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## Financial Results for the Fiscal Year Ended March 31, 2015

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Meiji Yasuda Life Insurance Company (President: Akio Negishi) announces financial results for the fiscal year ended March 31, 2015.

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Notes:

The Financial Results are summarized English translations of the original disclosure in Japanese.

## 1. Unaudited Consolidated Balance Sheets

(Millions of Yen)

	As of March 31	
	2014	2015
<b>ASSETS:</b>		
Cash and deposits	235,740	240,038
Call loans	244,000	368,000
Monetary claims bought	233,622	229,523
Securities	27,201,316	29,256,897
Loans	5,157,335	5,076,391
Tangible fixed assets	953,085	932,531
Land	630,643	621,684
Buildings	314,717	301,346
Construction in progress	3,650	6,045
Other tangible fixed assets	4,074	3,454
Intangible fixed assets	58,423	64,183
Software	37,779	37,788
Other intangible fixed assets	20,644	26,394
Due from agents	1,644	1,647
Reinsurance receivables	2,899	675
Other assets	228,003	317,794
Net defined benefit assets	2,461	74,345
Deferred tax assets	2,313	1,779
Customers' liabilities under acceptances and guarantees	21,344	20,848
Allowance for possible loan losses	(8,135)	(5,034)
<b>Total assets</b>	<b>34,334,054</b>	<b>36,579,624</b>

## 1. Unaudited Consolidated Balance Sheets (continued)

(Millions of Yen)

	As of March 31	
	2014	2015
<b>LIABILITIES:</b>		
Policy reserves and other reserves	29,654,231	30,592,941
Reserve for outstanding claims	120,064	114,465
Policy reserves	29,264,143	30,225,061
Policyholders' dividend reserves	270,023	253,414
Due to agents	15	9
Reinsurance payables	3,030	804
Other liabilities	1,063,093	700,186
Net defined benefit liabilities	814	1,084
Accrued retirement benefits for directors and executive officers	183	92
Reserve for contingent liabilities	14	2
Reserve for price fluctuation	481,293	492,907
Deferred tax liabilities	122,404	504,535
Deferred tax liabilities for land revaluation	92,910	85,877
Acceptances and guarantees	21,344	20,848
<b>Total liabilities</b>	<b>31,439,336</b>	<b>32,399,288</b>
<b>NET ASSETS:</b>		
Foundation funds	260,000	260,000
Reserve for redemption of foundation funds	410,000	470,000
Reserve for revaluation	452	452
Surplus	432,095	472,533
<b>Total funds, reserve and surplus</b>	<b>1,102,548</b>	<b>1,202,986</b>
Net unrealized gains (losses) on available-for-sale securities	1,739,783	2,838,597
Deferred unrealized gains (losses) on derivatives under hedge accounting	944	15,456
Land revaluation differences	106,051	118,988
Foreign currency translation adjustments	7,207	22,894
Remeasurements of defined benefit plans	(66,062)	(22,862)
<b>Total accumulated other comprehensive income</b>	<b>1,787,925</b>	<b>2,973,074</b>
Minority interests	4,243	4,274
<b>Total net assets</b>	<b>2,894,717</b>	<b>4,180,335</b>
<b>Total liabilities and net assets</b>	<b>34,334,054</b>	<b>36,579,624</b>

## 2. Unaudited Consolidated Statements of Income

(Millions of Yen)

	Years ended March 31	
	2014	2015
<b>ORDINARY INCOME:</b>	<b>4,781,417</b>	<b>4,599,843</b>
Insurance premiums and other	3,638,255	3,431,497
Investment income	981,679	1,030,435
Interest, dividends and other income	669,740	698,484
Gains on money held in trust	0	0
Gains on sales of securities	220,576	186,293
Gains on redemption of securities	36,416	58,075
Foreign exchange gains	14	—
Reversal of allowance for possible loan losses	1,371	2,875
Other investment income	791	899
Investment gains on separate accounts	52,769	83,806
Other ordinary income	161,482	137,909
<b>ORDINARY EXPENSES:</b>	<b>4,356,535</b>	<b>4,213,375</b>
Benefits and other payments	2,287,401	2,607,548
Claims paid	678,439	642,721
Annuity payments	616,310	849,963
Benefit payments	452,546	430,363
Surrender benefits	438,005	453,264
Other refunds	102,098	231,236
Provision for policy reserves and other reserves	1,403,416	955,765
Provision for reserve for outstanding claims	3,700	—
Provision for policy reserves	1,399,225	955,304
Provision for interest on policyholders' dividend reserves	490	461
Investment expenses	111,847	97,982
Interest expenses	3,322	3,368
Losses on sales of securities	28,000	365
Losses on valuation of securities	1,704	300
Losses on redemption of securities	0	—
Losses on derivative financial instruments	57,491	71,082
Foreign exchange losses	—	144
Depreciation of real estate for non-insurance business	9,808	9,737
Other investment expenses	11,520	12,982
Operating expenses	364,701	361,559
Other ordinary expenses	189,167	190,519
<b>Ordinary profit</b>	<b>424,882</b>	<b>386,468</b>

## 2. Unaudited Consolidated Statements of Income (continued)

(Millions of Yen)

	Years ended March 31	
	2014	2015
Extraordinary gains	1,408	5,978
Gains on disposals of fixed assets	1,408	5,965
Reversal of reserve for contingent liabilities	—	12
Extraordinary losses	130,283	28,133
Losses on disposals of fixed assets	7,521	5,582
Impairment losses	5,349	6,344
Provision for reserve for contingent liabilities	6	—
Provision for reserve for price fluctuation	116,851	11,562
Losses on reduction entry of real estate	—	2,413
Contributions for promotion of social welfare project	553	552
Other extraordinary losses	—	1,678
Surplus before income taxes and minority interests	296,007	364,312
Income taxes	54,505	98,564
Current	123,988	119,746
Deferred	(69,483)	(21,181)
Surplus before minority interests	241,502	265,747
Minority interests	890	344
Net surplus	240,612	265,402

### 3. Unaudited Consolidated Statements of Comprehensive Income

(Millions of Yen)

	Years ended March 31	
	2014	2015
Surplus before minority interests	241,502	265,747
Other comprehensive income (loss)	113,777	1,178,038
Net unrealized gains (losses) on available-for-sale securities	99,288	1,097,249
Deferred unrealized gains (losses) on derivatives under hedge accounting	(2,871)	14,511
Land revaluation differences	—	5,884
Foreign currency translation adjustments	7,049	5,827
Remeasurements of defined benefit plans	—	43,135
Share of other comprehensive income (loss) of associates accounted for under the equity method	10,310	11,430
Comprehensive income	355,279	1,443,786
Comprehensive income attributable to the Parent Company	354,383	1,443,499
Comprehensive income (loss) attributable to minority interests	895	286

#### 4. Unaudited Consolidated Statements of Cash Flows

(Millions of Yen)

	Years ended March 31	
	2014	2015
<b>I. Cash flows from operating activities</b>		
Surplus before income taxes and minority interests	296,007	364,312
Depreciation of real estate for non-insurance business	9,808	9,737
Depreciation	21,574	20,913
Impairment losses	5,349	6,344
Increase (Decrease) in reserve for outstanding claims	3,803	(5,715)
Increase (Decrease) in policy reserves	1,399,292	955,329
Provision for interest on policyholders' dividend reserves	490	461
Increase (Decrease) in allowance for possible loan losses	(1,394)	(3,101)
Increase (Decrease) in net defined benefit liabilities	14	20
Increase (Decrease) in accrued retirement benefits for directors and executive officers	(210)	(90)
Increase (Decrease) in reserve for contingent liabilities	(2,548)	(12)
Increase (Decrease) in reserve for price fluctuation	116,851	11,562
Interest, dividends, and other income	(669,740)	(698,484)
Losses (Gains) on securities	(388,386)	(529,202)
Interest expenses	3,322	3,368
Foreign exchange losses (gains)	(67)	94
Losses (Gains) on tangible fixed assets	4,826	2,032
Investment losses (gains) on equity method	(1,617)	(2,005)
Decrease (Increase) in due from agents	(16)	(3)
Decrease (Increase) in reinsurance receivables	(1,496)	2,227
Decrease (Increase) in other assets (excluding those related to investing and financial activities)	5,146	(41,561)
Increase (Decrease) in due to agents	(3)	(8)
Increase (Decrease) in reinsurance payables	1,630	(2,225)
Increase (Decrease) in other liabilities (excluding those related to investing and financing activities)	(85,388)	79,426
Others, net	(6,012)	(3,889)
<b>Subtotal</b>	<b>711,238</b>	<b>169,530</b>
Interest, dividends, and other income received	698,945	740,485
Interest paid	(3,021)	(3,328)
Policyholders' dividends paid	(163,872)	(175,209)
Income taxes paid	(104,853)	(150,147)
<b>Net cash provided by operating activities</b>	<b>1,138,436</b>	<b>581,329</b>

#### 4. Unaudited Consolidated Statements of Cash Flows (continued)

(Millions of Yen)

	Years ended March 31	
	2014	2015
<b>II. Cash flows from investing activities</b>		
Net decrease (increase) in deposits	(2,487)	(5,427)
Purchase of monetary claims bought	(29,014)	(21,500)
Proceeds from sales and redemption of monetary claims bought	56,546	25,777
Purchase of securities	(6,065,454)	(3,365,610)
Proceeds from sales and redemption of securities	4,965,821	3,295,992
Loans made	(1,109,740)	(1,061,804)
Proceeds from collection of loans	1,169,225	1,145,247
Increase (Decrease) in payables under securities borrowing transactions	(302,319)	(447,111)
Total investment activities (IIa)	(1,317,423)	(434,434)
[I + IIa]	(178,987)	146,895
Purchase of tangible fixed assets	(14,703)	(15,281)
Proceeds from sales of tangible fixed assets	13,401	11,764
Purchase of intangible fixed assets	(14,122)	(18,509)
Others, net	(1,464)	(1,249)
Net cash used in investing activities	(1,334,313)	(457,710)
<b>III. Cash flows from financing activities</b>		
Proceeds from debt	—	663
Repayments of debt	(51)	(891)
Proceeds from issuance of foundation funds	50,000	60,000
Redemption of foundation funds	—	(60,000)
Payment of interest on foundation funds	(2,162)	(2,572)
Others, net	(237)	(255)
Net cash provided by (used in) financing activities	47,549	(3,056)
<b>IV. Effect of foreign exchange rate changes on cash and cash equivalents</b>	3,229	2,196
<b>V. Net increase (decrease) in cash and cash equivalents</b>	(145,098)	122,759
<b>VI. Cash and cash equivalents at the beginning of the year</b>	601,382	456,284
<b>VII. Cash and cash equivalents at the end of the year</b>	456,284	579,044

