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# Financial Results for the Six Months Ended September 30, 2019

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The Dai-ichi Frontier Life Insurance Co., Ltd. (the "Company"; President: Masao Taketomi) announces its financial results for the six months ended September 30, 2019.

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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, 2019	As of September 30, 2019	
			% of March 31, 2019 total
Individual insurance	316,022	337,538	106.8
Individual annuities	511,633	485,123	94.8
Total	827,656	822,661	99.4
Medical and survival benefits	-	-	-

### New Policies

(millions of yen except percentages)

	Six months ended September 30, 2018	Six months ended September 30, 2019	% of September 30, 2018 total
Individual insurance	44,921	39,990	89.0
Individual annuities	60,732	25,772	42.4
Total	105,654	65,763	62.2
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, 2019		As of September 30, 2019			
	Number of Policies (thousands)	Amount (millions of yen)	Number of Policies (thousands)	% of March 31, 2019 total	Amount (millions of yen)	% of March 31, 2019 total
Individual insurance	576	3,875,382	634	110.2	4,116,159	106.2
Individual annuities	950	4,995,231	947	99.6	4,679,779	93.7
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, 2018 total	(millions of yen)	% of September 30, 2018 total	New Business	Net increase from conversions
Six months ended September 30, 2019						
Individual insurance	68	83.9	455,840	84.8	455,840	-
Individual annuities	52	62.7	213,693	54.3	213,693	-
Group insurance	-	-	-	-	-	-
Group annuities	-	-	-	-	-	-
Six months ended September 30, 2018						
Individual insurance	81		537,669		537,669	-
Individual annuities	82		393,508		393,508	-
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 of General Account Assets

### (1) Investment Environment

- During the six months ended September 30, 2019, the Japanese economy was supported by personal consumption against the backdrop of improvement in the employment and income environment, but the pace of economic expansion remained small due to weak exports against the backdrop of the slowdown in overseas economies.
- In the U.S., while personal consumption remained firm, the U.S. economy was on a decelerating trend due to sluggish capital investment and external demand caused by the heightened uncertainty caused by the U.S.-China trade war.
- In Europe, the overall slowdown in the economy intensified, as evidenced by negative growth in Germany against the backdrop of sluggish external demand, and there was awareness of an economic slowdown going forward.
- Given the economic environment described above, the investment environment was as follows:

#### [Domestic interest rates]

- The yield on 10-year JGBs remained at low levels, mainly reflecting the Bank's continued QQE with Yield Curve Control and the implementation of monetary easing by the U.S. and European Central Banks, particularly policy rate cuts. In addition, the rate temporarily declined to around -0.30% when there were concerns about the worsening of the U.S.-China trade war.

Yield on ten-year government bonds:	April 1, 2019	-0.095%
	September 30, 2019	-0.225%

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

The ten-year US Treasury Note yield fell in response to the Federal Reserve Board's (FRB) continued interest rate cuts. On the currency front, the Japanese yen rose against the US dollar due to falling US short-term interest rates resulting from the continued interest rate cuts.

Yield on ten-year U.S. government bonds:	April 1, 2019	2.501%
	September 30, 2019	1.665%
yen/U.S. dollar:	April 1, 2019	¥110.99
	September 30, 2019	¥107.92

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

The ten-year Australian government bond yield fell, dipping at one time below 1.0%, due to mounting concerns over the US-China trade friction and interest rate cuts by the Reserve Bank of Australia (RBA), etc. The Australian dollar continued to trend downward against the Japanese yen on the back of the RBA's continued interest rate cuts.

Yield on ten-year Australian government bonds:	April 1, 2019	1.802%
	September 30, 2019	1.018%
yen/Australian dollar:	April 1, 2019	¥79.09
	September 30, 2019	¥72.88

### (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. As to the yen- and foreign currency-denominated fixed products, those assets are primarily invested in yen-denominated bonds and foreign currency-denominated bonds.

Certain instruments are also used to mitigate the guaranteed minimum benefit risk on individual variable annuities.

### (3) Investment Results

#### 〈 Assets 〉

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.

