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# Financial Results for the Six Months Ended September 30, 2016

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The Dai-ichi Frontier Life Insurance Co., Ltd. (the "Company"; President: Hiroshi Kanai) announces its financial results for the six months ended September 30, 2016.

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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, 2016	As of September 30, 2016	
			% of March 31, 2016 total
Individual insurance	164,202	162,975	99.3
Individual annuities	401,635	452,450	112.7
Total	565,838	615,426	108.8
Medical and survival benefits	-	-	-

#### New Policies

(millions of yen except percentages)

	Six months ended September 30, 2015	Six months ended September 30, 2016	% of September 30, 2015 total
Individual insurance	32,177	14,409	44.8
Individual annuities	49,424	74,777	151.3
Total	81,602	89,186	109.3
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.

## (2) Policies in Force and New Policies

### Policies in Force

	As of March 31, 2016		As of September 30, 2016			
	Number of Policies (thousands)	Amount (millions of yen)	Number of Policies		Amount	
			(thousands)	% of March 31, 2016 total	(millions of yen)	% of March 31, 2016 total
Individual insurance	288	2,089,116	305	106.1	2,081,874	99.7
Individual annuities	696	4,091,675	738	105.9	4,151,362	101.5
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, 2015 total	(millions of yen)	% of September 30, 2015 total	New Business	Net increase from conversions
Six months ended September 30, 2016						
Individual insurance	25	46.7	195,501	48.7	195,501	-
Individual annuities	50	59.7	298,222	55.8	298,222	-
Group insurance	-	-	-	-	-	-
Group annuities	-	-	-	-	-	-
Six months ended September 30, 2015						
Individual insurance	54	/	401,302	/	401,302	-
Individual annuities	83	/	534,248	/	534,248	-
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, 2015	Six months ended September 30, 2016	% of September 30, 2015 total
Premium and other income	991,959	540,692	54.5
Investment income	48,642	61,591	126.6
Benefits and claims	296,065	310,222	104.8
Investment expenses	244,640	289,621	118.4

## (4) Total Assets

(millions of yen except percentages)

	As of March 31, 2016	As of September 30, 2016	
			% of March 31, 2016 total
Total Assets	6,132,279	6,253,427	102.0

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

### (1) Investment Environment

During the six months ended September 30, 2016, the Japanese economy experienced low growth due to the slowdown of the recovery in individual consumption and production adjustments caused by a buildup of inventory in the past, while it experienced favorable employment and income conditions.

The U.S. economy slowed down mainly as a result of the correction of the corporate sector in light of a strong U.S. dollar and a decline of crude oil prices, while individual consumption kept expanding backed by an improved employment and income environment.

The European economy continued its moderate recovery owing to the enhanced monetary easing measures implemented by the European Central Bank (ECB).

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

#### [Domestic interest rates]

The ten-year Japanese government bond (JGB) yield once declined close to the -0.3% level, caused by the negative interest rate policy of the Bank of Japan (BOJ). After that, the JGB yield remained stable around zero, because the BOJ set an operating target for the long-term interest rate under the quantitative and qualitative monetary easing measures with yield curve control.

[Yield on ten-year government bonds: April 1, 2016 : -0.050% ; September 30, 2016 : -0.085%]

#### [Domestic Stocks]

The Nikkei 225 temporarily declined to below the 15,000 level, due to a global movement towards risk aversion as a result of the Brexit referendum in the U.K. After that, the Nikkei 225 kept steady due mainly to the expanded ETFs purchases by the BOJ and the announcement of the second supplementary budget of the Japanese Government for this fiscal year.

[Nikkei 225 Stock Average: April 1, 2016 : 16,758 ; September 30, 2016 : 16,449]

[TOPIX: April 1, 2016 : 1,347 ; September 30, 2016 : 1,322]

#### [Foreign Currency]

The U.S. dollar remained weak, due to the more cautious stance of the Federal Reserve Board (FRB) on the pace to raise interest rates caused mainly by a crude oil prices and Brexit confusion, as the FRB continued to consider an additional rate hike.