## 5. Unaudited Consolidated Statements of Changes in Net Assets

(Millions of Yen)

Year ended March 31, 2014

	Funds, reserves and surplus				
	Foundation funds	Reserve for redemption of foundation funds	Reserve for revaluation	Surplus	Total funds, reserves and surplus
Beginning balance	210,000	410,000	452	344,913	965,365
Changes in the fiscal year					
Issuance of foundation funds	50,000				50,000
Additions to policyholders' dividend reserves				(152,835)	(152,835)
Payment of interest on foundation funds				(2,162)	(2,162)
Net surplus				240,612	240,612
Reversal of land revaluation differences				1,568	1,568
Net changes in the fiscal year	50,000	—	—	87,182	137,182
Ending balance	260,000	410,000	452	432,095	1,102,548

	Accumulated other comprehensive income (loss)							Total net assets
	Net unrealized gains (losses) on available-for-sale securities	Deferred unrealized gains (losses) on derivatives under hedge accounting	Land revaluation differences	Foreign currency translation adjustments	Remeasurements of defined benefit plans	Total accumulated other comprehensive income	Minority interests	
Beginning balance	1,641,055	3,815	107,619	(10,707)	—	1,741,784	3,495	2,710,645
Changes in the fiscal year								
Issuance of foundation funds								50,000
Additions to policyholders' dividend reserves								(152,835)
Payment of interest on foundation funds								(2,162)
Net surplus								240,612
Reversal of land revaluation differences								1,568
Net changes, excluding funds, reserves and surplus	98,727	(2,871)	(1,568)	17,915	(66,062)	46,141	748	46,889
Net changes in the fiscal year	98,727	(2,871)	(1,568)	17,915	(66,062)	46,141	748	184,072
Ending balance	1,739,783	944	106,051	7,207	(66,062)	1,787,925	4,243	2,894,717

## 5. Unaudited Consolidated Statements of Changes in Net Assets (continued)

(Millions of Yen)

Year ended March 31, 2015

	Funds, reserves and surplus				
	Foundation funds	Reserve for redemption of foundation funds	Reserve for revaluation	Surplus	Total funds, reserves and surplus
Beginning balance	260,000	410,000	452	432,095	1,102,548
Cumulative effects of changes in accounting policies				2,752	2,752
Restated balance	260,000	410,000	452	434,848	1,105,301
Changes in the fiscal year					
Issuance of foundation funds	60,000				60,000
Additions to policyholders' dividend reserves				(158,094)	(158,094)
Additions to reserve for redemption of foundation funds		60,000			60,000
Payment of interest on foundation funds				(2,572)	(2,572)
Net surplus				265,402	265,402
Redemption of foundation funds	(60,000)				(60,000)
Reversal of reserve for fund redemption				(60,000)	(60,000)
Reversal of land revaluation differences				(7,051)	(7,051)
Net changes, excluding funds, reserves and surplus					
Net changes in the fiscal year	—	60,000	—	37,684	97,684
Ending balance	260,000	470,000	452	472,533	1,202,986

	Accumulated other comprehensive income (loss)							Minority interests	Total net assets
	Net unrealized gains (losses) on available-for-sale securities	Deferred unrealized gains (losses) on derivatives under hedge accounting	Land revaluation differences	Foreign currency translation adjustments	Remeasurements of defined benefit plans	Total accumulated other comprehensive income			
Beginning balance	1,739,783	944	106,051	7,207	(66,062)	1,787,925	4,243	2,894,717	
Cumulative effects of changes in accounting policies								2,752	
Restated balance	1,739,783	944	106,051	7,207	(66,062)	1,787,925	4,243	2,897,470	
Changes in the fiscal year									
Issuance of foundation funds								60,000	
Additions to policyholders' dividend reserves								(158,094)	
Additions to reserve for redemption of foundation funds								60,000	
Payment of interest on foundation funds								(2,572)	
Net surplus								265,402	
Redemption of foundation funds								(60,000)	
Reversal of reserve for fund redemption								(60,000)	
Reversal of land revaluation differences								(7,051)	
Net changes, excluding funds, reserves and surplus	1,098,814	14,511	12,936	15,686	43,199	1,185,148	31	1,185,179	
Net changes in the fiscal year	1,098,814	14,511	12,936	15,686	43,199	1,185,148	31	1,282,864	
Ending balance	2,838,597	15,456	118,988	22,894	(22,862)	2,973,074	4,274	4,180,335	

# Notes to the Consolidated Financial Statements

## 1. Basis of Presentation

MEIJI YASUDA LIFE INSURANCE COMPANY (hereafter, “the Company”) has prepared the accompanying consolidated financial statements in accordance with the provisions set forth in the Japanese “Insurance Business Act” and its related accounting regulations in Japan, and in conformity with accounting principles generally accepted in Japan, which may differ in certain respects from accounting principles and practices generally accepted in countries and jurisdictions other than Japan. The accounts of overseas subsidiaries are based on their accounting records maintained in conformity with generally accepted accounting principles in the respective countries of domicile. In preparing the accompanying consolidated financial statements, certain reclassifications have been made to the consolidated financial statements issued domestically in order to present them in a format which is more familiar to readers outside Japan. In addition, the notes to the consolidated financial statements include information which is not required under accounting principles generally accepted in Japan but is presented herein as additional information.

Amounts are rounded down to the nearest million yen. As a result, the totals do not add up. The translation of the Japanese yen amounts into U.S. dollars is included solely for the convenience of readers outside Japan, using the exchange rate prevailing at June 30, 2015, which was ¥122.45 to U.S. \$1. The convenience translations should not be construed as representations that the Japanese yen amounts have been, could have been, or could in the future be, converted into U.S. dollars at this or any other rate of exchange.

## 2. Summary of Significant Accounting Policies

### (1) Principles of consolidation

#### a. Consolidated subsidiaries

The numbers of consolidated subsidiaries were 7 and 7 as of March 31, 2014 and 2015, respectively. The consolidated subsidiaries as of March 31, 2015 include as follows:

Meiji Yasuda General Insurance Co., Ltd. (Japan)  
Meiji Yasuda Asset Management Company Ltd. (Japan)  
Meiji Yasuda System Technology Company Limited (Japan)  
Pacific Guardian Life Insurance Company, Limited (U.S.A.)  
Meiji Yasuda Realty USA Incorporated (U.S.A.)

Two subsidiaries of Meiji Yasuda Realty USA Incorporated have been included in consolidation from the year ended March 31, 2014, in response to application of the revised “Accounting Standard for Consolidated Financial Statements” (The Accounting Standards Board of Japan (ASBJ), issued on March 25, 2011), and its related implementation guidance. This did not result in the restatement of prior periods.

The subsidiaries excluded from consolidation include subsidiaries such as Meiji Yasuda Life Planning Center Company, Limited.

The respective and aggregate effects of the companies which are excluded from consolidation, based on total assets, revenues, net income and surplus for the years ended March 31, 2014 and

Meiji Yasuda Life Insurance Company

2015 are immaterial. This exclusion from consolidation would not prevent a reasonable understanding of the consolidated financial position of the Company and its subsidiaries and the results of their operations.

#### b. Affiliates

The numbers of affiliates accounted for by the equity method were 12 and 12 as of March 31, 2014 and 2015, respectively. The affiliates accounted for by the equity method as of March 31, 2015 include as follows:

Founder Meiji Yasuda Life Insurance Co., Ltd. (China)  
PT Avrist Assurance (Indonesia)  
TU Europa S.A. (Poland)  
TUiR Warta S.A. (Poland)  
Thai Life Insurance Public Company Limited. (Thailand)

Thai Life Insurance Public Company Limited has been included as an affiliate from the year ended March 31, 2014, corresponding to acquiring its shares.

The subsidiaries not consolidated, e.g., Meiji Yasuda Life Planning Center Company, Limited and others, and certain affiliates are excluded from the scope of the equity method due to their immaterial effect, individually and in aggregate, on the consolidated net income and consolidated surplus.

#### c. Fiscal year-end of consolidated subsidiaries

The fiscal year-ends of consolidated overseas subsidiaries and affiliates are December 31. The consolidated financial statements include the accounts of such subsidiaries and affiliates as of their fiscal year-ends, with appropriate adjustments made for material transactions occurring between their respective fiscal year-ends and the date of the consolidated financial statements.

#### d. Valuation of assets and liabilities of consolidated subsidiaries and affiliates

The Company applies the fair value method.

#### e. Goodwill on consolidation

Goodwill (including goodwill relating to affiliates) is amortized on the straight-line basis over 20 years. However, immaterial amounts of goodwill are fully recognized as expenses as incurred.

f. All the significant intercompany balances and transactions are eliminated in consolidation. In addition, all the material unrealized gains/losses included in assets/liabilities resulting from intercompany transactions are also eliminated.

## **(2) Cash and cash equivalents**

For the purpose of presenting the consolidated statements of cash flows, cash and cash equivalents are comprised of cash on hand, demand deposits and all highly liquid short-term investments with a maturity of three months or less when purchased, which are readily convertible into cash and present insignificant risk of change in value.

