016, respectively.

16. Organizational Change Surplus

As of March 31, 2014, 2015 and 2016, the amounts of DL’s organizational change surplus stipulated in Article 91 of the Insurance Business Act were ¥117,776 million, ¥117,776 million and ¥117,776 million (US$1,045 million), respectively.

IV. NOTES TO THE CONSOLIDATED STATEMENTS OF EARNINGS

1. Operating Expenses

Details of operating expenses for the years ended March 31, 2014, 2015 and 2016 were as follows:

Year ended March 31,	2014	2015	2016	*2016*
	(Unit: million yen)			*(Unit: million US dollars)*
Sales activity expenses	¥229,549	¥267,612	¥301,337	*$2,674*
Sales management expenses	72,984	71,876	78,029	*692*
General management expenses	215,032	219,856	282,016	*2,502*

2. Gains on Disposal of Fixed Assets

Details of gains on disposal of fixed assets for the years ended March 31, 2014, 2015 and 2016 were as follows:

Year ended March 31,	2014	2015	2016	*2016*
	(Unit: million yen)			*(Unit: million US dollars)*
Land	¥3,373	¥2,477	¥168	*$1*
Buildings	237	551	103	*0*
Other tangible fixed assets	5	1	0	*0*
Other intangible fixed assets	8	—	14	*0*
Total	¥3,624	¥3,030	¥287	*$2*

3. Losses on Disposal of Fixed Assets

Details of losses on disposal of fixed assets for the years ended March 31, 2014, 2015 and 2016 were as follows:

Year ended March 31,	2014	2015	2016	*2016*
	(Unit: million yen)			*(Unit: million US dollars)*
Land	¥ 8,008	¥1,249	¥ 784	*$ 6*
Buildings	5,333	2,911	205	*1*
Leased assets	1	41	2	*0*
Other tangible fixed assets	40	163	140	*1*
Software	65	198	60	*0*
Other intangible fixed assets	299	248	—	*—*
Other assets	141	582	116	*1*
Total	¥13,890	¥5,396	¥1,310	*$11*

4. Impairment Losses on Fixed Assets

Details of impairment losses on fixed assets for the years ended March 31, 2014, 2015 and 2016 were as follows:

a) Method of Grouping Assets

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

b) Background for Recognition of Impairment Losses

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

c) Breakdown of Impairment Losses

Impairment losses by asset group for the year ended March 31, 2014 were as follows:

Asset Group	Place	Number	Impairment Losses			
			Land	Land Leasehold Rights	Buildings	Total
			(Unit: million yen)			
Real estate for rent	Shinjuku-Ku, Tokyo and others	2	¥2,682	¥6,495	¥6,154	¥15,332
Real estate not in use	Okayama City, Okayama Prefecture and others	28	3,461	2,718	2,378	8,557
Total		30	¥6,144	¥9,213	¥8,532	¥23,890

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

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

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

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

d) Calculation of Recoverable Value

Value in use or net sale value is used as the recoverable value of real estate for rent, and net sale value is used as the recoverable value of real estate not in use. Discount rates of 2.66%, 2.57% and 2.48% for the years ended March 31, 2014, 2015 and 2016, respectively, were applied for discounting future cash flows in the calculation of value in use. Estimated disposal value, appraisal value based on real estate appraisal standards, or appraisal value based on publicly assessed land value for tax purposes is used as the net sale value.

V. NOTES TO THE CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

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

Year ended March 31,	2014	2015	2016	*2016*
	(Unit: million yen)			*(Unit: million US dollars)*
Net unrealized gains (losses) on securities, net of tax				
Amount incurred during the year	¥ 468,991	¥1,783,498	¥ (863,473)	*$(7,663)*
Amount reclassified	(145,882)	(145,030)	(154,986)	*(1,375)*
Before tax adjustment	323,109	1,638,467	(1,018,460)	*(9,038)*
Tax effect	(99,031)	(434,666)	330,525	*2,933*
Net unrealized gains (losses) on securities, net of tax	224,078	1,203,801	(687,935)	*(6,105)*
Deferred hedge gains (losses)				
Amount incurred during the year	(2,435)	64,255	10,659	*94*
Amount reclassified	(143)	(111)	851	*7*
Amount adjusted for asset acquisition cost	1,437	(77,309)	—	—
Before tax adjustment	(1,141)	(13,165)	11,511	*102*
Tax effect	356	3,714	(3,340)	*(29)*
Deferred hedge gains (losses)	(784)	(9,450)	8,170	*72*
Reserve for land revaluation				
Amount incurred during the year	—	—	—	—
Amount reclassified	—	—	—	—
Before tax adjustment	—	—	—	—
Tax effect	(269)	5,668	2,411	*21*
Reserve for land revaluation	(269)	5,668	2,411	*21*
Foreign currency translation adjustments				
Amount incurred during the year	(4,131)	(5,940)	(2,180)	*(19)*
Amount reclassified	—	—	—	—
Before tax adjustment	(4,131)	(5,940)	(2,180)	*(19)*
Tax effect	—	—	—	—
Foreign currency translation adjustments	(4,131)	(5,940)	(2,180)	*(19)*
Remeasurements of defined benefit plans, net of tax				
Amount incurred during the year	—	52,829	(112,409)	*(997)*
Amount reclassified	—	(1,281)	(10,053)	*(89)*
Before tax adjustment	—	51,547	(122,463)	*(1,086)*
Tax effect	—	(14,375)	34,746	*308*
Remeasurements of defined benefit plans, net of tax	—	37,171	(87,716)	*(778)*
Share of other comprehensive income of subsidiaries and affiliates accounted for under the equity method				
Amount incurred during the year	5,136	10,737	(4,079)	*(36)*
Amount reclassified	(104)	(161)	(62)	*(0)*
Share of other comprehensive income of subsidiaries and affiliates accounted for under the equity method	5,031	10,575	(4,142)	*(36)*
Total other comprehensive income	¥ 223,924	¥1,241,826	¥ (771,392)	*$(6,845)*

VI. NOTES TO THE CONSOLIDATED STATEMENTS OF CHANGES IN NET ASSETS

1. For the Year Ended March 31, 2014

(1) Type and Number of Shares Outstanding

Year ended March 31, 2014	At the beginning of the year	Increase during the year	Decrease during the year	At the end of the year
	(Unit: thousands of shares)			
Common stock(*2)	10,000	990,059	—	1,000,060
Treasury stock(*3)(*4)	90	8,255	602	7,743

(*1) The Company conducted a 1:100 share split on October 1, 2013.
(*2) The increase of 990,059 thousand shares of common stock represents the sum of a) the exercise of stock acquisition rights of 0 thousand shares and b) the stock split 990,059 thousand shares.
(*3) The increase of 8,255 thousand shares of treasury stock represents the stock split.
(*4) The decrease of 602 thousand shares of treasury stock represents the sum of a) shares granted to eligible employees at retirement by the J-ESOP under DL's incentive program granting middle management the purchased shares and b) shares sold to the Dai-ichi Life Insurance Employee Stock Holding Partnership by the Trust Fund for Dai-ichi Life Insurance Employee Stock Holding Partnership under the E-Ship®.

(2) Stock Acquisition Rights

Issuer	Details	Balance as of March 31, 2014
		(Unit: million yen)
DL	Stock acquisition rights in the form of stock options	¥583

(3) Dividends on Common Stock

a) Dividends paid during the fiscal year ended March 31, 2014

Date of resolution	June 24, 2013 (at the Annual General Meeting of Shareholders)
Type of shares	Common stock
Total dividends(*)	¥15,855 million
Dividends per share	¥1,600
Record date	March 31, 2013
Effective date	June 25, 2013
Dividend resource	Retained earnings

(*) Total dividends did not include ¥145 million of dividends to the J-ESOP trust and the E-ship® trust, as DL recognized the shares held by those trusts as treasury shares.

b) Dividends, the record date of which was March 31, 2014, to be paid out in the year ending March 31, 2015

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

(*1) Total dividends did not include ¥154 million of dividends to the J-ESOP trust and the E-ship® trust, as DL recognized the shares held by those trusts as treasury shares.
(*2) The Company conducted a 1:100 share split on October 1, 2013. The dividend per share reflects the share split.

2. For the Year Ended March 31, 2015

(1) Type and Number of Shares Outstanding

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

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

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

(2) Stock Acquisition Rights

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

(3) Dividends on Common Stock

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

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

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

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

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

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

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

3. For the Year Ended March 31, 2016

(1) Type and Number of Shares Outstanding

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

(*1) The increase of 84 thousand shares of common stock is due to the exercise of stock acquisition rights (stock options)

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

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

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

(2) Stock Acquisition Rights

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

(3) Dividends on Common Stock

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

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

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

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

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

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

VII. NOTES TO THE CONSOLIDATED STATEMENTS OF CASH FLOWS

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

As of March 31,	2014	2015	2016	*2016*
	(Unit: million yen)			*(Unit: million US dollars)*
Cash and cash deposits	¥ 698,594	¥ 873,444	¥843,405	*$7,484*
Call loans	362,800	380,400	116,900	*1,037*
Money market funds included in securities	—	915	916	*8*
Cash and cash equivalents	¥1,061,394	¥1,254,760	¥961,221	*$8,530*

2. Breakdown of Assets and Liabilities of Newly Consolidated Subsidiaries as a Result of the Acquisition of Shares

Associated with the consolidation of Neo First Life and Protective Life Corporation as a result of the acquisition of shares, the breakdown of the assets and liabilities of Neo First Life and Protective Life Corporation at the beginning of the consolidation, and the reconciliation of the acquisition price with net cash flow for the acquisition for the year ended March 31, 2015 were as follows:

	Neo First Life	Protective Life Corporation
	(Unit: million yen)	
Assets	¥ 5,111	¥ 8,304,813
Cash and cash deposits included in the above assets	1,820	54,823
Goodwill	2,038	8,561
Liabilities	(1,114)	(7,735,044)
Policy reserves and others included in the above liabilities	(928)	(6,958,358)
Acquisition price of shares	6,035	578,331
Gains on step acquisitions	(273)	—
Acquisition cost before acquisition	(326)	—
Cash and cash equivalents	(2,735)	(54,823)
Net cash flow for the acquisition of shares	¥ 2,699	¥ 523,507

VIII. LEASE TRANSACTIONS

1. Finance Leases (As Lessee)

For the fiscal years ended March 31, 2014, 2015 and 2016, information regarding finance leases (as lessee) is omitted due to the importance on the consolidated financial statements.

2. Operating Leases

Future minimum lease payments under non-cancellable operating leases as of March 31, 2014, 2015 and 2016 were as follows:

(As Lessee)

As of March 31,	2014	2015	2016	*2016*
	(Unit: million yen)			*(Unit: million US dollars)*
Due within one year	¥ 2,239	¥ 3,039	¥ 2,928	*$ 25*
Due after one year	17,992	27,694	26,782	*237*
Total	¥20,232	¥30,733	¥29,711	*$263*

(As Lessor)

As of March 31,	2014	2015	2016	*2016*
	(Unit: million yen)			*(Unit: million US dollars)*
Due within one year	¥—	¥ 8	¥ 8	*$0*
Due after one year	—	256	247	*2*
Total	¥—	¥265	¥256	*$2*

IX. FINANCIAL INSTRUMENTS AND OTHERS

1. Financial Instruments

(1) Policies in Utilizing Financial Instrument

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

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

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

(2) Financial Instruments Used and Their Risks

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

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

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

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

(3) Risk Management

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

a) Market risk management

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

i) Interest rate risk

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

ii) Currency risk

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

iii) Fluctuation in market values

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

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

iv) Derivative transactions

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

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

b) Credit Risk Management

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

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

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

(4) Supplementary Explanation for Fair Value of Financial Instruments

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

2. Fair Value of Financial Instruments

The carrying amount on the consolidated balance sheets, fair value and differences between carrying amount and fair value as of March 31, 2014, 2015 and 2016 were as follows.

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

As of March 31, 2014	Carrying amount	Fair value	Gains (losses)
		(Unit: million yen)	
(1) Cash and deposits	¥ 698,594	¥ 698,606	¥ 12
(2) Call loans	362,800	362,800	—
(3) Monetary claims bought	281,859	281,859	—
(4) Money held in trust	66,400	66,400	—
(5) Securities			
a. Trading securities	3,170,435	3,170,435	—
b. Held-to-maturity bonds	45,109	48,862	3,753
c. Policy-reserve-matching bonds	12,461,047	13,539,746	1,078,698
d. Stocks of subsidiaries and affiliated companies	37,348	44,116	6,768
e. Available-for-sale securities	14,408,024	14,408,024	—
(6) Loans	3,024,702		
Reserves for possible loan losses(*1)	(1,846)		
	3,022,855	3,136,544	113,688
Total assets	¥34,554,474	¥35,757,395	¥1,202,920
(1) Bonds payable	¥ 107,562	¥ 127,995	¥ 20,433
(2) Long-term borrowings	348,335	353,867	5,531
Total liabilities	¥ 455,897	¥ 481,862	¥ 25,965
Derivative transactions(*2)			
a. Hedge accounting not applied	¥ 2,904	¥ 2,904	¥ —
b. Hedge accounting applied	[51,825]	[51,315]	509
Total derivative transactions	¥ [48,921]	¥ [48,411]	¥ 509

(*1) Excluding general reserves for possible loan losses and specific 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.

As of March 31, 2015	Carrying amount	Fair value	Gains (losses)
		(Unit: million yen)	
(1) Cash and deposits	¥ 873,444	¥ 873,453	¥ 9
(2) Call loans	380,400	380,400	—
(3) Monetary claims bought	265,813	265,813	—
(4) Money held in trust	65,283	65,283	—
(5) Securities			
a. Trading securities	5,332,413	5,332,413	—
b. Held-to-maturity bonds	108,312	112,842	4,529
c. Policy-reserve-matching bonds	13,730,760	15,693,503	1,962,743
d. Stocks of subsidiaries and affiliated companies	42,055	78,650	36,595
e. Available-for-sale securities	20,779,417	20,779,417	—
(6) Loans	3,898,148		
Reserves for possible loan losses(*1)	(1,327)		
	3,896,821	4,040,839	144,018
Total assets	¥45,474,722	¥47,622,618	¥2,147,895
(1) Bonds payable	¥ 489,045	¥ 519,605	¥ 30,560
(2) Long-term borrowings	391,891	393,705	1,813
Total liabilities	¥ 880,936	¥ 913,310	¥ 32,374

As of March 31, 2015	Carrying amount	Fair value	Gains (losses)
	(Unit: million yen)		
Derivative transactions(*2)			
a. Hedge accounting not applied	¥ [12,165]	¥ [12,165]	¥ —
b. Hedge accounting applied	[69,304]	[68,910]	394
Total derivative transactions	¥ [81,470]	¥ [81,076]	¥ 394

(*1) Excluding general reserves for possible loan losses and specific 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.

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

(*1) Excluding general reserves for possible loan losses and specific 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.

Note1: Notes to Methods for Calculating Fair Value of Financial Instruments, Securities and Derivative Transactions

Assets

(1) Cash and deposits

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

(2) Call loans

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

(3) Monetary claims bought

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

(4) Money held in trust

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

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

(5) Securities

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

(6) Loans

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

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

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

Liabilities

(1) Bonds payable

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

(2) Long-term borrowings

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

Derivative Instruments

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

Note2: Financial instruments whose fair value is extremely difficult to recognize are as follows and are not included in the fair value of (5) Securities in Note 1

As of March 31,	Carrying amounts 2014	2015	2016	2016
	(Unit: million yen)			*(Unit: million US dollars)*
1.Unlisted domestic stocks(*1)(*2)	¥ 156,509	¥ 153,031	¥161,949	*$1,437*
2.Unlisted foreign stocks(*1)(*2)	31,046	51,064	46,950	*416*
3.Other foreign securities(*1)(*2)	798,089	795,227	692,672	*6,147*
4.Other securities(*1)(*2)	95,972	113,131	91,486	*811*
Total	¥1,081,617	¥1,112,454	¥993,059	*$8,813*

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

(*2) DL recorded impairment charges of ¥5 million for the year ended March 31, 2014, ¥13 million for the year ended March 31, 2015 and ¥21 million (US$ 0 million) for the year ended March 31, 2016.

Note3: Scheduled redemptions of monetary claims and securities with maturities

As of March 31, 2014	Due in 1 year or less	Due after 1 year through 5 years	Due after 5 years through 10 years	Due after 10 years
	(Unit: million yen)			
Cash and deposits	¥698,394	¥ 200	¥ —	¥ —
Call loans	362,800	—	—	—
Monetary claims bought	—	23,585	—	244,561
Money held in trust(*1)	—	2,730	—	—
Securities:				
Held-to-maturity bonds(bonds)	—	—	47,900	—
Policy-reserve-matching bonds(bonds)	317,982	342,117	450,759	10,884,519
Policy-reserve-matching bonds(foreign securities)	300	55,175	274,173	107,557
Available-for-sale securities with maturities(bonds)	390,398	1,260,570	701,335	1,992,102
Available-for-sale securities with maturities(foreign securities)	183,597	2,031,333	1,511,424	2,010,915
Available-for-sale securities with maturities(other securities)	236	70,353	89,810	210
Loans(*2)	255,599	1,028,760	754,427	514,774

(*1) Money held in trust without maturities amounted to ¥63,565 million was not included.

(*2) Loans for which interest or principal payments cannot be forecasted, such as credit to bankrupt obligors, substantially bankrupt obligors and obligors at risk of bankruptcy, amounted to ¥6,266 million were not included. Also, ¥464,467 million of loans without maturities were not included.

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

(*1) Money held in trust without maturities amounted to ¥62,406 million was not included.
(*2) Loans for which interest or principal payments cannot be forecasted, such as credit to bankrupt obligors, substantially bankrupt obligors and obligors at risk of bankruptcy, amounted to ¥1,200 million were not included. Also, ¥642,404 million of loans without maturities were not included.

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

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

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

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

Note 4: Scheduled maturities of bonds and long term borrowings

As of March 31, 2014	Due in 1 year or less	Due after 1 year through 2 years	Due after 2 years through 3 years	Due after 3 years through 4 years	Due after 4 years through 5 years	Due after 5 years
			(Unit: million yen)			
Long term borrowings(*)	¥1	¥21,275	¥0	¥0	¥0	¥0

(*) ¥327,057 million of long term borrowings without maturities were not included.

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

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

(*2) ¥325,197 million of long term borrowings without maturities were not included.

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

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

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

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

X. SECURITIES

1. Trading Securities

Year ended March 31,	2014	2015	2016	*2016*
	(Unit: million yen)			*(Unit: million US dollars)*
Gains (losses) on valuation of trading securities	¥118,922	¥197,216	¥(389,394)	*$(3,455)*

2. Held-to-maturity Bonds

As of March 31, 2014	Carrying amount	Market value	Unrealized gains (losses)
	(Unit: million yen)		
Held-to-maturity securities with unrealized gains:			
(1) Bonds	¥45,109	¥48,862	¥3,753
a. Government bonds	45,109	48,862	3,753
b. Local government bonds	—	—	—
c. Corporate bonds	—	—	—
(2) Foreign securities	—	—	—
a. Foreign bonds	—	—	—
Subtotal	¥45,109	¥48,862	¥3,753
Held-to-maturity securities with unrealized losses:			
(1) Bonds	¥ —	¥ —	¥ —
a. Government bonds	—	—	—
b. Local government bonds	—	—	—
c. Corporate bonds	—	—	—
(2) Foreign securities	—	—	—
a. Foreign bonds	—	—	—
Subtotal	—	—	—
Total	¥45,109	¥48,862	¥3,753

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

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

3. Policy-reserve-matching Bonds

As of March 31, 2014	Carrying amount	Market value	Unrealized gains (losses)
		(Unit: million yen)	
Policy-reserve-matching bonds with unrealized gains:			
(1) Bonds	¥11,926,910	¥13,003,053	¥1,076,142
a. Government bonds	11,233,673	12,287,943	1,054,269
b. Local government bonds	138,689	144,601	5,912
c. Corporate bonds	554,547	570,508	15,960
(2) Foreign Securities	343,307	347,758	4,450
a. Foreign bonds	343,307	347,758	4,450
Subtotal	¥12,270,218	¥13,350,811	¥1,080,593
Policy-reserve-matching bonds with unrealized losses:			
(1) Bonds	¥ 95,679	¥ 95,447	¥ (232)
a. Government bonds	70,510	70,479	(31)
b. Local government bonds	—	—	—
c. Corporate bonds	25,169	24,967	(201)
(2) Foreign Securities	95,149	93,487	(1,661)
a. Foreign bonds	95,149	93,487	(1,661)
Subtotal	190,829	188,934	(1,894)
Total	¥12,461,047	¥13,539,746	¥1,078,698

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

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

4. Available-for-sale Securities

As of March 31, 2014	Carrying amount	Acquisition cost	Unrealized gains (losses)
		(Unit: million yen)	
Available-for-sale securities with unrealized gains:			
(1) Bonds	¥ 4,520,051	¥ 4,202,729	¥ 317,321
a. Government bonds	2,861,998	2,608,822	253,176
b. Local government bonds	104,111	100,523	3,588
c. Corporate bonds	1,553,941	1,493,383	60,557
(2) Domestic stocks	2,331,534	1,345,838	985,695
(3) Foreign securities	6,248,424	5,586,906	661,518
a. Foreign bonds	5,649,038	5,119,855	529,183
b. Other foreign securities	599,385	467,050	132,334
(4) Other Securities	586,839	535,163	51,676
Subtotal	¥13,686,849	¥11,670,637	¥2,016,212
Available-for-sale securities with unrealized losses:			
(1) Bonds	¥ 150,575	¥ 151,927	¥ (1,352)
a. Government bonds	51,947	52,299	(352)
b. Local government bonds	105	105	(0)
c. Corporate bonds	98,523	99,522	(999)
(2) Domestic stocks	206,165	260,058	(53,892)
(3) Foreign securities	604,037	630,623	(26,586)
a. Foreign bonds	475,347	496,017	(20,669)
b. Other foreign securities	128,690	134,606	(5,916)
(4) Other Securities	57,255	58,514	(1,259)
Subtotal	1,018,033	1,101,124	(83,090)
Total	¥14,704,883	¥12,771,761	¥1,933,121

Note: Figures in the above table include (1) certificates of deposit and (2) trust beneficiary rights, which were recorded as cash and deposits and monetary claims bought on the consolidated balance sheets, respectively. The aggregate acquisition cost and carrying amount of such certificates of deposits were ¥15,000 million and ¥15,000 million, respectively, as of March 31, 2014. The aggregate acquisition cost and carrying amount of trust beneficiary rights were ¥268,110 million and ¥281,859 million, respectively, as of March 31, 2014.