#### 〈 Investment Income and Expenses 〉

Investment income was 154,791 million yen mainly due to interest and dividends received (89,732 million yen), gains on sale of securities (60,096 million yen), and gains on money held in trust (4,905 million yen). Investment expenses were 260,722 million yen due mainly to foreign exchange losses (252,740 million yen), derivative transaction losses (4,284 million yen), and losses on investment in trading securities (2,025 million yen).

### 3. Investment Results of General Account

#### (1) Asset Composition

(millions of yen except percentages)

	As of March 31, 2019		As of September 30, 2019	
	Carrying value	%	Carrying value	%
Cash, deposits, and call loans	199,524	2.9	391,930	5.1
Securities repurchased under resale agreements	-	-	-	-
Deposit paid for securities borrowing transactions	-	-	-	-
Monetary claims bought	-	-	-	-
Trading account securities	-	-	-	-
Money held in trust	534,726	7.7	783,693	10.2
Securities	6,082,493	87.3	6,273,241	81.6
Domestic bonds	1,356,170	19.5	1,447,855	18.8
Domestic stocks	-	-	-	-
Foreign securities	4,538,002	65.1	4,635,914	60.3
Foreign bonds	4,530,203	65.0	4,629,072	60.2
Foreign stocks and other securities	7,799	0.1	6,842	0.1
Other securities	188,319	2.7	189,471	2.5
Loans	-	-	-	-
Real estate	96	0.0	93	0.0
Deferred tax assets	-	-	-	-
Others	150,760	2.2	235,387	3.1
Reserve for possible loan losses	(4)	(0.0)	(8)	(0.0)
Total	6,967,597	100.0	7,684,338	100.0
Foreign currency-denominated assets	4,946,182	71.0	5,036,870	65.5

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

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

(millions of yen)

	Six months ended September 30, 2018	Six months ended September 30, 2019
Cash, deposits, and call loans	12,775	192,405
Securities repurchased under resale agreements	-	-
Deposit paid for securities borrowing transactions	-	-
Monetary claims bought	(1,018)	-
Trading account securities	-	-
Money held in trust	(339)	248,966
Securities	800,408	190,748
Domestic bonds	85,824	91,684
Domestic stocks	-	-
Foreign securities	715,729	97,912
Foreign bonds	717,508	98,869
Foreign stocks and other securities	(1,779)	(957)
Other securities	(1,145)	1,151
Loans	-	-
Real estate	87	(3)
Deferred tax assets	-	-
Others	19,661	84,627
Reserve for possible loan losses	0	(3)
Total	831,575	716,741
Foreign currency-denominated assets	805,181	90,688

### (3) Investment Income

(millions of yen)

	Six months ended September 30, 2018	Six months ended September 30, 2019
Interest and dividends	71,932	89,732
Interest from bank deposits	502	567
Interest and dividends from securities	71,287	89,023
Interest from loans	-	-
Rental income	-	-
Other interest and dividends	142	141
Gains on trading account securities	-	-
Gains on money held in trust	-	4,905
Gains on investment in trading securities	-	-
Gains on sale of securities	1,475	60,096
Gains on sale of domestic bonds	1,475	1,224
Gains on sale of domestic stocks	-	-
Gains on sale of foreign securities	-	58,872
Others	-	-
Gains on redemption of securities	687	56
Derivative transaction gains	-	-
Foreign exchange gains	75,352	-
Reversal of reserve for possible loan losses	0	-
Other investment income	-	1
Total	149,448	154,791

### (4) Investment Expenses

(millions of yen)

	Six months ended September 30, 2018	Six months ended September 30, 2019
Interest expenses	2	2
Losses on trading account securities	-	-
Losses on money held in trust	6,840	-
Losses on investment in trading securities	4,716	2,025
Losses on sale of securities	74	128
Losses on sale of domestic bonds	-	-
Losses on sale of domestic stocks	-	-
Losses on sale of foreign securities	74	128
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	103	1,139
Derivative transaction losses	5,880	4,284
Foreign exchange losses	-	252,740
Provision for reserve for possible loan losses	-	3
Write-down of loans	-	-
Depreciation of rented real estate and others	-	-
Other investment expenses	419	398
Total	18,038	260,722

(5) Valuation Gains and Losses on Trading Securities

(millions of yen)

	As of March 31, 2019		As of September 30, 2019	
	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	542,526	123	790,535	2,880