### **(3) Securities**

Securities held by the Company are classified and accounted for as follows:

- a. Trading securities are stated at market value at the balance sheet date. The cost of sales is determined by the moving average method.
- b. Held-to-maturity debt securities are stated at amortized cost using the moving average method and the amortization is calculated using the straight-line method.
- c. Policy-reserve-matching bonds are stated at amortized cost in accordance with the “Temporary Treatment of Accounting and Auditing Concerning Policy-Reserve-Matching Bonds in the Insurance Industry,” (Japanese Institute of Certified Public Accountants (JICPA), issued on November 16, 2000). The cost of sales is determined by the moving average method and the amortization of discount/premium is calculated using the straight-line method.
- d. Equity securities issued by subsidiaries and affiliates are stated at cost using the moving average method. The subsidiaries are prescribed under Article 2, Paragraph 12 of the “Insurance Business Act” and Article 13-5-2, Paragraph 3 of the “Order for Enforcement of the Insurance Business Act.” The affiliates are under Paragraph 4 of the order.
- e. Available-for-sale securities
  - i) Securities of which market value is readily available  
Stocks are stated at the average of the market value during the final month of the fiscal year. Others are stated at market value at the balance sheet date. The cost of sales is determined by the moving average method.
  - ii) Securities of which market value is extremely difficult to determine  
Bonds (including foreign bonds) of which premium or discount are regarded as interest rate adjustment are stated at amortized cost using the moving average method. The amortization is calculated using the straight-line method. Other securities are stated at cost using the moving average method.
  - iii) Unrealized gains and losses on available-for-sale securities are reported as a component of net assets in the consolidated balance sheets.

### **(4) Policy-reserve-matching bonds**

The Company classifies bonds held with the aim of matching the duration to outstanding insurance liabilities within the sub-groups (categorized by insurance type, investment policy and other factors) of individual life insurance, individual annuities and group pensions as policy-reserve-matching bonds in accordance with the “Temporary Treatment of Accounting and Auditing Concerning Policy-Reserve-Matching Bonds in the Insurance Industry” (JICPA, issued on November 16, 2000).

### **(5) Derivative transactions**

Derivative transactions are stated at fair value.

## **(6) Method of hedge accounting**

Methods of hedge accounting are in accordance with the “Accounting Standard for Financial Instruments” (ASBJ, issued on March 10, 2008). These methods consist primarily of:

- the special hedge accounting using interest rate swaps to hedge against cash flow volatility related to loans receivable and payable;
- the fair value hedge accounting using forward exchange contracts to hedge against exchange rate fluctuation risk related to foreign currency denominated bonds;
- the deferred hedge accounting using currency swaps to hedge against exchange rate fluctuation risk related to foreign currency denominated bonds;
- the allocation method using currency swaps to hedge against exchange rate fluctuation related to foreign currency denominated loans; and
- the deferred hedge accounting using interest rate swaps to hedge against interest rate fluctuation risk related to insurance liabilities.

Hedge effectiveness for the deferred hedge accounting to hedge against interest rate fluctuation risk related to insurance liabilities is assessed by verifying the correlation between interest rates that would be used in calculating theoretical prices of hedged items and hedging instruments.

## **(7) Tangible fixed assets**

Tangible fixed assets owned by the Company are depreciated as follows:

a. Buildings

Calculated using the straight-line method.

b. Other tangible fixed assets

Calculated using the declining-balance method.

Tangible fixed assets are presented at cost, net of accumulated depreciation and impairment losses.

The estimated useful lives of major items are as follows:

Buildings	2 to 50 years
Other tangible fixed assets	2 to 20 years

### Revaluation of land

The Company revalued certain parcels of land owned for operational use as of March 31, 2000, as permitted by the “Act on Revaluation of Land”.

The difference in value before and after revaluation is directly included in net assets in the consolidated balance sheets and presented as land revaluation differences, after net of income taxes which is presented as deferred tax liabilities for land revaluation in the consolidated balance sheets. As a revaluation method stipulated in Article 3, Paragraph 3 of the act, the Company used the publicly announced appraisal value with certain adjustments (detailed in Article 2, Item 1 of the “Order for Enforcement of the Act on Revaluation of Land”) for the revaluation.

The Company also revalued certain parcels of land acquired from former Yasuda Mutual Life Insurance Company upon the merger on January 1, 2004 as of March 31, 2001, as permitted by the

act. As a revaluation method stipulated in Article 3, Paragraph 3 of the act, the former company used the publicly announced appraisal value with certain adjustments (detailed in Article 2, Item 1 of the order) and appraisal value (detailed in Article 2, Item 5 of the order) for the revaluation.

## **(8) Software**

Capitalized software for internal use owned by the Company and subsidiaries (included in intangible fixed assets in the consolidated balance sheets) is amortized using the straight-line method over the estimated useful lives (3 to 5 years).

## **(9) Allowance for possible loan losses**

Allowance for possible loan losses of the Company is provided pursuant to its standards for self assessment of asset quality and internal rules for write-offs of loans and allowance for possible loan losses.

For loans to borrowers that are legally bankrupt (hereafter, “bankrupt borrowers”) and for loans to borrowers that are not yet legally bankrupt but substantially bankrupt (hereafter, “substantially bankrupt borrowers”), an allowance is provided based on the total amounts of the loans after deduction of charge-offs and any amounts expected to be collected through the disposal of collaterals and the execution of guarantees.

For loans to borrowers that have high possibility of bankruptcy (hereafter, “borrowers with high possibility of bankruptcy”), an allowance is provided at the amount deemed necessary based on an overall solvency assessment, net of the expected collection by disposal of collaterals and by executing guarantees.

For other loans, an allowance is provided by multiplying the claim amount by an anticipated default rate calculated based on the Company’s actual default experience for a certain period in the past.

All loans are assessed by the department concerned based on the Company’s standards for the self-assessment of asset quality and an independent department is responsible for audit of its self-assessment. The allowance for possible loan losses is provided based on the result of the assessment.

For loans with collaterals to bankrupt borrowers and substantially bankrupt borrowers, the amount of loans exceeding the value of estimated recovery through disposal of collaterals or execution of guarantees is deemed uncollectible and written off. The amount of loans written off for the years ended March 31, 2014 and 2015 amounted to ¥59 million and ¥50 million (U.S. \$0 million), respectively.

## **(10) Policy reserves**

Policy reserves of the Company are provided pursuant to Article 116 of the “Insurance Business Act”.

Premium reserves, a main component of policy reserves, are calculated according to the following method:

a. For contracts that are subject to the standard policy reserve requirements, the premium reserves

are calculated pursuant to the method stipulated by the Prime Minister (Ministry of Finance Notification No. 48 in 1996).

b. For contracts that are not subject to the standard policy reserve requirements, the premium reserves are calculated using the net level premium method.

The policy reserves of the Company include an amount to be additionally set aside as the difference arising from calculations of premium reserves using the expected rate of interest of 2.75% for individual annuity contracts concluded on or before April 1, 1996 pursuant to Article 69, Paragraph 5 of the "Ordinance for Enforcement of the Insurance Business Act". The accumulation of the amount was completed on schedule over a period of three years starting in the year ended March 31, 2008. Besides, an additional reserve corresponding to the period after the beginning of annuity payment shall be accumulated at the beginning of the payment of the above annuity contracts.

For the year ended March 31, 2015, the Company additionally set aside the policy reserves for variable life insurance contracts, and single premium endowment contracts concluded on or after September 2, 1995 pursuant to Article 69, Paragraph 5 of the ordinance. As a result, policy reserves increased by ¥192,343 million (U.S. \$1,570 million) as of March 31, 2015 and ordinary profit and surplus before income taxes decreased by ¥192,343 million (U.S. \$1,570 million) for the year ended March 31, 2015 compared to the cases where the Company did not accumulate the additional reserves.

#### **(11) Net defined benefit liabilities and assets**

Net defined benefit liabilities and assets are provided based on the estimate of retirement benefit obligations and plan assets at the balance sheet date.

#### **(12) Reserve for price fluctuation**

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

#### **(13) Revenue recognition**

Insurance premiums are recognized when premiums are received, and insurance premiums due but not collected are not recognized as revenue. Unearned insurance premiums are recognized as policy reserves.

#### **(14) Policy acquisition costs**

Policy acquisition costs are expensed when incurred.

#### **(15) Accounting for consumption taxes**

National and local consumption taxes of the Company are accounted for using the tax-excluded method. Non-deductible consumption taxes are recognized as expenses for the period, except for those relating to purchases of depreciable fixed assets which are not charged to expense but deferred as prepaid expenses and amortized over a five-year period on the straight-line basis pursuant to the "Corporation Tax Act".

## **(16) Foreign currency translation**

Assets and liabilities denominated in foreign currencies, except for equity securities issued by unconsolidated subsidiaries and affiliates, are translated into Japanese yen at the exchange rates prevailing at the balance sheet date. Equity securities issued by unconsolidated subsidiaries and affiliates are translated into Japanese yen at the exchange rates on the dates of acquisition.

## **(17) New accounting standards**

- a. From the beginning of the year ended March 31, 2013, tangible fixed assets acquired on or after April 1, 2012 are accounted for using the straight-line method as stipulated by the revised “Corporation Tax Act.”
- b. Revised “Accounting Standard for Consolidated Financial Statements” (ASBJ, issued on March 25, 2011), and its related implementation guidance have been applied from the year ended March 31, 2014. As a result, two subsidiaries of Meiji Yasuda Realty USA Incorporated have been included in consolidation. This change had no effect on Surplus as of the beginning of the year ended March 31, 2014.
- c. “Accounting Standard for Retirement Benefits” (ASBJ, issued on May 17, 2012) and “Guidance on Accounting Standard for Retirement Benefits” (ASBJ, issued on May 17, 2012) have been applied, (except the provisions of Paragraph 35 of the standard and Article 67 of the guidance), at the end of the year ended March 31, 2014.

Actuarial gains and losses, past service costs and the difference between retirement benefit obligations and plan assets that have yet to be recognized in profit or loss, are recognized as net defined benefit liabilities or assets.