As of March 31, 2015	Carrying amount	Acquisition cost	Unrealized gains (losses)
		(Unit: million yen)	
Available-for-sale securities with unrealized gains:			
(1) Bonds	¥ 4,253,125	¥ 3,836,985	¥ 416,139
a. Government bonds	2,829,790	2,481,840	347,949
b. Local government bonds	60,059	57,150	2,909
c. Corporate bonds	1,363,275	1,297,995	65,280
(2) Domestic stocks	3,334,981	1,527,586	1,807,394
(3) Foreign securities	7,733,702	6,442,740	1,290,961
a. Foreign bonds	6,943,224	5,891,550	1,051,674
b. Other foreign securities	790,477	551,190	239,287
(4) Other Securities	876,549	788,661	87,888
Subtotal	¥16,198,359	¥12,595,974	¥3,602,384
Available-for-sale securities with unrealized losses:			
(1) Bonds	¥ 153,306	¥ 153,760	¥ (453)
a. Government bonds	106,003	106,345	(342)
b. Local government bonds	—	—	—
c. Corporate bonds	47,303	47,414	(111)
(2) Domestic stocks	94,369	116,092	(21,723)

As of March 31, 2015	Carrying amount	Acquisition cost	Unrealized gains (losses)
	(Unit: million yen)		
(3) Foreign securities	4,604,695	4,614,811	(10,115)
a. Foreign bonds	4,421,935	4,426,892	(4,957)
b. Other foreign securities	182,760	187,919	(5,158)
(4) Other Securities	34,500	34,978	(478)
Subtotal	4,886,872	4,919,643	(32,771)
Total	¥21,085,231	¥17,515,618	¥3,569,613

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

As of March 31, 2016	Carrying amount	Acquisition cost	Unrealized gains (losses)	*Carrying amount*	*Acquisition cost*	*Unrealized gains (losses)*
	(Unit: million yen)			*(Unit: million US dollars)*		
Available-for-sale securities with unrealized gains:						
(1) Bonds	¥ 4,692,865	¥ 4,065,026	¥ 627,838	*$ 41,647*	*$ 36,075*	*$ 5,571*
a. Government bonds	3,007,861	2,462,247	545,613	*26,693*	*21,851*	*4,842*
b. Local government bonds	47,178	44,485	2,693	*418*	*394*	*23*
c. Corporate bonds	1,637,825	1,558,293	79,531	*14,535*	*13,829*	*705*
(2) Domestic stocks	2,618,029	1,208,765	1,409,264	*23,234*	*10,727*	*12,506*
(3) Foreign securities	7,025,848	6,167,347	858,501	*62,352*	*54,733*	*7,618*
a. Foreign bonds	6,586,146	5,845,261	740,885	*58,450*	*51,874*	*6,575*
b. Other foreign securities	439,702	322,086	117,616	*3,902*	*2,858*	*1,043*
(4) Other Securities	701,520	648,462	53,058	*6,225*	*5,754*	*470*
Subtotal	¥15,038,265	¥12,089,601	¥2,948,663	*$133,459*	*$107,291*	*$26,168*
Available-for-sale securities with unrealized losses:						
(1) Bonds	¥ 39,190	¥ 40,299	¥ (1,109)	*$ 347*	*$ 357*	*$ (9)*
a. Government bonds	8,722	8,784	(62)	*77*	*77*	*(0)*
b. Local government bonds	2,850	3,032	(181)	*25*	*26*	*(1)*
c. Corporate bonds	27,617	28,482	(865)	*245*	*252*	*(7)*
(2) Domestic stocks	372,455	468,913	(96,457)	*3,305*	*4,161*	*(856)*
(3) Foreign securities	5,136,192	5,564,987	(428,794)	*45,582*	*49,387*	*(3,805)*
a. Foreign bonds	4,755,249	5,156,003	(400,753)	*42,201*	*45,757*	*(3,556)*
b. Other foreign securities	380,942	408,983	(28,041)	*3,380*	*3,629*	*(248)*
(4) Other Securities	294,840	308,187	(13,347)	*2,616*	*2,735*	*(118)*
Subtotal	5,842,678	6,382,388	(539,709)	*51,851*	*56,641*	*(4,789)*
Total	¥20,880,943	¥18,471,989	¥2,408,954	*$185,311*	*$163,933*	*$21,378*

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

5. Held-to-maturity Bonds Sold

DL and its consolidated subsidiaries sold no held-to-maturity bonds during the years ended March 31, 2014, 2015 and 2016.

6. Policy-reserve-matching Bonds Sold

Policy-reserve-matching bonds sold during the years ended March 31, 2014, 2015 and 2016 were as follows:

Year ended March 31, 2014	Amounts sold	Realized gains	Realized losses
	(Unit: million yen)		
(1) Bonds	¥ —	¥ —	¥—
a. Government bonds	—	—	—
b. Local government bonds	—	—	—
c. Corporate bonds	—	—	—
(2) Foreign Securities	14,093	2,119	—
a. Foreign bonds	14,093	2,119	—
b. Other foreign securities	—	—	—
Total	¥14,093	¥2,119	¥—

Year ended March 31, 2015	Amounts sold	Realized gains	Realized losses
	(Unit: million yen)		
(1) Bonds	¥244,677	¥ 9,061	¥1,922
a. Government bonds	242,099	8,718	1,922
b. Local government bonds	—	—	—
c. Corporate bonds	2,577	343	—
(2) Foreign Securities	4,406	989	—
a. Foreign bonds	4,406	989	—
b. Other foreign securities	—	—	—
Total	¥249,083	¥10,051	¥1,922

Year ended March 31, 2016	Amounts sold	Realized gains	Realized losses	*Amounts sold*	*Realized gains*	*Realized losses*
	(Unit: million yen)			*(Unit: million US dollars)*		
(1) Bonds	¥ 8,610	¥ 310	¥ —	*$ 76*	*$ 2*	*$—*
a. Government bonds	—	—	—	—	—	—
b. Local government bonds	—	—	—	—	—	—
c. Corporate bonds	8,610	310	—	*76*	*2*	—
(2) Foreign Securities	51,836	2,007	192	*460*	*17*	*1*
a. Foreign bonds	51,836	2,007	192	*460*	*17*	*1*
b. Other foreign securities	—	—	—	—	—	—
Total	¥60,446	¥2,317	¥192	*$536*	*$20*	*$ 1*

7. Available-for-sale Securities Sold

Available-for-sale securities sold during the years ended March 31, 2014, 2015 and 2016 were as follows.

Year ended March 31, 2014	Amounts sold	Realized gains	Realized losses
	(Unit: million yen)		
(1) Bonds	¥1,692,240	¥ 48,416	¥ 6,656
a. Government bonds	1,424,135	41,570	5,247
b. Local government bonds	890	197	—
c. Corporate bonds	267,215	6,648	1,408

Year ended March 31, 2014	Amounts sold	Realized gains	Realized losses
	(Unit: million yen)		
(2) Domestic stocks	154,113	40,648	9,027
(3) Foreign securities	3,566,085	119,230	51,633
a. Foreign bonds	3,493,369	103,435	47,827
b. Other foreign securities	72,715	15,795	3,806
(4) Other securities	1,436	2	176
Total	¥5,413,876	¥208,298	¥67,494

Year ended March 31, 2015	Amounts sold	Realized gains	Realized losses
	(Unit: million yen)		
(1) Bonds	¥ 455,855	¥ 9,295	¥ 378
a. Government bonds	294,114	5,382	71
b. Local government bonds	470	16	1
c. Corporate bonds	161,270	3,896	306
(2) Domestic stocks	89,262	29,826	4,687
(3) Foreign securities	1,923,468	97,367	16,781
a. Foreign bonds	1,848,474	74,213	13,594
b. Other foreign securities	74,993	23,154	3,187
(4) Other securities	44,326	13,667	450
Total	¥2,512,913	¥150,156	¥22,299

Year ended March 31, 2016	Amounts sold	Realized gains	Realized losses	*Amounts sold*	*Realized gains*	*Realized losses*
	(Unit: million yen)			*(Unit: million US dollars)*		
(1) Bonds	¥ 321,360	¥ 7,697	¥ 464	*$ 2,851*	*$ 68*	*$ 4*
a. Government bonds	228,109	6,438	190	*2,024*	*57*	*1*
b. Local government bonds	—	—	—	—	—	—
c. Corporate bonds	93,251	1,259	274	*827*	*11*	*2*
(2) Domestic stocks	104,291	34,591	4,406	*925*	*306*	*39*
(3) Foreign securities	2,391,246	173,683	56,628	*21,221*	*1,541*	*502*
a. Foreign bonds	2,125,406	112,586	38,354	*18,862*	*999*	*340*
b. Other foreign securities	265,839	61,096	18,273	*2,359*	*542*	*162*
(4) Other securities	88,544	4,119	2,598	*785*	*36*	*23*
Total	¥2,905,443	¥220,092	¥64,097	*$25,784*	*$1,953*	*$568*

8. Securities Written Down

DL and its consolidated subsidiaries write down the balance of certain available-for-sale securities with market values (1) when the market value of such securities declines by 50%, or more, of its purchase cost or (2) when the market value of such securities without a certain level of creditworthiness declines by 30% or more, but less than 50%, of its purchase cost unless it is deemed that there is a possibility that the fair value of the security could recover to equal or exceed the purchase cost. The aggregate amounts written down from the balance of available-for-sale securities with market value for the years ended March 31, 2014, 2015 and 2016 were ¥1,401 million, ¥455 million and ¥ 4,108 million (US$36 million), respectively.

XI. MONEY HELD IN TRUST

1. Money Held in Trust for Trading

As of March 31,	2014	2015	2016	*2016*
	(Unit: million yen)			*(Unit: million US dollars)*
Carrying amount on the consolidated balance sheet	¥63,565	¥62,406	¥84,836	*$752*
Gains (losses) on valuation of money held in trust	(18,389)	(477)	(5,450)	*(48)*

2. Money held in trust classified as available-for-sale

As of March 31, 2014	Carrying amount	Acquisition cost	Unrealized gains (losses)
	(Unit: million yen)		
Money held in trust classified as available-for-sale with unrealized gains:			
Money held in trust classified as available-for-sale	¥2,835	¥2,587	¥247
Total	¥2,835	¥2,587	¥247

As of March 31, 2015	Carrying amount	Acquisition cost	Unrealized gains (losses)
	(Unit: million yen)		
Money held in trust classified as available-for-sale with unrealized gains:			
Money held in trust classified as available-for-sale	¥2,876	¥2,587	¥288
Total	¥2,876	¥2,587	¥288

As of March 31, 2016	Carrying amount	Acquisition cost	Unrealized gains (losses)	*Carrying amount*	*Acquisition cost*	*Unrealized gains (losses)*
	(Unit: million yen)			*(Unit: million US dollars)*		
Money held in trust classified as available-for-sale with unrealized gains:						
Money held in trust classified as available-for-sale	¥2,640	¥2,587	¥52	*$23*	*$22*	*$0*
Total	¥2,640	¥2,587	¥52	*$23*	*$22*	*$0*

XII. DERIVATIVE TRANSACTIONS

1. Derivative Transactions (Hedge Accounting Not Applied)

(1) Currency-related transactions

As of March 31, 2014	(A) Notional amount/ contract value	Over 1 Year included in (A)	Fair value	Gains (Losses)
	(Unit: million yen)			
Over-the-counter transactions:				
Foreign currency forward contracts:				
Sold	¥1,630,028	¥ —	¥(8,705)	¥(8,705)
U.S. dollar	805,133	—	(1,904)	(1,904)
Euro	286,081	—	(1,233)	(1,233)
Australian dollar	148,558	—	(3,680)	(3,680)
British pound	92,889	—	(446)	(446)
Canadian dollar	80,417	—	(31)	(31)
Others	216,948	—	(1,409)	(1,409)
Bought	1,290,787	—	1,794	1,794
U.S. dollar	626,321	—	406	406
Euro	160,550	—	355	355
Australian dollar	115,970	—	290	290
British pound	85,696	—	24	24
Canadian dollar	79,092	—	0	0
Others	223,155	—	716	716
Currency swaps:				
Receipts yen, payments foreign currency	1,560	1,560	(449)	(449)
Australian dollar	1,560	1,560	(449)	(449)
Currency options:				
Bought:				
Put	207,940 [1,317]	—	55	(1,261)
U.S. dollar	207,940 [1,317]	—	55	(1,261)
Total return swaps:				
Foreign currency index linked	57,760	57,760	1,890	1,890
Total				¥(6,731)

Note: 1. (1) Forward exchange rates at the end of the year are used for fair value calculation of foreign currency forward contracts.
(2) Fair value of currency swaps is calculated by discounting expected cash flows.
(3) An option pricing model is used for fair value calculation of currency options.
(4) Fair value of total return swaps is based on fair value calculated by referred index of 31 March, 2014.
2. Figures in [ ] are amounts of option premiums which are included in the consolidated balance sheet.
3. Fair value for forward contracts and swaps, and differences between the option premiums paid/received and fair value of the option for option transactions, are shown in “Gains (losses)”.

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

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

As of March 31, 2016	(A) Notional amount/ contract value	Over 1 Year included in (A)	Fair value	Gains (Losses)
	(Unit: million yen)			
Exchange-traded transactions:				
Currency futures:				
Sold	¥ 33,002	¥ —	¥ 166	¥ 166
Euro / U.S. dollar	14,551	—	10	10
British pound / U.S. dollar	12,818	—	290	290
Yen / U.S. dollar	5,631	—	(134)	(134)
Over-the-counter transactions:				
Foreign currency forward contracts:				
Sold	1,519,781	—	13,123	13,123
U.S. dollar	620,059	—	16,987	16,987
Euro	407,142	—	3,216	3,216
Australian dollar	168,678	—	(5,508)	(5,508)
British pound	102,836	—	277	277
Canadian dollar	42,795	—	(253)	(253)
Others	178,269	—	(1,596)	(1,596)
Bought	881,113	—	(6,782)	(6,782)
U.S. dollar	466,897	—	(11,137)	(11,137)
Euro	131,026	—	1,145	1,145
Australian dollar	91,353	—	2,972	2,972
British pound	64,237	—	22	22
Canadian dollar	29,433	—	16	16
Others	98,164	—	198	198
Currency swaps:				
Receipts yen, payments foreign currency	1,560	—	(212)	(212)
Australian dollar	1,560	—	(212)	(212)
Currency options:				
Bought:				
Put	241,613 [5,242]	—	3,440	(1,801)
U.S. dollar	219,498 [4,652]	—	3,435	(1,217)
Australian dollar	22,115 [589]	—	4	(584)
Call	57,179 [722]	—	0	(722)
Euro	57,179 [722]	—	0	(722)
Total return swaps:				
Foreign currency index linked	226,706	226,706	(9,164)	(9,164)
Total				¥ (5,394)

As of March 31, 2016	(A) Notional amount/ contract value	Over 1 Year included in (A)	Fair value	Gains (Losses)
	(Unit: million US dollars)			
Exchange-traded transactions:				
Currency futures:				
Sold	$ 292	$ —	$ 1	$ 1
Euro / U.S. dollar	129	—	0	0
British pound / U.S. dollar	113	—	2	2
Yen / U.S. dollar	49	—	(1)	(1)
Over-the-counter transactions:				
Foreign currency forward contracts:				
Sold	13,487	—	116	116
U.S. dollar	5,502	—	150	150
Euro	3,613	—	28	28
Australian dollar	1,496	—	(48)	(48)
British pound	912	—	2	2
Canadian dollar	379	—	(2)	(2)
Others	1,582	—	(14)	(14)
Bought	7,819	—	(60)	(60)
U.S. dollar	4,143	—	(98)	(98)
Euro	1,162	—	10	10
Australian dollar	810	—	26	26
British pound	570	—	0	0
Canadian dollar	261	—	0	0
Others	871	—	1	1
Currency swaps:				
Receipts yen, payments foreign currency	13	—	(1)	(1)
Australian dollar	13	—	(1)	(1)
Currency options:				
Bought:				
Put	2,144 [46]	—	30	(15)
U.S. dollar	1,947 [41]	—	30	(10)
Australian dollar	196 [5]	—	0	(5)
Call	507 [6]	—	0	(6)
Euro	507 [6]	—	0	(6)
Total return swaps:				
Foreign currency index linked	2,011	2,011	(81)	(81)
Total				$ (47)

Note: 1. (1) Fair value of currency futures listed above is based on the prices quoted from counterparty financial institutions.
(2) Forward exchange rates at the end of the year are used for fair value calculation of foreign currency forward contracts.
(3) Fair value of currency swaps is calculated by discounting expected cash flows.
(4) An option pricing model is used for fair value calculation of currency options or the prices quoted from financial institutions.
(5) Fair value of total return swaps is based on fair value calculated by referred index of 31 March, 2016.

2. Figures in [ ] are amounts of option premiums which are included in the consolidated balance sheet.
3. Fair value for forward contracts and swaps, and differences between the option premiums paid/received and fair value of the option for option transactions, are shown in “Gains (losses)”.

