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# Financial Results for the Six Months Ended September 30, 2012

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The Dai-ichi Frontier Life Insurance Co., Ltd. (the "Company"; President: Satoru Tsutsumi) announces its financial results for the six months ended September 30, 2012.

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

## 1. Business Highlights

### (1) Policies in Force and New Policies

#### Policies in Force

	As of March 31, 2012		As of September 30, 2012			
	Number of Policies (thousands)	Amount (millions of yen)	Number of Policies		Amount	
			(thousands)	% of March 31, 2012 total	(millions of yen)	% of March 31, 2012 total
Individual insurance	0	3,248	3	848.2	32,316	994.8
Individual annuities	316	1,753,047	345	108.9	1,876,919	107.1
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 (millions of yen)	Amount		
	(thousands)	% of September 30, 2011 total		% of September 30, 2011 total	New Business	Net increase from conversions
<b>Six months ended September 30, 2012</b>						
Individual insurance	3	1,582.9	29,208	1,679.3	29,208	-
Individual annuities	32	121.1	166,757	116.2	166,757	-
Group insurance	-	-	-	-	-	-
Group annuities	-	-	-	-	-	-
<b>Six months ended September 30, 2011</b>						
Individual insurance	0		1,739		1,739	-
Individual annuities	26		143,526		143,526	-
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.

## (2) Annualized Net Premiums

### Policies in Force

(millions of yen except percentages)

	As of March 31, 2012	As of September 30, 2012	
			% of March 31, 2012 total
Individual insurance	261	2,259	863.9
Individual annuities	191,074	211,504	110.7
Total	191,336	213,763	111.7
Medical and survival benefits	-	-	-

### New Policies

(millions of yen except percentages)

	Six months ended September 30, 2011	Six months ended September 30, 2012	% of September 30, 2011 total
Individual insurance	143	2,009	1,397.7
Individual annuities	18,024	24,586	136.4
Total	18,168	26,595	146.4
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.

## (3) Profit and Loss Items

(millions of yen except percentages)

	Six months ended September 30, 2011	Six months ended September 30, 2012	% of September 30, 2011 total
Premium and other income	148,542	203,799	137.2
Investment income	19,252	15,978	83.0
Benefits and claims	45,728	56,305	123.1
Investment expenses	52,924	21,830	41.2

## (4) Total Assets

(millions of yen except percentages)

	As of March 31, 2012	As of September 30, 2012	
			% of March 31, 2012 total
Total Assets	1,860,617	2,000,792	107.5

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

### (1) Investment Environment

While supported by the governmental eco-car subsidy policy and full-scale reconstruction demand in relation to the Great East Japan Earthquake, the Japanese economy began to slow in the summer due to 1) decreased corporate capital expenditures and 2) a slump in external demand as a result of delays in the recovery of overseas economies, mainly China.

The economic recovery in the U.S. was limited by the slow recovery of U.S. employment, although it was supported by the monetary easing policy of the Federal Reserve Board (FRB). The European economy remained stagnant due to sovereign debt issues, related government spending cuts and worsened unemployment.

In the economic environment described above, the investment environment was as follows:

#### [Domestic interest rates]

Given the worsening European sovereign debt issue and growing concern over the global economy, the Bank of Japan (BOJ) decided to further ease its monetary policy and therefore the yield on ten year government bonds hit the lowest level since June 2003. The yield remained at low levels thereafter as the BOJ maintained its monetary easing policy.

(Yield on ten-year government bonds: April 1, 2012:0.985% ; September 30, 2012:0.770%)

#### [Domestic Stocks]

The Nikkei 225 temporarily fell below 8,500 due to 1) yen appreciation as a result of the worsening European sovereign debt crisis and 2) concern over company earnings as a result of the deteriorated world economy. Thereafter, the worldwide trend of further monetary easing policies and progress in addressing the European sovereign debt issue positively affected stock prices. However, given the poor prospects of the Japanese economy due to appreciation of the yen and worsened relations between Japan and China, the Nikkei 225 remained below 9,000 at September-end.

