

November 14, 2013

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## Financial Results for the Six Months Ended September 30, 2013

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The Dai-ichi Life Insurance Company, Limited (the "Company" or the "Parent Company"; President: Koichiro Watanabe) announces its financial results for the six months ended September 30, 2013.

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Attached: Supplementary Materials for the Six Months Ended September 30, 2013

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

## 1. Business Highlights

### (1) Sum Insured of Policies in Force and New Policies

#### Policies in Force

	As of March 31, 2013		As of September 30, 2013			
	Number of policies (thousands)	Amount (billions of yen)	Number of policies		Amount	
			(thousands)	% of March 31, 2013 total	(billions of yen)	% of March 31, 2013 total
Individual insurance	11,442	133,344.7	11,446	100.0	130,561.9	97.9
Individual annuities	1,431	8,516.8	1,451	101.4	8,639.4	101.4
Individual insurance and annuities	12,874	141,861.5	12,897	100.2	139,201.4	98.1
Group insurance	-	48,766.6	-	-	48,420.7	99.3
Group annuities	-	6,146.1	-	-	6,274.2	102.1

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

#### New Policies

	Number of policies		Amount			
	(thousands)	% of September 30, 2012 total	(billions of yen)	New Business	Net increase by conversion	% of September 30, 2012 total
Six months ended September 30, 2012						
Individual insurance	574		3,121.7	2,887.9	233.7	
Individual annuities	46		308.7	313.5	(4.8)	
Individual insurance and annuities	620		3,430.4	3,201.5	228.9	
Group insurance	-		172.6	172.6	-	
Group annuities	-		0.0	0.0	-	
Six months ended September 30, 2013						
Individual insurance	495	86.3	2,754.9	2,609.8	145.0	88.2
Individual annuities	42	92.3	284.3	287.9	(3.5)	92.1
Individual insurance and annuities	538	86.8	3,039.2	2,897.7	141.5	88.6
Group insurance	-	-	110.3	110.3	-	63.9
Group annuities	-	-	0.1	0.1	-	454.1

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

#### (Reference) Surrenders and lapses in individual insurance and annuities

(billions of yen)

	Six months ended September 30, 2012	Six months ended September 30, 2013
Amount of surrenders and lapses	3,347.9	3,101.5
Surrender and lapse rate (%)	2.29	2.19

- Note: 1. The amount of lapses is not offset by the amount of lapses which are reinstated.  
2. The table above excludes cases where the sum insured is decreased or riders are surrendered for in-force contracts.

## (2) Annualized Net Premiums

### Policies in Force

(billions of yen except percentages)

	As of March 31, 2013	As of September 30, 2013	% of March 31, 2013 total
Individual insurance	1,663.1	1,648.5	99.1
Individual annuities	362.7	367.4	101.3
Total	2,025.9	2,015.9	99.5
Medical and survival benefits	522.5	528.7	101.2

### New Policies

(billions of yen except percentages)

	Six months ended September 30, 2012	Six months ended September 30, 2013	% of September 30, 2012 total
Individual insurance	50.5	45.0	89.2
Individual annuities	10.5	9.3	89.0
Total	61.0	54.4	89.2
Medical and survival benefits	20.5	21.5	105.3

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

## (3) Profit and Loss Items

(millions of yen except percentages)

	Six months ended September 30, 2012	Six months ended September 30, 2013	% of September 30, 2012 total
Premium and other income	1,429,909	1,427,403	99.8
Investment income	485,061	615,002	126.8
Benefits and Claims	1,171,053	1,182,147	100.9
Investment expenses	188,205	105,848	56.2
Ordinary profit	88,674	171,812	193.8

## (4) Total assets

(millions of yen except percentages)

	As of March 31, 2013	As of September 30, 2013	% of March 31, 2013 total
Total Assets	33,072,490	33,474,690	101.2

## 2. Unaudited Non-Consolidated Balance Sheet

(millions of yen)

	As of March 31, 2013 (summarized)	As of September 30, 2013
<b>(ASSETS)</b>		
Cash and deposits	363,601	464,839
Call loans	365,800	263,700
Monetary claims bought	283,103	277,918
Money held in trust	24,071	28,443
Securities	27,161,984	27,507,357
[ Government bonds ]	[ 14,323,032 ]	[ 14,338,031 ]
[ Local government bonds ]	[ 290,628 ]	[ 255,447 ]
[ Corporate bonds ]	[ 2,137,606 ]	[ 2,105,334 ]
[ Stocks ]	[ 2,842,790 ]	[ 3,160,169 ]
[ Foreign securities ]	[ 7,165,487 ]	[ 7,230,158 ]
Loans	3,139,671	3,081,724
Policy loans	480,229	469,248
Ordinary loans	2,659,441	2,612,475
Tangible fixed assets	1,236,034	1,218,825
Intangible fixed assets	100,909	92,534
Reinsurance receivable	14,096	13,359
Other assets	288,309	381,419
Deferred tax assets	65,570	62,972
Customers' liabilities for acceptances and guarantees	33,446	83,538
Reserve for possible loan losses	(4,109)	(1,704)
Reserve for possible investment losses	-	(237)
<b>Total assets</b>	<b>33,072,490</b>	<b>33,474,690</b>
<b>(LIABILITIES)</b>		
Policy reserves and others	29,168,377	29,473,785
Reserves for outstanding claims	138,570	140,445
Policy reserves	28,637,045	28,955,924
Reserve for policyholder dividends	392,761	377,414
Reinsurance payable	727	703
Subordinated bonds	154,584	156,435
Other liabilities	1,413,825	1,369,966
Corporate income tax payable	56,612	52,043
Lease liabilities	7,545	6,720
Asset retirement obligations	2,855	2,817
Other liabilities	1,346,811	1,308,384
Reserve for employees' retirement benefits	437,514	410,338
Reserve for retirement benefits of directors, executive officers and corporate auditors	2,327	2,220
Reserve for possible reimbursement of prescribed claims	700	539
Reserve for price fluctuations	88,453	102,453
Deferred tax liabilities for land revaluation	94,842	94,541
Acceptances and guarantees	33,446	83,538
<b>Total liabilities</b>	<b>31,394,799</b>	<b>31,694,522</b>
<b>(NET ASSETS)</b>		
Capital stock	210,207	210,224
Capital surplus	210,207	210,224
Legal capital surplus	210,207	210,224
Retained earnings	216,541	264,673
Legal retained earnings	5,600	5,600
Other retained earnings	210,941	259,073
Fund for risk allowance	43,120	43,120
Fund for price fluctuation allowance	65,000	65,000
Reserve for tax basis adjustments of real estate	20,838	21,175
Retained earnings brought forward	81,982	129,778
Treasury stock	(13,431)	(12,363)
Total shareholders' equity	623,524	672,759
Net unrealized gains (losses) on securities, net of tax	1,092,583	1,146,976
Deferred hedge gains (losses)	(1,801)	(3,143)
Reserve for land revaluation	(36,995)	(37,008)
Total of valuation and translation adjustments	1,053,786	1,106,824
Subscription rights to shares	379	583
<b>Total net assets</b>	<b>1,677,691</b>	<b>1,780,168</b>
<b>Total liabilities and net assets</b>	<b>33,072,490</b>	<b>33,474,690</b>

### 3. Unaudited Non-Consolidated Statement of Earnings

(millions of yen)

	Six months ended September 30, 2012	Six months ended September 30, 2013
<b>ORDINARY REVENUES</b>	2,037,349	2,208,277
Premium and other income	1,429,909	1,427,403
[ Premium income ]	[ 1,429,554 ]	[ 1,427,001 ]
Investment income	485,061	615,002
[ Interest and dividends ]	[ 336,055 ]	[ 369,876 ]
[ Gains on money held in trust ]	[ - ]	[ 4,387 ]
[ Gains on sale of securities ]	[ 125,557 ]	[ 137,802 ]
[ Gains on investments in separate accounts ]	[ - ]	[ 91,146 ]
Other ordinary revenues	122,377	165,871
[ Reversal of reserves for outstanding claims ]	[ 2,471 ]	[ - ]
<b>ORDINARY EXPENSES</b>	1,948,675	2,036,464
Benefits and claims	1,171,053	1,182,147
[ Claims ]	[ 391,554 ]	[ 347,800 ]
[ Annuities ]	[ 241,826 ]	[ 246,252 ]
[ Benefits ]	[ 247,791 ]	[ 240,187 ]
[ Surrender values ]	[ 243,212 ]	[ 256,229 ]
[ Other refunds ]	[ 45,982 ]	[ 90,930 ]
Provision for policy reserves and others	196,004	325,268
Provision for reserves for outstanding claims	-	1,875
Provision for policy reserves	191,375	318,878
Provision for interest on policyholder dividends	4,628	4,514
Investment expenses	188,205	105,848
[ Interest expenses ]	[ 9,310 ]	[ 9,704 ]
[ Losses on money held in trust ]	[ 1,939 ]	[ - ]
[ Losses on sale of securities ]	[ 31,497 ]	[ 39,149 ]
[ Losses on valuation of securities ]	[ 65,173 ]	[ 1,210 ]
[ Derivative transaction losses ]	[ 514 ]	[ 18,729 ]
[ Losses on investments in separate accounts ]	[ 45,802 ]	[ - ]
Operating expenses	198,701	206,511
Other ordinary expenses	194,710	216,688
<b>ORDINARY PROFIT</b>	88,674	171,812
<b>EXTRAORDINARY GAINS</b>	4,523	1,748
Gains on disposal of fixed assets	4,523	1,748
<b>EXTRAORDINARY LOSSES</b>	20,525	26,930
Losses on disposal of fixed assets	3,731	1,023
Impairment losses on fixed assets	2,793	11,906
Provision for reserve for price fluctuations	14,000	14,000
Provision for reserve for policyholder dividends	38,958	40,264
Income before income taxes	33,714	106,366
Corporate income taxes-current	19,100	63,450
Corporate income taxes-deferred	(15,413)	(21,091)
Total of corporate income taxes	3,687	42,359
Net income for the period	30,026	64,007

#### 4. Unaudited Non-Consolidated Statement of Changes in Net Assets

	(millions of yen)		(millions of yen)	
	Six months ended September 30, 2012	Six months ended September 30, 2013	Six months ended September 30, 2012	Six months ended September 30, 2013
<b>Shareholders' equity</b>				
<b>Capital stock</b>				
Balance at the beginning of the year	210,200	210,207	(16,703)	(13,431)
Changes for the period				
Issuance of new shares - exercise of subscription rights to shares	7	17	1,943	1,067
Total changes for the period	7	17	1,943	1,067
Balance at the end of the period	210,207	210,224	(14,760)	(12,363)
<b>Capital surplus</b>				
<b>Legal capital surplus</b>				
Balance at the beginning of the year	210,200	210,207		
Changes for the period				
Issuance of new shares - exercise of subscription rights to shares	7	17		
Total changes for the period	7	17		
Balance at the end of the period	210,207	210,224		
<b>Other capital surplus</b>				
Balance at the beginning of the year	-	-		
Changes for the period				
Disposal of treasury stock	(777)	(8)		
Transfer from retained earnings to capital surplus	777	8		
Total changes for the period	-	-		
Balance at the end of the period	-	-		
<b>Total capital surplus</b>				
Balance at the beginning of the year	210,200	210,207		
Changes for the period				
Issuance of new shares - exercise of subscription rights to shares	7	17		
Disposal of treasury stock	(777)	(8)		
Transfer from retained earnings to capital surplus	777	8		
Total changes for the period	7	17		
Balance at the end of the period	210,207	210,224		
<b>Retained earnings</b>				
<b>Legal retained earnings</b>				
Balance at the beginning of the year	5,600	5,600		
Changes for the period				
Total changes for the period	-	-		
Balance at the end of the period	5,600	5,600		
<b>Other retained earnings</b>				
<b>Fund for risk allowance</b>				
Balance at the beginning of the year	43,120	43,120		
Changes for the period				
Total changes for the period	-	-		
Balance at the end of the period	43,120	43,120		
<b>Fund for price fluctuation allowance</b>				
Balance at the beginning of the year	65,000	65,000		
Changes for the period				
Total changes for the period	-	-		
Balance at the end of the period	65,000	65,000		
<b>Reserve for tax basis adjustments of real estate</b>				
Balance at the beginning of the year	19,352	20,838		
Changes for the period				
Transfer to reserve for tax basis adjustments of real estate	-	400		
Transfer from reserve for tax basis adjustments of real estate	(69)	(64)		
Total changes for the period	(69)	336		
Balance at the end of the period	19,283	21,175		
<b>Retained earnings brought forward</b>				
Balance at the beginning of the year	73,630	81,982		
Changes for the period				
Dividends	(15,818)	(15,855)		
Net income for the period	30,026	64,007		
Transfer from retained earnings to capital surplus	(777)	(8)		
Transfer to reserve for tax basis adjustments of real estate	-	(400)		
Transfer from reserve for tax basis adjustments of real estate	69	64		
Transfer from reserve for land revaluation	(23,658)	(11)		
Total changes for the period	(10,159)	47,795		
Balance at the end of the period	63,471	129,778		
<b>Total retained earnings</b>				
Balance at the beginning of the year	206,703	216,541		
Changes for the period				
Dividends	(15,818)	(15,855)		
Net income for the period	30,026	64,007		
Transfer from retained earnings to capital surplus	(777)	(8)		
Transfer from reserve for land revaluation	(23,658)	(11)		
Total changes for the period	(10,228)	48,132		
Balance at the end of the period	196,474	264,673		
<b>Treasury stock</b>				
Balance at the beginning of the year			(16,703)	(13,431)
Changes for the period				
Disposal of treasury stock			1,943	1,067
Total changes for the period			1,943	1,067
Balance at the end of the period			(14,760)	(12,363)
<b>Total shareholders' equity</b>				
Balance at the beginning of the year			610,399	623,524
Changes for the period				
Issuance of new shares - exercise of subscription rights to shares			14	35
Dividends			(15,818)	(15,855)
Net income for the period			30,026	64,007
Disposal of treasury stock			1,165	1,059
Transfer from reserve for land revaluation			(23,658)	(11)
Total changes for the period			(8,270)	49,235
Balance at the end of the period			602,128	672,759
<b>Valuation and translation adjustments</b>				
Net unrealized gains (losses) on securities, net of tax				
Balance at the beginning of the year			479,490	1,092,583
Changes for the period				
Net changes of items other than shareholders' equity			(99,965)	54,393
Total changes for the period			(99,965)	54,393
Balance at the end of the period			379,524	1,146,976
Deferred hedge gains (losses)				
Balance at the beginning of the year			(44)	(1,801)
Changes for the period				
Net changes of items other than shareholders' equity			(836)	(1,342)
Total changes for the period			(836)	(1,342)
Balance at the end of the period			(880)	(3,143)
Reserve for land revaluation				
Balance at the beginning of the year			(61,616)	(36,995)
Changes for the period				
Net changes of items other than shareholders' equity			23,570	(13)
Total changes for the period			23,570	(13)
Balance at the end of the period			(38,046)	(37,008)
<b>Total of valuation and translation adjustments</b>				
Balance at the beginning of the year			417,829	1,053,786
Changes for the period				
Net changes of items other than shareholders' equity			(77,232)	53,037
Total changes for the period			(77,232)	53,037
Balance at the end of the period			340,597	1,106,824
<b>Subscription rights to shares</b>				
Balance at the beginning of the year			150	379
Changes for the period				
Net changes of items other than shareholders' equity			229	203
Total changes for the period			229	203
Balance at the end of the period			379	583
<b>Total net assets</b>				
Balance at the beginning of the year			1,028,379	1,677,691
Changes for the period				
Issuance of new shares - exercise of subscription rights to shares			14	35
Dividends			(15,818)	(15,855)
Net income for the period			30,026	64,007
Disposal of treasury stock			1,165	1,059
Transfer from reserve for land revaluation			(23,658)	(11)
Net changes of items other than shareholders' equity			(77,002)	53,241
Total changes for the period			(85,273)	102,476
Balance at the end of the period			943,106	1,780,168