(2) Interest-related transactions

As of March 31, 2014	(A) Notional amount/ contract value	Over 1 Year included in (A)	Fair value	Gains (Losses)
		(Unit: million yen)		
Over-the-counter transactions:				
Yen interest rate swaps:				
Receipts fixed, payments floating	¥ 20,820	¥ 17,770	¥ 384	¥ 384
Receipts floating, payments fixed	4,900	4,900	(94)	(94)
Yen interest rate swaptions:				
Bought:				
Receipts floating, payments fixed	480,000	480,000		
	[11,594]	[11,594]	5,220	(6,374)
Total				¥(6,085)

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

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

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

As of March 31, 2016	(A) Notional amount/ contract value	Over 1 Year included in (A)	Fair value	Gains (Losses)
	(Unit: million yen)			
Over-the-counter transactions:				
Yen interest rate swaps:				
Receipts fixed, payments floating	¥ 505,940	¥ 505,940	¥5,852	¥ 5,852
Receipts floating, payments fixed	34,764	34,764	(194)	(194)
Yen interest rate swaptions:				
Sold:				
Receipts floating, payments fixed	350,000	350,000		
	[1,672]	[1,672]	983	689
Bought:				
Receipts fixed, payments floating	100,000			
	[2,457]	—	2,760	303
Receipts floating, payments fixed	1,177,137	1,097,137		
	[20,662]	[19,739]	6,963	(13,698)
Total				¥ (7,048)

As of March 31, 2016	*(A) Notional amount/ contract value*	*Over 1 Year included in (A)*	*Fair value*	*Gains (Losses)*
	(Unit: million US dollars)			
Over-the-counter transactions:				
Yen interest rate swaps:				
Receipts fixed, payments floating	*$ 4,490*	*$4,490*	*$51*	*$ 51*
Receipts floating, payments fixed	*308*	*308*	*(1)*	*(1)*
Yen interest rate swaptions:				
Sold:				
Receipts floating, payments fixed	*3,106*	*3,106*		
	[14]	*[14]*	*8*	*6*
Bought:				
Receipts fixed, payments floating	*887*			
	[21]	*—*	*24*	*2*
Receipts floating, payments fixed	*10,446*	*9,736*		
	[183]	*[175]*	*61*	*(121)*
Total				*$ (62)*

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

(3) Stock-related transactions

As of March 31, 2014	Notional amount/ contract value	Fair value	Gains (Losses)
	(Unit: million yen)		
Exchange-traded transactions:			
Yen stock index futures:			
Sold	¥40,645	¥ 37	¥ 37
Bought	10,153	288	288
Foreign currency-denominated stock index futures:			
Sold	18,749	(319)	(319)
Bought	11,016	148	148
Total			¥ 154

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

As of March 31, 2015	(A) Notional amount/ contract value	Over 1 Year included in (A)	Fair value	Gains (Losses)
	(Unit: million yen)			
Exchange-traded transactions:				
Yen stock index futures:				
Sold	¥ 57,306	¥ —	¥1,204	¥ 1,204
Bought	9,245	—	15	15
Foreign currency-denominated stock index futures:				
Sold	75,848	—	(312)	(312)
Bought	7,662	—	58	58
Yen stock index options:				
Sold:				
Put	39,979			
	[843]	—	375	467
Bought:				
Put	44,948			
	[1,227]	—	745	(482)
Foreign currency-denominated stock index options:				
Sold:				
Call	83,203			
	[3,272]	—	3,028	243
Put	40,344			
	[536]	—	318	217
Bought:				
Call	79,159			
	[5,346]	—	5,496	149
Put	118,313	11,300		
	[10,847]	[2,396]	3,877	(6,970)
Others:				
Bought:				
Call	28	28		
	[35]	[35]	38	3

As of March 31, 2015	(A) Notional amount/ contract value	Over 1 Year included in (A)	Fair value	Gains (Losses)
		(Unit: million yen)		
Over-the-counter transactions:				
Equity forward contracts to hedge domestic stocks:				
Bought:	47,524	—	(784)	(784)
Foreign currency-denominated stock options:				
Bought:				
Put	770			
	[68]	—	24	(44)
Yen stock index options:				
Bought:				
Put	6,931	6,786		
	[1,329]	[1,307]	516	(812)
Foreign currency-denominated stock index options:				
Sold:				
Call	9,524			
	[396]	—	301	95
Bought:				
Call	9,487			
	[448]	—	343	(105)
Put	64,874	58,376		
	[11,748]	[10,871]	7,594	(4,153)
Total				¥(11,210)

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

As of March 31, 2016	(A) Notional amount/ contract value	Over 1 Year included in (A)	Fair value	Gains (Losses)
		(Unit: million yen)		
Exchange-traded transactions:				
Yen stock index futures:				
Sold	¥28,975	¥—	¥ 6	¥ 6
Bought	8,238	—	(4)	(4)
Foreign currency-denominated stock index futures:				
Sold	72,213	—	(517)	(517)
Bought	17,149	—	185	185
Yen stock index options:				
Sold:				
Call	59,972			
	[144]	—	2	141
Bought:				
Put	99,990			
	[6,366]	—	53	(6,312)

As of March 31, 2016	(A) Notional amount/ contract value	Over 1 Year included in (A)	Fair value	Gains (Losses)
		(Unit: million yen)		
Foreign currency-denominated stock index options:				
Sold:				
Call	130,893			
	[5,070]	—	2,407	2,663
Bought:				
Call	106,155			
	[6,098]	—	4,077	(2,021)
Put	68,308	27,307		
	[8,079]	[5,868]	7,050	(1,029)
Others:				
Bought:				
Call	29	18		
	[36]	[15]	41	5
Over-the-counter transactions:				
Equity forward contracts to hedge domestic stocks:				
Bought:	9,784	—	(112)	(112)
Yen stock index options:				
Bought:				
Put	11,760	11,613		
	[2,671]	[2,645]	1,603	(1,068)
Foreign currency-denominated stock index options:				
Sold:				
Call	46,420			
	[1,590]	—	401	1,188
Bought:				
Call	45,323			
	[2,145]	—	801	(1,343)
Put	75,132	71,614		
	[13,971]	[13,479]	8,695	(5,276)
Total				¥(13,494)

As of March 31, 2016	*(A) Notional amount/ contract value*	*Over 1 Year included in (A)*	*Fair value*	*Gains (Losses)*
		(Unit: million US dollars)		
Exchange-traded transactions:				
Yen stock index futures:				
Sold	*$257*	*$—*	*$ 0*	*$ 0*
Bought	*73*	*—*	*(0)*	*(0)*
Foreign currency-denominated stock index futures:				
Sold	*640*	*—*	*(4)*	*(4)*
Bought	*152*	*—*	*1*	*1*
Yen stock index options:				
Sold:				
Call	*532*			
	[1]	*—*	*0*	*1*
Bought:				
Put	*887*			
	[56]	*—*	*0*	*(56)*

As of March 31, 2016	(A) Notional amount/ contract value	Over 1 Year included in (A)	Fair value	Gains (Losses)
	(Unit: million US dollars)			
Foreign currency-denominated stock index options:				
Sold:				
Call	1,161			
	[44]	—	21	23
Bought:				
Call	942			
	[54]	—	36	(17)
Put	606	242		
	[71]	[52]	62	(9)
Others:				
Bought:				
Call	0	0		
	[0]	[0]	0	0
Over-the-counter transactions:				
Equity forward contracts to hedge domestic stocks:				
Bought:	86	—	(0)	(0)
Yen stock index options:				
Bought:				
Put	104	103		
	[23]	[23]	14	(9)
Foreign currency-denominated stock index options:				
Sold:				
Call	411			
	[14]	—	3	10
Bought:				
Call	402			
	[19]	—	7	(11)
Put	666	635		
	[123]	[119]	77	(46)
Total				$(119)

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

(4) Bond-related transactions

As of March 31, 2014	Notional amount/ contract value	Fair value	Gains (Losses)
	(Unit: million yen)		
Exchange-traded transactions:			
Yen bond futures:			
Bought	¥112,052	¥ (116)	¥ (116)
Foreign currency-denominated bond futures:			
Sold	18,217	11	11

As of March 31, 2014	Notional amount/ contract value	Fair value	Gains (Losses)
	(Unit: million yen)		
Over-the-counter transactions:			
Bond OTC options:			
Sold:			
Call	431,678		
	[4,174]	2,100	2,074
Put	17,731		
	[38]	40	(1)
Bought:			
Call	17,731		
	[33]	9	(23)
Put	431,678		
	[8,456]	4,891	(3,565)
Total			¥(1,622)

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

As of March 31, 2015	Notional amount/ contract value	Fair value	Gains (Losses)
	(Unit: million yen)		
Exchange-traded transactions:			
Yen bond futures:			
Bought	¥106,496	¥ 237	¥ 237
Foreign currency-denominated bond futures:			
Sold	11,850	(71)	(71)
Bought	192,896	55	55
Over-the-counter transactions:			
Bond OTC options:			
Sold:			
Call	357,459		
	[2,764]	2,137	626
Put	29,411		
	[136]	130	5
Bought:			
Call	29,411		
	[106]	90	(16)
Put	357,459		
	[5,850]	3,226	(2,623)
Total			¥(1,785)

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

As of March 31, 2016	Notional amount/ contract value	Fair value	Gains (Losses)
	(Unit: million yen)		
Exchange-traded transactions:			
Yen bond futures:			
Sold	¥ 21,057	¥ 26	¥ 26
Bought	52,395	(46)	(46)
Foreign currency-denominated bond futures:			
Sold	31,459	65	65
Bought	287,460	(25)	(25)
Over-the-counter transactions:			
Yen bond OTC options:			
Sold:			
Call	40,994		
	[191]	522	(331)
Put	45,379		
	[112]	113	(1)
Bought:			
Call	45,379		
	[101]	91	(9)
Put	40,994		
	[235]	109	(126)
Total			¥(447)

As of March 31, 2016	*Notional amount/ contract value*	*Fair value*	*Gains (Losses)*
	(Unit: million US dollars)		
Exchange-traded transactions:			
Yen bond futures:			
Sold	*$ 186*	*$ 0*	*$ 0*
Bought	*464*	*(0)*	*(0)*
Foreign currency-denominated bond futures:			
Sold	*279*	*0*	*0*
Bought	*2,551*	*(0)*	*(0)*
Over-the-counter transactions:			
Yen bond OTC options:			
Sold:			
Call	*363*		
	[1]	*4*	*(2)*
Put	*402*		
	[0]	*1*	*(0)*
Bought:			
Call	*402*		
	[0]	*0*	*(0)*
Put	*363*		
	[2]	*0*	*(1)*
Total			*$(3)*

Note: 1. (1) Fair value of yen bond futures is based on the closing exchange-traded prices.
(2) Fair value of foreign currency-denominated bond futures is based on the closing exchange-traded prices or the price presented by counterparty financial institutions.
(3) Fair value of yen bond OTC options is based on the prices quoted from financial institutions.
2. Figures in [ ] are amounts of option premiums which are included in the consolidated balance sheets.

3. Fair value for futures and differences between the option premiums paid/received and fair value of the option, are shown in "Gains (losses)".
4. There were no transactions with maturity of more than one year in the table above.

(5) Others

a) Credit Default Swaps and Embedded Derivatives

As of March 31, 2014:
There was no transaction.

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

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

As of March 31, 2016	(A) Notional amount/ contract value	Over 1 Year included in (A)	Fair value	Gains (Losses)
	(Unit: million yen)			
Over-the-counter transactions:				
Credit default swaps:				
Sold protection:	¥ 24,500	¥ 24,500	¥ 529	¥ 529
Others:				
Embedded derivatives:	1,690,449	1,690,449	(58,945)	(58,945)
Total				¥(58,416)

As of March 31, 2016	*(A) Notional amount/ contract value*	*Over 1 Year included in (A)*	*Fair value*	*Gains (Losses)*
	(Unit: million US dollars)			
Over-the-counter transactions:				
Credit default swaps:				
Sold protection:	*$ 217*	*$ 217*	*$ 4*	*$ 4*
Others:				
Embedded derivatives:	*15,002*	*15,002*	*(523)*	*(523)*
Total				*$(518)*

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

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

i) Currency-related transactions

As of March 31, 2014	Notional amount/ contract value	Fair value	Gains (Losses)
	(Unit: million yen)		
Exchange-traded transactions:			
Currency futures:			
Sold	¥ 2,135	¥ (1)	¥ (1)
(Euro / U.S. dollar)	1,495	3	3
(British pound / U.S. dollar)	640	(4)	(4)
Bought	4,461	(47)	(47)
(Yen / U.S. dollar)	4,461	(47)	(47)
Over-the-counter transactions:			
Foreign currency forward contracts:			
Sold	57,694	(293)	(293)
U.S. dollar	27,903	(93)	(93)
Euro	15,246	(2)	(2)
British pound	4,306	(24)	(24)
Canadian dollar	3,496	(10)	(10)
Australian dollar	3,232	(125)	(125)
Others	3,507	(37)	(37)
Bought	19,024	81	81
U.S. dollar	9,735	41	41
Euro	4,932	24	24
British pound	1,194	5	5
Australian dollar	948	3	3
Canadian dollar	929	2	2
Others	1,283	4	4
Total			¥(261)

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

As of March 31, 2015	Notional amount/ contract value	Fair value	Gains (Losses)
	(Unit: million yen)		
Exchange-traded transactions:			
Currency futures:			
Sold	¥ 1,685	¥ 2	¥ 2
(Euro / U.S. dollar)	1,164	3	3
(British pound / U.S. dollar)	521	(1)	(1)
Bought	3,403	0	0
(Yen / U.S. dollar)	3,403	0	0
Over-the-counter transactions:			
Foreign currency forward contracts:			
Sold	20,298	(49)	(49)
U.S. dollar	11,172	(158)	(158)
Euro	4,306	86	86
British pound	2,038	(5)	(5)
Canadian dollar	1,375	22	22

As of March 31, 2015	Notional amount/ contract value	Fair value	Gains (Losses)
	(Unit: million yen)		
Australian dollar	1,015	13	13
Others	390	(8)	(8)
Bought	9,686	12	12
U.S. dollar	5,408	(1)	(1)
Euro	2,075	9	9
Canadian dollar	757	0	0
Australian dollar	734	2	2
British pound	710	1	1
Total			¥(34)

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

As of March 31, 2016	Notional amount/ contract value	Fair value	Gains (Losses)
	(Unit: million yen)		
Exchange-traded transactions:			
Currency futures:			
Sold	¥ 18,533	¥ (495)	¥ (495)
(Euro / U.S. dollar)	12,810	(434)	(434)
(British pound / U.S. dollar)	5,722	(60)	(60)
Bought	38,187	(18)	(18)
(Yen / U.S. dollar)	38,187	(18)	(18)
Over-the-counter transactions:			
Foreign currency forward contracts:			
Sold	122,921	1,027	1,027
U.S. dollar	81,267	1,244	1,244
Euro	24,191	(35)	(35)
British pound	7,738	158	158
Australian dollar	2,512	(141)	(141)
Canadian dollar	2,456	(117)	(117)
Others	4,754	(81)	(81)
Bought	1,462	2	2
U.S. dollar	1,462	2	2
Total			¥ 516

As of March 31, 2016	*Notional amount/ contract value*	*Fair value*	*Gains (Losses)*
	(Unit: million US dollars)		
Exchange-traded transactions:			
Currency futures:			
Sold	*$164*	*$(4)*	*$(4)*
(Euro / U.S. dollar)	*113*	*(3)*	*(3)*
(British pound / U.S. dollar)	*50*	*(0)*	*(0)*
Bought	*338*	*(0)*	*(0)*
(Yen / U.S. dollar)	*338*	*(0)*	*(0)*

As of March 31, 2016	*Notional amount/ contract value*	*Fair value*	*Gains (Losses)*
	(Unit: million US dollars)		
Over-the-counter transactions:			
Foreign currency forward contracts:			
Sold	*1,090*	*9*	*9*
U.S. dollar	*721*	*11*	*11*
Euro	*214*	*(0)*	*(0)*
British pound	*68*	*1*	*1*
Australian dollar	*22*	*(1)*	*(1)*
Canadian dollar	*21*	*(1)*	*(1)*
Others	*42*	*(0)*	*(0)*
Bought	*12*	*0*	*0*
U.S. dollar	*12*	*0*	*0*
Total			*$ 4*

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

ii) Stock-related transactions

As of March 31, 2014	Notional amount/ contract value	Fair value	Gains (Losses)
	(Unit: million yen)		
Exchange-traded transactions:			
Yen stock index futures:			
Sold	¥13,942	¥(553)	¥(553)
Foreign currency-denominated stock index futures:			
Sold	9,978	(190)	(190)
Total			¥(744)

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

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

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

As of March 31, 2016	Notional amount/ contract value	Fair value	Gains (Losses)
	(Unit: million yen)		
Exchange-traded transactions:			
Yen stock index futures:			
Sold	¥57,326	¥ (292)	¥ (292)
Foreign currency-denominated stock index futures:			
Sold	59,460	(1,341)	(1,341)
Total			¥(1,634)

As of March 31, 2016	*Notional amount/ contract value*	*Fair value*	*Gains (Losses)*
	(Unit: million US dollars)		
Exchange-traded transactions:			
Yen stock index futures:			
Sold	*$508*	*$ (2)*	*$ (2)*
Foreign currency-denominated stock index futures:			
Sold	*527*	*(11)*	*(11)*
Total			*$(14)*

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

iii) Bond-related transactions

As of March 31, 2014	Notional amount/ contract value	Fair value	Gains (Losses)
	(Unit: million yen)		
Exchange-traded transactions:			
Yen bond futures:			
Bought	¥33,571	¥(20)	¥(20)
Foreign currency-denominated bond futures:			
Sold	42,888	40	40
Total			¥ 20

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

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

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

As of March 31, 2016	Notional amount/ contract value	Fair value	Gains (Losses)
	(Unit: million yen)		
Exchange-traded transactions:			
Yen bond futures:			
Sold	¥ 72,556	¥(67)	¥(67)
Foreign currency-denominated bond futures:			
Sold	119,272	90	90
Total			¥ 22

As of March 31, 2016	*Notional amount/ contract value*	*Fair value*	*Gains (Losses)*
	(Unit: million US dollars)		
Exchange-traded transactions:			
Yen bond futures:			
Sold	*$ 643*	*$(0)*	*$(0)*
Foreign currency-denominated bond futures:			
Sold	*1,058*	*0*	*0*
Total			*$ 0*

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

2. Derivative Transactions (Hedge Accounting Applied)

(1) Currency-related transactions

As of March 31, 2014	(A) Notional amount/ contract value	Over 1 Year included in (A)	Fair value
	(Unit: million yen)		
Deferral hedge:			
Currency swaps to hedge foreign currency-denominated bonds:			
Receipts yen, payments foreign currency	¥ 42,977	¥ 42,977	¥ (2,602)
U.S. dollar	42,977	42,977	(2,602)
Fair value hedge:			
Foreign currency forward contracts to hedge foreign currency-denominated bonds:			
Sold	2,734,183	—	(47,814)
U.S. dollar	1,116,047	—	(22,338)
Euro	1,063,706	—	(12,887)
Australian dollar	207,160	—	(8,166)
British pound	141,008	—	(318)
Canadian dollar	14,462	—	(248)
Others	191,798	—	(3,854)
Bought	4,323	—	28
U.S. dollar	3,247	—	19
British pound	641	—	8
Euro	434	—	(0)
Foreign currency forward contracts, etc., allocated to and/or combined with corresponding hedged items:			
Foreign currency forward contracts to hedge foreign currency-denominated term deposits:			
Sold	516,987	—	(*1)
Australian dollar	329,055	—	(*1)
U.S. dollar	187,932	—	(*1)
Currency swaps to hedge foreign currency-denominated bonds payable and loans:			
Receipts yen, payments foreign currency	117,482	117,482	(*2)
Foreign currency-denominated bonds payable:			
U.S. dollar	107,562	107,562	(*2)
Foreign currency-denominated loans:			
U.S. dollar	9,920	9,920	(*2)

Note: (1) Currency swaps:
Fair value of currency swaps is calculated by discounting expected cash flows.
(2) Foreign currency forward contracts:
Forward exchange rates at the end of the fiscal year are used for fair value calculation.
(*1) As foreign currency forward contracts which apply the currency allotment method are accounted for as combined with foreign currency-denominated term deposits as hedged items, their fair value is included in the fair value of such foreign currency-denominated term deposits.
(*2) As foreign currency swaps which apply the currency allotment method are accounted for as combined with foreign currency-denominated bonds payable and loans as hedged items, their fair value is included in the fair value of such foreign currency-denominated bonds payable and loans.

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

Note: (1) Currency swaps:
Fair value of currency swaps is calculated by discounting expected cash flows.

(2) Foreign currency forward contracts:
Forward exchange rates at the end of the fiscal year are used for fair value calculation.

