
Financial Results for the Fiscal Year Ended March 31, 2014

The Dai-ichi Frontier Life Insurance Co., Ltd. (the "Company"; President: Satoru Tsutsumi) announces its financial results for the fiscal year ended March 31, 2014.

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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, 2013				As of March 31, 2014			
	Number of policies		Amount		Number of policies		Amount	
	(thousands)	% of March 31, 2012 total	(millions of yen)	% of March 31, 2012 total	(thousands)	% of March 31, 2013 total	(millions of yen)	% of March 31, 2013 total
Individual insurance	15	3,310.7	133,326	4,104.1	98	651.4	768,813	576.6
Individual annuities	368	116.3	2,103,035	120.0	441	119.7	2,545,193	121.0
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 March 31, 2013 total		% of March 31, 2013 total	New Business	Net increase from conversions
Year ended March 31, 2014						
Individual insurance	84	569.2	640,452	524.8	640,452	-
Individual annuities	99	130.2	567,742	145.6	567,742	-
Group insurance	-	-	-	-	-	-
Group annuities	-	-	-	-	-	-
Year ended March 31, 2013						
Individual insurance	14	/	122,028	/	122,028	-
Individual annuities	76	/	389,862	/	389,862	-
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, 2013		As of March 31, 2014	
		% of March 31, 2012 total		% of March 31, 2013 total
Individual insurance	9,298	3,555.3	57,984	623.6
Individual annuities	228,272	119.5	270,574	118.5
Total	237,571	124.2	328,558	138.3
Medical and survival benefits	-	-	-	-

New Policies

(millions of yen except percentages)

	Year Ended March 31, 2013		Year Ended March 31, 2014	
		% of March 31, 2012 total		% of March 31, 2013 total
Individual insurance	8,512	4,361.4	49,190	577.8
Individual annuities	52,208	111.1	62,117	119.0
Total	60,720	128.7	111,307	183.3
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)

	Year Ended March 31, 2013		Year Ended March 31, 2014	
		% of March 31, 2012 total		% of March 31, 2013 total
Premium and other income	551,019	158.1	1,266,038	229.8
Investment income	230,712	348.0	151,800	65.8
Benefits and claims	225,587	239.9	323,877	143.6
Investment expenses	39,360	147.1	35,846	91.1
Ordinary loss	28,601	101.1	15,892	55.6

(4) Total Assets

(millions of yen except percentages)

	As of March 31, 2013		As of March 31, 2014	
		% of March 31, 2012 total		% of March 31, 2013 total
Total Assets	2,373,197	127.5	3,392,400	142.9

2. Policies in Force as of March 31, 2014 by Benefit Type

	Individual Insurance		Individual annuities		Group Insurance		Total	
	Policies (thousands)	Amount (millions of yen)	Policies (thousands)	Amount (millions of yen)	Policies (thousands)	Amount (millions of yen)	Policies (thousands)	Amount (millions of yen)
Death benefits								
General	98	768,813	-	-	-	-	98	768,813
Accidental	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-
Survival benefits	-	-	441	2,545,193	-	-	441	2,545,193
Hospitalization benefits								
Accidental	-	-	-	-	-	-	-	-
Illness	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-
Injury benefits	-	-	-	-	-	-	-	-
Surgery benefits	-	-	-	-	-	-	-	-

	Group annuities		Financial insurance / Financial annuities		Total	
	Policies (thousands)	Amount (millions of yen)	Policies (thousands)	Amount (millions of yen)	Policies (thousands)	Amount (millions of yen)
Survival benefits	-	-	-	-	-	-

	Medical care insurance	
	Policies (thousands)	Amount (millions of yen)
Hospitalization benefits	-	-

	Group disability	
	Policies (thousands)	Amount (millions of yen)
Disability benefits	-	-

Note: Survival benefit amounts for individual annuities are 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.

3. Investment of General Account Assets

(1) Overview of Investment of General Account Assets for the Fiscal Year ended March 31, 2014

A. Investment Environment

The Japanese economy achieved high growth above potential growth rate during the fiscal year ended March 31, 2014 due to a) acceleration of public expenditures as a part of the Japanese government's economic policy and b) a rush demand in individual consumption before the planned increase in consumption tax.

The U.S. economy maintained steady recovery mainly led by the individual consumption backed by improved employment and income situations, despite the downward pressure on the economy due to budget cuts of the government associated with budget sequestration. The European economy continued its recovery, owing to the enhanced monetary easing measures by the European Central Bank (ECB) and the fiscal reconstruction of Euro-zone countries.

