

November 13, 2020

Financial Results for the Six Months Ended September 30, 2020

The Dai-ichi Life Insurance Company, Limited (the "Company"; President: Seiji Inagaki) announces its financial results for the six months ended September 30, 2019.

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Attached: Supplementary Materials for the Six Months Ended September 30, 2020

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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

(billions of yen)

	As of March 31, 2020	As of September 30, 2020	% of March 31, 2020 total
Individual insurance	1,571.3	1,545.3	98.3
Individual annuities	539.1	536.4	99.5
Total	2,110.4	2,081.7	98.6
Medical and survival benefits	694.7	687.3	98.9

New Policies

(billions of yen)

	Six months ended September 30, 2019	Six months ended September 30, 2020	% of September 30, 2019 total
Individual insurance	35.1	14.6	41.5
Individual annuities	7.5	2.7	36.8
Total	42.7	17.3	40.7
Medical and survival benefits	26.5	9.0	34.1

- Note: 1. Annualized net premium is calculated by using multipliers for various premium payment terms to the premium per payment. In single premium contracts, the amount is calculated by dividing the premium by the duration of the policy.
2. Annualized net premium for medical and survival benefits includes (a) premium related to medical benefits such as hospitalization and surgery benefits, (b) premium related to survival benefits such as specific illness and nursing benefits, and (c) premium related to premium waiver benefits, in which disability cause is excluded but causes such as specific illness and nursing care are included.
3. New policies include net increase by conversion.

(2) Sum Insured of Policies in Force and New Policies

Policies in Force

	As of March 31, 2020		As of September 30, 2020			
	Number of policies (thousands)	Amount (billions of yen)	Number of policies		Amount	
			(thousands)	% of March 31, 2020 total	(billions of yen)	% of March 31, 2020 total
Individual insurance	18,486	89,604.0	18,865	102.1	86,826.8	96.9
Individual annuities	2,091	11,205.8	2,079	99.4	11,072.8	98.8
Individual insurance and annuities	20,577	100,809.9	20,945	101.8	97,899.6	97.1
Group insurance	-	49,053.0	-	-	50,481.3	102.9
Group annuities	-	6,282.5	-	-	6,374.3	101.5

- Note: 1. Policy amount in force of individual annuities is equal to (a) the funds to be held at the time annuity payments are to commence for an annuity for which payment has not yet commenced, and (b) the amount of policy reserve for an annuity for which payments have commenced.
2. Policy amount in force of group annuities is equal to the amount of outstanding corresponding policy reserve.
3. For products covered by multiple insurance agreements after April 2018, the number of policies for each product is shown as one.

New Policies

	Number of policies		Amount			
	(thousands)	% of September 30, 2019 total	(billions of yen)	New Business	Net increase by conversion	% of September 30, 2019 total
Six months ended September 30, 2019						
Individual insurance	2,083		588.2	1,290.1	(701.9)	
Individual annuities	62		214.3	216.7	(2.4)	
Individual insurance and annuities	2,146		802.5	1,506.9	(704.4)	
Group insurance	-		184.2	184.2	-	
Group annuities	-		0.0	0.0	-	
Six months ended September 30, 2020						
Individual insurance	832	40.0	108.8	476.3	(367.4)	18.5
Individual annuities	19	30.4	71.6	72.4	(0.8)	33.4
Individual insurance and annuities	851	39.7	180.4	548.7	(368.2)	22.5
Group insurance	-	-	117.4	117.4	-	63.8
Group annuities	-	-	0.1	0.1	-	553.2

- Note: 1. Number of new policies is the sum of new business and policies after conversion.
2. Amount of new policies for individual annuities, both new business and net increase by conversion, is equal to the funds to be held at the time annuity payments are to commence.
3. Amount of new policies for group annuities is equal to the initial premium payment.
4. For products covered by multiple insurance agreements after April 2018, the number of policies for each product is shown as one.

2. Unaudited Balance Sheet

(millions of yen)

	As of March 31, 2020 (summarized)	As of September 30, 2020
(ASSETS)		
Cash and deposits	543,121	469,512
Call loans	513,800	559,400
Monetary claims bought	221,147	246,153
Money held in trust	34,274	37,635
Securities	30,283,786	32,840,041
[Government bonds]	[13,809,257]	[14,204,546]
[Local government bonds]	[129,433]	[120,000]
[Corporate bonds]	[2,078,289]	[2,193,671]
[Stocks]	[2,900,518]	[3,316,950]
[Foreign securities]	[10,308,387]	[12,102,997]
Loans	2,542,025	2,592,824
Policy loans	323,486	310,889
Ordinary loans	2,218,538	2,281,934
Tangible fixed assets	1,097,493	1,101,696
Intangible fixed assets	114,309	115,293
Reinsurance receivable	6,720	17,474
Other assets	1,091,187	623,968
Customers' liabilities for acceptances and guarantees	47,065	51,310
Reserve for possible loan losses	(560)	(1,047)
Reserve for possible investment losses	(807)	(880)
Total assets	36,493,562	38,653,383
(LIABILITIES)		
Policy reserves and others	30,823,423	31,010,257
Reserves for outstanding claims	127,391	138,234
Policy reserves	30,296,289	30,476,701
Reserve for policyholder dividends	399,742	395,320
Reinsurance payable	135,490	403
Subordinated bonds	476,277	476,277
Other liabilities	1,693,171	3,242,460
Payable under repurchase agreements	841,166	2,509,020
Corporate income tax payable	20,306	20,512
Lease liabilities	6,837	5,972
Asset retirement obligations	2,096	2,068
Other liabilities	822,764	704,887
Reserve for employees' retirement benefits	398,004	403,579
Reserve for retirement benefits of directors, executive officers and corporate auditors	1,188	1,120
Reserve for possible reimbursement of prescribed claims	800	668
Reserve for price fluctuations	215,453	223,953
Deferred tax liabilities	79,585	248,350
Deferred tax liabilities for land revaluation	73,195	72,897
Acceptances and guarantees	47,065	51,310
Total liabilities	33,943,654	35,731,279
(NET ASSETS)		
Capital stock	60,000	60,000
Capital surplus	370,000	370,000
Legal capital surplus	60,000	60,000
Other capital surplus	310,000	310,000
Retained earnings	200,155	101,117
Other retained earnings	200,155	101,117
Reserve for tax basis adjustments of real estate	4,947	5,576
Retained earnings brought forward	195,207	95,541
Total shareholders' equity	630,155	531,118
Net unrealized gains (losses) on securities, net of tax	1,916,417	2,396,340
Deferred hedge gains (losses)	21,312	13,392
Reserve for land revaluation	(17,978)	(18,746)
Total of valuation and translation adjustments	1,919,752	2,390,986
Total net assets	2,549,907	2,922,104
Total liabilities and net assets	36,493,562	38,653,383

3. Unaudited Statement of Earnings

(millions of yen)

	Six months ended September 30, 2019	Six months ended September 30, 2020
ORDINARY REVENUES	1,807,096	1,782,154
Premium and other income	1,161,510	1,086,541
[Premium income]	[1,158,873]	[1,082,160]
Investment income	552,608	623,160
[Interest and dividends]	[388,573]	[412,087]
[Gains on money held in trust]	[-]	[3,403]
[Gains on sale of securities]	[108,159]	[131,934]
[Derivative transaction gains]	[13,937]	[-]
[Gains on investments in separate accounts]	36,748	67,514
Other ordinary revenues	92,977	72,452
[Reversal of reserves for outstanding claims]	6,543	[-]
ORDINARY EXPENSES	1,609,450	1,662,822
Benefits and claims	1,043,534	918,733
[Claims]	[303,800]	[295,538]
[Annuities]	[237,205]	[218,283]
[Benefits]	[216,635]	[191,879]
[Surrender values]	[243,583]	[179,230]
[Other refunds]	[41,215]	[32,861]
Provision for policy reserves and others	107,872	195,370
Provision for reserves for outstanding claims	-	10,843
Provision for policy reserves	103,749	180,412
Provision for interest on policyholder dividends	4,123	4,114
Investment expenses	126,476	241,470
[Interest expenses]	[6,307]	[6,135]
[Losses on money held in trust]	[507]	[-]
[Losses on sale of securities]	[25,807]	[43,036]
[Losses on valuation of securities]	[14,246]	[7,917]
[Derivative transaction losses]	[-]	[126,251]
Operating expenses	196,315	196,476
Other ordinary expenses	135,251	110,770
ORDINARY PROFIT	197,645	119,331
EXTRAORDINARY GAINS	360	433
Gains on disposal of fixed assets	360	433
EXTRAORDINARY LOSSES	9,073	10,630
Losses on disposal of fixed assets	156	1,542
Impairment losses on fixed assets	416	588
Provision for reserve for price fluctuations	8,500	8,500
Provision for reserve for policyholder dividends	40,931	36,812
Income before income taxes	148,001	72,322
Corporate income taxes-current	44,286	35,405
Corporate income taxes-deferred	(2,625)	(14,360)
Total of corporate income taxes	41,660	21,044
Net income	106,341	51,278

4. Unaudited Statement of Changes in Net Assets

Six months ended September 30, 2019

(millions of yen)

(millions of yen)

	Shareholders' equity							
	Capital stock	Capital surplus			Retained earnings			Total shareholders' equity
		Legal capital surplus	Other capital surplus	Total capital surplus	Other retained earnings		Total retained earnings	
					Reserve for tax basis adjustments of real estate	Retained earnings brought forward		
Balance at the beginning of the year	60,000	60,000	360,000	420,000	2,228	201,915	204,144	684,144
Changes for the period								
Dividends			(49,999)	(49,999)		(137,148)	(137,148)	(187,147)
Net income						106,341	106,341	106,341
Transfer to reserve for tax basis adjustments of real estate					172	(172)	-	-
Transfer from reserve for land revaluation						(370)	(370)	(370)
Net changes of items other than shareholders' equity								
Total changes for the period	-	-	(49,999)	(49,999)	172	(31,348)	(31,176)	(81,176)
Balance at the end of the period	60,000	60,000	310,000	370,000	2,400	170,566	172,967	602,968

(millions of yen)

	Valuation and translation adjustments				Total net assets
	Net unrealized gains (losses) on securities, net of tax	Deferred hedge gains (losses)	Reserve for land revaluation	Total of valuation and translation adjustments	
Balance at the beginning of the year	2,211,147	3,457	(13,488)	2,201,117	2,885,261
Changes for the period					
Dividends					(187,147)
Net income					106,341
Transfer to reserve for tax basis adjustments of real estate					-
Transfer from reserve for land revaluation					(370)
Net changes of items other than shareholders' equity	222,592	18,131	370	241,094	241,094
Total changes for the period	222,592	18,131	370	241,094	159,917
Balance at the end of the period	2,433,740	21,588	(13,117)	2,442,211	3,045,179

Six months ended September 30, 2020

(millions of yen)

(millions of yen)

	Shareholders' equity							
	Capital stock	Capital surplus			Retained earnings			Total shareholders' equity
		Legal capital surplus	Other capital surplus	Total capital surplus	Other retained earnings		Total retained earnings	
					Reserve for tax basis adjustments of real estate	Retained earnings brought forward		
Balance at the beginning of the year	60,000	60,000	310,000	370,000	4,947	195,207	200,155	630,155
Changes for the period								
Dividends						(151,084)	(151,084)	(151,084)
Net income						51,278	51,278	51,278
Transfer to reserve for tax basis adjustments of real estate					637	(637)	-	-
Transfer from reserve for tax basis adjustments of real estate					(8)	8	-	-
Transfer from reserve for land revaluation						768	768	768
Net changes of items other than shareholders' equity								
Total changes for the period	-	-	-	-	628	(99,666)	(99,037)	(99,037)
Balance at the end of the period	60,000	60,000	310,000	370,000	5,576	95,541	101,117	531,118

(millions of yen)

	Valuation and translation adjustments				Total net assets
	Net unrealized gains (losses) on securities, net of tax	Deferred hedge gains (losses)	Reserve for land revaluation	Total of valuation and translation adjustments	
Balance at the beginning of the year	1,916,417	21,312	(17,978)	1,919,752	2,549,907
Changes for the period					
Dividends					(151,084)
Net income					51,278
Transfer to reserve for tax basis adjustments of real estate					-
Transfer from reserve for tax basis adjustments of real estate					-
Transfer from reserve for land revaluation					768
Net changes of items other than shareholders' equity	479,923	(7,920)	(768)	471,234	471,234
Total changes for the period	479,923	(7,920)	(768)	471,234	372,196
Balance at the end of the period	2,396,340	13,392	(18,746)	2,390,986	2,922,104

I. NOTES TO THE UNAUDITED BALANCE SHEET AS OF SEPTEMBER 30, 2020

1. Valuation Methods of Securities

Securities held by the Company including cash and deposits and monetary claims bought which are equivalent to marketable securities, and marketable securities managed as trust assets in money held in trust, are carried as explained below:

The amortization of premiums and accretion of discounts is calculated by the straight-line method.