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

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

As of March 31, 2016	(A) Notional amount/ contract value	Over 1 Year included in (A)	Fair value
	(Unit: million yen)		
Deferral hedge:			
Currency swaps to hedge foreign currency-denominated bonds:			
Receipts yen, payments foreign currency	¥ 205,817	¥205,817	¥ (887)
U.S. dollar	155,920	155,920	(2,941)
Euro	49,897	49,897	2,053
Fair value hedge:			
Foreign currency forward contracts to hedge foreign currency-denominated bonds:			
Sold	3,609,448	—	108,567
U.S. dollar	1,794,006	—	54,939
Euro	961,588	—	43,872
Australian dollar	301,556	—	(10,043)
British pound	158,245	—	8,654
Canadian dollar	18,773	—	(1,015)
Others	375,277	—	12,160
Bought	2,895	—	(108)
U.S. dollar	2,203	—	(114)
Euro	248	—	(4)
British pound	159	—	(17)
Australian dollar	2	—	0
Others	281	—	27
Foreign currency forward contracts, etc., allocated to and/or combined with corresponding hedged items:			
Foreign currency forward contracts to hedge foreign currency-denominated term deposits:			
Sold	473,975	—	(*1)
Australian dollar	179,108	—	(*1)
U.S. dollar	124,888	—	(*1)
Others	169,978	—	(*1)
Currency swaps to hedge foreign currency-denominated bonds payable and loans:			
Receipts foreign currency, payments yen	215,727	215,727	(*2)
Foreign currency-denominated bonds payable:			
U.S. dollar	215,727	215,727	(*2)
Receipts yen, payments foreign currency	33,402	33,402	(*2)
Foreign currency-denominated loans:			
U.S. dollar	33,402	33,402	(*2)

As of March 31, 2016	*(A) Notional amount/ contract value*	*Over 1 Year included in (A)*	*Fair value*
	(Unit: million US dollars)		
Deferral hedge:			
Currency swaps to hedge foreign currency-denominated bonds:			
Receipts yen, payments foreign currency	$ 1,826	$1,826	$ (7)
U.S. dollar	1,383	1,383	(26)
Euro	442	442	18
Fair value hedge:			
Foreign currency forward contracts to hedge foreign currency-denominated bonds:			
Sold	32,032	—	963
U.S. dollar	15,921	—	487
Euro	8,533	—	389
Australian dollar	2,676	—	(89)
British pound	1,404	—	76
Canadian dollar	166	—	(9)
Others	3,330	—	107
Bought	25	—	(0)
U.S. dollar	19	—	(1)
Euro	2	—	(0)
British pound	1	—	(0)
Australian dollar	0	—	0
Others	2	—	0
Foreign currency forward contracts, etc., allocated to and/or combined with corresponding hedged items:			
Foreign currency forward contracts to hedge foreign currency-denominated term deposits:			
Sold	4,206	—	(*1)
Australian dollar	1,589	—	(*1)
U.S. dollar	1,108	—	(*1)
Others	1,508	—	(*1)
Currency swaps to hedge foreign currency-denominated bonds payable and loans:			
Receipts foreign currency, payments yen	1,914	1,914	(*2)
Foreign currency-denominated bonds payable:			
U.S. dollar	1,914	1,914	(*2)
Receipts yen, payments foreign currency	296	296	(*2)
Foreign currency-denominated loans:			
U.S. dollar	296	296	(*2)

Note: (1) Currency swaps:
Fair value of currency swaps is calculated by discounting expected cash flows.

(2) Foreign currency forward contracts:
Forward exchange rates at the end of the fiscal year are used for fair value calculation.

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

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

(2) Interest-related transactions

As of March 31, 2014	(A) Notional amount/ contract value	Over 1 Year included in (A)	Fair value
	(Unit: million yen)		
Deferral hedge:			
Yen interest rate swaps to hedge loans payable:			
Receipts floating, payments fixed	¥320,000	¥320,000	¥(1,143)
Special hedge accounting:			
Yen interest rate swaps to hedge loans:			
Receipts fixed, payments floating	25,500	14,800	509

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

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

Note: 1. Yen interest rate swaps:
Fair value listed above is present values of expected cash flows, discounted by the interest rates at the end of the fiscal year.
2. Inflation linked yen interest rate swaps:
Fair value listed above is present values of expected cash flows.

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

As of March 31, 2016	*(A) Notional amount/ contract value*	*Over 1 Year included in (A)*	*Fair value*
	(Unit: million US dollars)		
Special hedge accounting:			
Yen interest rate swaps to hedge loans:			
Receipts fixed, payments floating	*$ 140*	*$ 104*	*$ 4*
Yen interest rate swaps to hedge loans payable:			
Receipts floating, payments fixed	*2,511*	*2,511*	*(35)*

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

(3) Stock-related transactions

As of March 31, 2014	Notional amount/ contract value	Fair value
	(Unit: million yen)	
Fair value hedge:		
Equity forward contracts to hedge domestic stocks:		
Sold	¥53,072	¥(293)

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

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

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

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

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

(4) Bond-related transactions

As of March 31, 2014 and 2015:

There was no transaction.

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

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

XIII. EMPLOYEES' RETIREMENT BENEFITS

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

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

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

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

As of April 1, 2013, DL transferred certain amount of its retirement lump sum grants to defined contribution pension.

2. Defined benefit plans

(1) Reconciliations of beginning and ending balances of projected benefit obligations
(Except for the plans which apply the simplified method)

Year ended March 31, 2014	2014
	(Unit: million yen)
Beginning balance of the projected benefit obligation	¥664,459
Service cost	24,559
Interest cost	10,740
Accruals of actuarial (gains) and losses	419
Payment of retirement benefits	(34,726)
Changes associated with the transition to a defined contribution pension plan	(30,794)
Ending balance of the projected benefit obligation	¥634,657

Note: Amount that the Company transferred to the defined contribution pension plan for the fiscal year ended March 31, 2014 is ¥31,393 million, and is scheduled to be transferred in four years. The ¥22,133 million not transferred as of the fiscal year ended March 31, 2014 are recorded in other liabilities.

Year ended March 31, 2015	2015
	(Unit: million yen)
Beginning balance of the projected benefit obligation	¥634,657
Cumulative effect of changes in accounting policies	(16,351)
Beginning balance of the year reflecting the effect of changes in accounting policies	618,306
Service cost	25,013
Interest cost	10,469
Accruals of actuarial (gains) and losses	(7,748)
Payment of retirement benefits	(34,400)
Increases due to new consolidation	39,299
Others	(1,161)
Ending balance of the projected benefit obligation	¥649,776

Note: The amount of changes associated with the transition to a defined contribution pension plan was reported separately at the fiscal year ended March 31, 2014. Those of the fiscal year ended March 31, 2015 were financially minimal impact, so the amount was included in "Others."

Year ended March 31, 2016	2016	2016
	(Unit: million yen)	(Unit: million US dollars)
Beginning balance of the projected benefit obligation	¥649,776	$5,766
Cumulative effect of changes in accounting policies	—	—
Beginning balance of the year reflecting the effect of changes in accounting policies	649,776	5,766
Service cost	25,452	225
Interest cost	11,612	103
Accruals of actuarial (gains) and losses	86,221	765
Payment of retirement benefits	(34,863)	(309)
Increases due to new consolidation	—	—
Others	(495)	(4)
Ending balance of the projected benefit obligation	¥737,704	$6,546

(2) Reconciliations of beginning and ending balances of pension assets
(Except for the plans which apply the simplified method)

Year ended March 31,	2014	2015	2016	2016
	(Unit: million yen)			(Unit: million US dollars)
Beginning balance of pension assets	¥235,369	¥249,559	¥319,579	$2,836
Expected return on assets	1,935	2,049	3,797	33
Accruals of actuarial (gains) and losses	12,949	45,024	(26,447)	(234)
Contributions from the employer	7,569	7,448	7,675	68
Payment of retirement benefits	(8,265)	(8,367)	(10,042)	(89)
Increases due to new consolidation	—	23,865	—	—
Others	—	—	476	4
Ending balance of pension assets	¥249,559	¥319,579	¥295,038	$2,618

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

Year ended March 31,	2014	2015	2016	2016
	(Unit: million yen)			(Unit: million US dollars)
Beginning balance of the net defined benefit liabilities	¥302	¥338	¥ 419	$ 3
Retirement benefit expenses	104	114	101	0
Payment of retirement benefits	(68)	(73)	(107)	(0)
Increases due to new consolidation	—	39	—	—
Others	0	0	(1)	(0)
Ending balance of the net defined benefit liabilities	¥338	¥419	¥ 412	$ 3

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

Year ended March 31,	2014	2015	2016	2016
	(Unit: million yen)			(Unit: million US dollars)
Projected benefit obligation of funded plans	¥ 349,797	¥ 387,074	¥ 422,745	$ 3,751
Pension assets	(249,559)	(319,579)	(295,038)	(2,618)
	100,237	67,494	127,706	1,133
Projected benefit obligation of unfunded plans	285,198	263,122	315,371	2,798
Net of assets and liabilities recorded in the consolidated balance sheets	385,436	330,616	443,077	3,932
Net defined benefit liabilities	385,436	331,322	443,842	3,938
Net defined benefit assets	—	(705)	(764)	(6)
Net of assets and liabilities recorded in the consolidated balance sheets	¥ 385,436	¥ 330,616	¥ 443,077	$ 3,932

(5) Amount of the components of retirement benefit expenses

Year ended March 31,	2014	2015	2016	2016
	(Unit: million yen)			(Unit: million US dollars)
Service cost	¥24,559	¥25,013	¥ 25,452	$225
Interest cost	10,740	10,469	11,612	103
Expected return on assets	(1,935)	(2,049)	(3,797)	(33)
Expense of actuarial (gains) and losses	1,404	(1,315)	(10,118)	(89)
Expense of prior service cost	2	—	—	—
Retirement benefit expenses calculated in simplified method	104	114	101	0
Others	654	501	418	3
Retirement benefit expenses of defined benefit plans	¥35,530	¥32,733	¥ 23,670	$210

(6) Remeasurements of defined benefit plans

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

Year ended March 31,	2014	2015	2016	2016
	(Unit: million yen)			(Unit: million US dollars)
Actuarial gains (losses)	¥—	¥51,547	¥(122,463)	$(1,086)
Total	¥—	¥51,547	¥(122,463)	$(1,086)

(7) Accumulated remeasurements of defined benefit plans

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

Year ended March 31,	2014	2015	2016	2016
	(Unit: million yen)			(Unit: million US dollars)
Unrecognized actuarial gains (losses)	¥(24,336)	¥(75,883)	¥46,579	$413
Total	¥(24,336)	¥(75,883)	¥46,579	$413

(8) Pension assets

a) The main components of the pension assets

Ratio of the major assets to the pension assets is as follows:

Year ended March 31, 2014	2014
Stock	58%
Life insurance general account	17%
Bond	16%
Others	9%
Total	100%

Year ended March 31, 2015	2015
Stock	61%
Bond	16%
Life insurance general account	11%
Others	12%
Total	100%

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

Note: The proportion of retirement benefit trust to total pension assets that has been set for the unfunded retirement benefit plans as of March 31, 2014, 2015 and 2016 were 51%, 52% and 49%, respectively.

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

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

(9) Calculation basis of actuarial gains and losses

Major assumptions of actuarial gains and losses as of the fiscal year-end are as follows:

Year ended March 31,	2014	2015	2016
Discount rate	1.1 or 1.7%	1.10 to 3.55%	0.30 to 4.29%
Expected long-term rate of return			
Defined benefit corporate pension	1.0 or 1.7%	1.00 or 1.70%	1.00 to 7.25%
Employee pension trust	0.0%	0.00%	0.00%

3. Defined contribution Plans

Required amount of contribution to defined contribution plans for the years ended March 31, 2014, 2015 and 2016 is ¥1,536 million, ¥1,644 million and ¥2,360 million (US$ 20 million), respectively.

XIV. STOCK OPTIONS

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

Operating expenses for the fiscal year ended March 31, 2014: ¥238 million

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

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

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

(1) Details of the stock options

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

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

	5th Series of Stock Acquisition Rights
Granted persons	11 directors (except outside directors) and 18 executive officers of DL
Class and total number(*)	110,600 shares of common stock
Grant date	August 17, 2015
Vesting conditions	The acquisition rights are vested on the above grant date.
Service period covered	N/A
Exercise period	From August 18, 2015 to August 17, 2045 A granted person can exercise stock options only within 10 days from the day following the date on which she/he loses the status as both a director and an executive officer of DL.

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

(2) Figures relating to the stock options

The following tables cover stock options which existed during the fiscal year ended March 31, 2014, 2015 and 2016, and the total number of stock options is translated to the number of common stock.

a) Number of the stock options (shares)

Year ended March 31, 2014	1st Series of Stock Acquisition Rights	2nd Series of Stock Acquisition Rights	3rd Series of Stock Acquisition Rights
Before vesting			
Outstanding at the end of prior fiscal year	—	—	—
Granted	—	—	183,700
Forfeited	—	—	—
Vested	—	—	183,700
Outstanding at the end of the fiscal year	—	—	—
After vesting			
Outstanding at the end of prior fiscal year	153,200	318,700	—
Vested	—	—	183,700
Exercised	15,400	28,000	—
Forfeited	—	—	—
Outstanding at the end of the fiscal year	137,800	290,700	183,700

Year ended March 31, 2015	1st Series of Stock Acquisition Rights	2nd Series of Stock Acquisition Rights	3rd Series of Stock Acquisition Rights	4th Series of Stock Acquisition Rights
Before vesting				
Outstanding at the end of prior fiscal year	—	—	—	—
Granted	—	—	—	179,000
Forfeited	—	—	—	—
Vested	—	—	—	179,000
Outstanding at the end of the fiscal year	—	—	—	—
After vesting				
Outstanding at the end of prior fiscal year	137,800	290,700	183,700	—
Vested	—	—	—	179,000
Exercised	20,200	36,800	21,700	—
Forfeited	—	—	—	—
Outstanding at the end of the fiscal year	117,600	253,900	162,000	179,000

Year ended March 31, 2016	1st Series of Stock Acquisition Rights	2nd Series of Stock Acquisition Rights	3rd Series of Stock Acquisition Rights	4th Series of Stock Acquisition Rights	5th Series of Stock Acquisition Rights
Before vesting					
Outstanding at the end of prior fiscal year	—	—	—	—	—
Granted	—	—	—	—	110,600
Forfeited	—	—	—	—	—
Vested	—	—	—	—	110,600
Outstanding at the end of the fiscal year	—	—	—	—	—
After vesting					
Outstanding at the end of prior fiscal year	117,600	253,900	162,000	179,000	—
Vested	—	—	—	—	110,600
Exercised	18,900	34,500	15,100	15,800	—
Forfeited	—	—	—	—	—
Outstanding at the end of the fiscal year	98,700	219,400	146,900	163,200	110,600

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

b) Price information

Year ended March 31, 2014	1st Series of Stock Acquisition Rights	2nd Series of Stock Acquisition Rights	3rd Series of Stock Acquisition Rights
Exercise price	¥1 per stock option	¥1 per stock option	¥1 per stock option
Average stock price at the time of exercise	¥1,277	¥1,277	¥—
Fair value at the grant date	¥885	¥766	¥1,300

Year ended March 31, 2015	1st Series of Stock Acquisition Rights	2nd Series of Stock Acquisition Rights	3rd Series of Stock Acquisition Rights
Exercise price	¥1 per stock option	¥1 per stock option	¥1 per stock option
Average stock price at the time of exercise	¥1,499	¥1,499	¥1,499
Fair value at the grant date	¥885	¥766	¥1,300

Year ended March 31, 2015	4th Series of Stock Acquisition Rights
Exercise price	¥1 per stock option
Average stock price at the time of exercise	¥—
Fair value at the grant date	¥1,366

Year ended March 31, 2016	1st Series of Stock Acquisition Rights	2nd Series of Stock Acquisition Rights	3rd Series of Stock Acquisition Rights
Exercise price	¥1 per stock option	¥1 per stock option	¥1 per stock option
Average stock price at the time of exercise	¥1,788(US$15)	¥1,788(US$15)	¥1,788(US$15)
Fair value at the grant date	¥885(US$7)	¥766(US$6)	¥1,300(US$11)

Year ended March 31, 2016	4th Series of Stock Acquisition Rights	5th Series of Stock Acquisition Rights
Exercise price	¥1 per stock option	¥1 per stock option
Average stock price at the time of exercise	¥1,788(US$15)	¥—(US$—)
Fair value at the grant date	¥1,366(US$12)	¥2,318(US$20)

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

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

Stock options granted for the fiscal year ended March 31, 2014, 2015 and 2016 were valued as follows:

(1) Valuation method

Black-Scholes Model

(2) Assumptions

Stock options granted for the fiscal year ended March 31, 2014	3rd Series of Stock Acquisition Rights
Expected volatility*1	40.280%
Expected durations*2	3 years
Expected dividends*3	¥20
Risk-free interest rate*4	0.142%

*1. Computed based on the closing prices of common stock in each trading day from August 16, 2010 to August 15, 2013.
*2. Computed based on the average service period from the grant date to expected exercise date.
*3. Computed based on the expected dividend for the fiscal year ended March 31, 2014. In addition, the Company conducted a 1:100 share split on October 1, 2013. It is translated into the number of shares that takes into account the stock split.
*4. Based on yields of Japanese government bonds for a term corresponding to the expected durations.

Stock options granted for the fiscal year ended March 31, 2015	4th Series of Stock Acquisition Rights
Expected volatility*1	37.409%
Expected durations*2	3 years
Expected dividends*3	¥25
Risk-free interest rate*4	0.091%

*1. Computed based on the closing prices of common stock in each trading day from August 16, 2011 to August 15, 2014.
*2. Computed based on the average service period from the grant date to expected exercise date.
*3. Computed based on the expected dividend for the fiscal year ended March 31, 2015.
*4. Based on yields of Japanese government bonds for a term corresponding to the expected durations.

Stock options granted for the fiscal year ended March 31, 2016	5th Series of Stock Acquisition Rights
Expected volatility*1	34.717%
Expected durations*2	3 years
Expected dividends*3	¥35(US$0.31)
Risk-free interest rate*4	0.005%

*1. Computed based on the closing prices of common stock in each trading day from August 15, 2012 to August 14, 2015.
*2. Computed based on the average service period from the grant date to expected exercise date.
*3. Computed based on the expected dividend for the fiscal year ended March 31, 2016.
*4. Based on yields of Japanese government bonds for a term corresponding to the expected durations.

4. Method to estimate the number of stock options vested

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

XV. DEFERRED TAX ACCOUNTING

1. Major components of deferred tax assets and liabilities

As of March 31, 2014	2014 (Unit: million yen)
Deferred tax assets:	
Policy reserves and others	¥ 443,531
Net defined benefits liabilities	144,801
Reserve for price fluctuations	36,255
Losses on valuation of securities	17,414
Tax losses carried forward	13,389
Others	46,216
Subtotal	701,608
Valuation allowances	(76,227)
Total	625,381
Deferred tax liabilities:	
Net unrealized gains on securities, net of tax	(579,931)
Other intangible fixed assets	(13,623)
Reserve for tax basis adjustments of real estate	(10,416)
Accrued dividend receivables	(7,093)
Others	(23,690)
Total	(634,755)
Net deferred tax assets (liabilities)	¥ (9,374)

As of March 31, 2015	2015 (Unit: million yen)
Deferred tax assets:	
Policy reserves and others	¥ 466,068
Net defined benefits liabilities	140,018
Reserve for price fluctuations	39,189
Other assets	40,375
Tax losses carried forward	17,307
Others	80,919
Subtotal	783,879
Valuation allowances	(77,032)
Total	706,847
Deferred tax liabilities:	
Net unrealized gains on securities, net of tax	(1,008,675)
Evaluation difference related to business combination	(202,684)
Other intangible fixed assets	(94,862)
Reserve for tax basis adjustments of real estate	(10,042)
Others	(32,600)
Total	(1,348,865)
Net deferred tax assets (liabilities)	¥ (642,018)

As of March 31, 2016	2016 (Unit: million yen)	*2016 (Unit: million US dollar)*
Deferred tax assets:		
Policy reserves and others	¥ 468,506	*$ 4,157*
Net defined benefits liabilities	165,437	*1,468*
Net unrealized losses on securities, net of tax	80,994	*718*
Reserve for price fluctuations	43,386	*385*
Other assets	33,091	*293*
Others	115,546	*1,025*
Subtotal	906,963	*8,049*
Valuation allowances	(73,109)	*(648)*
Total	833,854	*7,400*
Deferred tax liabilities:		
Net unrealized gains on securities, net of tax	(761,560)	*(6,758)*
Evaluation difference related to business combination	(182,284)	*(1,617)*
Other intangible fixed assets	(87,063)	*(772)*
Others	(72,351)	*(642)*
Total	(1,103,259)	*(9,791)*
Net deferred tax assets (liabilities)	¥ (269,405)	*$(2,390)*

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

As of March 31,	2014
Statutory effective tax rate	33.23%
(Adjustments)	
Increase in valuation allowances	5.39%
Difference in tax rate associated with special corporate tax for reconstruction	4.78%
Decrease in deferred tax assets in relation to change in tax rates	3.40%
Others	1.32%
Actual effective tax rate after considering deferred taxes	48.13%

As of March 31,	2015
Statutory effective tax rate	30.68%
(Adjustments)	
Decrease in deferred tax assets in relation to change in tax rates	14.60%
Increase in valuation allowances	2.45%
Others	(0.80%)
Actual effective tax rate after considering deferred taxes	46.93%

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

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

For the year ended March 31, 2014

Following the promulgation of the “Act on the Partial Revision of the Income Tax Act, etc. (No. 10, 2014 Law)” and “Government ordinance for partial revision of the government ordinance related to corporate special reconstruction tax (No. 151 2014 Government ordinance)”, the effective tax rate to be used in the calculation of deferred tax liabilities and deferred tax assets for the fiscal year beginning April 1, 2014 has been changed to 30.68% from 33.23%.

As a result of this change, deferred tax assets decreased by ¥4,925 million and corporate income taxes-deferred increased by ¥4,964 million.