## **I. NOTES TO THE UNAUDITED NON-CONSOLIDATED BALANCE SHEET AS OF SEPTEMBER 30, 2013**

### **1. Valuation Methods of Securities**

Securities held by the Company 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.

#### (1) Trading Securities

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

#### (2) Held-to-maturity Bonds

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

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

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

#### (4) Stocks of Subsidiaries and Affiliated Companies

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

#### (5) Available-for-sale Securities

##### (a) Available-for-sale Securities with Market Value

Available-for-sale securities which have market value are valued at fair value as of September 30, 2013 (for domestic stocks, the average value during September), 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 (including foreign bonds), whose premium or discount represents the interest adjustment are valued at the amortized cost determined by the moving average method.

ii) 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 non-consolidated statement of earnings.

### **2. Policy-reserve-matching Bonds**

#### (1) Book Value and Market Value

The book value and the market value of policy-reserve-matching bonds as of September 30, 2013 was ¥11,624,659 million and ¥12,568,615 million, respectively.

#### (2) Risk Management Policy

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

The sub-groups of insurance products are:

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

### **3. Valuation Method of Derivative Transactions**

Derivative transactions are reported at fair value.

### **4. Revaluation of Land**

Based on the “Law for Revaluation of Land” (Publicly Issued Law 34, March 31, 1998), the Company 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 Articles 2-1 and 2-4 of the Enforcement Ordinance of the Law for Revaluation of Land (Publicly Issued 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 as of September 30, 2013 was ¥31,962 million.

## **5. Depreciation of Depreciable Assets**

### **(1) Depreciation of Tangible Fixed Assets Excluding Leased Assets**

Depreciation of tangible fixed assets excluding leased assets is calculated by the declining balance method (the depreciation of buildings other than attached improvements and structures is calculated by the straight-line method) and is computed by proportionally allocating the estimated depreciation for the fiscal year.

Estimated useful lives of major assets are as follows:

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

Tangible fixed assets other than land, buildings and leased assets that were acquired for ¥100,000 or more but less than ¥200,000 are depreciated at equal amounts over three years.

With respect to tangible fixed assets that are acquired on or before March 31, 2007 and that are depreciated to their final depreciable limit, effective the fiscal year ended March 31, 2008, the remaining values are depreciated at equal amounts over five years following the fiscal year end when such assets were depreciated to their final depreciable limit.

### **(2) Amortization of Intangible Fixed Assets Excluding Leased Assets**

The Company uses the straight-line method for amortization of intangible fixed assets excluding leased assets. Amortization of software for internal use is based on the estimated useful life of five years.

### **(3) Depreciation of Leased Assets**

Depreciation for leased assets with regard to finance leases whose ownership does not transfer to the lessees is computed under the straight-line method assuming zero remaining value.

### **(4) Accumulated Depreciation of Tangible Fixed Assets**

Accumulated depreciation of tangible fixed assets as of September 30, 2013 was ¥636,086 million.

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

The Company translated foreign currency-denominated assets and liabilities (excluding stocks of its subsidiaries and affiliated companies) into yen at the prevailing exchange rates as of September 30, 2013. Stocks of non-consolidated subsidiaries and affiliated companies are translated into yen at the exchange rates on the dates of acquisition.

## **7. Reserve for Possible Loan Losses**

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

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

For loans to and claims on obligors that have not yet suffered business failure but are considered highly likely to fail, the reserve is calculated taking into account (1) the recoverable amount covered by the collateral or guarantees and (2) an overall assessment of the obligor's ability to pay.

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

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

For loans to and claims on bankrupt and substantially bankrupt obligors, the unrecoverable amount is calculated by deducting the amount deemed recoverable from collateral or guarantees from the amount of the loans and claims and is directly written off from the amount of the loans and claims. The amount written off during the six months ended September 30, 2013 was ¥72 million.



## **8. Reserve for Employees' Retirement Benefits**

For the reserve for employees' retirement benefits, the amount calculated in accordance with the accounting standards for retirement benefits ("Statement on Establishing Accounting Standards for Retirement Benefits" issued on June 16, 1998 by the Business Accounting Council), supposed to be incurred as of September 30, 2013, is provided based on the projected benefit obligations and pension assets as of March 31, 2014.

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

## **9. Reserve for Possible Investment Losses**

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

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

For the reserve for retirement benefits of directors, executive officers and corporate auditors of the Company, (1) an estimated amount for future payment out of the total amount of benefits for past service approved by the 105<sup>th</sup> general meeting of representative policyholders of the Company and (2) an estimated amount for future corporate-pension payments to directors, executive officers, and corporate auditors who retired before the 105<sup>th</sup> general meeting of representative policyholders of the Company are provided.

## **11. Reserve for Possible Reimbursement of Prescribed Claims**

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

## **12. Reserve for Price Fluctuations**

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

## **13. Hedge Accounting**

### **(1) Methods for Hedge Accounting**

Hedging transactions are accounted for in accordance with the "Accounting Standards for Financial Instruments" (Accounting Standards Board of Japan (ASBJ) Statement No. 10 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; and (d) 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**

<u>Hedging instruments</u>	<u>Hedged items</u>
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

Equity options .....	Domestic stocks, foreign currency-denominated stocks (forecasted transaction)
Equity forward contracts .....	Domestic stocks

(3) Hedging Policies

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

(4) Assessment of Hedge Effectiveness

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

**14. Calculation of National and Local Consumption Tax**

The Company accounts for national and local consumption tax by the tax-exclusion method. Deferred consumption tax included in non-recoverable consumption tax on certain assets is capitalized as 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 Reserve**

Policy reserves of the Company are established in accordance with Article 116 of the Insurance Business Act. Insurance premium reserves are calculated as follows:

- (1) 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).
- (2) Reserves for other policies are established based on the net level premium method.

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 in the following nine years. As a result, the amount of the additional provision for policy reserves for the six months ended September 30, 2013 was ¥61,318 million.

**16. Securities Lending**

Securities lent under lending agreements are included in the non-consolidated balance sheets. The total balance of securities lent as of September 30, 2013 was ¥933,459 million.

**17. Problem Loans**

As of September 30, 2013, the total amount of credits to bankrupt borrowers, delinquent loans, loans past due for three months or more, and restructured loans, which was included in loans, was ¥8,854 million. The amount of credits to bankrupt borrowers was ¥4,469 million, the amount of delinquent loans was ¥4,319 million, the Company held no amount of loans past due for three months or more, and the amount of restructured loans was ¥65 million.

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 and 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 described in Note 7 above, credits to bankrupt borrowers and delinquent loans decreased by ¥11 million and ¥60 million, respectively.

#### **18. Assets and Liabilities Held in Separate Accounts**

The total amount of assets held in separate accounts defined in Article 118, Paragraph 1 of the Insurance Business Act was ¥1,219,484 million. Separate account liabilities were the same amount as the separate account assets.

#### **19. Leased Computers**

In addition to leased assets included in the non-consolidated balance sheet, the Company has computers as significant leased tangible fixed assets. The Company has no material leased intangible fixed assets.

#### **20. Changes in Reserve for Policyholder Dividends**

Changes in reserve for policyholder dividends were as follows:

	(Unit: million yen)
Balance at the beginning of the fiscal year ending March 31, 2014.....	392,761
Dividends paid during the six months ended September 30, 2013 .....	(60,125)
Interest accrual during the six months ended September 30, 2013 .....	4,514
Provision for reserve for policyholder dividends.....	40,264
<u>Balance as of September 30, 2013 .....</u>	<u>377,414</u>

#### **21. Stock of Subsidiaries and Affiliated Companies**

The amount of stocks of subsidiaries and affiliated companies the Company held as of September 30, 2013 was ¥397,114 million.

#### **22. Organization Change Surplus**

The amount of the Company's organization change surplus stipulated in Article 91 of the Insurance Business Act was ¥117,776 million.

#### **23. Assets Pledged as Collateral / Secured Liabilities**

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

	(Unit: million yen)
Securities (Government bonds) .....	707,515
Securities (Foreign securities) .....	3,870
Cash and deposits .....	86
<u>Securities, cash and deposits pledged as collateral .....</u>	<u>711,472</u>

The amounts of secured liabilities were as follows:

	(Unit: million yen)
Cash collateral for securities lending transactions .....	696,850
<u>Loans payable .....</u>	<u>3</u>
<u>Secured liabilities .....</u>	<u>696,854</u>

“Securities (Government bonds)” pledged for collateral for securities lending transactions with cash collateral as of September 30, 2013 was ¥675,561 million.

#### **24. Reinsurance**

The amount of 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”) was ¥10 million. The amount of policy reserves provided for reinsured parts defined in Article 71, Paragraph 1 of the Regulations (hereinafter “policy reserves reinsured”) was ¥0 million.

#### **25. Asset Retirement Obligations**

The following table shows the increase and decrease in asset retirement obligations for the six months ended September 30, 2013:

	(Unit: million yen)
Beginning balance .....	2,855
Time progress adjustments.....	20
Others .....	(59)
Ending balance .....	2,817

## **26. Securities Borrowing**

Securities borrowed under borrowing agreements can be sold or pledged as collateral. As of September 30, 2013, the market value of the securities borrowed which were not sold or pledged was ¥23,770 million, among which no securities were pledged as collateral.

## **27. Commitment Line**

There were unused commitment line agreements under which the Company is the lender of ¥25,141 million.

## **28. Subordinated Debt**

Other liabilities included subordinated debt of ¥320,000 million, the repayment of which is subordinated to other obligations.

## **29. Subordinated Bonds**

Subordinated bonds of ¥156,435 million shown in liabilities included foreign currency-denominated subordinated bonds, the repayment of which is subordinated to other obligations.

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

The estimated future obligations of the Company to the Life Insurance Policyholders Protection Corporation of Japan under Article 259 of the Insurance Business Act were ¥53,689 million as of September 30, 2013. These obligations will be recognized as operating expenses in the period in which they are paid.

## **31. Subsequent Events**

- (1) To help improve convenience and liquidity in securities markets in accordance with the “Action Plan for Consolidation of Trading Units” announced by all the stock exchanges in Japan in November 2007, the Parent Company split 1 share of its ordinary shares into 100 shares, and, accordingly, amended the number of shares constituting one unit of the Parent Company’s ordinary shares from 1 share to 100 shares effective on October 1, 2013.

The effect of the share split is described in II. NOTES TO UNAUDITED NON-CONSOLIDATED STATEMENT OF EARNINGS FOR THE SIX MONTHS ENDED SEPTEMBER 30, 2013.

- (2) On June 3, 2013, the Parent Company concluded a contract on subscription of new shares of PT Panin Life (“Panin Life”), an Indonesian life insurance company, and PT Panin Internasional (“Panin Internasional”), its intermediate holding company, with PT Panin Financial Tbk (“Panin Financial”), the parent company of these companies, Panin Internasional and Panin Life.

By completing the prescribed procedures, such as the application for approval from Indonesian local authorities, the Parent Company successfully acquired shares of Panin Life and Panin Internasional, making both companies affiliated companies of the Parent Company.

- (a) Purpose of share acquisition

The Parent Company acquired a stake in Panin Life to enter Indonesia, a promising life insurance market with the 4<sup>th</sup> largest population in the world, based on the Parent Company’s core growth strategy to enhance its overseas life insurance businesses.

Additionally, Panin Life is a life insurance subsidiary of Panin Financial, a leading financial institution, which also owns a stake in Panin Bank, one of the major banks in Indonesia. Panin Life has a number of distribution channels such as individual agency, bancassurance, and direct telemarketing. By diversifying its sales channels, Panin Life has successfully grown its underlying business performance in recent years.

The investment in Panin Life will bring added value for business growth of both the Parent Company and Panin Life, providing excellence to customers and business partners.

- (b) Name, business and size of acquired company

- i) Name of the acquired company

PT Panin Life (\*1)

(\*1) By acquiring 5% of shares of Panin Life and 36.842% of Panin Internasional, the Parent Company effectively acquired 40% shares of Panin Life.

