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# Financial Results for the Six Months Ended September 30, 2017

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The Dai-ichi Frontier Life Insurance Co., Ltd. (the "Company"; President: Takashi Kawashima) announces its financial results for the six months ended September 30, 2017.

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

## 1. Business Highlights

### (1) Annualized Net Premiums

#### Policies in Force

(millions of yen except percentages)

	As of March 31, 2017	As of September 30, 2017	
			% of March 31, 2017 total
Individual insurance	185,125	208,158	112.4
Individual annuities	527,625	526,743	99.8
Total	712,750	734,902	103.1
Medical and survival benefits	-	-	-

#### New Policies

(millions of yen except percentages)

	Six months ended September 30, 2016	Six months ended September 30, 2017	% of September 30, 2016 total
Individual insurance	14,409	23,585	163.7
Individual annuities	74,777	66,549	89.0
Total	89,186	90,135	101.1
Medical and survival benefits	-	-	-

Note: Annualized net premiums are calculated by multiplying the per-premium payments by a multiplier that depends on the premium payment terms. For single-premium contracts, the amount is calculated by dividing the premium by the duration of the policy.

## (2) Policies in Force and New Policies

### Policies in Force

	As of March 31, 2017		As of September 30, 2017			
	Number of Policies (thousands)	Amount (millions of yen)	Number of Policies		Amount	
			(thousands)	% of March 31, 2017 total	(millions of yen)	% of March 31, 2016 total
Individual insurance	324	2,368,991	358	110.7	2,658,967	112.2
Individual annuities	754	4,471,695	788	104.5	4,733,579	105.9
Group insurance	-	-	-	-	-	-
Group annuities	-	-	-	-	-	-

Note: Policy amount in force for individual annuities is equal to the sum of (a) the amount required to fund annuity payments when they commence for annuities that have not yet commenced paying out and (b) policy reserves for annuities that have commenced paying out.

### New Policies

	Number of Policies		Amount			
	(thousands)	% of September 30, 2016 total	(millions of yen)	% of September 30, 2016 total	New Business	Net increase from conversions
Six months ended September 30, 2017						
Individual insurance	39	156.9	282,385	144.4	282,385	-
Individual annuities	57	115.8	309,430	103.8	309,430	-
Group insurance	-	-	-	-	-	-
Group annuities	-	-	-	-	-	-
Six months ended September 30, 2016						
Individual insurance	25		195,501		195,501	-
Individual annuities	50		298,222		298,222	-
Group insurance	-		-		-	-
Group annuities	-		-		-	-

Note: Amount of new policies (new business) for individual annuities is equal to the amount required to fund annuity payments when they commence.

## (3) Profit and Loss Items

(millions of yen except percentages)

	Six months ended September 30, 2016	Six months ended September 30, 2017	% of September 30, 2016 total
Premium and other income	540,692	637,363	117.9
Investment income	61,591	235,547	382.4
Benefits and claims	310,222	334,112	107.7
Investment expenses	289,621	14,464	5.0

## (4) Total Assets

(millions of yen except percentages)

	As of March 31, 2017	As of September 30, 2017	
			% of March 31, 2017 total
Total Assets	6,742,468	7,312,681	108.5

## **2. Investment of General Account Assets**

### (1) Investment Environment

During the six months ended September 30, 2017, the Japanese economy experienced growth higher than the potential growth rate, spurred by domestic demand centered on individual consumption due to continuous improvement in employment and household income.

The U.S. economy continued moderate growth, driven by expanding individual consumption reflecting improvements in employment and household income, as well as strong capital investment backed by increasing corporate profits.

The Australian economy continued moderate recovery supported by individual consumption and government expenditure. Given such economic conditions, the investment environment was as follows.

#### [Domestic interest rates]

The ten-year Japanese government bond (JGB) yield temporarily rose over the 0.1%-line under pressure from U.S. rate hikes and expectations for tapering of quantitative easing by European Central Bank (ECB). Thereafter, the JGB yield reverted and stabilized at a low level supported by quantitative and qualitative easing with yield curve control

Yield on ten-year government bonds:	April 1, 2017	0.065%
	September 30, 2017	0.060%

#### [U.S. Interest Rates and Foreign Currency]

The ten-year U.S. Treasury Note yield fell in response to geopolitical risk and concern towards realization of policy measures. The yen appreciated against the dollar but because of factors such as a policy announcement indicating balance sheet reduction by the Federal Reserve Board (FRB), anticipation of a raise in interest rates by the end of 2017 and expectations towards the U.S. tax reform, U.S. interest rates and foreign currency exchange rates were generally the same level as at the beginning of the fiscal year.

