

November 14, 2016

---

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

---

The Dai-ichi Life Insurance Company, Limited (the "Company" or the "Parent Company"; President: Koichiro Watanabe) announces its financial results for the six months ended September 30, 2016.

### [Contents]

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

1. Business Highlights	-----	P.1
2. Unaudited Non-Consolidated Balance Sheet	-----	P.3
3. Unaudited Non-Consolidated Statement of Earnings	-----	P.4
4. Unaudited Non-Consolidated Statement of Changes in Net Assets	-----	P.5
5. Breakdown of Ordinary Profit (Fundamental Profit)	-----	P.16
6. Investment of General Account Assets	-----	P.17
7. Investment Results of General Account	-----	P.21
8. Disclosed Claims Based on Categories of Obligors	-----	P.26
9. Risk-Monitored Loans	-----	P.26
10. Solvency Margin Ratio	-----	P.27
11. Status of Separate Account	-----	P.28
12. Consolidated Financial Summary	-----	P.29

Attached: Supplementary Materials for the Six Months Ended September 30, 2016

---

For further information please contact:

Corporate Planning Dept., The Dai-ichi Life Insurance Company, Limited TEL: +81-(0)-50-3780-6930/3119
---

Please note that this is an unofficial translation of the original disclosure in Japanese.

# 1. Business Highlights

## (1) Annualized Net Premium

### Policies in Force

(billions of yen)

	As of March 31, 2016		As of September 30, 2016	
		% of March 31, 2015 total		% of March 31, 2016 total
Individual insurance	1,629.9	99.5	1,619.0	99.3
Individual annuities	435.0	108.9	466.6	107.3
Total	2,065.0	101.3	2,085.7	101.0
Medical and survival benefits	576.5	103.7	585.0	101.5

### New Policies

(billions of yen)

	Six months ended September 30, 2015		Six months ended September 30, 2016	
		% of September 30, 2014 total		% of September 30, 2015 total
Individual insurance	47.5	94.5	42.8	90.2
Individual annuities	15.7	120.5	34.8	221.7
Total	63.2	99.8	77.7	122.9
Medical and survival benefits	24.9	103.6	23.4	93.8

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, 2016			
	Number of policies		Amount	
	(thousands)	% of March 31, 2015 total	(billions of yen)	% of March 31, 2015 total
Individual insurance	11,680	100.7	114,816.0	94.4
Individual annuities	1,650	106.9	9,905.6	106.6
Individual insurance and annuities	13,331	101.5	124,721.6	95.2
Group insurance	-	-	48,020.2	99.9
Group annuities	-	-	6,064.2	94.8

	As of September 30, 2016			
	Number of policies		Amount	
	(thousands)	% of March 31, 2016 total	(billions of yen)	% of March 31, 2016 total
Individual insurance	11,706	100.2	111,649.0	97.2
Individual annuities	1,753	106.2	10,427.8	105.3
Individual insurance and annuities	13,459	101.0	122,076.9	97.9
Group insurance	-	-	47,956.6	99.9
Group annuities	-	-	6,062.0	100.0

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.

### New Policies

	Six months ended September 30, 2015					
	Number of policies		Amount			% of September 30, 2014 total
	(thousands)	% of September 30, 2014 total	(billions of yen)	New Business	Net increase by conversion	
Individual insurance	484	98.5	982.5	1,978.1	(995.5)	54.7
Individual annuities	62	115.2	423.8	430.6	(6.7)	108.3
Individual insurance and annuities	546	100.2	1,406.4	2,408.8	(1,002.3)	64.3
Group insurance	-	-	44.6	44.6	-	16.0
Group annuities	-	-	0.2	0.2	-	192.5

	Six months ended September 30, 2016					
	Number of policies		Amount			% of September 30, 2015 total
	(thousands)	% of September 30, 2015 total	(billions of yen)	New Business	Net increase by conversion	
Individual insurance	464	96.0	946.6	1,820.9	(874.3)	96.3
Individual annuities	127	204.3	730.1	736.0	(5.9)	172.3
Individual insurance and annuities	592	108.4	1,676.7	2,557.0	(880.2)	119.2
Group insurance	-	-	92.5	92.5	-	207.2
Group annuities	-	-	0.0	0.0	-	34.6

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.

(Reference) Surrenders and lapses in individual insurance and annuities

(billions of yen)

	Six months ended September 30, 2015	Six months ended September 30, 2016
Amount of surrenders and lapses	2,608.4	2,285.7
Surrender and lapse rate (%)	1.99	1.83

Note: 1. The amount of lapses is not offset by the amount of lapses which are reinstated.

2. The table above excludes cases where the sum insured is decreased or riders are surrendered for in-force contracts.

(3) Profit and Loss Items

(millions of yen)

	Six months ended September 30, 2015	Six months ended September 30, 2016	
			% of September 30, 2015 total
Premium and other income	1,407,132	1,314,251	93.4
Investment income	545,982	526,259	96.4
Benefits and claims	1,363,139	1,145,348	84.0
Investment expenses	162,464	130,443	80.3
Ordinary profit	184,049	182,642	99.2

(4) Total Assets

(millions of yen)

	As of March 31, 2016	As of September 30, 2016	
			% of March 31, 2016 total
Total Assets	35,894,956	36,193,978	100.8

## 2. Unaudited Non-Consolidated Balance Sheet

(millions of yen)

	As of March 31, 2016 (summarized)	As of September 30, 2016
<b>(ASSETS)</b>		
Cash and deposits	528,337	683,480
Call loans	116,900	135,300
Monetary claims bought	233,206	215,335
Money held in trust	52,806	48,631
Securities	30,250,119	30,370,884
[ Government bonds ]	[ 14,545,593 ]	[ 14,271,288 ]
[ Local government bonds ]	[ 125,047 ]	[ 148,546 ]
[ Corporate bonds ]	[ 1,910,798 ]	[ 2,129,430 ]
[ Stocks ]	[ 3,560,485 ]	[ 3,480,165 ]
[ Foreign securities ]	[ 9,451,844 ]	[ 9,732,623 ]
Loans	2,826,052	2,807,978
Policy loans	405,056	395,476
Ordinary loans	2,420,995	2,412,501
Tangible fixed assets	1,164,183	1,149,658
Intangible fixed assets	81,603	83,465
Reinsurance receivable	4,434	2,338
Other assets	541,917	594,138
Customers' liabilities for acceptances and guarantees	97,056	104,337
Reserve for possible loan losses	(1,237)	(1,135)
Reserve for possible investment losses	(423)	(434)
<b>Total assets</b>	<b>35,894,956</b>	<b>36,193,978</b>
<b>(LIABILITIES)</b>		
Policy reserves and others	30,635,217	30,746,297
Reserves for outstanding claims	260,304	221,883
Policy reserves	29,984,210	30,141,342
Reserve for policyholder dividends	390,701	383,071
Reinsurance payable	684	602
Subordinated bonds	215,727	476,277
Other liabilities	1,095,099	1,185,343
Corporate income tax payable	28,307	21,127
Lease liabilities	4,393	3,820
Asset retirement obligations	2,675	2,691
Other liabilities	1,059,723	1,157,704
Reserve for employees' retirement benefits	377,967	382,505
Reserve for retirement benefits of directors, executive officers and corporate auditors	1,868	1,784
Reserve for possible reimbursement of prescribed claims	800	800
Reserve for price fluctuations	148,453	156,453
Deferred tax liabilities	138,696	81,937
Deferred tax liabilities for land revaluation	80,189	78,572
Acceptances and guarantees	97,056	104,337
<b>Total liabilities</b>	<b>32,791,760</b>	<b>33,214,911</b>
<b>(NET ASSETS)</b>		
Capital stock	343,146	343,146
Capital surplus	343,772	343,412
Legal capital surplus	343,146	343,146
Other capital surplus	625	266
Retained earnings	511,892	557,467
Legal retained earnings	5,600	5,600
Other retained earnings	506,292	551,867
Fund for risk allowance	43,120	43,120
Fund for price fluctuation allowance	65,000	65,000
Reserve for tax basis adjustments of real estate	25,517	25,706
Retained earnings brought forward	372,655	418,041
Treasury stock	(23,231)	(37,521)
Total shareholders' equity	1,175,581	1,206,505
Net unrealized gains (losses) on securities, net of tax	1,946,957	1,780,407
Deferred hedge gains (losses)	(3,865)	9,951
Reserve for land revaluation	(16,402)	(18,681)
Total of valuation and translation adjustments	1,926,688	1,771,677
Subscription rights to shares	925	884
<b>Total net assets</b>	<b>3,103,195</b>	<b>2,979,067</b>
<b>Total liabilities and net assets</b>	<b>35,894,956</b>	<b>36,193,978</b>

### 3. Unaudited Non-Consolidated Statement of Earnings

(millions of yen)

	Six months ended September 30, 2015	Six months ended September 30, 2016
<b>ORDINARY REVENUES</b>	2,104,988	2,027,716
Premium and other income	1,407,132	1,314,251
[ Premium income ]	[ 1,406,339 ]	[ 1,313,883 ]
Investment income	545,982	526,259
[ Interest and dividends ]	[ 404,698 ]	[ 376,863 ]
[ Gains on money held in trust ]	[ - ]	[ 189 ]
[ Gains on sale of securities ]	[ 121,778 ]	[ 89,635 ]
[ Derivative transaction gains ]	[ - ]	[ 38,100 ]
Other ordinary revenues	151,873	187,205
[ Reversal of reserves for outstanding claims ]	[ - ]	[ 38,420 ]
<b>ORDINARY EXPENSES</b>	1,920,939	1,845,074
Benefits and claims	1,363,139	1,145,348
[ Claims ]	[ 343,921 ]	[ 388,408 ]
[ Annuities ]	[ 283,977 ]	[ 243,434 ]
[ Benefits ]	[ 195,727 ]	[ 185,713 ]
[ Surrender values ]	[ 306,866 ]	[ 260,564 ]
[ Other refunds ]	[ 231,804 ]	[ 66,437 ]
Provision for policy reserves and others	26,756	161,360
Provision for reserves for outstanding claims	6,643	-
Provision for policy reserves	15,785	157,131
Provision for interest on policyholder dividends	4,326	4,228
Investment expenses	162,464	130,443
[ Interest expenses ]	[ 8,842 ]	[ 6,157 ]
[ Losses on money held in trust ]	[ 1,351 ]	[ - ]
[ Losses on sale of securities ]	[ 32,776 ]	[ 31,302 ]
[ Losses on valuation of securities ]	[ 5,031 ]	[ 9,506 ]
[ Derivative transaction losses ]	[ 24,687 ]	[ - ]
[ Losses on investments in separate accounts ]	[ 35,529 ]	[ 9,805 ]
Operating expenses	201,528	208,884
Other ordinary expenses	167,049	199,038
<b>ORDINARY PROFIT</b>	184,049	182,642
<b>EXTRAORDINARY GAINS</b>	123	4,467
Gains on disposal of fixed assets	123	4,467
<b>EXTRAORDINARY LOSSES</b>	10,418	24,329
Losses on disposal of fixed assets	228	5,025
Impairment losses on fixed assets	2,189	11,303
Provision for reserve for price fluctuations	8,000	8,000
Provision for reserve for policyholder dividends	45,733	45,000
Income before income taxes	128,022	117,780
Corporate income taxes-current	52,948	31,725
Corporate income taxes-deferred	(15,870)	1,245
Total of corporate income taxes	37,077	32,970
Net income	90,944	84,809

#### 4. Unaudited Non-Consolidated Statement of Changes in Net Assets

Six months ended September 30, 2015

(millions of yen)

	Shareholders' equity								
	Capital stock	Capital surplus			Retained earnings				
		Legal capital surplus	Other capital surplus	Total capital surplus	Legal retained earnings	Other retained earnings			
						Fund for risk allowance	Fund for price fluctuation allowance	Reserve for tax basis adjustments of real estate	Retained earnings brought forward
Balance at the beginning of the year	343,104	343,104	151	343,255	5,600	43,120	65,000	24,875	292,143
Changes for the period									
Issuance of new shares - exercise of subscription rights to shares	42	42		42					
Dividends				-					(33,359)
Net income				-					90,944
Purchase of treasury stock				-					
Disposal of treasury stock			341	341					
Transfer to reserve for tax basis adjustments of real estate				-				169	(169)
Transfer from reserve for tax basis adjustments of real estate				-				(63)	63
Transfer from reserve for land revaluation				-					821
Net changes of items other than shareholders' equity									
Total changes for the period	42	42	341	383	-	-	-	106	58,300
Balance at the end of the period	343,146	343,146	492	343,638	5,600	43,120	65,000	24,981	350,443

(millions of yen)

	Shareholders' equity			Valuation and translation adjustments				Subscription rights to shares	Total net assets
	Retained earnings	Treasury stock	Total shareholders' equity	Net unrealized gains (losses) on securities, net of tax	Deferred hedge gains (losses)	Reserve for land revaluation	Total of valuation and translation adjustments		
	Total retained earnings								
Balance at the beginning of the year	430,738	(9,723)	1,107,375	2,488,665	(12,036)	(33,424)	2,443,204	753	3,551,333
Changes for the period									
Issuance of new shares - exercise of subscription rights to shares	-		84						84
Dividends	(33,359)		(33,359)						(33,359)
Net income	90,944		90,944						90,944
Purchase of treasury stock	-	(14,999)	(14,999)						(14,999)
Disposal of treasury stock	-	729	1,070						1,070
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	821		821						821
Net changes of items other than shareholders' equity				(517,157)	1,112	(821)	(516,867)	171	(516,695)
Total changes for the period	58,406	(14,270)	44,560	(517,157)	1,112	(821)	(516,867)	171	(472,134)
Balance at the end of the period	489,145	(23,994)	1,151,935	1,971,507	(10,924)	(34,245)	1,926,337	925	3,079,199