(1) Trading Securities

Trading securities are carried at fair value with cost determined by the moving average method.

(2) Held-to-maturity Bonds

Held-to-maturity bonds are stated at amortized cost determined by the moving average method.

(3) Policy-reserve-matching Bonds (in accordance with the Industry Audit Committee Report No. 21 “Temporary Treatment of Accounting and Auditing Concerning Policy-reserve-matching Bonds in the Insurance Industry” issued by the Japanese Institute of Certified Public Accountants (JICPA))

Policy-reserve-matching bonds are stated at amortized cost determined by the moving average method.

(4) Stocks of Subsidiaries and Affiliated Companies

Stocks of subsidiaries and affiliated companies are stated at cost determined by the moving average method.

(5) Available-for-sale Securities

a) Available-for-sale Securities with Fair Value

Available-for-sale securities which have market value are valued at fair value as of September 30, 2020 (for domestic stocks, the average value during September), with cost determined by the moving average method.

b) Available-for-sale Securities Whose Fair Values Are Extremely Difficult to Recognize

i) Government/Corporate Bonds (including foreign bonds), Whose Premium or Discount Represents the Interest Adjustment

Government/corporate bonds (including foreign bonds), whose premium or discount represents the interest adjustment are valued at the amortized cost determined by the moving average method.

ii) Others

All other securities are valued at cost determined by the moving average method.

Net unrealized gains or losses on these available-for-sale securities are presented as a separate component of net assets and not in the statement of earnings.

2. Policy-reserve-matching Bonds

(1) Book Value and Market Value

The book value and the market value of policy-reserve-matching bonds as of September 30, 2020 were ¥12,735,923 million and ¥15,192,371 million, respectively.

(2) Risk Management Policy

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, it periodically checks that the duration gap between policy-reserve-matching bonds and policy reserves stays within a certain range.

The sub-groups of insurance products are:

- a) individual life insurance and annuities,
 - b) non-participating single premium whole life insurance (without duty of medical disclosure),
 - c) financial insurance and annuities, and
 - d) group annuities
- with the exception of certain types

3. Valuation Method of Derivative Transactions

Derivative transactions are reported at fair value.

4. Revaluation of Land

Based on the “Act on Revaluation of Land” (Act No.34, March 31, 1998), land for business use was revalued. The difference between the fair value and book value resulting from the revaluation, net of related deferred taxes, is recorded as a reserve for land revaluation as a separate component of net assets and the related deferred tax liability is recorded as deferred tax liabilities for land revaluation.

(1) Date of revaluation: March 31, 2001

(2) Method stipulated in Article 3, Paragraph 3 of the Act on Revaluation of Land;

The fair value was determined based on the appraisal value publicly announced for tax assessment purposes with certain reasonable adjustments in accordance with Articles 2-1 and 2-4 of the Order for Enforcement of the Act on Revaluation of Land (Publicly Issue Cabinet Order No.119, March 31, 1998).

5. Depreciation of Depreciable Assets

(1) Depreciation of Tangible Fixed Assets Excluding Leased Assets

Depreciation of tangible fixed assets excluding leased assets is calculated by the declining balance method (the depreciation of buildings (other than facilities attached to buildings and structures that were acquired on or before March 31, 2016) is calculated by the straight-line method) and is computed by proportionally allocating the estimated depreciation for the fiscal year.

Estimated useful lives of major assets are as follows:

Buildings	two to sixty years
Other tangible fixed assets	two to twenty years

Tangible fixed assets other than land, buildings and leased assets that were acquired for ¥100,000 or more but less than ¥200,000 are depreciated at equal amounts over three years.

With respect to tangible fixed assets that were acquired on or before March 31, 2007 and that were fully depreciated to their original depreciable limit, effective the fiscal year ended March 31, 2008, the remaining values are depreciated at equal amounts over five years from the following fiscal year of the year in which they reached the original depreciable limit.

(2) Amortization of Intangible Fixed Assets Excluding Leased Assets

The Company uses the straight-line method for amortization of intangible fixed assets excluding leased assets. Software for internal use is amortized by the straight-line method based on the estimated useful lives of five years.

(3) Depreciation of Leased Assets

Depreciation for leased assets with regard to finance leases whose ownership does not transfer to the lessees is computed under the straight-line method assuming zero salvage value and using the lease period as the useful life.

6. Translation of Assets and Liabilities Denominated in Foreign Currencies into Yen

The Company translates foreign currency-denominated assets and liabilities (excluding stocks of its subsidiaries and affiliated companies) into yen at the prevailing exchange rates as of September 30, 2020. Stocks of subsidiaries and affiliated companies are translated into yen at the exchange rates on the dates of acquisition.

7. Reserve for Possible Loan Losses

The reserve for possible loan losses is calculated based on the internal rules for self-assessment, write-offs, and reserves on assets.

For loans to and claims on obligors that have already experienced bankruptcy, reorganization, or other formal legal failure (hereinafter, “bankrupt obligors”) and loans to and claims on obligors that have suffered substantial business failure (hereinafter, “substantially bankrupt obligors”), the reserve is calculated by deducting the estimated recoverable amount of the collateral or guarantees from the book value of the loans and claims after the direct write-off described below.

For loans to and claims on obligors that have not yet suffered business failure but are considered highly likely to fail, the reserve is calculated taking into account a) the recoverable amount covered by the collateral or guarantees and b) an overall assessment of the obligor’s ability to repay.

For other loans and claims, the reserve is calculated by multiplying the actual rate or other appropriate rate of losses from bad debts during a certain period in the past by the amount of the loans and claims.

For all loans and claims, the relevant department in the Company performs an asset quality assessment based on the internal rules for self-assessment, and an independent audit department audits the result of the assessment. The above reserves are established based on the result of this assessment.

For loans and claims to bankrupt and substantially bankrupt obligors, the unrecoverable amount is calculated by deducting the amount deemed recoverable from collateral or guarantees from the amount of the loans and claims and is directly written off from the amount of the loans and claims. The amount written off during the six months ended September 30, 2020 was ¥1 million.

8. Reserve for Employees' Retirement Benefits

For the reserve for employees' retirement benefits, the amount is provided based on the projected benefit obligations and pension assets as of September 30, 2020.

Accounting treatment of retirement benefit obligations and retirement benefit expenses are as follows:

(1) Allocation of Estimated Retirement Benefits

In calculating the projected benefit obligations, the benefit formula basis is adopted to allocate estimated retirement benefit for the fiscal year ended March 31, 2021.

(2) Amortization of Actuarial Differences and Past Service Cost

Past Service Cost is amortized under the straight-line method over a certain period (seven years) within the employee's average remaining service period.

Actuarial differences are amortized under the straight-line method over a certain period (seven years) within the employees' average remaining service period, starting from the following year.

The accounting treatment of unrecognized actuarial differences related to the retirement benefits for the non-consolidated financial statements is different from that for the consolidated financial statements.

9. Reserve for Possible Investment Losses

In order to provide for future investment losses, a reserve for possible investment losses of the Company is established for securities whose fair values are extremely difficult to recognize. It is calculated based on the internal rules for self-assessment, write-offs, and reserves on assets.

10. Reserve for Retirement Benefits of Directors, Executive Officers and Corporate Auditors

For the reserve for retirement benefits of directors, executive officers and corporate auditors, an estimated amount for future payment pursuant to the internal policies is provided.

11. Reserve for Possible Reimbursement of Prescribed Claims

To prepare for the reimbursement of claims for which prescription periods had expired, an estimated amount for reserve for possible reimbursement of prescribed claims based on past reimbursement experience is provided.

12. Reserve for Price Fluctuations

A reserve for price fluctuations is calculated based on the book value of stocks and other securities as of September 30, 2020 in accordance with the provisions of Article 115 of the Insurance Business Act.

13. Hedge Accounting

(1) Methods for Hedge Accounting

Hedging transactions are accounted for in accordance with the "Accounting Standards for Financial Instruments" (Accounting Standards Board of Japan (ASBJ) Statement No. 10). Primarily, i) special hedge accounting and the deferral hedge method for interest rate swaps are used for cash flow hedges of certain loans, government and corporate bonds, loans payable and bonds payable; ii) the currency allotment method and the deferral hedge method using foreign currency swaps and foreign currency forward contracts are used for cash flow hedges against exchange rate fluctuations in certain foreign currency-denominated bonds, loans, loans payable and bonds payable and certain foreign currency-denominated term deposits and stocks (forecasted transaction); iii) the fair value hedge method using currency options and foreign currency forward contracts is used for hedges against exchange rate fluctuations in the value of certain foreign currency-denominated bonds; iv) the deferral hedge method for bond over-the-counter options is used for hedges against interest rate fluctuations in certain foreign currency-denominated bonds; v) the deferral hedge method and fair value hedge method using equity options and equity forward contracts are used for hedges against price fluctuations in the value of certain domestic stocks and foreign currency-denominated stocks (forecasted transaction), and vi) the deferral hedge method using interest rate swaps is used for hedges against interest rate fluctuations in certain insurance liabilities, under the "Accounting and Auditing Treatment of Application

of Accounting Standard for Financial Instruments to Insurance Operators” (Industry Audit Committee Report No. 26 issued by the JICPA).

(2) Hedging Instruments and Hedged Items

Hedging instruments	Hedged items
Interest rate swaps	Loans, government and corporate bonds, loans payable, bonds payable, insurance liabilities
Foreign currency swaps	Foreign currency-denominated bonds, foreign currency-denominated loans, foreign currency-denominated loans payable, foreign currency-denominated bonds payable
Foreign currency forward contracts	Foreign currency-denominated bonds, foreign currency-denominated term deposits, foreign currency-denominated stocks (forecasted transaction)
Currency options	Foreign currency-denominated bonds
Bond over-the-counter options	Foreign currency-denominated bonds
Equity options	Domestic stocks, foreign currency-denominated stocks (forecasted transaction)
Equity forward contracts	Domestic stocks

(3) Hedging Policies

The Company conducts hedging transactions with regard to certain market risk and foreign currency risk of underlying assets to be hedged, in accordance with the internal investment policy and procedure guidelines.

(4) Assessment of Hedge Effectiveness

Hedge effectiveness is assessed primarily by a comparison of fluctuations in cash flows or fair value of hedged items to those of the hedging instruments.

14. Calculation of National and Local Consumption Tax

The Company accounts for national and local consumption tax by the tax-exclusion method. Deferred consumption tax included in non-recoverable consumption tax on certain assets is capitalized as a prepaid expense and amortized equally over five years in accordance with the Order for Enforcement of the Corporation Tax Act, and such taxes other than deferred consumption tax are recognized as an expense when incurred.

15. Policy Reserve

Policy reserves of the Company are established in accordance with Article 116 of the Insurance Business Act. Insurance premium reserves are calculated as stated in (1) and (2) below. Policy reserves include additional policy reserves for some whole life insurance policies in accordance with Article 69, Paragraph 5 of the Ordinance for Enforcement of the Insurance Business Act.