Yield on ten-year U.S. government bonds:	April 1, 2017	2.319%
	September 30, 2017	2.334%
yen/U.S. dollar:	April 1, 2017	¥112.19
	September 30, 2017	¥112.73

#### [Australian Interest Rates and Foreign Currency]

Accompanying the steady economic growth of China, a major trading partner of Australia, iron ore prices increased while the ten-year Australian Treasury Note yield rose and the yen depreciated against the Australian dollar.

Yield on ten-year Australian government bonds:	April 1, 2017	2.669%
	September 30, 2017	2.784%
yen/Australian dollar:	April 1, 2017	¥84.99
	September 30, 2017	¥88.47

### (2) Investment Policies

In view of the liability characteristics of life insurance policies, assets in the general account are invested in accordance with asset-liability management (ALM) principles with the primary objective of steadily paying annuities, insurance proceeds, and benefits over the long term. General account assets are invested primarily in yen-denominated bonds.

Foreign-currency denominated insurance are invested in foreign-currency denominated bonds. Certain instruments are also used to mitigate the guaranteed minimum benefit risk on individual variable annuities.

### (3) Investment Results

The Company invested primarily in yen-denominated bonds. Foreign-currency denominated insurance were invested in foreign-currency denominated bonds. Derivative trades attributable to money held in trust and investments in foreign securities (investment trusts) were also used to mitigate the guaranteed minimum benefit risk on individual variable annuities.

As a result, investment income was 149,768 million yen mainly due to foreign exchange gains (82,103 million yen), interest and dividends (58,168 million yen), and derivative transaction gains (5,458 million yen). Investment expenses were 14,464 million yen mainly due to losses on money held in trust (6,631 million yen), losses on investment in trading securities (5,349 million yen), and losses on sale of securities (2,041 million yen).

### 3. Investment Results of General Account

#### (1) Asset Composition

(millions of yen except percentages)

	As of March 31, 2017		As of September 30, 2017	
	Carrying value	%	Carrying value	%
Cash, deposits, and call loans	102,516	2.2	143,824	2.8
Securities repurchased under resale agreements	-	-	-	-
Deposit paid for securities borrowing transactions	-	-	-	-
Monetary claims bought	6,081	0.1	6,050	0.1
Trading account securities	-	-	-	-
Money held in trust	282,919	6.1	391,447	7.6
Securities	4,094,184	88.7	4,447,325	86.7
Domestic bonds	1,145,301	24.8	1,173,903	22.9
Domestic stocks	-	-	-	-
Foreign securities	2,747,216	59.5	3,073,426	59.9
Foreign bonds	2,740,228	59.4	3,069,395	59.8
Foreign stocks and other securities	6,987	0.2	4,030	0.1
Other securities	201,666	4.4	199,995	3.9
Loans	-	-	-	-
Real estate	-	-	-	-
Deferred tax assets	-	-	-	-
Others	127,642	2.8	143,049	2.8
Reserve for possible loan losses	(6)	(0.0)	(7)	(0.0)
Total	4,613,338	100.0	5,131,690	100.0
Foreign currency-denominated assets	2,900,997	62.9	3,286,871	64.1

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

(millions of yen)

	Six months ended September 30, 2016	Six months ended September 30, 2017
Cash, deposits, and call loans	(15,456)	41,308
Securities repurchased under resale agreements	-	-
Deposit paid for securities borrowing transactions	-	-
Monetary claims bought	15	(30)
Trading account securities	-	-
Money held in trust	187,356	108,527
Securities	(11,983)	353,141
Domestic bonds	(3,129)	28,602
Domestic stocks	-	-
Foreign securities	41,125	326,209
Foreign bonds	39,593	329,166
Foreign stocks and other securities	1,531	(2,956)
Other securities	(49,979)	(1,670)
Loans	-	-
Real estate	-	-
Deferred tax assets	-	-
Others	(8,840)	15,407
Reserve for possible loan losses	(0)	(1)
Total	151,090	518,352
Foreign currency-denominated assets	35,370	385,874

## (3) Investment Income

(millions of yen)

	Six months ended September 30, 2016	Six months ended September 30, 2017
Interest and dividends	49,817	58,168
Interest from bank deposits	140	196
Interest and dividends from securities	49,562	57,788
Interest from loans	-	-
Rental income	-	-
Other interest and dividends	114	183
Gains on trading account securities	-	-
Gains on money held in trust	1,362	-
Gains on investment in trading securities	1,531	-
Gains on sale of securities	8,453	2,650
Gains on sale of domestic bonds	7,217	1,241
Gains on sale of domestic stocks	-	-
Gains on sale of foreign securities	1,236	1,409
Others	-	-
Gains on redemption of securities	426	1,387
Derivative transaction gains	-	5,458
Foreign exchange gains	-	82,103
Reversal of reserve for possible loan losses	-	-
Other investment income	-	-
Total	61,591	149,768