(Nikkei 225 Stock Average: April 1, 2012:10,083 ; September 30, 2012:8,870)

(TOPIX: April 1, 2012:854 ; September 30, 2012:737)

#### [Foreign Currency]

The dollar/yen exchange rate hovered around ¥80 without explicit movement in either direction, given pressure for yen appreciation due to concern over a slow down of the U.S. economy and the FRB's third quantitative easing (QE3) and pressure for yen depreciation due to speculation over the BOJ's further monetary easing measures and Japan's foreign exchange intervention.

The yen appreciated against the Euro significantly, temporarily reaching a yen/Euro exchange rate below ¥95, due to the deepened European sovereign debt crisis, including concerns over Greece potentially exiting the Euro-zone and Spain's financial system.

Thereafter, the Euro-zone nations agreed on measures to stabilize the financial markets and the European Central Bank (ECB) announced a government bond-purchase program, which led to depreciation of the yen to the ¥100 level against the Euro.

(yen /U.S. dollar: April 1, 2011:¥82.19 ; September 30, 2011:¥77.60)

(yen/Euro: April 1, 2011:¥109.80 ; September 30, 2011:¥100.24)

### (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, and call loans, other money market instruments.

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 fixed-income assets, such as Yen-denominated bonds, and call loans, other money market instruments. Foreign-currency denominated insurance are 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 15,978 million yen mainly due to gains on interest and dividends (5,394 million yen) and gains on money held in trust (4,664 million yen), incurred through transactions to hedge the guaranteed minimum benefit risk on individual variable annuities and derivative transaction gains (3,370 million yen) and gains on investment in trading securities (2,158 million yen). Investment expenses were 10,130 million yen mainly due to foreign exchange losses (9,651 million yen).

### 3. Investment Results of General Account

#### (1) Asset Composition

(millions of yen except percentage)

	As of March 31, 2012		As of September 30, 2012	
	Carrying value	%	Carrying value	%
Cash, deposits, and call loans	18,907	3.6	29,756	4.3
Securities repurchased under resale agreements	-	-	-	-
Deposit paid for securities borrowing transactions	-	-	-	-
Monetary claims bought	-	-	-	-
Trading account securities	-	-	-	-
Money held in trust	27,594	5.2	42,358	6.1
Securities	437,495	83.2	581,280	84.1
Domestic bonds	219,716	41.8	270,638	39.1
Domestic stocks	-	-	-	-
Foreign securities	217,778	41.4	310,641	44.9
Foreign bonds	211,576	40.2	302,280	43.7
Foreign stocks and other securities	6,202	1.2	8,360	1.2
Other securities	-	-	-	-
Loans	-	-	-	-
Real estate	-	-	-	-
Deferred tax assets	-	-	-	-
Others	42,145	8.0	38,170	5.5
Reserve for possible loan losses	(17)	(0.0)	(8)	(0.0)
Total	526,124	100.0	691,556	100.0
Foreign currency-denominated assets	174,718	33.2	264,387	38.2

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

(millions of yen)

	Six months ended September 30, 2011	Six months ended September 30, 2012
Cash, deposits, and call loans	(29)	10,848
Securities repurchased under resale agreements	-	-
Deposit paid for securities borrowing transactions	-	-
Monetary claims bought	-	-
Trading account securities	-	-
Money held in trust	7,391	14,764
Securities	101,486	143,784
Domestic bonds	34,056	50,921
Domestic stocks	-	-
Foreign securities	67,430	92,862
Foreign bonds	62,197	90,704
Foreign stocks and other securities	5,232	2,158
Other securities	-	-
Loans	-	-
Real estate	-	-
Deferred tax assets	-	-
Others	2,813	(3,975)
Reserve for possible loan losses	1	9
Total	111,663	165,432
Foreign currency-denominated assets	70,258	89,669

## (3) Investment Income

(millions of yen)