Six months ended September 30, 2016

(millions of yen)

	Shareholders' equity								
	Capital stock	Capital surplus			Retained earnings				
		Legal capital surplus	Other capital surplus	Total capital surplus	Legal retained earnings	Other retained earnings			
						Fund for risk allowance	Fund for price fluctuation allowance	Reserve for tax basis adjustments of real estate	Retained earnings brought forward
Balance at the beginning of the year	343,146	343,146	625	343,772	5,600	43,120	65,000	25,517	372,655
Changes for the period									
Issuance of new shares - exercise of subscription rights to shares				-					
Dividends				-					(41,497)
Net income				-					84,809
Purchase of treasury stock				-					
Disposal of treasury stock			(359)	(359)					
Transfer to reserve for tax basis adjustments of real estate				-				254	(254)
Transfer from reserve for tax basis adjustments of real estate				-				(64)	64
Transfer from reserve for land revaluation				-					2,263
Net changes of items other than shareholders' equity									
Total changes for the period	-	-	(359)	(359)	-	-	-	189	45,385
Balance at the end of the period	343,146	343,146	266	343,412	5,600	43,120	65,000	25,706	418,041

(millions of yen)

	Shareholders' equity			Valuation and translation adjustments				Subscription rights to shares	Total net assets
	Retained earnings	Treasury stock	Total shareholders' equity	Net unrealized gains (losses) on securities, net of tax	Deferred hedge gains (losses)	Reserve for land revaluation	Total of valuation and translation adjustments		
	Total retained earnings								
Balance at the beginning of the year	511,892	(23,231)	1,175,581	1,946,957	(3,865)	(16,402)	1,926,688	925	3,103,195
Changes for the period									
Issuance of new shares - exercise of subscription rights to shares	-		-						-
Dividends	(41,497)		(41,497)						(41,497)
Net income	84,809		84,809						84,809
Purchase of treasury stock	-	(15,999)	(15,999)						(15,999)
Disposal of treasury stock	-	1,709	1,349						1,349
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	2,263		2,263						2,263
Net changes of items other than shareholders' equity				(166,549)	13,817	(2,279)	(155,011)	(41)	(155,052)
Total changes for the period	45,574	(14,290)	30,924	(166,549)	13,817	(2,279)	(155,011)	(41)	(124,128)
Balance at the end of the period	557,467	(37,521)	1,206,505	1,780,407	9,951	(18,681)	1,771,677	884	2,979,067

## **I. NOTES TO THE UNAUDITED NON-CONSOLIDATED BALANCE SHEET AS OF SEPTEMBER 30, 2016**

### **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 Market Value  
Available-for-sale securities which have market value are valued at fair value as of September 30, 2016 (for domestic stocks, the average value during September), with cost determined by the moving average method.
  - b) Available-for-sale Securities Whose Market Values Are Extremely Difficult to Recognize
    - i) Government/Corporate Bonds (including foreign bonds), whose premium or discount represents interest adjustment are valued at the amortized cost determined by the moving average method.
    - ii) 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 non-consolidated 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, 2016 were ¥12,031,068 million and ¥15,580,234 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 “Law for Revaluation of Land” (Publicly Issued Law 34, March 31, 1998), the Company revalued land for business use. 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 Law for 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 (Cabinet Order No.119, Issued on March 31, 1998).

#### **5. Depreciation of Depreciable Assets**

(1) Depreciation of Tangible Fixed Assets Excluding Leased Assets

Depreciation of tangible fixed assets other than leased assets is calculated by the declining balance method (the depreciation of buildings excluding attached improvements and structures 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 are acquired on or before March 31, 2007 and that are depreciated to their final depreciable limit, effective the fiscal year ended March 31, 2008, the remaining values are depreciated at equal amounts over five years following the fiscal year end when such assets were depreciated to their final 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. Amortization of software for internal use is based on the estimated useful life of five years.

(3) Depreciation of Leased Assets

Depreciation of leased assets with regard to finance leases whose ownership does not transfer to the lessees is computed under the straight-line method assuming zero remaining value and using the lease periods as the useful lives.

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

The Company translated 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, 2016. 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 by taking into account (1) the recoverable amount covered by the collateral or guarantees and (2) an overall assessment of the obligor’s ability to pay.

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 to and claims on 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, 2016 was ¥57 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, 2016.

(1) Allocation of Estimated Retirement Benefits

Estimated retirement benefits are allocated under the benefit formula basis over the period ending March 31, 2017.

(2) Amortization of Actuarial Differences

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 market 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 of the Company, (1) an estimated amount for future payment out of the total amount of benefits for past service approved by the 105<sup>th</sup> general meeting of representative policyholders of the Company and (2) an estimated amount for future corporate-pension payments to directors, executive officers, and corporate auditors who retired before the 105<sup>th</sup> general meeting of representative policyholders of the Company are provided.

#### **11. Reserve for Possible Reimbursement of Prescribed Claims**

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

#### **12. Reserve for Price Fluctuations**

A reserve for price fluctuations is calculated in accordance with the provisions of Article 115 of the Insurance Business Act.

#### **13. Methods for 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, (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 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); (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; and (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). In addition, the deferral hedge method using interest-rate swaps based on "The accounting and auditing treatment on the application of the financial products accounting standard to the insurance industry" (Industry Audit Practice Committee Report No.26) is used for hedges against interest-rate fluctuations of certain insurance liabilities.

(2) Hedging Instruments and Hedged Items

<u>Hedging instruments</u>	<u>Hedged items</u>
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 price fluctuation 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 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 Reserve**

Policy reserves of the Company are established in accordance with Article 116 of the Insurance Business Act. Insurance premium reserves are calculated as follows. Additional policy reserves for certain whole life insurance contracts as stipulated in Article 69, Paragraph 5 of the Insurance Business Act are included in the calculations.

- (1) Reserves for policies subject to the standard policy reserve rules are calculated based on the methods stipulated by the Commissioner of the 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. Recoverability of Deferred Tax Assets**

Effective the six months ended September 30, 2016, the Company applied the “Revised Implementation Guidance on Recoverability of Deferred Tax Assets” (ASBJ Statement No.26 issued on March 28, 2016).

**17. Changes in Accounting Policies**

Effective the six months ended September 30, 2016, the Company applied the “Practical Solution on a change in depreciation method due to Tax Reform 2016” (PITF No.32 issued on June 17, 2016) in accordance with the revision of the Corporation Tax Act, and changed the depreciation method for improvements attached to buildings and structures acquired on or after April 1, 2016 from the declining balance method to the straight-line method.

The effects of this change on the non-consolidated financial statements for the six months ended September 30, 2016 are immaterial.

## **18. Securities Lending**

Securities lent under lending agreements are included in the non-consolidated balance sheet. The total balance of securities lent as of September 30, 2016 was ¥2,261,178 million.

## **19. Problem Loans**

As of September 30, 2016, the total amount of credits to bankrupt borrowers, delinquent loans, loans past due for three months or more, and restructured loans, which was included in loans, was ¥3,394 million. The amount of credits to bankrupt borrowers was ¥93 million, the amount of delinquent loans was ¥2,979 million, the Company held no amount of loans past due for three months or more, and the amount of restructured loans was ¥321 million.

Credits to bankrupt borrowers are loans for which interest is not accrued as income, except for a portion of loans written off, and to which any event specified in Article 96, Paragraph 1, Item 3 (a) to (e) or Item 4 of the Order for Enforcement of the Corporation Tax Act has occurred. Interest is not accrued as income for the loans since the recovery of principal or interest on the loans is unlikely due to the fact that principal repayments and interest payments are overdue for a significant period of time or for other reasons.

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 above, credits to bankrupt borrowers and delinquent loans decreased by ¥2 million and ¥55 million, respectively.

## **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 ¥1,023,587 million. Separate account liabilities were the same amount as the separate account assets.

## **21. 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 ending March 31, 2017.....	390,701
Dividends paid .....	(56,858)
Interest accrual .....	4,228
Provision for reserve for policyholder dividends.....	45,000
<u>Balance as of September 30, 2016 .....</u>	<u>383,071</u>

## **22. Stock of Subsidiaries and Affiliated Companies**

The amount of stocks of subsidiaries and affiliated companies the Company held as of September 30, 2016 was ¥1,117,502 million.

## **23. Organization Change Surplus**

The amount of the Company's organization change surplus stipulated in Article 91 of the Insurance Business Act was ¥117,776 million.

#### **24. Assets Pledged as Collateral / Secured Liabilities**

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

	(Unit: million yen)
Securities (Government bonds) .....	158,227
Securities (Foreign securities) .....	4,124
Cash and deposits .....	86
<u>Securities, cash and deposits pledged as collateral .....</u>	<u>162,439</u>

The amounts of secured liabilities were as follows:

	(Unit: million yen)
Cash collateral for securities lending transactions .....	178,491

“Securities (Government bonds)” includes securities pledged as collateral for securities lending transactions with cash collateral as of September 30, 2016 for the amount ¥146,225 million.

#### **25. Reinsurance**

The amount of reserves for outstanding claims for reinsured parts defined in Article 71, Paragraph 1 of the Enforcement Regulations of the Insurance Business Act, which is referred to in Article 73, Paragraph 3 of the Regulations (hereinafter “reserves for outstanding claims reinsured”) was ¥4 million. The amount of policy reserves provided for reinsured parts defined in Article 71, Paragraph 1 of the Regulations (hereinafter “policy reserves reinsured”) was ¥0 million.

#### **26. 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, 2016 was ¥790,060 million, out of which no securities were pledged as collateral.

#### **27. Commitment Line**

There were unused commitment line agreements under which the Company is the lender of ¥32,141 million.

#### **28. Subordinated Debt**

Other liabilities included subordinated debt of ¥283,000 million, the repayment of which is subordinated to other obligations.

#### **29. Subordinated Bonds**

Subordinated bonds of ¥476,277 million shown in liabilities included foreign currency-denominated subordinated bonds, the repayment of which is subordinated to other obligations.

#### **30. 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 were ¥49,711 million as of September 30, 2016. These obligations will be recognized as operating expenses in the period in which they are paid.

#### **31. Incentive Programs Granting Employees Company Shares**

Notes to incentive programs granting employees shares of the Company through dedicated trusts are omitted as the same notes are described in the notes to the consolidated financial statements.

#### **32. Material Subsequent Events**

Based on the resolution of the Board of Directors made on April 8, 2016, approval of related resolutions at the Annual General Meeting of Shareholders held on June 24, 2016, and authorization by the regulatory authorities, effective October 1, 2016, the Company transitioned to a holding company structure. At the same time, the Company changed its corporate name to “Dai-ichi Life Holdings, Inc.” and will focus on managing group companies under a new governance structure of “a company with a board with audit committee.”

Due to the corporate split, the domestic life insurance business is succeeded by “The Dai-ichi Life Insurance Company, Limited” (corporate name changed from “The Dai-ichi Life Split Preparation Company, Limited” on October 1, 2016). A life insurance business license was newly issued to “The Dai-ichi Life Insurance Company, Limited” by the authorities on August 3, 2016 and it started its business activities on October 1, 2016.

<Overview of the companies>

	Dai-ichi Life Holdings, Inc.	The Dai-ichi Life Insurance Company, Limited
Address	13-1, Yurakucho 1-chome, Chiyoda-ku, Tokyo, Japan	13-1, Yurakucho 1-chome, Chiyoda-ku, Tokyo, Japan
Representative	Koichiro Watanabe, President and Representative Director	Koichiro Watanabe, President and Representative Director
Business	Business management of group companies, etc.	Life insurance business
Capital stock	343,146 million yen	60,000 million yen

## II. NOTES TO THE UNAUDITED NON-CONSOLIDATED STATEMENT OF EARNINGS FOR THE SIX MONTHS ENDED SEPTEMBER 30, 2016

### 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 ¥48,358 million, ¥3,358 million, ¥37,129 million and ¥788 million, respectively.

Losses on sale of securities included losses on sales of domestic bonds, domestic stocks, foreign securities and other securities of ¥263 million, ¥3,961 million, ¥26,205 million and ¥873 million, respectively.

Losses on valuation of securities included losses on valuation of domestic bonds, domestic stocks and foreign securities of ¥589 million, ¥342 million and ¥8,574 million, respectively.

### 2. Reinsurance

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

### 3. Interest and Dividends

The breakdown of interest and dividends for the six months ended September 30, 2016 were as follows:

	(Unit: million yen)
Interest from bank deposits .....	4,136
Interest and dividends from securities ...	303,280
Interest from loans .....	28,820
Rental income .....	35,019
Other interest and dividends .....	5,606
<u>Total .....</u>	<u>376,863</u>

### 4. Net Income and Diluted Net Income per Share

Net income per share for the six months ended September 30, 2016 was ¥72.02. Diluted net income per share for the same period was ¥71.98.