- ii) Business
  - Life insurance business
- iii) Size (as of December 31, 2012)
  - Total assets: 3,876.1 billion IDR (¥32.9 billion) (\*2)
  - (\*2) The exchange rate used to calculate the yen-denominated amount is 1IDR = 0.0085 yen.
- (c) Date of acquisition
  - October 2013
- (d) Number of shares acquired, investment amount and the Parent Company's percentage of share holdings after completion of the transaction
  - i) Number of shares acquired
    - Panin Internasional: 75,344,500 shares
    - Panin Life: 533,669,000 shares
  - ii) Investment amount
    - 3,300.0 billion IDR (¥30.4 billion) (\*3)
    - (\*3) The yen-denominated figure represents the total amount cashed out.
  - iii) The Parent Company's stake in Panin Internasional and Panin Life after the acquisition
    - Panin Internasional: 36.842%
    - Panin Life: 5%

## II. NOTES TO THE UNAUDITED NON-CONSOLIDATED STATEMENT OF EARNINGS FOR THE SIX MONTHS ENDED SEPTEMBER 30, 2013

### 1. Gains/Losses on Sale of Securities, Losses on Valuation of Securities

Gains on sale of securities included gains on sale of domestic bonds, domestic stocks and foreign securities of ¥44,345 million, ¥19,376 million and ¥74,081 million, respectively.

Losses on sale of securities included losses on sales of domestic bonds, domestic stocks and foreign securities and other securities of ¥380 million, ¥3,589 million, ¥35,014 million and ¥165 million, respectively.

Losses on valuation of securities included losses on valuation of domestic stocks and foreign securities of ¥382 million and ¥827 million, respectively.

### 2. Reinsurance

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

### 3. Interest and Dividends

The breakdown of interest and dividends for the six months ended September 30, 2013 were as follows:

	(Unit: million yen)
Interest from bank deposits .....	3,238
Interest and dividends from securities ...	293,047
Interest from loans .....	36,974
Rental income .....	32,548
Other interest and dividends .....	4,067
<u>Total .....</u>	<u>369,876</u>

### 4. Gains/Losses on Money Held in Trust

Gains on money held in trust included gains on valuation of securities of ¥1,764 million.

### 5. Derivative Transaction Gains/Losses

Derivative transaction losses included valuation gains of ¥3,860 million.

### 6. Net Income per Share

Net income per share for the six months ended September 30, 2013 was ¥64.56. Diluted net income per share for the same period was ¥64.53.

The Company conducted a 1:100 share split on October 1, 2013. The above figures are calculated as if the Company conducted the split at the beginning of the six months ended September 30, 2013.

### 7. Impairment Losses on Fixed Assets

Details on impairment losses on fixed assets for the six months ended September 30, 2013 were as follows:

#### (1) Method of Grouping Assets

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

#### (2) Background for Recognition of Impairment Losses

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

#### (3) Breakdown of Impairment Losses

Impairment losses by asset group were as follows:

Asset Group	Place	Number	Impairment Losses			
			Land	Land Leasehold Rights	Buildings	Total
(Unit: million yen)						
Real estate for rent	Shinjuku City, Tokyo Metropolitan Prefecture	1	2,682	6,495	1,309	10,487
Real estate not in use	Nagano City, Nagano Prefecture and others	18	994	-	424	1,419
<b>Total</b>		<b>19</b>	<b>3,677</b>	<b>6,495</b>	<b>1,734</b>	<b>11,906</b>

(4) Calculation of Recoverable Value

Value in use or net sale value is used as the recoverable value of real estate for rent, and net sale value is used as the recoverable value of real estate not in use. A discount rate of 2.66% was applied for discounting future cash flows in the calculation of value in use. Estimated disposal value, appraisal value based on real estate appraisal standards, or appraisal value based on publicly assessed land value for tax purposes is used as the net sale value.

**III. NOTES TO THE UNAUDITED NON-CONSOLIDATED STATEMENT OF CHANGES IN NET ASSETS FOR THE SIX MONTHS ENDED SEPTEMBER 30, 2013**

**1. Treasury Stock**

(Unit: thousands of shares)

	Number of shares of treasury stock outstanding at the beginning of the fiscal year ending March 31, 2014	Increase in treasury stock	Decrease in treasury stock	Number of treasury stock outstanding as of September 30, 2013
Treasury stock Shares of Common Stock (*)	90	-	7	83

(\*) The 7 thousand share decrease in treasury stock represents the sum of (1) shares granted to eligible employees at retirement by the Stock Granting Trust (J-ESOP) 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 under the Company's Trust-type Employee Shareholding Incentive Plan (E-ship®).

## 5. Breakdown of Ordinary Profit (Fundamental Profit)

(millions of yen)

	Six months ended September 30, 2012	Six months ended September 30, 2013
Fundamental revenues	1,910,332	2,064,716
Premium and other income	1,429,909	1,427,403
Investment income	358,044	471,441
[Interest and dividends]	[ 336,055 ]	[ 369,876 ]
Other ordinary revenues	122,377	165,871
Fundamental expenses	1,754,693	1,887,881
Benefits and claims	1,171,053	1,182,147
Provision for policy reserves and others	110,566	245,950
Investment expenses	79,662	36,583
Operating expenses	198,701	206,511
Other ordinary expenses	194,710	216,688
Fundamental profit <b>A</b>	155,638	176,835
Capital gains	125,557	142,190
Gains on money held in trust	-	4,387
Gains on investments in trading securities	-	-
Gains on sale of securities	125,557	137,802
Derivative transaction gains	-	-
Foreign exchange gains	-	-
Others	-	-
Capital losses	108,414	69,023
Losses on money held in trust	1,939	-
Losses on investments in trading securities	-	-
Losses on sale of securities	31,497	39,149
Losses on valuation of securities	65,173	1,210
Derivative transaction losses	514	18,729
Foreign exchange losses	9,288	9,934
Others	-	-
Net capital gains (losses) <b>B</b>	17,142	73,166
Fundamental profit after net capital gains (losses) <b>A + B</b>	172,781	250,002
Other one-time gains	1,459	1,370
Reinsurance income	-	-
Reversal of contingency reserve	-	-
Reversal of specific reserve for possible loan losses	1,459	1,370
Others	-	-
Other one-time losses	85,567	79,559
Ceding reinsurance commissions	-	-
Provision for contingency reserve	18,000	18,000
Provision for specific reserve for possible loan losses	-	-
Provision for specific reserve for loans to refinancing countries	-	-
Write-down of loans	6	3
Others	67,560	61,556
Other one-time profits <b>C</b>	(84,107)	(78,189)
Ordinary profit <b>A + B + C</b>	88,674	171,812

Note:

- For the six months ended September 30, 2012, "Others" in "Other one-time losses" represents the sum of the amount of provision for reserve for possible investment losses (122 million yen) and the amount of the additional policy reserves provided (67,438 million yen) in accordance with Article 69, Paragraph 5 of the Enforcement Regulations of the Insurance Business Act.
- For the six months ended September 30, 2013, "Others" in "Other one-time losses" represents the sum of the amount of provision for reserve for possible investment losses (237 million yen) and the amount of the additional policy reserves provided (61,318 million yen) in accordance with Article 69, Paragraph 5 of the Enforcement Regulations of the Insurance Business Act.



## **6. Investment of General Account Assets for the Six Months Ended September 30, 2013**

### **(1) Investment Environment**

- The Japanese economy achieved high growth during the six months ended September 30, 2013 due to a) an improvement in exports given yen depreciation, b) an increase in individual consumption attributable to improved consumer sentiment and c) acceleration of public expenditures as a part of the Japanese government's economic policy.
- In the U.S., despite the support of the monetary easing measures by the Federal Reserve Board (FRB), tax hikes such as an increase in payroll tax rate and large-scale budget cuts due to budget sequestration restrained growth, resulting in a moderate economic recovery. The European economy picked up, owing to the enhanced monetary easing measures by the European Central Bank and the fiscal reconstruction of Euro-zone countries.
- Given the economic environment described above, the investment environment was as follows:

#### [Domestic interest rates]

- The yield on ten-year Japanese government bonds (JGBs) declined to 0.315%, a historically low level among global economies, given the 'quantitative and qualitative monetary easing measures' by the Bank of Japan (BOJ). Subsequently, it temporarily rose to around the 1.0% level, mainly because the BOJ purchased a substantial amount of JGBs and, therefore, liquidity in the bond market decreased. Thereafter, it showed a downward trend as an unstable political situation related to the planned increase in consumption tax was settled and the effect of the BOJ's purchase of JGBs gradually materialized.

Yield on ten-year government bonds:	April 1, 2013	0.560%
	September 30, 2013	0.680%

#### [Domestic Stocks]

- The Nikkei 225 temporarily rose to the 16,000 level due to expectations for overcoming deflation given a) aggressive monetary easing measures by the BOJ and b) the growth strategies of the Japanese government. After that, the market went into a volatile period because of the turmoil in emerging markets related to the expectation for tapering of the quantitative easing of the U.S., while on the other hand expectations for improvement of corporate earnings associated with yen depreciation and a boost to economic recovery given Tokyo's successful 2020 Olympic bid supported prices.

Nikkei 225 Stock Average:	April 1, 2013	12,397
	September 30, 2013	14,455
TOPIX:	April 1, 2013	1,034
	September 30, 2013	1,194

#### [Foreign Currency]

- The yen temporarily depreciated against the U.S. dollar to the ¥100 level due to a) the BOJ's monetary easing measures and b) the expectation for a tapering of quantitative easing by the United States. The concern over early tapering by the FRB contributed to raised market confusion and price volatility.
- The yen also depreciated against the euro to the ¥130 level, given the BOJ's aggressive monetary easing measures. Then, the yen temporarily saw an appreciating trend given the concern over the early tapering of the quantitative easing in the U.S. However, yen depreciation against the euro turned, due to the recovery in the economy of Euro-zone countries.

yen /U.S. dollar:	April 1, 2013	¥94.05
	September 30, 2013	¥97.75
yen/euro:	April 1, 2013	¥120.73
	September 30, 2013	¥131.87

## (2) Investment Results

### [Asset Composition]

- The Company continued to set fixed income investments, including domestic bonds, as the core of its asset portfolio, consistent with its mid- to long-term investment policies. The Company actively increased its position in policy-reserve-matching bonds by purchasing mainly super-long-term JGBs while taking interest rate levels into account, in order to further enhance its Asset Liability Management (ALM) strategy and improve profitability.
- The Company has flexibly controlled the allocation of its risk assets (such as domestic stocks and foreign securities intended to promote diversification of risks and to improve its profitability) by taking market trends into account.
- The table below summarizes the investment results of the Company's general account by asset:

Assets	Investment results
Domestic bonds	<p><u>Slight Decrease</u></p> <p>The Company actively replaced shorter duration bonds with longer ones, taking into account interest rate levels. It also increased investments in policy-reserve-matching bonds (mainly super long-term government bonds), based on its ALM strategy. However, the fair value-based balance of domestic bonds slightly decreased due to a rise in interest rates.</p> <p>The Company also made efforts to improve investment yields by making careful selection and diversification among various credit risk products, including corporate bonds and securitized products, in accordance with risk-adjusted credit spread guidelines.</p>
Loans	<p><u>Slight decrease</u></p> <p>The Company actively provided new loans to fulfill capital needs in growth areas. The Company also provided loans by setting adequate risk-adjusted spreads, while also paying attention to the credit spread trends in the bond market.</p>
Domestic stocks	<p><u>Increase</u></p> <p>Due to a rise in stock prices and flexible allocation in domestic stocks, the fair value-based balance of domestic stocks increased. The Company replaced some companies/sectors based on competitiveness, growth potential, and/or the degree to which they are undervalued, taking into account analyses by in-house analysts.</p>
Foreign bonds	<p><u>Slight increase</u></p> <p>The Company decreased the balance of foreign currency-denominated bonds with currency hedges in order to improve investment efficiency within its fixed income assets. However, taking market trends into account, the Company increased the balance of foreign currency-denominated bonds without currency hedges, which more than offset the decrease in foreign bonds with currency hedges. As a result, the fair value-based balance of foreign bonds increased. Moreover, the Company cautiously controlled related risks by diversifying its portfolio by sector and currency.</p>
Foreign Stocks	<p><u>Slight increase</u></p> <p>To enhance the total return of the entire asset portfolio, the Company increased the balance of foreign stocks. The Company continued to focus on geographic diversification of its foreign stock portfolio, utilizing both independent investment advisors and in-house managers.</p>
Real Estate	<p><u>Slight decrease</u></p> <p>By renegotiating the rent and improving vacancy rates of the existing real estate portfolio, the Company pursued profitability. Also, the Company strived to increase the value of existing real estate by attracting day-care centers for children.</p>

Note: Underlined changes in assets above are described on a book value basis.

[Investment income and expenses]

- Investment income increased by ¥38.7 billion, compared to the same period last year, to ¥523.8 billion, mainly due to an increase in interest and dividend income as a result of the yen depreciation and dividend increases in domestic stocks and mutual funds. Meanwhile, investment expenses decreased by ¥36.5 billion to ¥105.8 billion, mainly due to a decrease in losses on valuation of securities.
- As a result, net investment income increased by ¥75.3 billion to ¥418.0 billion.

**(3) Investment Environment Outlook for the Six Months Ending March 31, 2014**

- For the six months ending March 31, 2014, the Company expects strong growth in the Japanese economy due to a) an increase in exports given the recovery of the global economy, b) spurred demand from consumers before the increase in consumption tax scheduled to take effect in April 2014, c) the BOJ's sustained monetary easing measures, and d) growth strategies by the Japanese government.

[Domestic interest rates]

- Although the domestic interest rates will face upward pressures, given the strong domestic economy and moderate price increases, the Company estimates the increase will be limited because of a) the BOJ's large-scale purchase of government bonds under its 'quantitative and qualitative monetary easing measures' and b) the government's policy to maintain fiscal discipline.

[Domestic stocks]

- While the reduced tax rate on the sale of listed stocks is anticipated to be abolished in December 2013, we forecast the domestic stock market will remain brisk, given efforts of the BOJ in tandem with the government to overcome deflation, continued expectation for improvement in corporate earnings supported by increased exports in light of yen depreciation, and an increased individual consumption due to improved sentiment.