The yen's appreciation against the euro progressed, due mainly to the uncertainty surrounding the economy of the E.U. in light of the Brexit referendum.

[yen /U.S. dollar: April 1, 2016 : ¥112.68 ; September 30, 2016 : ¥101.12]

[yen/euro: April 1, 2016 : ¥127.70 ; September 30, 2016 : ¥113.36]

### (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 61,591 million yen mainly due to interest and dividends (49,817 million yen), gains on sales of securities (8,453 million yen), and gains on investment in trading securities (1,531 million yen), which incurred through transactions to hedge the guaranteed minimum benefit risk on individual variable annuities. Investment expenses were 260,364 million yen mainly due to foreign exchange losses (249,971 million yen), derivative transaction losses (8,436 million yen), and losses on sales of securities (1,514 million yen).

### 3. Investment Results of General Account

#### (1) Asset Composition

(millions of yen except percentages)

	As of March 31, 2016		As of September 30, 2016	
	Carrying value	%	Carrying value	%
Cash, deposits, and call loans	107,633	2.7	92,177	2.2
Securities repurchased under resale agreements	-	-	-	-
Deposit paid for securities borrowing transactions	-	-	-	-
Monetary claims bought	6,093	0.2	6,108	0.1
Trading account securities	-	-	-	-
Money held in trust	34,670	0.9	222,026	5.3
Securities	3,752,040	93.0	3,740,056	89.3
Domestic bonds	1,145,836	28.4	1,142,706	27.3
Domestic stocks	-	-	-	-
Foreign securities	2,347,130	58.2	2,388,255	57.0
Foreign bonds	2,339,221	58.0	2,378,815	56.8
Foreign stocks and other securities	7,908	0.2	9,439	0.2
Other securities	259,073	6.4	209,093	5.0
Loans	-	-	-	-
Real estate	-	-	-	-
Deferred tax assets	-	-	-	-
Others	135,276	3.4	126,436	3.0
Reserve for possible loan losses	(8)	(0.0)	(9)	(0.0)
Total	4,035,705	100.0	4,186,796	100.0
Foreign currency-denominated assets	2,461,055	61.0	2,496,426	59.6

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

(millions of yen)

	Six months ended September 30, 2015	Six months ended September 30, 2016
Cash, deposits, and call loans	59,091	(15,456)
Securities repurchased under resale agreements	-	-
Deposit paid for securities borrowing transactions	-	-
Monetary claims bought	(38)	15
Trading account securities	-	-
Money held in trust	3,936	187,356
Securities	448,262	(11,983)
Domestic bonds	122,592	(3,129)
Domestic stocks	-	-
Foreign securities	347,269	41,125
Foreign bonds	343,989	39,593
Foreign stocks and other securities	3,279	1,531
Other securities	(21,598)	(49,979)
Loans	-	-
Real estate	-	-
Deferred tax assets	-	-
Others	5,184	(8,840)
Reserve for possible loan losses	1	(0)
Total	516,437	151,090
Foreign currency-denominated assets	381,329	35,370

## (3) Investment Income

(millions of yen)

	Six months ended September 30, 2015	Six months ended September 30, 2016
Interest and dividends	38,329	49,817
Interest from bank deposits	134	140
Interest and dividends from securities	38,136	49,562
Interest from loans	-	-
Rental income	-	-
Other interest and dividends	57	114
Gains on trading account securities	-	-
Gains on money held in trust	2,436	1,362
Gains on investment in trading securities	1,065	1,531
Gains on sale of securities	6,577	8,453
Gains on sale of domestic bonds	767	7,217
Gains on sale of domestic stocks	-	-
Gains on sale of foreign securities	5,809	1,236
Others	-	-
Gains on redemption of securities	232	426
Derivative transaction gains	-	-
Foreign exchange gains	-	-
Reversal of reserve for possible loan losses	1	-
Other investment income	-	-
Total	48,642	61,591

## (4) Investment Expenses

(millions of yen)