- (1) Reserves for policies subject to the standard policy reserve rules are calculated based on the methods stipulated by the Commissioner of Financial Services Agency (Notification of the Minister of Finance No.48, 1996).
- (2) Reserves for other policies are established based on the net level premium method.

16. Securities Lending

Securities lent under lending agreements are included in the balance sheet. The total balance of securities lent as of September 30, 2020 was ¥1,925,947 million.

17. Problem Loans

As of September 30, 2020, the total amounts of credits to bankrupt borrowers, delinquent loans, loans past due for three months or more, and restructured loans were as follows:

	(Unit: million yen)
Credits to bankrupt borrowers (*1).....	82
Delinquent loans (*2).....	2,826
Loans past due for three months or more (*3).....	-
Restructured loans (*4).....	1,201
Total	4,110

- (*1) Credits to bankrupt borrowers represent non-accrual loans, excluding the balances already written off, which meet the conditions prescribed in Article 96, Paragraph 1, Item 3, (a) to (e) or Item 4 of the Order for Enforcement of the Corporation Tax Act (Cabinet Order 97, 1965). Interest accruals of such loans are suspended since the principal of or interest on such loans is unlikely to be collected.
- (*2) Delinquent loans are credits that are delinquent other than credits to bankrupt borrowers and loans for which interest payments have been suspended to assist and support the borrowers in the restructuring of their businesses.
- (*3) Loans past due for three months or more are loans for which interest or principal payments are delinquent for three months or more under the terms of the loans excluding those classified as credits to bankrupt borrowers or delinquent loans.
- (*4) Restructured loans are loans for which certain concessions favorable to borrowers, such as interest reductions or exemptions, postponement of principal or interest payments, release from repayment or other agreements have been negotiated for the purpose of assisting and supporting the borrowers in the restructuring of their businesses. This category excludes loans classified as credits to bankrupt borrowers, delinquent loans, and loans past due for three months or more.

As a result of the direct write-off of loans described in Note 7, the decreases in credits to bankrupt borrowers and delinquent loans were as follows:

Credits to bankrupt borrowers	¥ 1 million
Delinquent loans	¥ - million

18. Assets and Liabilities Held in Separate Accounts

The total amount of assets held in separate accounts defined in Article 118, Paragraph 1 of the Insurance Business Act as of September 30, 2020 was ¥1,453,828 million. Separate account liabilities were the same amount as the separate account assets.

19. Contingent Liabilities

Guarantee for debt obligations of a separate company were as follows:

	(Unit: million yen)
Dai-ichi Life Holdings, Inc.	250,002

20. Changes in Reserve for Policyholder Dividends

Changes in reserve for policyholder dividends were as follows:

	(Unit: million yen)
Balance at the beginning of the fiscal year.....	399,742
Dividends paid	(45,348)
Interest accrual	4,114
Provision for reserve for policyholder dividends.....	36,812
Balance as of September 30, 2020.....	395,320

21. Stock of Subsidiaries and Affiliated Companies

The amount of stocks of subsidiaries and affiliated companies of the Company held as of September 30, 2020 was ¥153,305 million.

22. Organization Change Surplus

As of September 30, 2020, the amount of organizational change surplus stipulated in Article 91 of the Insurance Business Act was ¥117,776 million.

23. Assets Pledged as Collateral / Secured Liabilities

The amounts of assets pledged as collateral were as follows:

	(Unit: million yen)
Securities	2,243,137
Cash and deposits	86
Assets pledged as collateral ...	2,243,224

The amounts of secured liabilities were as follows:

	(Unit: million yen)
Payables under repurchase agreements.....	2,509,020

"Securities" mentioned above included ¥2,178,757 million of Securities which were sold under repurchase agreements, as of September 30, 2020.

24. Reinsurance

The amount of reserves for outstanding claims for reinsured parts defined in Article 71, Paragraph 1 of the Ordinance for Enforcement of the Insurance Business Act, which is referred to in Article 73, Paragraph 3 of the Ordinance (hereinafter "reserves for outstanding claims reinsured"), was ¥35 million. The amount of policy reserves provided for reinsured parts defined in Article 71, Paragraph 1 of the Ordinance (hereinafter "policy reserves reinsured") was ¥295,952 million.

25. Securities Borrowing

Of securities borrowed under borrowing agreements, the market value of the securities which can be sold or pledged as collateral but were not sold nor pledged as of September 30, 2020 was ¥38,519 million, among which none of the securities were pledged as collateral.

26. Commitment Line

As of September 30, 2020, there were unused commitment line agreements under which the Company was the lender of ¥77,186 million.

27. Subordinated Debt

As of September 30, 2020, other liabilities included subordinated debt of ¥283,000 million, whose repayment is subordinated to other obligations.

28. Subordinated Bonds

As of September 30, 2020, bonds payable included foreign currency-denominated subordinated bonds of ¥476,277 million, whose repayment is subordinated to other obligations.

29. Obligations to the Life Insurance Policyholders Protection Corporation of Japan

The estimated future obligations to the Life Insurance Policyholders Protection Corporation of Japan under Article 259 of the Insurance Business Act as of September 30, 2020 were ¥44,307 million. These obligations will be recognized as operating expenses in the period in which they are paid.

II. NOTES TO THE UNAUDITED STATEMENT OF EARNINGS FOR THE SIX MONTHS ENDED SEPTEMBER 30, 2020

1. Gains/Losses on Sale of Securities, Losses on Valuation of Securities

Gains on sale of securities included gains on sale of domestic bonds, domestic stocks, foreign securities and other securities of ¥42,660 million, ¥23,650 million, ¥64,753 million and ¥870 million respectively.

Losses on sale of securities included losses on sales of domestic bonds, domestic stocks, foreign securities and other securities of ¥325 million, ¥10,926 million ¥27,975 million and ¥3,808 million respectively.

Losses on valuation of securities included losses on valuation of domestic stocks and foreign securities of ¥4,646 million and ¥3,270 million, respectively.

2. Reinsurance

In calculating the reversal of reserves for outstanding claims, a provision for reserves for outstanding claims reinsured of ¥0 million was added. In calculating the provision for policy reserves, a reversal of reserves for policy reserves reinsured of ¥778 million was added.

3. Interest and Dividends

The breakdown of interest and dividends for the six months ended September 30, 2020 were as follows:

	(Unit: million yen)
Interest from bank deposits	1,109
Interest and dividends from securities ...	350,425
Interest from loans	19,176
Rental income	36,802
Other interest and dividends	4,572
Total	412,087

4. Net Income per Share

Net income per share for the six months ended September 30, 2020 was ¥8,546,426.65. Diluted net income per share for the same period is not presented because there were no existing diluted shares.

5. Breakdown of Ordinary Profit (Fundamental Profit)

		(millions of yen)
	Six months ended September 30, 2019	Six months ended September 30, 2020
Fundamental revenues	1,685,000	1,647,731
Premium and other income	1,161,510	1,086,541
Investment income	430,511	487,822
[Interest and dividends]	388,573	412,087
Other ordinary revenues	92,977	72,452
Other fundamental revenues (a)	-	914
Fundamental expenses	1,481,256	1,417,499
Benefits and claims	1,043,534	918,733
Provision for policy reserves and others	70,104	154,545
Investment expenses	35,888	36,972
Operating expenses	196,315	196,476
Other ordinary expenses	135,251	110,770
Other fundamental expenses (b)	162	0
Fundamental profit	A 203,743	230,231
Capital gains	122,258	135,337
Gains on money held in trust	-	3,403
Gains on investments in trading securities	-	-
Gains on sale of securities	108,159	131,934
Derivative transaction gains	13,937	-
Foreign exchange gains	-	-
Others (c)	162	0
Capital losses	90,482	204,577
Losses on money held in trust	507	-
Losses on investments in trading securities	-	-
Losses on sale of securities	25,807	43,036
Losses on valuation of securities	14,246	7,917
Derivative transaction losses	-	126,251
Foreign exchange losses	49,921	26,457
Others (d)	-	914
Net capital gains (losses)	B 31,776	(69,239)
Fundamental profit plus net capital gains (losses)	A + B 235,519	160,992
Other one-time gains	-	-
Reinsurance income	-	-
Reversal of contingency reserve	-	-
Reversal of specific reserve for possible loan losses	-	-
Others	-	-
Other one-time losses	37,873	41,660
Ceding reinsurance commissions	-	-
Provision for contingency reserve	-	3,200
Provision for specific reserve for possible loan losses	48	326
Provision for specific reserve for loans to refinancing countries	-	-
Write-down of loans	5	4
Others (Note)	37,819	38,128
Other one-time profits (losses)	C (37,873)	(41,660)
Ordinary profit	A + B + C 197,645	119,331

(Reference) Breakdown of other fundamental revenues, etc.

		(millions of yen)
	Six months ended September 30, 2019	Six months ended September 30, 2020
Other fundamental revenues (a)	-	914
The effect of provision for (reversal of) policy reserve associated with market value adjustments of fixed life insurance	-	-
The effect of change in the exchange rates related to foreign currency denominated insurance contracts	-	914
Other fundamental expenses (b)	162	0
The effect of provision for (reversal of) policy reserve associated with market value adjustments of fixed life insurance	0	0
The effect of change in the exchange rates related to foreign currency denominated insurance contracts	162	-
The impact on fundamental profit	(a) - (b) (162)	914
Other capital gains (c)	162	0
The effect of provision for (reversal of) policy reserve associated with market value adjustments of fixed life insurance	0	0
The effect of change in the exchange rates related to foreign currency denominated insurance contracts	162	-
Other capital losses (d)	-	914
The effect of provision for (reversal of) policy reserve associated with market value adjustments of fixed life insurance	-	-
The effect of change in the exchange rates related to foreign currency denominated insurance contracts	-	914
The impact on net capital gains (losses)	(c) - (d) 162	(914)

Note : "Others" in "Other one-time losses" represents the sum of the amount of provision for reserve for possible investment losses (For the six months ended September 30, 2019: 51 million yen, For the six months ended September 30, 2020: 503 million yen) and the amount of the additional policy reserves provided (For the six months ended September 30, 2019: 37,767 million yen, For the six months ended September 30, 2020: 37,625 million yen) in accordance with Article 69, Paragraph 5 of the Enforcement Regulations of the Insurance Business Act.

6. Investment of General Account Assets for the Six Months Ended September 30, 2020

(1) Investment Environment

- During the six months ended September 30, 2020, the Japanese economy fell sharply by the spread of COVID-19. However, it recovered to a certain extent due to the ease of self-restraint after lifting the state of emergency and the government's fiscal supports. In the U.S. economy, consumer spending fell sharply mainly due to city-wide lockdown caused by the spread of COVID-19, but the economy is recovering as the restrictions on economic activities ease.
- In Europe, they suppressed the spread of infection relatively early, and their policy responses, such as the establishment of the Reconstruction Fund, were highly evaluated. However, the trend of recovering after the economy fell sharply was the same.
- 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 because the policy interest rate remained unchanged and the BOJ's QQE with Yield Curve Control continued although it strengthened monetary easing against the economic downturn caused by the spread of COVID-19. However, interest rates for maturities longer than 10 years rose mainly because of the increase in JGB issuance due to fiscal expansion.

Yield on ten-year government bonds:	April 1, 2020	0.010%
	September 30, 2020	0.010%

[Domestic Stocks]

- The Nikkei 225 Stock Average fell sharply toward the end of March due to the economic downturn caused by the spread of COVID-19, but recovered sharply by the resume of global economic activity and the government's fiscal support measures. Although stock prices temporarily declined due to Prime Minister Abe's announcement of his resignation, it recovered based on the view that the basic policy would be followed.