	Six months ended September 30, 2011	Six months ended September 30, 2012
Interest and dividends	1,608	5,394
Interest from bank deposits	2	12
Interest and dividends from securities	1,588	5,349
Interest from loans	-	-
Rental income	-	-
Other interest and dividends	17	33
Gains on trading account securities	-	-
Gains on money held in trust	10,591	4,664
Gains on investment in trading securities	3,138	2,158
Gains on sale of securities	24	380
Gains on sale of domestic bonds	24	380
Gains on sale of domestic stocks	-	-
Gains on sale of foreign securities	-	-
Others	-	-
Gains on redemption of securities	-	-
Derivative transaction gains	3,887	3,370
Foreign exchange gains	-	-
Reversal of reserve for possible loan losses	1	9
Other investment income	-	-
<b>Total</b>	<b>19,252</b>	<b>15,978</b>

## (4) Investment Expenses

(millions of yen)

	Six months ended September 30, 2011	Six months ended September 30, 2012
Interest expenses	-	-
Losses on trading account securities	-	-
Losses on money held in trust	-	-
Losses on investment in trading securities	-	-
Losses on sale of securities	-	3
Losses on sale of domestic bonds	-	1
Losses on sale of domestic stocks	-	-
Losses on sale of foreign securities	-	2
Others	-	-
Losses on valuation of securities	-	168
Losses on valuation of domestic bonds	-	168
Losses on valuation of domestic stocks	-	-
Losses on valuation of foreign securities	-	-
Others	-	-
Losses on redemption of securities	-	-
Derivative transaction losses	-	-
Foreign exchange losses	6,405	9,651
Provision for reserve for possible loan losses	-	-
Write-down of loans	-	-
Depreciation of rented real estate and others	-	-
Other investment expenses	305	307
<b>Total</b>	<b>6,711</b>	<b>10,130</b>

(5) Valuation Gains and Losses on Trading Securities

(millions of yen)

	As of March 31, 2012		As of September 30, 2012	
	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	33,796	(20,747)	50,719	6,822

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, 2012					
Bonds held to maturity	-	-	-	-	-
Policy-reserve-matching bonds	208,798	214,411	5,612	5,670	58
Stocks of subsidiaries and affiliates	-	-	-	-	-
Securities available for sale	350,954	364,120	13,166	13,841	675
Domestic bonds	179,202	183,787	4,585	4,947	362
Domestic stocks	-	-	-	-	-
Foreign securities	171,752	180,333	8,580	8,894	313
Foreign bonds	171,752	180,333	8,580	8,894	313
Foreign stocks and other securities	-	-	-	-	-
Other securities	-	-	-	-	-
Monetary claims bought	-	-	-	-	-
Certificates of deposit	-	-	-	-	-
Others	-	-	-	-	-
Total	559,753	578,532	18,778	19,512	733
Domestic bonds	266,053	271,150	5,097	5,496	398
Domestic stocks	-	-	-	-	-
Foreign securities	293,700	307,381	13,681	14,016	335
Foreign bonds	293,700	307,381	13,681	14,016	335
Foreign stocks and other securities	-	-	-	-	-
Other securities	-	-	-	-	-
Monetary claims bought	-	-	-	-	-
Certificates of deposit	-	-	-	-	-
Others	-	-	-	-	-
As of March 31, 2012					
Bonds held to maturity	-	-	-	-	-
Policy-reserve-matching bonds	104,338	104,779	460	661	201
Stocks of subsidiaries and affiliates	-	-	-	-	-
Securities available for sale	321,371	326,953	5,581	6,645	1,064
Domestic bonds	172,051	175,358	3,306	3,931	624
Domestic stocks	-	-	-	-	-
Foreign securities	149,320	151,595	2,275	2,714	439
Foreign bonds	149,320	151,595	2,275	2,714	439
Foreign stocks and other securities	-	-	-	-	-
Other securities	-	-	-	-	-
Monetary claims bought	-	-	-	-	-
Certificates of deposit	-	-	-	-	-
Others	-	-	-	-	-
Total	425,710	431,752	6,042	7,307	1,265
Domestic bonds	216,410	219,867	3,457	4,085	628
Domestic stocks	-	-	-	-	-
Foreign securities	209,300	211,885	2,584	3,222	637
Foreign bonds	209,300	211,885	2,584	3,222	637
Foreign stocks and other securities	-	-	-	-	-
Other securities	-	-	-	-	-
Monetary claims bought	-	-	-	-	-
Certificates of deposit	-	-	-	-	-
Others	-	-	-	-	-