	Six months ended September 30, 2015	Six months ended September 30, 2016
Interest expenses	1	1
Losses on trading account securities	-	-
Losses on money held in trust	-	-
Losses on investment in trading securities	-	-
Losses on sale of securities	621	1,514
Losses on sale of domestic bonds	-	-
Losses on sale of domestic stocks	-	-
Losses on sale of foreign securities	621	1,514
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
Derivative transaction losses	13,825	8,436
Foreign exchange losses	144,554	249,971
Provision for reserve for possible loan losses	-	0
Write-down of loans	-	-
Depreciation of rented real estate and others	-	-
Other investment expenses	366	393
Total	159,369	260,364

(5) Valuation Gains and Losses on Trading Securities

(millions of yen)

	As of March 31, 2016		As of September 30, 2016	
	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	42,578	(354)	231,466	2,893

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, 2016					
Bonds held to maturity	-	-	-	-	-
Policy-reserve-matching bonds	2,632,528	2,848,588	216,059	217,144	1,085
Stocks of subsidiaries and affiliates	-	-	-	-	-
Securities available for sale	1,037,099	1,104,196	67,096	68,394	1,298
Domestic bonds	313,891	337,417	23,526	23,655	128
Domestic stocks	-	-	-	-	-
Foreign securities	522,719	551,575	28,855	29,932	1,077
Foreign bonds	522,719	551,575	28,855	29,932	1,077
Foreign stocks and other securities	-	-	-	-	-
Other securities	194,488	209,093	14,605	14,697	92
Monetary claims bought	6,000	6,108	108	108	-
Certificates of deposit	-	-	-	-	-
Others	-	-	-	-	-
<b>Total</b>	<b>3,669,628</b>	<b>3,952,784</b>	<b>283,155</b>	<b>285,539</b>	<b>2,383</b>
Domestic bonds	1,119,180	1,219,249	100,069	100,487	417
Domestic stocks	-	-	-	-	-
Foreign securities	2,349,959	2,518,331	168,372	170,245	1,873
Foreign bonds	2,349,959	2,518,331	168,372	170,245	1,873
Foreign stocks and other securities	-	-	-	-	-
Other securities	194,488	209,093	14,605	14,697	92
Monetary claims bought	6,000	6,108	108	108	-
Certificates of deposit	-	-	-	-	-
Others	-	-	-	-	-
As of March 31, 2016					
Bonds held to maturity	-	-	-	-	-
Policy-reserve-matching bonds	2,582,535	2,745,305	162,770	164,228	1,457
Stocks of subsidiaries and affiliates	-	-	-	-	-
Securities available for sale	1,107,635	1,167,690	60,054	60,893	838
Domestic bonds	325,341	351,845	26,504	26,531	26
Domestic stocks	-	-	-	-	-
Foreign securities	531,655	550,677	19,021	19,532	510
Foreign bonds	531,655	550,677	19,021	19,532	510
Foreign stocks and other securities	-	-	-	-	-
Other securities	244,638	259,073	14,435	14,736	301
Monetary claims bought	6,000	6,093	93	93	-
Certificates of deposit	-	-	-	-	-
Others	-	-	-	-	-
<b>Total</b>	<b>3,690,170</b>	<b>3,912,996</b>	<b>222,825</b>	<b>225,121</b>	<b>2,295</b>
Domestic bonds	1,119,332	1,218,220	98,888	99,105	216
Domestic stocks	-	-	-	-	-
Foreign securities	2,320,199	2,429,608	109,408	111,186	1,778
Foreign bonds	2,320,199	2,429,608	109,408	111,186	1,778
Foreign stocks and other securities	-	-	-	-	-
Other securities	244,638	259,073	14,435	14,736	301
Monetary claims bought	6,000	6,093	93	93	-
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, 2016	222,026	222,026	1,362	3,089
As of March 31, 2016	34,670	34,670	(990)	10

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, 2016		As of September 30, 2016	
	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	34,670	(990)	222,026	1,362