Nikkei 225 Stock Average:	April 1, 2020	18,917
	September 30, 2020	23,185
TOPIX:	April 1, 2020	1,403
	September 30, 2020	1,625

[Foreign Currency]

- With regard to the yen/U.S. dollar, the yen appreciated and the U.S. dollar depreciated due to a decline in U.S. interest rates by the U.S. Federal Reserve Board (FRB) and concerns over the expansion of the U.S. fiscal deficit. With regard to the yen/euro, the yen depreciated and the euro appreciated due to the convergence of the first wave of the spread of COVID-19 in Europe and the EU's agreement on the Reconstruction Fund.

yen /U.S. dollar:	April 1, 2020	¥108.83
	September 30, 2020	¥105.80
yen/euro:	April 1, 2020	¥119.55
	September 30, 2020	¥124.17

(2) Investment Results

[Asset Composition]

- The Company continued to invest primarily in fixed-income assets, such as bonds, based on its medium-to long-term asset management policy. In response to the continuation of the low interest rate environment, the Company added the amount of policy reserve-matching bonds, mainly super-long-term JGBs, and continued to control interest rate risk.
- With regard to risk assets, such as foreign securities, the Company conducted a flexible allocation of funds while paying attention to market trends and promoted investments in infrastructure fields and alternative assets in order to improve the profitability of its portfolio and diversify investments.
-

The table below summarizes the investment results of the Company's general account by asset class:

Assets	Investment results
Domestic bonds	<u>Increase</u> Taking into account the low interest rate environment, the Company added the number of policy-reserve-matching bonds, mainly super-long-term JGBs. In addition, the amount of credit risk assets such as corporate bonds and securitized products increased as a result of strengthening screening based on credit spreads analysis with risk and diversification.
Loans	<u>Increase</u> While there were redemptions, the amount increased due to new loans. The Company provided new loans in order to get excess returns based on analysis of credit risk and credit spreads in the corporate bond market.
Domestic stocks	<u>Increase</u> In order to improve the profitability of our portfolio, the Company have invested in fields and companies that promise medium-to long-term growth, based on our-in house analysts' corporate research. On the other hand, the Company sold shares for risk control, but the total amount increased due to an increase in market value caused by a rise in stock prices.
Foreign bonds	<u>Increase</u> The amount increased as a result of the accumulation of the amount from the viewpoint of improving the profitability of the portfolio and diversifying investments. The Company also endeavored to control risk by diversifying bond types and currencies in an effort to improve investment efficiency.
Foreign stocks	<u>Increase</u> The amount increased as a result of conducting a flexible allocation of funds while paying attention to market trends. In addition, the Company endeavored to diversify its manager and investment styles by utilizing in-house investment management and external investment management companies, as well as to strengthen regional diversification.
Real estate	<u>Increase</u> The balance increased due to new acquisitions of properties. In order to diversify the purpose of use of real estate, the Company endeavored to improve the profitability and soundness of its portfolio by promoting investment in new properties such as housing and commerce, and by replacing properties based on occupancy status, geographical characteristics, and age.

Note: Underlined changes in assets above are described on a balance sheet amount basis.

[Investment Income and Expenditure]

Investment income increased by ¥39.7 billion year on year to ¥555.6 billion due to an increase in interest and dividend income and gains on sales of securities.

Investment expenditure increased by ¥114.9 billion year on year to ¥241.4 billion due to an increase in expenditure on derivatives and loss on sales of securities.

As a result, net investment income in the general account decreased by ¥75.2 billion year on year to ¥314.1 billion.

(3) Investment Environment Outlook for the Six Months Ending March 31, 2021

- For the Six Months Ending March 31, 2021, the Japanese economy is expected to recover from the sharp decline in the economy due to the impact of the spread of COVID-19, and the economic recovery phase is expected to continue. In addition, policy responses are being taken from both monetary and fiscal perspectives worldwide, including Japan, and the economy is expected to be supported. However, it will take time for the economy to fully recover to its original level, as various constraints remain in the economy and the pace of recovery is expected to be slower in the future.
- In addition, the Company continue to pay attention to the re-spread of COVID-19 and the increased volatility of financial markets due to political events and geopolitical risks in each country.

[Domestic interest rates]

The Company assumes that domestic interest rates will remain at low levels, as the BOJ's stance on monetary easing is expected to continue amid a slowdown in the pace of recovery in the domestic economy.

[Domestic stocks]

The Company assumes that domestic stocks will remain at high levels supported by the BOJ's continued monetary easing policy and the government's economic stimulus measures. However, attention should be paid to the re-spread of COVID-19 and the increased volatility of financial markets due to political events and geopolitical risks in each country.

[Foreign currency]

- With regard to the yen/U.S.dollar, the U.S. dollar is expected to continue to depreciate due to lower interest rates in the United States. However, since policy interest rates in Japan and the United States are at historically low levels and there is limited room for further interest rate reductions, the yen/U.S. dollar is expected to remain more or less unchanged.
- The yen/euro is expected to remain more or less unchanged, the same as the yen/U.S. dollar, but the Company should pay attention to the possibility that volatility will increase due to changes in speculation about the European political situation and about the additional easing of the ECB.

(4) Investment Policies for the Six Months Ending March 31, 2021

- The Company will continue to manage its portfolio, centered on fixed-income assets such as bonds, in order to get investment returns based on its medium-to long-term asset management policy.
- The Company will also expand selective credit investments, investments in infrastructure fields, and investments in alternative assets in order to ensure profitability and strengthen the diversification.
- In addition, the financial market environment is expected to remain unstable worldwide. In order to further improve our financial soundness, the Company will further reduce market-related risks such as interest rates and stocks.

Assets	Investment policies
Domestic bonds	<u>Increase</u> The Company will continue stable asset management as a core asset of ALM. The Company will reduce interest rate risk by adding policy reserve-matching bonds and implementing asset duration adjustments. Taking the current low interest rate environment into account, the Company will actively invest in infrastructure-related fields in order to improve investment efficiency within fixed-income assets.
Loans	<u>Remained flat</u> While the Company will continue to aggressively respond to financing needs in growth fields, the Company expect the amount to remain flat due to the impact of redemption. The Company will also conduct new lending by setting appropriate lending rates, taking into account the analysis of borrowers' credit risk and developments in credit spreads on corporate bonds.
Domestic stocks	<u>Decrease</u> The Company will decrease the amount by selling stocks for risk control purposes. However, the Company will actively replace stocks and industries based on competitiveness and growth potential, and will actively invest in ventures. At the same time, the Company will flexibly control the amount depending on the stock price level.
Foreign bonds	<u>Depending on the interest rate and exchange rate level</u> Open foreign exchange bonds will be flexibly allocated according to risk tolerance and exchange rate trends. The Company will also flexibly adjust the amount of foreign currency hedged foreign bonds, taking into account interest rate differences between yen and foreign currencies.
Foreign stocks	<u>Depend on the foreign stock price level</u> The Company will accumulate alternative assets in order to diversify the risk of its portfolios. Depending on the level of stock prices, the Company will flexibly control the amount of foreign stocks. The Company will also endeavor to improve and stabilize the profitability of our portfolio while diversifying our investment style and geographical distribution.
Real estate	<u>Increase</u> The Company will endeavor to improve profitability, soundness, and asset value by expanding real estate rent income from owned properties, reducing operating costs, and continuing to reclassify our portfolio through new investments and sales of properties and effectively utilize owned properties while taking into account market conditions.

7. Investment Results of General Account

(1) Asset Composition

(millions of yen)

	As of March 31, 2020		As of September 30, 2020	
	Carrying amount	%	Carrying amount	%
Cash, deposits, and call loans	1,042,316	2.9	1,013,602	2.7
Securities repurchased under resale agreements	-	-	-	-
Deposit paid for securities borrowing transactions	-	-	-	-
Monetary claims bought	221,147	0.6	246,153	0.7
Trading account securities	-	-	-	-
Money held in trust	34,274	0.1	37,635	0.1
Securities	29,628,634	83.1	32,062,778	84.9
Domestic bonds	15,870,841	44.5	16,383,192	43.4
Domestic stocks	2,786,892	7.8	3,192,727	8.5
Foreign securities	10,073,956	28.3	11,819,135	31.3
Foreign bonds	9,088,395	25.5	10,498,381	27.8
Foreign stocks and other securities	985,560	2.8	1,320,753	3.5
Other securities	896,944	2.5	667,723	1.8
Loans	2,542,025	7.1	2,592,824	6.9
Policy loans	323,486	0.9	310,889	0.8
Ordinary loans	2,218,538	6.2	2,281,934	6.0
Real estate	1,085,716	3.0	1,091,119	2.9
Real estate for rent	767,658	2.2	778,016	2.1
Deferred tax assets	-	-	-	-
Others	1,092,127	3.1	712,363	1.9
Reserve for possible loan losses	(560)	(0.0)	(1,047)	(0.0)
Total	35,645,681	100.0	37,755,429	100.0
Foreign currency-denominated assets	9,571,618	26.9	10,930,197	29.0

Note: "Real estate" represents total amount of land, buildings and construction in progress.

(2) Investment Income

(millions of yen)

	Six months ended September 30, 2019	Six months ended September 30, 2020
Interest and dividends	388,573	412,087
Interest from bank deposits	2,767	1,109
Interest and dividends from securities	323,493	350,425
Interest from loans	20,756	19,176
Rental income	37,430	36,802
Other interest and dividends	4,126	4,572
Gains on trading account securities	-	-
Gains on money held in trust	-	3,403
Gains on investments in trading securities	-	-
Gains on sale of securities	108,159	131,934
Gains on sale of domestic bonds	56,082	42,660
Gains on sale of domestic stocks	31,399	23,650
Gains on sale of foreign securities	20,189	64,753
Others	486	870
Gains on redemption of securities	4,773	7,698
Derivative transaction gains	13,937	-
Foreign exchange gains	-	-
Reversal of reserve for possible loan losses	-	-
Reversal of reserve for possible investment losses	-	-
Other investment income	416	521
Total	515,859	555,645

(3) Investment Expense

(millions of yen)

	Six months ended September 30, 2019	Six months ended September 30, 2020
Interest expenses	6,307	6,135
Losses on trading account securities	-	-
Losses on money held in trust	507	-
Losses on investments in trading securities	-	-
Losses on sale of securities	25,807	43,036
Losses on sale of domestic bonds	34	325
Losses on sale of domestic stocks	3,616	10,926
Losses on sale of foreign securities	21,990	27,975
Others	166	3,808
Losses on valuation of securities	14,246	7,917
Losses on valuation of domestic bonds	-	-
Losses on valuation of domestic stocks	4,435	4,646
Losses on valuation of foreign securities	9,810	3,270
Others	-	-
Losses on redemption of securities	2,404	2,281
Derivative transaction losses	-	126,251
Foreign exchange losses	49,921	26,457
Provision for reserve for possible loan losses	46	487
Provision for reserve for possible investment losses	51	503
Write-down of loans	5	4
Depreciation of real estate for rent and others	6,682	6,655
Other investment expenses	20,495	21,740
Total	126,476	241,470

(4) Valuation gains and losses on trading securities

(millions of yen)

	As of March 31, 2020		As of September 30, 2020	
	Carrying amount on the balance sheet	Valuation gains (losses) included in the statement of earnings	Carrying amount on the balance sheet	Valuation gains (losses) included in the statement of earnings
Trading securities	34,274	(2,008)	37,635	3,399
Trading account securities	-	-	-	-
Money held in trust	34,274	(2,008)	37,635	3,399

(5) Fair value information on securities (securities with fair value except for trading securities)

(millions of yen)