**III. NOTES TO THE UNAUDITED NON-CONSOLIDATED STATEMENT OF CHANGES IN NET ASSETS FOR THE SIX MONTHS ENDED SEPTEMBER 30, 2016**

**1. Treasury Stock**

(Unit; thousands of shares)

	Number of shares of treasury stock outstanding at the beginning of the fiscal year ending March 31, 2017	Increase in treasury stock	Decrease in treasury stock	Number of treasury stock outstanding as of September 30, 2016
Treasury stock Shares of Common Stock (*)	12,368	11,695	1,161	22,903

- (\*1) Treasury stock at the beginning of the fiscal year ending March 31, 2017 and as of September 30, 2016 includes 5,490 thousand shares and 4,363 thousand shares held by the trust fund through the J-ESOP and the trust fund for Dai-ichi Life Insurance Employee Stock Holding Partnership through the E-Ship®, respectively. The trust fund for Dai-ichi Life Insurance Employee Stock Holding Partnership has closed as of July 2016.
- (\*2) The increase of 11,695 thousand shares of treasury stock was due to the repurchase of outstanding common stock.
- (\*3) The decrease of 1,161 thousand shares of treasury stock represents the sum of (a) 34 thousand shares granted to eligible employees at retirement by the J-ESOP as a result of exercising stock options and (b) 1,126 thousand shares sold to the Dai-ichi Life Insurance Employee Stock Holding Partnership etc. by the Trust Fund for Dai-ichi Life Insurance Employee Stock Holding Partnership under the E-Ship®.



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

(millions of yen)

	Six months ended September 30, 2015	Six months ended September 30, 2016
Fundamental revenues	2,044,117	1,899,806
Premium and other income	1,407,132	1,314,251
Investment income [Interest and dividends]	424,168 [ 404,698 ]	398,349 [ 376,863 ]
Other ordinary revenues	212,816	187,205
Fundamental expenses	1,812,760	1,711,053
Benefits and claims	1,363,139	1,145,348
Provision for policy reserves and others	10,970	111,767
Investment expenses	70,071	46,015
Operating expenses	201,528	208,884
Other ordinary expenses	167,049	199,038
Fundamental profit	<i>A</i> 231,357	188,752
Capital gains	121,778	127,925
Gains on money held in trust	-	189
Gains on investments in trading securities	-	-
Gains on sale of securities	121,778	89,635
Derivative transaction gains	-	38,100
Foreign exchange gains	-	-
Others	-	-
Capital losses	92,371	84,396
Losses on money held in trust	1,351	-
Losses on investments in trading securities	-	-
Losses on sale of securities	32,776	31,302
Losses on valuation of securities	5,031	9,506
Derivative transaction losses	24,687	-
Foreign exchange losses	28,525	43,586
Others	-	-
Net capital gains (losses)	<i>B</i> 29,406	43,528
Fundamental profit after net capital gains (losses)	<i>A + B</i> 260,764	232,281
Other one-time gains	35	(15)
Reinsurance income	-	-
Reversal of contingency reserve	-	-
Reversal of specific reserve for possible loan losses	35	(15)
Others	-	-
Other one-time losses	76,750	49,623
Ceding reinsurance commissions	-	-
Provision for contingency reserve	9,000	9,000
Provision for specific reserve for possible loan losses	-	-
Provision for specific reserve for loans to refinancing countries	-	-
Write-down of loans	21	20
Others	67,729	40,603
Other one-time profits	<i>C</i> (76,714)	(49,639)
Ordinary profit	<i>A + B + C</i> 184,049	182,642

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, 2016: 10 million yen) and the amount of the additional policy reserves provided (For the six months ended September 30, 2015: 67,729 million yen, For the six months ended September 30, 2016: 40,593 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, 2016**

### **(1) Investment Environment**

- During the six months ended September 30, 2016, the Japanese economy experienced low growth due to the slowdown of the recovery in individual consumption and production adjustments caused by a buildup of inventory in the past, while it experienced favorable employment and income conditions.
- The U.S. economy slowed down mainly as a result of the correction of the corporate sector in light of a strong U.S. dollar and a decline of crude oil prices, while individual consumption kept expanding backed by an improved employment and income environment.
- The European economy continued its moderate recovery owing to the enhanced monetary easing measures implemented by the European Central Bank (ECB).
- Given the economic environment described above, the investment environment was as follows:

#### [Domestic interest rates]

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

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

#### [Domestic Stocks]

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

Nikkei 225 Stock Average:	April 1, 2016	16,758
	September 30, 2016	16,449
TOPIX:	April 1, 2016	1,347
	September 30, 2016	1,322

#### [Foreign Currency]

- The U.S. dollar remained weak, due to the more cautious stance of the Federal Reserve Board (FRB) on the pace to raise interest rates caused mainly by a crude oil prices and Brexit confusion, as the FRB continued to consider an additional rate hike.
- The yen's appreciation against the euro progressed, due mainly to the uncertainty surrounding the economy of the E.U. in light of the Brexit referendum.

yen /U.S. dollar:	April 1, 2016	¥112.68
	September 30, 2016	¥101.12
yen/euro:	April 1, 2016	¥127.70
	September 30, 2016	¥113.36

## (2) Investment Results

### [Asset Composition]

- Although the Company continued to set fixed income investments, including government and corporate bonds, as the core of its asset portfolio, consistent with its mid- to long-term investment policies, the Company refrained from purchasing Japanese government bonds. The Company also flexibly allocated to foreign currency-denominated bonds with currency hedges and expanded its investments in new areas, such as the infrastructure sector, in order to further enhance its Asset Liability Management (ALM) strategy and improve its profitability.
- The Company has flexibly changed the allocation of its risk assets (such as domestic stocks and foreign securities intended to promote diversification and to improve its profitability) by taking market trends into account.

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

Assets	Investment results
Domestic bonds	<p><u>Decrease</u></p> <p>The overall balance of domestic bonds, mainly JGBs, decreased as a result of continuous limitation on accumulating policy- reserve- matching bonds which primarily consist of super long-term government bonds.</p> <p>Regarding credit risk products, including corporate bonds and securitized products, the Company strived to improve investment yields by investing in capital securities issued by banks ,such as AT1 bonds and infrastructure projects, and also lengthened the duration of its assets with derivatives to control interest rate risks.</p>
Loans	<p><u>Slight decrease</u></p> <p>The overall balance of loans decreased due mainly to contractual maturities. The Company also provided loans to secure adequate risk-adjusted credit spreads, while also paying attention to the credit spread trends in the bond market.</p>
Domestic stocks	<p><u>Decrease on a market value basis due to a decline in stock prices</u></p> <p>The overall balance of domestic stocks on a market value basis decreased due to a decline in stock prices, while the Company flexibly changed the allocation by taking market trends into account.</p> <p>The Company also invested in sectors/companies which are expected to grow in the mid-long term, taking into account analyses by in-house analysts.</p>
Foreign bonds	<p><u>Increase</u></p> <p>The Company decreased the balance of foreign currency-denominated bonds without currency hedges, taking market trends into account. On the other hand, the Company actively invested in foreign currency-denominated bonds with currency hedges in order to improve investment efficiency within its fixed income assets focusing on international interest spreads. As a result, the balance of foreign bonds increased. Moreover, the Company cautiously controlled risks by diversifying its portfolio by sector and currency and tried to improve investment performance.</p>
Foreign stocks	<p><u>Decrease</u></p> <p>The overall balance of foreign stocks decreased due to reduction in the Company's holdings of foreign stocks, taking market trends into account, and the stronger yen. The Company continued to focus on diversification by investment style and geographical composition of its foreign stock portfolio, utilizing both third-party asset managers and in-house managers.</p>
Real estate	<p><u>Slight increase in real estate for rent</u></p> <p>The Company pursued an improvement in profitability of the existing real estate portfolio by (a) investing in new residential properties and selling properties with lower</p>

	profitability and (b) renegotiating rents and improving vacancy rates. Also, the Company strived to increase the value of existing properties by renovating and reconstructing them.
--	--

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

[Investment income and expenses]

- Investment income decreased by ¥19.7 billion, compared to the same period last year, to ¥526.2 billion, due mainly to an decrease in interest and dividends and gains on sale of securities, while derivative transaction gains increased.
- Investment expenses decreased by ¥6.2 billion to ¥120.6 billion, due mainly to a decrease in derivative transaction losses, while foreign exchange losses increased.
- As a result, net investment income decreased by ¥13.4 billion to ¥405.6 billion year-on-year.

**(3) Investment Environment Outlook for the Six Months Ending March 31, 2017**

- For the six months ending March 31, 2017, the Company expects that the Japanese economy will be on track for a modest recovery supported by positive effects such as (a) increases in capital investment due to the low interest rate environment and (b) economic measures by the Japanese Government, while private consumption might remain sluggish. Additionally, the quantitative and qualitative monetary easing measures of the BOJ, which seek to maintain a long-term low interest rate environment, are expected to support the economy.
- Moreover, the Company is paying attention to a possible jump of financial markets volatility due to high geopolitical risks due to political issues in the U.S. and Europe, such as the U.S. presidential elections and U.K.'s negotiations to leave the EU.

[Domestic interest rates]

- The Company estimates that domestic interest rates will remain low, as the BOJ is expected to maintain its quantitative and qualitative monetary easing measures with yield curve control for the long term, because it may be difficult for the inflation rate to achieve the 2% target for a while.

[Domestic stocks]

- The Company forecasts that the domestic stock market will remain brisk, due to positive effects such as (a) the monetary easing measures of the BOJ, including the asset purchase program, and (b) economic measures by the Japanese Government in the second supplementary budget for this fiscal year.

[Foreign currency]

- The Company forecasts that the overall yen depreciation trend against the U.S. dollar will continue, as the FRB will raise interest rates in the United States at a moderate pace, and the BOJ is expected to maintain its monetary easing measures for the long term in order to achieve its inflation target rate.
- For euro-yen rates, while the trends in current account surplus in the Euro-zone support an appreciation of the euro against the yen, the enhanced monetary easing measures by the ECB are forecasted to grow. Therefore, we anticipate that the euro-yen rate will move within a certain range for the period.

#### (4) Investment Policies for the Six Months Ending March 31, 2017

The Company will continue to set fixed income investments, including government and corporate bonds, as the core of its asset portfolio, consistent with its mid- to long-term investment policies. Based on the domestic low interest rate environment, the Company will continuously control its purchase of Japanese government bonds, flexibly allocate to foreign currency-denominated bonds with currency hedges and actively invest in new areas including infrastructure sector. In addition, taking into account market trends, the Company will flexibly change allocation of its risk assets, such as domestic stocks and foreign securities, carried to diversify and improve the overall returns of its investment portfolio.

The table below summarizes the expected investments of the Company's general account by asset class:

Assets	Investment policies
Domestic bonds	<u>Decrease</u> The Company will continue investing in domestic bonds as a core asset under its ALM strategy. Taking the current low interest rate environment into account, the Company will continuously refrain from purchasing Japanese government bonds. In terms of credit risk assets, the Company will invest in new areas such as infrastructure projects.
Loans	<u>Decrease</u> While actively providing new loans to fulfill capital needs in growth areas, the overall loan balance of the Company is expected to decrease due mainly to contractual maturities. The Company intends to provide new loans by setting appropriate credit spreads, with attention to borrowers' profiles and credit spread levels in the corporate bond market.
Domestic stocks	<u>Basically flat but flexible increase or decrease</u> The overall domestic stocks balance of the Company is expected to be flat, taking into account appropriate risk control, but the Company will flexibly change the allocation of domestic stocks, following market trends. In order to improve the profitability of the portfolio, the Company intends to replace some companies/sectors based on competitiveness, growth potential, and/or the degree to which they are undervalued.
Foreign bonds	<u>Basically flat but flexibly increase or decrease</u> As for foreign currency-denominated bonds without currency hedges, the Company will flexibly change the allocation of this asset class based on exchange rate trends, while carefully monitoring the effect of diversification among risk assets. As for foreign currency-denominated bonds with currency hedges, the Company will flexibly change the allocation of this asset class in order to improve investment efficiency within its fixed income assets, while carefully monitoring domestic and foreign interest rate differentials.
Foreign stocks	<u>Increase</u> Taking market trends into account, the Company will increase its investments in new areas, including overseas infrastructure sectors. In order to improve the profitability and stability of the portfolio, the Company also continues to seek regional diversification, as well as investment style diversification.