\*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, 2016 (Summarized)	As of September 30, 2016 (Summarized)
	Amount	Amount
<b>(ASSETS)</b>		
Cash and deposits	118,431	99,391
Monetary claims bought	6,093	6,108
Money held in trust	34,670	222,026
Securities	5,836,582	5,798,440
[Government bonds]	[ 637,292 ]	[ 592,934 ]
[Local government bonds]	[ 13,352 ]	[ 13,087 ]
[Corporate bonds]	[ 495,191 ]	[ 536,684 ]
[Foreign securities]	[ 2,363,646 ]	[ 2,404,783 ]
Tangible fixed assets	296	252
Intangible fixed assets	2,710	3,405
Reinsurance receivables	72,577	62,188
Other assets	60,926	61,622
Reserve for possible loan losses	(8)	(9)
<b>Total assets</b>	<b>6,132,279</b>	<b>6,253,427</b>

(millions of yen)

	As of March 31, 2016 (Summarized)	As of September 30, 2016 (Summarized)
	Amount	Amount
<b>(LIABILITIES)</b>		
Policy reserves and others	5,948,138	5,915,467
Reserves for outstanding claims	6,975	7,588
Policy reserves	5,941,162	5,907,879
Reinsurance payable	20,932	149,590
Other liabilities	53,419	71,728
Corporate income tax payable	410	4
Lease liabilities	218	193
Other liabilities	52,790	71,530
Reserve for employees' retirement benefits	192	217
Reserve for retirement benefits of directors, executive officers and corporate auditors	4	4
Reserve for price fluctuations	6,773	8,279
Deferred tax liabilities	16,899	18,812
<b>Total liabilities</b>	<b>6,046,359</b>	<b>6,164,100</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	(142,234)	(143,956)
Other retained earnings	(142,234)	(143,956)
Retained earnings brought forward	(142,234)	(143,956)
Total shareholders' equity	42,765	41,043
Net unrealized gains on securities, net of tax	43,155	48,283
Total of valuation and translation adjustments	43,155	48,283
<b>Total net assets</b>	<b>85,920</b>	<b>89,326</b>
<b>Total liabilities and net assets</b>	<b>6,132,279</b>	<b>6,253,427</b>

## 5. Non-Consolidated Statements of Earnings

(millions of yen)

	Six months ended September 30, 2015	Six months ended September 30, 2016
	Amount	Amount
<b>ORDINARY REVENUES</b>	1,040,604	635,571
Premium and other income	991,959	540,692
[Premium income]	[ 886,900 ]	[ 474,200 ]
Investment income	48,642	61,591
[Interest and dividends]	[ 38,329 ]	[ 49,817 ]
[Gains on money held in trust]	[ 2,436 ]	[ 1,362 ]
[Gains on investment in trading securities]	[ 1,065 ]	[ 1,531 ]
[Gains on sale of securities]	[ 6,577 ]	[ 8,453 ]
Other ordinary revenues	2	33,287
[Reversal of policy reserve]	[ - ]	[ 33,283 ]
<b>ORDINARY EXPENSES</b>	1,008,203	635,776
Benefits and claims	296,065	310,222
[Claims]	[ 10,098 ]	[ 14,608 ]
[Annuities]	[ 10,570 ]	[ 10,542 ]
[Benefits]	[ 20,842 ]	[ 22,915 ]
[Surrender values]	[ 126,450 ]	[ 86,917 ]
[Other refunds]	[ 1,924 ]	[ 1,467 ]
Provision for policy reserves and others	410,699	612
Provision for reserves for outstanding claims	1,164	612
Provision for policy reserve	409,534	-
Investment expenses	244,640	289,621
[Interest expenses]	[ 1 ]	[ 1 ]
[Losses on sale of securities]	[ 621 ]	[ 1,514 ]
[Derivative transaction losses]	[ 13,825 ]	[ 8,436 ]
[Losses on investment in separate accounts]	[ 85,271 ]	[ 29,257 ]
Operating expenses	51,023	31,915
Other ordinary expenses	5,774	3,405
<b>ORDINARY GAIN (LOSS)</b>	32,401	(205)
<b>EXTRAORDINARY LOSSES</b>	1,231	1,511
Gain (loss) before income taxes	31,170	(1,717)
Corporate income taxes - current	2,471	4
Total of corporate income taxes	2,471	4
Net income (loss) for the period	28,698	(1,721)