		Book value	Fair value	Gains (losses)	Gains	Losses
As of March 31, 2020						
	Held-to-maturity bonds	46,919	49,337	2,417	2,417	-
	Domestic bonds	46,919	49,337	2,417	2,417	-
	Foreign bonds	-	-	-	-	-
	Policy-reserve-matching bonds	12,210,408	14,973,288	2,762,880	2,772,602	9,722
	Domestic bonds	12,129,401	14,890,946	2,761,545	2,771,255	9,709
	Foreign bonds	81,007	82,341	1,334	1,347	12
	Stocks of subsidiaries and affiliates	343	241	(101)	-	101
	Available-for-sale securities	14,805,957	17,471,128	2,665,170	2,947,125	281,955
	Domestic bonds	3,236,843	3,694,520	457,677	461,300	3,623
	Domestic stocks	1,476,871	2,737,975	1,261,103	1,372,776	111,672
	Foreign securities	9,044,425	9,966,380	921,954	1,070,877	148,922
	Foreign bonds	8,144,384	9,007,388	863,003	963,364	100,361
	Foreign stocks and other securities	900,041	958,992	58,951	107,512	48,561
	Other securities	723,926	740,109	16,182	33,731	17,548
	Monetary claims bought	212,889	221,147	8,257	8,440	182
	Certificates of deposit	111,000	110,994	(5)	0	5
	Total	27,063,628	32,493,995	5,430,367	5,722,145	291,778
	Domestic bonds	15,413,164	18,634,804	3,221,640	3,234,973	13,333
	Domestic stocks	1,476,871	2,737,975	1,261,103	1,372,776	111,672
	Foreign securities	9,125,775	10,048,964	923,188	1,072,224	149,036
	Foreign bonds	8,225,391	9,089,730	864,338	964,712	100,373
	Foreign stocks and other securities	900,384	959,234	58,850	107,512	48,662
	Other securities	723,926	740,109	16,182	33,731	17,548
	Monetary claims bought	212,889	221,147	8,257	8,440	182
	Certificates of deposit	111,000	110,994	(5)	0	5
As of September 30, 2020						
	Held-to-maturity bonds	47,070	49,121	2,051	2,051	-
	Domestic bonds	47,070	49,121	2,051	2,051	-
	Foreign bonds	-	-	-	-	-
	Policy-reserve-matching bonds	12,735,923	15,192,371	2,456,448	2,507,725	51,277
	Domestic bonds	12,654,917	15,110,489	2,455,572	2,506,801	51,229
	Foreign bonds	81,006	81,882	875	923	47
	Stocks of subsidiaries and affiliates	343	330	(12)	-	12
	Available-for-sale securities	15,965,637	19,294,539	3,328,902	3,542,861	213,958
	Domestic bonds	3,240,851	3,681,205	440,354	442,804	2,450
	Domestic stocks	1,464,087	3,143,283	1,679,196	1,779,967	100,771
	Foreign securities	10,513,237	11,709,494	1,196,256	1,287,897	91,640
	Foreign bonds	9,353,047	10,417,375	1,064,328	1,115,766	51,438
	Foreign stocks and other securities	1,160,190	1,292,118	131,928	172,130	40,202
	Other securities	457,960	463,404	5,444	24,329	18,885
	Monetary claims bought	238,499	246,153	7,653	7,862	209
	Certificates of deposit	51,000	50,998	(1)	0	1
	Total	28,748,973	34,536,363	5,787,389	6,052,637	265,248
	Domestic bonds	15,942,838	18,840,816	2,897,977	2,951,657	53,680
	Domestic stocks	1,464,087	3,143,283	1,679,196	1,779,967	100,771
	Foreign securities	10,594,587	11,791,706	1,197,119	1,288,820	91,701
	Foreign bonds	9,434,053	10,499,257	1,065,203	1,116,689	51,485
	Foreign stocks and other securities	1,160,533	1,292,448	131,915	172,130	40,215
	Other securities	457,960	463,404	5,444	24,329	18,885
	Monetary claims bought	238,499	246,153	7,653	7,862	209
	Certificates of deposit	51,000	50,998	(1)	0	1

Note: The table above includes assets which are considered appropriate to handle as securities as defined in the Financial Instruments and Exchange Act.

* Carrying amount of securities whose fair value is deemed extremely difficult to recognize is as follows:

(millions of yen)		
	As of March 31, 2020	As of September 30, 2020
Held-to-maturity bonds	-	-
Unlisted foreign bonds	-	-
Others	-	-
Policy-reserve-matching bonds	-	-
Stocks of subsidiaries and affiliated companies	104,738	152,962
Unlisted domestic stocks (except over-the-counter stocks)	5,495	5,613
Unlisted foreign stocks (except over-the-counter stocks)	4,348	4,348
Others	94,895	143,000
Available-for-sale securities	133,672	133,437
Unlisted domestic stocks (except over-the-counter stocks)	43,422	43,830
Unlisted foreign stocks (except over-the-counter stocks)	28,287	28,288
Unlisted foreign bonds	-	-
Others	61,962	61,318
Total	238,411	286,399

Note: 1. The table above includes assets which are considered appropriate to handle as securities as defined in the Financial Instruments and Exchange Act.
2. The amounts of foreign exchange valuation gains (losses) on foreign securities whose fair value is deemed extremely difficult to recognize and which are listed in the table above are as follows:
loss of 6,480 million yen as of March 31, 2020 and loss of 4,511 million yen as of September 30, 2020.

(6) Fair Value Information on Money Held in Trust

(millions of yen)					
	Carrying amount on the balance sheet	Fair value	Gains (losses)	Gains	Losses
As of March 31, 2020	34,274	34,274	(1,635)	1,844	3,480
As of September 30, 2020	37,635	37,635	3,637	5,470	1,832

Note: Fair value in the table above is based on the valuation conducted by the fiduciary on a reasonable basis.
"Gains (losses)" include gains (losses) from derivative transactions within the trusts.

- The ending balance was zero for held-to-maturity bonds, policy-reserve-matching bonds and other money held in trust as of March 31, 2020 and September 30, 2020.

8. Disclosed Claims Based on Categories of Obligors

(millions of yen)		
	As of March 31, 2020	As of September 30, 2020
Claims against bankrupt and quasi-bankrupt obligors	79	82
Claims with collection risk	2,936	2,826
Claims for special attention	-	1,201
Subtotal	3,015	4,110
[Percentage]	[0.06%]	[0.09%]
Claims against normal obligors	4,777,022	4,579,293
Total	4,780,037	4,583,403

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. Solvency Margin Ratio

(millions of yen)

	As of March 31, 2020	As of September 30, 2020
Total solvency margin (A)	6,251,174	6,879,407
Common stock, etc. ^{*1}	526,676	524,490
Reserve for price fluctuations	215,453	223,953
Contingency reserve	628,493	631,693
General reserve for possible loan losses	115	275
(Net unrealized gains (losses) on securities (before tax) and deferred hedge gains (losses) (before tax)) × 90% ^{*2}	2,390,159	2,986,767
Net unrealized gains (losses) on real estate × 85% ^{*2}	243,896	252,206
Policy reserves in excess of surrender values	2,164,285	2,189,695
Qualifying subordinated debt	759,277	759,277
Excluded portion of policy reserves in excess of surrender values and qualifying subordinated debt	(754,610)	(767,979)
Excluded items	-	-
Others	77,427	79,026
Total risk $\sqrt{(R_1 + R_8)^2 + (R_2 + R_3 + R_7)^2} + R_4$ (B)	1,270,019	1,443,622
Insurance risk R_1	64,717	67,929
3rd sector insurance risk R_8	172,223	170,492
Assumed investment yield risk R_2	191,118	186,989
Guaranteed minimum benefit risk R_7 ^{*3}	3,039	2,991
Investment risk R_3	1,023,930	1,200,770
Business risk R_4	29,100	32,583
Solvency margin ratio $\frac{(A)}{(1/2) \times (B)} \times 100$	984.4%	953.0%

*1: Expected disbursements from capital outside the Company and valuation and translation adjustments are excluded.

*2: Multiplied by 100% if losses.

*3: Calculated by standard method.

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

10. Status of Separate Account

(1) Separate Account Assets by Product

(millions of yen)

	As of March 31, 2020	As of September 30, 2020
Individual variable insurance	50,532	55,651
Individual variable annuities	29,859	32,239
Group annuities	1,282,533	1,365,937
Separate account total	1,362,925	1,453,828

(2) Sum Insured of Policies in Force of Individual Variable Insurance and Annuities (Separate Account)

A. Individual variable insurance

(millions of yen except number of policies)

	As of March 31, 2020		As of September 30, 2020	
	Number of policies	Amount	Number of policies	Amount
Individual variable insurance (term life)	31	160	12	84
Individual variable insurance (whole life)	40,331	247,630	39,990	245,593
Total	40,362	247,791	40,002	245,677

Note: Policies in force include term life riders.

B. Individual variable annuities

(millions of yen except number of policies)

	As of March 31, 2020		As of September 30, 2020	
	Number of policies	Amount	Number of policies	Amount
Individual variable annuities	7,158	27,541	6,097	26,531

Note: Sum insured of policies in force includes that of annuities for which payments have commenced.

11. Consolidated Financial Summary

(1) Selected Financial Data and Other Information

(millions of yen)

	Six months ended September 30, 2020
Ordinary revenues	1,782,183
Ordinary profit	118,732
Net income attributable to shareholders of parent company	50,695
Comprehensive income	525,250

(millions of yen)

	As of September 30, 2020
Total assets	38,652,581
Solvency margin ratio	959.3%

(2) Scope of Consolidation and Application of Equity Method

	As of September 30, 2020
Number of consolidated subsidiaries	1
Number of non-consolidated subsidiaries accounted for under the equity method	0
Number of affiliates accounted for under the equity method	2

For information regarding changes in subsidiaries and affiliates, please refer to "I. Guidelines for Preparation of Unaudited Consolidated Financial Statements"

(3) Unaudited Consolidated Balance Sheet

(millions of yen)

	As of September 30, 2020
ASSETS	
Cash and deposits	471,850
Call loans	559,400
Monetary claims bought	246,153
Money held in trust	37,635
Securities	32,836,398
Loans	2,592,824
Tangible fixed assets	1,101,972
Intangible fixed assets	115,431
Reinsurance receivable	17,474
Other assets	624,059
Customers' liabilities for acceptances and guarantees	51,310
Reserve for possible loan losses	(1,047)
Reserve for possible investment losses	(880)
Total assets	38,652,581
LIABILITIES	
Policy reserves and others	31,010,257
Reserves for outstanding claims	138,234
Policy reserves	30,476,702
Reserve for policyholder dividends	395,320
Reinsurance payable	403
Bonds payable	476,277
Other liabilities	3,242,491
Payables under repurchase agreements	2,509,020
Other liabilities	733,471
Net defined benefit liabilities	433,970
Reserve for retirement benefits of directors, executive officers and corporate auditors	1,120
Reserve for possible reimbursement of prescribed claims	668
Reserve for price fluctuations	223,953
Deferred tax liabilities	239,865
Deferred tax liabilities for land revaluation	72,897
Acceptances and guarantees	51,310
Total liabilities	35,753,216
NET ASSETS	
Capital stock	60,000
Capital surplus	370,000
Retained earnings	99,801
Total shareholders' equity	529,802
Net unrealized gains (losses) on securities, net of tax	2,396,340
Deferred hedge gains (losses)	13,392
Reserve for land revaluation	(18,746)
Foreign currency translation adjustments	481
Accumulated remeasurements of defined benefit plans	(21,905)
Total accumulated other comprehensive income	2,369,563
Total net assets	2,899,365
Total liabilities and net assets	38,652,581

(4) Unaudited Consolidated Statement of Earnings and Comprehensive Income
[Unaudited Consolidated Statement of Earnings]

(millions of yen)