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

[Domestic interest rates]

Domestic bond markets were volatile as the yield on ten-year Japanese government bonds (JGBs) temporarily 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). However, it showed a moderate downward trend by the end of the fiscal year as the effect of the BOJ's purchase of JGBs gradually materialized.

(Yield on ten-year government bonds: April 1, 2013 : 0.560% ; March 31, 2014 : 0.640%)

[Domestic Stocks]

The Nikkei 225 temporarily rose to the 16,000 level by the end of 2013, the highest level since November 2007, due to expectations for overcoming deflation given a) aggressive monetary easing measures by the BOJ, b) the growth strategies of the Japanese government and c) an improvement in corporate earnings associated with the depreciation of the yen. After that, the Nikkei 225 declined to the 14,000 level because of growing concern over a potential slowdown in the emerging market economies related to the tapering of quantitative easing in the U.S..

(Nikkei 225 Stock Average: April 1, 2013 : 12,397 ; March 31, 2014 : 14,827)

(TOPIX: April 1, 2013 : 1,034 ; March 31, 2014 : 1,202)

[Foreign Currency]

As the yen temporarily appreciated against the U.S. dollar to the ¥93 level due to a) the turmoil in the market related to the initiation of tapering of quantitative easing in the U.S. by the Federal Reserve Board (FRB), the market went to a volatile period during the first half of the fiscal year. Then, due to a) the yen depreciation pressure associated with the monetary easing measures by the BOJ and current account deficit in Japan and b) the increased dollar appreciation pressure as the FRB decided the tapering of the quantitative easing in December 2013, the yen depreciated against the dollar to the ¥105 level for the first time since October 2008. By the end of the fiscal year, growing concern over the emerging economies and geopolitical risks led to the volatile market again.

The yen depreciation against the euro progressed given the euro appreciating factors such as Euro-zone countries' economic recovery current account surplus.

(yen /U.S. dollar: April 1, 2013 : ¥94.05 ; March 31, 2014 : ¥102.92)

(yen/euro: April 1, 2013 : ¥120.73 ; March 31, 2014 : ¥141.65)

B. 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.

C. 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 38,447 million yen mainly due to interest and dividends (23,511 million yen), gains on sales of securities (8,034 million yen), and foreign exchange gains (6,610 million yen). Investment expenses were 35,846 million yen mainly due to losses on money held in trust (19,178 million yen), incurred through transactions to hedge the guaranteed minimum benefit risk on individual variable annuities, derivative transaction losses (11,947 million yen) and losses on investment in trading securities (3,879 million yen).

(2) Asset Composition

(millions of yen except percentages)

	As of March 31, 2013		As of March 31, 2014	
	Carrying value	%	Carrying value	%
Cash, deposits, and call loans	53,667	6.6	69,010	4.4
Securities repurchased under resale agreements	-	-	-	-
Deposit paid for securities borrowing transactions	-	-	-	-
Monetary claims bought	1,978	0.2	6,040	0.4
Trading account securities	-	-	-	-
Money held in trust	32,179	3.9	31,701	2.0
Securities	691,648	84.6	1,424,152	89.8
Domestic bonds	322,321	39.4	618,016	39.0
Domestic stocks	-	-	-	-
Foreign securities	369,327	45.2	747,728	47.2
Foreign bonds	364,694	44.6	744,967	47.0
Foreign stocks and other securities	4,632	0.6	2,761	0.2
Other securities	-	-	58,407	3.7
Loans	-	-	-	-
Real estate	-	-	-	-
Deferred tax assets	-	-	-	-
Others	38,035	4.7	54,243	3.4
Reserve for possible loan losses	(1)	(0.0)	(8)	(0.0)
Total	817,509	100.0	1,585,139	100.0
Foreign currency-denominated assets	325,664	39.8	717,407	45.3

(3) Changes (Increase/Decrease) in Assets

(millions of yen)

	Year ended March 31, 2013	Year ended March 31, 2014
Cash, deposits, and call loans	34,760	15,342
Securities repurchased under resale agreements	-	-
Deposit paid for securities borrowing transactions	-	-
Monetary claims bought	1,978	4,061
Trading account securities	-	-
Money held in trust	4,585	(478)
Securities	254,153	732,504
Domestic bonds	102,604	295,695
Domestic stocks	-	-
Foreign securities	151,548	378,400
Foreign bonds	153,118	380,272
Foreign stocks and other securities	(1,569)	(1,871)
Other securities	-	58,407
Loans	-	-
Real estate	-	-
Deferred tax assets	-	-
Others	(4,109)	16,207
Reserve for possible loan losses	16	(7)
Total	291,385	767,630
Foreign currency-denominated assets	150,946	391,742