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

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

Six months ended September 30, 2015

(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	(166,542)	18,457
Changes for the period				
Net income (loss) for the period			28,698	28,698
Net changes of items other than shareholders' equity				
Total changes for the period	-	-	28,698	28,698
Balance at the end of the period	117,500	67,500	(137,844)	47,155

	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	38,954	38,954	57,411
Changes for the period			
Net income (loss) for the period			28,698
Net changes of items other than shareholders' equity	(10,708)	(10,708)	(10,708)
Total changes for the period	(10,708)	(10,708)	17,990
Balance at the end of the period	28,246	28,246	75,402

As of September 30, 2016

- 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) Depreciation of tangible fixed assets excluding leased assets is calculated by the declining balance method and is computed by proportionally allocating the estimated depreciation for the fiscal year. 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.  
 (b) 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 remaining value.
- 5 Intangible fixed assets are depreciated with the straight line method. Depreciation of software for internal use is based on the estimated useful life.
- 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 September 30, 2016. 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 the end of September, 2016 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.

As of September 30, 2016

- 11 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.
- 12 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

- 13 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	99,391	99,391	-
(2) Monetary claims bought	6,108	6,108	-
(3) Money held in trust	222,026	222,026	-
(4) Securities	5,798,440	6,014,500	216,059
(a) Trading securities	2,067,824	2,067,824	-
(b) Policy-reserve-matching bonds	2,632,528	2,848,588	216,059
(c) Other securities	1,098,087	1,098,087	-
Assets total	6,125,967	6,342,027	216,059
Derivative transactions			
(a) Derivative transactions to which hedge accounting is not applied	(22,364)	(22,364)	-
Derivative transactions total	(22,364)	(22,364)	-

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.

- 14 Accumulated depreciation on tangible fixed assets is 259,289 million yen.

- 15 Assets in separate accounts, as defined by Article 118 of the Insurance Business Act, total 2,067,144 million yen. Liabilities in separate accounts, total the same amount.

- 16 The value of assets (marketable securities) pledged as collateral is 68,501 million yen.

- 17 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 52,294 million yen as of September 30, 2016, and we have no assets pledged as a re-collateral.

As of September 30, 2016

- 18 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 87 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 220,281 million yen.
- 19 As of September 30, 2016, the Company estimated that it would be required to contribute 6,740 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.
- 20 As of September 30, 2016, undepreciated balance of the fee of the reinsurance contract, which is defined in announcement No.50, 1-5, Ministry of Finance, 1996, is 70,418 million yen.

Notes to the Non-Consolidated Statement of Earnings

Six months ended September 30, 2016	
1	Gains on sale of securities included gains on sales of domestic bonds and foreign securities of 7,217 million yen and 1,236 million yen, respectively.
2	Losses on sale of securities included losses on sales of foreign securities of 1,514 million yen.
3	In calculating the provision for reserves for outstanding claims, a provision for reserves for outstanding claims reinsured of 9 million yen was deducted as an adjustment. In calculating the reversal of policy reserves, a provision for policy reserves reinsured of 106,416 million yen was added.
4	The details of Interest and dividends are as follows: Interest on deposits : 140 million yen Interest and dividends from securities : 49,562 million yen Other interest and dividends : 114 million yen Total : 49,817 million yen
5	Net loss per share for the six months ended September 30, 2016 was 930,723.97 yen.
6	Premium and other income includes the increase of 4,824 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 5,367 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, 2016					
1	Number of outstanding shares by class				
		No. shares as of April 1, 2016	Increase in number of shares	Decrease in number of shares	No. shares as of September 30, 2016
	Outstanding shares				
	Common stock	1,850	-	-	1,850



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

(millions of yen)

