
Financial Results for the Nine Months Ended December 31, 2018

The Dai-ichi Frontier Life Insurance Co., Ltd. (the "Company"; President: Masao Taketomi) announces its financial results for the nine months ended December 31, 2018.

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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, 2018	As of December 31, 2018	
			% of March 31, 2018 total
Individual insurance	231,579	292,253	126.2
Individual annuities	498,429	503,646	101.0
Total	730,008	795,900	109.0
Medical and survival benefits	-	-	-

New Policies

(millions of yen except percentages)

	Nine months ended December 31, 2017	Nine months ended December 31, 2018	% of December 31, 2017 total
Individual insurance	44,151	72,348	163.9
Individual annuities	95,584	84,412	88.3
Total	139,735	156,760	112.2
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, 2018		As of December 31, 2018			
	Number of Policies (thousands)	Amount (millions of yen)	Number of Policies		Amount	
			(thousands)	% of March 31, 2018 total	(millions of yen)	% of March 31, 2018 total
Individual insurance	421	2,914,275	539	127.8	3,606,014	123.7
Individual annuities	844	4,704,366	925	109.6	4,874,964	103.6
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 December 31, 2017 total	(millions of yen)	% of December 31, 2017 total	New Business	Net increase from conversions
Nine months ended December 31, 2018						
Individual insurance	127	168.9	852,785	162.7	852,785	-
Individual annuities	125	131.8	574,108	123.0	574,108	-
Group insurance	-	-	-	-	-	-
Group annuities	-	-	-	-	-	-
Nine months ended December 31, 2017						
Individual insurance	75		523,999		523,999	-
Individual annuities	94		466,941		466,941	-
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. Investment Results of General Account

(1) Asset Composition

(millions of yen except percentages)

	As of March 31, 2018		As of December 31, 2018	
	Carrying value	%	Carrying value	%
Cash, deposits, and call loans	162,743	3.0	222,200	3.4
Securities repurchased under resale agreements	-	-	-	-
Deposit paid for securities borrowing transactions	-	-	-	-
Monetary claims bought	4,024	0.1	-	-
Trading account securities	-	-	-	-
Money held in trust	464,480	8.5	522,544	8.0
Securities	4,701,518	86.1	5,653,573	86.2
Domestic bonds	1,210,923	22.2	1,322,057	20.2
Domestic stocks	-	-	-	-
Foreign securities	3,291,518	60.3	4,146,583	63.2
Foreign bonds	3,285,168	60.2	4,134,565	63.0
Foreign stocks and other securities	6,349	0.1	12,017	0.2
Other securities	199,077	3.6	184,933	2.8
Loans	-	-	-	-
Real estate	-	-	84	0.0
Deferred tax assets	-	-	-	-
Others	127,435	2.3	160,264	2.4
Reserve for possible loan losses	(5)	(0.0)	(5)	(0.0)
Total	5,460,196	100.0	6,558,661	100.0
Foreign currency-denominated assets	3,552,440	65.1	4,537,765	69.2

Note: "Real estate" represents the value of buildings.

(2) 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 December 31, 2018					
Bonds held to maturity	-	-	-	-	-
Policy-reserve-matching bonds	4,507,244	4,640,049	132,805	170,125	37,320
Stocks of subsidiaries and affiliates	-	-	-	-	-
Securities available for sale	1,097,843	1,134,312	36,468	41,509	5,041
Domestic bonds	293,986	305,804	11,817	12,313	495
Domestic stocks	-	-	-	-	-
Foreign securities	629,428	643,574	14,146	18,691	4,545
Foreign bonds	629,428	643,574	14,146	18,691	4,545
Foreign stocks and other securities	-	-	-	-	-
Other securities	174,428	184,933	10,504	10,504	-
Monetary claims bought	-	-	-	-	-
Certificates of deposit	-	-	-	-	-
Others	-	-	-	-	-
Total	5,605,087	5,774,361	169,274	211,635	42,361
Domestic bonds	1,310,239	1,383,735	73,496	76,773	3,276
Domestic stocks	-	-	-	-	-
Foreign securities	4,120,419	4,205,692	85,272	124,357	39,084
Foreign bonds	4,120,419	4,205,692	85,272	124,357	39,084
Foreign stocks and other securities	-	-	-	-	-
Other securities	174,428	184,933	10,504	10,504	-
Monetary claims bought	-	-	-	-	-
Certificates of deposit	-	-	-	-	-
Others	-	-	-	-	-
As of March 31, 2018					
Bonds held to maturity	-	-	-	-	-
Policy-reserve-matching bonds	3,654,359	3,769,152	114,792	134,863	20,071
Stocks of subsidiaries and affiliates	-	-	-	-	-
Securities available for sale	1,014,320	1,044,833	30,513	36,623	6,109
Domestic bonds	311,958	325,496	13,537	14,243	706
Domestic stocks	-	-	-	-	-
Foreign securities	509,060	516,235	7,175	12,490	5,315
Foreign bonds	509,060	516,235	7,175	12,490	5,315
Foreign stocks and other securities	-	-	-	-	-
Other securities	189,300	199,077	9,776	9,863	87
Monetary claims bought	4,000	4,024	24	24	-
Certificates of deposit	-	-	-	-	-
Others	-	-	-	-	-
Total	4,668,679	4,813,985	145,305	171,486	26,181
Domestic bonds	1,197,386	1,271,024	73,638	76,847	3,208
Domestic stocks	-	-	-	-	-
Foreign securities	3,277,993	3,339,858	61,865	84,750	22,884
Foreign bonds	3,277,993	3,339,858	61,865	84,750	22,884
Foreign stocks and other securities	-	-	-	-	-
Other securities	189,300	199,077	9,776	9,863	87
Monetary claims bought	4,000	4,024	24	24	-
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.