[Foreign currency]

- We anticipate the yen depreciation trend against the U.S. dollar will continue, given a) the BOJ's monetary easing measures and b) expectations for the tapering of quantitative easing measures by the FRB toward the end of this fiscal year, although possible delay in the tapering may provide some yen appreciation pressure over the short-term.
- For euro-yen rates, while a) improvements in business sentiment in Euro-zone and b) the BOJ's aggressive monetary easing measures create pressure for yen depreciation against the euro, the impact of fiscal reconstruction in the Euro-zone is expected to limit its economic growth. Therefore, we anticipate only a slight yen depreciation trend against the euro for the period.

#### (4) Investment Policies for the Six Months Ending March 31, 2014

- The Company will continue to set fixed income investments, including government and corporate bonds, as the core of its asset portfolio, consistent with its mid- to long-term investment policies. In addition, taking into account market trends, the Company will flexibly change allocation of its risk assets, such as domestic stocks and foreign securities, carried to diversify and improve overall returns of its investment portfolio.
- The table below summarizes the expected investments of the Company's general account by asset class:

Assets	Investment policies
Domestic bonds	<u>Increase when interest rates rise</u> The Company will continue investing in domestic bonds as a core asset under its ALM strategy. When interest rates rise, the Company will accelerate its investment in bonds with longer durations (i.e. long-term bonds and super-long-term bonds) to further enhance its ALM.
Loans	<u>Slight decrease</u> The Company will continue to actively fulfill the capital needs in new growth areas. The Company intends to provide new loans by setting appropriate credit spreads, with attention to borrowers' profiles and credit spread levels in the corporate bond market. However, its overall loan balance is expected to slightly decrease.
Domestic stocks	<u>Slight decrease</u> While intending to slightly decrease the exposure to domestic stocks for risk management purposes, the Company will flexibly change the allocation of domestic stocks, following market trends. Also, the Company will seek opportunities to improve the profitability of the portfolio by actively selecting companies and sectors based on competitiveness, growth potential, and/or the degree to which they are undervalued.
Foreign Bonds	<u>Flexibly increase or decrease</u> While intending to maintain exposure to foreign currency-denominated bonds without currency hedges, the Company will flexibly change the allocation of this asset class based on exchange rate trends, while carefully monitoring the effect of diversification among risk assets. The Company will flexibly change the allocation of foreign currency-denominated bonds with currency hedges, in order to improve investment efficiency within its fixed income assets while carefully monitoring domestic and foreign interest rate differentials.
Foreign Stocks	<u>Increase</u> Taking market trends into account, the Company will increase its exposure to foreign stocks. The Company also continues to seek regional diversification, as well as investment style diversification, by utilizing both in-house fund managers and independent investment advisors.

## 7. Investment Results of General Account

### (1) Asset Composition (General Account)

(millions of yen)

	As of March 31, 2013		As of September 30, 2013	
	Carrying value	%	Carrying value	%
Cash, deposits, and call loans	710,026	2.2	681,683	2.1
Securities repurchased under resale agreements	-	-	-	-
Deposit paid for securities borrowing transactions	-	-	-	-
Monetary claims bought	283,103	0.9	277,918	0.9
Trading account securities	-	-	-	-
Money held in trust	24,071	0.1	28,443	0.1
Securities	26,079,870	81.7	26,384,049	81.7
Domestic bonds	16,427,398	51.5	16,369,033	50.7
Domestic stocks	2,557,413	8.0	2,863,899	8.9
Foreign securities	6,816,213	21.4	6,844,585	21.2
Foreign bonds	5,187,604	16.3	5,212,095	16.1
Foreign stocks and other securities	1,628,609	5.1	1,632,489	5.1
Other securities	278,845	0.9	306,530	0.9
Loans	3,139,671	9.8	3,081,724	9.5
Policy loans	480,229	1.5	469,248	1.5
Ordinary loans	2,659,441	8.3	2,612,475	8.1
Real estate	1,224,473	3.8	1,208,534	3.7
Real estate for rent	784,844	2.5	777,524	2.4
Deferred tax assets	65,570	0.2	62,972	0.2
Others	389,205	1.2	556,736	1.7
Reserve for possible loan losses	(4,109)	(0.0)	(1,704)	(0.0)
Total	31,911,883	100.0	32,280,357	100.0
Foreign currency-denominated assets	5,262,693	16.5	5,384,274	16.7

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

### (2) Changes (Increase/Decrease) in Assets (General Account)

(millions of yen)

	Six month ended September 30, 2012	Six month ended September 30, 2013
Cash, deposits, and call loans	84,221	(28,342)
Securities repurchased under resale agreements	-	-
Deposit paid for securities borrowing transactions	-	-
Monetary claims bought	(1,851)	(5,185)
Trading account securities	-	-
Money held in trust	(2,155)	4,371
Securities	131,105	304,178
Domestic bonds	523,091	(58,364)
Domestic stocks	(260,077)	306,486
Foreign securities	(129,267)	28,371
Foreign bonds	(89,296)	24,491
Foreign stocks and other securities	(39,970)	3,879
Other securities	(2,639)	27,685
Loans	(161,645)	(57,947)
Policy loans	(12,391)	(10,980)
Ordinary loans	(149,253)	(46,966)
Real estate	(26,064)	(15,939)
Real estate for rent	(27,714)	(7,320)
Deferred tax assets	59,210	(2,597)
Others	112,294	167,531
Reserve for possible loan losses	8,117	2,405
Total	203,232	368,473
Foreign currency-denominated assets	5,785	121,581

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

## (3) Investment Income (General Account)

(millions of yen)

	Six months ended September 30, 2012	Six months ended September 30, 2012
Interest and dividends	336,055	369,876
Interest from bank deposits	3,214	3,238
Interest and dividends from securities	258,716	293,047
Interest from loans	38,815	36,974
Rental income	31,378	32,548
Other interest and dividends	3,930	4,067
Gains on trading account securities	-	-
Gains on money held in trust	-	4,387
Gains on investments in trading securities	-	-
Gains on sale of securities	125,557	137,802
Gains on sale of domestic bonds	77,714	44,345
Gains on sale of domestic stocks	8,481	19,376
Gains on sale of foreign securities	39,360	74,081
Others	-	-
Gains on redemption of securities	694	7,265
Derivative transaction gains	-	-
Foreign exchange gains	-	-
Reversal of reserve for possible loan losses	2,498	2,404
Reversal of reserve for possible investment losses	-	-
Other investment income	20,256	2,119
<b>Total</b>	<b>485,061</b>	<b>523,855</b>

## (4) Investments Expense (General Account)

(millions of yen)

	Six months ended September 30, 2012	Six months ended September 30, 2013
Interest expenses	9,310	9,704
Losses on trading account securities	-	-
Losses on money held in trust	1,939	-
Losses on investments in trading securities	-	-
Losses on sale of securities	31,497	39,149
Losses on sale of domestic bonds	113	380
Losses on sale of domestic stocks	5,712	3,589
Losses on sale of foreign securities	25,671	35,014
Others	-	165
Losses on valuation of securities	65,173	1,210
Losses on valuation of domestic bonds	-	-
Losses on valuation of domestic stocks	60,228	382
Losses on valuation of foreign securities	4,916	827
Others	28	-
Losses on redemption of securities	1,016	316
Derivative transaction losses	514	18,729
Foreign exchange losses	9,288	9,934
Provision for reserve for possible loan losses	-	-
Provision for reserve for possible investment losses	122	237
Write-down of loans	6	3
Depreciation of real estate for rent and others	7,314	7,328
Other investment expenses	16,217	19,233
<b>Total</b>	<b>142,402</b>	<b>105,848</b>

## (5) Net Investment Income (General Account)

(millions of yen)

	Six months ended September 30, 2012	Six months ended September 30, 2013
Net investment income	342,659	418,007

## (6) Valuation gains and losses on trading securities (general account)

(millions of yen)

	As of March 31, 2013		As of September 30, 2013	
	Carrying value on the balance sheet	Valuation gains (losses) included in the statement of earnings	Carrying value on the balance sheet	Valuation gains (losses) included in the statement of earnings
Trading securities	24,071	6,783	28,443	1,764
Trading account securities	-	-	-	-
Money held in trust	24,071	6,783	28,443	1,764

## (7) Fair value information on securities (general account) (securities with fair value except for trading securities)

(millions of yen)

	Book value	Fair value	Gains (losses)		
			Gains	Losses	
As of March 31, 2013					
Bonds held to maturity	142,267	147,965	5,698	5,698	-
Domestic bonds	95,131	99,341	4,210	4,210	-
Foreign bonds	47,135	48,623	1,487	1,487	-
Policy-reserve-matching bonds	10,499,119	11,705,797	1,206,678	1,206,821	143
Domestic bonds	10,499,119	11,705,797	1,206,678	1,206,821	143
Foreign bonds	-	-	-	-	-
Stocks of subsidiaries and affiliates	27,669	34,541	6,872	6,918	46
Available-for-sale securities	12,759,745	14,335,428	1,575,683	1,715,242	139,559
Domestic bonds	5,416,478	5,833,147	416,669	420,548	3,878
Domestic stocks	1,606,888	2,250,276	643,387	733,948	90,560
Foreign securities	5,266,542	5,743,653	477,111	519,232	42,121
Foreign bonds	4,725,795	5,140,468	414,672	440,625	25,952
Foreign stocks and other securities	540,746	603,185	62,438	78,607	16,168
Other securities	168,842	190,247	21,404	24,394	2,989
Monetary claims bought	265,993	283,103	17,110	17,118	7
Certificates of deposit	35,000	34,999	(0)	0	0
Others	-	-	-	-	-
Total	23,428,801	26,223,733	2,794,931	2,934,681	139,749
Domestic bonds	16,010,728	17,638,286	1,627,557	1,631,580	4,022
Domestic stocks	1,606,888	2,250,276	643,387	733,948	90,560
Foreign securities	5,339,695	5,825,213	485,517	527,639	42,121
Foreign bonds	4,772,931	5,189,092	416,160	442,113	25,952
Foreign stocks and other securities	566,763	636,121	69,357	85,526	16,168
Other securities	170,495	191,853	21,358	24,394	3,036
Monetary claims bought	265,993	283,103	17,110	17,118	7
Certificates of deposit	35,000	34,999	(0)	0	0
Others	-	-	-	-	-
As of September 30, 2013					
Bonds held to maturity	93,882	98,032	4,149	4,149	-
Domestic bonds	44,958	48,489	3,530	3,530	-
Foreign bonds	48,923	49,543	619	619	-
Policy-reserve-matching bonds	11,624,659	12,568,615	943,956	944,231	275
Domestic bonds	11,623,359	12,567,296	943,937	944,212	275
Foreign bonds	1,300	1,318	18	18	-
Stocks of subsidiaries and affiliates	27,223	32,209	4,985	4,985	-
Available-for-sale securities	11,894,654	13,548,440	1,653,786	1,766,289	112,503
Domestic bonds	4,408,699	4,700,716	292,016	296,366	4,349
Domestic stocks	1,650,687	2,558,184	907,497	960,645	53,147
Foreign securities	5,375,248	5,791,129	415,880	469,496	53,615
Foreign bonds	4,837,073	5,161,871	324,798	367,398	42,599
Foreign stocks and other securities	538,175	629,257	91,081	102,098	11,016
Other securities	196,032	220,492	24,460	25,679	1,219
Monetary claims bought	263,986	277,918	13,931	14,101	170
Certificates of deposit	-	-	-	-	-
Others	-	-	-	-	-
Total	23,640,420	26,247,298	2,606,877	2,719,655	112,778
Domestic bonds	16,077,017	17,316,501	1,239,484	1,244,109	4,625
Domestic stocks	1,650,687	2,558,184	907,497	960,645	53,147
Foreign securities	5,451,489	5,872,982	421,492	475,108	53,615
Foreign bonds	4,887,296	5,212,734	325,437	368,036	42,599
Foreign stocks and other securities	564,192	660,247	96,055	107,071	11,016
Other securities	197,239	221,711	24,472	25,691	1,219
Monetary claims bought	263,986	277,918	13,931	14,101	170
Certificates of deposit	-	-	-	-	-
Others	-	-	-	-	-

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

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

(millions of yen)

	As of March 31, 2013	As of September 30, 2013
Bonds held to maturity	-	-
Unlisted foreign bonds	-	-
Others	-	-
Policy-reserve-matching bonds	-	-
Stocks of subsidiaries and affiliates	340,397	369,878
Unlisted domestic stocks (except over-the-counter stocks)	182,680	182,680
Unlisted foreign stocks (except over-the-counter stocks)	148,716	151,742
Others	9,000	35,455
Available-for-sale securities	1,052,494	996,944
Unlisted domestic stocks (except over-the-counter stocks)	124,456	123,034
Unlisted foreign stocks (except over-the-counter stocks)	833,550	808,050
Unlisted foreign bonds	0	0
Others	94,487	65,859
<b>Total</b>	<b>1,392,891</b>	<b>1,366,823</b>

Note: 1. The table above includes assets which are considered appropriate to handle as securities as defined in the Financial Instruments and Exchange Act.  
2. The amounts of foreign exchange valuation gains/losses on foreign securities whose market prices are deemed extremely difficult to obtain and which are listed in the table above are as follows: gain of 19,556 million yen as of March 31, 2013 and gain of 8,390 million yen as of September 30, 2013.