		Six months ended September 30, 2015	Six months ended September 30, 2016
Fundamental profit	A	9,048	(23,812)
Capital gains		174,875	283,300
Gains on money held in trust		2,436	1,362
Gains on investment in trading securities		1,065	1,531
Gains on sale of securities		6,577	8,453
Derivative transaction gains		-	-
Foreign exchange gains		-	-
Others		164,796	271,953
Capital losses		159,001	259,922
Losses on money held in trust		-	-
Losses on investment in trading securities		-	-
Losses on sale of securities		621	1,514
Losses on valuation of securities		-	-
Derivative transaction losses		13,825	8,436
Foreign exchange losses		144,554	249,971
Others		-	-
Net capital gains (losses)	B	15,874	23,377
Fundamental profit plus net capital gains (losses)	A + B	24,923	(434)
Other one-time gains		7,477	229
Reinsurance income		-	-
Reversal of contingency reserve		7,477	229
Reversal of specific reserve for possible loan losses		-	-
Others		-	-
Other one-time losses		-	-
Ceding reinsurance commissions		-	-
Provision for contingency reserve		-	-
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	7,477	229
Ordinary profit (loss)	A + B + C	32,401	(205)

Note: 1. Fundamental profit includes the amount below.

	Six months ended September 30, 2015	Six months ended September 30, 2016
Adjustment of the portion valued in exchange rate fluctuations of foreign-currency denominated insurance's liability	(164,796)	(271,953)

2. Other capital gains include the amount below.

	Six months ended September 30, 2015	Six months ended September 30, 2016
Adjustment of the portion valued in exchange rate fluctuations of foreign-currency denominated insurance's liability	164,796	271,953

3. 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.

## 8. Disclosed Claims Based on Categories of Obligors

(millions of yen)

	As of March 31, 2016	As of September 30, 2016
Claims against bankrupt and quasi-bankrupt obligors	-	-
Claims with collection risk	-	-
Claims for special attention	-	-
Subtotal	-	-
[Percentage]	[ - ]	[ - ]
Claims against normal obligors	19,769	259,325
Total	19,769	259,325

- 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, 2015	As of September 30, 2015
Total solvency margin	(A)	348,758	352,839
Common stock, etc		42,765	41,043
Reserve for price fluctuations		6,773	8,279
Contingency reserve		114,644	114,415
General reserve for possible loan losses		8	9
(Net unrealized gains (losses) on securities (before tax) and deferred hedge gains (losses) (before tax)) × 90% *		54,049	60,386
Net unrealized gains (losses) on real estate × 85% *		-	-
Policy reserves in excess of surrender values		188,894	174,053
Qualifying subordinated debt		-	-
Excluded portion of policy reserves in excess of surrender values and qualifying subordinated debt		(53,056)	(39,855)
Excluded items		(5,320)	(5,491)
Others		-	-
Total Risk	$\sqrt{(R_1 + R_8)^2 + (R_2 + R_3 + R_7)^2} + R_4$ (B)	133,391	132,271
Insurance risk	$R_1$	46	41
3rd sector insurance risk	$R_8$	-	-
Assumed investment yield risk	$R_2$	29,556	26,835
Guaranteed minimum benefit risk	$R_7$	24,180	17,808
Investment risk	$R_3$	75,767	83,773
Business risk	$R_4$	3,886	3,853
Solvency margin ratio	$\frac{(A)}{(1/2) \times (B)} \times 100$	522.9%	533.5%

\* 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, 2016	As of September 30, 2016
Individual variable insurance	45,597	52,768
Individual variable annuities	2,052,238	2,014,376
Group annuities	-	-
Separate account total	2,097,835	2,067,144

### (2) Policies in Force

#### A. Individual Variable Insurance

(millions of yen except number of policies)

	As of March 31, 2016		As of September 30, 2016	
	Number of policies (thousands)	Amount	Number of policies (thousands)	Amount
Variable insurance (defined term type)	-	-	-	-
Variable insurance (whole life type)	40	294,847	48	337,647
Total	40	294,847	48	337,647

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, 2016		As of September 30, 2016	
	Number of policies	Amount	Number of policies	Amount
Individual variable annuities	576	3,501,656	606	3,510,190

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.