For the year ended March 31, 2015

Following the promulgation of the “Act on the Partial Revision of the Income Tax Act, etc.” (Act No.9 of 2015) effective the fiscal year starting from April 1, 2015, effective statutory tax rate used for calculation of deferred tax assets and liabilities as of March 31, 2015 was changed from 30.68% to 28.76%.

As a result, deferred tax assets and liabilities decreased by ¥69 million and ¥32,366 million, respectively, and corporate income taxes-deferred increased by ¥39,189 million.

For the year ended March 31, 2016

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

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

XVI. CONSOLIDATION AS A RESULT OF ACQUISITION

Effective the fiscal year ended March 31, 2015, Neo First Life, Protective Life Corporation and its forty subsidiaries were newly consolidated as a result of acquisition.

1. Neo First Life

(1) Overview of business combination

i) Name and business of the acquired company

- Company name: The Neo First Life Insurance Company, Limited(*)
- Business: Life insurance business

ii) Purpose of the acquisition

Through the acquisition of Neo First Life, the Parent Company aims to offer a new brand of insurance products through a network of agents in consideration of the diversification of the customers’ needs in order to develop a new market.

iii) Date of business combination

August 1, 2014

iv) Legal form of business combination

Purchase of shares of DIY Life for cash

v) Name of the acquired company after business combination

The Neo First Life Insurance Company, Limited(*)

vi) The Parent Company's percentage of shareholdings after completion of the transaction

- Share of existing voting rights before the date of business combination: 10%
- Share of additional voting rights acquired on the date of business combination: 90%
- Share of voting rights after completion of the transaction: 100%

vii) Controlling company

The Parent Company holds more than a 50% stake in DIY Life and, therefore, the Parent Company controls the decision-making body of DIY Life.

(*) Sompo Japan DIY Life Insurance Co., Ltd. changed its name to Neo First Life on November 25, 2014.

(2) Accounting period for which earnings of the acquired company were included in the consolidated statement of earnings

From July 1, 2014 to March 31, 2015.

(3) Acquisition cost and breakdown

(Unit: million yen)

Acquisition price:	
Fair value of existing shares, which owned immediately prior to the business combination, on the date of business combination	¥ 600
Fair value of additional shares acquired on the date of business combination	5,400
Other direct costs:	
Fee to outside advisors, etc.	35
Total acquisition cost	¥6,035

(4) Difference between revalued acquisition price and the sum of actual costs associated with each step of acquisitions

¥273 million

(5) Goodwill

i) Amount of goodwill

¥2,038 million

ii) Reason to recognize goodwill

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

iii) Amortization methods and amortization period

Amortized at one time

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

	(Unit: million yen)
Total assets	¥5,111
Securities included in the above "Total assets"	2,881
Total liabilities	1,114
Policy reserves and others included in the above "Total liabilities"	928

2. Protective Life Corporation

(1) Overview of business combination

i) Name and business of the acquired company

- Company name: Protective Life Corporation
- Business: Insurance and insurance related business(*)

(*) Protective Life Corporation is a holding company and its subsidiaries operate insurance business, etc.

ii) Purpose of the acquisition

The Group aims to accelerate globalization of its business by acquiring a business foundation in the U.S., the largest life insurance market in the world, to enhance its corporate value and profit base, and achieve geographical diversification.

iii) Date of business combination

February 1, 2015

iv) Legal form of business combination

The acquisition has been executed by merging Protective Life Corporation and DL Investment (Delaware), Inc., a 100% owned subsidiary of the Parent Company established in the United States solely for the purpose of the acquisition process.

This is a common method used for acquisitions in the United States and is called reverse triangular merger.

v) Name of the acquired company after business combination

Protective Life Corporation

vi) The Parent Company's percentage of shareholdings after completion of the transaction

100%

vii) Controlling company

The Parent Company holds more than a 50% stake in Protective Life Corporation and, therefore, the Parent Company controls the decision-making body of Protective Life Corporation.

(2) Accounting period for which earnings of the acquired company were included in the consolidated statements of earnings

As the Parent Company used the financial statements as of the date of business combination, the earnings of the acquired company were not included in the consolidated statements of earnings.

(3) Acquisition cost and breakdown

	(Unit: million yen)
Acquisition price:	
Consideration paid in cash	¥575,008
Other direct costs:	
Fee to outside advisors, etc.	3,322
Total acquisition cost	¥578,331

(4) Goodwill

i) Amount of goodwill

¥8,561 million

ii) Reason to recognize goodwill

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

iii) Amortization methods and amortization period

Amortized over a period of 20 years under the straight-line method.

(5) Details of assets acquired and liabilities assumed at the date of business combination

	(Unit: million yen)
Total assets	¥8,304,813
Securities included in the above "Total assets"	6,301,208
Total liabilities	7,735,044
Policy reserves and others included in the above "Total liabilities"	6,958,358

(6) Allocation of the acquisition cost

Since the Parent Company has not yet completed the allocation of acquisition cost, a tentative accounting procedure is made, based on the information reasonably available at that time.

(7) Estimated impact on consolidated financial results if the business combination had been completed at the beginning of the fiscal year ended March 31, 2015.

Ordinary Revenues ¥530,850 million

Ordinary Profit ¥69,887 million

Net income for the period ¥45,968 million

(Calculation method of the estimated amount)

The ordinary revenues, ordinary profit and net income information above are calculated based on the figures from Form 10-K, which Protective Life Corporation submitted to the SEC for the fiscal year ended December 31, 2014. The amortization of goodwill is calculated as if the amount of goodwill as of the date of business combination was recognized at the beginning of the fiscal year ended March 31, 2015. These amounts do not represent the actual figures, which were calculated assuming that the business combination was completed at the beginning of the fiscal year ended March 31, 2015. Please note that this note is unaudited.

XVII. ASSET RETIREMENT OBLIGATIONS

1. Overview of Asset Retirement Obligations

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

2. Calculation Method of Asset Retirement Obligations

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

3. Increase and Decrease in Asset Retirement Obligations

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

Year ended March 31,	2014	2015	2016	2016
	(Unit: million yen)			*(Unit: million US dollars)*
Beginning balance	¥2,855	¥2,831	¥2,789	*$24*
Time progress adjustments	41	40	37	*0*
Others	(65)	(82)	(151)	*(1)*
Ending balance	¥2,831	¥2,789	¥2,675	*$23*

Note: The detailed information has been omitted as both beginning and ending balance for the fiscal years of 2014, 2015 and 2016 are 1% or less of DL's total liabilities and net assets.

XVIII. REAL ESTATE FOR RENT

DL owns a number of commercial buildings, including land, for rent in various locations including Tokyo. Net rental income from such real estate for rent for the years ended March 31, 2014, 2015 and 2016 was ¥26,116 million, ¥27,342 million and ¥29,557 million (US$262 million), respectively. The rental income was included in investment income and the rental expense was included in investment expenses. DL recorded impairment loss on rental real estate as extraordinary losses for the fiscal years ended March 31, 2014, 2015 and 2016 was ¥19,196 million, ¥4,585 million and ¥3,419 million (US$30 million), respectively.

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

Year ended March 31,	2014	2015	2016	2016
	(Unit: million yen)			*(Unit: million US dollars)*
Carrying amount				
Beginning balance	¥814,007	¥803,093	¥803,708	*$7,132*
Net change during year	(10,914)	615	3,580	*31*
Ending balance	803,093	803,708	807,289	*7,164*
Market value	¥792,311	¥823,457	¥864,061	*$7,668*

Note: 1. The carrying amount of rental real estate on the consolidated balance sheets was acquisition costs net of accumulated depreciation and impairments.

2. Net change in carrying amount includes cost of acquisition of the real estate for ¥40,155 million, sale of the real estate for ¥21,790 million, impairment loss for ¥19,196 million and the depreciation expense of ¥14,184 million during the year ended March 31, 2014, cost of acquisition of the real estate for ¥22,408 million, the depreciation expense of ¥14,620 million, impairment loss for ¥4,585 million and sale of the real estate for ¥3,484 million during the year ended March 31, 2015, and cost of acquisition of the real estate for ¥16,526 million (US$146 million), depreciation expense of ¥14,153 million (US$125 million), impairment loss for ¥3,419 million (US$30 million) and sale of the real estate for ¥2,325 million (US$20 million) during the year ended March 31, 2016.

3. DL calculates the market value of the majority of the rental real estate based on real estate appraisal standards by an independent appraiser, and others based on the internal but reasonable estimates.

XIX. SEGMENT INFORMATION AND OTHERS

1. Segment Information

For the years ended March 31, 2014, 2015 and 2016

Overview of the reporting segments

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

2. Other Related Information

For the years ended March 31, 2014 and 2015:

(1) Product (Service) Segment Information

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

(2) Geographic Segment Information

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

(3) Major Customer Information

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

For the year ended March 31, 2016:

(1) Product (Service) Segment Information

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

(2) Geographic Segment Information

a) Ordinary Revenues

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

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

b) Tangible fixed assets

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

(3) Major Customer Information

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

3. Impairment Losses on Fixed Assets by Reporting Segment

For the years ended March 31, 2014, 2015 and 2016

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

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

For the years ended March 31, 2014, 2015 and 2016

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

5. Gain on Negative Goodwill by Reporting Segment

For the years ended March 31, 2014, 2015 and 2016

Not applicable

6. Related Party Transactions

For the years ended March 31, 2014, 2015 and 2016

There are no significant transactions to be disclosed.

XX. PER SHARE INFORMATION

As of / Year ended March 31,	2014	2015	*2016*	*2016*
		(Unit: yen)		*(Unit: US dollars)*
Net assets per share	¥1,962.05	¥3,012.46	¥2,472.86	*$21.94*
Net income per share	78.58	124.94	150.53	*1.33*
Diluted net income per share	78.54	124.87	150.44	*1.33*

Note: 1. The Company conducted a 1:100 share split on October 1, 2013. Net income per share and diluted net income per share are calculated, assuming that the share split was conducted at the beginning of the fiscal year ended March 31, 2014.

2. (1) The Company applied the accounting standard for retirement benefits, etc., and followed the handling transitional provisions of paragraph 37 accounting standard for retirement benefits as described in the "Changes in Accounting Policies". As a result, net assets per share for the fiscal years ended March 31, 2014 and 2015 increased by ¥16.98 and ¥9.29.
(2) The Company applied the Business Combinations Accounting Standard and other standards as described in the "Changes in Accounting Policies". As a result, net assets per share for this fiscal year ended March 31, 2016 decreased by ¥13.62 (US$0.12).

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

Year ended March 31,	2014	2015	2016	2016
	(Unit: million yen)			(Unit: million US dollars)
Net income per share				
Net income attributable to shareholders of parent company	¥ 77,931	¥ 142,476	¥ 178,515	$ 1,584
Net income attributable to other than shareholders of common stock	—	—	—	—
Net income attributable to shareholders of common stock	¥ 77,931	¥ 142,476	¥ 178,515	$ 1,584
Average number of common stock outstanding(*)	991,732 thousand shares	1,140,358 thousand shares	1,185,939 thousand shares	1,185,939 thousand shares
Diluted net income per share				
Adjustments to net income	—	—	—	—
Increase in the number of common stock	554 thousand shares	665 thousand shares	701 thousand shares	701 thousand shares
[Increase in the number of common stock attributable to subscription rights to shares]	[554 thousand shares]	[665 thousand shares]	[701 thousand shares]	[701 thousand shares]
Outline of the dilutive shares which are not counted in the basis of calculation of diluted net income per share because they do not have dilutive effect	—	—	—	—

(*) "Average number of common stock outstanding" in the above table excludes shares held by the J-ESOP or the E-Ship® for the years ended March 31, 2014 and 2015.

Shares of DL owned by the trust account in accordance with the J-ESOP and shares of DL owned by trust for the sole use of the DL employee shareholding association in accordance with the E-Ship® are included in treasury shares which excluded from the computation of average number of shares during the year in the calculation of net income per share. For the computation of net income per share, average number of treasury shares excluded for the year is 7,042 thousand shares for the fiscal year ended March 31, 2015 and 5,982 thousand shares for the fiscal year ended March 31, 2016.

Note 4. Underlying basis for the calculation of the net assets per share was as follows:

As of March 31,	2014	2015	2016	2016
	(Unit: million yen)			(Unit: million US dollars)
Net assets	¥1,947,613	¥3,589,927	¥2,932,959	$ 26,029
Adjustments	(639)	(821)	(998)	(8)
Subscription rights to shares	(583)	(753)	(925)	(8)
Non-controlling interests	(55)	(67)	(72)	(0)
Net assets attributable to common stock	¥1,946,974	¥3,589,106	¥2,931,960	$ 26,020
Number of common stock outstanding(*)	992,316 thousand shares	1,191,420 thousand shares	1,185,654 thousand shares	1,185,654 thousand shares

(*) "Number of common stock outstanding" in the above table excludes shares held by the J-ESOP or the E-Ship® as of 2014 and 2015.

Shares of DL owned by the trust account in accordance with the J-ESOP and shares of DL owned by trust for the sole use of the DL employee shareholding association in accordance with the E-Ship® are included in treasury shares which deducted from total issued shares at the end of the fiscal year in the calculation of net assets per share. For the computation of net assets per share, number of treasury shares deducted at the end of the year is 6,518 thousand shares at the end of March 31, 2015 and 5,490 thousand shares at the end of March 31, 2016.

XXI. SUBSEQUENT EVENTS

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

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

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

   <Overview of the Parties to the Agreement>

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

(10) Consolidated results of operations and financial position

	Fiscal Year ended March 31, 2016
Net assets	2,932,959 million yen (US$26,029 million)
Total assets	49,924,922 million yen (US$443,068 million)
Net assets per share	2,472.86 yen (US$21.94)
Ordinary revenues	7,333,947 million yen (US$65,086 million)

	The Company (As of March 31, 2016)	The Successor (As of April 1, 2016)
Ordinary profit	418,166 million yen (US$3,711 million)	
Net income attributable to shareholders of Dai-ichi Life	178,515 million yen (US$1,584 million)	
Net income per share	150.53 yen (US$1.33)	

*1 The trade name will be changed to “Dai-ichi Life Holdings, Inc.” as of October 1, 2016.
*2 The trade name will be changed to “The Dai-ichi Life Insurance Company, Limited” as of October 1, 2016.
*3 The percentage of shares outstanding are calculated by excluding the treasury stock (6,878 thousand shares).

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

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

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

(2) Details of the Repurchase

a) Class of shares to be repurchased

Shares of common stock

b) Aggregate number of shares to be repurchased

Up to 16,000,000 shares

c) Aggregate price of shares to be repurchased

Up to 16,000 million yen (US$141 million)

d) Period of repurchase of shares

From May 16, 2016 to June 21, 2016

e) Method of repurchase of shares

Open-market repurchase by the trust method

(3) Conclusion of the Repurchase

a) Aggregate number of shares repurchased

11,695,500 shares

b) Aggregate repurchase price of the shares

15,999 million yen (US$141 million)

c) Period in which repurchases were made

From May 16, 2016 to June 9, 2016

XXII. QUARTERLY INFORMATION

For the year ended March 31, 2014

	Three months ended June 30, 2013	Six months ended September 30, 2013	Nine months ended December 31, 2013	Year ended March 31, 2014
	(Unit: million yen except Net income attributable to shareholders of parent company per share)			
Ordinary revenues	¥1,436,042	¥2,975,233	¥4,477,081	¥6,044,955
Income before income taxes	49,805	90,363	130,379	147,010
Net income attributable to shareholders of parent company	26,307	47,937	73,889	77,931
Net income attributable to shareholders of parent company per share (Unit: yen)	26.54	48.35	74.52	78.58

	Three months ended June 30, 2013	Three months ended September 30, 2013	Three months ended December 31, 2013	Three months ended March 31, 2014
	(Unit: yen)			
Net income attributable to shareholders of parent company per share	¥ 26.54	¥ 21.81	¥ 26.16	¥ 4.07

Note: The Company conducted a 1:100 share split on October 1, 2013. Net income per share are calculated, assuming that the share split was conducted at the beginning of the fiscal year.

For the year ended March 31, 2015

	Three months ended June 30, 2014	Six months ended September 30, 2014	Nine months ended December 31, 2014	Year ended March 31, 2015
	(Unit: million yen except Net income attributable to shareholders of parent company per share)			
Ordinary revenues	¥1,654,031	¥3,462,742	¥5,349,902	¥7,252,242
Income before income taxes	99,608	175,822	191,519	268,502
Net income attributable to shareholders of parent company	68,471	123,362	131,710	142,476
Net income attributable to shareholders of parent company per share (Unit: yen)	68.99	113.23	117.25	124.94

	Three months ended June 30, 2014	Three months ended September 30, 2014	Three months ended December 31, 2014	Three months ended March 31, 2015
	(Unit: yen)			
Net income attributable to shareholders of parent company per share	¥ 68.99	¥ 46.26	¥ 7.01	¥ 9.04

For the year ended March 31, 2016

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

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

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

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

Independent Auditor's Report

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

We have audited the accompanying non-consolidated financial statements of The Dai-ichi Life Insurance Company, Limited, which comprise the non-consolidated balance sheets as of March 31, 2016, 2015 and 2014, and the non-consolidated statements of earnings, and changes in net assets for the years then ended and a summary of significant accounting policies and other explanatory information, all expressed in Japanese yen.

Management's Responsibility for the Non-consolidated Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the non-consolidated financial statements referred to above present fairly, in all material respects, the non-consolidated financial position of The Dai-ichi Life Insurance Company, Limited as of March 31, 2016, 2015 and 2014, and its non-consolidated financial performance for the years then ended in conformity with accounting principles generally accepted in Japan.

Convenience Translation

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

/s/ Ernst & Young ShinNihon LLC

Tokyo, Japan
June 24, 2016

Non-Consolidated Balance Sheets

As of March 31,	2014	2015	2016	2016
	(Unit : million yen)			(Unit : million US dollars)
(ASSETS)				
Cash and deposits	¥ 573,973	¥ 663,427	¥ 528,337	$ 4,688
Cash	220	217	196	1
Bank deposits	573,752	663,209	528,140	4,687
Call loans	334,500	355,300	116,900	1,037
Monetary claims bought	275,818	259,735	233,206	2,069
Money held in trust	34,699	36,122	52,806	468
Securities	28,005,170	30,673,366	30,250,119	268,460
Government bonds	14,169,860	14,531,309	14,545,593	129,087
Local government bonds	235,000	135,572	125,047	1,109
Corporate bonds	2,044,589	1,675,152	1,910,798	16,957
Stocks	3,136,437	4,007,030	3,560,485	31,598
Foreign securities	7,938,499	9,799,414	9,451,844	83,882
Other securities	480,783	524,887	656,349	5,824
Loans	3,023,173	3,029,295	2,826,052	25,080
Policy loans	452,938	428,555	405,056	3,594
Ordinary loans	2,570,235	2,600,740	2,420,995	21,485
Tangible fixed assets	1,215,576	1,203,289	1,164,183	10,331
Land	796,436	801,088	792,101	7,029
Buildings	408,390	394,089	363,038	3,221
Leased assets	6,133	4,658	4,491	39
Construction in progress	1,349	850	2,402	21
Other tangible fixed assets	3,266	2,602	2,149	19
Intangible fixed assets	88,549	83,719	81,603	724
Software	65,824	61,602	59,516	528
Other intangible fixed assets	22,725	22,116	22,086	196
Reinsurance receivable	11,046	7,916	4,434	39
Other assets	369,894	427,053	541,917	4,809
Accounts receivable	88,330	58,176	75,541	670
Prepaid expenses	13,425	13,009	12,019	106
Accrued revenue	140,570	156,983	155,664	1,381
Deposits	52,276	42,217	40,545	359
Margin money for futures trading	33,596	56,390	57,785	512
Differential account for futures trading	2	—	47	0
Derivatives	19,128	82,448	179,189	1,590
Suspense payment	13,713	6,172	9,536	84
Other assets	8,850	11,655	11,586	102
Deferred tax assets	11,163	—	—	—
Customers' liabilities for acceptances and guarantees	88,225	91,648	97,056	861
Reserve for possible loan losses	(2,753)	(2,105)	(1,237)	(10)
Reserve for possible investment losses	(215)	—	(423)	(3)
Total assets	¥ 34,028,823	¥ 36,828,768	¥ 35,894,956	$ 318,556

Non-Consolidated Balance Sheets—(Continued)