(4) Investment Income

(millions of yen)

	Year ended March 31, 2013	Year ended March 31, 2014
Interest and dividends	13,666	23,511
Interest from bank deposits	26	127
Interest and dividends from securities	13,562	23,260
Interest from loans	-	-
Rental income	-	-
Other interest and dividends	78	123
Gains on trading account securities	-	-
Gains on money held in trust	-	-
Gains on investment in trading securities	-	-
Gains on sale of securities	14,709	8,034
Gains on sale of domestic bonds	1,936	768
Gains on sale of domestic stocks	-	-
Gains on sale of foreign securities	12,773	7,265
Others	-	-
Gains on redemption of securities	-	291
Derivative transaction gains	-	-
Foreign exchange gains	33,619	6,610
Reversal of reserve for possible loan losses	16	-
Other investment income	-	-
Total	62,011	38,447

(5) Investment Expenses

(millions of yen)

	Year ended March 31, 2013	Year ended March 31, 2014
Interest expenses	0	0
Losses on trading account securities	-	-
Losses on money held in trust	18,914	19,178
Losses on investment in trading securities	5,445	3,879
Losses on sale of securities	3	189
Losses on sale of domestic bonds	1	79
Losses on sale of domestic stocks	-	-
Losses on sale of foreign securities	2	110
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	-	-
Derivative transaction losses	14,373	11,947
Foreign exchange losses	-	-
Provision for reserve for possible loan losses	-	7
Write-down of loans	-	-
Depreciation of rented real estate and others	-	-
Other investment expenses	624	644
Total	39,360	35,846

(6) Other Information on Investments

A. Rates of return

(%)

	Year ended March 31, 2013	Year ended March 31, 2014
Cash, deposits, and call loans	(3.65)	(2.69)
Securities repurchased under resale agreements	-	-
Deposit paid for securities borrowing transactions	-	-
Monetary claims bought	0.58	0.82
Trading account securities	-	-
Money held in trust	(47.78)	(49.18)
Securities	10.21	3.69
Domestic bonds	2.64	1.60
Domestic stocks	-	-
Foreign securities	16.98	5.66
Loans	-	-
Real Estate	-	-
Total	3.45	0.24
Foreign investments	15.67	5.29

Note: 1. Rates of return above were calculated by dividing the net investment income included in net surplus from operations by the average daily balance on a book value basis.

2. "Foreign investments" include yen-denominated assets.

B. Valuation Gains and Losses on Trading Securities

(millions of yen)

	As of March 31, 2013		As of March 31, 2014	
	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	36,812	(24,359)	34,462	(23,057)

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

C. 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 March 31, 2014					
Bonds held to maturity	-	-	-	-	-
Policy-reserve-matching bonds	734,108	740,080	5,972	7,723	1,751
Stocks of subsidiaries and affiliates	-	-	-	-	-
Securities available for sale	681,823	693,323	11,500	12,972	1,472
Domestic bonds	309,891	317,261	7,369	7,559	190
Domestic stocks	-	-	-	-	-
Foreign securities	307,881	311,614	3,733	4,996	1,263
Foreign bonds	307,881	311,614	3,733	4,996	1,263
Foreign stocks and other securities	-	-	-	-	-
Other securities	58,050	58,407	357	376	19
Monetary claims bought	6,000	6,040	40	40	-
Certificates of deposit	-	-	-	-	-
Others	-	-	-	-	-
Total	1,415,931	1,433,404	17,472	20,696	3,224
Domestic bonds	610,647	621,233	10,585	10,865	279
Domestic stocks	-	-	-	-	-
Foreign securities	741,233	747,723	6,489	9,414	2,925
Foreign bonds	741,233	747,723	6,489	9,414	2,925
Foreign stocks and other securities	-	-	-	-	-
Other securities	58,050	58,407	357	376	19
Monetary claims bought	6,000	6,040	40	40	-
Certificates of deposit	-	-	-	-	-
Others	-	-	-	-	-
As of March 31, 2013					
Bonds held to maturity	-	-	-	-	-
Policy-reserve-matching bonds	295,732	299,537	3,805	4,503	697
Stocks of subsidiaries and affiliates	-	-	-	-	-
Securities available for sale	382,795	393,262	10,467	11,096	629
Domestic bonds	194,630	199,656	5,025	5,311	285
Domestic stocks	-	-	-	-	-
Foreign securities	186,165	191,627	5,462	5,784	322
Foreign bonds	186,165	191,627	5,462	5,784	322
Foreign stocks and other securities	-	-	-	-	-
Other securities	-	-	-	-	-
Monetary claims bought	2,000	1,978	(21)	-	21
Certificates of deposit	-	-	-	-	-
Others	-	-	-	-	-
Total	678,527	692,799	14,272	15,599	1,327
Domestic bonds	317,295	323,113	5,818	6,131	313
Domestic stocks	-	-	-	-	-
Foreign securities	359,232	367,707	8,475	9,467	992
Foreign bonds	359,232	367,707	8,475	9,467	992
Foreign stocks and other securities	-	-	-	-	-
Other securities	-	-	-	-	-
Monetary claims bought	2,000	1,978	(21)	-	21
Certificates of deposit	-	-	-	-	-
Others	-	-	-	-	-