(Reference) Fair value information of securities, taking into account foreign exchange valuation gains (losses) of foreign securities whose fair value is deemed extremely difficult to recognize and which are listed in the table above, in addition to the figures in the table (7), is as follows:

(millions of yen)

	Book value	Fair value	Gains (losses)		
			Gains	Losses	
<b>As of March 31, 2013</b>					
Bonds held to maturity	142,267	147,965	5,698	5,698	-
Domestic bonds	95,131	99,341	4,210	4,210	-
Foreign bonds	47,135	48,623	1,487	1,487	-
Policy-reserve-matching bonds	10,499,119	11,705,797	1,206,678	1,206,821	143
Domestic bonds	10,499,119	11,705,797	1,206,678	1,206,821	143
Foreign bonds	-	-	-	-	-
Stocks of subsidiaries and affiliates	368,066	393,851	25,784	30,653	4,868
Domestic stocks	182,680	182,680	-	-	-
Foreign stocks	181,349	207,180	25,830	30,653	4,822
Other securities	4,036	3,990	(46)	-	46
Available-for-sale securities	13,812,239	15,388,567	1,576,327	1,715,887	139,559
Domestic bonds	5,416,478	5,833,147	416,669	420,548	3,878
Domestic stocks	1,731,345	2,374,733	643,387	733,948	90,560
Foreign securities	6,109,972	6,587,728	477,755	519,877	42,121
Foreign bonds	4,725,795	5,140,468	414,672	440,625	25,952
Foreign stocks and other securities	1,384,176	1,447,260	63,083	79,252	16,168
Other securities	253,450	274,854	21,404	24,394	2,989
Monetary claims bought	265,993	283,103	17,110	17,118	7
Certificates of deposit	35,000	34,999	(0)	0	0
Others	-	-	-	-	-
<b>Total</b>	<b>24,821,693</b>	<b>27,636,181</b>	<b>2,814,488</b>	<b>2,959,060</b>	<b>144,572</b>
Domestic bonds	16,010,728	17,638,286	1,627,557	1,631,580	4,022
Domestic stocks	1,914,025	2,557,413	643,387	733,948	90,560
Foreign securities	6,338,457	6,843,532	505,074	552,018	46,944
Foreign bonds	4,772,931	5,189,092	416,160	442,113	25,952
Foreign stocks and other securities	1,565,526	1,654,440	88,914	109,905	20,991
Other securities	257,487	278,845	21,358	24,394	3,036
Monetary claims bought	265,993	283,103	17,110	17,118	7
Certificates of deposit	35,000	34,999	(0)	0	0
Others	-	-	-	-	-
<b>As of September 30, 2013</b>					
Bonds held to maturity	93,882	98,032	4,149	4,149	-
Domestic bonds	44,958	48,489	3,530	3,530	-
Foreign bonds	48,923	49,543	619	619	-
Policy-reserve-matching bonds	11,624,659	12,568,615	943,956	944,231	275
Domestic bonds	11,623,359	12,567,296	943,937	944,212	275
Foreign bonds	1,300	1,318	18	18	-
Stocks of subsidiaries and affiliates	397,102	409,552	12,449	17,098	4,648
Domestic stocks	182,680	182,680	-	-	-
Foreign stocks	184,375	196,813	12,437	17,086	4,648
Other securities	30,046	30,058	12	12	-
Available-for-sale securities	12,891,599	14,546,311	1,654,711	1,767,215	112,503
Domestic bonds	4,408,699	4,700,716	292,016	296,366	4,349
Domestic stocks	1,773,722	2,681,219	907,497	960,645	53,147
Foreign securities	6,193,178	6,609,985	416,806	470,422	53,616
Foreign bonds	4,837,073	5,161,871	324,798	367,398	42,599
Foreign stocks and other securities	1,356,105	1,448,113	92,007	103,024	11,016
Other securities	252,012	276,472	24,460	25,679	1,219
Monetary claims bought	263,986	277,918	13,931	14,101	170
Certificates of deposit	-	-	-	-	-
Others	-	-	-	-	-
<b>Total</b>	<b>25,007,243</b>	<b>27,622,511</b>	<b>2,615,267</b>	<b>2,732,695</b>	<b>117,427</b>
Domestic bonds	16,077,017	17,316,501	1,239,484	1,244,109	4,625
Domestic stocks	1,956,402	2,863,899	907,497	960,645	53,147
Foreign securities	6,427,778	6,857,660	429,882	488,147	58,264
Foreign bonds	4,887,296	5,212,734	325,437	368,036	42,599
Foreign stocks and other securities	1,540,481	1,644,926	104,445	120,110	15,665
Other securities	282,058	306,530	24,472	25,691	1,219
Monetary claims bought	263,986	277,918	13,931	14,101	170
Certificates of deposit	-	-	-	-	-
Others	-	-	-	-	-

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



## (8) Fair value information on money held in trust (general account)

(millions of yen)

	Carrying value on the balance sheet	Fair value	Gains (losses)	Gains (losses)	
				Gains	Losses
As of March 31, 2013	24,071	24,071	6,783	9,666	2,883
As of September 30, 2013	28,443	28,443	1,764	6,958	5,194

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

\* Information on money held in trust for investment purpose is as follows:

(millions of yen)

	As of March 31, 2013		As of September 30, 2013	
	Carrying value on the balance sheet	Valuation gains (losses) included in the statement of earnings	Carrying value on the balance sheet	Valuation gains (losses) included in the statement of earnings
Money held in trust for investment purpose	24,071	6,783	28,443	1,764

\* Information on money held in trust classified as held-to-maturity, policy-reserve-matching, and available-for-sale:

The Company held no balance as of March 31, 2013 or September 30, 2013.

## (9) Total net unrealized gains (losses) of general account assets

(millions of yen)

	As of March 31, 2013	As of September 30, 2013
Securities	2,814,488	2,615,267
Domestic bonds	1,627,557	1,239,484
Domestic stocks	643,387	907,497
Foreign securities	505,074	429,882
Foreign bonds	416,160	325,437
Foreign stocks and other securities	88,914	104,445
Other securities	21,358	24,472
Others	17,110	13,931
Real estate	21,464	27,732
Total (including others not listed above)	2,833,955	2,638,770

- Note: 1. Only foreign exchange valuation gains (losses) are taken into account for foreign securities whose market prices are deemed extremely difficult to obtain.  
2. The table above includes assets which are considered appropriate to handle as securities as defined in the Financial Instruments and Exchange Act.  
3. Difference between the book value before revaluation and fair value is reported as unrealized gains (losses) of real estate.

## 8. Disclosed Claims Based on Categories of Obligors

(millions of yen)

	As of March 31, 2013	As of September 30, 2013
Claims against bankrupt and quasi-bankrupt obligors	4,161	4,502
Claims with collection risk	4,651	4,286
Claims for special attention	957	95
Subtotal (I)	9,770	8,884
[Percentage (I)/(II) ]	[ 0.25%]	[ 0.22%]
Claims against normal obligors	3,912,721	4,108,262
Total (II)	3,922,491	4,117,146

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

## 9. Risk-Monitored Loans

(millions of yen)

	As of March 31, 2013	As of September 30, 2013
Credits to bankrupt borrowers (I)	4,132	4,469
Delinquent loans (II)	4,679	4,319
Loans past due for three months or more (III)	-	-
Restructured loans (IV)	926	65
Total ( (I)+(II)+(III)+(IV) )	9,738	8,854
[Percentage of total loans]	[ 0.31%]	[ 0.29%]

- Note:
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 as of March 31, 2013 and September 30, 2013 were 407 million yen and 11 million yen, respectively. The write-offs relating to delinquent loans as of March 31, 2013 and September 30, 2013 were 65 million yen and 60 million yen, 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 have 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.

## 10. Solvency Margin Ratio

(millions of yen)

	As of March 31, 2013	As of September 30, 2013
Total solvency margin (A)	4,178,263	4,451,714
Common stock, etc. *1	607,904	670,607
Reserve for price fluctuations	88,453	102,453
Contingency reserve	495,093	513,093
General reserve for possible loan losses	1,751	717
Net unrealized gains on securities (before tax) × 90% *2	1,418,695	1,489,240
Net unrealized gains (losses) on real estate × 85% *2	18,245	5,910
Policy reserves in excess of surrender values	1,609,462	1,667,616
Qualifying subordinated debt	427,562	427,562
Excluded portion of policy reserves in excess of surrender values and qualifying subordinated debt	(411,842)	(375,447)
Excluded items	(169,507)	(169,507)
Others	92,446	119,466
Total risk $\sqrt{(R_1 + R_8)^2} + (R_2 + R_3 + R_7)^2 + R_4$ (B)	1,168,327	1,256,562
Insurance risk R <sub>1</sub>	90,521	84,197
3rd sector insurance risk R <sub>8</sub>	160,847	162,143
Assumed investment yield risk R <sub>2</sub>	269,273	263,555
Investment risk R <sub>3</sub>	838,472	934,186
Guaranteed minimum benefit risk R <sub>7</sub> *3	5,261	4,869
Business risk R <sub>4</sub>	27,287	28,979
Solvency margin ratio $\frac{(A)}{(1/2) \times (B)} \times 100$	715.2%	708.5%

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

\*2: Multiplied by 100% if losses.

\*3: Calculated by standard method.

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

## **11. Status of Separate Account**

### (1) Separate Account Assets by Product

(millions of yen)

	As of March 31, 2013	As of September 30, 2013
Individual variable insurance	50,718	52,878
Individual variable annuities	143,755	132,215
Group annuities	1,036,304	1,034,390
Separate account total	1,230,778	1,219,484

### (2) Sum Insured of Individual Variable Insurance and Annuities (Separate Account)

#### A. Individual variable insurance

(millions of yen except number of policies)

	As of March 31, 2013		As of September 30, 2013	
	Number of policies	Amount	Number of policies	Amount
Variable insurance (term life)	183	904	178	881
Variable insurance (whole life)	46,136	286,137	45,762	283,386
Total	46,319	287,041	45,940	284,268

Note: Policies in force include term life riders.

#### B. Individual variable annuities

(millions of yen except number of policies)

	As of March 31, 2013		As of September 30, 2013	
	Number of policies	Amount	Number of policies	Amount
Variable annuities	36,424	132,371	32,968	123,178

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

## 12. Consolidated Financial Summary

### (1) Selected Financial Data and Other Information

(millions of yen)

	Six months ended September 30, 2012	Six months ended September 30, 2013
Ordinary revenues	2,337,735	2,975,233
Ordinary profit	88,891	156,091
Net income for the period	28,052	47,937
Comprehensive income for the period	(77,355)	88,105

	As of March 31, 2013	As of September 30, 2013
Total assets	35,694,411	36,521,972
Solvency margin ratio	702.4%	688.8%

### (2) Scope of Consolidation and Application of Equity Method

	As of September 30, 2013
Number of consolidated subsidiaries	17
Number of non-consolidated subsidiaries accounted for under the equity method	0
Number of affiliates accounted for under the equity method	30

For information regarding changes in subsidiaries and affiliates, please refer to "I. Guidelines for Preparation of Unaudited Consolidated Financial Statements" (P. 34).

## (3) Unaudited Consolidated Balance Sheet

(millions of yen)

	As of March 31, 2013 (summarized)	As of September 30, 2013
<b>ASSETS</b>		
Cash and deposits	457,517	567,454
Call loans	391,200	282,900
Monetary claims bought	285,082	280,927
Money held in trust	56,251	56,794
Securities	29,390,963	30,157,893
Loans	3,140,990	3,083,132
Tangible fixed assets	1,236,270	1,219,101
Intangible fixed assets	215,457	195,795
Reinsurance receivable	32,861	32,081
Other assets	390,844	499,282
Deferred tax assets	67,636	65,013
Customers' liabilities for acceptances and guarantees	33,446	83,538
Reserve for possible loan losses	(4,110)	(1,705)
Reserve for possible investment losses	-	(237)
<b>Total assets</b>	<b>35,694,411</b>	<b>36,521,972</b>
<b>LIABILITIES</b>		
Policy reserves and others	31,703,858	32,457,442
Reserves for outstanding claims	298,557	315,518
Policy reserves	31,012,539	31,764,509
Reserve for policyholder dividends	392,761	377,414
Reinsurance payable	16,541	20,562
Subordinated bonds	154,584	156,435
Other liabilities	1,496,592	1,455,782
Reserve for employees' retirement benefits	439,734	412,773
Reserve for retirement benefits of directors, executive officers and corporate auditors	2,350	2,242
Reserve for possible reimbursement of prescribed claims	700	539
Reserve for price fluctuations	89,228	103,511
Deferred tax liabilities	13,511	11,804
Deferred tax liabilities for land revaluation	94,842	94,541
Acceptances and guarantees	33,446	83,538
<b>Total liabilities</b>	<b>34,045,391</b>	<b>34,799,173</b>
<b>NET ASSETS</b>		
Capital stock	210,207	210,224
Capital surplus	210,207	210,224
Retained earnings	156,357	188,663
Treasury stock	(13,431)	(12,363)
Total shareholders' equity	563,340	596,750
Net unrealized gains (losses) on securities, net of tax	1,099,351	1,151,486
Deferred hedge gains (losses)	(1,801)	(3,143)
Reserve for land revaluation	(36,995)	(37,008)
Foreign currency translation adjustments	18,229	9,701
Total accumulated other comprehensive income	1,078,784	1,121,035
Subscription rights to shares	379	583
Minority interests	6,514	4,428
<b>Total net assets</b>	<b>1,649,020</b>	<b>1,722,798</b>
<b>Total liabilities and net assets</b>	<b>35,694,411</b>	<b>36,521,972</b>

(4) Unaudited Consolidated Statement of Earnings and Comprehensive Income  
[Unaudited Consolidated Statement of Earnings]

(millions of yen)