## 7. Investment Results of General Account

### (1) Asset Composition (General Account)

(millions of yen)

	As of March 31, 2016		As of September 30, 2016	
	Carrying amount	%	Carrying amount	%
Cash, deposits, and call loans	607,476	1.7	801,045	2.3
Securities repurchased under resale agreements	-	-	-	-
Deposit paid for securities borrowing transactions	-	-	-	-
Monetary claims bought	233,206	0.7	215,335	0.6
Trading account securities	-	-	-	-
Money held in trust	52,806	0.2	48,631	0.1
Securities	29,407,417	84.1	29,570,809	83.7
Domestic bonds	16,372,818	46.8	16,361,760	46.3
Domestic stocks	3,353,552	9.6	3,289,856	9.3
Foreign securities	9,091,602	26.0	9,396,834	26.6
Foreign bonds	6,907,918	19.8	7,547,148	21.4
Foreign stocks and other securities	2,183,683	6.2	1,849,685	5.2
Other securities	589,444	1.7	522,358	1.5
Loans	2,826,052	8.1	2,807,978	7.9
Policy loans	405,056	1.2	395,476	1.1
Ordinary loans	2,420,995	6.9	2,412,501	6.8
Real estate	1,157,543	3.3	1,143,143	3.2
Real estate for rent	784,749	2.2	794,223	2.2
Deferred tax assets	-	-	-	-
Others	688,292	2.0	742,792	2.1
Reserve for possible loan losses	(1,237)	(0.0)	(1,135)	(0.0)
Total	34,971,556	100.0	35,328,600	100.0
Foreign currency-denominated assets	7,661,764	21.9	8,365,748	23.7

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

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

(millions of yen)

	Six month ended September 30, 2015	Six month ended September 30, 2016
Cash, deposits, and call loans	(192,160)	193,569
Securities repurchased under resale agreements	-	-
Deposit paid for securities borrowing transactions	-	-
Monetary claims bought	(14,785)	(17,870)
Trading account securities	-	-
Money held in trust	16,115	(4,174)
Securities	(147,448)	163,392
Domestic bonds	112,984	(11,058)
Domestic stocks	(203,841)	(63,695)
Foreign securities	(82,578)	305,232
Foreign bonds	108,154	639,229
Foreign stocks and other securities	(190,732)	(333,997)
Other securities	25,986	(67,085)
Loans	(134,924)	(18,074)
Policy loans	(8,807)	(9,580)
Ordinary loans	(126,116)	(8,493)
Real estate	(4,561)	(14,399)
Real estate for rent	2,733	9,473
Deferred tax assets	-	-
Others	141,216	54,499
Reserve for possible loan losses	653	101
Total	(335,894)	357,043
Foreign currency-denominated assets	51,436	703,983

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

## (3) Investment Income (General Account)

(millions of yen)

	Six months ended September 30, 2015	Six months ended September 30, 2016
Interest and dividends	404,698	376,863
Interest from bank deposits	5,889	4,136
Interest and dividends from securities	326,743	303,280
Interest from loans	31,510	28,820
Rental income	34,644	35,019
Other interest and dividends	5,910	5,606
Gains on trading account securities	-	-
Gains on money held in trust	-	189
Gains on investments in trading securities	-	-
Gains on sale of securities	121,778	89,635
Gains on sale of domestic bonds	4,071	48,358
Gains on sale of domestic stocks	9,174	3,358
Gains on sale of foreign securities	108,189	37,129
Others	342	788
Gains on redemption of securities	18,641	20,812
Derivative transaction gains	-	38,100
Foreign exchange gains	-	-
Reversal of reserve for possible loan losses	652	101
Reversal of reserve for possible investment losses	-	-
Other investment income	210	557
Total	545,982	526,259

## (4) Investments Expense (General Account)

(millions of yen)

	Six months ended September 30, 2015	Six months ended September 30, 2016
Interest expenses	8,842	6,157
Losses on trading account securities	-	-
Losses on money held in trust	1,351	-
Losses on investments in trading securities	-	-
Losses on sale of securities	32,776	31,302
Losses on sale of domestic bonds	91	263
Losses on sale of domestic stocks	495	3,961
Losses on sale of foreign securities	30,730	26,205
Others	1,458	873
Losses on valuation of securities	5,031	9,506
Losses on valuation of domestic bonds	-	589
Losses on valuation of domestic stocks	1,063	342
Losses on valuation of foreign securities	3,968	8,574
Others	-	-
Losses on redemption of securities	127	1,752
Derivative transaction losses	24,687	-
Foreign exchange losses	28,525	43,586
Provision for reserve for possible loan losses	-	-
Provision for reserve for possible investment losses	-	10
Write-down of loans	21	20
Depreciation of real estate for rent and others	7,041	6,976
Other investment expenses	18,530	21,323
Total	126,935	120,638

## (5) Net Investment Income (General Account)

(millions of yen)

	Six months ended September 30, 2015	Six months ended September 30, 2016
Net investment income	419,047	405,621

## (6) Valuation gains and losses on trading securities (General Account)

(millions of yen)

	As of March 31, 2016		As of September 30, 2016	
	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	50,166	(4,459)	46,222	(1,716)
Trading account securities	-	-	-	-
Money held in trust	50,166	(4,459)	46,222	(1,716)

## (7) Fair value information on securities (General Account) (securities with fair value except for trading securities)

(millions of yen)

	Book value	Fair value	Gains (losses)		
			Gains	Losses	
As of March 31, 2016					
Held-to-maturity bonds	45,712	51,296	5,583	5,583	-
Domestic bonds	45,712	51,296	5,583	5,583	-
Foreign bonds	-	-	-	-	-
Policy-reserve-matching bonds	12,027,685	15,449,932	3,422,247	3,422,586	339
Domestic bonds	11,948,259	15,369,411	3,421,152	3,421,152	-
Foreign bonds	79,425	80,520	1,095	1,434	339
Stocks of subsidiaries and affiliates	26,570	61,653	35,082	35,101	18
Available-for-sale securities	12,927,650	15,628,568	2,700,917	2,874,655	173,738
Domestic bonds	3,782,592	4,378,846	596,253	596,857	603
Domestic stocks	1,677,678	2,990,485	1,312,806	1,409,264	96,457
Foreign securities	6,759,695	7,526,318	766,622	830,252	63,629
Foreign bonds	6,150,829	6,828,492	677,663	714,258	36,594
Foreign stocks and other securities	608,865	697,825	88,959	115,994	27,035
Other securities	484,658	497,071	12,412	25,441	13,028
Monetary claims bought	220,436	233,206	12,769	12,787	17
Certificates of deposit	-	-	-	-	-
Money held in trust	2,587	2,640	52	52	-
Total	25,027,619	31,191,450	6,163,830	6,337,926	174,095
Domestic bonds	15,776,565	19,799,554	4,022,989	4,023,592	603
Domestic stocks	1,677,678	2,990,485	1,312,806	1,409,264	96,457
Foreign securities	6,864,951	7,667,606	802,655	866,642	63,987
Foreign bonds	6,230,255	6,909,013	678,758	715,692	36,933
Foreign stocks and other securities	634,695	758,592	123,896	150,950	27,053
Other securities	485,399	497,958	12,558	25,587	13,028
Monetary claims bought	220,436	233,206	12,769	12,787	17
Certificates of deposit	-	-	-	-	-
Money held in trust	2,587	2,640	52	52	-
As of September 30, 2016					
Held-to-maturity bonds	45,863	51,296	5,432	5,432	-
Domestic bonds	45,863	51,296	5,432	5,432	-
Foreign bonds	-	-	-	-	-
Policy-reserve-matching bonds	12,031,068	15,580,234	3,549,165	3,553,818	4,652
Domestic bonds	11,940,644	15,487,056	3,546,411	3,551,050	4,639
Foreign bonds	90,424	93,178	2,754	2,767	13
Stocks of subsidiaries and affiliates	25,989	52,119	26,130	26,139	8
Available-for-sale securities	13,633,872	16,103,887	2,470,015	2,698,737	228,721
Domestic bonds	3,785,536	4,375,251	589,715	592,663	2,947
Domestic stocks	1,695,673	2,926,547	1,230,874	1,321,556	90,681
Foreign securities	7,389,883	8,036,949	647,065	759,330	112,264
Foreign bonds	6,861,256	7,456,724	595,467	679,461	83,993
Foreign stocks and other securities	528,626	580,225	51,598	79,869	28,270
Other securities	455,910	447,399	(8,511)	14,016	22,528
Monetary claims bought	204,279	215,335	11,056	11,170	114
Certificates of deposit	100,000	99,993	(6)	-	6
Money held in trust	2,587	2,409	(178)	-	178
Total	25,736,794	31,787,538	6,050,743	6,284,127	233,383
Domestic bonds	15,772,045	19,913,604	4,141,558	4,149,146	7,587
Domestic stocks	1,695,673	2,926,547	1,230,874	1,321,556	90,681
Foreign securities	7,505,841	8,181,788	675,946	788,233	112,286
Foreign bonds	6,951,681	7,549,903	598,222	682,229	84,006
Foreign stocks and other securities	554,160	631,884	77,724	106,004	28,279
Other securities	456,366	447,859	(8,507)	14,021	22,528
Monetary claims bought	204,279	215,335	11,056	11,170	114
Certificates of deposit	100,000	99,993	(6)	-	6
Money held in trust	2,587	2,409	(178)	-	178

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, 2016	As of September 30, 2016
Held-to-maturity bonds	-	-
Unlisted foreign bonds	-	-
Others	-	-
Policy-reserve-matching bonds	-	-
Stocks of subsidiaries and affiliates	1,100,671	1,091,486
Unlisted domestic stocks (except over-the-counter stocks)	236,944	237,036
Unlisted foreign stocks (except over-the-counter stocks)	783,945	792,304
Others	79,781	62,144
Available-for-sale securities	813,855	590,225
Unlisted domestic stocks (except over-the-counter stocks)	126,122	126,272
Unlisted foreign stocks (except over-the-counter stocks)	665,001	441,701
Unlisted foreign bonds	-	-
Others	22,731	22,251
<b>Total</b>	<b>1,914,526</b>	<b>1,681,711</b>

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: gain of 48,179 million yen as of March 31, 2016 and loss of 38,645 million yen as of September 30, 2016.

(Reference) Fair value information of securities, taking into account foreign exchange valuation gains (losses) of foreign securities whose fair value is deemed extremely difficult to recognize and which are listed in the table above, in addition to the figures in the table (7), is as follows:

(millions of yen)

	Book value	Fair value	Gains (losses)	
			Gains	Losses
<b>As of March 31, 2016</b>				
Held-to-maturity bonds	45,712	51,296	5,583	-
Domestic bonds	45,712	51,296	5,583	-
Foreign bonds	-	-	-	-
Policy-reserve-matching bonds	12,027,685	15,449,932	3,422,247	339
Domestic bonds	11,948,259	15,369,411	3,421,152	-
Foreign bonds	79,425	80,520	1,095	339
Stocks of subsidiaries and affiliates	1,127,241	1,210,444	83,202	7,792
Domestic stocks	236,944	236,944	-	-
Foreign stocks	819,672	902,729	83,056	7,792
Other securities	70,625	70,770	145	-
Available-for-sale securities	13,741,506	16,442,484	2,700,977	173,738
Domestic bonds	3,782,592	4,378,846	596,253	603
Domestic stocks	1,803,801	3,116,608	1,312,806	96,457
Foreign securities	7,425,826	8,192,510	766,683	63,629
Foreign bonds	6,150,829	6,828,492	677,663	36,594
Foreign stocks and other securities	1,274,997	1,364,017	89,019	27,035
Other securities	506,260	518,673	12,412	13,028
Monetary claims bought	220,436	233,206	12,769	17
Certificates of deposit	-	-	-	-
Money held in trust	2,587	2,640	52	-
<b>Total</b>	<b>26,942,146</b>	<b>33,154,157</b>	<b>6,212,010</b>	<b>181,870</b>
Domestic bonds	15,776,565	19,799,554	4,022,989	603
Domestic stocks	2,040,745	3,353,552	1,312,806	96,457
Foreign securities	8,324,925	9,175,760	850,834	71,761
Foreign bonds	6,230,255	6,909,013	678,758	36,933
Foreign stocks and other securities	2,094,670	2,266,746	172,076	34,828
Other securities	576,885	589,444	12,558	13,028
Monetary claims bought	220,436	233,206	12,769	17
Certificates of deposit	-	-	-	-
Money held in trust	2,587	2,640	52	-
<b>As of September 30, 2016</b>				
Held-to-maturity bonds	45,863	51,296	5,432	-
Domestic bonds	45,863	51,296	5,432	-
Foreign bonds	-	-	-	-
Policy-reserve-matching bonds	12,031,068	15,580,234	3,549,165	4,652
Domestic bonds	11,940,644	15,487,056	3,546,411	4,639
Foreign bonds	90,424	93,178	2,754	13
Stocks of subsidiaries and affiliates	1,117,475	1,104,960	(12,514)	38,829
Domestic stocks	237,036	237,036	-	-
Foreign stocks	827,735	815,216	(12,518)	38,829
Other securities	52,702	52,707	4	-
Available-for-sale securities	14,224,098	16,694,113	2,470,014	228,722
Domestic bonds	3,785,536	4,375,251	589,715	2,947
Domestic stocks	1,821,945	3,052,819	1,230,874	90,681
Foreign securities	7,831,585	8,478,651	647,065	112,265
Foreign bonds	6,861,256	7,456,724	595,467	83,993
Foreign stocks and other securities	970,328	1,021,926	51,598	28,271
Other securities	478,162	469,651	(8,511)	22,528
Monetary claims bought	204,279	215,335	11,056	114
Certificates of deposit	100,000	99,993	(6)	6
Money held in trust	2,587	2,409	(178)	178
<b>Total</b>	<b>27,418,506</b>	<b>33,430,604</b>	<b>6,012,098</b>	<b>272,203</b>
Domestic bonds	15,772,045	19,913,604	4,141,558	7,587
Domestic stocks	2,058,982	3,289,856	1,230,874	90,681
Foreign securities	8,749,745	9,387,046	637,301	151,107
Foreign bonds	6,951,681	7,549,903	598,222	84,006
Foreign stocks and other securities	1,798,064	1,837,143	39,079	67,100
Other securities	530,865	522,358	(8,507)	22,528
Monetary claims bought	204,279	215,335	11,056	114
Certificates of deposit	100,000	99,993	(6)	6
Money held in trust	2,587	2,409	(178)	178

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

## (8) Fair value information on money held in trust (General Account)

(millions of yen)

	Carrying amount on the balance sheet	Fair value	Gains (losses)	Gains (losses)	
				Gains	Losses
As of March 31, 2016	52,806	52,806	(4,407)	7,143	11,551
As of September 30, 2016	48,631	48,631	(1,992)	8,329	10,322

Note: 1. Fair value in the table above is based on the valuation conducted by the fiduciary on a reasonable basis.  
2. "Gains (losses)" include gains (losses) from derivative transactions within the trusts.