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

Not applicable.

D. 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 March 31, 2014	31,701	31,701	(19,178)	19,178
As of March 31, 2013	32,179	32,179	(18,914)	18,914

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, 2013		As of March 31, 2014	
	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	32,179	(18,914)	31,701	(19,178)

*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	As of		As of	As of
	March 31,	March 31,		March 31,	March 31,
	2013	2014		2013	2014
	Amount	Amount		Amount	Amount
(ASSETS)			(LIABILITIES)		
Cash and deposits	37,167	49,790	Policy reserves and others	2,269,986	3,288,370
Bank deposits	37,167	49,790	Reserves for outstanding claims	1,539	2,485
Call loans	25,400	28,300	Policy reserves	2,268,447	3,285,885
Monetary claims bought	1,978	6,040	Reinsurance payable	847	1,260
Money held in trust	32,179	31,701	Other liabilities	33,742	49,050
Securities	2,236,570	3,220,656	Corporate income tax payable	101	17
Government bonds	113,020	338,895	Accounts payable	14,680	32,513
Local government bonds	9,116	7,905	Accrued expenses	5,900	11,175
Corporate bonds	200,183	271,216	Deposits received	481	176
Foreign securities	372,912	752,284	Differential account for futures trading	185	129
Other securities	1,541,336	1,850,355	Derivatives	3,200	2,248
Tangible fixed assets	39	85	Suspense receipts	9,193	2,787
Other tangible fixed assets	39	85	Reserve for employees' retirement benefits	103	131
Intangible fixed assets	1	1	Reserve for retirement benefits of directors, executive officers and corporate auditors	6	5
Other intangible fixed assets	1	1	Reserve for price fluctuations	775	1,714
Reinsurance receivables	27,968	26,891	Deferred tax liabilities	3,220	3,538
Other assets	11,893	28,942	Total liabilities	2,308,682	3,344,071
Accounts receivable	4,939	13,586	(NET ASSETS)		
Prepaid expenses	33	32	Capital stock	117,500	117,500
Accrued revenue	3,852	8,126	Capital surplus	67,500	67,500
Deposits	192	202	Legal capital surplus	67,500	67,500
Margin money for futures trading	1,039	2,679	Retained earnings	(127,730)	(144,632)
Derivatives	1,126	2,861	Other retained earnings	(127,730)	(144,632)
Suspense payments	424	1,116	Retained earnings brought forward	(127,730)	(144,632)
Other assets	285	337	Total shareholders' equity	57,269	40,367
Reserve for possible loan losses	(1)	(8)	Net unrealized gains on securities, net of tax	7,246	7,961
Total assets	2,373,197	3,392,400	Total of valuation and translation adjustments	7,246	7,961
			Total net assets	64,515	48,329
			Total liabilities and net assets	2,373,197	3,392,400

Notes to the Non-Consolidated Balance Sheet as of March 31,2014

- 1 Securities (including monetary claims bought which is equivalent to marketable 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 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)with the exception of certain types and policies.

(Additional Information)

Effective the fiscal year ended March 31, 2014, the Company added individual insurance and annuities (JP yen-denominated, long term) as a new sub-group in order to conduct appropriate duration control, taking into account debt situation, and thus promote more sophisticated ALM. This addition did not have any impact on profits or losses of the Company for the fiscal year ended March 31, 2014.

- 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 with the declining-balance method.

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 Reserve for employees' retirement benefits is provided based on the projected benefit obligations as of fiscal year-ended March 31, 2014.