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, 2019						
	Bonds held to maturity	-	-	-	-	-
	Policy-reserve-matching bonds	3,035,051	3,285,337	250,286	251,819	1,532
	Stocks of subsidiaries and affiliates	-	-	-	-	-
	Securities available for sale	2,931,115	3,231,348	300,232	300,478	246
	Domestic bonds	393,700	413,365	19,665	19,809	144
	Domestic stocks	-	-	-	-	-
	Foreign securities	2,364,680	2,628,511	263,831	263,932	101
	Foreign bonds	2,364,680	2,628,511	263,831	263,932	101
	Foreign stocks and other securities	-	-	-	-	-
	Other securities	172,735	189,471	16,735	16,735	-
	Monetary claims bought	-	-	-	-	-
	Certificates of deposit	-	-	-	-	-
	Others	-	-	-	-	-
	Total	5,966,166	6,516,685	550,518	552,297	1,778
	Domestic bonds	1,428,189	1,544,880	116,690	116,896	206
	Domestic stocks	-	-	-	-	-
	Foreign securities	4,365,241	4,782,334	417,092	418,665	1,572
	Foreign bonds	4,365,241	4,782,334	417,092	418,665	1,572
	Foreign stocks and other securities	-	-	-	-	-
Other securities	172,735	189,471	16,735	16,735	-	
Monetary claims bought	-	-	-	-	-	
Certificates of deposit	-	-	-	-	-	
Others	-	-	-	-	-	
As of March 31, 2019						
	Bonds held to maturity	-	-	-	-	-
	Policy-reserve-matching bonds	4,871,729	5,160,046	288,317	296,428	8,110
	Stocks of subsidiaries and affiliates	-	-	-	-	-
	Securities available for sale	1,140,956	1,202,964	62,008	63,661	1,653
	Domestic bonds	300,369	313,466	13,097	13,303	206
	Domestic stocks	-	-	-	-	-
	Foreign securities	666,158	701,178	35,019	36,467	1,447
	Foreign bonds	666,158	701,178	35,019	36,467	1,447
	Foreign stocks and other securities	-	-	-	-	-
	Other securities	174,428	188,319	13,890	13,890	-
	Monetary claims bought	-	-	-	-	-
	Certificates of deposit	-	-	-	-	-
	Others	-	-	-	-	-
	Total	6,012,685	6,363,011	350,325	360,089	9,764
	Domestic bonds	1,343,073	1,436,957	93,883	94,476	592
	Domestic stocks	-	-	-	-	-
	Foreign securities	4,495,183	4,737,734	242,550	251,722	9,171
	Foreign bonds	4,495,183	4,737,734	242,550	251,722	9,171
	Foreign stocks and other securities	-	-	-	-	-
Other securities	174,428	188,319	13,890	13,890	-	
Monetary claims bought	-	-	-	-	-	
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, 2019	783,693	783,693	4,905	7,347	2,442
As of March 31, 2019	534,726	534,726	4,213	11,015	6,801

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, 2019		As of September 30, 2019	
	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	534,726	4,213	783,693	4,905

\*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, 2019 (Summarized)	As of September 30, 2019 (Summarized)
	Amount	Amount
<b>(ASSETS)</b>		
Cash and deposits	209,967	415,674
Money held in trust	534,726	783,693
Securities	7,858,032	7,683,943
[Government bonds]	[ 526,073 ]	[ 516,724 ]
[Local government bonds]	[ 23,941 ]	[ 30,517 ]
[Corporate bonds]	[ 806,156 ]	[ 900,613 ]
[Foreign securities]	[ 4,550,738 ]	[ 4,648,533 ]
Tangible fixed assets	327	416
Intangible fixed assets	7,688	8,502
Reinsurance receivables	61,474	61,879
Other assets	83,217	173,056
Reserve for possible loan losses	(4)	(8)
<b>Total assets</b>	<b>8,755,429</b>	<b>9,127,159</b>

(millions of yen)