## (4) Investment Expenses

(millions of yen)

	Six months ended September 30, 2016	Six months ended September 30, 2017
Interest expenses	1	1
Losses on trading account securities	-	-
Losses on money held in trust	-	6,631
Losses on investment in trading securities	-	5,349
Losses on sale of securities	1,514	2,041
Losses on sale of domestic bonds	-	41
Losses on sale of domestic stocks	-	-
Losses on sale of foreign securities	1,514	2,000
Others	-	-
Losses on valuation of securities	-	-
Losses on valuation of domestic bonds	-	-
Losses on valuation of domestic stocks	-	-
Losses on valuation of foreign securities	-	-
Others	-	-
Losses on redemption of securities	45	0
Derivative transaction losses	8,436	-
Foreign exchange losses	249,971	-
Provision for reserve for possible loan losses	0	1
Write-down of loans	-	-
Depreciation of rented real estate and others	-	-
Other investment expenses	393	438
Total	260,364	14,464

(5) Valuation Gains and Losses on Trading Securities

(millions of yen)

	As of March 31, 2017		As of September 30, 2017	
	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	289,907	(22,424)	395,478	(11,980)

Note: Figures in this table include money held in trust and other instruments classified as trading securities.

## (6) Fair Value Information on Securities (securities with fair value except trading securities)

(millions of yen)

	Book value	Fair value	Gains (losses)		
			Gains	Losses	
As of September 30, 2017					
Bonds held to maturity	-	-	-	-	-
Policy-reserve-matching bonds	3,373,127	3,478,397	105,270	123,895	18,625
Stocks of subsidiaries and affiliates	-	-	-	-	-
Securities available for sale	1,048,980	1,076,218	27,237	35,187	7,949
Domestic bonds	308,106	323,248	15,141	15,586	444
Domestic stocks	-	-	-	-	-
Foreign securities	543,905	546,923	3,017	10,494	7,476
Foreign bonds	543,905	546,923	3,017	10,494	7,476
Foreign stocks and other securities	-	-	-	-	-
Other securities	190,968	199,995	9,027	9,055	27
Monetary claims bought	6,000	6,050	50	50	-
Certificates of deposit	-	-	-	-	-
Others	-	-	-	-	-
<b>Total</b>	<b>4,422,107</b>	<b>4,554,615</b>	<b>132,507</b>	<b>159,083</b>	<b>26,575</b>
Domestic bonds	1,158,762	1,232,042	73,280	75,302	2,021
Domestic stocks	-	-	-	-	-
Foreign securities	3,066,377	3,116,526	50,148	74,674	24,525
Foreign bonds	3,066,377	3,116,526	50,148	74,674	24,525
Foreign stocks and other securities	-	-	-	-	-
Other securities	190,968	199,995	9,027	9,055	27
Monetary claims bought	6,000	6,050	50	50	-
Certificates of deposit	-	-	-	-	-
Others	-	-	-	-	-
As of March 31, 2017					
Bonds held to maturity	-	-	-	-	-
Policy-reserve-matching bonds	3,031,803	3,131,521	99,718	118,995	19,276
Stocks of subsidiaries and affiliates	-	-	-	-	-
Securities available for sale	1,037,399	1,061,474	24,074	35,385	11,310
Domestic bonds	301,841	318,513	16,672	17,118	445
Domestic stocks	-	-	-	-	-
Foreign securities	536,859	535,212	(1,646)	9,126	10,772
Foreign bonds	536,859	535,212	(1,646)	9,126	10,772
Foreign stocks and other securities	-	-	-	-	-
Other securities	192,699	201,666	8,967	9,059	92
Monetary claims bought	6,000	6,081	81	81	-
Certificates of deposit	-	-	-	-	-
Others	-	-	-	-	-
<b>Total</b>	<b>4,069,203</b>	<b>4,192,996</b>	<b>123,793</b>	<b>154,380</b>	<b>30,587</b>
Domestic bonds	1,128,628	1,198,646	70,017	72,681	2,664
Domestic stocks	-	-	-	-	-
Foreign securities	2,741,875	2,786,602	44,727	72,558	27,830
Foreign bonds	2,741,875	2,786,602	44,727	72,558	27,830
Foreign stocks and other securities	-	-	-	-	-
Other securities	192,699	201,666	8,967	9,059	92
Monetary claims bought	6,000	6,081	81	81	-
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 Law.