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.
- 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 fiscal year-end 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) and its associated Guidance on the Accounting Standard for Lease Transactions (ASBJ Guidance No. 16).
 - (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 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 view of the liability characteristics of life insurance policies, assets in the general account (i.e., not in separate accounts as defined by Article 118, paragraph 1, of the Insurance Business Act) are invested primarily in fixed-income assets (government and corporate bonds) in accordance with asset-liability management (ALM) principles with the primary objective of steadily paying annuities, insurance proceeds, and benefits over the long term.
To mitigate the guaranteed minimum benefit risk on individual variable annuities, the Company engages in derivative transactions (foreign exchange forward contracts, currency futures contracts, stock-index futures contracts, securities futures contracts).

The Company's holdings of financial instruments, mainly securities and derivatives, are subject to market risk and credit risk.

Market risk management. Under its internal investment policy and market risk management rules, the Company manages market risk by making medium- to long-term investments in a manner appropriate to its liabilities, constantly confirming the consistency of its portfolio positions and investment policies and measuring value-at-risk (VaR).

Credit risk management. Under its internal investment policy and credit risk management rules, the Company manages credit risk by establishing credit limits designed to avoid excessive concentration of risk toward a specific company or group. Each individual transaction is screened before credit is extended and follow-up checks are conducted regularly. In addition, the Company measures value-at-risk (VaR) as part of its effort to better grasp and analyze credit risk exposure.

Derivative transactions used by the Company to mitigate the guaranteed minimum benefit risk on individual variable annuities are conducted in accordance with the Company's policy and internal rules on managing guaranteed minimum benefit risk. In addition to verifying the effectiveness of hedge positions and managing gains and losses generated by derivative transactions on a daily basis, the Company regularly monitors reductions in guaranteed minimum benefit risk and gauges its value-at-risk (VaR).

The Compliance Control and Risk Management Department reports regularly to the Board of Directors on the status of the Company's entire risk position, including guaranteed minimum benefit risk.

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	49,790	49,790	-
(2) Call loans	28,300	28,300	-
(3) Monetary claims bought	6,040	6,040	-
(4) Money held in trust	31,701	31,701	-
(5) Securities	3,220,656	3,226,628	5,972
(a) Trading securities	1,799,264	1,799,264	-
(b) Policy-reserve-matching bonds	734,108	740,080	5,972
(c) Other securities	687,283	687,283	-
Assets total	3,336,488	3,342,461	5,972
Derivative transactions			
(a) Derivative transactions to which hedge accounting is not applied	(372)	(372)	-
Derivative transactions total	(372)	(372)	-

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) 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) Monetary claims bought

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

(d) Money held in trust

Information on the fair value of derivative transactions attributable to money held in trust appears below in "(f) Derivative transactions".

(e) Securities

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

(f) Derivative transactions

For foreign exchange forward contracts, futures market prices on the book closing date are used as fair value. For currency swap contracts, the amounts discounted to present value are used as fair value. For total return swap contracts, the 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.

15 Accumulated depreciation on tangible fixed assets is 131 million yen.

16 Securities lent under lending agreements are included in the balance sheets. The total balance of securities lent as of March 31, 2014 was 10,341 million yen.

17 Assets in separate accounts, as defined by Article 118 of the Insurance Business Act, total 1,808,811 million yen. Liabilities in separate accounts total the same amount.

18 Financial liabilities to affiliated companies total 23 million yen.

19 Deferred tax asset accruals are primarily attributable to policy and other reserves of 33,028 million yen and retained losses brought forward of 8,993 million yen. Deferred tax liability accruals are mainly attributable to net unrealized gains on securities of 3,538 million yen. Valuation allowance of 44,852 million yen were deducted from deferred tax assets.

20 The effective statutory tax rate for the fiscal year ended March 31, 2014, was 33.32%, and the Company's corporate income tax burden (corporate income tax as a percentage of pretax income) was -0.39%. The difference was due mainly to the impact of allowance (-33.90%).

- 21 The value of assets (marketable securities) pledged as collateral is 4,611 million yen.
- 22 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 derivative transactions, and in this year-end ownership was maintained for total market value of 8,015 million yen as of March 31, 2014, and the Company have no assets pledged as a re-collateral.
- 23 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 1 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 12,262 million yen.
- 24 As of fiscal year-end, the Company estimated that it would be required to contribute 2,136 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 fiscal year in which they are incurred.
- 25 Net assets per share is 26,123,971.33 yen.