As of March 31,	2014	2015	2016	2016
		(Unit : million yen)		*(Unit : million US dollars)*
(LIABILITIES)				
Policy reserves and others	¥ 29,744,001	¥ 30,449,617	¥ 30,635,217	*$ 271,878*
Reserves for outstanding claims	150,709	203,076	260,304	*2,310*
Policy reserves	29,199,269	29,840,974	29,984,210	*266,100*
Reserve for policyholder dividends	394,022	405,566	390,701	*3,467*
Reinsurance payable	657	609	684	*6*
Subordinated bonds	107,562	215,727	215,727	*1,914*
Other liabilities	1,498,375	1,496,483	1,095,099	*9,718*
Collateral for securities lending transactions	773,937	731,505	473,284	*4,200*
Long-term debt and other borrowings	327,060	325,198	286,277	*2,540*
Corporate income tax payable	63,523	52,296	28,307	*251*
Accounts payable	117,445	83,212	77,232	*685*
Accrued expenses	45,760	51,619	48,456	*430*
Unearned revenue	743	785	728	*6*
Deposits received	53,445	53,105	53,528	*475*
Guarantee deposits received	33,396	51,008	51,110	*453*
Differential account for futures trading	—	17	—	—
Derivatives	68,662	124,556	60,808	*539*
Lease liabilities	6,018	4,552	4,393	*38*
Asset retirement obligations	2,831	2,789	2,675	*23*
Suspense receipt	5,473	15,345	7,695	*68*
Other liabilities	76	490	601	*5*
Reserve for employees' retirement benefits	407,170	389,480	377,967	*3,354*
Reserve for retirement benefits of directors, executive officers and corporate auditors	2,141	1,990	1,868	*16*
Reserve for possible reimbursement of prescribed claims	800	700	800	*7*
Reserves under the special laws	116,453	132,453	148,453	*1,317*
Reserve for price fluctuations	116,453	132,453	148,453	*1,317*
Deferred tax liabilities	—	413,815	138,696	*1,230*
Deferred tax liabilities for land revaluation	91,595	84,908	80,189	*711*
Acceptances and guarantees	88,225	91,648	97,056	*861*
Total liabilities	¥ 32,056,983	¥ 33,277,434	¥ 32,791,760	*$ 291,016*
(NET ASSETS)				
Capital stock	¥ 210,224	¥ 343,104	¥ 343,146	*$ 3,045*
Capital surplus	210,262	343,255	343,772	*3,050*
Legal capital surplus	210,224	343,104	343,146	*3,045*
Other capital surplus	37	151	625	*5*
Retained earnings	287,286	430,738	511,892	*4,542*
Legal retained earnings	5,600	5,600	5,600	*49*
Other retained earnings	281,686	425,138	506,292	*4,493*
Fund for risk allowance	43,120	43,120	43,120	*382*
Fund for price fluctuation allowance	65,000	65,000	65,000	*576*
Reserve for tax basis adjustments of real estate	23,534	24,875	25,517	*226*
Retained earnings brought forward	150,031	292,143	372,655	*3,307*
Treasury stock	(11,500)	(9,723)	(23,231)	*(206)*
Total shareholders' equity	696,272	1,107,375	1,175,581	*10,432*
Net unrealized gains (losses) on securities, net of tax	1,315,890	2,488,665	1,946,957	*17,278*
Deferred hedge gains (losses)	(2,586)	(12,036)	(3,865)	*(34)*
Reserve for land revaluation	(38,320)	(33,424)	(16,402)	*(145)*
Total of valuation and translation adjustments	1,274,983	2,443,204	1,926,688	*17,098*
Subscription rights to shares	583	753	925	*8*
Total net assets	1,971,839	3,551,333	3,103,195	*27,539*
Total liabilities and net assets	¥ 34,028,823	¥ 36,828,768	¥ 35,894,956	*$ 318,556*

Non-Consolidated Statements of Earnings

Year ended March 31,	2014	2015	2016	2016
	(Unit : million yen)			*(Unit : million US dollars)*
ORDINARY REVENUES	¥4,384,670	¥4,798,467	¥4,265,779	*$37,857*
Premium and other income	2,868,061	3,266,361	2,866,602	*25,440*
Premium income	2,867,246	3,265,798	2,865,384	*25,429*
Reinsurance income	815	563	1,218	*10*
Investment income	1,161,432	1,174,430	1,060,017	*9,407*
Interest and dividends	775,206	802,330	802,203	*7,119*
Interest from bank deposits	7,422	11,973	11,213	99
Interest and dividends from securities	620,515	645,467	647,317	5,744
Interest from loans	72,669	66,896	62,387	553
Rental income	66,327	68,030	69,545	617
Other interest and dividends	8,271	9,962	11,738	104
Gains on money held in trust	5,821	7,668	—	—
Gains on sale of securities	202,364	146,542	211,921	*1,880*
Gains on redemption of securities	25,127	23,906	44,645	*396*
Derivative transaction gains	—	9,411	—	—
Reversal of reserve for possible loan losses	1,334	468	838	*7*
Reversal of reserve for possible investment losses	—	214	—	—
Other investment income	2,568	623	409	*3*
Gains on investments in separate accounts	149,010	183,263	—	—
Other ordinary revenues	355,176	357,675	339,158	*3,009*
Fund receipt for annuity rider of group insurance	768	674	708	*6*
Fund receipt for claim deposit payment	298,358	323,932	301,478	*2,675*
Reversal of reserve for employees' retirement benefits	30,998	3,287	11,931	*105*
Other ordinary revenues	25,051	29,781	25,039	*222*
ORDINARY EXPENSES	4,077,058	4,389,702	3,921,556	*34,802*
Benefits and claims	2,439,165	2,718,186	2,681,396	*23,796*
Claims	715,702	749,138	709,000	*6,292*
Annuities	574,517	629,874	592,255	*5,256*
Benefits	453,389	412,439	381,741	*3,387*
Surrender values	525,941	532,807	584,186	*5,184*
Other refunds	168,288	392,652	412,606	*3,661*
Ceding reinsurance commissions	1,325	1,272	1,604	*14*
Provision for policy reserves and others	583,309	702,820	209,103	*1,855*
Provision for reserves for outstanding claims	12,138	52,367	57,227	*507*
Provision for policy reserves	562,223	641,704	143,236	*1,271*
Provision for interest on policyholder dividends	8,946	8,748	8,639	*76*
Investment expenses	213,928	131,253	273,985	*2,431*
Interest expenses	19,041	16,024	15,242	*135*
Losses on money held in trust	—	—	791	*7*
Losses on sale of securities	67,303	24,412	62,457	*554*
Losses on valuation of securities	1,401	469	873	*7*
Losses on redemption of securities	3,050	305	1,201	*10*
Derivative transaction losses	49,146	—	54,120	*480*
Foreign exchange losses	19,915	38,047	53,872	*478*
Provision for reserve for possible investment losses	215	—	423	*3*
Write-down of loans	31	43	59	*0*
Depreciation of real estate for rent and others	14,198	14,633	14,165	*125*
Other investment expenses	39,623	37,317	39,209	*347*
Losses on investments in separate accounts	—	—	31,568	*280*
Operating expenses	410,515	398,588	404,114	*3,586*
Other ordinary expenses	430,140	438,854	352,956	*3,132*
Claim deposit payments	331,778	365,251	281,561	*2,498*
National and local taxes	22,260	28,611	28,411	*252*
Depreciation	36,028	35,210	32,770	*290*
Other ordinary expenses	40,071	9,781	10,213	*90*
Ordinary profit	307,612	408,764	344,222	*3,054*
EXTRAORDINARY GAINS	3,618	3,029	286	*2*
Gains on disposal of fixed assets	3,618	3,029	286	*2*
EXTRAORDINARY LOSSES	66,415	27,252	52,274	*463*
Losses on disposal of fixed assets	13,870	5,279	1,307	*11*
Impairment losses on fixed assets	23,890	5,472	34,548	*306*
Provision for reserve for price fluctuations	28,000	16,000	16,000	*141*
Other extraordinary losses	654	501	418	*3*
Provision for reserve for policyholder dividends	94,000	112,200	97,500	*865*
Income before income taxes	150,815	272,341	194,734	*1,728*
Corporate income taxes-current	112,720	119,336	95,850	*850*
Corporate income taxes-deferred	(47,449)	808	(30,238)	*(268)*
Total of corporate income taxes	65,270	120,145	65,611	*582*
Net income for the year	¥ 85,544	¥ 152,196	¥ 129,123	*$ 1,145*

Non-Consolidated Statement of Changes in Net Assets

Year ended March 31, 2014

(Unit: million yen)

	Shareholders' equity								
		Capital surplus			Retained earnings				
						Other retained earnings			
	Capital stock	Legal capital surplus	Other capital surplus	Total capital surplus	Legal retained earnings	Fund for risk allowance	Fund for price fluctuation allowance	Reserve for tax basis adjustments of real estate	Retained earnings brought forward
Balance at the beginning of the year	¥210,207	¥210,207	—	¥210,207	¥5,600	¥43,120	¥65,000	¥20,838	¥81,982
Cumulative effect of changes in accounting policies				—					
Balance at the beginning of the year after reflecting the effect of changes in accounting policies	210,207	210,207	—	210,207	5,600	43,120	65,000	20,838	81,982
Changes for the year									
Issuance of new shares				—					
Issuance of new shares—exercise of subscription rights to shares	17	17		17					
Dividends				—					(15,855)
Net income				—					85,544
Purchase of treasury stock				—					
Disposal of treasury stock			37	37					
Increase in reserve for tax basis adjustments of real estate resulting from changes in tax rate				—					
Transfer to reserve for tax basis adjustments of real estate				—				2,824	(2,824)
Transfer from reserve for tax basis adjustments of real estate				—				(129)	129
Transfer from reserve for land revaluation				—					1,055
Net changes of items other than shareholders' equity									
Total changes for the year	17	17	37	54	—	—	—	2,695	68,049
Balance at the end of the year	¥210,224	¥210,224	¥37	¥210,262	¥5,600	¥43,120	¥65,000	¥23,534	¥150,031

Non-Consolidated Statement of Changes in Net Assets—(Continued)

Year ended March 31, 2014

	Shareholders' equity			Valuation and translation adjustments					
	Retained earnings: Total retained earnings	Treasury stock	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	Subscription rights to shares	Total net assets
	(Unit: million yen)								
Balance at the beginning of the year	¥216,541	(¥13,431)	¥623,524	¥1,092,583	(¥1,801)	(¥36,995)	¥1,053,786	¥379	¥1,677,691
Cumulative effect of changes in accounting policies	—		—						—
Balance at the beginning of the year after reflecting the effect of changes in accounting policies	216,541	(13,431)	623,524	1,092,583	(1,801)	(36,995)	1,053,786	379	1,677,691
Changes for the year									
Issuance of new shares	—		—						—
Issuance of new shares—exercise of subscription rights to shares	—		35						35
Dividends	(15,855)		(15,855)						(15,855)
Net income	85,544		85,544						85,544
Purchase of treasury stock	—		—						—
Disposal of treasury stock	—	1,930	1,967						1,967
Increase in reserve for tax basis adjustments of real estate resulting from changes in tax rate	—		—						—
Transfer to reserve for tax basis adjustments of real estate	—		—						—
Transfer from reserve for tax basis adjustments of real estate	—		—						—
Transfer from reserve for land revaluation	1,055		1,055						1,055
Net changes of items other than shareholders' equity				223,306	(784)	(1,325)	221,196	203	221,400
Total changes for the year	70,745	1,930	72,747	223,306	(784)	(1,325)	221,196	203	294,148
Balance at the end of the year	¥287,286	(¥11,500)	¥696,272	¥1,315,890	(¥2,586)	(¥38,320)	¥1,274,983	¥583	¥1,971,839

Non-Consolidated Statement of Changes in Net Assets—(Continued)

Year ended March 31, 2015

	Shareholders' equity								
		Capital surplus			Retained earnings				
						Other retained earnings			
	Capital stock	Legal capital surplus	Other capital surplus	Total capital surplus	Legal retained earnings	Fund for risk allowance	Fund for price fluctuation allowance	Reserve for tax basis adjustments of real estate	Retained earnings brought forward
	(Unit: million yen)								
Balance at the beginning of the year	¥210,224	¥210,224	¥37	¥210,262	¥5,600	¥43,120	¥65,000	¥23,534	¥150,031
Cumulative effect of changes in accounting policies				—					10,330
Balance at the beginning of the year after reflecting the effect of changes in accounting policies	210,224	210,224	37	210,262	5,600	43,120	65,000	23,534	160,362
Changes for the year									
Issuance of new shares	132,842	132,842		132,842					
Issuance of new shares—exercise of subscription rights to shares	37	37		37					
Dividends				—					(19,846)
Net income				—					152,196
Purchase of treasury stock				—					
Disposal of treasury stock			113	113					
Increase in reserve for tax basis adjustments of real estate resulting from changes in tax rate				—				670	(670)
Transfer to reserve for tax basis adjustments of real estate				—				796	(796)
Transfer from reserve for tax basis adjustments of real estate				—				(125)	125
Transfer from reserve for land revaluation				—					771
Net changes of items other than shareholders' equity									
Total changes for the year	132,879	132,879	113	132,993	—	—	—	1,340	131,780
Balance at the end of the year	¥343,104	¥343,104	¥151	¥343,255	¥5,600	¥43,120	¥65,000	¥24,875	¥292,143

Non-Consolidated Statement of Changes in Net Assets—(Continued)

Year ended March 31, 2015

	Shareholders' equity			Valuation and translation adjustments					
	Retained earnings: Total retained earnings	Treasury stock	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	Subscription rights to shares	Total net assets
	(Unit: million yen)								
Balance at the beginning of the year	¥287,286	(¥11,500)	¥696,272	¥1,315,890	(¥2,586)	(¥38,320)	¥1,274,983	¥583	¥1,971,839
Cumulative effect of changes in accounting policies	10,330		10,330						10,330
Balance at the beginning of the year after reflecting the effect of changes in accounting policies	297,617	(11,500)	706,603	1,315,890	(2,586)	(38,320)	1,274,983	583	1,982,170
Changes for the year									
Issuance of new shares	—		265,684						265,684
Issuance of new shares—exercise of subscription rights to shares	—		74						74
Dividends	(19,846)		(19,846)						(19,846)
Net income	152,196		152,196						152,196
Purchase of treasury stock	—		—						—
Disposal of treasury stock	—	1,776	1,890						1,890
Increase in reserve for tax basis adjustments of real estate resulting from changes in tax rate	—		—						—
Transfer to reserve for tax basis adjustments of real estate	—		—						—
Transfer from reserve for tax basis adjustments of real estate	—		—						—
Transfer from reserve for land revaluation	771		771						771
Net changes of items other than shareholders' equity				1,172,775	(9,450)	4,896	1,168,221	170	1,168,391
Total changes for the year	133,121	1,776	400,771	1,172,775	(9,450)	4,896	1,168,221	170	1,569,163
Balance at the end of the year	¥ 430,738	(¥9,723)	¥1,107,375	¥ 2,488,665	(¥12,036)	(¥33,424)	¥ 2,443,204	¥ 753	¥ 3,551,333

Non-Consolidated Statement of Changes in Net Assets—(Continued)

Year ended March 31, 2016

	Shareholders' equity								
		Capital surplus			Retained earnings				
						Other retained earnings			
	Capital stock	Legal capital surplus	Other capital surplus	Total capital surplus	Legal retained earnings	Fund for risk allowance	Fund for price fluctuation allowance	Reserve for tax basis adjustments of real estate	Retained earnings brought forward
	(Unit: million yen)								
Balance at the beginning of the year	¥343,104	¥343,104	¥151	¥343,255	¥5,600	¥43,120	¥65,000	¥24,875	¥292,143
Cumulative effect of changes in accounting policies				—					
Balance at the beginning of the year after reflecting the effect of changes in accounting policies	343,104	343,104	151	343,255	5,600	43,120	65,000	24,875	292,143
Changes for the year									
Issuance of new shares				—					
Issuance of new shares—exercise of subscription rights to shares	42	42		42					
Dividends				—					(33,359)
Net income				—					129,123
Purchase of treasury stock				—					
Disposal of treasury stock			474	474					
Increase in reserve for tax basis adjustments of real estate resulting from changes in tax rate				—				297	(297)
Transfer to reserve for tax basis adjustments of real estate				—				470	(470)
Transfer from reserve for tax basis adjustments of real estate				—				(126)	126
Transfer from reserve for land revaluation				—					(14,609)
Net changes of items other than shareholders' equity									
Total changes for the year	42	42	474	517	—	—	—	641	80,512
Balance at the end of the year	¥343,146	¥343,146	¥625	¥343,772	¥5,600	¥43,120	¥65,000	¥25,517	¥372,655

Non-Consolidated Statement of Changes in Net Assets—(Continued)

Year ended March 31, 2016

	Shareholders' equity			Valuation and translation adjustments					
	Retained earnings: Total retained earnings	Treasury stock	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	Subscription rights to shares	Total net assets
	(Unit: million yen)								
Balance at the beginning of the year	¥430,738	(¥9,723)	¥1,107,375	¥2,488,665	(¥12,036)	(¥33,424)	¥2,443,204	¥753	¥3,551,333
Cumulative effect of changes in accounting policies	—		—						—
Balance at the beginning of the year after reflecting the effect of changes in accounting policies	430,738	(9,723)	1,107,375	2,488,665	(12,036)	(33,424)	2,443,204	753	3,551,333
Changes for the year									
Issuance of new shares	—		—						—
Issuance of new shares—exercise of subscription rights to shares	—		84						84
Dividends	(33,359)		(33,359)						(33,359)
Net income	129,123		129,123						129,123
Purchase of treasury stock	—	(15,000)	(15,000)						(15,000)
Disposal of treasury stock	—	1,492	1,967						1,967
Increase in reserve for tax basis adjustments of real estate resulting from changes in tax rate	—		—						—
Transfer to reserve for tax basis adjustments of real estate	—		—						—
Transfer from reserve for tax basis adjustments of real estate	—		—						—
Transfer from reserve for land revaluation	(14,609)		(14,609)						(14,609)
Net changes of items other than shareholders' equity				(541,708)	8,170	17,021	(516,516)	171	(516,344)
Total changes for the year	81,153	(13,507)	68,206	(541,708)	8,170	17,021	(516,516)	171	(448,138)
Balance at the end of the year	¥511,892	(¥23,231)	¥1,175,581	¥1,946,957	(¥3,865)	(¥16,402)	¥1,926,688	¥925	¥3,103,195

Non-Consolidated Statement of Changes in Net Assets—(Continued)

Year ended March 31, 2016

	Shareholders' equity								
		Capital surplus			Retained earnings				
						Other retained earnings			
	Capital stock	Legal capital surplus	Other capital surplus	Total capital surplus	Legal retained earnings	Fund for risk allowance	Fund for price fluctuation allowance	Reserve for tax basis adjustments of real estate	Retained earnings brought forward
	(Unit: million US dollars)								
Balance at the beginning of the year	$3,044	$3,044	$1	$3,046	$49	$382	$576	$220	$2,592
Cumulative effect of changes in accounting policies				—					
Balance at the beginning of the year after reflecting the effect of changes in accounting policies	3,044	3,044	1	3,046	49	382	576	220	2,592
Changes for the year									
Issuance of new shares				—					
Issuance of new shares—exercise of subscription rights to shares	0	0		0					
Dividends				—					(296)
Net income				—					1,145
Purchase of treasury stock				—					
Disposal of treasury stock			4	4					
Increase in reserve for tax basis adjustments of real estate resulting from changes in tax rate				—				2	(2)
Transfer to reserve for tax basis adjustments of real estate				—				4	(4)
Transfer from reserve for tax basis adjustments of real estate				—				(1)	1
Transfer from reserve for land revaluation				—					(129)
Net changes of items other than shareholders' equity									
Total changes for the year	0	0	4	4	—	—	—	5	714
Balance at the end of the year	$3,045	$3,045	$5	$3,050	$49	$382	$576	$226	$3,307

Non-Consolidated Statement of Changes in Net Assets—(Continued)

Year ended March 31, 2016

	Shareholders' equity			Valuation and translation adjustments					
	Retained earnings: Total retained earnings	Treasury stock	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	Subscription rights to shares	Total net assets
	(Unit: million US dollars)								
Balance at the beginning of the year	$3,822	($86)	$9,827	$22,086	($106)	($296)	$21,682	$6	$31,516
Cumulative effect of changes in accounting policies	—		—						—
Balance at the beginning of the year after reflecting the effect of changes in accounting policies	3,822	(86)	9,827	22,086	(106)	(296)	21,682	6	31,516
Changes for the year									
Issuance of new shares	—		—						—
Issuance of new shares—exercise of subscription rights to shares	—		0						0
Dividends	(296)		(296)						(296)
Net income	1,145		1,145						1,145
Purchase of treasury stock	—	(133)	(133)						(133)
Disposal of treasury stock	—	13	17						17
Increase in reserve for tax basis adjustments of real estate resulting from changes in tax rate	—		—						—
Transfer to reserve for tax basis adjustments of real estate	—		—						—
Transfer from reserve for tax basis adjustments of real estate	—		—						—
Transfer from reserve for land revaluation	(129)		(129)						(129)
Net changes of items other than shareholders' equity				(4,807)	72	151	(4,583)	1	(4,582)
Total changes for the year	720	(119)	605	(4,807)	72	151	(4,583)	1	(3,977)
Balance at the end of the year	$4,542	($206)	$10,432	$17,278	($34)	($145)	$17,098	$8	$27,539

NOTES TO THE NON-CONSOLIDATED FINANCIAL STATEMENTS AS OF AND FOR THE YEARS ENDED MARCH 31, 2014, 2015 AND 2016

I. BASIS FOR PRESENTATION

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

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

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

II. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1. Valuation Methods of Securities

Securities held by DL 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 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 Market Value

Available-for-sale securities which have market value are valued at fair value (for domestic stocks, the average value during March), with cost determined by the moving average method.

b) Available-for-sale Securities Whose Market Values Are Extremely Difficult to Recognize

i) Government/Corporate Bonds

Government/Corporate Bonds (including foreign bonds), whose premium or discount represents 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 non-consolidated statement of earnings.