	Six months ended September 30, 2012	Six months ended September 30, 2013
<b>ORDINARY REVENUES</b>	<b>2,337,735</b>	<b>2,975,233</b>
Premium and other income	1,707,797	2,118,829
Investment income	504,284	682,696
[ Interest and dividends ]	[ 339,743 ]	[ 375,671 ]
[ Gains on money held in trust ]	[ 2,724 ]	[ - ]
[ Gains on investments in trading securities ]	[ 9,549 ]	[ 12,608 ]
[ Gains on sale of securities ]	[ 125,952 ]	[ 144,488 ]
[ Derivative transaction gains ]	[ 2,855 ]	[ - ]
[ Gains on investments in separate accounts ]	[ - ]	[ 138,139 ]
Other ordinary revenues	125,654	173,706
<b>ORDINARY EXPENSES</b>	<b>2,248,844</b>	<b>2,819,141</b>
Benefits and claims	1,273,748	1,416,377
[ Claims ]	[ 411,191 ]	[ 372,895 ]
[ Annuities ]	[ 242,634 ]	[ 247,097 ]
[ Benefits ]	[ 262,573 ]	[ 260,641 ]
[ Surrender values ]	[ 261,510 ]	[ 355,029 ]
Provision for policy reserves and others	339,524	787,680
Provision for reserves for outstanding claims	10,256	24,866
Provision for policy reserves	324,639	758,299
Provision for interest on policyholder dividends	4,628	4,514
Investment expenses	205,648	134,549
[ Interest expenses ]	[ 9,848 ]	[ 10,180 ]
[ Losses on money held in trust ]	[ - ]	[ 4,540 ]
[ Losses on sale of securities ]	[ 31,503 ]	[ 39,264 ]
[ Losses on valuation of securities ]	[ 64,244 ]	[ 1,214 ]
[ Derivative transaction losses ]	[ - ]	[ 23,983 ]
[ Losses on investments in separate accounts ]	[ 57,502 ]	[ - ]
Operating expenses	228,335	255,173
Other ordinary expenses	201,587	225,360
Ordinary profit	88,891	156,091
<b>EXTRAORDINARY GAINS</b>	<b>4,524</b>	<b>1,754</b>
Gains on disposal of fixed assets	4,523	1,752
Other extraordinary gains	1	1
<b>EXTRAORDINARY LOSSES</b>	<b>20,703</b>	<b>27,218</b>
Losses on disposal of fixed assets	3,741	1,029
Impairment losses on fixed assets	2,793	11,906
Provision for reserve for price fluctuations	14,168	14,283
Other extraordinary losses	0	0
Provision for reserve for policyholder dividends	38,958	40,264
Income before income taxes and minority interests	33,754	90,363
Corporate income taxes-current	21,524	65,346
Corporate income taxes-deferred	(15,178)	(21,090)
Total of corporate income taxes	6,346	44,255
Income before minority interests	27,408	46,107
Minority interests in loss of subsidiaries	643	1,830
Net income for the period	28,052	47,937

[Unaudited Consolidated Statement of Comprehensive Income]

(millions of yen)

	Six months ended September 30, 2012	Six months ended September 30, 2013
Income before minority interests	27,408	46,107
Other comprehensive income	(104,763)	41,998
Net unrealized gains (losses) on securities, net of tax	(95,785)	52,013
Deferred hedge gains (losses)	(836)	(1,342)
Reserve for land revaluation	(88)	(25)
Foreign currency translation adjustments	(8,133)	(13,032)
Share of other comprehensive income of subsidiaries and affiliates accounted for under the equity method	80	4,384
Comprehensive income for the period	(77,355)	88,105
Attributable to shareholders of the parent company	(77,125)	90,176
Attributable to minority interests	(229)	(2,070)



## (5) Unaudited Consolidated Statement of Cash Flows

(millions of yen)

	Six months ended September 30, 2012	Six months ended September 30, 2013
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Income (loss) before income taxes and minority interests	33,754	90,363
Depreciation	19,430	19,288
Impairment losses on fixed assets	2,793	11,906
Amortization of goodwill	1,590	1,783
Increase (decrease) in reserves for outstanding claims	10,410	28,351
Increase (decrease) in policy reserves	324,181	757,854
Provision for interest on policyholder dividends	4,628	4,514
Provision for (reversal of) reserve for policyholder dividends	38,958	40,264
Increase (decrease) in reserve for possible loan losses	(3,045)	(2,405)
Increase (decrease) in reserve for possible investment losses	106	237
Write-down of loans	6	3
Increase (decrease) in reserve for employees' retirement benefits	8,203	(26,961)
Increase (decrease) in reserve for retirement benefits of directors, executive officers and corporate auditors	(90)	(107)
Increase (decrease) in reserve for possible reimbursement of prescribed claims	(119)	(160)
Increase (decrease) in reserve for price fluctuations	14,168	14,283
Interest and dividends	(339,743)	(375,671)
Securities related losses (gains)	18,071	(261,706)
Interest expenses	9,848	10,180
Losses (gains) on disposal of fixed assets	(782)	(818)
Increase (decrease) in accounts payable relating to introduction of defined-contribution pension plan	-	23,129
Others, net	5,816	(18,510)
Subtotal	148,187	315,818
Interest and dividends received	363,842	411,031
Interest paid	(10,221)	(10,670)
Policyholder dividends paid	(49,688)	(60,125)
Others, net	(123,202)	(199,886)
Corporate income taxes paid	(17,473)	(71,910)
Net cash flows provided by (used in) operating activities	311,442	384,257
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchases of monetary claims bought	(7,700)	(17,740)
Proceeds from sale and redemption of monetary claims bought	11,717	18,747
Purchases of money held in trust	(10,100)	(5,100)
Proceeds from decrease in money held in trust	200	-
Purchases of securities	(4,606,830)	(5,171,119)
Proceeds from sale and redemption of securities	4,139,463	4,664,145
Origination of loans	(189,841)	(337,848)
Proceeds from collection of loans	366,053	397,402
Others, net	90,342	128,417
Total of net cash provided by (used in) investment transactions	(206,694)	(323,096)
Total of net cash provided by (used in) operating activities and investment transactions	104,748	61,161
Acquisition of tangible fixed assets	(10,117)	(5,066)
Proceeds from sale of tangible fixed assets	20,465	4,361
Acquisition of intangible fixed assets	(10,426)	(9,490)
Proceeds from sale of intangible fixed assets	39	8
Net cash flows provided by (used in) investing activities	(206,733)	(333,283)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Repayment of borrowings	(1,232)	(31,085)
Repayment of financial lease obligations	(495)	(842)
Proceeds from disposal of treasury stock	1,159	1,037
Cash dividends paid	(15,719)	(15,769)
Others, net	(8)	(14)
Net cash flows provided by (used in) financing activities	(16,296)	(46,674)
Effect of exchange rate changes on cash and cash equivalents	(1,573)	(2,662)
Net increase (decrease) in cash and cash equivalents	86,838	1,636
Cash and cash equivalents at the beginning of the period	564,387	848,717
Cash and cash equivalents at the end of the period	651,226	850,354

## (6) Unaudited Consolidated Statement of Changes in Net Assets

(millions of yen)

	Six months ended September 30, 2012	Six months ended September 30, 2013
<b>Shareholders' equity</b>		
Capital stock		
Balance at the beginning of the year	210,200	210,207
Changes for the period		
Issuance of new shares - exercise of subscription rights to shares	7	17
Total changes for the period	7	17
Balance at the end of the period	210,207	210,224
Capital surplus		
Balance at the beginning of the year	210,200	210,207
Changes for the period		
Issuance of new shares - exercise of subscription rights to shares	7	17
Disposal of treasury stock	(777)	(8)
Transfer from retained earnings to capital surplus	777	8
Total changes for the period	7	17
Balance at the end of the period	210,207	210,224
Retained earnings		
Balance at the beginning of the year	165,557	156,357
Changes for the period		
Dividends	(15,818)	(15,855)
Net income for the period	28,052	47,937
Transfer from retained earnings to capital surplus	(777)	(8)
Transfer from reserve for land revaluation	(23,658)	(11)
Others	0	244
Total changes for the period	(12,202)	32,306
Balance at the end of the period	153,355	188,663
Treasury stock		
Balance at the beginning of the year	(16,703)	(13,431)
Changes for the period		
Disposal of treasury stock	1,943	1,067
Total changes for the period	1,943	1,067
Balance at the end of the period	(14,760)	(12,363)
Total shareholders' equity		
Balance at the beginning of the year	569,253	563,340
Changes for the period		
Issuance of new shares - exercise of subscription rights to shares	14	35
Dividends	(15,818)	(15,855)
Net income for the period	28,052	47,937
Disposal of treasury stock	1,165	1,059
Transfer from retained earnings to capital surplus	-	-
Transfer from reserve for land revaluation	(23,658)	(11)
Others	0	244
Total changes for the period	(10,244)	33,409
Balance at the end of the period	559,009	596,750
Accumulated other comprehensive income		
Net unrealized gains (losses) on securities, net of tax		
Balance at the beginning of the year	483,446	1,099,351
Changes for the period		
Net changes of items other than shareholders' equity	(96,146)	52,134
Total changes for the period	(96,146)	52,134
Balance at the end of the period	387,300	1,151,486
Deferred hedge gains (losses)		
Balance at the beginning of the year	(44)	(1,801)
Changes for the period		
Net changes of items other than shareholders' equity	(836)	(1,342)
Total changes for the period	(836)	(1,342)
Balance at the end of the period	(880)	(3,143)
Reserve for land revaluation		
Balance at the beginning of the year	(61,616)	(36,995)
Changes for the period		
Net changes of items other than shareholders' equity	23,570	(13)
Total changes for the period	23,570	(13)
Balance at the end of the period	(38,046)	(37,008)
Foreign currency translation adjustments		
Balance at the beginning of the year	(8,535)	18,229
Changes for the period		
Net changes of items other than shareholders' equity	(8,107)	(8,528)
Total changes for the period	(8,107)	(8,528)
Balance at the end of the period	(16,642)	9,701
Total accumulated other comprehensive income		
Balance at the beginning of the year	413,249	1,078,784
Changes for the period		
Net changes of items other than shareholders' equity	(81,519)	42,250
Total changes for the period	(81,519)	42,250
Balance at the end of the period	331,730	1,121,035
Subscription rights to shares		
Balance at the beginning of the year	150	379
Changes for the period		
Net changes of items other than shareholders' equity	229	203
Total changes for the period	229	203
Balance at the end of the period	379	583
Minority interests		
Balance at the beginning of the year	9,091	6,514
Changes for the period		
Net changes of items other than shareholders' equity	(238)	(2,085)
Total changes for the period	(238)	(2,085)
Balance at the end of the period	8,853	4,428
Total net assets		
Balance at the beginning of the year	991,745	1,649,020
Changes for the period		
Issuance of new shares - exercise of subscription rights to shares	14	35
Dividends	(15,818)	(15,855)
Net income for the period	28,052	47,937
Disposal of treasury stock	1,165	1,059
Transfer from retained earnings to capital surplus	-	-
Transfer from reserve for land revaluation	(23,658)	(11)
Others	0	244
Net changes of items other than shareholders' equity	(81,528)	40,368
Total changes for the period	(91,772)	73,778
Balance at the end of the period	899,972	1,722,798

**NOTES TO THE UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS AS OF AND FOR THE SIX MONTHS ENDED SEPTEMBER 30, 2013**

**I. GUIDELINES FOR PREPARATION OF UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS**

**1. Scope of Consolidation**

(1) Number of consolidated subsidiaries for the six months ended September 30, 2013: 17

The seventeen subsidiaries of the Dai-ichi Life Insurance Company, Limited (the “Parent Company”) include:

- The Dai-ichi Life Information Systems Co., Ltd.,
- The Dai-ichi Frontier Life Insurance Co., Ltd.,
- Dai-ichi Life Insurance Company of Vietnam, Limited, and
- TAL Dai-ichi Life Australia Pty Ltd (“TDLA”)

Effective the six months ended September 30, 2013, two new subsidiaries of TDLA are included in the scope of consolidation.

(2) Number of non-consolidated subsidiaries for the six months ended September 30, 2013: 17

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

**2. Application of the Equity Method**

(1) Number of non-consolidated subsidiaries under the equity method for the six months ended September 30, 2013: 0

(2) Number of affiliated companies under the equity method for the six months ended September 30, 2013: 30

The thirty affiliated companies of the Parent Company include:

- DIAM Co., Ltd.
- Mizuho-DL Financial Technology Co., Ltd.
- Japan Real Estate Asset Management 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, and
- Janus Capital Group Inc.

Effective the six months ended September 30, 2013, one subsidiary of Janus Capital Group Inc. is newly accounted for under the equity method.

(3) Non-consolidated subsidiaries and affiliated companies

The non-consolidated subsidiaries (Dai-ichi Seimei Sogo Service K.K., Dai-ichi Seimei Business Service K.K., First U Anonymous Association and others), as well as affiliated companies (CVC No.1 Investment Limited Partnership, CVC No.2 Investment Limited Partnership, NEOSTELLA No.1 Investment Limited Partnership, O.M. Building Management Co., Ltd. and others) of the Parent Company 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 net income (loss), retained earnings and others.

**3. Interim Closing Dates of Consolidated Subsidiaries**

The interim closing date of domestic consolidated subsidiaries is September 30, whereas that of foreign consolidated subsidiaries is June 30 or September 30. Financial information as of those closing dates is used to prepare the consolidated financial statements, although 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.

## II. NOTES TO UNAUDITED CONSOLIDATED BALANCE SHEET AS OF SEPTEMBER 30, 2013

### 1. Valuation Methods of Securities

Securities held by the Parent Company 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.

#### (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 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.

#### (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 as of September 30, 2013 (for domestic stocks, the average value during September), 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 (including foreign bonds) whose premium or discount represents the interest adjustment are valued at the amortized cost determined by the moving average method.

ii) All others are valued at cost determined by the moving average method.

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

### 2. Policy-Reserve-Matching Bonds

#### (1) Book Value and Market Value

The book value and the market value of policy-reserve-matching bonds as of September 30, 2013 was ¥12,061,581 million and ¥13,007,172 million, respectively.

#### (2) Risk Management Policy

The Parent Company and its certain subsidiary categorize their insurance products into sub-groups according to 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 groups of the Parent Company are:

- individual life insurance and annuities,
- non-participating single premium whole life insurance (without the duty of medical disclosure),
- financial insurance and annuities, and

- group annuities,  
with the exception of certain types.

The sub-groups of insurance groups of the subsidiary of the Parent Company are:

- individual life insurance and individual annuity (yen-denominated, short-term),
- individual life insurance and individual annuity (yen-denominated, long-term),
- individual life insurance and individual annuity (U.S. dollar-denominated), and
- individual life insurance and individual annuity (Australian dollar-denominated),  
with the exception of certain types and contracts.

### (3) Addition of Sub-Group

In order to conduct appropriate duration control that accounts for the debt situation, and thus promote more sophisticated ALM, a certain subsidiary of the Parent Company added individual life insurance and individual annuity (yen-denominated, long-term) as a new sub-group of the life insurance products subject to the application of policy-reserve-matching bonds, effective the six months ended September 30, 2013. This addition did not have any impact on profits and losses for the six months ended September 30, 2013.

### 3. Valuation Method of Derivative Transactions

Derivative transactions are reported at fair value.