\*Book values of securities for which it is not practicable to determine fair value are as follows:

Not applicable.

(7) Fair Value Information on Money Held in Trust

(millions of yen)

	Carrying value on the balance sheet	Fair value	Gains (losses)	
			Gains	Losses
As of September 30, 2017	391,447	391,447	(6,631)	12,538
As of March 31, 2017	282,919	282,919	(16,443)	20,572

Note: 1. Fair value equivalents appearing in this table are based on prices calculated using a reasonable method by trustees of money held in trust.

2. Gains (losses) are valuation gains (losses) that were included in the statement of earnings.

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

(millions of yen)

	As of March 31, 2017		As of September 30, 2017	
	Carrying value on the balance sheet	Valuation gains (losses) included in the statements of earnings	Carrying value on the balance sheet	Valuation gains (losses) included in the statements of earnings
Money held in trust for investment purposes	282,919	(16,443)	391,447	(6,631)

\*Information on money held in trust classified as held-to-maturity, policy-reserve-matching, or other money held in trust are as follows:

Not applicable.

#### 4. Non-Consolidated Balance Sheets

(millions of yen)

	As of March 31, 2017 (Summarized)	As of September 30, 2017 (Summarized)
	Amount	Amount
<b>(ASSETS)</b>		
Cash and deposits	109,844	151,938
Monetary claims bought	6,081	6,050
Money held in trust	282,919	391,447
Securities	6,214,999	6,618,686
[Government bonds]	[ 585,775 ]	[ 572,404 ]
[Local government bonds]	[ 12,257 ]	[ 11,363 ]
[Corporate bonds]	[ 547,268 ]	[ 590,136 ]
[Foreign securities]	[ 2,762,780 ]	[ 3,087,855 ]
Tangible fixed assets	238	202
Intangible fixed assets	4,009	4,466
Reinsurance receivables	61,104	60,309
Other assets	63,276	79,587
Reserve for possible loan losses	(6)	(7)
<b>Total assets</b>	<b>6,742,468</b>	<b>7,312,681</b>

(millions of yen)

	As of March 31, 2017 (Summarized)	As of September 30, 2017 (Summarized)
	Amount	Amount
<b>(LIABILITIES)</b>		
Policy reserves and others	6,419,066	6,888,465
Reserves for outstanding claims	9,176	10,421
Policy reserves	6,409,889	6,878,043
Reinsurance payable	156,167	199,953
Other liabilities	39,930	76,643
Corporate income tax payable	3,203	5,911
Lease liabilities	182	154
Other liabilities	36,545	70,577
Reserve for price fluctuations	10,216	12,136
Deferred tax liabilities	6,766	7,634
<b>Total liabilities</b>	<b>6,632,147</b>	<b>7,184,832</b>
<b>(NET ASSETS)</b>		
Capital stock	117,500	117,500
Capital surplus	67,500	67,500
Legal capital surplus	67,500	67,500
Retained earnings	(91,987)	(76,754)
Other retained earnings	(91,987)	(76,754)
Retained earnings brought forward	(91,987)	(76,754)
Total shareholders' equity	93,012	108,245
Net unrealized gains on securities, net of tax	17,307	19,603
Total of valuation and translation adjustments	17,307	19,603
<b>Total net assets</b>	<b>110,320</b>	<b>127,848</b>
<b>Total liabilities and net assets</b>	<b>6,742,468</b>	<b>7,312,681</b>

## 5. Non-Consolidated Statements of Earnings

(millions of yen)