2. Valuation Method of Derivative Transactions

Derivative transactions are reported at fair value.

3. 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 attached improvements and structures is calculated by the straight-line method).

Estimated useful lives of major assets are as follows:

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

Tangible fixed assets other than land, buildings that were acquired for ¥100,000 or more but less than ¥200,000 are depreciated at equal amounts over three years.

With respect to tangible fixed assets that were acquired on or before March 31, 2007 and that were fully depreciated to their original depreciable limit, effective the year ended March 31, 2008, the remaining values are depreciated at equal amounts over five years from the following fiscal year of the year in which they reached the original depreciable limit.

(2) Amortization of Intangible Fixed Assets Excluding Leased Assets

DL 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 of leased assets with regard to finance leases whose ownership does not transfer to the lessees is computed under the straight-line method assuming zero salvage value.

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

DL 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 are translated into yen at the exchange rates on the dates of acquisition.

5. 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 (1) the recoverable amount covered by the collateral or guarantees and (2) an overall assessment of the obligor’s ability to repay.

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

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

For loans to and claims on bankrupt and substantially bankrupt obligors, the unrecoverable amount is calculated by deducting the amount deemed recoverable from collateral and guarantees from the amount of the loans and claims and is directly written off from the amount of the loans and claims. The amounts written off during the fiscal year ended March 31, 2014, 2015 and 2016 were ¥67 million, ¥59 million and ¥58 million (US$0 million), respectively.

6. Reserve for Possible Investment Losses

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

7. 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, 2014, 2015 and 2016.

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

(1) Allocation of Estimated Retirement Benefits

Estimated retirement benefits are allocated under the straight-line method over the period ended March 31, 2014 and under the benefit formula basis over the period ended March 31, 2015 and 2016.

(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.

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

For the reserve for retirement benefits of directors, executive officers and corporate auditors of DL, (1) an estimated amount for future payment out of the total amount of benefits for past service approved by the 105th general meeting of representative policyholders of DL and (2) an estimated amount for future corporate-pension payments to directors, executive officers, and corporate auditors who retired before the 105th general meeting of representative policyholders of DL are provided.

9. Reserve for Possible Reimbursement of Prescribed Claims

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

10. Reserve for Price Fluctuations

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

11. Methods for Hedge Accounting

(1) Methods for Hedge Accounting

Hedging transactions are accounted for in accordance with the "Accounting Standards for Financial Instruments" (ASBJ Statement No. 10, issued on March 10, 2008). Primarily, (a) 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; (b) 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); (c) 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; (d) the deferral hedge method for bond over-the-counter options is used for hedges against interest-rate fluctuations in certain foreign currency-denominated bonds; and (e) 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).

(2) Hedging Instruments and Hedged Items

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

(3) Hedging Policies

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

(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.

12. Other Basic Accounting Policies for Preparing Financial Statements

(1) Accounting Treatment of Retirement Benefits

The accounting treatment of unrecognized actuarial differences related to the retirement benefits for the nonconsolidated financial statements is different from that for the consolidated financial statements.

(2) Calculation of National and Local Consumption Tax

DL 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 other assets and amortized equally over five years in accordance with the Order for Enforcement of the Corporation Tax Act, and such taxes other than deferred consumption tax are recognized as an expense when incurred.

(3) Policy Reserves

Policy reserves of DL are established in accordance with Article 116 of the Insurance Business Act. Insurance premium reserves are calculated as follows:

(a) Reserves for policies subject to the standard policy reserve rules are calculated based on the methods stipulated by the Commissioner of the Financial Services Agency (Notification of the Minister of Finance No.48, 1996).

(b) Reserves for other policies are established based on the net level premium method.

(Additional information)

Effective the fiscal year ended March 31, 2008, for whole life insurance contracts acquired on or before March 31, 1996 for which premium payments were already completed (including lump-sum payments), additional policy reserves are provided in accordance with Article 69, Paragraph 5 of the Enforcement Regulation, of the Insurance Business Act and will be provided over the following nine years. As a result, the amounts of the additional provision for policy reserves for the fiscal years ended March 31, 2014, 2015 and 2016 were ¥126,720 million, ¥122,957 million and ¥142,163 million (US$1,261 million), respectively.

(4) Changes in Presentation Method

a) According to the form 11 of the Ordinance on Terminology, Forms, and Preparation Methods of Financial Statements, etc. (The Ordinance on Financial Statements, etc., or the Ordinance) (No. 6 of the Notice Regarding Presentation), we changed the presentation method in the details of tangible fixed assets stipulated in the Article 121, paragraph 1, item 2 of the Ordinance. The difference between the book values after and before the revaluation is performed for a provision of special laws or other reasons are presented in parentheses in the columns of “Beginning balance” and “Ending balance” in addition to the columns of “Increase” and “Decrease” where the information was disclosed previously.

b) The presentation of the following notes are omitted:

i) Notes to lease transactions (stipulated in Article 8-6 of the Ordinance) are omitted according to Article 8-6, paragraph 4 of the Ordinance.

ii) Notes to asset retirement obligations (stipulated in Article 8-28 of the Ordinance) are omitted according to Article 8-28, paragraph 2 of the Ordinance.

iii) Notes to accumulated depreciation (stipulated in Article 26 of the Ordinance) are omitted according to Article 26, paragraph 2 of the Ordinance.

iv) Notes to revaluation of land for business purpose (stipulated in Article 42 of the Ordinance) are omitted according to Article 42, paragraph 3 of the Ordinance.

v) Notes to net assets per share (stipulated in Article 68-4 of the Ordinance) are omitted according to Article 68-4, paragraph 3 of the Ordinance.

vi) Notes to impairment losses (stipulated in Article 95-3-2 of the Ordinance) are omitted according to Article 95-3-2, paragraph 2 of the Ordinance.

vii) Notes to net income (loss) per share (stipulated in Article 95-5-2 of the Ordinance) are omitted according to Article 95-5-2, paragraph 3 of the Ordinance.

viii) Notes to diluted net income per share (stipulated in Article 95-5-3 of the Ordinance) are omitted according to Article 95-5-3, paragraph 4 of the Ordinance.

ix) Notes to treasury stock (stipulated in Article 107 of the Ordinance) are omitted according to Article 107, paragraph 2 of the Ordinance.

(5) Changes in Accounting Policies

Effective the fiscal year ended March 31, 2015, the Company applied “Accounting Standard for Retirement Benefits” (ASBJ Statement No. 26 issued on May 17, 2012, hereinafter “the Standard”) and “Guidance on Accounting Standard for Retirement Benefits” (ASBJ Guidance No. 25 issued on March 26, 2015, hereinafter “the Guidance”), subject to provisions stipulated in Paragraph 35 of the Standard and Paragraph 67 of the Guidance.

The Company revised the calculation method of projected benefit obligation and service cost by changing the allocation of estimated retirement benefits from the straight-line method to the benefit formula basis and by changing the determination of the discount rate from using the discount rate based on a certain period close to employees’ average remaining service period to using the single weighted-average discount rate taking into account the assumed payment period of retirement benefits and the amount per each assumed payment period.

Upon the adoption of these new standards, the Company followed the transitional treatment stipulated in Paragraph 37 of the Standard and the impact of adoption at the beginning of the fiscal year ended March 31, 2015 related to changes in calculation method of projected benefit obligation and service cost was included in the Company’s retained earnings.

As a result, the Company’s reserve for employees’ retirement benefits decreased by ¥14,903 million and retained earnings brought forward increased by ¥10,330 million at the beginning of the fiscal year ended March 31, 2015 as compared to what it would have been if calculated using the previous method. Also, for the fiscal year ended March 31, 2015, both ordinary profit and income before taxes of the Company decreased by ¥257 million. As of March 31, 2015, the amount of net assets per share increased by ¥8.51 and it had a minimal impact on net income per share and diluted net income per share.

(Additional Information)

Disclosure of transactions by granting DL’s stocks to its employees using trust schemes (“the Stock Granting Trust (J-ESOP)” and “the Company’s Trust-type Employee Shareholding Incentive Plan (E-Ship®)”) was omitted as it was described in 3. Summary of Significant Accounting Policies on a consolidated basis.

III. NOTES TO THE NON-CONSOLIDATED BALANCE SHEETS

1. Assets Pledged as Collateral / Secured Liabilities

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

As of March 31,	2014	2015	2016	*2016*
	(Unit: million yen)			*(Unit: million US dollars)*
Securities (Government bonds)	¥748,497	¥704,686	¥393,315	*$3,490*
Securities (Foreign securities)	4,149	4,885	4,606	*40*
Deposits	86	86	86	*0*
Total	¥752,733	¥709,658	¥398,008	*$3,532*

The amounts of secured liabilities were as follows:

As of March 31,	2014	2015	2016	2016
	(Unit: million yen)			*(Unit: million US dollars)*
Cash collateral for securities lending transactions	¥773,937	¥731,505	¥473,284	*$4,200*
Loans payable	3	0	—	—
Total	¥773,941	¥731,506	¥473,284	*$4,200*

"Securities (Government bonds)" includes securities pledged as collateral for securities lending transactions with cash collateral whose amount as of March 31, 2014, 2015 and 2016 is ¥726,832 million, ¥650,112 million and ¥381,453 million (US$3,385 million), respectively.

2. Securities Lending

Securities lent under lending agreements are included in the non-consolidated balance sheet. The total balances of securities lent as of March 31, 2014, 2015 and 2016 were ¥1,138,159 million, ¥1,888,894 million and ¥2,230,552 million (US$19,795 million), respectively.

3. Policy-reserve-matching Bonds

(1) Book Value and Market Value

The book value and the market value of policy-reserve-matching bonds as of March 31, 2014, 2015 and 2016 were as follows:

As of March 31,	2014	2015	2016	2016
	(Unit: million yen)			*(Unit: million US dollars)*
Book value	¥11,726,939	¥11,996,350	¥12,027,685	*$106,741*
Market value	12,799,665	13,835,074	15,449,932	*137,113*

(2) Risk Management Policy

DL 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, DL 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.

4. Stock of Subsidiaries and Affiliated Companies

The amounts of stocks of subsidiaries and affiliated companies DL held as of March 31, 2014, 2015 and 2016 were ¥446,574 million, ¥1,068,255 million and ¥1,127,381 million (US$10,005 million), respectively.

5. Problem Loans

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

As of March 31,	2014	2015	2016	*2016*
	(Unit: million yen)			*(Unit: million US dollars)*
Credits to bankrupt borrowers	¥4,329	¥ 109	¥ 93	*$ 0*
Delinquent loans	4,463	3,525	3,005	*26*
Loans past due for three months or more	—	—	—	—
Restructured loans	35	434	415	*3*
Total	¥8,828	¥4,068	¥3,513	*$31*

Credits to bankrupt borrowers represent non-accrual loans, excluding the balances already written off, which meet the conditions prescribed in Article 96, Paragraph 1, Item 3 or 4 of the Enforcement Ordinance of the Corporation Tax Act. Interest accruals of such loans are suspended since the principal 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, decreases in credits to bankrupt borrowers and delinquent loans were as follows:

As of March 31,	2014	2015	2016	*2016*
	(Unit: million yen)			*(Unit: million US dollars)*
Credits to bankrupt borrowers	¥ 6	¥ 4	¥ 2	*$0*
Delinquent loans	60	54	56	*$0*

6. Commitment Line

As of March 31, 2014, 2015 and 2016, there were unused commitment line agreements under which DL is the lender of ¥27,767 million, ¥31,390 million and ¥32,391 million (US$287 million), respectively.

7. Receivables from and Payables to Subsidiaries and Affiliated Companies

The total amounts of receivables from and payables to subsidiaries and affiliated companies were as follows:

As of March 31,	2014	2015	2016	*2016*
	(Unit: million yen)			*(Unit: million US dollars)*
Receivables	¥70,667	¥110,566	¥27,653	*$245*
Payables	4,585	4,807	4,599	*$ 40*

8. Assets and Liabilities Held in Separate Accounts

The total amounts of assets held in separate accounts defined in Article 118, Paragraph 1 of the Insurance Business Act as of March 31, 2014, 2015 and 2016 were ¥1,243,437 million, ¥1,259,458 million and ¥1,042,803 million (US$9,254 million), respectively. Separate account liabilities were the same amount as the separate account assets.

9. Reinsurance

As of March 31, 2014, 2015 and 2016, reserves for outstanding claims for reinsured parts defined in Article 71, Paragraph 1 of the Enforcement Regulations of the Insurance Business Act, which is referred to in Article 73, Paragraph 3 of the Regulations (hereinafter “reserves for outstanding claims reinsured”) were ¥4 million, ¥18 million and ¥4 million (US$0 million), respectively.

As of March 31, 2014, 2015 and 2016, the amounts of policy reserves provided for reinsured parts defined in Article 71, Paragraph 1 of the Regulations (hereinafter “policy reserves reinsured”) were ¥0 million, ¥0 million and ¥0 million (US$0 million), respectively.

10. Changes in Reserve for Policyholder Dividends

Changes in reserve for policyholder dividends were as follows:

Year ended March 31,	2014	2015	2016	*2016*
	(Unit: million yen)			*(Unit: million US dollars)*
Balance at the beginning of the year	¥ 392,761	¥ 394,022	¥ 405,566	*$ 3,599*
Dividend payment during the year	(101,686)	(109,404)	(121,003)	*(1,073)*
Interest accrual	8,946	8,748	8,639	*76*
Provision for reserve for policyholder dividends	94,000	112,200	97,500	*865*
Balance at the end of the year	¥ 394,022	¥ 405,566	¥ 390,701	*$ 3,467*

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

The estimated future obligations of DL to the Life Insurance Policyholders Protection Corporation of Japan under Article 259 of the Insurance Business Act as of March 31, 2014, 2015 and 2016 were ¥53,689 million, ¥52,414 million and ¥52,002 million (US$461 million), respectively. These obligations will be recognized as operating expenses in the period in which they are paid.

12. Subordinated Bonds

As of March 31, 2014, 2015 and 2016, subordinated bonds recorded in liabilities included foreign currency-denominated subordinated bonds for the amount of ¥107,562 million, ¥215,727 million and ¥215,727 million (US$1,914 million), respectively, the repayment of which is subordinated to other obligations.

13. Subordinated Debt

As of March 31, 2014, 2015 and 2016, other liabilities included subordinated debt of ¥320,000 million, ¥320,000 million and ¥283,000 million (US$2,511 million), respectively, the repayment of which is subordinated to other obligations.

14. Securities Borrowing

Securities borrowed under borrowing agreements can be sold or pledged as collateral. As of March 31, 2014, 2015 and 2016, the market value of the securities which were not sold or pledged as collateral was ¥35,402 million, ¥74,082 million and ¥226,969 million (US$2,014 million), respectively. None of the securities were pledged as collateral as of March 31, 2014, 2015 and 2016, respectively.

15. Organization Change Surplus

As of March 31, 2014, 2015 and 2016, the amounts of DL's organization change surplus stipulated in Article 91 of the Insurance Business Act were ¥117,776 million, ¥117,776 million and ¥117,776 million (US$1,045 million), respectively.

IV. NOTES TO THE NON-CONSOLIDATED STATEMENTS OF EARNINGS

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 for the fiscal years ended March 31, 2014, 2015 and 2016 were as follows:

Year ended March 31,	2014	2015	2016	*2016*
	(Unit: million yen)			*(Unit: million US dollars)*
Revenues	¥13,852	¥11,880	¥23,361	*$207*
Expenses	27,951	23,780	21,856	*$193*

2. Gains on Sale of Securities

The breakdowns of gains on sale of securities for the fiscal years ended March 31, 2014, 2015 and 2016 were as follows:

Year ended March 31,	2014	2015	2016	*2016*
	(Unit: million yen)			(Unit: million US dollars)
Domestic bonds	¥ 47,647	¥17,198	¥ 6,598	*$ 58*
Domestic stocks	40,648	43,460	38,011	*$ 337*
Foreign securities	114,065	84,268	166,611	*$1,478*
Other securities	2	1,615	698	*$ 6*

3. Losses on Sale of Securities

The breakdowns of losses on sale of securities for the fiscal years ended March 31, 2014, 2015 and 2016 were as follows:

Year ended March 31,	2014	2015	2016	*2016*
	(Unit: million yen)			(Unit: million US dollars)
Domestic bonds	¥ 6,576	¥ 2,294	¥ 464	*$ 4*
Domestic stocks	9,027	4,744	5,017	*$ 44*
Foreign securities	51,522	16,978	54,989	*$488*
Other securities	176	393	1,987	*$ 17*

4. Losses on Valuation of Securities

The breakdowns of losses on valuation of securities for the fiscal years ended March 31, 2014, 2015 and 2016 were as follows:

Year ended March 31,	2014	2015	2016	*2016*
	(Unit: million yen)			*(Unit: million US dollars)*
Domestic stocks	¥ 39	¥153	¥178	*$1*
Foreign securities	1,361	315	695	*$6*

5. Gains/Losses on Money Held in Trust

Gains (losses) on money held in trust included gains on valuation of securities of ¥789 million for the fiscal year ended March 31, 2014, gains on valuation of securities of ¥3,962 million for the fiscal year ended March 31,2015 and losses on valuation of securities of ¥4,459 million (US$39 million) for the fiscal year ended March 31, 2016.

6. Derivative Transaction Gains/Losses

Derivative transaction gains (losses) included valuation gains of ¥361 million for the fiscal year ended March 31, 2014, valuation gains of ¥20,781 million for the fiscal year ended March 31, 2015 and valuation losses of ¥22,643 million (US$200 million) for the fiscal year ended March 31, 2016.

7. Reinsurance

For the fiscal year ended March 31, 2014, in calculating the provision for reserves for outstanding claims, a reversal of reserves for outstanding claims reinsured of ¥6 million was added. In calculating the provision for policy reserves, a provision for reserves for policy reserves reinsured of ¥0 million was deducted.

For the fiscal year ended March 31, 2015, in calculating the provision for reserves for outstanding claims, a provision for reserves for outstanding claims reinsured of ¥14 million was deducted. In calculating the provision for policy reserves, a reversal of reserves for policy reserves reinsured of ¥0 million was added.

For the fiscal year ended March 31, 2016, in calculating the provision for reserves for outstanding claims, a reversal of reserves for outstanding claims reinsured of ¥13 million (US$0 million) was added. In calculating the provision for policy reserves, a provision for reserves for policy reserves reinsured of ¥0 million (US$0 million) was deducted.