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, 2012	42,358	42,358	4,664	-
As of March 31, 2012	27,594	27,594	(14,865)	14,865

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, 2012		As of September 30, 2012	
	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	27,594	(14,865)	42,358	4,664

\*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, 2012 (Summarized)	As of September 30, 2012
	Amount	Amount
<b>(ASSETS)</b>		
Cash and deposits	13,833	18,578
Call loans	9,400	16,000
Money held in trust	27,594	42,358
Securities	1,766,859	1,884,693
[Government bonds]	[ 79,017 ]	[ 94,711 ]
[Local government bonds]	[ 6,632 ]	[ 7,323 ]
[Corporate bonds]	[ 134,066 ]	[ 168,603 ]
[Foreign securities]	[ 219,086 ]	[ 313,415 ]
Tangible fixed assets	40	42
Intangible fixed assets	1	1
Reinsurance receivables	33,931	29,425
Other assets	8,974	9,700
Reserve for possible loan losses	(17)	(8)
<b>Total assets</b>	<b>1,860,617</b>	<b>2,000,792</b>

(millions of yen)

	As of March 31, 2012 (Summarized)	As of September 30, 2012
	Amount	Amount
<b>(LIABILITIES)</b>		
Policy reserves and others	1,749,853	1,890,268
Reserves for outstanding claims	1,293	1,197
Policy reserves	1,748,559	1,889,071
Reinsurance payable	753	783
Other liabilities	17,191	17,273
Corporate income tax payable	8	4
Other liabilities	17,183	17,268
Reserve for employees' retirement benefits	84	103
Reserve for retirement benefits of directors, executive officers and corporate auditors	3	5
Reserve for price fluctuations	378	546
Deferred tax liabilities	1,717	4,051
<b>Total liabilities</b>	<b>1,769,983</b>	<b>1,913,032</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	(98,229)	(106,355)
Other retained earnings	(98,229)	(106,355)
Retained earnings brought forward	(98,229)	(106,355)
Total shareholders' equity	86,770	78,644
Net unrealized gains on securities, net of tax	3,864	9,115
Total of valuation and translation adjustments	3,864	9,115
<b>Total net assets</b>	<b>90,634</b>	<b>87,760</b>
<b>Total liabilities and net assets</b>	<b>1,860,617</b>	<b>2,000,792</b>

## 5. Non-Consolidated Statement of Earnings

(millions of yen)

	Six months ended September 30, 2011	Six months ended September 30, 2012
	Amount	Amount
<b>ORDINARY REVENUES</b>	167,803	219,874
Premium and other income	148,542	203,799
[Premium income]	[ 127,245 ]	[ 181,558 ]
Investment income	19,252	15,978
[Interest and dividends]	[ 1,608 ]	[ 5,394 ]
[Gains on money held in trust]	[ 10,591 ]	[ 4,664 ]
[Gains on investment in trading securities]	[ 3,138 ]	[ 2,158 ]
[Gains on sale of securities]	[ 24 ]	[ 380 ]
[Derivative transaction gains]	[ 3,887 ]	[ 3,370 ]
Other ordinary revenues	8	96
[Reversal of reserves for outstanding claims]	[ - ]	[ 96 ]
<b>ORDINARY EXPENSES</b>	189,821	227,818
Benefits and claims	45,728	56,305
[Claims]	[ 5 ]	[ 38 ]
[Annuities]	[ 164 ]	[ 341 ]
[Benefits]	[ 5,064 ]	[ 6,843 ]
[Surrender values]	[ 11,912 ]	[ 18,016 ]
[Other refunds]	[ 634 ]	[ 755 ]
Provision for policy reserves and others	83,647	140,511
Provision for reserves for outstanding claims	98	-
Provision for policy reserves	83,548	140,511
Investment expenses	52,924	21,830
[Losses on sale of securities]	[ - ]	[ 3 ]
[Losses on valuation of securities]	[ - ]	[ 168 ]
[Losses on investment in separate accounts]	[ 46,213 ]	[ 11,700 ]
Operating expenses	7,036	8,523
Other ordinary expenses	485	647
<b>ORDINARY LOSS</b>	22,018	7,944
<b>EXTRAORDINARY LOSSES</b>	72	176
Loss before income taxes	22,090	8,121
Corporate income taxes - current	4	4
Total of corporate income taxes	4	4
Net loss for the period	22,094	8,125