	Six months ended September 30, 2020
ORDINARY REVENUES	1,782,183
Premium and other income	1,086,543
Investment income	623,186
[Interest and dividends]	[412,113]
[Gains on money held in trust]	[3,403]
[Gains on sale of securities]	[131,934]
[Gains on investments in separate accounts]	[67,514]
Other ordinary revenues	72,452
ORDINARY EXPENSES	1,663,450
Benefits and claims	918,733
[Claims]	[295,538]
[Annuities]	[218,283]
[Benefits]	[191,879]
[Surrender values]	[179,230]
Provision for policy reserves and others	195,370
Provision for reserves for outstanding claims	10,843
Provision for policy reserves	180,412
Provision for interest on policyholder dividends	4,114
Investment expenses	241,625
[Interest expenses]	[6,135]
[Losses on sale of securities]	[43,036]
[Losses on valuation of securities]	[7,917]
[Derivative transaction losses]	[126,251]
Operating expenses	196,791
Other ordinary expenses	110,928
Ordinary profit	118,732
EXTRAORDINARY GAINS	433
Gains on disposal of fixed assets	433
EXTRAORDINARY LOSSES	10,630
Losses on disposal of fixed assets	1,542
Impairment losses on fixed assets	588
Provision for reserve for price fluctuations	8,500
Provision for reserve for policyholder dividends	36,812
Income before income taxes	71,724
Corporate income taxes-current	35,405
Corporate income taxes-deferred	(14,376)
Total of corporate income taxes	21,028
Net income	50,695
Net income attributable to shareholders of parent company	50,695

[Unaudited Consolidated Statement of Comprehensive Income]

(millions of yen)

	Six months ended September 30, 2020
Net income	50,695
Other comprehensive income	474,555
Net unrealized gains (losses) on securities, net of tax	479,923
Deferred hedge gains (losses)	(7,920)
Foreign currency translation adjustments	576
Remeasurements of defined benefit plans, net of tax	1,975
Share of other comprehensive income of subsidiaries and affiliates accounted for under the equity method	(0)
Comprehensive income	525,250
Attributable to shareholders of parent company	525,250

(5) Unaudited Consolidated Statements of Cash Flows

	(millions of yen)
	Six months ended September 30, 2020
CASH FLOWS FROM OPERATING ACTIVITIES	
Income (loss) before income taxes	71,724
Depreciation	17,909
Impairment losses on fixed assets	588
Increase (decrease) in reserves for outstanding claims	10,843
Increase (decrease) in policy reserves	180,412
Provision for interest on policyholder dividends	4,114
Provision for (reversal of) reserve for policyholder dividends	36,812
Increase (decrease) in reserve for possible loan losses	487
Increase (decrease) in reserve for possible investment losses	72
Write-down of loans	4
Increase (decrease) in net defined benefit liabilities	5,575
Increase (decrease) in reserve for retirement benefits of directors, executive officers and corporate auditors	(68)
Increase (decrease) in reserve for possible reimbursement of prescribed claims	(131)
Increase (decrease) in reserve for price fluctuations	8,500
Interest and dividends	(412,113)
Securities related losses (gains)	(153,912)
Interest expenses	6,135
Losses (gains) on disposal of fixed assets	1,023
Others, net	97,515
Subtotal	(124,508)
Interest and dividends received	440,603
Interest paid	(7,931)
Policyholder dividends paid	(45,348)
Others, net	(190,993)
Corporate income taxes (paid) refund	(35,152)
Net cash flows provided by (used in) operating activities	36,670
CASH FLOWS FROM INVESTING ACTIVITIES	
Purchases of monetary claims bought	(33,135)
Proceeds from sale and redemption of monetary claims bought	7,514
Purchases of securities	(4,663,173)
Proceeds from sale and redemption of securities	3,188,423
Origination of loans	(339,488)
Proceeds from collection of loans	289,775
Net increase (decrease) in short-term investing	1,667,854
Total of net cash provided by (used in) investment transactions	117,770
Total of net cash provided by (used in) operating activities and investment transactions	154,441
Acquisition of tangible fixed assets	(17,717)
Proceeds from sale of tangible fixed assets	1,168
Acquisition of intangible fixed assets	(13,397)
Acquisition of stock of subsidiaries and affiliates	(966)
Net cash flows provided by (used in) investing activities	86,857
CASH FLOWS FROM FINANCING ACTIVITIES	
Repayment of financial lease obligations	(910)
Cash dividends paid	(151,078)
Net cash flows provided by (used in) financing activities	(151,988)
Effect of exchange rate changes on cash and cash equivalents	346
Net increase (decrease) in cash and cash equivalents	(28,114)
Cash and cash equivalents at the beginning of the period	1,059,365
Cash and cash equivalents at the end of the period	1,031,250

(6) Unaudited Consolidated Statement of Changes in Net Assets

Six months ended September 30, 2020

(millions of yen)

	Shareholders' equity				Accumulated other comprehensive income	
	Capital stock	Capital surplus	Retained earnings	Total shareholders' equity	Net unrealized gains (losses) on securities, net of tax	Deferred hedge gains (losses)
Balance at the beginning of the year	60,000	370,000	199,422	629,422	1,916,417	21,312
Changes for the period						
Dividends			(151,084)	(151,084)		
Net income attributable to shareholders of parent company			50,695	50,695		
Transfer from reserve for land revaluation			768	768		
Net changes of items other than shareholders' equity					479,923	(7,920)
Total changes for the period	-	-	(99,620)	(99,620)	479,923	(7,920)
Balance at the end of the period	60,000	370,000	99,801	529,802	2,396,340	13,392

(millions of yen)

	Accumulated other comprehensive income				Total net assets
	Reserve for land revaluation	Foreign currency translation adjustments	Accumulated remeasurements of defined benefit plans	Total accumulated other comprehensive income	
Balance at the beginning of the year	(17,978)	(94)	(23,880)	1,895,776	2,525,199
Changes for the period					
Dividends					(151,084)
Net income attributable to shareholders of parent company					50,695
Transfer from reserve for land revaluation					768
Net changes of items other than shareholders' equity	(768)	576	1,975	473,786	473,786
Total changes for the period	(768)	576	1,975	473,786	374,166
Balance at the end of the period	(18,746)	481	(21,905)	2,369,563	2,899,365

NOTES TO THE UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS AS OF AND FOR THE SIX MONTHS ENDED SEPTEMBER 30, 2020

I. GUIDELINES FOR PREPARATION OF UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

1. Scope of Consolidation

- (1) Number of consolidated subsidiaries as of September 30, 2020: 1

The subsidiaries of The Dai-ichi Life Insurance Company, Limited (the “Company”) include:

- Dai-ichi Life Insurance Myanmar Ltd.

- (2) Number of non-consolidated subsidiaries as of September 30, 2020: 20

The main subsidiaries that are not consolidated for the purposes of financial reporting are The Dai-ichi Life Information Systems Co., Ltd., Dai-ichi Life business service Co., Ltd. and First U Anonymous Association.

The twenty non-consolidated subsidiaries had, individually and in the aggregate, a minimal impact on the consolidated financial statements in terms of total assets, sales, net income (loss) (amount corresponding to equity interest), retained earnings (amount corresponding to equity interest), cash flows, and others.

2. Application of the Equity Method

- (1) Number of non-consolidated subsidiaries under the equity method as of September 30, 2020: 0

- (2) The number of affiliated companies under the equity method as of September 30, 2020: 2

The affiliated companies of the Company include:

- Corporate-pension Business Service Co., Ltd.,
- Japan Excellent Asset Management Co., Ltd.,

- (3) The non-consolidated subsidiaries (The Dai-ichi Life Information Systems Co., Ltd., Dai-ichi Life business service Co., Ltd., First U Anonymous Association and others), as well as affiliated companies (Mizuho-DL Financial Technology Co., Ltd., and Rifare Management K.K.) were not accounted for under the equity method. These companies had, individually and in the aggregate, a minimal impact on the consolidated financial statements, in terms of net income (loss) (amount corresponding to equity interest), retained earnings (amount corresponding to equity interest) and others.

3. Interim Closing Dates of Consolidated Subsidiaries

The interim closing date of consolidated subsidiaries is March 31. Financial information as of June 30 is used to prepare the consolidated financial statements, although necessary adjustments are made when significant transactions take place between the account closing date of an individual subsidiary and that of the consolidated financial statements.

II. NOTES TO UNAUDITED CONSOLIDATED BALANCE SHEET AS OF SEPTEMBER 30, 2020

1. Valuation Methods of Securities

Securities held by the Company and its consolidated subsidiaries including cash and deposits and monetary claims bought which are equivalent to marketable securities, and marketable securities managed as trust assets in money held in trust, are carried as explained below:

The amortization of premiums and accretion of discounts is calculated by the straight-line method.

(1) Trading Securities

Trading securities are carried at fair value with cost determined by the moving average method.

(2) Held-to-maturity Bonds

Held-to-maturity bonds are stated at amortized cost determined by the moving average method.

(3) Policy-reserve-matching Bonds (in accordance with the Industry Audit Committee Report No. 21 “Temporary Treatment of Accounting and Auditing Concerning Policy-reserve-matching Bonds in the Insurance Industry” issued by the Japanese Institute of Certified Public Accountants (JICPA))

Policy-reserve-matching bonds are stated at amortized cost determined by the moving average method.

(4) Stocks of Non-consolidated Subsidiaries and Affiliated Companies Not Accounted for under the Equity Method

Stocks of non-consolidated subsidiaries and affiliated companies not accounted for under the equity method are stated at cost determined by the moving average method.

(5) Available-for-sale Securities

(a) Available-for-sale Securities with Fair Value

Available-for-sale securities which have market value are valued at fair value as of September 30, 2020 (for domestic stocks, the average market value during September), with cost determined by the moving average method.

(b) Available-for-sale Securities Whose Fair Values Are Extremely Difficult to Recognize

i) Government/Corporate bonds (including Foreign Bonds), Whose Premium or Discount Represents the Interest Adjustment

Government/Corporate bonds (including foreign bonds) whose premium or discount represents the interest adjustment are valued at the amortized cost determined by the moving average method.

ii) Others

All others are valued at cost determined by the moving average method.

Net unrealized gains or losses on these available-for-sale securities are presented as a separate component of net assets and not in the consolidated statement of earnings.

Securities held by certain consolidated overseas subsidiaries are stated at cost determined by the first-in first-out.

2. Risk Management Policy of Policy-Reserve-Matching Bonds

The Company categorize their insurance products into sub-groups by the attributes of each product and, in order to manage risks properly, formulate their policies on investments and resource allocation based on the balance of the sub-groups. Moreover, they periodically check that the duration gap between policy-reserve-matching bonds and policy reserves stays within a certain range.

The sub-groups of insurance products of the Company are:

- individual life insurance and annuities,
 - non-participating single premium whole life insurance (without duty of medical disclosure),
 - financial insurance and annuities, and
 - group annuities,
- with the exception of certain types.

3. Valuation Method of Derivative Transactions

Derivative transactions are reported at fair value.

4. Revaluation of Land

Based on the “Act on Revaluation of Land” (Act No. 34, March 31, 1998), land for business use was revalued. The difference between the fair value and book value resulting from the revaluation, net of related deferred taxes, is recorded as a reserve for land revaluation as a separate component of net assets and the related deferred tax liability is recorded as deferred tax liabilities for land revaluation.

- Date of revaluation: March 31, 2001
- Method stipulated in Article 3 Paragraph 3 of the Act on Revaluation of Land

The fair value was determined based on the appraisal value publicly announced for tax assessment purposes with certain reasonable adjustments in accordance with Articles 2-1 and 2-4 of the Enforcement Ordinance of the Act on Revaluation of Land (Publicly Issue Cabinet Order No.119, March 31, 1998).

5. Depreciation of Depreciable Assets

(1) Depreciation of Tangible Fixed Assets Excluding Leased Assets

Depreciation of tangible fixed assets excluding leased assets of the Company is calculated by the declining balance method (the depreciation of buildings (other than facilities attached to buildings and structures that were acquired on or before March 31, 2016) is calculated by the straight-line method) and is computed by proportionally allocating the estimated depreciation for the fiscal year.