### 4. Revaluation of Land

Based on the “Law for Revaluation of Land” (Publicly Issued Law 34, March 31, 1998), the Parent Company 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 Articles 2-1 and 2-4 of the Enforcement Ordinance relating to the Law for Revaluation of Land (Publicly Issued 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 as of September 30, 2013 was ¥31,962 million.

### 5. Depreciation of Depreciable Assets

#### (1) Depreciation of Tangible Fixed Assets Excluding Leased Assets

Depreciation of tangible fixed assets excluding leased assets is calculated by the declining balance method (the depreciation of buildings other than attached improvements and structures is calculated by the straight-line method) and is computed by proportionally allocating the estimated depreciation for the fiscal year.

Estimated useful lives of major assets are as follows:

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

Tangible fixed assets other than land, buildings and leased assets that were acquired for ¥100,000 or more but less than ¥200,000 are depreciated at equal amounts over three years.

With respect to tangible fixed assets acquired on or before March 31, 2007 and that are depreciated to their final depreciable limit, effective the fiscal year ended March 31, 2008, the remaining values are depreciated at equal amounts over five years following the fiscal year end when such assets were depreciated to their final depreciable limit.

Depreciation of tangible fixed assets owned by consolidated subsidiaries in Japan 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.

(2) Amortization of Intangible Fixed Assets Excluding Leased Assets

The Parent Company and its consolidated subsidiaries use the straight-line method for amortization of intangible fixed assets excluding leased assets. Amortization of software for internal use is based on the estimated useful life of four to eight years.

(3) Depreciation of Leased Assets

Depreciation for leased assets with regard to finance leases whose ownership does not transfer to the lessees is computed under the straight-line method assuming zero remaining value.

(4) Accumulated Depreciation of Tangible Fixed Assets

Accumulated depreciation of tangible fixed assets as of September 30, 2013 was ¥636,733 million.

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

The Parent Company 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 rate as of September 30, 2013. Stocks of non-consolidated subsidiaries and affiliated companies not accounted for under the equity method are translated into yen at the exchange rate on the dates of acquisition. Assets, liabilities, revenues, and expenses of the Parent Company's consolidated overseas subsidiaries are translated into yen at the exchange rates at the end of their interim periods. Translation adjustments associated with the consolidated overseas subsidiaries are included in "foreign currency translation adjustments" in the net assets section of the consolidated balance sheet.

For certain consolidated subsidiaries of the Parent Company, 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 items: 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)".

**7. Reserve for Possible Loan Losses**

The reserve for possible loan losses is calculated based on 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 pay.

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

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

For loans to 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 amount written off during the six months ended September 30, 2013 was ¥72 million.

**8. Reserve for Employees' Retirement Benefits**

For the reserve for employees' retirement benefits, the amount calculated in accordance with the accounting standards for retirement benefits ("Statement on Establishing Accounting Standards for Retirement Benefits" issued on June 16, 1998 by the Business Accounting Council), supposed to be incurred as of September 30, 2013, is provided based on the projected benefit obligations and pension assets as of March 31, 2014.

Gains/losses on plan amendments are 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 consolidated subsidiaries applied the simplified method in calculating their projected benefit obligations.

**9. 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.

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

For the reserve for retirement benefits of directors, executive officers and corporate auditors of the Parent Company, (1) an estimated amount for future payment out of the total amount of benefits for past service approved by the 105<sup>th</sup> general meeting of representative policyholders of the Parent Company and (2) an estimated amount for future corporate-pension payments to directors, executive officers, and corporate auditors who retired before the 105<sup>th</sup> general meeting of representative policyholders of the Parent Company 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 during the interim period is provided.

**11. Reserve for Possible Reimbursement of Prescribed Claims**

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

**12. Reserve for Price Fluctuations**

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

**13. 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; and d) 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 transactions)
Currency options .....	Foreign currency-denominated bonds
Equity options .....	Domestic stocks, foreign currency-denominated stocks (forecasted transactions)
Equity forward contracts.....	Domestic stocks

(3) Hedging Policies

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

(4) Assessment of Hedge Effectiveness

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

**14. Calculation of National and Local Consumption Tax**

The Parent Company and its domestic consolidated subsidiaries account 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 Enforcement Ordinance of the Corporation Tax Act, and such taxes other than deferred consumption tax are recognized as an expense when incurred.

**15. Policy Reserve**

Policy reserve of the Parent Company 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:

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

Effective the fiscal year ended March 31, 2008, for whole life insurance contracts acquired by the Parent Company 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 additional provisions for policy reserves for the six months ended September 30, 2013 was ¥61,318 million.

**16. Financial Instruments and Others**

**(1) Fair Value of Financial Instruments**

The carrying amount on the consolidated balance sheet, fair value and differences between carrying amount and fair value as of September 30, 2013 were as follows. The following table does not include financial instruments whose fair value is extremely difficult to recognize. (Please refer to (Note 2).)



As of September 30, 2013	Carrying amount	Fair value	Gains (Losses)
(Unit: millions of yen)			
(1) Cash and deposits .....	567,454	567,467	13
(2) Call loans .....	282,900	282,900	-
(3) Monetary claims bought .....	280,927	280,927	-
(4) Money held in trust .....	56,794	56,794	-
(5) Securities			
a. Trading securities .....	3,090,072	3,090,072	-
b. Held-to-maturity bonds .....	93,882	98,032	4,149
c. Policy-reserve-matching bonds .....	12,061,581	13,007,172	945,590
d. Stock of subsidiaries and affiliate compani	33,483	32,209	(1,274)
e. Available-for-sale securities .....	13,795,442	13,795,442	-
(6) Loans .....	3,083,132		
Reserve for possible loan losses (*1) .....	(756)		
	3,082,375	3,196,109	113,733
<b>Total assets .....</b>	<b>33,344,914</b>	<b>34,407,128</b>	<b>1,062,213</b>
(1) Bonds payable.....	156,435	168,966	12,530
(2) Long-term borrowings .....	348,244	348,383	139
<b>Total liabilities .....</b>	<b>504,679</b>	<b>517,349</b>	<b>12,670</b>
Derivative transactions (* 2)			
a. Hedge accounting not applied .....	113	113	-
b. Hedge accounting applied .....	[24,637]	[23,989]	648
<b>Total derivative transactions .....</b>	<b>[24,524]</b>	<b>[23,875]</b>	<b>648</b>

(\*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 [] represent net liabilities.

#### (Note 1) Notes to Methods for Calculating Fair Value of Financial Instruments, Securities and Derivative Transactions

##### • Assets

###### (1) Cash and deposits

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

###### (2) Call loans

Since all call loans are close to the due date and their fair value is close to their 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. The fair value of derivative transactions included in money held in trust is based on the price on derivatives markets.

###### (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 the 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 the 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 “(2) Securities” in (Note 2) on page 42.

(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 as of September 30, 2013. Therefore, that amount (the carrying amount on the balance sheet minus reserve for possible loan losses) is recorded as fair value for 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 (subordinated bonds)

The fair value of bonds issued by the Parent Company 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 Transactions**

The breakdown of derivative transactions is (1) currency-related transactions (currency forward contracts, currency options, etc.); (2) interest-related transactions (interest rate futures, interest rate swaps, etc.); (3) stock-related transactions (yen stock index futures, foreign currency-denominated stock index futures, etc.); (4) bond-related transactions (yen bond futures, foreign currency-denominated bond futures, etc.). The fair value of the instruments is based on the exchange-traded prices and the prices quoted from financial institution, etc.

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

As of September 30, 2013	Carrying amount
	(Unit: million yen)
1. Unlisted domestic stocks (*) .....	154,720
2. Unlisted foreign stocks (*) .....	19,308
3. Other foreign securities (*) .....	824,582
4. Other securities (*) .....	84,819
Total	1,083,430

(\*) 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) Securities**

- Held-to-maturity Securities:

As of September 30, 2013	Carrying amount	Fair value	Unrealized gains (losses)
(Unit: million yen)			
Held-to-maturity securities with unrealized gains:			
(1) Bonds .....	44,958	48,489	3,530
a. Government bonds .....	44,958	48,489	3,530
b. Local government bonds .....	-	-	-
c. Corporate bonds .....	-	-	-
(2) Foreign securities .....	48,923	49,543	619
a. Foreign bonds .....	48,923	49,543	619
Subtotal .....	93,882	98,032	4,149
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 .....	-	-	-
<b>Total .....</b>	<b>93,882</b>	<b>98,032</b>	<b>4,149</b>

- Policy-reserve-matching Bonds:

As of September 30, 2013	Carrying amount	Fair value	Unrealized gains (losses)
(Unit: million yen)			
Policy-reserve-matching bonds with unrealized gains:			
(1) Bonds .....	11,770,397	12,716,005	945,607
a. Government bonds .....	11,109,054	12,033,717	924,662
b. Local government bonds .....	152,961	159,183	6,222
c. Corporate bonds .....	508,381	523,104	14,722
(2) Foreign securities .....	124,275	126,797	2,522
a. Foreign bonds .....	124,275	126,797	2,522
Subtotal .....	11,894,673	12,842,803	948,129
Policy-reserve-matching bonds with unrealized losses:			
(1) Bonds .....	58,083	57,668	(415)
a. Government bonds .....	24,133	24,074	(58)
b. Local government bonds .....	1,207	1,206	(1)
c. Corporate bonds .....	32,742	32,387	(355)
(2) Foreign securities .....	108,825	106,701	(2,124)
a. Foreign bonds .....	108,825	106,701	(2,124)
Subtotal .....	166,908	164,369	(2,539)
<b>Total .....</b>	<b>12,061,581</b>	<b>13,007,172</b>	<b>945,590</b>

- Available-for-sale Securities:

As of September 30, 2013	Carrying amount	Purchase cost	Unrealized gains (losses)
		(Unit: million yen)	
Available-for-sale securities with gains:			
(1) Bonds .....	4,712,872	4,408,594	304,277
a. Government bonds .....	2,983,521	2,744,865	238,656
b. Local government bonds .....	108,773	104,655	4,117
c. Corporate bonds .....	1,620,577	1,559,073	61,503
(2) Domestic stocks .....	2,324,521	1,363,876	960,645
(3) Foreign securities .....	4,992,568	4,506,678	485,890
a. Foreign bonds .....	4,469,216	4,085,442	383,773
b. Other foreign securities.....	523,351	421,235	102,116
(4) Other securities .....	445,437	405,646	39,790
Subtotal .....	<u>12,475,400</u>	<u>10,684,796</u>	<u>1,790,603</u>
Available-for-sale securities with losses:			
(1) Bonds .....	264,207	268,913	(4,705)
a. Government bonds .....	148,584	149,670	(1,085)
b. Local government bonds .....	207	208	(0)
c. Corporate bonds .....	115,415	119,034	(3,619)
(2) Domestic stocks .....	233,662	286,810	(53,147)
(3) Foreign securities .....	1,044,127	1,101,825	(57,698)
a. Foreign bonds .....	938,162	984,843	(46,680)
b. Other foreign securities.....	105,964	116,982	(11,017)
(4) Other securities .....	58,971	60,372	(1,400)
Subtotal .....	<u>1,600,970</u>	<u>1,717,922</u>	<u>(116,952)</u>
Total .....	<u><u>14,076,370</u></u>	<u><u>12,402,718</u></u>	<u><u>1,673,651</u></u>

Note:

Figures in the table above include trust beneficiary rights (purchase cost: ¥266,986 million; carrying amount: ¥280,927 million), which were recorded as cash and deposits and monetary claims bought on the consolidated balance sheet.

### (3) Money Held in Trust

- Money Held in Trust for Investment Purpose:

As of September 30, 2013	(Unit: million yen)
Carrying amount on the consolidated balance sheet .....	56,794
Gains (losses) on valuation of money held in trust .....	<u>(7,163)</u>

## 17. Real Estate for Rent

The carrying amount, net change during the six months ended September 30, 2013, and the fair value of real estate for rent were as follows:

Six months ended September 30, 2013	(Unit: million yen)
Carrying amount	
Beginning balance .....	814,007
Net change during the period .....	(12,243)
Ending balance .....	<u>801,764</u>
Fair value .....	<u>771,873</u>

Notes:

- The carrying amount of real estate for rent on the consolidated balance sheet was acquisition costs net of accumulated depreciation and impairments.
- Net change in the carrying amount includes cost of acquisition of real estate for rent of ¥4,193 million, impairment losses on fixed assets of ¥10,687 million, the depreciation expense of ¥7,323 million and sale of real estate for rent

of ¥2,895 million.

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

#### **18. Securities Lending**

Securities lent under lending agreements are included in the consolidated balance sheet. The total balance of securities lent as of September 30, 2013 was ¥943,853 million.

#### **19. Problem Loans**

As of September 30, 2013, the total amount of credits to bankrupt borrowers, delinquent loans, loans past due for three months or more, and restructured loans, which was included in loans, was ¥8,854 million. The amount of credits to bankrupt borrowers was ¥4,469 million, the amount of delinquent loans was ¥4,319 million, the Parent Company held no amount of loans past due for three months or more, and the amount of restructured loans was ¥65 million.

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 and 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 described in Note 7, credits to bankrupt borrowers and delinquent loans decreased by ¥11 million and ¥60 million, respectively.

#### **20. Assets and Liabilities Held in Separate Accounts**

The total amount of assets held in separate accounts defined in Article 118 Paragraph 1 of the Insurance Business Act was ¥2,931,560 million. Separate account liabilities were the same amount as the separate account assets.

#### **21. Leased Computers**

In addition to leased assets included in the consolidated balance sheet, the Parent Company and its consolidated subsidiaries have computers as significant leased tangible fixed assets. They have no material leased intangible fixed assets.