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

(millions of yen)

	Six months ended	Six months ended
	September 30, 2011	September 30, 2012
	Amount	Amount
Shareholders' equity		
Capital stock		
Balance at the beginning of the year	117,500	117,500
Changes for the period:		
Total changes for the period	-	-
Balance at the end of the period	117,500	117,500
Capital surplus		
Legal capital surplus		
Balance at the beginning of the year	67,500	67,500
Changes for the period:		
Total changes for the period	-	-
Balance at the end of the period	67,500	67,500
Retained earnings		
Other retained earnings		
Retained earnings brought forward		
Balance at the beginning of the year	(69,670)	(98,229)
Changes for the period:		
Net loss for the period	22,094	8,125
Total changes for the period	(22,094)	(8,125)
Balance at the end of the period	(91,765)	(106,355)
Total shareholders' equity		
Balance at the beginning of the year	115,329	86,770
Changes for the period:		
Net loss for the period	22,094	8,125
Total changes for the period	(22,094)	(8,125)
Balance at the end of the period	93,234	78,644
Valuation and translation adjustments		
Net unrealized gains on securities, net of tax:		
Balance at the beginning of the year	1,403	3,864
Changes for the period:		
Net changes of items other than shareholders' equity	1,753	5,250
Total changes for the period	1,753	5,250
Balance at the end of the period	3,156	9,115
Total net assets		
Balance at the beginning of the year	116,732	90,634
Changes for the period:		
Net loss for the period	22,094	8,125
Net changes of items other than shareholders' equity	1,753	5,250
Total changes for the period	(20,341)	(2,874)
Balance at the end of the period	96,390	87,760

As of September 30, 2012

- 1 Securities 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 individual annuities (JP yen-denominated)
  - (b) Individual insurance and individual annuities (US dollar-denominated)
  - (c) Individual insurance and individual annuities (AUS 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 Tangible fixed assets are depreciated using the declining-balance method, wherein the depreciation recorded for the period is a proportional distribution of the estimated annual depreciation expense.  
Other tangible fixed assets that were acquired for 100,000 yen or more but less than 200,000 yen are depreciated in equal increments over three years.
- 5 Intangible fixed assets are depreciated with the straight line method.
- 6 Foreign currency-denominated assets and liabilities are translated into yen-denominated amounts 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 loan 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 Reserves for employees' retirement benefits are provisioned for in an amount that recognizes accruals as of the end of September, 2012. The amount is calculated using the simplified method (which assumes the Company's benefit obligation to be equal to the benefits payable assuming the voluntary retirement of all employees at fiscal year-end) as specified in the Practical Guidelines on Accounting Standards for Retirement Benefits (Interim Report) (JICPA, Auditing System Committee Report No.13).

- 9 To provide for the retirement benefits of directors, executives and auditors seconded from the Dai-ichi Life Insurance Company (the parent company), which are payable to the parent company, the Company calculates its share of the relevant accrued benefits as of the end of September, 2012 pursuant to the parent company's regulations on retirement benefits. The amount is recorded in the reserve for retirement benefits of directors, executive officers and corporate auditors.
- 10 The reserve for price fluctuations is calculated pursuant to Article 115 of the Insurance Business Act.
- 11 Finance leases that do not transfer title to the leased assets to the lessee are treated as follows, pursuant to the Accounting Standard for Lease Transactions (Accounting Standards Board of Japan (ASBJ) Statement No. 13, March 30, 2007) and its associated Guidance on the Accounting Standard for Lease Transactions (ASBJ Guidance No. 16, March 30, 2007).  
(a) Lease agreements concluded on or after April 1, 2008, except those of minor value, are accounted for as ordinary sales/purchase transactions.  
(b) Transactions other than those corresponding to (a) above are accounted for as ordinary lease transactions.
- 12 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 first half of the year in which they are incurred.
- 13 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
- 14 In accordance with the Corporate Tax Law after the fiscal 2011 revision to the tax code, the Company has changed its depreciation method for tangible fixed assets acquired on or after April 1, 2012, from the first half of this fiscal year. As a result of this change, ordinary loss and the loss before income taxes are 0 million yen less than they would have been under the previously-used method.