	As of March 31, 2019 (Summarized)	As of September 30, 2019 (Summarized)
	Amount	Amount
<b>(LIABILITIES)</b>		
Policy reserves and others	8,241,472	7,891,824
Reserves for outstanding claims	19,699	21,104
Policy reserves	8,221,773	7,870,720
Reinsurance payable	191,869	621,030
Other liabilities	90,211	182,657
Corporate income tax payable	662	5
Lease liabilities	72	116
Other liabilities	89,476	182,535
Reserve for price fluctuations	19,802	22,630
Deferred tax liabilities	17,362	84,065
<b>Total liabilities</b>	<b>8,560,717</b>	<b>8,802,207</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	(34,934)	(76,215)
Other retained earnings	(34,934)	(76,215)
Retained earnings brought forward	(34,934)	(76,215)
Total shareholders' equity	150,065	108,784
Net unrealized gains on securities, net of tax	44,645	216,167
Total of valuation and translation adjustments	44,645	216,167
<b>Total net assets</b>	<b>194,711</b>	<b>324,951</b>
<b>Total liabilities and net assets</b>	<b>8,755,429</b>	<b>9,127,159</b>

## 5. Non-Consolidated Statements of Earnings

(millions of yen)

	Six months ended September 30, 2018	Six months ended September 30, 2019
	Amount	Amount
<b>ORDINARY REVENUES</b>	1,105,154	1,240,412
Premium and other income	914,117	708,168
[Premium income]	[ 868,235 ]	[ 641,228 ]
Investment income	191,031	181,185
[Interest and dividends]	[ 71,932 ]	[ 89,732 ]
[Gains on money held in trust]	[ - ]	[ 4,905 ]
[Gains on sale of securities]	[ 1,475 ]	[ 60,096 ]
[Gains on investment in separate accounts]	[ 41,583 ]	[ 26,393 ]
Other ordinary revenues	4	351,058
[Reversal of policy reserve]	[ - ]	[ 351,053 ]
<b>ORDINARY EXPENSES</b>	1,090,862	1,278,856
Benefits and claims	331,898	979,586
[Claims]	[ 29,002 ]	[ 41,966 ]
[Annuities]	[ 150,058 ]	[ 325,615 ]
[Benefits]	[ 29,930 ]	[ 43,279 ]
[Surrender values]	[ 67,214 ]	[ 58,281 ]
[Other refunds]	[ 2,943 ]	[ 3,055 ]
Provision for policy reserves and others	697,746	1,405
Provision for reserves for outstanding claims	3,472	1,405
Provision for policy reserve	694,273	-
Investment expenses	18,038	260,722
[Interest expenses]	[ 2 ]	[ 2 ]
[Losses on money held in trust]	[ 6,840 ]	[ - ]
[Losses on investment in trading securities]	[ 4,716 ]	[ 2,025 ]
[Losses on sale of securities]	[ 74 ]	[ 128 ]
[Derivative transaction losses]	[ 5,880 ]	[ 4,284 ]
Operating expenses	37,733	32,181
Other ordinary expenses	5,445	4,961
<b>ORDINARY GAIN (LOSS)</b>	14,291	(38,444)
<b>EXTRAORDINARY LOSSES</b>	2,462	2,829
Gain (loss) before income taxes	11,829	(41,273)
Corporate income taxes - current	5,418	7
Total of corporate income taxes	5,418	7
Net income (loss) for the period	6,411	(41,281)

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

Six months ended September 30, 2019

(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	(34,934)	150,065
Changes for the period				
Net income (loss) for the period			(41,281)	(41,281)
Net changes of items other than shareholders' equity				
Total changes for the period	-	-	(41,281)	(41,281)
Balance at the end of the period	117,500	67,500	(76,215)	108,784

	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	44,645	44,645	194,711
Changes for the period			
Net income (loss) for the period			(41,281)
Net changes of items other than shareholders' equity	171,521	171,521	171,521
Total changes for the period	171,521	171,521	130,240
Balance at the end of the period	216,167	216,167	324,951

Six months ended September 30, 2018

(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	(54,903)	130,096
Changes for the period				
Net income (loss) for the period			6,411	6,411
Net changes of items other than shareholders' equity				
Total changes for the period	-	-	6,411	6,411
Balance at the end of the period	117,500	67,500	(48,492)	136,507

	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	21,944	21,944	152,041
Changes for the period			
Net income (loss) for the period			6,411
Net changes of items other than shareholders' equity	(7,181)	(7,181)	(7,181)
Total changes for the period	(7,181)	(7,181)	(770)
Balance at the end of the period	14,763	14,763	151,271

As of September 30, 2019

- 1 Securities (including 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)
  - (b) Individual insurance and annuities (US dollar-denominated)
  - (c) Individual insurance and annuities (NZ dollar-denominated)
- with the exception of certain types and policies.