\* Information on money held in trust for investment purpose is as follows:

(millions of yen)

	As of March 31, 2016		As of September 30, 2016	
	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
Money held in trust for investment purpose	50,166	(4,459)	46,222	(1,716)

\* Information on money held in trust classified as held-to-maturity, policy-reserve-matching and available-for-sale is as follows:

(millions of yen)

	As of March 31, 2016					As of September 30, 2016				
	Book value	Fair value	Gains (losses)			Book value	Fair value	Gains (losses)		
				Gains	Losses				Gains	Losses
Money held in trust classified as held-to-maturity	-	-	-	-	-	-	-	-	-	-
Money held in trust classified as policy-reserve-matching	-	-	-	-	-	-	-	-	-	-
Money held in trust classified as available-for-sale	2,587	2,640	52	52	-	2,587	2,409	(178)	-	178

## (9) Total net unrealized gains (losses) of general account assets

(millions of yen)

	As of March 31, 2016	As of September 30, 2016
Securities	6,212,010	6,012,098
Domestic bonds	4,022,989	4,141,558
Domestic stocks	1,312,806	1,230,874
Foreign securities	850,834	637,301
Foreign bonds	678,758	598,222
Foreign stocks and other securities	172,076	39,079
Other securities	12,558	(8,507)
Others	12,821	10,870
Real estate	130,341	136,690
Total (including others not listed above)	6,334,647	6,171,350

Note: 1. Only foreign exchange valuation gains (losses) are taken into account for foreign securities whose fair value is deemed extremely difficult to recognize.  
2. The table above includes assets which are considered appropriate to handle as securities as defined in the Financial Instruments and Exchange Act.  
3. Difference between the book value before revaluation and fair value is reported as unrealized gains (losses) of real estate.

## 8. Disclosed Claims Based on Categories of Obligors

(millions of yen)

	As of March 31, 2016	As of September 30, 2016
Claims against bankrupt and quasi-bankrupt obligors	129	129
Claims with collection risk	2,969	2,942
Claims for special attention	437	342
Subtotal (I)	3,536	3,415
[Percentage (I)/(II) ]	[ 0.07%]	[ 0.07%]
Claims against normal obligors	5,169,698	5,191,732
Total (II)	5,173,234	5,195,148

- Note: 1. Claims against bankrupt and quasi-bankrupt obligors are loans to borrowers who are subject to bankruptcy, corporate reorganization or rehabilitation or other similar proceedings and other borrowers in serious financial difficulties.
2. Claims with collection risk are loans to obligors (other than bankrupt and quasi-bankrupt obligors) with deteriorated financial condition and results of operations from which it is unlikely that the principal and interest on the loans will be recovered.
3. Claims for special attention are loans on which principal and/or interest are past due for three months or more and loans with a concessionary interest rate, as well as loans with renegotiated conditions in favor of the borrower, including renegotiated schedule and/or waivers, in each case, other than the loans described in note 1. or 2. above.
4. Claims against normal obligors are all other loans.

## 9. Risk-Monitored Loans

(millions of yen)

	As of March 31, 2016	As of September 30, 2016
Credits to bankrupt borrowers	93	93
Delinquent loans	3,005	2,979
Loans past due for three months or more	-	-
Restructured loans	415	321
Total	3,513	3,394
[Percentage of total loans]	[ 0.12%]	[ 0.12%]

- Note: 1. 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 write-offs relating to bankrupt borrowers as of March 31, 2016 and September 30, 2016 were 2 million yen and 2 million yen, respectively. The write-offs relating to delinquent loans as of March 31, 2016 and September 30, 2016 were 56 million yen and 55 million yen, respectively.
2. Credits to bankrupt borrowers represent non-accrual loans to borrowers which are subject to bankruptcy, corporate reorganization or rehabilitation or other similar, including but not limited to foreign, proceedings. Accrual of interest on such loans have been suspended based upon a determination that collection or repayment of principal or interest is unlikely due to significant delay in payment of principal or interest or for some other reason.
3. 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.
4. 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 loans classified as credits to bankrupt borrowers or delinquent loans.
5. 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.

## 10. Solvency Margin Ratio

(millions of yen)

	As of March 31, 2016	As of September 30, 2016
Total solvency margin <b>(A)</b>	6,741,736	7,022,850
Common stock, etc. *1	1,132,993	1,199,343
Reserve for price fluctuations	148,453	156,453
Contingency reserve	576,093	585,093
General reserve for possible loan losses	487	370
(Net unrealized gains (losses) on securities (before tax) and deferred hedge gains (losses) (before tax)) × 90% *2	2,426,025	2,233,885
Net unrealized gains (losses) on real estate × 85% *2	82,189	88,565
Policy reserves in excess of surrender values	1,932,954	1,975,325
Qualifying subordinated debt	498,727	759,277
Excluded portion of policy reserves in excess of surrender values and qualifying subordinated debt	(56,028)	(11,352)
Excluded items	(199,507)	(199,507)
Others	199,348	235,394
Total risk $\sqrt{(R_1 + R_8)^2 + (R_2 + R_3 + R_7)^2} + R_4$ <b>(B)</b>	1,496,746	1,477,772
Insurance risk $R_1$	74,483	72,588
3rd sector insurance risk $R_8$	172,591	174,194
Assumed investment yield risk $R_2$	233,024	229,003
Guaranteed minimum benefit risk $R_7$ *3	3,341	3,380
Investment risk $R_3$	1,205,585	1,190,751
Business risk $R_4$	33,780	33,398
Solvency margin ratio $\frac{(A)}{(1/2) \times (B)} \times 100$	900.8%	950.4%

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

## **11. Status of Separate Account**

### (1) Separate Account Assets by Product

(millions of yen)

	As of March 31, 2016	As of September 30, 2016
Individual variable insurance	56,211	52,062
Individual variable annuities	60,298	50,417
Group annuities	926,292	921,107
Separate account total	1,042,803	1,023,587

### (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, 2016		As of September 30, 2016	
	Number of policies	Amount	Number of policies	Amount
Individual variable insurance (term life)	147	727	147	727
Individual variable insurance (whole life)	43,567	269,119	43,212	266,733
Total	43,714	269,847	43,359	267,461

Note: Policies in force include term life riders.

#### B. Individual variable annuities

(millions of yen except number of policies)

	As of March 31, 2016		As of September 30, 2016	
	Number of policies	Amount	Number of policies	Amount
Individual variable annuities	15,442	86,159	14,029	76,154

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

## 12. Consolidated Financial Summary

### (1) Selected Financial Data and Other Information

(millions of yen)

	Six months ended September 30, 2015	Six months ended September 30, 2016
Ordinary revenues	3,683,339	3,190,111
Ordinary profit	241,207	220,328
Net income attributable to shareholders of parent company	135,179	106,037
Comprehensive income	(504,269)	(37,841)

(millions of yen)

	As of March 31, 2016	As of September 30, 2016
Total assets	49,924,922	49,741,847
Solvency margin ratio	763.8%	852.7%

### (2) Scope of Consolidation and Application of Equity Method

	As of September 30, 2016
Number of consolidated subsidiaries	55
Number of non-consolidated subsidiaries accounted for under the equity method	0
Number of affiliates accounted for under the equity method	48

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 March 31, 2016 (summarized)	As of September 30, 2016
<b>ASSETS</b>		
Cash and deposits	843,405	969,719
Call loans	116,900	135,300
Monetary claims bought	239,299	221,444
Money held in trust	87,476	270,658
Securities	41,560,060	41,286,494
Loans	3,715,562	3,573,357
Tangible fixed assets	1,178,817	1,161,850
Intangible fixed assets	407,367	382,145
Reinsurance receivable	105,876	95,265
Other assets	1,573,118	1,541,648
Net defined benefit assets	764	721
Deferred tax assets	1,344	1,299
Customers' liabilities for acceptances and guarantees	97,056	104,337
Reserve for possible loan losses	(1,702)	(1,961)
Reserve for possible investment losses	(423)	(434)
<b>Total assets</b>	<b>49,924,922</b>	<b>49,741,847</b>
<b>LIABILITIES</b>		
Policy reserves and others	43,894,014	43,121,344
Reserves for outstanding claims	580,778	508,596
Policy reserves	42,922,534	42,229,677
Reserve for policyholder dividends	390,701	383,071
Reinsurance payable	75,883	196,794
Bonds payable	485,682	923,489
Other liabilities	1,486,611	1,595,789
Net defined benefit liabilities	443,842	443,992
Reserve for retirement benefits of directors, executive officers and corporate auditors	1,886	1,798
Reserve for possible reimbursement of prescribed claims	800	800
Reserve for price fluctuations	155,246	164,747
Deferred tax liabilities	270,750	271,904
Deferred tax liabilities for land revaluation	80,189	78,572
Acceptances and guarantees	97,056	104,337
<b>Total liabilities</b>	<b>46,991,963</b>	<b>46,903,570</b>
<b>NET ASSETS</b>		
Capital stock	343,146	343,146
Capital surplus	330,105	329,745
Retained earnings	479,241	545,399
Treasury stock	(23,231)	(37,521)
Total shareholders' equity	1,129,262	1,180,770
Net unrealized gains (losses) on securities, net of tax	1,840,084	1,805,412
Deferred hedge gains (losses)	(3,865)	9,951
Reserve for land revaluation	(16,402)	(18,681)
Foreign currency translation adjustments	16,570	(107,962)
Accumulated remeasurements of defined benefit plans	(33,688)	(32,172)
Total accumulated other comprehensive income	1,802,698	1,656,547
Subscription rights to shares	925	884
Non-controlling interests	72	74
<b>Total net assets</b>	<b>2,932,959</b>	<b>2,838,276</b>
<b>Total liabilities and net assets</b>	<b>49,924,922</b>	<b>49,741,847</b>

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

(millions of yen)

	Six months ended September 30, 2015	Six months ended September 30, 2016
<b>ORDINARY REVENUES</b>	<b>3,683,339</b>	<b>3,190,111</b>
Premium and other income	2,790,002	2,270,663
Investment income	710,062	713,578
[ Interest and dividends ]	[ 530,507 ]	[ 523,017 ]
[ Gains on money held in trust ]	[ 1,084 ]	[ 1,551 ]
[ Gains on investments in trading securities ]	[ 28,684 ]	[ 52,603 ]
[ Gains on sale of securities ]	[ 129,722 ]	[ 100,964 ]
[ Derivative transaction gains ]	[ - ]	[ 13,521 ]
Other ordinary revenues	183,273	205,870
<b>ORDINARY EXPENSES</b>	<b>3,442,132</b>	<b>2,969,783</b>
Benefits and claims	1,966,472	1,789,877
[ Claims ]	[ 523,080 ]	[ 590,513 ]
[ Annuities ]	[ 303,283 ]	[ 261,803 ]
[ Benefits ]	[ 232,763 ]	[ 225,047 ]
[ Surrender values ]	[ 449,566 ]	[ 362,534 ]
Provision for policy reserves and others	557,192	218,557
Provision for reserves for outstanding claims	20,664	-
Provision for policy reserves	532,202	214,329
Provision for interest on policyholder dividends	4,326	4,228
Investment expenses	398,274	425,294
[ Interest expenses ]	[ 15,342 ]	[ 17,912 ]
[ Losses on sale of securities ]	[ 33,790 ]	[ 33,379 ]
[ Losses on valuation of securities ]	[ 5,733 ]	[ 10,132 ]
[ Derivative transaction losses ]	[ 22,808 ]	[ - ]
[ Losses on investments in separate accounts ]	[ 120,800 ]	[ 39,062 ]
Operating expenses	325,879	315,916
Other ordinary expenses	194,312	220,137
Ordinary profit	241,207	220,328
<b>EXTRAORDINARY GAINS</b>	<b>130</b>	<b>4,475</b>
Gains on disposal of fixed assets	123	4,471
Other extraordinary gains	6	3
<b>EXTRAORDINARY LOSSES</b>	<b>11,652</b>	<b>25,875</b>
Losses on disposal of fixed assets	229	5,070
Impairment losses on fixed assets	2,189	11,303
Provision for reserve for price fluctuations	9,231	9,500
Other extraordinary losses	2	0
Provision for reserve for policyholder dividends	45,733	45,000
Income before income taxes	183,952	153,927
Corporate income taxes-current	64,168	28,899
Corporate income taxes-deferred	(15,404)	18,981
Total of corporate income taxes	48,764	47,880
Net income	135,187	106,047
Net income attributable to non-controlling interests	8	9
Net income attributable to shareholders of parent company	135,179	106,037



[Unaudited Consolidated Statement of Comprehensive Income]

(millions of yen)

	Six months ended September 30, 2015	Six months ended September 30, 2016
Net income	135,187	106,047
Other comprehensive income	(639,457)	(143,888)
Net unrealized gains (losses) on securities, net of tax	(637,809)	(35,680)
Deferred hedge gains (losses)	1,112	13,817
Reserve for land revaluation	-	(15)
Foreign currency translation adjustments	2,164	(114,385)
Remeasurements of defined benefit plans, net of tax	(3,606)	1,508
Share of other comprehensive income of subsidiaries and affiliates accounted for under the equity method	(1,317)	(9,133)
Comprehensive income	(504,269)	(37,841)
Attributable to shareholders of the parent company	(504,279)	(37,850)
Attributable to non-controlling interests	9	9

## (5) Unaudited Consolidated Statements of Cash Flows

(millions of yen)