5. Non-Consolidated Statements of Earnings

(millions of yen)

	Year ended March 31, 2013	Year ended March 31, 2014
	Amount	Amount
ORDINARY REVENUES	781,732	1,417,841
Premium and other income	551,019	1,266,038
Premium income	487,646	1,145,773
Reinsurance income	63,372	120,264
Investment income	230,712	151,800
Interest and dividends	13,666	23,511
Interest from bank deposits	26	127
Interest and dividends from securities	13,562	23,260
Other interest and dividends	78	123
Gains on sale of securities	14,709	8,034
Gains on redemption of securities	-	291
Foreign exchange gains	33,619	6,610
Reversal of reserve for possible loan losses	16	-
Gains on investment in separate accounts	168,700	113,353
Other ordinary revenues	1	2
Other ordinary revenues	1	2
ORDINARY EXPENSES	810,334	1,433,733
Benefits and claims	225,587	323,877
Claims	159	2,570
Annuities	723	1,461
Benefits	14,456	20,506
Surrender values	132,293	167,210
Other refunds	1,494	3,678
Ceding reinsurance commissions	76,459	128,449
Provision for policy reserves and other	520,132	1,018,384
Provision for reserves for outstanding claims	245	946
Provision for policy reserves	519,887	1,017,438
Investment expenses	39,360	35,846
Interest expenses	0	0
Losses on money held in trust	18,914	19,178
Losses on investment in trading securities	5,445	3,879
Losses on sale of securities	3	189
Derivative transaction losses	14,373	11,947
Provision for reserves for possible loan losses	-	7
Other investment expenses	624	644
Operating expenses	23,410	50,729
Other ordinary expenses	1,842	4,895
National and local taxes	1,785	4,825
Depreciation	33	41
Provision for reserves for employees' retirement benefits	19	27
Other ordinary expenses	3	0
ORDINARY LOSS	28,601	15,892
EXTRAORDINARY LOSSES	398	943
Losses on disposal of fixed assets	1	4
Provision for reserves for price fluctuations	397	939
Loss before income taxes	29,000	16,835
Corporate income taxes - current	501	65
Total of corporate income taxes	501	65
Net loss	29,501	16,901

Notes to the Non-Consolidated Statement of Earnings for the fiscal year ended March 31, 2014

- 1 The total amounts of revenues and expenses from transactions with affiliated companies were 0 million yen and 213 million yen, respectively.
- 2 Gains on sale of securities included gains on sales of domestic bonds and foreign securities of 768 million yen and 7,265 million yen, respectively.
- 3 Losses on sale of securities included losses on sales of domestic bonds and foreign securities of 79 million yen and 110 million yen, respectively.
- 4 Reinsurance income includes 38,818 million yen in operating expenses received in association with ceding reinsurance business.
- 5 Ceding reinsurance commissions includes ceding reinsurance policy reserves transferred of 107,261 million yen and the ceding reinsurance policy reserve adjustment of 9,301 million yen.
- 6 In calculating the provision of reserves for outstanding claims, a reversal of reserve for outstanding claims reinsured of 0 million yen was added as an adjustment. In calculating the provision for policy reserves, provision of reserve for outstanding claims reinsured of 4,025 million yen was deducted.
- 7 The main component of losses on investments in trading securities was a valuation loss of 3,879 million yen.
- 8 Losses on money held in trust included a valuation loss of 19,178 million yen.
- 9 Derivative transaction losses included a valuation gain of 2,686 million yen.
- 10 Net loss per share for the fiscal year was 9,135,746.84 yen.

6. Breakdown of Ordinary Profit (Fundamental Profit)

(millions of yen)

		Year ended March 31, 2013	Year ended March 31, 2014
Fundamental profit	A	33,074	28,630
Capital gains		48,328	14,644
Gains on money held in trust		-	-
Gains on investment in trading securities		-	-
Gains on sale of securities		14,709	8,034
Derivative transaction gains		-	-
Foreign exchange gains		33,619	6,610
Others		-	-
Capital losses		74,759	44,296
Losses on money held in trust		18,914	19,178
Losses on investment in trading securities		5,445	3,879
Losses on sale of securities		3	189
Losses on valuation of securities		-	-
Derivative transaction losses		14,373	11,947
Foreign exchange losses		-	-
Others		36,022	9,102
Net capital gains (losses)	B	(26,430)	(29,652)
Fundamental profit plus net capital gains (losses)	A + B	6,644	(1,021)
Other one-time gains		-	-
Reinsurance income		-	-
Reversal of contingency reserve		-	-
Reversal of specific reserve for possible loan losses		-	-
Others		-	-
Other one-time losses		35,245	14,871
Ceding reinsurance commissions		-	-
Provision for contingency reserve		35,245	14,871
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	(35,245)	(14,871)
Ordinary profit (loss)	A + B + C	(28,601)	(15,892)

Note: 1. Fundamental profit includes the amount below.