	Six months ended September 30, 2016	Six months ended September 30, 2017
	Amount	Amount
<b>ORDINARY REVENUES</b>	635,571	872,915
Premium and other income	540,692	637,363
[Premium income]	[ 474,200 ]	[ 555,882 ]
Investment income	61,591	235,547
[Interest and dividends]	[ 49,817 ]	[ 58,168 ]
[Gains on money held in trust]	[ 1,362 ]	[ - ]
[Gains on investment in trading securities]	[ 1,531 ]	[ - ]
[Gains on sale of securities]	[ 8,453 ]	[ 2,650 ]
[Derivative transaction gains]	[ - ]	[ 5,458 ]
[Gains on investment in separate accounts]	[ - ]	[ 85,779 ]
Other ordinary revenues	33,287	4
[Reversal of policy reserve]	[ 33,283 ]	[ - ]
<b>ORDINARY EXPENSES</b>	635,776	846,493
Benefits and claims	310,222	334,112
[Claims]	[ 14,608 ]	[ 20,664 ]
[Annuities]	[ 10,542 ]	[ 72,687 ]
[Benefits]	[ 22,915 ]	[ 27,270 ]
[Surrender values]	[ 86,917 ]	[ 71,175 ]
[Other refunds]	[ 1,467 ]	[ 2,686 ]
Provision for policy reserves and others	612	469,398
Provision for reserves for outstanding claims	612	1,244
Provision for policy reserve	-	468,153
Investment expenses	289,621	14,464
[Interest expenses]	[ 1 ]	[ 1 ]
[Losses on money held in trust]	[ - ]	[ 6,631 ]
[Losses on investment in trading securities]	[ - ]	[ 5,349 ]
[Losses on sale of securities]	[ 1,514 ]	[ 2,041 ]
[Derivative transaction losses]	[ 8,436 ]	[ - ]
[Losses on investment in separate accounts]	[ 29,257 ]	[ - ]
Operating expenses	31,915	25,110
Other ordinary expenses	3,405	3,408
<b>ORDINARY GAIN (LOSS)</b>	(205)	26,422
<b>EXTRAORDINARY LOSSES</b>	1,511	1,920
Gain (loss) before income taxes	(1,717)	24,502
Corporate income taxes - current	4	9,269
Total of corporate income taxes	4	9,269
Net income (loss) for the period	(1,721)	15,232

## 6. Non-Consolidated Statement of Changes in Net Assets

Six months ended September 30, 2017

(millions of yen)

	Shareholders' equity			
	Capital stock	Capital surplus	Retained earnings	Total shareholders' equity
		Legal capital surplus	Other retained earnings Retained earnings brought forward	
Balance at the beginning of the year	117,500	67,500	(91,987)	93,012
Changes for the period				
Net income (loss) for the period			15,232	15,232
Net changes of items other than shareholders' equity				
Total changes for the period	-	-	15,232	15,232
Balance at the end of the period	117,500	67,500	(76,754)	108,245

	Valuation and translation adjustments		Total net assets
	Net unrealized gains on securities, net of tax	Total valuation and translation adjustments	
Balance at the beginning of the year	17,307	17,307	110,320
Changes for the period			
Net income (loss) for the period			15,232
Net changes of items other than shareholders' equity	2,295	2,295	2,295
Total changes for the period	2,295	2,295	17,528
Balance at the end of the period	19,603	19,603	127,848

Six months ended September 30, 2016

(millions of yen)

	Shareholders' equity			
	Capital stock	Capital surplus	Retained earnings	Total shareholders' equity
		Legal capital surplus	Other retained earnings Retained earnings brought forward	
Balance at the beginning of the year	117,500	67,500	(142,234)	42,765
Changes for the period				
Net income (loss) for the period			(1,721)	(1,721)
Net changes of items other than shareholders' equity				
Total changes for the period	-	-	(1,721)	(1,721)
Balance at the end of the period	117,500	67,500	(143,956)	41,043

	Valuation and translation adjustments		Total net assets
	Net unrealized gains on securities, net of tax	Total valuation and translation adjustments	
Balance at the beginning of the year	43,155	43,155	85,920
Changes for the period			
Net income (loss) for the period			(1,721)
Net changes of items other than shareholders' equity	5,128	5,128	5,128
Total changes for the period	5,128	5,128	3,406
Balance at the end of the period	48,283	48,283	89,326