(3) 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 December 31, 2018	522,544	522,544	4,202	642
As of March 31, 2018	464,480	464,480	(10,467)	14,272

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, 2018		As of December 31, 2018	
	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	464,480	(10,467)	522,544	4,202

*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.

3. Non-Consolidated Balance Sheets

(millions of yen)

	As of March 31, 2018 (Summarized)	As of December 31, 2018
	Amount	Amount
(ASSETS)		
Cash and deposits	171,963	231,145
Monetary claims bought	4,024	-
Money held in trust	464,480	522,544
Securities	6,765,295	7,430,047
[Government bonds]	[561,774]	[525,399]
[Local government bonds]	[11,349]	[21,918]
[Corporate bonds]	[637,799]	[774,738]
[Foreign securities]	[3,305,183]	[4,159,309]
Tangible fixed assets	281	298
Intangible fixed assets	5,503	7,187
Reinsurance receivables	56,274	62,385
Other assets	66,871	91,425
Reserve for possible loan losses	(5)	(5)
Total assets	7,534,687	8,345,027

(millions of yen)

	As of March 31, 2018 (Summarized)	As of December 31, 2018
	Amount	Amount
(LIABILITIES)		
Policy reserves and others	7,110,390	7,851,696
Reserves for outstanding claims	12,524	16,588
Policy reserves	7,097,865	7,835,108
Reinsurance payable	166,033	204,465
Other liabilities	83,312	92,160
Corporate income tax payable	5,692	-
Lease liabilities	127	86
Other liabilities	77,493	92,074
Reserve for price fluctuations	14,340	18,146
Deferred tax liabilities	8,568	10,211
Total liabilities	7,382,645	8,176,679
(NET ASSETS)		
Capital stock	117,500	117,500
Capital surplus	67,500	67,500
Legal capital surplus	67,500	67,500
Retained earnings	(54,903)	(42,909)
Other retained earnings	(54,903)	(42,909)
Retained earnings brought forward	(54,903)	(42,909)
Total shareholders' equity	130,096	142,090
Net unrealized gains on securities, net of tax	21,944	26,257
Total of valuation and translation adjustments	21,944	26,257
Total net assets	152,041	168,347
Total liabilities and net assets	7,534,687	8,345,027

4. Non-Consolidated Statements of Earnings

(millions of yen)

	Nine months ended December 31, 2017	Nine months ended December 31, 2018
	Amount	Amount
ORDINARY REVENUES	1,415,295	1,520,124
Premium and other income	1,076,925	1,401,396
[Premium income]	[934,571]	[1,329,776]
Investment income	338,363	118,721
[Interest and dividends]	[88,312]	[110,962]
[Gains on money held in trust]	[-]	[4,202]
[Gains on investment in trading securities]	[-]	[1,341]
[Gains on sale of securities]	[3,761]	[1,525]
[Derivative transaction gains]	[14,032]	[-]
[Gains on investment in separate accounts]	[158,825]	[-]
Other ordinary revenues	6	6
ORDINARY EXPENSES	1,365,442	1,496,103
Benefits and claims	514,143	528,667
[Claims]	[32,620]	[46,582]
[Annuities]	[107,568]	[203,670]
[Benefits]	[41,395]	[49,690]
[Surrender values]	[126,227]	[98,037]
[Other refunds]	[3,948]	[4,911]
Provision for policy reserves and others	784,685	741,306
Provision for reserves for outstanding claims	1,026	4,063
Provision for policy reserve	783,658	737,242
Investment expenses	19,159	159,888
[Interest expenses]	[2]	[4]
[Losses on money held in trust]	[8,420]	[-]
[Losses on investment in trading securities]	[7,448]	[-]
[Losses on sale of securities]	[2,624]	[1,142]
[Derivative transaction losses]	[-]	[8,550]
[Losses on investment in separate accounts]	[-]	[66,803]
Operating expenses	41,664	57,802
Other ordinary expenses	5,789	8,438
ORDINARY GAIN	49,852	24,021
EXTRAORDINARY LOSSES	3,049	3,806
Losses on disposal of fixed assets	0	0
Provision for reserve for price fluctuations	3,049	3,806
Gain before income taxes	46,803	20,214
Corporate income taxes - current	16,707	8,220
Total of corporate income taxes	16,707	8,220
Net income for the period	30,095	11,993