	Year ended March 31, 2013	Year ended March 31, 2014
Adjustment of the portion valued in exchange rate fluctuations of foreign-currency denominated insurance's liability	36,022	9,102

2. Other capital losses include the amount below.

	Year ended March 31, 2013	Year ended March 31, 2014
Adjustment of the portion valued in exchange rate fluctuations of foreign-currency denominated insurance's liability	36,022	9,102

3. Gains (losses) on money held in trust and 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.

7. Non-Consolidated Statement of Changes in Net Assets

Year ended March 31, 2014

(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	(127,730)		57,269
Changes for the year					
Net loss			(16,901)		(16,901)
Net changes of items other than shareholders' equity					
Total changes for the year	-	-	(16,901)		(16,901)
Balance at the end of the year	117,500	67,500	(144,632)		40,367

	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	7,246	7,246	64,515
Changes for the year			
Net loss			(16,901)
Net changes of items other than shareholders' equity	715	715	715
Total changes for the year	715	715	(16,186)
Balance at the end of the year	7,961	7,961	48,329

Year ended March 31, 2013

(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	(98,229)		86,770
Changes for the year					
Net loss			(29,501)		(29,501)
Net changes of items other than shareholders' equity					
Total changes for the year	-	-	(29,501)		(29,501)
Balance at the end of the year	117,500	67,500	(127,730)		57,269

	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	3,864	3,864	90,634
Changes for the year			
Net loss			(29,501)
Net changes of items other than shareholders' equity	3,382	3,382	3,382
Total changes for the year	3,382	3,382	(26,119)
Balance at the end of the year	7,246	7,246	64,515

Notes to Non-Consolidated Statement of Changes in Net assets for the fiscal year ended March 31, 2014

1. Number of outstanding shares by class

(millions of yen)

	No. shares as of April 1, 2013	Increase in number of shares	Decrease in number of shares	No. shares as of March 31, 2014
Outstanding shares				
Common stock	1,850	-	-	1,850

8. Disclosed Claims Based on Categories of Obligors

(millions of yen)

	As of March 31, 2013	As of March 31, 2014
Claims against bankrupt and quasi-bankrupt obligors	-	-
Claims with collection risk	-	-
Claims for special attention	-	-
Subtotal (I)	-	-
[Percentage (I) / (II)]	[-]	[-]
Claims against normal obligors	10,456	10,347
Total (II)	10,456	10,347

- 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, 2013	As of March 31, 2014
Total solvency margin (A)	219,637	229,705
Common stock, etc.	57,269	40,367
Reserve for price fluctuations	775	1,714
Contingency reserve	92,403	107,274
General reserve for possible loan losses	1	8
Net unrealized gains on securities (before tax) × 90% *	9,420	10,350
Net unrealized gains (losses) on real estate × 85% *	-	-
Policy reserves in excess of surrender values	59,768	69,990
Qualifying subordinated debt	-	-
Excluded portion of policy reserves in excess of surrender values and qualifying subordinated debt	-	-
Excluded items	-	-
Other	-	-
Total Risk $\sqrt{(R_1 + R_8)^2 + (R_2 + R_3 + R_7)^2} + R_4$ (B)	46,798	68,429
Insurance risk R_1	5	34
3rd sector insurance risk R_8	-	-
Assumed investment yield risk R_2	4,330	12,939
Guaranteed minimum benefit risk R_7	22,493	22,812
Investment risk R_3	18,611	30,683
Business risk R_4	1,363	1,994
Solvency margin ratio $\frac{(A)}{(1/2) \times (B)} \times 100$	938.6%	671.3%

*: 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. Status of Separate Account for the Fiscal Year Ended March 31, 2014

(1) Separate Account Assets by Product

(millions of yen)

	As of March 31, 2013	As of March 31, 2014
Individual variable insurance	2,985	2,935
Individual variable annuities	1,555,229	1,805,876
Group annuities	-	-
Separate account total	1,558,215	1,808,811

(2) Individual Variable Insurance (Separate Account)

A. Policies in force

	As of March 31, 2013		As of March 31, 2014	
	Number of policies (thousands)	Amount (millions of yen)	Number of policies (thousands)	Amount (millions of yen)
Variable insurance (defined term type)	-	-	-	-
Variable insurance (whole life type)	0	3,081	0	2,898
Total	0	3,081	0	2,898