#### **22. Changes in Reserve for Policyholder Dividends**

Changes in reserve for policyholder dividends were as follows:

	(Unit: million yen)
Balance at the beginning of the fiscal year ending March 31, 2014 .....	392,761
Dividends paid during the six months ended September 30, 2013 .....	(60,125)
Interest accrual during the six months ended September 30, 2013 .....	4,514
Provision for reserve for policyholder dividends .....	40,264
<u>Balance as of September 30, 2013 .....</u>	<u>377,414</u>

#### **23. Stock of Subsidiaries**

The amount of stocks of and stakes in non-consolidated subsidiaries and affiliated companies the Parent Company held as of September 30, 2013 was as follows:

	(Unit: million yen)
Stocks .....	77,793
Capital .....	30,058
<u>Total .....</u>	<u>107,851</u>

#### 24. Organizational Change Surplus

The amount of the Parent Company's organizational change surplus stipulated in Article 91 of the Insurance Business Act was ¥117,776 million.

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

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

	(Unit: million yen)
Securities (Government bonds) .....	712,247
Securities (Foreign securities) .....	3,870
Securities (Corporate bonds) .....	528
Cash and deposits .....	86
<u>Securities, cash and deposits pledged as collateral .....</u>	<u>716,733</u>

The amounts of secured liabilities were as follows:

	(Unit: million yen)
Cash collateral for securities lending transactions .....	696,850
<u>Loans payable .....</u>	<u>3</u>
<u>Secured liabilities .....</u>	<u>696,854</u>

"Securities (Government bonds)" pledged as collateral for securities lending transactions with cash collateral as of September 30, 2013 was ¥675,561 million.

#### 26. Net Assets per Share

The amount of net assets per share of the Parent Company as of September 30, 2013 was ¥1,732.13.

The Parent Company conducted a 1:100 share split on October 1, 2013. The amount of net assets per share is calculated as if the Parent Company conducted the split at the beginning of the six months ended September 30, 2013.

#### 27. Stock Options

(1) The Account used to record expenses associated with issuing stock options and the amount expensed during the six months ended September 30, 2013

Operating expenses: ¥238 million

(2) Details of the stock options granted during the six months ended September 30, 2013

	3 <sup>rd</sup> Series of Stock Acquisition Rights
Granted persons	11 directors (except outside directors) and 17 executive officers of the Parent Company
Class and total number <sup>(*)</sup>	1,837 shares of common stock
Granted date	August 16, 2013
Vesting conditions	The acquisition rights are vested on the above granted date.
Service period covered	N/A
Exercise period	From August 17, 2013 to August 16, 2043 A granted person may 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 the Parent Company.
Exercise price	¥1 per stock option
Fair value at the grant date	¥130,030

(\*) The total number of stock options is translated to the number of shares of common stock for better understanding.

## **28. Reinsurance**

The amount of 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 ¥12 million. The amount of policy reserves provided for reinsured parts defined in Article 71, Paragraph 1 of the Regulations was ¥10,219 million.

## **29. Asset Retirement Obligations**

The following table shows the increase and decrease in asset retirement obligations for the six months ended September 30, 2013:

	(Unit: million yen)
Beginning balance .....	2,855
Time progress adjustments .....	20
Others .....	(59)
<u>Ending balance .....</u>	<u>2,817</u>

## **30. Securities Borrowing**

Securities borrowed under borrowing agreements can be sold or pledged as collateral. As of September 30, 2013, the market value of the securities borrowed which were not sold or pledged was ¥28,809 million, among which no securities were pledged as collateral.

## **31. Commitment Line**

There were unused commitment line agreements under which the Parent Company is the lender of ¥25,141 million.

## **32. Subordinated Debt**

Other liabilities included subordinated debt of ¥320,000 million, the repayment of which is subordinated to other obligations.

## **33. Subordinated Bonds**

Subordinated bonds of ¥156,435 million shown in liabilities included foreign currency-denominated subordinated bonds, the repayment of which is subordinated to other obligations.

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

The estimated future obligations of the Parent Company 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 were ¥55,825 million as of September 30, 2013. These obligations will be recognized as operating expenses in the period in which they are paid.

## **35. Subsequent Events**

(1) To help improve convenience and liquidity in securities markets in accordance with the “Action Plan for Consolidation of Trading Units” announced by all the stock exchanges in Japan in November 2007, the Parent Company split 1 share of its ordinary shares into 100 shares, and, accordingly, amended the number of shares constituting one unit of the Parent Company’s ordinary shares from 1 share to 100 shares effective on October 1, 2013.

The effect of the share split is described in 26. Net Assets per Share and III. NOTES TO UNAUDITED CONSOLIDATED STATEMENT OF EARNINGS FOR THE SIX MONTHS ENDED SEPTEMBER 30, 2013.

(2) On June 3, 2013, the Parent Company concluded a contract on subscription of new shares of PT Panin Life (“Panin Life”), an Indonesian life insurance company, and PT Panin Internasional (“Panin Internasional”), its intermediate holding company, with PT Panin Financial Tbk (“Panin Financial”), the parent company of these companies, Panin

Internasional and Panin Life.

By completing the prescribed procedures, such as the application for approval from Indonesian local authorities, the Parent Company successfully acquired shares of Panin Life and Panin Internasional, making both companies affiliated companies of the Parent Company.

(a) Purpose of share acquisition

The Parent Company acquired a stake in Panin Life to enter Indonesia, a promising life insurance market with the 4<sup>th</sup> largest population in the world, based on the Parent Company's core growth strategy to enhance its overseas life insurance businesses.

Additionally, Panin Life is a life insurance subsidiary of Panin Financial, a leading financial institution, which also owns a stake in Panin Bank, one of the major banks in Indonesia. Panin Life has a number of distribution channels such as individual agency, bancassurance, and direct telemarketing. By diversifying its sales channels, Panin Life has successfully grown its underlying business performance in recent years.

The investment in Panin Life will bring added value for business growth of both the Parent Company and Panin Life, providing excellence to customers and business partners.

(b) Name, business and size of acquired company

i) Name of the acquired company

PT Panin Life (\*1)

(\*1) By acquiring 5% of shares of Panin Life and 36.842% of Panin Internasional, the Parent Company effectively acquired 40% shares of Panin Life.

ii) Business

Life insurance business

iii) Size (as of December 31, 2012)

Total assets: 3,876.1 billion IDR (¥32.9 billion) (\*2)

(\*2) The exchange rate used to calculate the yen-denominated amount is 1IDR = 0.0085 yen.

(c) Date of acquisition

October 2013

(d) Number of shares acquired, investment amount and the Parent Company's percentage of share holdings after completion of the transaction

i) Number of shares acquired

Panin Internasional: 75,344,500 shares

Panin Life: 533,669,000 shares

ii) Investment amount

3,300.0 billion IDR (¥30.4 billion) (\*3)

(\*3) The yen-denominated figure represents the total amount cashed out.

iii) The Parent Company's stake in Panin Internasional and Panin Life after the acquisition

Panin Internasional: 36.842%

Panin Life: 5%



### III. NOTES TO UNAUDITED CONSOLIDATED STATEMENT OF EARNINGS FOR THE SIX MONTHS ENDED SEPTEMBER 30, 2013

#### 1. Net Income per Share

Net income per share for the six months ended September 30, 2013 was ¥48.35. Diluted net income per share for the same period was ¥48.33.

The Parent Company conducted a 1:100 share split on October 1, 2013. The above figures reflect the split as if the Parent Company conducted the split at the beginning of the six months ended September 30, 2013.

#### 2. Calculation of Tax

Income taxes for certain consolidated subsidiaries of the Parent Company are calculated by applying a reasonably estimated effective tax rate for the full fiscal year to income before taxes for the six months ended September 30, 2013. The effective tax rate is determined by estimating the effective tax rate for the full fiscal year, which includes the six months ended September 30, 2013, after taking into account the effect of deferred tax accounting.

#### 3. Impairment Losses on Fixed Assets

Details on the Parent Company's impairment losses on fixed assets for the six months ended September 30, 2013 were as follows:

##### (1) Method of Grouping Assets

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

##### (2) Background for Recognition of Impairment Losses

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

##### (3) Breakdown of Impairment Losses

Impairment losses by asset group were as follows:

Asset Group	Place	Number	Impairment Losses			
			Land	Land Leasehold Rights	Buildings	Total
(Unit: million yen)						
Real estate for rent	Shinjuku City, Tokyo Metropolitan Prefecture	1	2,682	6,495	1,309	10,487
Real estate not in use	Nagano City, Nagano Prefecture and others	18	994	-	424	1,419
<b>Total</b>		<b>19</b>	<b>3,677</b>	<b>6,495</b>	<b>1,734</b>	<b>11,906</b>

##### (4) Calculation of Recoverable Value

Value in use or net sale value is used as the recoverable value of real estate for rent, and net sale value is used as the recoverable value of real estate not in use. A discount rate of 2.66% was applied for discounting future cash flows in the calculation of value in use. Estimated disposal value, appraisal value based on real estate appraisal standards, or appraisal value based on publicly assessed land value for tax purposes is used as the net sale value.

**IV. NOTES TO UNAUDITED CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE SIX MONTHS ENDED SEPTEMBER 30, 2013**

**1. Scope of Cash and Cash Equivalents**

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

**2. Reconciliation of Cash and Cash Equivalents**

The reconciliation of cash and cash equivalents to balance sheet accounts as of September 30, 2013 was as follows:

	(Unit: million yen)
Cash and deposits (a) .....	567,454
Call loans (b) .....	282,900
<u>Cash and cash equivalents (a + b) .....</u>	<u>850,354</u>

**V. NOTES TO UNAUDITED CONSOLIDATED STATEMENT OF CHANGE IN NET ASSETS FOR THE SIX MONTHS ENDED SEPTEMBER 30, 2013**

**1. Type and Number of Shares Outstanding**

	At the beginning of the fiscal year ending March 31, 2014	Increase	Decrease	As of September 30, 2013
	(Unit: thousands shares)			
Common stock (*1) .....	10,000	0	-	10,000
Treasury stock (*2).....	90	-	7	83

Notes:

(\*1) The 0 thousand share increase in common stock represents the exercise of stock acquisition rights (stock options).

(\*2) The 7 thousand share decrease in treasury stock represents the sum of (a) shares granted to eligible employees at retirement by the the J-ESOP 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 at the end of the period (Unit: million yen)
The Parent Company	Stock acquisition rights in the form of stock options	583

**3. Dividend on Common Stocks**

Date of resolution	June 24, 2013 (at the Annual General Meeting of Shareholders)
Type of shares	Common stocks
Total dividends	¥15,855 million
Dividends per share	¥1,600
Record date	March 31, 2013
Effective date	June 25, 2013
Dividend resource	Retained earnings

Note: Total dividends did not include ¥145 million of dividends to the J-ESOP trust and the E-ship® trust, as the Parent Company recognized the shares held by those trusts as treasury shares.

## (7) Consolidated Solvency Margin Ratio

(millions of yen)

	As of March 31, 2013	As of September 30, 2013
Total solvency margin <b>(A)</b>	4,131,402	4,381,530
Common stock, etc. <sup>*1</sup>	436,330	492,416
Reserve for price fluctuations	89,228	103,511
Contingency reserve	587,497	614,962
Catastrophe loss reserve	-	-
General reserve for possible loan losses	1,752	718
Net unrealized gains on securities (before tax) × 90% <sup>*2</sup>	1,428,115	1,495,564
Net unrealized gains (losses) on real estate × 85% <sup>*2</sup>	18,245	5,910
Policy reserves in excess of surrender values	1,669,231	1,731,414
Qualifying subordinated debt	427,562	427,562
Excluded portion of policy reserves in excess of surrender values and qualifying subordinated debt	(550,006)	(514,509)
Excluded items	(68,999)	(95,486)
Others	92,446	119,466
Total risk $\sqrt{(\sqrt{R_1^2 + R_5^2 + R_8 + R_9})^2 + (R_2 + R_3 + R_7)^2} + R_4 + R_6$ <b>(B)</b>	1,176,246	1,272,083
Insurance risk $R_1$	103,425	96,716
General insurance risk $R_5$	-	-
Catastrophe risk $R_6$	-	-
3rd sector insurance risk $R_8$	168,895	170,125
Small amount and short-term insurance risk $R_9$	-	-
Assumed investment yield risk $R_2$	273,604	269,769
Guaranteed minimum benefit risk $R_7$ <sup>*3</sup>	28,747	34,170
Investment risk $R_3$	813,382	909,545
Business risk $R_4$	27,761	29,606
Solvency margin ratio $\frac{(A)}{(1/2) \times (B)} \times 100$	702.4%	688.8%

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

\*2: Multiplied by 100% if losses.

\*3: Calculated by standard method.

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

(8) Status of Insurance Claims Paying Ability of Insurance Subsidiaries  
(Solvency Margin Ratio)

The Dai-ichi Frontier Life Insurance Company

(millions of yen)

	As of March 31, 2013	As of September 30, 2013
Total solvency margin (A)	219,637	211,891
Common stock, etc.	57,269	38,874
Reserve for price fluctuations	775	1,058
Contingency reserve	92,403	101,868
General reserve for possible loan losses	1	1
Net unrealized gains on securities (before tax) × 90% *	9,420	6,291
Net unrealized gains (losses) on real estate × 85% *	-	-
Policy reserves in excess of surrender values	59,768	63,797
Qualifying subordinated debt	-	-
Excluded portion of policy reserves in excess of surrender values and qualifying subordinated debt	-	-
Excluded items	-	-
Others	-	-
Total risk $\sqrt{(R_1 + R_8)^2} + (R_2 + R_3 + R_7)^2 + R_4$ (B)	46,798	66,396
Insurance risk R <sub>1</sub>	5	16
3rd sector insurance risk R <sub>8</sub>	-	-
Assumed investment yield risk R <sub>2</sub>	4,330	6,214
Investment risk R <sub>3</sub>	18,611	29,784
Guaranteed minimum benefit risk R <sub>7</sub>	22,493	28,463
Business risk R <sub>4</sub>	1,363	1,934
Solvency margin ratio $\frac{(A)}{(1/2) \times (B)} \times 100$	938.6%	638.2%

\*: Multiplied by 100% if losses.

Note 1. The figures are calculated based on Articles 86 and 87 of the Enforcement Regulations of Insurance Business Act, and Announcement No. 50, Ministry of Finance, 1996.

2. Guaranteed minimum benefit risk is calculated by standard method.

(9) Segment Information

The Company on a consolidated basis did not operate any businesses categorized in segments other than its own core life insurance business, and therefore segment information was omitted.