	Six months ended September 30, 2015	Six months ended September 30, 2016
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Income (loss) before income taxes	183,952	153,927
Depreciation	28,548	22,958
Impairment losses on fixed assets	2,189	11,303
Amortization of goodwill	1,740	1,595
Increase (decrease) in reserves for outstanding claims	23,120	(36,023)
Increase (decrease) in policy reserves	433,957	232,353
Provision for interest on policyholder dividends	4,326	4,228
Provision for (reversal of) reserve for policyholder dividends	45,733	45,000
Increase (decrease) in reserve for possible loan losses	(588)	325
Increase (decrease) in reserve for possible investment losses	-	10
Write-down of loans	21	20
Decrease (increase) in net defined benefit assets	69	182
Increase (decrease) in net defined benefit liabilities	(2,186)	4,538
Increase (decrease) in reserve for retirement benefits of directors, executive officers and corporate auditors	(95)	(88)
Increase (decrease) in reserve for possible reimbursement of prescribed claims	(125)	-
Increase (decrease) in reserve for price fluctuations	9,231	9,500
Interest and dividends	(530,507)	(523,017)
Securities related losses (gains)	(16,828)	(90,434)
Interest expenses	15,342	17,912
Losses (gains) on disposal of fixed assets	49	465
Increase (decrease) in accounts payable relating to introduction of defined-contribution pension plan	(6,301)	(5,556)
Others, net	191,502	409,071
Subtotal	383,152	258,273
Interest and dividends received	646,110	618,613
Interest paid	(18,343)	(22,753)
Policyholder dividends paid	(72,551)	(56,858)
Others, net	(122,739)	374,369
Corporate income taxes paid	(57,197)	(38,564)
Net cash flows provided by (used in) operating activities	758,430	1,133,079
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchases of monetary claims bought	(5,800)	(11,901)
Proceeds from sale and redemption of monetary claims bought	18,311	28,057
Purchases of money held in trust	(22,500)	(186,611)
Proceeds from decrease in money held in trust	3,000	4,617
Purchases of securities	(4,417,113)	(4,335,813)
Proceeds from sale and redemption of securities	3,126,546	3,018,447
Origination of loans	(189,213)	(264,802)
Proceeds from collection of loans	311,939	272,698
Others, net	315,935	(294,793)
Total of net cash provided by (used in) investment transactions	(858,893)	(1,770,101)
Total of net cash provided by (used in) operating activities and investment transactions	(100,462)	(637,021)
Acquisition of tangible fixed assets	(10,588)	(22,959)
Proceeds from sale of tangible fixed assets	664	14,337
Acquisition of intangible fixed assets	(10,689)	(13,131)
Proceeds from sale of intangible fixed assets	18	0
Net cash flows provided by (used in) investing activities	(879,488)	(1,791,855)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from borrowings	18,979	460,291
Repayment of borrowings	(1,059)	(26,432)
Proceeds from issuing bonds	4,285	486,452
Redemption of bonds	(12,623)	(8,239)
Repayment of financial lease obligations	(847)	(858)
Net increase (decrease) in short-term financing	67,618	(28,627)
Purchase of treasury stock	(14,999)	(15,999)
Proceeds from disposal of treasury stock	1,015	1,241
Cash dividends paid	(33,376)	(41,387)
Others, net	13	(7)
Net cash flows provided by (used in) financing activities	29,005	826,431
Effect of exchange rate changes on cash and cash equivalents	(9,645)	(23,345)
Net increase (decrease) in cash and cash equivalents	(101,698)	144,310
Cash and cash equivalents at the beginning of the period	1,254,760	961,221
Cash and cash equivalents at the end of the period	1,153,061	1,105,531

(6) Unaudited Consolidated Statement of Changes in Net Assets

Six months ended September 30, 2015

(millions of yen)

	Shareholders' equity					Accumulated other comprehensive income	
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity	Net unrealized gains (losses) on securities, net of tax	Deferred hedge gains (losses)
Balance at the beginning of the year	343,104	343,255	352,985	(9,723)	1,029,622	2,528,262	(12,036)
Cumulative effect of changes in accounting policies		(13,667)	(3,295)		(16,962)		
Balance at the beginning of the year after reflecting the effect of changes in accounting policies	343,104	329,588	349,690	(9,723)	1,012,659	2,528,262	(12,036)
Changes for the period							
Issuance of new shares - exercise of subscription rights to shares	42	42			84		
Dividends			(33,359)		(33,359)		
Net income attributable to shareholders of parent company			135,179		135,179		
Purchase of treasury stock				(14,999)	(14,999)		
Disposal of treasury stock		341		729	1,070		
Transfer from reserve for land revaluation			821		821		
Others			(167)		(167)		
Net changes of items other than shareholders' equity						(638,013)	1,112
Total changes for the period	42	383	102,474	(14,270)	88,628	(638,013)	1,112
Balance at the end of the period	343,146	329,971	452,164	(23,994)	1,101,288	1,890,249	(10,924)

(millions of yen)

	Accumulated other comprehensive income				Subscription rights to shares	Non-controlling interests	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	(33,424)	22,654	54,027	2,559,484	753	67	3,589,927
Cumulative effect of changes in accounting policies							(16,962)
Balance at the beginning of the year after reflecting the effect of changes in accounting policies	(33,424)	22,654	54,027	2,559,484	753	67	3,572,965
Changes for the period							
Issuance of new shares - exercise of subscription rights to shares							84
Dividends							(33,359)
Net income attributable to shareholders of parent company							135,179
Purchase of treasury stock							(14,999)
Disposal of treasury stock							1,070
Transfer from reserve for land revaluation							821
Others							(167)
Net changes of items other than shareholders' equity	(821)	1,043	(3,600)	(640,280)	171	2	(640,106)
Total changes for the period	(821)	1,043	(3,600)	(640,280)	171	2	(551,477)
Balance at the end of the period	(34,245)	23,698	50,426	1,919,203	925	69	3,021,488

Six months ended September 30, 2016

(millions of yen)

	Shareholders' equity					Accumulated other comprehensive income	
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity	Net unrealized gains (losses) on securities, net of tax	Deferred hedge gains (losses)
Balance at the beginning of the year	343,146	330,105	479,241	(23,231)	1,129,262	1,840,084	(3,865)
Cumulative effect of changes in accounting policies					-		
Balance at the beginning of the year after reflecting the effect of changes in accounting policies	343,146	330,105	479,241	(23,231)	1,129,262	1,840,084	(3,865)
Changes for the period							
Issuance of new shares - exercise of subscription rights to shares					-		
Dividends			(41,497)		(41,497)		
Net income attributable to shareholders of parent company			106,037		106,037		
Purchase of treasury stock				(15,999)	(15,999)		
Disposal of treasury stock		(359)		1,709	1,349		
Transfer from reserve for land revaluation			2,263		2,263		
Others			(644)		(644)		
Net changes of items other than shareholders' equity						(34,672)	13,817
Total changes for the period	-	(359)	66,158	(14,290)	51,508	(34,672)	13,817
Balance at the end of the period	343,146	329,745	545,399	(37,521)	1,180,770	1,805,412	9,951

(millions of yen)

	Accumulated other comprehensive income				Subscription rights to shares	Non-controlling interests	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	(16,402)	16,570	(33,688)	1,802,698	925	72	2,932,959
Cumulative effect of changes in accounting policies							-
Balance at the beginning of the year after reflecting the effect of changes in accounting policies	(16,402)	16,570	(33,688)	1,802,698	925	72	2,932,959
Changes for the period							
Issuance of new shares - exercise of subscription rights to shares							-
Dividends							(41,497)
Net income attributable to shareholders of parent company							106,037
Purchase of treasury stock							(15,999)
Disposal of treasury stock							1,349
Transfer from reserve for land revaluation							2,263
Others							(644)
Net changes of items other than shareholders' equity	(2,279)	(124,532)	1,515	(146,151)	(41)	1	(146,190)
Total changes for the period	(2,279)	(124,532)	1,515	(146,151)	(41)	1	(94,682)
Balance at the end of the period	(18,681)	(107,962)	(32,172)	1,656,547	884	74	2,838,276

**NOTES TO THE UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS AS OF AND FOR THE SIX MONTHS ENDED SEPTEMBER 30, 2016**

**I. GUIDELINES FOR PREPARATION OF UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS**

**1. Scope of Consolidation**

- (1) Number of consolidated subsidiaries for the six months ended September 30, 2016: 55

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

- The Dai-ichi Life Information Systems Co., Ltd.,
- The Dai-ichi Frontier Life Insurance Co., Ltd.,
- The Neo First Life Insurance Company, Limited (“Neo First Life”),
- Dai-ichi Life Insurance Company of Vietnam, Limited (“DLVN”),
- TAL Dai-ichi Life Australia Pty Ltd (“TDLA”), and
- Protective Life Corporation

Six subsidiaries of Protective Life Corporation were excluded from the scope of consolidation during the six months ended September 30, 2016 due to liquidation.

- (2) Number of non-consolidated subsidiaries for the six months ended September 30, 2016: 17

The main subsidiaries that are not consolidated for the purposes of financial reporting are Dai-ichi Seimei Business Service K.K and First U Anonymous Association. The seventeen non-consolidated subsidiaries had, individually, a minimal impact on the consolidated financial statements in terms of total assets, sales, net income (loss), retained earnings, cash flows, and others.

**2. Application of the Equity Method**

- (1) Number of non-consolidated subsidiaries under the equity method for the six months ended September 30, 2016: 0

- (2) Number of affiliated companies under the equity method for the six months ended September 30, 2016: 48

The forty-eight affiliated companies of the Parent Company include:

- DIAM Co., Ltd.,
- Mizuho-DL Financial Technology Co., Ltd.,
- Trust & Custody Services Bank Ltd.,
- Corporate-pension Business Service Co., Ltd.,
- Japan Excellent Asset Management Co., Ltd.,
- NEOSTELLA CAPITAL CO., LTD.,
- OCEAN LIFE INSURANCE PUBLIC COMPANY LIMITED,
- Star Union Dai-ichi Life Insurance Company Limited,
- Janus Capital Group Inc., and
- PT Panin Internasional

Effective October 1, 2016, DIAM Co., Ltd. became Asset Management One Co., Ltd. upon integration with the asset management division of Mizuho Trust & Banking Co., Ltd., Mizuho Asset Management Co., Ltd., and Shinko Asset Management Co., Ltd.

Effective the six months ended September 30, 2016, one affiliated company of Janus Capital Group Inc. is newly accounted for under the equity method.

Effective the six months ended September 30, 2016, one subsidiary of Janus Capital Group Inc. is excluded from the scope of the equity method as it has been liquidated.

- (3) Non-consolidated subsidiaries and affiliated companies

The non-consolidated subsidiaries (Dai-ichi Seimei Business Service K.K., First U Anonymous Association and others), as well as affiliated companies (NEOSTELLA No.1 Investment Limited Partnership, O.M. Building Management Co., Ltd. and others) of the Parent Company 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), retained earnings and others.

**3. Interim Closing Dates of Consolidated Subsidiaries**

The interim closing date of domestic consolidated subsidiaries is September 30, whereas that of foreign consolidated subsidiaries is June 30 or September 30. Financial information as of those closing dates 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, 2016

### 1. Valuation Methods of Securities

Securities held by the Parent 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 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 Market Value

Available-for-sale securities which have market value are valued at fair value as of September 30, 2016 (for domestic stocks, the average value during September), with cost determined by the moving average method.

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

i) 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) 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 consolidated statement of earnings.

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

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

The Parent Company and certain of its consolidated subsidiaries 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 groups of the Parent 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.

The sub-groups of insurance groups of certain consolidated subsidiaries of the Parent Company are:

- individual life insurance and annuities (yen-denominated, short-term),
  - individual life insurance and annuities (yen-denominated, long-term),
  - individual life insurance and annuities (U.S. dollar-denominated),
  - individual life insurance and annuities (Australian dollar-denominated), and
  - individual life insurance and annuities (New Zealand dollar-denominated),
- with the exception of certain types and contracts.

### **3. Valuation Method of Derivative Transactions**

Derivative transactions are reported at fair value.

### **4. Revaluation of Land**

Based on the “Law for Revaluation of Land” (Publicly Issued Law 34, March 31, 1998), the Parent Company revalued land for business use. 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 Law for 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 (Cabinet Order No.119, Issued on March 31, 1998).

### **5. Depreciation of Depreciable Assets**

#### **(1) Depreciation of Tangible Fixed Assets Excluding Leased Assets**

Depreciation of tangible fixed assets other than leased assets is calculated by the declining balance method (the depreciation of buildings excluding attached improvements and structures 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 acquired on or before March 31, 2007 and that are depreciated to their final depreciable limit, effective the fiscal year ended March 31, 2008, the remaining values are depreciated at equal amounts over five years following the fiscal year end when such assets were depreciated to their final depreciable limit.

Depreciation of tangible fixed assets owned by consolidated subsidiaries in Japan is principally calculated by the declining balance method, while the straight-line method is principally used to compute depreciation for such assets of consolidated overseas subsidiaries.

#### **(2) Amortization of Intangible Fixed Assets Excluding Leased Assets**

The Parent Company and its consolidated subsidiaries use the straight-line method for amortization of intangible fixed assets excluding leased assets. Amortization of software for internal use is based on the estimated useful lives of two to eight 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 remaining value and using the lease periods as the useful lives.



(4) Accumulated Depreciation of Tangible Fixed Assets

Accumulated depreciation of tangible fixed assets as of September 30, 2016 was ¥619,813 million.

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

The Parent Company and its domestic consolidated subsidiaries translated foreign currency-denominated assets and liabilities (excluding stocks of its non-consolidated subsidiaries and affiliated companies not accounted for under the equity method) into yen at the prevailing exchange rate as of September 30, 2016. Stocks of non-consolidated subsidiaries and affiliated companies not accounted for under the equity method are translated into yen at the exchange rate on the dates of acquisition. Assets, liabilities, revenues, and expenses of the Parent 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.