As a result, net defined benefit assets of ¥2,461 million and net defined benefit liabilities of ¥814 million were recognized as of March 31, 2014. In addition, deferred tax assets decreased by ¥8 million, deferred tax liabilities decreased by ¥29,102 million, and total accumulated other comprehensive income decreased by ¥66,062 million as of March 31, 2014.

Retrospective application of this accounting standard to the consolidated financial statements in prior fiscal years is not required or permitted.

- d. Paragraph 35 of “Accounting Standard for Retirement Benefits” (ASBJ, issued on May 17, 2012) and Paragraph 67 of “Guidance on Accounting Standard for Retirement Benefits” (ASBJ, issued on May 17, 2012) have been applied from the beginning of the year ended March 31, 2015. Accordingly, from the beginning of the year ended March 31, 2015, the Company changed the method of attributing expected retirement benefit to periods from the straight-line basis to the benefit formula basis.

The amount of the effect of the change in the method of calculation of retirement benefit obligations and service costs was included in surplus in the consolidated balance sheet at the beginning of the year ended March 31, 2015 in accordance with the transitional treatment set out in Paragraph 37 of the standard.

As a result, surplus at the beginning of the period increased by ¥2,752 million (U.S. \$22 million) and, as well, ordinary profit and surplus before income taxes and minority interests decreased by ¥806 million (U.S. \$6 million) for the year ended March 31, 2015.

### 3. Cash and Cash Equivalents

The components of cash and cash equivalents in the consolidated statements of cash flows as of March 31, 2014 and 2015 were as follows:

As of March 31	Millions of Yen		Millions of U.S. Dollars
	2014	2015	2015
Cash and deposits	¥ 212,074	¥ 210,945	\$ 1,722
Call loans	244,000	368,000	3,005
Securities	210	99	0
Cash and cash equivalents	¥ 456,284	¥ 579,044	\$ 4,728

### 4. Financial Instruments

#### (1) Qualitative information on financial instruments

The Company develops the asset and liability management based on surplus, and it monitors a surplus derived from the difference between the economic values of assets and liabilities as a measure of financial soundness, in order to manage its investment assets (excluding the assets of the separate account prescribed in Article 118, Paragraph 1 of the “Insurance Business Act”).

Based on this risk management, the Company mainly invests in securities and loans. Securities held primarily consist of bonds, stocks, investment trusts and investments in partnership capital. Loans primarily consist of loans to domestic corporate borrowers.

The use of derivatives is, in principle, limited to hedging activities as a primary method of hedging against invested asset risk and insurance liability risk.

Methods of hedge accounting are in accordance with the “Accounting Standard for Financial Instruments” (ASBJ, issued on March 10, 2008). These methods consist primarily of:

- the special hedge accounting using interest rate swaps to hedge against cash flow volatility related to loans;
- the fair value hedge accounting using forward exchange contracts to hedge against exchange rate fluctuation risk related to foreign currency denominated bonds;
- the deferred hedge accounting using currency swaps to hedge against exchange rate fluctuation risk related to foreign currency denominated bonds;
- the allocation method using currency swaps to hedge against exchange rate fluctuation related to foreign currency denominated loans; and
- the deferred hedge accounting using interest rate swaps to hedge against interest rate fluctuation risk related to insurance liabilities.

Securities are exposed to market risk (interest rate fluctuation risk, exchange rate fluctuation risk and price fluctuation risk) and credit risk. Loans are exposed to credit risk and interest rate fluctuation risk. Derivative transactions are exposed to market risk and credit risk.

Loans payable are exposed to interest rate fluctuation risk arising from floating interest rate borrowings.

With regard to the interest rate fluctuation risk management, the Company manages the fluctuation risk on the basis of economic values from a surplus management perspective, by purchasing super long-term bonds to keep asset duration stable and using interest rate swaps for the interest rate risk hedge against insurance liabilities.

To manage the exchange rate fluctuation risk, the Company hedges against exchange rate fluctuation using forward exchange contracts where necessary for appropriate controls of exchange rate fluctuation risk.

To manage the price fluctuation risk, the Company performs integrated management for outstanding balances and the profit and loss situation of securities and derivative transactions and also monitors loss limits to minimize unexpected losses.

In addition to the Value at Risk (VaR) method to measure the maximum expected loss, the Company performs stress tests periodically to simulate conditions that might arise in the event of sharp market fluctuations that exceed normal forecasts.

The profit and loss status and compliance with these procedures are monitored by the investment risk management department, reported regularly (or immediately in urgent cases) to the sub-committee of investment risk management and, on important matters, reported directly to the Board of Directors and Committees.

To manage credit risk, the Company carefully identifies risks in each transaction and limits investments to those that are assessed to be of high quality.

Where credit risk assessment is particularly important regarding corporate loans, the credit risk management department ensures that a rigorous screening system is in place, and monitors borrowers and internal credit rating using corporate screening methods. The Company follows careful discussions by the Investment Committee (Management Committee) to make decisions on highly important deals.

Further, the Company sets exposure limits based on counterparties' creditworthiness to ensure that risk is not concentrated among certain companies or groups, and diversifies investments.

With regard to derivative transactions, the Company limits risk by setting up policies and establishing limits by the type of transaction and by each counterparty. At the same time, a system of internal checks is in place by segregating the departments executing the transactions from the administrative departments to ensure risk management is on an appropriate footing.

The fair value of financial instruments is based on the market price or, in cases where market price is not available, based on prices calculated using reasonable methods in the Company and subsidiaries.

Since certain assumptions are adopted for the price calculations, the prices calculated may differ when different assumptions are used.

## **(2) Fair values of financial instruments**

The amounts of the principal financial assets and liabilities reported in the consolidated balance sheets at the end of the fiscal year, and fair values and the differences between them, were as follows:

As of March 31	Millions of Yen						Millions of U.S. Dollars		
	2014			2015			2015		
	Balance sheet amount	Fair value	Difference	Balance sheet amount	Fair value	Difference	Balance sheet amount	Fair value	Difference
Cash and deposits	¥235,740	¥235,740	¥ -	¥240,038	¥240,038	¥ -	\$1,960	\$1,960	\$ -
Available-for-sale securities (CDs)	9,999	9,999	-	6,000	6,000	-	48	48	-
Monetary claims bought	233,622	245,033	11,410	229,523	241,833	12,309	1,874	1,974	100
Held-to-maturity debt securities	204,308	215,719	11,410	200,223	212,532	12,309	1,635	1,735	100
Available-for-sale securities	29,313	29,313	-	29,300	29,300	-	239	239	-
Securities	26,332,407	26,983,869	651,461	28,377,942	29,665,018	1,287,075	231,751	242,262	10,511
Trading securities	775,067	775,067	-	808,800	808,800	-	6,605	6,605	-
Held-to-maturity debt securities	5,594,873	6,057,424	462,550	5,066,536	5,702,545	636,008	41,376	46,570	5,194
Policy-reserve-matching bonds	5,405,462	5,594,374	188,911	6,820,691	7,471,758	651,066	55,701	61,018	5,317
Available-for-sale securities	14,557,003	14,557,003	-	15,681,913	15,681,913	-	128,067	128,067	-
Loans	5,157,335	5,382,281	224,946	5,076,391	5,357,002	280,610	41,456	43,748	2,291
Policy loans	307,580	307,580	-	293,365	293,365	-	2,395	2,395	-
Industrial and consumer loans	4,849,754	5,074,701	224,946	4,783,026	5,063,637	280,610	39,061	41,352	2,291
Allowance for possible loan losses (*1)	(5,735)	-	-	(3,066)	-	-	(25)	-	-
	5,151,599	5,382,281	230,682	5,073,325	5,357,002	283,677	41,431	43,748	2,316
Payables under securities borrowing transactions	640,951	640,951	-	220,000	220,000	-	1,796	1,796	-
Loans payable	100,200	100,200	-	100,000	100,000	-	816	816	-
Derivative financial instruments (*2)	(32,792)	(32,792)	-	(44,171)	(44,171)	-	(360)	(360)	-
Hedge accounting is not applied	411	411	-	(27)	(27)	-	(0)	(0)	-
Hedge accounting is applied	(33,203)	(33,203)	-	(44,143)	(44,143)	-	(360)	(360)	-

(\*1) The amounts are general allowance for possible losses on loans and specific allowance for possible loan losses related to the loans.

(\*2) The amounts of receivables and payables arising from derivative transactions are shown as net amounts.

Note:

a. Method used to determine the fair value of financial instruments

i) Assets

*Cash and deposits*

The Company and subsidiaries regard book value as fair value with the assumption that fair value approximates book value due to short-term nature of these contracts. Fair value of deposits deemed as securities transactions based on "Accounting Standard for Financial Instruments" (ASBJ, issued on March 10, 2008) is calculated in the same method shown in "Securities."

*Monetary claims bought*

Fair value of monetary claims bought deemed as securities transactions based on "Accounting Standard for Financial Instruments" (ASBJ, issued on March 10, 2008) is calculated using the same method shown in "Securities" and the fair value of these monetary claims bought is stated at theoretical prices calculated by discounting the future cash flows to the present value or at the fair value obtained from counterparties at the balance sheet date.

*Securities*

As for available-for-sale securities, domestic stocks of which market value is readily available are stated at the average of the market value during the final month of the fiscal year. Other securities are stated at market value at the balance sheet date.

Unlisted stocks and others of which market value is not readily available are not subject to fair value disclosure and are therefore not included in the table above because these are regarded as extremely difficult to determine fair value. The amounts of the unlisted stocks and others reported in the consolidated balance sheets were ¥868,908 million and ¥878,954 million (U.S. \$7,178 million) as of March 31, 2014 and 2015, respectively. Impairment losses on the unlisted stocks and others were ¥212 million and ¥254 million (U.S. \$2 million) for the years ended March 31, 2014 and 2015, respectively.