As of September 30, 2017

- 1 Securities (including monetary claims bought which is equivalent to marketable securities and marketable securities managed as trust assets in money held in trust) are valued as follows :
  - (a) Trading securities are valued at fair value (sales cost is calculated with the moving-average method).
  - (b) Policy-reserve-matching bonds (bonds defined by the Japanese Institute of Certified Public Accountants (JICPA) Industry Audit Committee Report No.21 entitled Treatment of Accounting and Auditing Concerning Policy-reserve-matching Bonds in the Insurance Industry) are valued using the moving-average amortized cost (straight line) method.
  - (c) Other securities with fair values are valued at fair value using market prices as of the end of the year (sales cost is calculated with the moving-average method). Securities for which it is not practicable to determine fair value are recorded on the balance sheet at acquisition cost.  
Valuation differences on other securities are reported as a component of net assets.
- 2 Risk management policies regarding policy-reserve matching bonds are as follows:  
The Company categorizes its insurance products into sub-groups by the attributes of each product and, in order to manage risks properly, formulates its policy on investments and resource allocation based on the balance of the sub-groups. Moreover, the Company periodically checks that the duration gap between policy-reserve-matching bonds and policy reserves stays within a certain range. The sub-groups are:
  - (a) Individual insurance and annuities (JP yen-denominated, short term)
  - (b) Individual insurance and annuities (JP yen-denominated, long term)
  - (c) Individual insurance and annuities (US dollar-denominated)
  - (d) Individual insurance and annuities (AUS dollar-denominated)
  - (e) Individual insurance and annuities (NZ dollar-denominated)
 with the exception of certain types and policies.
- 3 Derivative transactions (including those attributable to money held in trust and foreign securities (investment trusts)) are reported at fair value.
- 4 Depreciation of tangible fixed assets is as follows:
  - (a) Tangible fixed assets (excluding leased assets)  
Declining balance method is applied. However, other tangible fixed assets that were acquired for 100,000 yen or more but less than 200,000 yen are depreciated in an equal installment over three years.
  - (b) Leased assets  
Depreciation of leased assets with regard to finance leases whose ownership does not transfer to the lessees is computed under the straight-line method assuming zero residual value and with the lease period being deemed as useful life .
- 5 Amortization of intangible fixed assets is calculated by the straight-line method. Amortization of software for internal use is based on the estimated useful life.
- 6 Foreign currency-denominated assets and liabilities are translated into the yen at market exchange rates as of the book closing date. Changes in market values of bonds included in foreign currency-denominated other securities are divided into two, and the portion attributable to changes in the securities' nominal market prices in their local currencies is included in "valuation difference" on other securities, and the rest in "foreign exchange gains/losses. "
- 7 Reserve for possible loan losses is calculated by multiplying the value of loan claims by the historical loan loss rates calculated from actual losses, pursuant rules on the self-assessment of assets as well as rules on the write-offs on and provisioning of reserves for assets. Relevant departments assess all loan claims based on the self-assessment rules, and an independent department responsible for auditing assets audits the assessment results. Provisions to the reserve for possible loan losses are determined based on the assessment results.
- 8 Reserve for price fluctuations is calculated pursuant to Article 115 of the Insurance Business Act.
- 9 National and local consumption taxes are recorded with the tax-exclusion method. Non-recoverable consumption tax on certain assets is capitalized as a prepaid expense and amortized equally over five years in accord with corporate taxation law, and such taxes other than deferred consumption tax are recognized as an expense in the year in which they are incurred.
- 10 Policy reserves are those reserves set aside in accord with Article 116 of the Insurance Business Act. Insurance premium reserve is calculated as follows:
  - (a) For policies subject to the Standard Policy Reserve Method: Method stipulated by the Financial Services Agency Commissioner (Ministry of Finance Notification No. 48, 1996)
  - (b) For policies not subject to the Standard Policy Reserve Method: Net level premium reserve method

- 11 Amounts of financial instruments recorded on the balance sheet, their fair values, and differences between the two are as follows:

	(millions of yen)		
	Carrying amount on balance sheet	Fair value	Difference
(1) Cash and deposits	151,938	151,938	-
(2) Monetary claims bought	6,050	6,050	-
(3) Money held in trust	391,447	391,447	-
(4) Securities	6,618,686	6,723,956	105,270
(a) Trading securities	2,175,391	2,175,391	-
(b) Policy-reserve-matching bonds	3,373,127	3,478,397	105,270
(c) Other securities	1,070,167	1,070,167	-
Assets total	7,168,122	7,273,392	105,270
Derivative transactions			
(a) Derivative transactions to which hedge accounting is not applied	2,757	2,757	-
Derivative transactions total	2,757	2,757	-

Note: Derivative transactions include those attributable to money held in trust and foreign securities (investment trusts). Net derivative assets and liabilities arising from derivative transactions are reported as a net value. A negative total indicates a net liability.

Fair values of financial instruments are calculated as follows:

(a) Cash and deposits

Deposits are recorded at book value as all deposits have no maturities and their book values approximate their fair values.

(b) Monetary claims bought

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

(c) Money held in trust

Information on securities appears below in "(d) Securities". Information on derivative transactions appears below in "(e) Derivative transactions".

(d) Securities

Fair value of bonds is based on the price on stock exchanges. Fair value of mutual funds is based on unit price.

(e) Derivative transactions

For foreign exchange forward contracts, futures market prices on the book closing date are used as fair value.

For currency swap contracts and interest rate swap contracts, amounts discounted to present value are used as fair value. For total return swap contracts, amounts calculated by using indices on the book closing date are used as fair value. For futures transactions and other market traded instruments, securities exchange market closing prices are used as fair value.