For certain consolidated subsidiaries of the Parent Company, changes in fair value of bonds included in foreign currency-denominated available-for-sale securities related to foreign currency-denominated insurance contracts are divided into two: changes in fair value due to changes in market prices in their original currencies are accounted for as "net unrealized gains (losses) on securities", and the remaining changes are reported in "foreign exchange gains (losses)".

**7. Reserve for Possible Loan Losses**

The reserve for possible loan losses is calculated based on 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 (1) the recoverable amount covered by the collateral or guarantees and (2) an overall assessment of the obligor's ability to pay.

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 Parent 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 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, 2016 was ¥57 million.

**8. Reserve for Possible Investment Losses**

In order to provide for future investment losses, a reserve for possible investment losses of the Parent Company is established for securities whose market 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 of the Parent Company, (1) an estimated amount for future payment out of the total amount of benefits for past service approved by the 105<sup>th</sup> general meeting of representative policyholders of the Parent Company and (2) an estimated amount for future corporate-pension payments to directors, executive officers, and corporate auditors who retired before the 105<sup>th</sup> general meeting of representative policyholders of the Parent Company are provided.

For the reserve for retirement benefits of directors, executive officers, and corporate auditors of certain consolidated subsidiaries, an amount considered to have been rationally incurred during the interim period is provided.

#### **10. Reserve for Possible Reimbursement of Prescribed Claims**

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

#### **11. Net Defined Benefit Liabilities and Net Defined Benefit Assets**

For the net defined benefit liabilities and the net defined benefit assets, an 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, 2017.

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 benefits to the period until March 31, 2017.

(2) Amortization of actuarial differences

Actuarial differences are amortized under the straight-line method through a certain period (three or seven years) within the employees' average remaining service period, starting from the following year. Certain overseas subsidiaries applied the corridor approach.

In addition, certain consolidated subsidiaries applied the simplified method in calculating their projected benefit obligations.

#### **12. Reserve for Price Fluctuations**

A reserve for price fluctuations is calculated in accordance with the provisions of Article 115 of the Insurance Business Act.

#### **13. Methods for Hedge Accounting**

(1) Methods for Hedge Accounting

Hedging transactions are accounted for in accordance with the "Accounting Standards for Financial Instruments" (ASBJ Statement No. 10). 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 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); (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; and (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). In addition, the deferral hedge method using interest-rate swaps based on "The accounting and auditing treatment on the application of the financial products accounting standard to the insurance industry" (Industry Audit Practice Committee Report No.26) is used for hedges against interest-rate fluctuations of certain insurance liabilities.

(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 transactions)
Currency options .....	Foreign currency-denominated bonds
Bond over-the-counter options .....	Foreign currency-denominated bonds
Equity options .....	Domestic stocks, foreign currency-denominated stocks (forecasted transactions)
Equity forward contracts.....	Domestic stocks

(3) Hedging Policies

The Parent Company conducts hedging transactions with regard to certain price fluctuation 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 Parent Company and its domestic consolidated subsidiaries account for national and local consumption tax mainly 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 for the six months ended September 30, 2016.

**15. Policy Reserves**

Policy reserves of the Parent Company and its consolidated subsidiaries that operate a life insurance business in Japan are established in accordance with Article 116 of the Insurance Business Act. Insurance premium reserves are calculated as follows. Additional policy reserves for certain whole life insurance contracts as stipulated in Article 69, Paragraph 5 of the Insurance Business Act are included in the calculations.

- (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.

Policy reserves of consolidated foreign subsidiaries are calculated based on the each country's accounting standard, such as US GAAP.

**16. Recoverability of Deferred Tax Assets**

Effective the six months ended September 30, 2016, the Parent Company applied the "Revised Implementation Guidance on Recoverability of Deferred Tax Assets" (ASBJ Statement No.26 issued on March 28, 2016).

## 17. Changes in Accounting Policies

Effective the six months ended September 30, 2016, the Parent Company and its domestic consolidated subsidiaries applied the “Practical Solution on a change in depreciation method due to Tax Reform 2016” (PITF No.32 issued on June 17, 2016) in accordance with the revision of the Corporation Tax Act, and changed the depreciation method for improvements attached to buildings and structures acquired on or after April 1, 2016 from the declining balance method to the straight-line method.

The effects of this change on the consolidated financial statements for the six months ended September 30, 2016 are immaterial.

## 18. Financial Instruments and Others

### (1) Fair Value 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, 2016 were as follows. The following table does not include financial instruments whose fair value is extremely difficult to recognize. (Please refer to (Note 2).)

As of September 30, 2016	Carrying amount	Fair value	Gains (Losses)
		(Unit: million yen)	
(1) Cash and deposits .....	969,719	969,724	5
(2) Call loans .....	135,300	135,300	-
(3) Monetary claims bought .....	221,444	221,444	-
(4) Money held in trust .....	270,658	270,658	-
(5) Securities			
a. Trading securities .....	4,795,205	4,795,205	-
b. Held-to-maturity bonds .....	331,879	344,979	13,100
c. Policy-reserve-matching bonds .....	14,663,597	18,428,823	3,765,225
d. Stock of subsidiaries and affiliate companies ....	33,144	53,077	19,932
e. Available-for-sale securities .....	20,706,360	20,706,360	-
(6) Loans .....	3,573,357		
Reserve for possible loan losses (*1) .....	(834)		
	3,572,522	3,734,141	161,618
<b>Total assets .....</b>	<b>45,699,833</b>	<b>49,659,714</b>	<b>3,959,881</b>
(1) Bonds payable.....	923,489	961,544	38,054
(2) Long-term borrowings .....	787,266	789,981	2,715
<b>Total liabilities .....</b>	<b>1,710,755</b>	<b>1,751,525</b>	<b>40,769</b>
Derivative transactions (* 2)			
a. Hedge accounting not applied .....	(31,695)	(31,695)	-
b. Hedge accounting applied .....	212,473	207,464	(5,009)
<b>Total derivative transactions .....</b>	<b>180,778</b>	<b>175,769</b>	<b>(5,009)</b>

(\*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

As for deposits with maturities, except for those which are close to maturity, present value is calculated by discounting the carrying amount for each segment based on the term, using a deposit interest rate which is assumed to be applied to new deposit. As for deposits close to maturity and deposits without maturity, fair value is based on the carrying amount since fair value is close to the carrying amount.

(2) Call loans

Since all call loans are close to due date and their fair value is close to their 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. The fair value of derivative transactions included in money held in trust is based on the price on derivatives markets.

(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 the 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 the partnership interest in fair value of the partnership assets is recorded as fair value of the stake in the partnership. Additionally, notes for the securities for each investment purpose are described in (2) Securities.

(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, 2016. 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) 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. Also, certain of long-term borrowings are deemed to have fair value close to book value, taking into account interest rates. Therefore, their book value is recorded as the fair value.

• **Derivative Transactions**

The breakdown of derivative transactions is (1) currency-related transactions (currency forward contracts, currency options, etc.); (2) interest-related transactions (interest rate futures, interest rate swaps, etc.); (3) stock-related transactions (yen stock index futures, foreign currency-denominated stock index futures, etc.); (4) bond-related transactions (yen bond futures, foreign currency-denominated bond futures, etc.). The fair value of the instruments is based on the exchange-traded prices and the prices quoted from counterparty financial institution, 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, 2016</u>	<u>Carrying amount</u>
	(Unit: million yen)
1. Unlisted domestic stocks (*) .....	161,669
2. Unlisted foreign stocks (*) .....	51,731
3. Other foreign securities (*) .....	468,406
4. Other securities (*) .....	74,499
<u>Total</u>	<u>756,306</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.

**(2) Securities**

## ● Held-to-maturity Bonds:

As of September 30, 2016	Carrying amount	Fair Value	Unrealized gains (losses)
(Unit: million yen)			
Held-to-maturity bonds with unrealized gains:			
(1) Bonds .....	45,863	51,296	5,432
a. Government bonds .....	45,863	51,296	5,432
b. Local government bonds .....	-	-	-
c. Corporate bonds .....	-	-	-
(2) Foreign securities .....	286,015	293,683	7,667
a. Foreign bonds .....	286,015	293,683	7,667
Subtotal .....	<u>331,879</u>	<u>344,979</u>	<u>13,100</u>
Held-to-maturity bonds with unrealized losses:			
(1) Bonds .....	-	-	-
a. Government bonds .....	-	-	-
b. Local government bonds .....	-	-	-
c. Corporate bonds .....	-	-	-
(2) Foreign securities .....	-	-	-
a. Foreign bonds .....	-	-	-
Subtotal .....	<u>-</u>	<u>-</u>	<u>-</u>
<b>Total .....</b>	<b><u>331,879</u></b>	<b><u>344,979</u></b>	<b><u>13,100</u></b>

## ● Policy-reserve-matching Bonds:

As of September 30, 2016	Carrying amount	Fair Value	Unrealized gains (losses)
(Unit: million yen)			
Policy-reserve-matching bonds with unrealized gains:			
(1) Bonds .....	12,634,187	16,262,070	3,627,883
a. Government bonds .....	11,854,757	15,399,471	3,544,714
b. Local government bonds .....	87,916	106,175	18,259
c. Corporate bonds .....	691,514	756,423	64,909
(2) Foreign securities .....	1,869,666	2,012,746	143,080
a. Foreign bonds .....	1,869,666	2,012,746	143,080
Subtotal .....	<u>14,503,854</u>	<u>18,274,817</u>	<u>3,770,963</u>
Policy-reserve-matching bonds with unrealized losses:			
(1) Bonds .....	111,745	106,817	(4,928)
a. Government bonds .....	35,500	35,221	(279)
b. Local government bonds .....	23,413	22,096	(1,317)
c. Corporate bonds .....	52,830	49,499	(3,331)
(2) Foreign securities .....	47,998	47,188	(809)
a. Foreign bonds .....	47,998	47,188	(809)
Subtotal .....	<u>159,743</u>	<u>154,005</u>	<u>(5,737)</u>
<b>Total .....</b>	<b><u>14,663,597</u></b>	<b><u>18,428,823</u></b>	<b><u>3,765,225</u></b>

- Available-for-sale Securities:

As of September 30, 2016	Carrying amount	Acquisition cost	Unrealized gains (losses)
		(Unit: million yen)	
Available-for-sale securities with unrealized gains:			
(1) Bonds .....	4,537,538	3,918,976	618,561
a. Government bonds .....	2,789,579	2,257,672	531,906
b. Local government bonds .....	44,833	42,339	2,493
c. Corporate bonds .....	1,703,125	1,618,963	84,162
(2) Domestic stocks .....	2,573,809	1,252,253	1,321,556
(3) Foreign securities .....	8,111,190	7,287,413	823,776
a. Foreign bonds .....	7,750,394	7,009,381	741,013
b. Other foreign securities .....	360,795	278,032	82,763
(4) Other securities .....	605,400	565,406	39,993
Subtotal .....	<u>15,827,937</u>	<u>13,024,049</u>	<u>2,803,888</u>
Available-for-sale securities with unrealized losses:			
(1) Bonds .....	176,093	180,269	(4,175)
a. Government bonds .....	8,772	8,874	(102)
b. Local government bonds .....	3,496	3,992	(496)
c. Corporate bonds .....	163,825	167,402	(3,577)
(2) Domestic stocks .....	352,738	443,420	(90,681)
(3) Foreign securities .....	4,297,984	4,566,523	(268,539)
a. Foreign bonds .....	3,962,735	4,202,308	(239,573)
b. Other foreign securities .....	335,248	364,215	(28,966)
(4) Other securities .....	373,044	395,785	(22,741)
Subtotal .....	<u>5,199,861</u>	<u>5,585,999</u>	<u>(386,138)</u>
Total .....	<u>21,027,799</u>	<u>18,610,049</u>	<u>2,417,749</u>

Note:

Figures in “Other securities” include certificates of deposits (acquisition cost: 100,000 million; carrying amount: 99,993 million) and trust beneficiary rights (acquisition cost: 210,279 million; carrying amount: 221,444 million), which were recorded as cash and deposits and monetary claims bought on the consolidated balance sheet, respectively.

**(3) Money Held in Trust**

- Money held in trust for investment purpose:

As of September 30, 2016	(Unit: million yen)
Carrying amount on the consolidated balance sheet .....	268,249
Gains (losses) on valuation of money held in trust .....	(353)

- Money held in trust classified as Available-for-Sale (other than for investment purpose, classified as held-to maturity and policy-reserve-matching):

As of September 30, 2016	(Unit: million yen)
Carrying amount on the consolidated balance sheet .....	2,409
Acquisition cost .....	2,587
Unrealized gains (losses) .....	(178)
Unrealized gains .....	-
Unrealized losses .....	(178)



## 19. Real Estate for Rent

The carrying amount, net change during the six months ended September 30, 2016, and the market value of the Parent Company's real estate for rent were as follows:

Six months ended September 30, 2016	(Unit: million yen)
Carrying amount	
Beginning balance .....	807,289
Net change during the period .....	8,638
Ending balance .....	815,927
Market value	889,411

Notes:

- (1) The carrying amount of real estate for rent on the consolidated balance sheet was acquisition cost net of accumulated depreciation and impairments.
- (2) Net change in the carrying amount includes cost of acquisition of the real estate for rent of ¥21,140 million, the depreciation expense of ¥6,974 million, sale of the real estate of ¥6,645 million and impairment losses of ¥2,741 million.
- (3) The Parent Company calculates the market value of the majority of the real estate for rent based on real estate appraisals by an independent appraiser, and others based on the internal but reasonable estimates.