Estimated useful lives of major assets are as follows:

- Buildings: two to sixty years
- Other tangible fixed assets: two to twenty years

Tangible fixed assets other than land, buildings and leased assets that were acquired for ¥100,000 or more but less than ¥200,000 are depreciated at equal amounts over three years.

With respect to tangible fixed assets that were acquired on or before March 31, 2007 and that were fully depreciated to their original depreciable limit, effective the fiscal year ended March 31, 2008, the remaining values are depreciated at equal amounts over five years from the following fiscal year of the year in which they reached the original depreciable limit.

Depreciation of tangible fixed assets owned by consolidated overseas subsidiaries is calculated by the straight-line method.

(2) Amortization of Intangible Fixed Assets Excluding Leased Assets

The Company and its consolidated subsidiaries use the straight-line method for amortization of intangible fixed assets excluding leased assets.

Software for internal use is amortized by the straight-line method based on the estimated useful lives of five years.

(3) Depreciation of Leased Assets

Depreciation for leased assets with regard to finance leases whose ownership does not transfer to the lessees is computed under the straight-line method assuming zero salvage value and using the lease period as the useful life.

6. Translation of Assets and Liabilities Denominated in Foreign Currencies into Yen

The Company translates foreign currency-denominated assets and liabilities (excluding stocks of its non-consolidated subsidiaries and affiliated companies which are not accounted for under the equity method) into yen at the prevailing exchange rates as of September 30, 2020. Stocks of non-consolidated subsidiaries and affiliated companies which are not accounted for under the equity method are translated into yen at the exchange rates on the dates of acquisition. Assets, liabilities, revenues, and expenses of the Company's consolidated overseas subsidiaries are translated into yen at the exchange rates at the end of their interim periods. Translation adjustments associated with the consolidated overseas subsidiaries are included in foreign currency translation adjustments in the net assets section of the consolidated balance sheet.

7. Reserve for Possible Loan Losses

The reserve for possible loan losses is calculated based on the internal rules for self-assessment, write-offs, and reserves on assets.

For loans to and claims on obligors that have already experienced bankruptcy, reorganization, or other formal legal failure (hereafter, "bankrupt obligors") and loans to and claims on obligors that have suffered substantial business failure (hereafter, "substantially bankrupt obligors"), the reserve is calculated by deducting the estimated recoverable amount of the collateral or guarantees from the book value of the loans and claims after the direct write-off described below.

For loans to and claims on obligors that have not yet suffered business failure but are considered highly likely to fail (hereafter, "obligors at risk of bankruptcy") the reserve is calculated, taking into account (1) the recoverable amount covered by the collateral or guarantees and (2) an overall assessment of the obligor's ability to repay.

For other loans and claims, the reserve is calculated by multiplying the actual rate or other appropriate rate of losses during a certain period in the past by the amount of the loans and claims.

For all loans and claims, the relevant department in each subsidiary performs an asset quality assessment based on the internal rules for self-assessment, and an independent audit department audits the result of the assessment. The above reserves are established based on the result of this assessment.

For loans and claims to bankrupt and substantially bankrupt obligors, the unrecoverable amount is calculated by deducting the amount deemed recoverable from collateral and guarantees from the amount of the loans and claims and is directly written off from the amount of the loans and claims. The amount written off during the six months ended September 30, 2020 was ¥1 million.

8. Reserve for Possible Investment Losses

In order to provide for future investment losses, a reserve for possible investment losses is established for securities whose fair values are extremely difficult to recognize. It is calculated based on the internal rules for self-assessment, write-offs, and reserves on assets.

9. Reserve for Retirement Benefits of Directors, Executive Officers and Corporate Auditors

For the reserve for retirement benefits of directors, executive officers and corporate auditors, an estimated amount for future payment in accordance with the internal policies is provided.

10. Reserve for Possible Reimbursement of Prescribed Claims

To prepare for the reimbursement of claims for which prescription periods had expired, an estimated amount for reserve for possible reimbursement of prescribed claims based on past reimbursement experience is provided.

11. Net Defined Benefit Liabilities

For the net defined benefit liabilities, the amount is considered to have been rationally incurred during the interim period provided by deducting the pension assets from the projected benefit obligations based on the estimated amounts as of March 31, 2021. The accounting treatment for retirement benefits is as follows.

(1) Allocation of Estimated Retirement Benefits

In calculating the projected benefit obligations, the benefit formula basis is adopted to allocate estimated retirement benefit for the fiscal year ended March 31, 2021.

(2) Amortization of Actuarial Differences and Past Service Cost

Past service cost is amortized under the straight-line method over a certain period (seven years) within the employees' average remaining service period as of the time of its occurrence.

Actuarial differences are amortized under the straight-line method through a certain period (seven years) within the employees' average remaining service period, starting from the following year.

12. Reserve for Price Fluctuations

A reserve for price fluctuations is calculated based on the book value of stocks and other securities in accordance with the provisions of Article 115 of the Insurance Business Act.

13. Methods for Hedge Accounting

(1) Methods for Hedge Accounting

As for the Company, hedging transactions are accounted for in accordance with the "Accounting Standards for Financial Instruments" (ASBJ Statement No. 10 issued on March 10, 2008)). Primarily, (a) special hedge accounting and the deferral hedge method for interest rate swaps are used for cash flow hedges of certain loans, government and corporate bonds, loans payable and bonds payable; (b) the currency allotment method and the deferral hedge method using foreign currency swaps, foreign currency forward contracts and foreign currency-denominated monetary claims are used for cash flow hedges against exchange rate fluctuations in certain foreign currency-denominated bonds, loans, loans payable and bonds payable and certain foreign currency-denominated term deposits and stocks (forecasted transaction); (c) the fair value hedge method using currency options and foreign currency forward contracts is used for hedges against exchange rate fluctuations in the value of certain foreign currency-denominated bonds; (d) the deferral hedge method for over-the-counter options on bonds is used for hedges against interest-rate fluctuations in certain foreign currency-denominated bonds; (e) the deferral hedge method and fair value hedge method using equity options and equity forward contracts are used for hedges against price fluctuations in the value of certain domestic stocks and foreign currency-denominated stocks (forecasted transaction), and (f) the deferral hedge method using interest rate swaps is used for hedges against interest-rate fluctuations in certain insurance liabilities, under the "Accounting and Auditing Treatment of Application of Accounting Standard for Financial Instruments to Insurance Operators" (Industry Audit Committee Report No.26 issued by JICPA).

(2) Hedging Instruments and Hedged Items

Hedging instruments	Hedged items
Interest rate swaps	Loans, government and corporate bonds, loans payable, bonds payable, insurance liabilities
Foreign currency swaps.....	Foreign currency-denominated bonds, foreign currency-denominated loans, foreign currency-denominated loans payable, foreign currency-denominated bonds payable
Foreign currency forward contracts	Foreign currency-denominated bonds, foreign currency-denominated term deposits, foreign currency-denominated stocks (forecasted transaction)
Currency options	Foreign currency-denominated bonds
Bond over-the-counter options	Foreign currency-denominated bonds
Equity options	Domestic stocks, foreign currency-denominated stocks (forecasted transaction)
Equity forward contracts.....	Domestic stocks

(3) Hedging Policies

The Company conducts hedging transactions with regard to certain market risk and foreign currency risk of underlying assets to be hedged, in accordance with the internal investment policy and procedure guidelines.

(4) Assessment of Hedge Effectiveness

Hedge effectiveness is assessed primarily by a comparison of fluctuations in cash flows or fair value of hedged items to those of hedging instruments.

14. Calculation of National and Local Consumption Tax

The Company accounts for national and local consumption tax by the tax-exclusion method. Deferred consumption tax included in non-recoverable consumption tax on certain assets is capitalized as other assets and amortized equally over five years in accordance with the Enforcement Ordinance of the Corporation Tax Act, and such taxes other than deferred consumption tax are recognized as an expense when incurred.

15. Policy Reserves

Policy reserves of the Company are established in accordance with Article 116 of the Insurance Business Act. Insurance premium reserves are calculated as stated in (1) and (2) below. Policy reserves include additional policy reserves for same whole life insurance policies in accordance with Article 69, Paragraph 5 of the Ordinance for Enforcement of the Insurance Business Act.

- (1) Reserves for policies subject to the standard policy reserve rules are calculated based on the methods stipulated by the Commissioner of Financial Services Agency (Notification of the Minister of Finance No. 48, 1996).
- (2) Reserves for other policies are established based on the net level premium method.

16. Fair Values of Financial Instruments

The carrying amount on the consolidated balance sheet, fair value and differences between carrying amount and fair value as of September 30, 2020 were as follows. The following tables do not include financial instruments whose fair value is extremely difficult to recognize. (Please refer to (Note 2).)

As of September 30, 2020	Carrying amount	Fair value	Gains (Losses)
(Unit: million yen)			
(1) Cash and deposits	471,850	471,850	-
(2) Call loans	559,400	559,400	-
(3) Monetary claims bought	246,153	246,153	-
(4) Money held in trust	37,635	37,635	-
(5) Securities			
a. Trading securities	777,263	777,263	-
b. Held-to-maturity bonds	48,504	50,555	2,051
c. Policy-reserve-matching bonds	12,735,923	15,192,371	2,456,448
d. Stock of subsidiaries and affiliate companies	343	330	△12
e. Available-for-sale securities	18,997,387	18,997,387	-
(6) Loans	2,592,824		
Reserve for possible loan losses (*1)	△342		
	2,592,481	2,655,084	62,602
Total assets	36,466,942	38,988,031	2,521,089
(1) Bonds payable.....	476,277	512,592	36,315
(2) Payable under repurchase agreements	2,509,020	2,509,020	-
(3) Long-term borrowings	283,000	281,084	△1,915
Total liabilities	3,268,297	3,302,697	34,399
Derivative transactions (* 2)			
a. Hedge accounting not applied	37,441	37,441	-
b. Hedge accounting applied	52,937	51,445	△1,492
Total derivative transactions	90,379	88,886	△1,492

(*1) Excluding general reserves for possible loan losses and specific reserves for possible loan losses related to loans.

(*2) Credits/debts from derivative transactions are presented on a net basis. Figures in () are net debts.

(Note 1) Notes to Methods for Calculating Fair Value of Financial Instruments, Securities and Derivative Transactions

● Assets

(1) Cash and deposits

Since deposits are close to maturity or have no maturity and their fair value is close to the carrying amounts, fair value is based on the carrying amount.

(2) Call loans

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

(3) Monetary claims bought

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

(4) Money held in trust

The fair value of stocks is based on the price on stock exchanges and that of bonds is based on the price on bond markets or price presented by counterparty financial institutions. The fair value of mutual funds is based on unit price.

(5) Securities

The fair value of stocks is based on the price on stock exchanges and that of bonds is based on the price on bond markets or price presented by counterparty financial institutions. The fair value of mutual funds is based on unit price. As for ownership stakes in partnerships, the amount equivalent to partnership interest in fair value of the partnership assets is recorded as fair value of the stake in the partnership.

(6) Loans

The fair value of loans is calculated by discounting future cash flows of the subject loan, using interest rates corresponding to the internal credit rating and remaining period which are assumed to be applied to new loans to the subject borrower.

Additionally, for risk-monitored loans, reserve for possible loan losses is calculated based on the present value of estimated future cash flows or the amount deemed recoverable from collateral and guarantees and the fair value is close to the carrying amount on the consolidated balance sheet minus reserve for possible loan losses as of September 30, 2020. Therefore, that amount (the carrying amount on the consolidated balance sheet minus reserve for possible loan losses) is recorded as fair value for risk-monitored loans.

Also, loans without a due date because of their characteristics that their exposure is limited to the amount of their collaterals, are deemed to have fair value close to book value, taking into account estimated repayment period and interest rates. Therefore, their book value is recorded as the fair value.

● **Liabilities**

(1) Bonds payable

The fair value of bonds is based on the price on the bond market.

(2) Payables under repurchase agreements

Since the terms of all payables under repurchase agreements are short and their fair value is close to the carrying amounts, fair value is based on the carrying amount.