*Loans*

As credit exposure for policy loans without specific repayment periods is limited to the amount of the cash surrender value, the Company and subsidiaries regard book value as fair value with the assumption that fair value approximates book value in light of factors such as projected repayment period and interest condition.

As for industrial and consumer loans, their fair value of these loans is primarily stated at theoretical prices calculated by discounting the future cash flows to the present value. The fair value of loans to bankrupt borrowers, substantially bankrupt borrowers and borrowers with high possibility of bankruptcy is stated at the amounts arrived at by deducting estimated losses from the book value before direct write-off.

ii) Liabilities

*Payables under securities borrowing transactions*

The Company and subsidiaries regard book value as fair value with the assumption that fair value approximates book value due to short-term nature of these contracts.

### *Loans payable*

The Company and subsidiaries regard book value as fair value with the assumption that fair value approximates book value since loans are made at floating interest rates that reflect market interest rates timely, and since the Company's credit standing has not changed significantly after borrowing.

### iii) Derivative financial instruments

#### *Listed transactions*

The fair value of listed transactions, such as stock index futures and bond futures, is stated at the closing or settlement prices at the balance sheet date.

#### *OTC transactions*

The fair value of Over-the-Counter (OTC) transactions, such as foreign exchange contracts, is stated at theoretical prices based on the TTM, WM Reuters rate or discount rate at the balance sheet date, or fair value obtained from counterparties at the balance sheet date.

Since OTC transactions of currency swaps contracts subject to the allocation method are treated as an integral part of the hedged foreign currency denominated loans, their fair value is included in the fair value of hedged loans in the table above.

#### *Interest rate swap transactions*

The fair value of interest rate swap transactions is stated at theoretical prices calculated by discounting the net future cash flows to the present value, or fair value obtained from counterparties at the balance sheet date.

Since interest rate swaps subject to the special hedge accounting are treated as an integral part of the hedged loan, their fair value is included in the fair value of hedged loans in the table above.

### b. Securities by holding purpose

#### *Trading securities*

The unrealized valuation gains (losses) on trading securities included in profits (losses) for the fiscal year amounted to ¥(2,520) million and ¥25,474 million (U.S. \$208 million) for the years ended March 31, 2014 and 2015, respectively.

### Held-to-maturity debt securities

The amounts reported in the consolidated balance sheets and fair values of the held-to-maturity debt securities by security type at the end of the fiscal year, and the differences between them, were shown in the following table. No held-to-maturity debt securities were sold during the years ended March 31, 2014 and 2015, respectively.

As of March 31	Millions of Yen						Millions of U.S. Dollars		
	2014			2015			2015		
	Balance sheet amount	Fair value	Difference	Balance sheet amount	Fair value	Difference	Balance sheet amount	Fair value	Difference
Securities whose fair value exceeds the balance sheet amount									
1) National & local government bonds	¥4,735,974	¥5,155,465	¥419,490	¥4,221,779	¥4,792,775	¥570,996	\$34,477	\$39,140	\$4,663
2) Corporate bonds	692,053	733,909	41,856	702,235	762,947	60,711	5,734	6,230	495
3) Other	296,098	310,043	13,945	288,025	305,450	17,425	2,352	2,494	142
Total	5,724,127	6,199,418	475,291	5,212,040	5,861,173	649,132	42,564	47,865	5,301
Securities whose fair value does not exceed the balance sheet amount									
1) National & local government bonds	3,025	2,997	(27)	1,864	1,848	(16)	15	15	(0)
2) Corporate bonds	8,200	8,196	(3)	12,952	12,836	(116)	105	104	(0)
3) Other	63,829	62,530	(1,299)	39,901	39,219	(682)	325	320	(5)
Total	75,055	73,724	(1,330)	54,718	53,904	(814)	446	440	(6)

(\*) This table includes financial instruments that are deemed appropriate to be treated as securities under the "Financial Instruments and Exchange Act".

### Policy-reserve-matching bonds

The carrying amounts in the consolidated balance sheets of policy-reserve-matching bonds by security type were shown in the following table, along with their fair values and the differences between these amounts. No policy-reserve-matching bonds were sold during the years ended March 31, 2014 and 2015.

As of March 31	Millions of Yen						Millions of U.S. Dollars		
	2014			2015			2015		
	Balance sheet amount	Fair value	Difference	Balance sheet amount	Fair value	Difference	Balance sheet amount	Fair value	Difference
Securities whose fair value exceeds the balance sheet amount									
1) National & local government bonds	¥5,037,684	¥5,228,611	¥190,926	¥6,809,524	¥7,459,007	¥649,482	\$55,610	\$60,914	\$5,304
2) Corporate bonds	11,181	11,833	651	11,167	12,751	1,584	91	104	12
3) Other	-	-	-	-	-	-	-	-	-
Total	5,048,866	5,240,445	191,578	6,820,691	7,471,758	651,066	55,701	61,018	5,317
Securities whose fair value does not exceed the balance sheet amount									
1) National & local government bonds	356,596	353,929	(2,667)	-	-	-	-	-	-
2) Corporate bonds	-	-	-	-	-	-	-	-	-
3) Other	-	-	-	-	-	-	-	-	-
Total	356,596	353,929	(2,667)	-	-	-	-	-	-

### Available-for-sale securities

Disposition of available-for-sale securities amounted to ¥3,239,043 million and ¥1,477,320 million (U.S. \$12,064 million) resulting in total gains on sales of ¥220,576 million and ¥186,293 million (U.S. \$1,521 million) and total losses of ¥31,822 million and ¥365 million (U.S. \$2 million) for the years ended March 31, 2014 and 2015, respectively. With regard to available-for-sale securities, acquisition costs, amortized costs, the amounts reported in the consolidated balance sheets and the respective differences by each type of securities were shown in the following table.

As of March 31	Millions of Yen						Millions of U.S. Dollars		
	2014			2015			2015		
	Acquisition or amortized costs	Balance sheet amount	Difference	Acquisition or amortized costs	Balance sheet amount	Difference	Acquisition or amortized costs	Balance sheet amount	Difference
Securities whose balance sheet amount exceeds the acquisition or amortized costs									
(1) Domestic stocks	¥1,470,391	¥2,953,946	¥1,483,555	¥1,568,781	¥3,993,134	¥2,424,352	\$12,811	\$32,610	\$19,798
(2) Bonds	5,588,263	6,046,327	458,063	4,423,060	4,817,078	394,017	36,121	39,339	3,217
1) National & local government bonds	4,616,738	5,023,132	406,393	3,457,542	3,787,413	329,870	28,236	30,930	2,693
2) Corporate bonds	971,525	1,023,194	51,669	965,518	1,029,665	64,147	7,885	8,408	523
(3) Other	3,019,273	3,661,599	642,325	4,767,088	5,948,790	1,181,701	38,930	48,581	9,650
Total	10,077,929	12,661,873	2,583,943	10,758,931	14,759,003	4,000,072	87,863	120,530	32,666
Securities whose balance sheet amount does not exceed the acquisition or amortized costs									
(1) Domestic stocks	272,696	250,928	(21,768)	84,775	77,658	(7,117)	692	634	(58)
(2) Bonds	85,079	84,260	(819)	61,680	60,933	(746)	503	497	(6)
1) National & local government bonds	41,615	41,476	(138)	31,904	31,676	(227)	260	258	(1)
2) Corporate bonds	43,464	42,783	(681)	29,775	29,256	(518)	243	238	(4)
(3) Other	1,650,121	1,599,255	(50,865)	829,206	819,808	(9,397)	6,771	6,695	(76)
Total	2,007,897	1,934,444	(73,452)	975,661	958,399	(17,261)	7,967	7,826	(140)

(\* ) This table includes financial instruments that are deemed appropriate to be treated as securities under the "Financial Instruments and Exchange Act".

“Acquisition or amortized costs” in the table above refers to book values after deduction of impairment losses. Impairment losses on available-for-sale securities of which market value is readily available amounted to ¥1,491 million and ¥46 million (U.S. \$0 million) for the years ended March 31, 2014 and 2015, respectively.

c. Maturity analysis of monetary claims and securities with maturities

As of March 31	Millions of Yen					
	Within 1 year	Over 1 year to 3 years	Over 3 years to 5 years	Over 5 years to 7 years	Over 7 years to 10 years	Over 10 years
Deposits	¥235,424	¥ —	¥ —	¥ —	¥ —	¥ —
Monetary claims bought	—	—	—	—	—	233,622
Loans*	524,694	1,027,572	848,193	495,692	726,966	1,224,957
Securities						
Held-to-maturity debt securities	563,264	418,846	294,313	354,992	582,231	3,380,317
Policy-reserve-matching bonds	—	—	—	39,254	254,229	5,111,978
Available-for-sale securities with maturities	337,318	411,400	1,088,151	1,239,726	2,496,794	5,547,443
Total	1,660,701	1,857,819	2,230,658	2,129,666	4,060,223	15,498,319

As of March 31	Millions of Yen						Millions of U.S. Dollars					
	2015						2015					
	Within 1 year	Over 1 year to 3 years	Over 3 years to 5 years	Over 5 years to 7 years	Over 7 years to 10 years	Over 10 years	Within 1 year	Over 1 year to 3 years	Over 3 years to 5 years	Over 5 years to 7 years	Over 7 years to 10 years	Over 10 years
Deposits	¥239,805	¥ —	¥ —	¥ —	¥ —	¥ —	\$1,958	\$ —	\$ —	\$ —	\$ —	\$ —
Monetary claims bought	—	—	—	—	—	229,523	—	—	—	—	—	1,874
Loans*	516,245	975,185	759,328	482,999	718,850	1,329,301	4,215	7,963	6,201	3,944	5,870	10,855
Securities												
Held-to-maturity debt securities	341,727	201,812	336,574	374,435	591,132	3,219,663	2,790	1,648	2,748	3,057	4,827	26,293
Policy-reserve-matching bonds	—	—	10,397	101,336	196,296	6,512,661	—	—	84	827	1,603	53,186
Available-for-sale securities with maturities	144,144	695,854	1,474,531	2,660,504	1,851,302	4,389,059	1,177	5,682	12,041	21,727	15,118	35,843
<b>Total</b>	<b>1,241,923</b>	<b>1,872,851</b>	<b>2,580,831</b>	<b>3,619,276</b>	<b>3,357,581</b>	<b>15,680,208</b>	<b>10,142</b>	<b>15,294</b>	<b>21,076</b>	<b>29,557</b>	<b>27,420</b>	<b>128,053</b>

(\*) Bankruptcy and reorganization claims, which are expected to be unrecoverable, are not included in this table, and they are ¥285 million and ¥231 million (U.S. \$1 million) as of March 31, 2014 and 2015, respectively.