As of December 31, 2018

1. Among the derivative transactions, currency swap gains or losses, realized at the time of the settlement, used to be reported as foreign exchange losses or gains. However, these currency swap losses or gains have now been changed to be reported as derivative transaction gains or losses. This change has been made in order to report our operating results in a more appropriate manner by means of changing the main purposes of currency swap transactions so as to better respond to market changes. As a result, 3,188 million yen reported as "Foreign exchange gains" under the heading of "Investment income" in the quarterly statements of earnings of the Financial Results for the Nine Months ended December 31, 2017, has now been restated as "Derivative transaction gains."
2. Securities lent under lending agreements are included in the balance sheets. Total balance of securities lent as of December 31, 2018 was 162,108 million yen.
3. 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	231,145	231,145	-
(2) Money held in trust	522,544	522,544	-
(3) Securities	7,430,047	7,562,852	132,805
(a) Trading securities	1,788,490	1,788,490	-
(b) Policy-reserve-matching bonds	4,507,244	4,640,049	132,805
(c) Other securities	1,134,312	1,134,312	-
Assets total	8,183,737	8,316,542	132,805
Derivative transactions			
(a) Derivative transactions to which hedge accounting is not applied	(15,625)	(15,625)	-
Derivative transactions total	(15,625)	(15,625)	-

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) Money held in trust

Information on securities and derivative transactions appear below in "(d) Securities" and "(e) Derivative transactions", respectively.

(c) Securities

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

(d) Derivative transactions

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

For currency swap contracts, interest rate swap contracts and credit default 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.

(Additional Information)

Effective from the first quarter ended June 30, 2018, the sub-groups of individual insurance and annuities (JP yen-denominated, short term) and individual insurance and annuities (JP yen-denominated, long term) have now been integrated and categorized as individual insurance and annuities (JP yen-denominated). This integration has been conducted for the purpose of carrying out an appropriate duration control in terms of efficient ALM, following the shortened policy reserve duration, in accordance with the sales discontinuation of the insurance product categorized as individual insurance and annuities (JP yen-denominated, short term).

As a result, we now have the following sub-groups:

- (a) Individual insurance and annuities (JP yen-denominated);
- (b) Individual insurance and annuities (US dollar-denominated);
- (c) Individual insurance and annuities (AUS dollar-denominated); and
- (d) Individual insurance and annuities (NZ dollar-denominated); with the exception of certain types and policies.

There is no effect on gains or losses by this change.

Notes to the Non-Consolidated Statements of Earnings

Nine months ended December 31, 2018

1. Net gain per share for the Nine months ended December 31, 2018 was 6,483,128.48 yen. Fully diluted net gain per share is not reported because the Company has no residual shares.

5. Breakdown of Ordinary Profit (Fundamental Profit)

(millions of yen)

		Nine months ended December 31, 2017	Nine months ended December 31, 2018
Fundamental profit	A	72,210	12,207
Capital gains		88,251	112,669
Gains on money held in trust		-	4,202
Gains on investment in trading securities		-	1,341
Gains on sale of securities		3,761	1,525
Derivative transaction gains		14,032	-
Foreign exchange gains		70,457	-
Others		-	105,600
Capital losses		102,109	94,737
Losses on money held in trust		8,420	-
Losses on investment in trading securities		7,448	-
Losses on sale of securities		2,624	1,142
Losses on valuation of securities		-	-
Derivative transaction losses		-	8,550
Foreign exchange losses		-	82,260
Others		83,615	2,783
Net capital gains (losses)	B	(13,857)	17,931
Fundamental profit plus net capital gains (losses)	A + B	58,353	30,139
Other one-time gains		-	-
Reinsurance income		-	-
Reversal of contingency reserve		-	-
Reversal of specific reserve for possible loan losses		-	-
Others		-	-
Other one-time losses		8,500	6,117
Ceding reinsurance commissions		-	-
Provision for contingency reserve		8,500	6,117
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	(8,500)	(6,117)
Ordinary profit(loss)	A + B + C	49,852	24,021

Note: 1. Fundamental profit includes the amount below.