(Additional Information)

Effective from the second quarter ended September 30, 2019, those policy-reserve-matching bonds that used to be held in the sub-group of individual insurance and annuities (AUS dollar-denominated), have been reclassified to securities available for sale, and the said sub-group has been abolished. This reclassification to securities available for sale was carried out in accordance with risk management policies as the sharp and significant decline of the Australian dollar interest rate has caused substantial changes to the economic prerequisites for the ownership ratio of policy-reserve-matching bonds in the said sub-group.

As a result of this reclassification, corporate bonds under Securities increased by 5,493 million yen; foreign securities under Securities rose by 198,713 million yen; net unrealized gains on securities, net of tax, increased by 147,029 million yen; and deferred tax liabilities grew 57,177 million yen. This change in classification has no effect on gains or losses.

- 3 Derivative transactions (including those attributable to money held in trust and foreign securities (investment trusts)) are reported at fair value.
- 4 Depreciation of tangible fixed assets is as follows:
- (a) Tangible fixed assets (excluding leased assets)  
Annual amount of depreciation estimated by declining balance method (straight-line method being applied to buildings, with the exception of those buildings and accompanying facilities acquired prior to March 31, 2016), is reported pro rata in accordance with the life. Declining balance method is applied. However, other tangible fixed assets that were acquired for 100,000 yen or more but less than 200,000 yen are depreciated in an equal installment over three years.
  - (b) Leased assets  
Depreciation of leased assets with regard to finance leases whose ownership does not transfer to the lessees is computed under the straight-line method assuming zero residual value and with the lease period being deemed as useful life.
- 5 Amortization of intangible fixed assets is calculated by the straight-line method. Amortization of software for internal use is based on the estimated useful life.
- 6 Foreign currency-denominated assets and liabilities are translated into the yen at market exchange rates as of the book closing date. Changes in market values of bonds included in foreign currency-denominated other securities are divided into two, and the portion attributable to changes in the securities' nominal market prices in their local currencies is included in "valuation difference" on other securities, and the rest in "foreign exchange gains/losses."
- 7 Reserve for possible loan losses is calculated by multiplying the value of loan claims by the historical loan loss rates calculated from actual losses, pursuant rules on the self-assessment of assets as well as rules on the write-offs on and provisioning of reserves for assets. Relevant departments assess all loan claims based on the self-assessment rules, and an independent department responsible for auditing assets audits the assessment results. Provisions to the reserve for possible loan losses are determined based on the assessment results.

- 8 Reserve for price fluctuations is calculated pursuant to Article 115 of the Insurance Business Act.
- 9 National and local consumption taxes are recorded with the tax-exclusion method. Non-recoverable consumption tax on certain assets is capitalized as a prepaid expense and amortized equally over five years in accord with corporate taxation law, and such taxes other than deferred consumption tax are recognized as an expense in the year in which they are incurred.
- 10 Policy reserves are those reserves set aside in accord with Article 116 of the Insurance Business Act. Insurance premium reserve is calculated as follows:  
 (a) For policies subject to the Standard Policy Reserve Method: Method stipulated by the Financial Services Agency Commissioner (Ministry of Finance Notification No. 48, 1996)  
 (b) For policies not subject to the Standard Policy Reserve Method: Net level premium reserve method
- 11 Amounts of financial instruments recorded on the balance sheet, their fair values, and differences between the two are as follows:

(millions of yen)

	Carrying amount on balance sheet	Fair value	Difference
(1) Cash and deposits	415,674	415,674	-
(2) Money held in trust	783,693	783,693	-
(3) Securities	7,683,943	7,934,230	250,286
(a) Trading securities	1,417,544	1,417,544	-
(b) Policy-reserve-matching bonds	3,035,051	3,285,337	250,286
(c) Other securities	3,231,348	3,231,348	-
Assets total	8,883,311	9,133,598	250,286
Derivative transactions			
(a) Derivative transactions to which hedge accounting is not applied	(26,729)	(26,729)	-
Derivative transactions total	(26,729)	(26,729)	-

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

(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 and interest rate swap contracts, amounts discounted to present value are used as fair value.