8. Gains on Disposal of Fixed Assets

Details of gains on disposal of fixed assets for the fiscal years ended March 31, 2014, 2015 and 2016 were as follows:

Year ended March 31,	2014	2015	2016	*2016*
	(Unit: million yen)			*(Unit: million US dollars)*
Land	¥3,373	¥2,477	¥168	*$ 1*
Buildings	237	551	103	*0*
Other tangible fixed assets	0	0	—	—
Other intangible fixed assets	8	—	14	*0*
Total	¥3,618	¥3,029	¥286	*$ 2*

9. Losses on Disposal of Fixed Assets

Details of losses on disposal of fixed assets for the fiscal years ended March 31, 2014, 2015 and 2016 were as follows:

Year ended March 31,	2014	2015	2016	*2016*
	(Unit: million yen)			*(Unit: million US dollars)*
Land	¥ 8,008	¥1,249	¥ 784	*$ 6*
Buildings	5,333	2,909	205	*1*
Leased assets	1	41	2	*0*
Other tangible fixed assets	25	158	138	*1*
Software	64	142	60	*0*
Other intangible fixed assets	299	248	—	—
Deposits	—	130	—	—
Other assets	137	398	115	*1*
Total	¥13,870	¥5,279	¥1,307	*$11*

V. SECURITIES

1. Stocks of DL's subsidiaries and affiliated companies with market value

As of March 31, 2014	Carrying amount	Market value	Unrealized gains (losses)
	(Unit: million yen)		
Stocks of subsidiaries	¥ 1,418	¥ 1,418	¥ —
Stocks of affiliated companies	27,037	42,698	15,661
Total	¥28,455	¥44,116	¥15,661

As of March 31, 2015	Carrying amount	Market value	Unrealized gains (losses)
	(Unit: million yen)		
Stocks of subsidiaries	¥ 137	¥ 137	¥ —
Stocks of affiliated companies	26,495	76,800	50,304
Total	¥26,633	¥76,937	¥50,304

As of March 31, 2016	Carrying amount	Market value	Unrealized gains (losses)	*Carrying amount*	*Market value*	*Unrealized gains (losses)*
	(Unit: million yen)			*(Unit: million US dollars)*		
Stocks of subsidiaries	¥ 131	¥ 119	(¥11)	*$ 1*	*$ 1*	*($ 0)*
Stocks of affiliated companies	26,578	61,533	34,955	*235*	*546*	*310*
Total	¥26,709	¥61,653	¥34,943	*$237*	*$547*	*$ 310*

Note: The tables above do not include stocks of DL's subsidiaries and affiliated companies whose fair value is extremely difficult to recognize. Carrying amounts of such stocks were as follows:

Year ended March 31,	2014	2015	2016	2016
	(Unit: million yen)			*(Unit: million US dollars)*
Stocks of subsidiaries	¥376,341	¥987,162	¥1,046,291	*$9,285*
Stocks of affiliated companies	41,777	54,459	54,380	*$ 482*

VI. DEFERRED TAX ACCOUNTING

1. Major components of deferred tax assets and liabilities

As of March 31,	2014	2015	2016	2016
		(Unit: million yen)		*(Unit: million US dollars)*
Deferred tax assets:				
Policy reserves and others	¥ 408,593	¥ 414,363	¥ 434,946	*$ 3,860*
Reserve for employees' retirement benefits	151,343	136,784	129,729	*1,151*
Reserve for price fluctuations	35,727	38,093	41,484	*368*
Impairment losses	11,590	9,413	17,178	*152*
Losses on valuation of securities	17,414	12,757	13,219	*117*
Others	28,957	29,729	29,997	*266*
Subtotal	653,626	641,142	666,556	*5,915*
Valuation allowances	(31,374)	(27,169)	(27,575)	*(244)*
Total	¥ 622,252	¥ 613,972	¥ 638,981	*$ 5,670*
Deferred tax liabilities:				
Net unrealized gains on securities, net of tax	(¥576,387)	(¥992,759)	(¥744,651)	*($6,608)*
Reserve for tax basis adjustments of real estate	(10,416)	(10,042)	(9,884)	*(87)*
Accrued dividend receivables	(7,093)	(7,641)	(7,470)	*(66)*
Others	(17,191)	(17,345)	(15,671)	*(139)*
Total	(611,088)	(1,027,788)	(777,677)	*(6,901)*
Net deferred tax assets (liabilities)	¥11,163	(¥413,815)	(¥138,696)	*($1,230)*

2. The principal reasons for the difference between the statutory effective tax rate and actual effective tax rate after considering deferred taxes were as follows:

As of March 31, 2014	2014
Statutory effective tax rate	33.23%
(Adjustments)	
Difference in tax rate associated with special corporate tax for reconstruction	4.62%
Decrease in deferred tax assets in relation to changes in tax rates	3.29%
Increase in valuation allowances	1.47%
Others	0.67%
Actual effective tax rate after considering deferred taxes	43.28%

As of March 31, 2015	2015
Statutory effective tax rate	30.68%
(Adjustments)	
Decrease in deferred tax assets in relation to changes in tax rates	14.37%
Others	(0.93)%
Actual effective tax rate after considering deferred taxes	44.12%

As of March 31, 2016	2016
Statutory effective tax rate	28.76%
(Adjustments)	
Decrease in deferred tax assets in relation to changes in tax rates	9.02%
Transfer from reserve for land revaluation	(3.48)%
Others	(0.61)%
Actual effective tax rate after considering deferred taxes	33.69%

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

(1) For the Fiscal Year ended March 31, 2014

With the promulgation of the “Law for partial revision of income tax (No. 10, 2014 Law)” and “Government ordinance for partial revision of the government ordinance related to corporate special reconstruction tax (No. 151, 2014 Government ordinance)”, the effective tax rate to be used in the calculation of deferred tax assets and deferred tax liabilities for the fiscal year beginning April 1, 2014 has been changed to 30.68% from 33.23%.

As a result of this change, deferred tax assets decreased by ¥4,925 million and corporate income taxes-deferred increased by ¥4,964 million.

(2) For the Fiscal Year ended March 31, 2015

Following the promulgation of “the Act on the Partial Revision of the Income Tax Act, etc.” (Act No.9 of 2015) effective the fiscal year starting from April 1, 2015, the Company changed its effective statutory tax rate for calculating its deferred tax assets and liabilities from 30.68% to 28.76%.

As a result, deferred tax liabilities decreased by ¥27,626 million and corporate income taxes-deferred increased by ¥39,121 million.

(3) For the Fiscal Year ended March 31, 2016

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

As a result, its deferred tax liabilities decreased by ¥5,083 million (US$ 45 million) and corporate income taxes-deferred increased by ¥17,568 million (US$ 155 million).

VII. SUBSEQUENT EVENTS

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

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

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

<Overview of the Parties to the Agreement>

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

(10) Consolidated results of operations and financial position

	Fiscal Year ended March 31, 2016
Net assets	2,932,959 million yen (26,029 million US dollars)
Total assets	49,924,922 million yen (443,068 million US dollars)
Net assets per share	2,472.86 yen (21.94 US dollars)
Ordinary revenues	7,333,947 million yen (65,086 million US dollars)
Ordinary profit	418,166 million yen (3,711 million US dollars)
Net income attributable to shareholders of Dai-ichi Life	178,515 million yen (1,584 million US dollars)
Net income per share	150.53 yen (1.33 US dollars)

*1 The trade name will be changed to "Dai-ichi Life Holdings, Inc." as of October 1, 2016.
*2 The trade name will be changed to "The Dai-ichi Life Insurance Company, Limited" as of October 1, 2016.
*3 The percentage of shares outstanding are calculated by excluding the treasury stock (6,878 thousand shares).

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

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

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

(2) Details of the Repurchase

a) Class of shares to be repurchased

Shares of common stock

b) Aggregate number of shares to be repurchased

Up to 16,000,000 shares

c) Aggregate price of shares to be repurchased

Up to 16,000 million yen (US$141 million)

d) Period of repurchase of shares

From May 16, 2016 to June 21, 2016

e) Method of repurchase of shares

Open-market repurchase by the trust method

(3) Conclusion of the Repurchase

a) Aggregate number of shares repurchased

11,695,500 shares

b) Aggregate repurchase price of the shares

15,999 million yen (US$141 million)

c) Period in which repurchases were made

From May 16, 2016 to June 9, 2016

VIII. SUPPLEMENTAL TABLES

1. Details of Operating Expenses

(1) For the Fiscal Year ended March 31, 2014

	Year Ended March 31, 2014 (Unit: million yen)
Sales activity expenses	166,961
Related to sales representatives	163,678
Related to sales agencies	2,278
Related to selection of policyholders	1,005
Sales management expenses	67,332
Related to management of sales representatives	64,272
Related to advertisement	3,060
General management expenses	176,221
Personal expenses	86,955
Property expenses	84,600
Donation, co-sponsoring and membership fees	1,085
Obligation expenses	4,664
Total	410,515

Note:
1. Property expenses listed in the above table include expenses associated with (1) receiving premium payments from policyholders, (2) information systems and (3) maintaining office.
2. Obligation expenses represent obligations to the Life Insurance Policyholders Protection Corporation of Japan under Article 259 of the Insurance Business Act.

(2) For the Fiscal Year ended March 31, 2015

	Year Ended March 31, 2015 (Unit: million yen)
Sales activity expenses	159,322
Related to sales representatives	155,817
Related to sales agencies	2,634
Related to selection of policyholders	869
Sales management expenses	66,395
Related to management of sales representatives	62,993
Related to advertisement	3,401
General management expenses	172,870
Personal expenses	86,034
Property expenses	83,080
Donation, co-sponsoring and membership fees	1,103
Obligation expenses	3,756
Total	398,588

Note:
1. Property expenses listed in the above table include expenses associated with (1) receiving premium payments from policyholders, (2) information systems and (3) maintaining office.
2. Obligation expenses represent obligations to the Life Insurance Policyholders Protection Corporation of Japan under Article 259 of the Insurance Business Act.

(3) For the Fiscal Year ended March 31, 2016

	Year ended March 31, 2016	
	(Unit: million yen)	*(Unit: million US dollars)*
Sales activity expenses	¥162,475	*$1,441*
Related to sales representatives	158,920	*1,410*
Related to sales agencies	2,763	*24*
Related to selection of policyholders	791	*7*
Sales management expenses	68,046	*603*
Related to management of sales representatives	63,634	*564*
Related to advertisement	4,412	*39*
General management expenses	173,593	*1,540*
Personal expenses	83,908	*744*
Property expenses	85,964	*762*
Donation, co-sponsoring and membership fees	1,128	*10*
Obligation expenses	3,720	*33*
Total	¥404,114	*$3,586*

Note:
1. Property expenses listed in the above table include expenses associated with (1) receiving premium payments from policyholders, (2) information systems and (3) maintaining office.
2. Obligation expenses represent obligations to the Life Insurance Policyholders Protection Corporation of Japan under Article 259 of the Insurance Business Act.

2. Details of Tangible Fixed Assets

(1) For the Fiscal Year ended March 31, 2014

(Unit: million yen)

	Beginning balance	Increase	Decrease	Ending balance	Accumulated depreciation at the end of period	Depreciation for the period	Ending balance (net)
Tangible fixed assets							
Land	¥ 794,387 (57,847)	¥25,398	¥ 23,349 (4,572) [6,144]	¥ 796,436 (53,274)	¥ —	¥ —	¥ 796,436
Buildings	1,041,336	17,911	30,253 [8,532]	1,028,993	620,602	23,182	408,390
Leased assets	9,639	204	83	9,760	3,627	1,658	6,133
Construction in progress	524	44,135	43,310	1,349	—	—	1,349
Other tangible fixed assets	16,943	1,053	1,489	16,507	13,240	1,734	3,266
Total	¥1,862,831	¥88,703	¥ 98,487 [14,676]	¥1,853,046	¥637,470	¥26,575	¥1,215,576
Intangible fixed assets							
Software	¥ —	¥ —	¥ —	¥ 119,796	¥ 53,971	¥22,764	¥ 65,824
Other intangible fixed assets	—	—	—	22,744	19	3	22,725
Total	¥ —	¥ —	¥ —	¥ 142,540	¥ 53,990	¥22,768	¥ 88,549
Long-term prepaid expenses	¥ —	¥ —	¥ —	¥ —	¥ —	¥ —	¥ —
Deferred assets	—	—	—	—	—	—	—
Total	¥ —	¥ —	¥ —	¥ —	¥ —	¥ —	¥ —

Note: 1. Figures in ( ) in the columns of 'Beginning balance', 'Decrease', and 'Ending balance' represent differences with book value before revaluation based on the "Law for Revaluation of Land" (Publicly Issued Law 34, March 31,1998).

2. Figures in [ ] represent amounts of impairment losses.

3. Some figures associated with intangible fixed assets are omitted as intangible fixed assets account for less than 1% of DL's total assets.

(2) For the Fiscal Year ended March 31, 2015

	Beginning balance	Increase	Decrease	Ending balance	Accumulated depreciation at the end of period	Depreciation for the period	Ending balance (net)
				(Unit: million yen)			
Tangible fixed assets							
Land	¥ —	¥ —	¥ —	¥ 801,088 (51,484)	¥ —	¥ —	¥ 801,088
Buildings	—	—	—	1,025,903	631,814	23,338	394,089
Leased assets	—	—	—	9,217	4,559	1,626	4,658
Construction in progress	—	—	—	850	—	—	850
Other tangible fixed assets	—	—	—	14,427	11,824	1,273	2,602
Total	¥ —	¥ —	¥ —	¥1,851,487	¥648,197	¥26,238	¥1,203,289
Intangible fixed assets							
Software	¥ —	¥ —	¥ —	¥ 115,655	¥ 54,052	¥22,169	¥ 61,602
Other intangible fixed assets	—	—	—	22,137	20	3	22,116
Total	¥ —	¥ —	¥ —	¥ 137,792	¥ 54,073	¥22,173	¥ 83,719
Long-term prepaid expenses	¥ —	¥ —	¥ —	¥ —	¥ —	¥ —	¥ —
Deferred assets							
Stock delivery expenses	¥ —	¥1,509	¥ —	¥ 1,509	¥ 335	¥ 335	¥ 1,174
Bond issuance expenses	—	1,356	—	1,356	67	67	1,288
Total	¥ —	¥2,865	¥ —	¥ 2,865	¥ 403	¥ 403	¥ 2,462

Note: 1. The amount of increase and decrease of tangible fixed assets were less than 5%. Accordingly, disclosure of “Beginning balance,” “Increase” and “Decrease” of tangible fixed assets were omitted.

2. Figures in ( ) in the column of ‘Ending balance’ represent differences with book value before revaluation based on the “Law for Revaluation of Land” (Publicly Issued Law 34, March 31, 1998).

3. Some figures associated with intangible fixed assets are omitted as intangible fixed assets account for less than 1% of DL’s total assets.

(3) For the Fiscal Year ended March 31, 2016

	Beginning balance	Increase	Decrease	Ending balance	Accumulated depreciation at the end of the period	Depreciation for the period	Ending balance (net)
				(Unit: million yen)			
Tangible fixed assets							
Land	¥ 801,088 (51,484)	¥ 6,394 (12,302)	¥ 15,381 [13,780]	¥ 792,101 (63,786)	¥ —	¥ —	¥ 792,101
Buildings	1,025,903	11,416	26,415 [20,757]	1,010,905	647,866	20,902	363,038
Leased assets	9,217	1,523	958	9,782	5,290	1,688	4,491
Construction in progress	850	19,363	17,811	2,402	—	—	2,402
Other tangible fixed assets	14,427	974	3,998	11,402	9,253	1,039	2,149
Total	¥1,851,487	¥ 39,672	¥ 64,565 [34,538]	¥1,826,594	¥662,411	¥23,629	¥1,164,183
Intangible fixed assets							
Software	¥ —	¥ —	¥ —	¥ 110,734	¥ 51,217	¥21,575	¥ 59,516
Other intangible fixed assets	—	—	—	22,103	17	3	22,086
Total	¥ —	¥ —	¥ —	¥ 132,837	¥ 51,234	¥21,578	¥ 81,603
Long-term prepaid expenses	¥ —	¥ —	¥ —	¥ —	¥ —	¥ —	¥ —
Deferred assets							
Stock delivery expenses	¥ 1,509	¥ —	¥ —	¥ 1,509	¥ 838	¥ 503	¥ 670
Bond issuance expenses	1,356	—	—	1,356	203	135	1,152
Total	¥ 2,865	¥ —	¥ —	¥ 2,865	¥ 1,042	¥ 638	¥ 1,823

	Beginning balance	Increase	Decrease	Ending balance	Accumulated depreciation at the end of the period	Depreciation for the period	Ending balance (net)
	(Unit: million US dollars)						
Tangible fixed assets							
Land	$ 7,109 (456)	$ 56 (109)	$ 136	$ 7,029 (566)	$ —	$—	$ 7,029
Buildings	9,104	101	[122] 234 [184]	8,971	5,749	185	3,221
Leased assets	81	13	8	86	46	14	39
Construction in progress	7	171	158	21	—	—	21
Other tangible fixed assets	128	8	35	101	82	9	19
Total	$16,431	$ 352	$ 572 [306]	$16,210	$5,878	$209	$10,331
Intangible fixed assets							
Software	$ —	$ —	$ —	$ 982	$ 454	$191	$ 528
Other intangible fixed assets	—	—	—	196	0	0	196
Total	$ —	$ —	$ —	$ 1,178	$ 454	$191	$ 724
Long-term prepaid expenses	$ —	$ —	$ —	$ —	$ —	$—	$ —
Deferred assets							
Stock delivery expenses	$ 13	$ —	$ —	$ 13	$ 7	$ 4	$ 5
Bond issuance expenses	12	—	—	12	1	1	10
Total	$ 25	$ —	$ —	$ 25	$ 9	$ 5	$ 16

Note: 1. Figures in ( ) in the columns of 'Beginning balance', 'Decrease', and 'Ending balance' represent differences with book value before revaluation based on the "Law for Revaluation of Land" (Publicly Issued Law 34, March 31, 1998).

2. Figures in [ ] represent amounts of impairment losses.

3. Some figures associated with intangible fixed assets are omitted as intangible fixed assets account for less than 1% of DL's total assets.

3. Details of Reserves

(1) For the Fiscal Year ended March 31, 2014

	Beginning balance	Increase	Amount used for original purposes	Decrease for other reasons	Ending balance
			(Unit: million yen)		
Reserve for possible loan losses	¥ 4,109	¥ 2,753	¥ 21	¥4,088	¥ 2,753
General reserves	1,751	1,394	—	1,751	1,394
Specific reserves	2,358	1,358	21	2,337	1,358
Reserve for possible investment losses	—	215	—	—	215
Reserve for retirement benefits of directors, executive officers and corporate auditors	2,327	10	197	—	2,141
Reserve for possible reimbursement of prescribed claims	700	438	338	—	800
Reserve for price fluctuations	¥88,453	¥28,000	¥ —	¥ —	¥116,453

Note:
1. Decrease of reserve for possible loan losses (general reserve) for other reasons represents reversing the credited reserve amount in full to renew the reserve.
2. Decrease of reserve for possible loan losses (specific reserve) for other reasons represents reversing the credited reserve amount in full to renew the reserve.

(2) For the Fiscal Year ended March 31, 2015

	Beginning balance	Increase	Amount used for original purposes	Decrease for other reasons	Ending balance
			(Unit: million yen)		
Reserve for possible loan losses	¥ 2,753	¥ 2,105	¥179	¥2,574	¥2,105
General reserves	1,394	1,146	—	1,394	1,146
Specific reserves	1,358	959	179	1,179	959
Reserve for possible investment losses	215	—	215	—	—
Reserve for retirement benefits of directors, executive officers and corporate auditors	2,141	62	212	—	1,990
Reserve for possible reimbursement of prescribed claims	800	119	219	—	700
Reserve for price fluctuations	¥116,453	¥16,000	¥ —	¥ —	¥ ,453

Note:
1. Decrease of reserve for possible loan losses (general reserve) for other reasons represents reversing the credited reserve amount in full to renew the reserve.
2. Decrease of reserve for possible loan losses (specific reserve) for other reasons represents reversing the credited reserve amount in full to renew the reserve.

(3) For the Fiscal Year ended March 31, 2016

	Beginning balance	Increase	Amount used for original purposes	Decrease for other reasons	Ending balance
	(Unit: million yen)				
Reserve for possible loan losses	¥ 2,105	¥ 1,237	¥ 28	¥2,076	¥ 1,237
General reserves	1,146	487	—	1,146	487
Specific reserves	959	749	28	930	749
Reserve for possible investment losses	—	423	—	—	423
Reserve for retirement benefits of directors, executive officers and corporate auditors	1,990	64	186	—	1,868
Reserve for possible reimbursement of precribed claims	700	365	265	—	800
Reserve for price fluctuations	¥132,453	¥16,000	¥ —	¥ —	¥148,453

	Beginning balance	*Increase*	*Amount used for original purposes*	*Decrease for other reasons*	*Ending balance*
	(Unit: million US dollars)				
Reserve for possible loan losses	*$ 18*	*$ 10*	*$ 0*	*$ 18*	*$ 10*
General reserves	*10*	*4*	—	*10*	*4*
Specific reserves	*8*	*6*	*0*	*8*	*6*
Reserve for possible investment losses	—	*3*	—	—	*3*
Reserve for retirement benefits of directors, executive officers and corporate auditors	*17*	*0*	*1*	—	*16*
Reserve for possible reimbursement of precribed claims	*6*	*3*	*2*	—	*7*
Reserve for price fluctuations	*$ 1,175*	*$ 141*	*$ —*	*$ —*	*$ 1,317*

Note:

1. Decrease of reserve for possible loan losses (general reserve) for other reasons represents reversing the credited reserve amount in full to renew the reserve.
2. Decrease of reserve for possible loan losses (specific reserve) for other reasons represents reversing the credited reserve amount in full to renew the reserve.

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