- 12 Accumulated depreciation on tangible fixed assets is 178,422 million yen.
- 13 Assets in separate accounts, as defined by Article 118 of the Insurance Business Act, total 2,181,184 million yen. Liabilities in separate accounts, total the same amount.
- 14 Accumulated depreciation on tangible fixed assets is 70,159 million yen. The amounts of secured liabilities were 12,199 million yen.
- 15 Assets for which rights held can be freely disposed of by means of sale or collateralization are available-for-sale securities that have been accepted as collateral of reinsurance dealings, and in this period ownership was maintained for total market value of 59,667 million yen as of September 30, 2017, and we have no assets pledged as a re-collateral.
- 16 Reserves for outstanding claims attributable to the portion of reinsurance specified in Article 71, paragraph 1, of the Ordinance for Enforcement of the Insurance Business Act, applied under Article 73, paragraph 3, of said Ordinance ("reserves for outstanding ceding insurance claims"), amount to 130 million yen. Policy reserves attributable to the portion of reinsurance specified in Article 71, paragraph 1, of said Ordinance ("ceding reinsurance policy reserves") amount to 280,292 million yen.
- 17 As of September 30, 2017, the Company estimated that it would be required to contribute 8,695 million yen to the Life Insurance Policyholders Protection Corporation of Japan pursuant to Article 259 of the Insurance Business Act. Contributions are expensed as an operating expense in the first half of the year in which they are incurred.
- 18 As of September 30, 2017, undepreciated balance of the fee of the reinsurance contract, which is defined in announcement No.50, 1-5, Ministry of Finance, 1996, is 71,181 million yen.

Notes to the Non-Consolidated Statement of Earnings

Six months ended September 30, 2017	
1	Gains on sale of securities included gains on sales of domestic bonds and foreign securities of 1,241 million yen and 1,409 million yen, respectively.
2	Losses on sale of securities included losses on sales of domestic bonds and foreign securities of 41 million yen and 2,000 million yen, respectively.
3	In calculating the provision for reserves for outstanding claims, a provision for reserves for outstanding claims reinsured of 17 million yen was deducted as an adjustment. In calculating the reversal of policy reserves, a provision for policy reserves reinsured of 51,565 million yen was added.
4	The details of Interest and dividends are as follows: Interest on deposits : 196 million yen Interest and dividends from securities : 57,788 million yen Other interest and dividends : 183 million yen Total : 58,168 million yen
5	Net loss per share for the six months ended September 30, 2017 was 8,234,006.70 yen.
6	Premium and other income includes the increase of 2,653 million yen of the fee of the reinsurance contract which is defined in announcement No.50, 1-5, Ministry of Finance, 1996.
7	Benefits and claims includes the decrease of 5,818 million yen of the fee of the reinsurance contract which is defined in announcement No.50, 1-5, Ministry of Finance, 1996.

Notes to the Non-Consolidated Statement of Changes in Net Assets

Six months ended September 30, 2017				
1	Number of outstanding shares by class			
				(shares)
	No. shares as of April 1, 2017	Increase in number of shares	Decrease in number of shares	No. shares as of September 30, 2017
Outstanding shares				
Common stock	1,850	-	-	1,850

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

(millions of yen)

		Six months ended September 30, 2016	Six months ended September 30, 2017
Fundamental profit	A	(8,505)	48,310
Capital gains		283,300	90,212
Gains on money held in trust		1,362	-
Gains on investment in trading securities		1,531	-
Gains on sale of securities		8,453	2,650
Derivative transaction gains		-	5,458
Foreign exchange gains		-	82,103
Others		271,953	-
Capital losses		275,229	106,638
Losses on money held in trust		-	6,631
Losses on investment in trading securities		-	5,349
Losses on sale of securities		1,514	2,041
Losses on valuation of securities		-	-
Derivative transaction losses		8,436	-
Foreign exchange losses		249,971	-
Others		15,307	92,616
Net capital gains (losses)	B	8,070	(16,425)
Fundamental profit plus net capital gains (losses)	A + B	(434)	31,884
Other one-time gains		229	-
Reinsurance income		-	-
Reversal of contingency reserve		229	-
Reversal of specific reserve for possible loan losses		-	-
Others		-	-
Other one-time losses		-	5,462
Ceding reinsurance commissions		-	-
Provision for contingency reserve		-	5,462
Provision for specific reserve for possible loan losses		-	-
Provision for specific reserve for loans to refinancing countries		-	-
Write-down of loans		-	-
Others		-	-
Other one-time profits (losses)	C	229	(5,462)
Ordinary profit (loss)	A + B + C	(205)	26,422

Note: 1. Fundamental profit includes the amount below.