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

- 12 Accumulated depreciation on tangible fixed assets is 189,204 million yen.

- 13 Assets in separate accounts, as defined by Article 118 of the Insurance Business Act, total 1,442,820 million yen. Liabilities in separate accounts, total the same amount.
- 14 Accumulated depreciation on tangible fixed assets is 117,345 million yen. The amounts of secured liabilities were 47,700 million yen.
- 15 Assets for which rights held can be freely disposed of by means of sale or collateralization are available-for-sale securities that have been accepted as collateral of reinsurance dealings, and in this period ownership was maintained for total market value of 90,165 million yen as of September 30, 2019, and we have no assets pledged as a re-collateral.
- 16 Reserves for outstanding claims attributable to the portion of reinsurance specified in Article 71, paragraph 1, of the Ordinance for Enforcement of the Insurance Business Act, applied under Article 73, paragraph 3, of said Ordinance ("reserves for outstanding ceding insurance claims"), amount to 184 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 690,591 million yen.
- 17 As of September 30, 2019, the Company estimated that it would be required to contribute 11,332 million yen to the Life Insurance Policyholders Protection Corporation of Japan pursuant to Article 259 of the Insurance Business Act. Contributions are expensed as an operating expense in the first half of the year in which they are incurred.
- 18 As of September 30, 2019, undepreciated balance of the fee of the reinsurance contract, which is defined in announcement No.50, 1-5, Ministry of Finance, 1996, is 65,517 million yen.

Notes to the Non-Consolidated Statement of Earnings

Six months ended September 30, 2019

- 1 Gains on sale of securities included gains on sales of domestic bonds and foreign securities of 1,224 million yen and 58,872 million yen, respectively.
- 2 Losses on sale of securities included losses on sales of domestic bonds and foreign securities of 128 million yen, respectively.
- 3 In calculating the provision for reserves for outstanding claims, a provision for reserves for outstanding claims reinsured of 14 million yen was deducted as an adjustment. In calculating the reversal of policy reserves, a provision for policy reserves reinsured of 394,509 million yen was added.
- 4 The details of Interest and dividends are as follows:  

Interest on deposits :	567 million yen
Interest and dividends from securities :	89,023 million yen
Other interest and dividends :	141 million yen
Total :	89,732 million yen
- 5 Net loss per share for the six months ended September 30, 2019 was 22,314,054.07 yen.
- 6 Premium and other income includes the increase of 7,358 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 4,514 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, 2019

- 1 Number of outstanding shares by class

(shares)

	No. shares as of April 1, 2019	Increase in number of shares	Decrease in number of shares	No. shares as of September 30, 2019
Outstanding shares				
Common stock	1,850	-	-	1,850



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

(millions of yen)

	Six months ended September 30, 2018	Six months ended September 30, 2019
Fundamental profit A	39,178	17,856
Capital gains	76,827	354,909
Gains on money held in trust	-	4,905
Gains on investment in trading securities	-	-
Gains on sale of securities	1,475	60,096
Derivative transaction gains	-	-
Foreign exchange gains	75,352	-
Others	-	289,907
Capital losses	96,188	406,524
Losses on money held in trust	6,840	-
Losses on investment in trading securities	4,716	2,025
Losses on valuation of securities	74	128
Derivative transaction losses	-	-
Foreign exchange losses	5,880	4,284
Others	-	252,740
Others	78,675	147,346
Net capital gains (losses) B	(19,360)	(51,614)
Fundamental profit plus net capital gains (losses) A + B	19,817	(33,758)
Other one-time gains	-	430,817
Reinsurance income	-	-
Reversal of contingency reserve	-	23,387
Reversal of specific reserve for possible loan losses	-	-
Others	-	407,430
Other one-time losses	5,525	435,503
Ceding reinsurance commissions	-	-
Provision for contingency reserve	5,525	-
Provision for specific reserve for possible loan losses	-	2
Provision for specific reserve for loans to refinancing countries	-	-
Write-down of loans	-	-
Others	-	435,501
Other one-time profits (losses) C	(5,525)	(4,686)
Ordinary profit (loss) A + B + C	14,291	(38,444)

Note: 1. Fundamental profit includes the amount below.