(\*) Policy loans are not included because they have no defined maturity dates.

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

As of March 31	Millions of Yen					
	2014					
	Within 1 year	Over 1 year to 3 years	Over 3 years to 5 years	Over 5 years to 7 years	Over 7 years to 10 years	Over 10 years
Payable under securities borrowing transactions	¥640,951	¥ —	¥ —	¥ —	¥ —	¥ —
Loans payable	200	—	—	—	100,000	—
Total	641,151	—	—	—	100,000	—

As of March 31	Millions of Yen						Millions of U.S. Dollars					
	2015						2015					
	Within 1 year	Over 1 year to 3 years	Over 3 years to 5 years	Over 5 years to 7 years	Over 7 years to 10 years	Over 10 years	Within 1 year	Over 1 year to 3 years	Over 3 years to 5 years	Over 5 years to 7 years	Over 7 years to 10 years	Over 10 years
Payable under securities borrowing transactions	¥220,000	¥ —	¥ —	¥ —	¥ —	¥ —	\$1,796	\$ —	\$ —	\$ —	\$ —	\$ —
Loans payable	—	—	—	100,000	—	—	—	—	—	816	—	—
Total	220,000	—	—	100,000	—	—	1,796	—	—	816	—	—

e. Fair values of derivative transactions

Hedge accounting not applied

i) Interest-rate related

As of March 31	Millions of Yen			
	Notional amount/contract value (A)	Over 1 year included in (A)	Fair value	Net gains (Losses)
Interest rate swaps				
Receipts fixed, payments floating	¥47,600	¥47,600	¥ 366	¥ 366
Total				366

As of March 31	Millions of Yen				Millions of U.S. Dollars			
	Notional amount/contract value (A)	Over 1 year included in (A)	Fair value	Net gains (Losses)	Notional amount/contract value (A)	Over 1 year included in (A)	Fair value	Net gains (Losses)
Interest rate swaps								
Receipts fixed, payments floating	¥1,000	¥1,000	¥ 10	¥ 10	\$ 8	\$ 8	\$ 0	\$ 0
Total				10				0

(\*) Net gains (losses) represent the fair values.

ii) Currency-related

As of March 31	Millions of Yen			
	Notional amount/contract value (A)	Over 1 year included in (A)	Fair value	Net gains (Losses)
Foreign currency forward contracts				
Sold	¥ 888	¥ —	¥ (3)	¥ (3)
(U.S. dollar)	277	—	(1)	(1)
(Euro)	242	—	(0)	(0)
(Australian dollar)	319	—	(1)	(1)
(Canadian dollar)	4	—	(0)	(0)
(Others)	44	—	(0)	(0)
Bought	1,165	—	6	6
(U.S. dollar)	643	—	3	3
(Euro)	490	—	2	2
(Canadian dollar)	—	—	—	—
(Australian dollar)	—	—	—	—
(Others)	32	—	0	0
<b>Total</b>				<b>2</b>

As of March 31	Millions of Yen				Millions of U.S. Dollars			
	2015				2015			
	Notional amount/contract value (A)	Over 1 year included in (A)	Fair value	Net gains (Losses)	Notional amount/contract value (A)	Over 1 year included in (A)	Fair value	Net gains (Losses)
Foreign currency forward contracts								
Sold	¥ 11,566	¥ —	¥ (46)	¥ (46)	\$ 94	\$ —	\$ (0)	\$ (0)
(U.S. dollar)	8,654	—	(53)	(53)	70	—	(0)	(0)
(Euro)	977	—	7	7	7	—	0	0
(Australian dollar)	888	—	3	3	7	—	0	0
(Canadian dollar)	672	—	(1)	(1)	5	—	(0)	(0)
(Others)	373	—	(1)	(1)	3	—	(0)	(0)
Bought	11,641	—	30	30	95	—	0	0
(U.S. dollar)	8,933	—	44	44	72	—	0	0
(Euro)	1,428	—	(13)	(13)	11	—	(0)	(0)
(Canadian dollar)	567	—	1	1	4	—	0	0
(Australian dollar)	490	—	(2)	(2)	4	—	(0)	(0)
(Others)	220	—	0	0	1	—	0	0
Total				(16)				(0)

(\*) Net gains (losses) represent the fair values.

iii) Stock-related

As of March 31	Millions of Yen			
	Notional amount/contract value (A)	Over 1 year included in (A)	Fair value	Net gains (Losses)
Exchange-traded transactions				
Yen Stock index futures				
Bought	¥ 6,194	¥ —	¥ 24	¥ 24
Foreign currency-denominated stock index futures				
Bought	687	—	16	16
<b>Total</b>				<b>41</b>

As of March 31	Millions of Yen				Millions of U.S. Dollars			
	2015				2015			
	Notional amount/contract value (A)	Over 1 year included in (A)	Fair value	Net gains (Losses)	Notional amount/contract value (A)	Over 1 year included in (A)	Fair value	Net gains (Losses)
Exchange-traded transactions								
Yen Stock index futures								
Bought	¥ 1,059	¥ —	¥ (25)	¥ (25)	\$ 8	\$ —	\$ (0)	\$ (0)
Foreign currency-denominated stock index futures								
Bought	1,681	—	3	3	13	—	0	0
Total				(21)				(0)

(\* ) Net gains (losses) represent the fair values.

iv) Bond-related

No ending balance as of March 31, 2014 and 2015.

Hedge accounting applied

i) Interest-rate related

As of March 31	Millions of Yen			
	2014			
	Main hedged items	Notional amount/contract value (A)	Over 1 year included in (A)	Fair value
Deferred hedge accounting				
Interest rate swaps				
Receipts fixed, payments floating	Insurance liabilities	¥186,800	¥186,800	¥10,358
Special hedge accounting				
Interest rate swaps				
Receipts fixed, payments floating	Loans	47,695	45,020	1,740
Total				12,099

As of March 31	Millions of Yen				Millions of U.S. Dollars		
	2015				2015		
	Main hedged items	Notional amount/ contract value (A)	Over 1 year included in (A)	Fair value	Notional amount/ contract value (A)	Over 1 year included in (A)	Fair value
Deferred hedge accounting							
Interest rate swaps							
Receipts fixed, payments floating	Insurance liabilities	¥ 234,100	¥ 234,100	¥ 31,576	\$ 1,911	\$ 1,911	\$ 257
Special hedge accounting							
Interest rate swaps							
Receipts fixed, payments floating	Loans	46,251	31,141	1,237	377	254	10
<b>Total</b>				<b>32,813</b>			<b>267</b>

ii) Currency-related

As of March 31	Millions of Yen			
				2014
	Main hedged items	Notional amount/ contract value (A)	Over 1 year included in (A)	Fair value
Fair value hedge accounting				
Foreign currency forward contracts				
Sold	Foreign-currency-	¥2,031,158	¥	¥(40,632)
(U.S. dollar)	denominated bonds	1,690,459	–	(33,578)
(Euro)		201,159	–	(1,789)
(Australian dollar)		139,540	–	(5,264)
Deferred hedge accounting				
Cross currency swaps				
Receipts floating, payments fixed	Foreign-currency-			
(Euro)	denominated bonds	26,958	26,958	(2,929)
Total				(43,562)

As of March 31	Main hedged items	Millions of Yen			Millions of U.S. Dollars		
		Notional amount/ contract value (A)	Over 1 year included in (A)	Fair value 2015	Notional amount/ contract value (A)	Over 1 year included in (A)	Fair value 2015
Fair value hedge accounting							
Foreign currency forward contracts							
Sold	Foreign-currency-	¥ 2,354,756	¥ —	¥ (70,919)	\$ 19,230	\$ —	\$ (579)
(U.S. dollar)	denominated bonds	2,010,069	—	(89,973)	16,415	—	(734)
(Euro)		196,339	—	10,404	1,603	—	84
(Australian dollar)		148,347	—	8,649	1,211	—	70
Deferred hedge accounting							
Cross currency swaps							
Receipts floating, payments fixed	Foreign-currency-						
(Euro)	denominated bonds	35,575	35,575	(4,800)	290	290	(39)
Total				(75,719)			(618)

(\*) The table does not include foreign currency derivative transactions regarding assets and liabilities which are denominated in foreign currencies but have fixed settlement in yen.

iii) Stock-related

No ending balance as of March 31, 2014 and 2015.

iv) Bond-related

No ending balance as of March 31, 2014 and 2015.

## 5. Securities Lending

Securities loaned under security lending agreements, including securities under securities borrowing transactions, amounted to ¥1,700,669 million and ¥1,623,208 million (U.S. \$13,256 million) as of March 31, 2014 and 2015, respectively.

## 6. Pledged Assets

Assets pledged as collateral were securities in the amount of ¥3,651 million and ¥4,586 million (U.S. \$37 million) as of March 31, 2014 and 2015, respectively.

## 7. Equity Securities issued by Unconsolidated Subsidiaries and Affiliates

The total amounts of equity securities issued by unconsolidated subsidiaries and affiliates were ¥174,780 million and ¥188,734 million (U.S. \$1,541 million) as of March 31, 2014 and 2015, respectively.