As of September 30, 2012

- 15 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	18,578	18,580	1
(2) Call loans	16,000	16,000	-
(3) Money held in trust	42,358	42,358	-
(4) Securities	1,884,693	1,890,306	5,612
(a) Trading securities	1,311,774	1,311,774	-
(b) Policy-reserve-matching bonds	208,798	214,411	5,612
(c) Other securities	364,120	364,120	-
Assets total	1,961,630	1,967,244	5,614
Derivative transactions			
(a) Derivative transactions to which hedge accounting is not applied	363	363	-
Derivative transactions total	363	363	-

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

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 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 carrying amount since fair value is close to carrying amount.

(b) Call loans

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

(c) Money held in trust

Information on the fair value of derivative transactions attributable to money held in trust 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, amounts discounted to present value are used as fair value. For futures transactions and other market traded instruments, securities exchange market closing prices are used as fair value.

- 16 Accumulated depreciation on tangible fixed assets is 121 million yen.
- 17 Securities lent under lending agreements are included in the balance sheets. The total balance of securities lent as of September 30, 2012 was 10,493 million yen.
- 18 Assets in separate accounts, as defined by Article 118 of the Insurance Business Act, total 1,309,900 million yen. Liabilities in separate accounts, total the same amount.
- 19 Assets pledged as collateral by securities are 4,654 million yen.
- 20 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 4 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 7,041 million yen.
- 21 As of the end of September, 2012, the Company estimated that it would be required to contribute 1,904 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.

Notes to the Non-Consolidated Statement of Earnings

Six months ended September 30, 2012

- 1 The total amounts of revenues and expenses from transactions with affiliated companies were 0 million yen and 54 million yen, respectively.
- 2 Gains on sale of securities included gains on sales of domestic bonds of 380 million yen .
- 3 Losses on sale of securities included losses on sales of domestic bonds and foreign securities of 1 million yen and 2 million yen, respectively.
- 4 Losses on valuation of securities included losses on valuation of domestic bonds of 168 million yen.
- 5 Premium and other income includes 9,656 million yen of operating expenses received in association with ceding reinsurance business.
- 6 Benefits and claims includes ceding reinsurance policy reserves transferred of 7,866 million yen and the ceding reinsurance policy reserve adjustment of 18,354 million yen.
- 7 In calculating the reversal of reserves for outstanding claims, a reversal of reserve for outstanding claims reinsured of 5 million yen was deducted as an adjustment. In calculating provision for policy reserves, provision of reserve for outstanding claims reinsured of 1,117 million yen was deducted.
- 8 The details of Interest and dividends are as follows:
- |  |                   |
|--|-------------------|
| Interest on deposits                   | 12 million yen    |
| Interest and dividends from securities | 5,349 million yen |
| Other interest and dividends           | 33 million yen    |
| Total                                  | 5,394 million yen |
- 9 The main component of gains on investment in trading securities is a valuation gain of 2,158 million yen.
- 10 Gains on money held in trust include a valuation gain of 4,664 million yen.
- 11 Derivative transaction gains include a valuation gain of 3,766 million yen.
- 12 Net loss per share for the six months ended September 30, 2012 was 4,392,078.89 yen.