	Six months ended September 30, 2018	Six months ended September 30, 2019
Impact from increase or decrease in surrender values in accordance with Market Value Adjustment (MVA)	6,101	147,346
Impact from market rate fluctuations of foreign exchange on foreign-currency denominated insurance policies	72,574	(289,907)

2. Other capital gains include the amount below.

	Six months ended September 30, 2018	Six months ended September 30, 2019
Impact from market rate fluctuations of foreign exchange on foreign-currency denominated insurance policies	-	289,907

3. Other capital losses include the amount below.

	Six months ended September 30, 2018	Six months ended September 30, 2019
Impact from increase or decrease in surrender values in accordance with Market Value Adjustment (MVA)	6,101	147,346
Impact from market rate fluctuations of foreign exchange on foreign-currency denominated insurance policies	72,574	-

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. Other one-time gains represent the total sum of the reinsurance income (6,967 million yen for the first half of the fiscal year ending March 31, 2020) and the policy reserves (400,462 million yen for the first half of the fiscal year ending March 31, 2020), both attributable to the portion of reinsurance specified in Article 71, Paragraph 1, of the Ordinance for Enforcement of the Insurance Business Act.

Other one-time losses show ceding reinsurance commissions (435,501 million yen for the first half of the fiscal year ending March 31, 2020) for the reinsurance specified in Article 71, Paragraph 1, of the Ordinance for Enforcement of the Insurance Business Act.

## 8. Disclosed Claims Based on Categories of Obligors

(millions of yen)

	As of March 31, 2019	As of September 30, 2019
Claims against bankrupt and quasi-bankrupt obligors	-	-
Claims with collection risk	-	-
Claims for special attention	-	-
Subtotal	-	-
[Percentage]	[ - ]	[ - ]
Claims against normal obligors	161,623	189,216
Total	161,623	189,216

- 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, 2019	As of September 30, 2019
Total solvency margin (A)	520,279	614,343
Common stock, etc	150,065	108,784
Reserve for price fluctuations	19,802	22,630
Contingency reserve	131,480	108,092
General reserve for possible loan losses	4	5
(Net unrealized gains (losses) on securities (before tax) and deferred hedge gains (losses) (before tax)) × 90% *	55,807	270,208
Net unrealized gains (losses) on real estate × 85% *	-	-
Policy reserves in excess of surrender values	163,879	105,263
Qualifying subordinated debt	-	-
Excluded portion of policy reserves in excess of surrender values and qualifying subordinated debt	-	-
Excluded items	(759)	(641)
Others	-	-
Total Risk $\sqrt{(R_1 + R_8)^2 + (R_2 + R_3 + R_7)^2} + R_4$ (B)	205,244	206,917
Insurance risk $R_1$	75	51
3rd sector insurance risk $R_8$	-	-
Assumed investment yield risk $R_2$	59,298	57,146
Guaranteed minimum benefit risk $R_7$	12,964	5,794
Investment risk $R_3$	127,001	137,947
Business risk $R_4$	5,980	6,028
Solvency margin ratio $\frac{(A)}{(1/2) \times (B)} \times 100$	506.9%	593.8%

\* 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, 2019	As of September 30, 2019
Individual variable insurance	49,336	50,231
Individual variable annuities	1,738,555	1,392,589
Group annuities	-	-
Separate account total	1,787,891	1,442,820

### (2) Policies in Force

#### A. Individual Variable Insurance

(millions of yen except number of policies)

	As of March 31, 2019		As of September 30, 2019	
	Number of policies (thousands)	Amount	Number of policies (thousands)	Amount
Variable insurance (defined term type)	-	-	-	-
Variable insurance (whole life type)	53	436,669	53	423,622
Total	53	436,669	53	423,622

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, 2019		As of September 30, 2019	
	Number of policies	Amount	Number of policies	Amount
Individual variable annuities	599	3,401,076	553	2,996,445

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.