## 8. Loans

The aggregate amounts of risk-monitored loans, which comprised of (1) loans to bankrupt borrowers, (2) loans in arrears, (3) loans in arrears for three months or longer, and (4) restructured loans, were ¥21,136 million and ¥19,825 million (U.S. \$161 million) as of March 31, 2014 and 2015, respectively.

The aggregate amounts of loans to bankrupt borrowers were ¥0 million as of March 31, 2014, respectively. There were no loans to bankrupt borrowers, and none as of March 31, 2015. The aggregate amounts of loans in arrears were ¥2,972 million and ¥2,630 million (U.S. \$21 million) as of March 31, 2014 and 2015, respectively.

The amounts of loans deemed uncollectible and directly deducted from the loans in the consolidated balance sheets as of March 31, 2014 and 2015 were ¥44 million and ¥44 million (U.S. \$0 million), respectively, for loans to bankrupt borrowers, and ¥14 million and ¥5 million (U.S. \$0 million), respectively, for loans in arrears.

Loans to bankrupt borrowers represent the loans on which interest is not accrued due to unlikelihood of repayment of principal or interest resulting from delinquent principal or interest for a certain period or for other reasons (hereafter, "non-accrual loans") and also meet the conditions stipulated in Article 96, Paragraph 1, Items 3 and 4 of the "Order for Enforcement of the Corporation Tax Act" (Cabinet Order No. 97 in 1965). Loans in arrears represent non-accrual loans excluding the loans to bankrupt borrowers (defined in the above) and loans of which interest payments are postponed in order to support these borrowers recovering from financial difficulties.

There were no loans in arrears for three months or longer as of March 31, 2014 and 2015.

Loans in arrears for three months or longer represent the loans on which payments of principal or interest are past due over three months from the day following the contractual due date. Loans in arrears for three months or longer do not include loans classified as loans to bankrupt borrowers or loans in arrears.

The amounts of restructured loans were ¥18,163 million and ¥17,195 million (U.S. \$140 million) as of March 31, 2014 and 2015, respectively.

Restructured loans represent the loans which have been restructured to provide relief to the borrowers by reducing or waiving interest payments, by rescheduling repayments of principal or payments of interest, or by waiving claims for borrowers in order to support their recovery from financial difficulties. Restructured loans do not include loans classified as loans in arrears for three months or longer, loans in arrears or loans to bankrupt borrowers.

## **9. Loan Commitments**

The amounts of loan commitments outstanding were ¥23,939 million and ¥24,386 million (U.S. \$199 million) as of March 31, 2014 and 2015, respectively.

## **10. Fair Values of Investment and Rental Property**

The carrying amounts of investment and rental properties were ¥591,751 million and ¥592,183 million (U.S. \$4,836 million), and their fair values were ¥629,309 million and ¥647,046 million (U.S. \$5,284 million) as of March 31, 2014 and 2015, respectively. The Company and certain subsidiaries own office buildings and land in Tokyo and other areas, the fair value of which is mainly based on appraisals by qualified external appraisers.

## **11. Accumulated Depreciation**

Accumulated depreciation of tangible fixed assets amounted to ¥405,205 million and ¥407,166 million (U.S. \$3,325 million) as of March 31, 2014 and 2015, respectively.

## **12. Impairment of Fixed Assets**

The details of the impairment losses on fixed assets of the Company are as follows:

### **(1) Method for grouping the assets**

The Company groups all the fixed assets held and utilized for the Company's insurance business as one asset group for the impairment test.

For real estate for non-insurance business and idle assets, each asset is treated as an independent unit for the impairment test.

### **(2) Description of impairment losses recognized**

For the years ended March 31, 2014 and 2015, the Company recognized impairment losses on real estate for non-insurance business that experienced a significant deterioration of profitability and on the idle assets that experienced a significant decline in fair value due to downturn of the real estate market. For these assets, the Company reduced the carrying amount to a recoverable amount which is either fair value less costs to dispose or value-in-use, and recognized impairment losses as

extraordinary losses in the consolidated statements of income.

(3) Details of fixed assets resulting in impairment losses  
For the year ended March 31, 2014

Asset group	Number of properties impaired	Millions of Yen		
		Land	Buildings	Total
Real estate for non-insurance business	2	¥ 432	¥ 2,057	¥ 2,489
Idle assets	32	1,192	1,616	2,809
Total	34	¥ 1,624	¥ 3,674	¥ 5,299

For the year ended March 31, 2015

Asset group	Number of properties impaired	Millions of Yen		
		Land	Buildings	Total
Real estate for non-insurance business	2	¥ 206	¥ 3	¥ 210
Idle assets	62	2,531	3,554	6,085
Total	64	¥ 2,737	¥ 3,558	¥ 6,296

For the year ended March 31, 2015

Asset group	Millions of U.S. Dollars		
	Land	Buildings	Total
Real estate for non-insurance business	\$1	\$0	\$1
Idle assets	20	29	49
Total	\$22	\$29	\$51

(4) Calculation method of recoverable amounts

The recoverable amounts of real estate for non-insurance business are determined at net realizable value or value in use. The recoverable amounts for idle assets are net realizable value. Value in use is determined as the estimated net future cash flows, reflecting the volatility risk, discounted at 2.16% and 2.09% for the years ended March 31, 2014 and 2015, respectively. Net realizable value is calculated based on the appraisal value with reference to "Real Estate Appraisal Standards" or the publicly announced appraisal value.

### 13. Retirement Benefit Plans

The following items provide detailed information for the retirement benefit plans.

(1) Summary of the retirement benefit plans

The Company has defined benefit corporate pension plans and retirement allowance plans, which distribute a lump sum payment on retirement, as defined benefit plans. The Company also has defined contribution pension plans as defined contribution plans.

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

(2) Transfer to defined contribution plans

The Company transferred a certain portion of defined benefit corporate pension plans to defined contribution pension plans on July 1, 2014. As a result, other extraordinary losses of ¥1,669 million (U.S. \$13 million) were recognized for the year ended March 31, 2015.

(3) Defined benefit plans

a. Assumptions of the Company used in accounting for the defined benefit plans for the years ended March 31, 2014 and 2015 were as follows:

<b>Years ended March 31</b>	<b>2014</b>	<b>2015</b>
Method of attributing benefit to period of service	Straight-line basis	Benefit formula basis
Amortization period for actuarial differences	10 years	10 years
Amortization period for past service cost	10 years	10 years

b. Changes in the retirement benefit obligations for the years ended March 31, 2014 and 2015 were as follows:

Years ended March 31	Millions of Yen		Millions of U.S. Dollars
	2014	2015	2015
Balance at the beginning of the fiscal year	¥ 371,957	¥ 356,916	\$2,914
Service costs	12,192	11,448	93
Interest cost on retirement benefit obligations	3,432	3,083	25
Actuarial losses (gains) recognized	4,299	4,320	35
Benefits paid	(31,320)	(27,501)	(224)
Past service costs incurred	69	(4,139)	(33)
Others	260	(27,018)	(220)
Balance at the end of the fiscal year	360,890	317,110	2,589

c. Changes in the plan assets for the years ended March 31, 2014 and 2015 were as follows:

Years ended March 31	Millions of Yen		Millions of U.S. Dollars
	2014	2015	2015
Balance at the beginning of the fiscal year	¥ 347,253	¥ 362,538	\$2,960
Expected return on plan assets	3,525	3,391	27
Actuarial gains (losses) recognized	9,585	49,182	401
Contributions by employer	13,471	10,194	83
Benefits paid	(11,683)	(10,732)	(87)
Others	384	(24,201)	(197)
Balance at the end of the fiscal year	362,538	390,372	3,188

d. The amount of the retirement benefit obligations and the plan assets, and the amount of the defined benefit liabilities and the defined benefit assets recognized in the consolidated balance sheets as of March 31, 2014 and 2015 were determined as follows:

As of March 31	Millions of Yen		Millions of U.S. Dollars
	2014	2015	2015
Present value of funded retirement benefit obligations	¥ 358,918	¥ 315,093	\$2,573
Plan assets at fair value	(362,538)	(390,372)	(3,188)
Net present value of funded retirement benefit obligations	(3,619)	(75,278)	(614)
Present value of non-funded retirement benefit obligations	1,972	2,017	16
Net balance on the consolidated balance sheet	(1,647)	(73,261)	(598)
Consists of:			
Defined benefit liabilities	814	1,084	8
Defined benefit assets	(2,461)	(74,345)	(607)

e. The amounts recognized in retirement benefit expenses in the consolidated statements of income for the years ended March 31, 2014 and 2015 were as follows:

Years ended March 31	Millions of Yen		Millions of U.S. Dollars
	2014	2015	2015
Service costs	¥ 12,192	¥ 11,448	\$93
Interest cost on retirement benefit obligations	3,432	3,083	25
Expected return on plan assets	(3,525)	(3,391)	(27)
Amortization of net actuarial losses (gains)	12,776	10,864	88
Amortization of net past service costs	(1,292)	(776)	(6)
Others	19	1,683	13
Retirement benefit expenses	23,601	22,913	187

f. Major components of other comprehensive income and total accumulated other comprehensive income

Major components of other comprehensive income (before income tax effect adjustments) for the year ended March 31, 2015 were as follows:

Years ended March 31	Millions of Yen	Millions of U.S. Dollars
	2015	2015
Actuarial gains (losses)	¥ 60,559	\$494
Past service costs	2,927	23
Total	63,486	518

Major components of total accumulated other comprehensive income (before income tax effect adjustments) for the years ended March 31, 2014 and 2015 were as follows:

Years ended March 31	Millions of Yen		Millions of U.S. Dollars
	2014	2015	2015
Unrecognized actuarial gains (losses)	¥ (98,215)	¥ (37,713)	\$(307)
Unrecognized past service costs	3,072	5,989	48
Total	(95,143)	(31,723)	(259)

g. Plan assets

Plan assets as of March 31, 2014 and 2015 were comprised as follows:

As of March 31	% of total fair value of plan assets	
	2014	2015
Debt securities	7.4%	8.3%
Stocks	40.3%	47.3%
General account of life insurance companies	30.1%	25.1%
Jointly invested assets	19.4%	17.0%
Cash and deposits	1.9%	1.1%
Others	1.1%	1.2%
Total	100.0%	100.0%

Plan assets include the retirement benefit trusts. The amounts of the retirement benefit trusts were 49.5% and 57.1% of total plan assets as of March 31, 2014 and 2015, respectively.

h. The expected long-term rate of return on plan assets

The expected long-term rate of return on plan assets is calculated by aggregating the weighted rate of return derived from each asset category. The expected long-term rate of return for each asset

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category is based primarily on various aspects of long-term prospects for the economy that include historical performance and the market environment.

i. Assumptions used in calculation

Assumptions of the Company used in accounting for the defined benefit plans for the years ended March 31, 2014 and 2015 were as follows:

<b>Years ended March 31</b>	<b>2014</b>	<b>2015</b>
Discount rate	0.9%	0.9%
Expected long-term rate of return on plan assets		
Defined benefit corporate pension plans	2.0%	2.0%
Retirement benefit trusts	0.0%	0.0%

(4) Defined contribution plans

The amount recognized as expenses for the defined contribution pension plans was ¥900 million (U.S. \$7 million) for the year ended March 31, 2015.