	Nine months ended December 31, 2017	Nine months ended December 31, 2018
Impact from increase or decrease in surrender values in accordance with Market Value Adjustment (MVA)	268	2,783
Impact from market rate fluctuations of foreign exchange on foreign-currency denominated insurance policies	83,347	(105,600)

2. Other capital gains include the amount below.

	Nine months ended December 31, 2017	Nine months ended December 31, 2018
Impact from market rate fluctuations of foreign exchange on foreign-currency denominated insurance policies	-	105,600

3. Other capital losses include the amount below.

	Nine months ended December 31, 2017	Nine months ended December 31, 2018
Impact from increase or decrease in surrender values in accordance with Market Value Adjustment (MVA)	268	2,783
Impact from market rate fluctuations of foreign exchange on foreign-currency denominated insurance policies	83,347	-

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

5. Among the derivative transactions, currency swap gains or losses, realized at the time of the settlement, used to be reported as foreign exchange losses or gains. These have now been changed to be reported as derivative transaction gains or losses, effective from the fiscal year 2018, ending March 31, 2019. In accordance with this change, 3,188 million yen reported as "Foreign exchange gains" under the heading of "Capital gains" in the quarterly statements of earnings of the Financial Results for the Nine Months ended December 31, 2017, has now been restated as "Derivative transaction gains."

6. Solvency Margin Ratio

(millions of yen)

	As of March 31, 2018	As of December 31, 2018
Total solvency margin (A)	472,720	488,206
Common stock, etc	130,096	142,090
Reserve for price fluctuations	14,340	18,146
Contingency reserve	121,982	128,100
General reserve for possible loan losses	5	5
(Net unrealized gains (losses) on securities (before tax) and deferred hedge gains (losses) (before tax)) × 90% *	27,461	32,821
Net unrealized gains (losses) on real estate × 85%*	-	-
Policy reserves in excess of surrender values	183,277	170,959
Qualifying subordinated debt	-	-
Excluded portion of policy reserves in excess of surrender values and qualifying subordinated debt	-	-
Excluded items	(4,443)	(3,917)
Others	-	-
Total Risk $\sqrt{(R_1 + R_8)^2 + (R_2 + R_3 + R_7)^2} + R_4$ (B)	164,541	197,663
Insurance risk R_1	79	80
3rd sector insurance risk R_8	-	-
Assumed investment yield risk R_2	39,633	53,806
Guaranteed minimum benefit risk R_7	19,145	12,742
Investment risk R_3	100,967	125,355
Business risk R_4	4,794	5,759
Solvency margin ratio $\frac{(A)}{(1/2) \times (B)} \times 100$	574.5%	493.9%

* Multiplied by 100% if losses.

Note: 1. The figures as of March 31, 2018 are calculated based on Articles 86 and 87 of the Enforcement Regulations of Insurance Business Act, and Announcement No.50, Ministry of Finance, 1996.

The figures as of December 31, 2018 are calculated by using the method which is deemed appropriate taking the regulations and announcement above into account.

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

7. Separate Account Status

(1) Separate Account Assets by Product

(millions of yen)

	As of March 31, 2018	As of December 31, 2018
Individual variable insurance	56,994	44,249
Individual variable annuities	2,017,819	1,742,184
Group annuities	-	-
Separate account total	2,074,814	1,786,434

(2) Policies in Force

A. Individual Variable Insurance

(millions of yen except number of policies)

	As of March 31, 2018		As of December 31, 2018	
	Number of policies	Amount	Number of policies	Amount
Variable insurance (defined term type)	-	-	-	-
Variable insurance (whole life type)	54	441,301	54	432,769
Total	54	441,301	54	432,769

Notes: The outstanding policies in force for individual variable insurance include those managed in general account.

B. Individual Variable Annuities

(millions of yen except number of policies)

	As of March 31, 2018		As of December 31, 2018	
	Number of policies	Amount	Number of policies	Amount
Individual variable annuities	624	3,663,591	605	3,430,256

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. The outstanding policies in force for individual variable annuities include those managed in general account.

8. Consolidated Financial Summary

Not applicable.