(3) Long-term borrowings

The fair value of long-term borrowings is calculated by discounting future cash flows, using interest rates corresponding to internal credit rating and remaining periods which are assumed to be applied to new borrowings.

● **Derivative Transactions**

The breakdown of derivative transactions is (1) currency-related transactions; (2) interest-related transactions; (3) stock-related transactions; and (4) bond-related transactions, etc. The fair value of the instruments is based on the closing exchange-traded prices and the prices quoted from financial institutions, etc.

(Note 2) Financial instruments whose fair value is extremely difficult to recognize are as follows and are not included in the fair value of (5) Securities in (Note 1)

<u>As of September 30, 2020</u>	<u>Carrying amount</u>
	(Unit: million yen)
1. Unlisted domestic stocks (*)	48,715
2. Unlisted foreign stocks (*)	23,942
3. Other foreign securities (*)	-
4. Other securities (*)	204,318
<u>Total</u>	<u>276,976</u>

(*) These securities cannot be assigned a market value because of unavailability of tradable markets, and they are excluded from disclosure of fair value information.

17. Real Estate for Rent

The information on real estate for rent has been omitted as there was no significant change in carrying amount and fair value of real estate for rent as of September 30, 2020 compared to those at the end of the previous fiscal year.

18. Securities Lending

Securities lent under lending agreements are included in the consolidated balance sheet. The total balance of securities lent as of September 30, 2020 was ¥ 1,925,947 million.

19. Problem Loans

As of September 30, 2020, the amounts of credits to bankrupt borrowers, delinquent loans, loans past due for three months or more, and restructured loans, which were included in loans, were as follows:

(Unit: million yen)	
Credits to bankrupt borrowers	82
Delinquent loans	2,826
Loans past due for three months or more	-
Restructured loans	1,201
<u>Total</u>	<u>4,110</u>

Credits to bankrupt borrowers represent non-accrual loans, excluding the balances already written off, which meet the conditions prescribed in Article 96, Paragraph 1, Item 3 (a) to (e) or Item 4 of the Enforcement Ordinance of the Corporation Tax Act (Cabinet Order 97,1965). Interest accruals of such loans are suspended since the principal of or interest on such loans is unlikely to be collected.

Delinquent loans are credits that are delinquent other than credits to bankrupt borrowers and loans for which interest payments have been suspended to assist and support the borrowers in the restructuring of their businesses.

Loans past due for three months or more are loans for which interest or principal payments are delinquent for three months or more under the terms of the loans excluding those classified as credits to bankrupt borrowers or delinquent loans.

Restructured loans are loans for which certain concessions favorable to borrowers, such as interest reductions or exemptions, postponement of principal or interest payments, release from repayment or other agreements have been negotiated for the purpose of assisting and supporting the borrowers in the restructuring of their businesses. This category excludes loans classified as credits to bankrupt borrowers, delinquent loans, and loans past due for three months or more.

As a result of the direct write-off of loans described in Note 7, the decreases in credits to bankrupt borrowers and delinquent loans were as follows:

(Unit: million yen)	
Credits to bankrupt borrowers	1
Delinquent loans	-

20. Assets and Liabilities Held in Separate Accounts

The total amount of assets held in separate accounts defined in Article 118 Paragraph 1 of the Insurance Business Act was ¥1,453,828 million. Separate account liabilities were the same amount as the separate account assets.

21. Contingent Liabilities

Guarantee for debt obligations of a separate company were as follows:

(Unit: million yen)	
Dai-ichi Life Holdings, Inc.	250,002

22. Changes in Reserve for Policyholder Dividends

Changes in reserve for policyholder dividends were as follows:

(Unit: million yen)	
Balance at the beginning of the fiscal year of the year	399,742
Dividends paid	45,348
Interest accrual	4,114
Provision for reserve for policyholder dividends	36,812
<u>Balance as of September 30, 2020.....</u>	<u>395,320</u>

23. Stock of Subsidiaries and Affiliated Companies

The amount of stocks of and stakes in non-consolidated subsidiaries and affiliated companies the Company held as of September 30, 2020 were as follows:

	(Unit: million yen)
Stocks	4,884
Capital	143,343
<u>Total</u>	<u>148,228</u>

24. Organizational Change Surplus

As of September 30, 2020, the amount of organizational change surplus stipulated in Article 91 of the Insurance Business Act was ¥ 117,776 million.

25. Assets Pledged as Collateral / Secured Liabilities

The amounts of securities and cash and deposits pledged as collateral were as follows:

	(Unit: million yen)
Securities	2,243,137
Cash/deposits	86
<u>Total</u>	<u>2,243,224</u>

The amounts of secured liabilities were as follows:

	(Unit: million yen)
Payables under repurchase agreements.....	2,509,020

The amounts of “Securities” pledged as collateral under repurchase agreements as of September 30, 2020 was ¥ 2,178,757 million.

26. Net Assets per Share

The amount of net assets per share of the Company as of September 30, 2020 was ¥483,227,570.89.

27. Securities Borrowing

Securities borrowed under borrowing agreements can be sold or pledged as collateral. As of September 30, 2020, the market value of the securities which were not sold or pledged as collateral was ¥ 38,519 million. None of the securities were pledged as collateral as of September 30, 2020.

28. Commitment Line

As of September 30, 2020, there were unused commitment line agreements, under which the Company was the lenders, of ¥ 77,186 million.

29. Subordinated Debt and Other Liabilities

As of September 30, 2020, other liabilities included subordinated debt of ¥ 283,000 million, whose repayment is subordinated to other obligations.

30. Bonds Payable

As of September 30, 2020, bonds payable included foreign currency-denominated subordinated bonds of ¥ 476,277 million, whose repayment is subordinated to other obligations.

31. Obligations to the Life Insurance Policyholders Protection Corporation of Japan

The estimated future obligations of the Company to the Life Insurance Policyholders Protection Corporation of Japan under Article 259 of the Insurance Business Act as of September 30, 2020 were ¥ 44,307 million. These obligations will be recognized as operating expenses for the years in which they are paid.

III. NOTES TO UNAUDITED CONSOLIDATED STATEMENT OF EARNINGS FOR THE SIX MONTHS ENDED SEPTEMBER 30, 2020

1. Net Income per Share

Net income per share for the six months ended September 30, 2020 was ¥8,449,258.15. Diluted net income per share for the same period is not presented because there were no existing diluted shares.

2. Impairment Losses on Fixed Assets

Details of impairment losses on fixed assets for the six months ended September 30, 2020 were as follows:

(1) Method of Grouping Assets

Real estate and other assets used for insurance business purposes are recognized as one asset group. Each property for rent and property not in use, which is not used for insurance business purposes, is deemed to be an independent asset group.

(2) Background for Recognition of Impairment Losses

As a result of significant declines in profitability or market value of some asset groups, the Company wrote down the book value of these assets to the recoverable value, and reported such write-off as impairment losses in extraordinary losses.

(3) Breakdown of Impairment Losses

Impairment losses by asset group for the six months ended September 30, 2020 were as follows:

Asset Group	Place	Number	Impairment Losses		
			Land	Buildings	Total
(Unit: million yen)					
Real estate for rent	Morioka city, Iwate prefecture	1	24	29	54
Real estate not in use	Hadano city, Kanagawa Prefecture and others	10	385	148	533
Total	-	11	409	178	588

(4) Calculation of Recoverable Value

Value in use or net sale value is used as the recoverable value of real estate for rent, and net sale value is used as the recoverable value of real estate not in use. A discount rate of 2.17% for the six months ended September 30, 2020 was applied for discounting future cash flows in the calculation of value in use. Estimated disposal value, appraisal value based on real estate appraisal standards, or appraisal value based on publicly assessed land value for tax purposes is used as the net sale value.

IV. NOTES TO UNAUDITED CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE SIX MONTHS ENDED SEPTEMBER 30, 2020

1. Scope of Cash and Cash Equivalents

Cash and cash equivalents in the consolidated statement of cash flows consist of cash on hand, demand deposits and short-term investments with a maturity of three months or less from the date of acquisition, which are readily convertible into cash and have an insignificant risk of changes in value.

V. NOTES TO UNAUDITED CONSOLIDATED STATEMENT OF CHANGE IN NET ASSETS FOR THE SIX MONTHS ENDED SEPTEMBER 30, 2020

1. Type and Number of Shares Outstanding

	At the beginning of the year	Increase	Decrease	As of September 30, 2020
	(Unit: thousands shares)			
Common stock	6,000	-	-	6,000

2. Dividends on Common Stock

(1) Cash Dividends

Date of resolution	June 17, 2020 (at the Annual General Meeting of Shareholders)
Type of shares	Common stock
Total dividends	¥101,079 million
Dividends per share	¥16,846,500
Record date	March 31, 2020
Effective date	June 18, 2020
Dividend resource	Retained earnings
Date of resolution	August 12, 2020 (at the Extraordinary General Meeting of Shareholders)
Type of shares	Common stock
Total dividends	¥49,999 million
Dividends per share	¥8,333,300
Record date	-
Effective date	August 13, 2020
Dividend resource	Retained earnings

(2) Dividends in Kind

Date of resolution	August 12, 2020 (at the Extraordinary General Meeting of Shareholders) (*)
Type of shares	Common stock
Type of the dividend property	Securities
Book value of the dividend property	¥5,740,000
Record date	-
Effective date	August 31, 2020
Dividend resource	Retained earnings

(*) At the Extraordinary General Meeting of Shareholders in August 12, 2020, the Company decided to transfer its securities to Dai-ichi life Holdings, Inc. as a qualified dividend in kind, and carried out it in August 31, 2020.

(7) Consolidated Solvency Margin Ratio

(millions of yen)

	As of March 31, 2020	As of September 30, 2020
Total solvency margin (A)	6,121,744	6,705,209
Common stock, etc. ^{*1}	529,037	526,741
Reserve for price fluctuations	215,453	223,953
Contingency reserve	628,493	631,693
Catastrophe loss reserve	-	-
General reserve for possible loan losses	117	301
(Net unrealized gains (losses) on securities (before tax) and deferred hedge gains (losses) (before tax)) × 90% ^{*2}	2,390,159	2,986,767
Net unrealized gains (losses) on real estate × 85% ^{*2}	243,896	252,206
Sum of unrecognized actuarial differences and unrecognized past service cost	(33,294)	(30,554)
Policy reserves in excess of surrender values	2,164,285	2,189,695
Qualifying subordinated debt	759,277	759,277
Excluded portion of policy reserves in excess of surrender values and qualifying subordinated debt	(754,610)	(767,979)
Excluded items	(98,497)	(145,921)
Others	77,427	79,026
Total risk $\sqrt{(\sqrt{R_1^2 + R_5^2 + R_8 + R_9})^2 + (R_2 + R_3 + R_7)^2} + R_4 + R_6$ (B)	1,238,988	1,397,880
Insurance risk R_1	64,717	67,929
General insurance risk R_5	-	-
Catastrophe risk R_6	-	-
3rd sector insurance risk R_8	172,223	170,492
Small amount and short-term insurance risk R_9	-	-
Assumed investment yield risk R_2	191,118	186,989
Guaranteed minimum benefit risk R_7 ^{*3}	3,039	2,991
Investment risk R_3	992,934	1,155,262
Business risk R_4	28,480	31,673
Solvency margin ratio $\frac{(A)}{(1/2) \times (B)} \times 100$	988.1%	959.3%

*1: Expected disbursements from capital outside the Company and accumulated other comprehensive income, etc. are excluded.

*2: Multiplied by 100% if losses.

*3: Calculated by standard method.

Note: The above figures are calculated based on Article 86-2 and 88 of the Enforcement Regulations of Insurance Business Act, and Notification of the Financial Services Agency No. 23, 2011.

(8) Segment Information

The Company on a consolidated basis did not operate any businesses categorized in segments other than its own core life insurance business, and therefore segment information was omitted.