## 14. Deferred Taxes

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

<b>As of March 31</b>	<b>Millions of Yen</b>		<b>Millions of</b>
	<b>2014</b>	<b>2015</b>	<b>U.S. Dollars</b>
			<b>2015</b>
Deferred tax assets	¥ 657,521	¥ 650,205	\$5,309
Valuation allowance for deferred tax assets	(6,524)	(6,417)	(52)
Subtotal	650,996	643,787	5,257
Deferred tax liabilities	(771,087)	(1,146,543)	(9,363)
Net deferred tax assets (liabilities)	(120,090)	(502,755)	(4,105)

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

As of March 31	Millions of Yen		Millions of U.S. Dollars
	2014	2015	2015
Deferred tax assets			
Policy reserves and other reserves	¥ 394,696	¥ 424,852	\$3,469
Reserve for price fluctuation	147,792	141,866	1,158
Deferred tax liabilities:			
Net unrealized gains on available-for-sale securities	736,091	1,106,381	9,035

(2) The statutory tax rates were 33.28% and 30.73% for the years ended March 31, 2014 and 2015, respectively. Main factors in the differences between the statutory tax rates and the actual effective tax rates after considering deferred taxes were as follows:

Years ended March 31	2014	2015
Policyholders' dividend reserves	(17.77)%	(15.19)%
Effects of changes in the income tax rate	—	11.81%

(3) From the end of the year ended March 31, 2014, the statutory tax rates of the Company which are used to measure deferred tax assets and liabilities recoverable during the period within one year were changed from 33.28% to 30.73% due to the termination of the special reconstruction corporate tax in accordance with the "Act for Partial Revision of the Income Tax Act" (Act No. 10 in 2014).

Due to this change, as of March 31, 2014, both deferred tax liabilities of the Company in the consolidated balance sheet and deferred portion of income taxes of the Company in the consolidated statement of income increased by ¥1,983 million.

(4) From the end of the year ended March 31, 2015, the statutory tax rates of the Company which are used to measure deferred tax assets and liabilities were changed from 30.73% to 28.80% in accordance with the "Act for Partial Revision of the Income Tax Act" (Act No. 9 in 2015).

Due to this change, as of March 31, 2015, deferred tax liabilities of the Company in the consolidated balance sheet decreased by ¥34,385 million (U.S. \$280 million), deferred tax liabilities for land revaluation in the consolidated balance sheet decreased by ¥5,754 million (U.S. \$46 million), and deferred portion of income taxes of the Company in the consolidated statement of income increased by ¥43,023 million (U.S. \$351 million).

## 15. Policyholders' Dividend Reserves

Changes in policyholders' dividend reserves for the years ended March 31, 2014 and 2015 were as follows:

Years ended March 31	Millions of Yen		Millions of U.S. Dollars
	2014	2015	2015
Balance at the beginning of the fiscal year	¥ 280,524	¥ 270,023	\$2,205
Transfer from surplus in the previous fiscal year	152,835	158,094	1,291
Dividend payments to policyholders during the fiscal year	(163,872)	(175,209)	(1,430)
Interest accrued during the fiscal year	535	506	4
Balance at the end of the fiscal year	¥ 270,023	¥ 253,414	\$2,069

## 16. Subordinated Debt

As of March 31, 2014 and 2015, other liabilities included subordinated debts of ¥100,000 million and ¥100,000 million (U.S. \$816 million), respectively, and the repayments of which are subordinated to other obligations.

## 17. Accrued Retirement Benefits for Directors and Executive Officers

Accrued retirement benefits for directors and executive officers of the Company are provided based on a portion accrued for the period of the estimated payable amount.

In 2008, the Compensation Committee of the Company decided to terminate the retirement allowance scheme for directors and executive officers of the Company effective June 30, 2008. No provisions have been made for incumbent directors and executive officers since that date.

## 18. Reserve for Contingent Liabilities

Reserve for contingent liabilities of the Company is provided for the amount of estimated possible losses in the future with respect to the securitizations of loans and loan commitments outstanding pursuant to Article 24-4 of the "Ordinance for Enforcement of the Insurance Business Act".

## 19. Foundation Funds

Foundation funds serve as the primary source of capital for Japanese mutual life insurance companies. These funds are similar to loans, as interest payments, maturity dates and other items must be established at the time of the offering. In the event of a bankruptcy or similar development, repayment of the principal and interest of foundation funds is subordinated to the repayment of amounts owed to ordinary creditors and insurance claims and benefit payments owed to policyholders. Upon redemption of foundation funds, mutual companies are required to make an addition to the reserve for redemption of foundation funds, which serves as retained earnings, equal to the amount redeemed. As a result, the full amount of foundation funds remains in net assets even after redemption.

The Company redeemed foundation funds and also established for reserve for redemption of foundation funds pursuant to Article 56 of the "Insurance Business Act" in the amount of ¥60,000 million (U.S. \$489 million) as of March 31, 2015.

The Company offered foundation funds in the amount of ¥50,000 million and ¥60,000 million (U.S. \$489 million) pursuant to Article 60 of the “Insurance Business Act” in the years ended March 31, 2014 and 2015, respectively.

## 20. Separate Accounts

The total amounts of assets held in separate accounts defined in Article 118, Paragraph 1 of the “Insurance Business Act” were ¥822,310 million and ¥864,990 million (U.S. \$7,064 million) as of March 31, 2014 and 2015, respectively. The amounts of separate account liabilities were the same as these figures.

## 21. Contributions to the Life Insurance Policyholders Protection Corporation

The Company estimated future contributions to the Life Insurance Policyholders Protection Corporation in the amount of ¥51,981 million and ¥52,814 million (U.S. \$431 million) as of March 31, 2014 and 2015, respectively, pursuant to Article 259 of the “Insurance Business Act”.

These contributions are recognized as operating expenses when contributed.

## 22. Income Taxes

The provision for income taxes is calculated based on the pretax surplus included in the consolidated statements of income. The asset and liability approach is used to recognize deferred tax assets and liabilities for the expected future tax consequences of temporary differences between the carrying amounts and the tax bases of assets and liabilities. Deferred taxes are measured by applying the effective income tax rates that are based on the enacted statutory rates to the temporary differences.

## 23. Other Comprehensive Income

The components of other comprehensive income (reclassification adjustments and income tax effects relating to other comprehensive income) for the years ended March 31, , 2014 and 2015 were as follows:

Years ended March 31	Millions of Yen		Millions of
	2014	2015	U.S. Dollars
<b>Net unrealized gains on available-for-sale securities:</b>			<b>2015</b>
Amount arising during the fiscal year	¥ 323,272	¥ 1,657,722	\$13,537
Reclassification adjustments Before income tax effect	(180,064)	(184,502)	(1,506)
adjustments	143,208	1,473,219	12,031
Income tax effects	(43,919)	(375,970)	(3,070)
Net unrealized gains on available-for-sale securities	99,288	1,097,249	8,960

<b>Deferred unrealized gains (losses) on derivatives under hedge accounting:</b>			
Amount arising during the fiscal year	¥ (1,767)	¥ 22,901	\$187
Reclassification adjustments	(2,640)	(2,961)	(24)
Before income tax effect			
adjustments	(4,407)	19,939	162
Income tax effects	1,536	(5,428)	(44)
Deferred unrealized gains (losses) on derivatives under hedge accounting	(2,871)	14,511	118
<b>Land revaluation differences:</b>			
Amount arising during the fiscal year	¥ —	¥ —	\$ —
Reclassification adjustments	—	—	—
Before income tax effect			
adjustments	—	—	—
Income tax effects	—	5,884	48
Land revaluation differences	—	5,884	48
<b>Foreign currency translation adjustments:</b>			
Amount arising during the fiscal year	¥ 7,049	¥ 5,827	\$47
Reclassification adjustments	—	—	—
Before income tax effect			
adjustments	7,049	5,827	47
Income tax effects	—	—	—
Foreign currency translation adjustments	7,049	5,827	47
<b>Remeasurements of defined benefit plans:</b>			
Amount arising during the fiscal year	¥ —	¥ 44,064	\$359
Reclassification adjustments	—	19,355	158
Before income tax effect			
adjustments	—	63,419	517
Income tax effects	—	(20,284)	(165)
Remeasurements of defined benefit plans	—	43,135	352
<b>Share of other comprehensive income of affiliates accounted for by the equity method:</b>			
Amount arising during the year	¥ 10,788	¥ 11,443	\$93
Reclassification adjustments	(477)	(13)	(0)
Share of other comprehensive income of affiliates accounted for by the equity method	10,310	11,430	93
<b>Total other comprehensive income</b>	<b>¥ 113,777</b>	<b>¥ 1,178,038</b>	<b>\$9,620</b>