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

Six months ended September 30, 2012

- 1 Number of outstanding shares by class

	No.shares as of April 1, 2012	Increase in number of shares in six months ended September 30, 2012	Decrease in number of shares in six months ended September 30, 2012	No.shares as of September 30,2012
Outstanding shares Common stock	1,850	-	-	1,850

## 7. Breakdown of Net Surplus from Operations (Fundamental Profit)

(millions of yen)

	Six months ended September 30, 2011	Six months ended September 30, 2012
Fundamental profit A	(37,453)	(15,217)
Capital gains	23,460	18,474
Gains on money held in trust	10,591	4,664
Gains on investment in trading securities	3,138	2,158
Gains on sale of securities	24	380
Derivative transaction gains	3,887	3,370
Foreign exchange gains	-	-
Others	5,818	7,900
Capital losses	6,405	9,823
Losses on money held in trust	-	-
Losses on investment in trading securities	-	-
Losses on sale of securities	-	3
Losses on valuation of securities	-	168
Derivative transaction losses	-	-
Foreign exchange losses	6,405	9,651
Others	-	-
Net capital gains (losses) B	17,055	8,651
Fundamental profit plus net capital gains (losses) A + B	(20,397)	(6,566)
Other one-time gains	-	-
Reinsurance income	-	-
Reversal of contingency reserve	-	-
Reversal of specific reserve for possible loan losses	-	-
Others	-	-
Other one-time losses	1,620	1,377
Ceding reinsurance commissions	-	-
Provision for contingency reserve	1,620	1,377
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	(1,620)	(1,377)
Ordinary profit (loss) A + B + C	(22,018)	(7,944)

Note: 1. Fundamental profit includes the amount below.

	Six months ended September 30, 2011	Six months ended September 30, 2012
Adjustment of the portion valued in exchange rate fluctuations of foreign-currency denominated insurance's liability	(5,818)	(7,900)

2. Other capital gains include the amount below.

	Six months ended September 30, 2011	Six months ended September 30, 2012
Adjustment of the portion valued in exchange rate fluctuations of foreign-currency denominated insurance's liability	5,818	7,900

3. Gains (losses) on money held in trust, gains (losses) on investment in trading securities are attributable to investments 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.

## **8. Disclosed Claims Based on Categories of Obligors**

(millions of yen)

	As of March 31, 2012	As of September 30, 2012
Claims against bankrupt and quasi-bankrupt obligors	-	-
Claims with collection risk	-	-
Claims for special attention	-	-
Subtotal( I )	-	-
[Percentage( I )/( II )]	[ - ]	[ - ]
Claims against normal obligors	-	10,499
Total( II )	-	10,499

- 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, 2012	As of September 30, 2012
Total solvency margin (A)	207,088	202,738
Common stock, etc	86,770	78,644
Reserve for price fluctuations	378	546
Contingency reserve	57,157	58,535
General reserve for possible loan losses	17	8
Net unrealized gains on securities (before tax) × 90%*	5,023	11,849
Net unrealized gains (losses) on real estate × 85%*	-	-
Policy reserves in excess of surrender values	57,741	53,154
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)	47,284	56,831
Insurance risk $R_1$	0	1
3rd sector insurance risk $R_8$	-	-
Assumed investment yield risk $R_2$	3,073	4,225
Guaranteed minimum benefit risk $R_7$	21,923	20,547
Investment risk $R_3$	20,910	30,402
Business risk $R_4$	1,377	1,655
Solvency margin ratio $\frac{(A)}{(1/2) \times (B)} \times 100$	875.9%	713.4%

\* Multiplied by 100% if losses.

Note: 1. The above 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 the standard method.

## **11. Separate Account Status**

### (1) Separate Account Assets by Product

(millions of yen)

	As of March 31, 2012	As of September 30, 2012
Individual variable insurance	2,992	3,023
Individual variable annuities	1,331,738	1,306,876
Group annuities	-	-
Separate account total	1,334,731	1,309,900

### (2) Policies in Force

#### A. Individual Variable Insurance

(millions of yen except number of policies)

	As of March 31, 2012		As of September 30, 2012	
	Number of policies (thousands)	Amount	Number of policies (thousands)	Amount
Variable insurance (defined term type)	-	-	-	-
Variable insurance (whole life type)	0	3,248	0	3,205
Total	0	3,248	0	3,205

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, 2012		As of September 30, 2012	
	Number of policies	Amount	Number of policies	Amount
Individual variable annuities	243	1,366,251	245	1,367,629

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.

## **Reference: Exposure to Securitized Products and Subprime-related Investments**

The Company has no securitized products and subprime-related investments as of September 30, 2012.