	Six months ended September 30, 2016	Six months ended September 30, 2017
Impact from increase or decrease in surrender values in accordance with Market Value Adjustment (MVA)	15,307	1,397
Impact from market rate fluctuations of foreign exchange on foreign-currency denominated insurance policies	(271,953)	91,219

2. Other capital gains include the amount below.

	Six months ended September 30, 2016	Six months ended September 30, 2017
Impact from market rate fluctuations of foreign exchange on foreign-currency denominated insurance policies	271,953	-

3. Other capital losses include the amount below.

	Six months ended September 30, 2016	Six months ended September 30, 2017
Impact from increase or decrease in surrender values in accordance with Market Value Adjustment (MVA)	15,307	1,397
Impact from market rate fluctuations of foreign exchange on foreign-currency denominated insurance policies	-	91,219

4. The Company invests in derivative financial instruments (including investments in money held in trust, foreign securities (investment trusts) ) for the purpose of mitigating the guaranteed minimum benefit risk on individual variable annuities. These transactions are included in gains (losses) on money held in trust and gains (losses) on investment in trading securities.

5. Effective from the fiscal year ending March 31, 2018, the reporting method of the breakdown of ordinary profit has been changed, reflecting the impact from increase or decrease in surrender values in accordance with Market Value Adjustment (MVA). The figures for the first quarter of the preceding fiscal year ended March 2017 have also been recalculated and restated accordingly. Consequently, fundamental profit for the first quarter of the preceding fiscal year increased by 15,307 million yen, while net capital losses decreased by 15,307 million yen compared to those before the change.



## 8. Disclosed Claims Based on Categories of Obligors

(millions of yen)

	As of March 31, 2017	As of September 30, 2017
Claims against bankrupt and quasi-bankrupt obligors	-	-
Claims with collection risk	-	-
Claims for special attention	-	-
Subtotal	-	-
[Percentage]	[ - ]	[ - ]
Claims against normal obligors	286,164	178,436
Total	286,164	178,436

- 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

Not applicable.

## 10. Solvency Margin Ratio

(millions of yen)

		As of March 31, 2016	As of September 30, 2017
Total solvency margin	(A)	421,078	461,552
Common stock, etc		93,012	108,245
Reserve for price fluctuations		10,216	12,136
Contingency reserve		114,970	120,433
General reserve for possible loan losses		6	7
(Net unrealized gains (losses) on securities (before tax) and deferred hedge gains (losses) (before tax)) × 90% *		21,667	24,513
Net unrealized gains (losses) on real estate × 85% *		-	-
Policy reserves in excess of surrender values		207,553	201,024
Qualifying subordinated debt		-	-
Excluded portion of policy reserves in excess of surrender values and qualifying subordinated debt		(21,188)	-
Excluded items		(5,160)	(4,808)
Others		-	-
Total Risk	$\sqrt{(R_1 + R_8)^2 + (R_2 + R_3 + R_7)^2} + R_4$ (B)	146,034	153,042
Insurance risk	$R_1$	66	71
3rd sector insurance risk	$R_8$	-	-
Assumed investment yield risk	$R_2$	31,404	35,672
Guaranteed minimum benefit risk	$R_7$	21,955	22,097
Investment risk	$R_3$	88,419	90,813
Business risk	$R_4$	4,255	4,459
Solvency margin ratio	$\frac{(A)}{(1/2) \times (B)} \times 100$	576.6%	603.1%

\* 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.

## **11. Separate Account Status**

### (1) Separate Account Assets by Product

(millions of yen)

	As of March 31, 2017	As of September 30, 2017
Individual variable insurance	63,438	73,651
Individual variable annuities	2,066,212	2,107,532
Group annuities	-	-
Separate account total	2,129,651	2,181,184

### (2) Policies in Force

#### A. Individual Variable Insurance

(millions of yen except number of policies)

	As of March 31, 2017		As of September 30, 2017	
	Number of policies (thousands)	Amount	Number of policies (thousands)	Amount
Variable insurance (defined term type)	-	-	-	-
Variable insurance (whole life type)	54	427,003	58	478,170
Total	54	427,003	58	478,170

Note: Policy amounts not placed into separate accounts as of the end of the fiscal period are included in policies in force.

#### B. Individual Variable Annuities

(millions of yen except number of policies)

	As of March 31, 2017		As of September 30, 2017	
	Number of policies	Amount	Number of policies	Amount
Individual variable annuities	617	3,742,986	625	3,843,513

Note: 1. Total policy amount in force for individual annuities is equal to the sum of (a) the amount required to fund annuity payments when they commence for annuities that have not yet commenced paying out and (b) policy reserves for annuities that have commenced paying out.

2. Policy amounts not placed into separate accounts as of the end of the fiscal period are included in policies in force.

## **12. Consolidated Financial Summary**

Not applicable.