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

B. Breakdown of separate account assets for individual variable insurance

(millions of yen except percentages)

	As of March 31, 2013		As of March 31, 2014	
	Amount	%	Amount	%
Cash, deposits, and call loans	8	0.3	30	1.0
Securities	2,976	99.7	2,904	99.0
Domestic bonds	-	-	-	-
Domestic stocks	-	-	-	-
Foreign securities	-	-	-	-
Foreign bonds	-	-	-	-
Foreign stocks and other securities	-	-	-	-
Other securities	2,976	99.7	2,904	99.0
Loans	-	-	-	-
Others	-	-	-	-
Reserve for possible loan losses	-	-	-	-
Total	2,985	100.0	2,935	100.0

C. Investment gains and losses on separate accounts for individual variable insurance

(millions of yen)

	Year Ended March 31, 2013	Year Ended March 31, 2014
Interest and dividends	7	38
Gains on sale of securities	-	-
Gains on redemption of securities	-	-
Gains on valuation of securities	169	246
Foreign exchange gains	-	-
Derivative transaction gains	-	-
Other investment income	-	-
Losses on sale of securities	-	-
Losses on redemption of securities	-	-
Losses on valuation of securities	-	-
Foreign exchange losses	-	-
Derivative transaction losses	-	-
Other investment losses	0	-
Net investment income	176	284

(3) Individual Variable Annuities (Separate Account)

A. Policies in force

	As of March 31, 2013		As of March 31, 2014	
	Number of policies (thousands)	Amount (millions of yen)	Number of policies (thousands)	Amount (millions of yen)
Individual variable annuities	266	1,569,891	315	1,886,390

Notes: 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 year are included in policies in force.

B. Breakdown of separate account assets for individual variable annuities

(millions of yen except percentages)

	As of March 31, 2013		As of March 31, 2014	
	Amount	%	Amount	%
Cash, deposits, and call loans	8,891	0.6	9,050	0.5
Securities	1,541,944	99.1	1,793,598	99.3
Domestic bonds	-	-	-	-
Domestic stocks	-	-	-	-
Foreign securities	3,585	0.2	4,555	0.3
Foreign bonds	-	-	-	-
Foreign stocks and other securities	3,585	0.2	4,555	0.3
Other securities	1,538,359	98.9	1,789,042	99.1
Loans	-	-	-	-
Others	4,393	0.3	3,228	0.2
Reserve for possible loan losses	-	-	-	-
Total	1,555,229	100.0	1,805,876	100.0

C. Investment gains and losses on separate accounts for individual variable annuities

(millions of yen)

	Year Ended March 31, 2013	Year Ended March 31, 2014
Interest and dividends	9,034	33,279
Gains on sale of securities	-	-
Gains on redemption of securities	-	-
Gains on valuation of securities	159,497	79,815
Foreign exchange gains	-	-
Derivative transaction gains	-	-
Other investment income	-	-
Losses on sale of securities	-	-
Losses on redemption of securities	-	-
Losses on valuation of securities	-	-
Foreign exchange losses	-	-
Derivative transaction losses	-	-
Other investment losses	7	26
Net investment income	168,524	113,068

12. Consolidated Financial Summary

Not applicable.

Reference: Exposure to Securitized Products Including Subprime-Related Investment

The Company discloses its exposure to securitized products and subprime-related investments, based on the "Leading-Practice Disclosures for Selected Exposures" included in the Financial Stability Forum (FSF) report announced in April 2008.

The Company's exposure to securitized and subprime-related products is as follows:
The Company held no direct investments in subprime-related products as of March 31, 2014.

The Company defines "unrealized gains (losses)" as fair value less book value and "realized gains (losses)" as total of gains (losses) on sales and impairment losses.

The Company's exposure to securitized products

1. Special-Purpose Entities (SPEs, as of March 31, 2014)

The Company holds no investments in SPEs.

2. Collateralized Debt Obligation (CDOs, as of March 31, 2014)

The Company holds no investments in CDOs.

3. Other Subprime/Alt-A Exposure (as of March 31, 2014)

The Company holds no securitized products backed by subprime/Alt-A exposure.

4. Commercial Mortgage-Backed Securities (CMBS, as of March 31, 2014)

The Company holds no commercial mortgage-backed securities.

5. Leveraged Finance (as of March 31, 2014)

The Company holds no leveraged finance products.

6. Others (as of March 31, 2014)

	Fair value	Unrealized gains (losses)	Realized gains (losses)
Credit-linked note	13,832	332	-

(millions of yen)