## 20. Securities Lending

Securities lent under lending agreements are included in the consolidated balance sheet. The total balance of securities lent as of September 30, 2016 was ¥2,520,468 million.

## 21. Problem Loans

As of September 30, 2016, the total amount of credits to bankrupt borrowers, delinquent loans, loans past due for three months or more, and restructured loans, which was included in loans, was ¥3,500 million. The amount of credits to bankrupt borrowers was ¥93 million, the amount of delinquent loans was ¥3,085 million, the Parent Company held no amount of loans past due for three months or more, and the amount of restructured loans was ¥321 million.

Credits to bankrupt borrowers are loans for which interest is not accrued as income, except for a portion of loans written off, and to which any event specified in Article 96, Paragraph 1, Item 3 (a) to (e) or Item 4 of the Order for Enforcement of the Corporation Tax Act has occurred. Interest is not accrued as income for the loans since the recovery of principal or interest on the loans is unlikely due to the fact that principal repayments and interest payments are overdue for a significant period of time or for other reasons.

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, credits to bankrupt borrowers and delinquent loans decreased by ¥2 million and ¥55 million, respectively.

## 22. 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 ¥3,090,732 million. Separate account liabilities were the same amount as the separate account assets.

### 23. 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 ending March 31, 2017 .....	390,701
Dividends paid .....	56,858
Interest accrual .....	4,228
Provision for reserve for policyholder dividends .....	45,000
<u>Balance as of September 30, 2016 .....</u>	<u>383,071</u>

### 24. Stock of Subsidiaries

The amount of stocks of and stakes in non-consolidated subsidiaries and affiliated companies the Parent Company held as of September 30, 2016 was as follows:

	(Unit: million yen)
Stocks .....	118,522
Capital .....	53,814
<u>Total .....</u>	<u>172,336</u>

### 25. Organizational Change Surplus

The amount of the Parent Company's organizational change surplus stipulated in Article 91 of the Insurance Business Act was ¥117,776 million.

### 26. Assets Pledged as Collateral / Secured Liabilities

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

As of September 30, 2016	Unit: million yen)
Securities (Foreign securities) .....	230,084
Securities (Government bonds) .....	185,476
Securities (Corporate bonds) .....	3,285
Cash/deposits .....	3,206
<u>Securities and cash/deposits pledged as collateral .....</u>	<u>422,053</u>

The amounts of secured liabilities were as follows:

	(Unit: million yen)
Cash collateral for securities lending transactions .....	178,491

"Securities (Government bonds)" includes securities pledged as collateral for securities lending transactions with cash collateral as of September 30, 2016 was ¥146,225 million.

### 27. Net Assets per Share

The amount of net assets per share of the Parent Company as of September 30, 2016 was ¥2,414.49.

### 28. Asset Retirement Obligations

The following table shows the increase and decrease in asset retirement obligations for the six months ended September 30, 2016:

	(Unit: million yen)
Beginning balance .....	2,675
Time progress adjustments .....	19
Others .....	(3)
<u>Ending balance .....</u>	<u>2,691</u>

### 29. Securities Borrowing

Of securities borrowed under borrowing agreements and securities received as collateral of reinsurance transactions, the market value of the securities which can be sold or pledged as collateral but were not sold nor pledged as of September 30, 2016 was ¥842,355 million, among which no securities were pledged as collateral.

### **30. Commitment Line**

There were unused commitment line agreements under which the Parent Company and its consolidated subsidiaries were the lenders of ¥105,961 million.

### **31. Subordinated Debt**

Other liabilities included subordinated debt of ¥283,000 million, the repayment of which is subordinated to other obligations.

### **32. Bonds Payable**

Bonds payable included foreign currency-denominated subordinated bonds of ¥522,074 million, the repayment of which is subordinated to other obligations.

### **33. Obligations to the Life Insurance Policyholders Protection Corporation of Japan**

The estimated future obligations of the Parent Company and its subsidiaries that operate a life insurance business in Japan to the Life Insurance Policyholders Protection Corporation of Japan under Article 259 of the Insurance Business Act were ¥56,523 million as of September 30, 2016. These obligations will be recognized as operating expenses in the period in which they are paid.

### **34. Incentive Programs for Employees**

The Parent Company conducts transactions by granting its stocks to its employees using trust schemes (“the Stock Granting Trust (J-ESOP)” and “the Company’s Trust-type Employee Shareholding Incentive Plan (E-Ship®)”) to incentivize its employees to improve the corporate value and, thus, stock prices, and to provide the employees with incentives to improve the corporate value of the Parent Company in the medium- to long-term.

#### (1) Overview of the transactions

##### (a) J-ESOP

J-ESOP is a program to grant shares of common stock to the Parent Company’s managerial level employees who fulfill requirements under the Stock Granting Regulations of the Parent Company. The Parent Company vests points to each managerial level employee based on her/his total points at retirement. Such stocks, including stocks to be granted in the future, are purchased by money held in the J-ESOP trust, managed separately from books of the Parent Company.

##### (b) E-Ship®

E-Ship® is an incentive program for employees who are members of the Dai-ichi Life Insurance Employee Stock Holding Partnership (the “Partnership”). In the E-Ship® plan, the Parent Company sets up a trust through a trust bank. The trust estimates the number of shares of common stock of the Parent Company which the Partnership is to acquire in 5 years and purchases the shares in advance. The Partnership buys shares of the Parent Company from the trust periodically. At the end of the trust period, the Partnership’s retained earnings, accumulation of net gains on sale of shares of the Parent Company, are to be distributed to the members, who fulfill the requirements for eligible beneficiaries. On the other hand, the Parent Company will pay off retained loss, accumulation of net losses on sale of the shares and any amount equivalent to the amount of outstanding debt at the end of period, as it is to guarantee the debt of the trust needed to purchase the shares.

The trust fund for Dai-ichi Life Insurance Employee Stock Holding Partnership has closed as of July 2016.

#### (2) While adopting Practical Solution on Transactions of Delivering the Parent Company’s Own Stock to Employees etc. through Trusts. (ASBJ PITF No.30), the Parent Company applies the same accounting treatment as before.

#### (3) Information related to the stocks of the Parent Company which the trusts hold

##### (a) J-ESOP

- i) Book value of the stocks of the Parent Company within the trust was ¥6,596 million. These stocks were recorded as treasury stock in the total shareholders’ equity.

ii) The number of stocks within the trust at the period end was 4,363 thousand shares and the average number of stocks within the trust was 4,376 thousand shares. The number of shares at the period end and the average number of stocks were included in treasury stock, which is deducted when calculating per-share information.

(b) E-Ship®

- i) Book value of the stocks of the Parent Company within the trust was not recorded as of September 30, 2016.
- ii) No stocks remained within the trust at the period end. The average number of stocks within the trust was 449 thousand shares. The average number of stocks was included in treasury stock, which is deducted when calculating per-share information.

**35. Material Subsequent Events**

- (1) Based on the resolution of the Board of Directors made on April 8, 2016, approval of related resolutions at the Annual General Meeting of Shareholders held on June 24, 2016, and authorization by the regulatory authorities, effective October 1, 2016, the Parent Company transitioned to a holding company structure. At the same time, the Parent Company changed its corporate name to “Dai-ichi Life Holdings, Inc.” and will focus on managing group companies under a new governance structure of “a company with a board with audit committee.”

Due to corporate split, the domestic life insurance business is succeeded by “The Dai-ichi Life Insurance Company, Limited” (corporate name changed from “The Dai-ichi Life Split Preparation Company, Limited” on October 1, 2016). A life insurance business license was newly issued to “The Dai-ichi Life Insurance Company, Limited” by the authorities on August 3, 2016 and it started its business activities on October 1, 2016.

<Overview of the companies>

	Dai-ichi Life Holdings, Inc.	The Dai-ichi Life Insurance Company, Limited
Address	13-1, Yurakucho 1-chome, Chiyoda-ku, Tokyo, Japan	13-1, Yurakucho 1-chome, Chiyoda-ku, Tokyo, Japan
Representative	Koichiro Watanabe, President and Representative Director	Koichiro Watanabe, President and Representative Director
Business	Business management of group companies, etc.	Life insurance business
Capital stock	343,146 million yen	60,000 million yen

- (2) Effective October 1, 2016, DIAM Co., Ltd., an affiliated company of the Parent Company, became Asset Management One Co., Ltd. upon integration with the Asset Management Division of Mizuho Trust & Banking Co., Ltd., Mizuho Asset Management Co., Ltd., and Shinko Asset Management Co., Ltd. Following this integration, the Parent Company has 30% economic ownership and 49% voting rights of Asset Management One Co., Ltd.

### III. NOTES TO UNAUDITED CONSOLIDATED STATEMENT OF EARNINGS FOR THE SIX MONTHS ENDED SEPTEMBER 30, 2016

#### 1. Net Income and Diluted Net Income per Share

Net income per share for the six months ended September 30, 2016 was ¥90.05. Diluted net income per share for the same period was ¥90.00.

#### 2. Calculation of Tax

At some consolidated subsidiaries, income taxes are calculated by applying a reasonably estimated effective tax rate to income before income taxes for the six months ended September 30, 2016. The estimated effective tax rate takes into account the effect of deferred tax for the fiscal year including the six months ended September 30, 2016.

#### 3. Impairment Losses on Fixed Assets

Details on the Parent Company's impairment losses on fixed assets for the six months ended September 30, 2016 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 Parent 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 were as follows:

Six months ended September 30, 2016

Asset Group	Place	Number	Impairment Losses		
			Land	Buildings	Total
(Unit: million yen)					
Real estate not in use	Yokkaichi City, Mie Prefecture and others	112	6,892	4,411	11,303

##### (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 2.41% 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, 2016**

**1. Scope of Cash and Cash Equivalents**

Cash and cash equivalents in the consolidated statement of cash flows consist of the following items contained in the consolidated balance sheet: cash and deposits, call loans, commercial paper included in monetary claims bought, money market funds included in securities, and overdrafts included in other liabilities.

**2. Reconciliation of Cash and Cash Equivalents**

The reconciliation of cash and cash equivalents to balance sheet accounts as of September 30, 2016 was as follows:

	(Unit: million yen)
Cash and deposits (a) .....	969,719
Call loans (b) .....	135,300
Money market funds included in securities (c) .....	513
<u>Cash and cash equivalents (a + b + c) .....</u>	<u>1,105,532</u>

**V. NOTES TO UNAUDITED CONSOLIDATED STATEMENT OF CHANGE IN NET ASSETS FOR THE SIX MONTHS ENDED SEPTEMBER 30, 2016**

**1. Type and Number of Shares Outstanding**

	At the beginning of the fiscal year ending March 31, 2017	Increase	Decrease	As of September 30, 2016
	(Unit: thousands of shares)			
Common stock .....	1,198,023	-	-	1,198,023
Treasury stock .....	12,368	11,695	1,161	22,903

Notes:

- (\*1) Treasury stock at the beginning of the fiscal year ending March 31, 2017 and as of September 30, 2016 included 5,490 thousand shares and 4,363 thousand shares held by the trust fund through the J-ESOP and the trust fund for Dai-ichi Life Insurance Employee Stock Holding Partnership through the E-Ship®, respectively. The trust fund for Dai-ichi Life Insurance Employee Stock Holding Partnership has closed as of July 2016.
- (\*2) The increase of 11,695 thousand shares of treasury stock was due to the repurchase of outstanding common stock.
- (\*3) The decrease of 1,161 thousand shares of treasury stock represents the sum of (a) 34 thousand shares granted to eligible employees at retirement by the J-ESOP as a result of exercising stock options and (b) 1,126 thousand shares sold to the Dai-ichi Life Insurance Employee Stock Holding Partnership etc. by the Trust Fund for Dai-ichi Life Insurance Employee Stock Holding Partnership under the E-Ship®.

**2. Stock Acquisition Rights**

Issuer	Details	Balance at the end of the period (Unit: million yen)
The Parent Company	Stock acquisition rights in the form of stock options	884

**3. Dividends on Common Stock**

Date of resolution	June 24, 2016 (at the Annual General Meeting of Shareholders)
Type of shares	Common stock
Total dividends	¥41,497 million
Dividends per share	¥35
Record date	March 31, 2016
Effective date	June 27, 2016
Dividend resource	Retained earnings

(Note) Total dividends did not include ¥192 million of dividends to the J-ESOP trust and the E-Ship® trust, as the Parent Company recognized the shares held by those trusts as treasury stock. The trust fund for Dai-ichi Life Insurance Employee Stock Holding Partnership has closed as of July 2016.

## (7) Consolidated Solvency Margin Ratio

(millions of yen)

	As of March 31, 2016	As of September 30, 2016
Total solvency margin <b>(A)</b>	6,037,031	6,609,646
Common stock, etc. *1	763,044	877,571
Reserve for price fluctuations	155,246	164,747
Contingency reserve	691,167	699,941
Catastrophe loss reserve	-	-
General reserve for possible loan losses	495	379
(Net unrealized gains (losses) on securities (before tax) and deferred hedge gains (losses) (before tax) ) × 90% *2	2,270,855	2,259,159
Net unrealized gains (losses) on real estate × 85% *2	82,189	88,565
Sum of unrecognized actuarial differences and unrecognized past service cost	(46,579)	(44,503)
Policy reserves in excess of surrender values	2,121,848	2,149,378
Qualifying subordinated debt	498,727	759,277
Excluded portion of policy reserves in excess of surrender values and qualifying subordinated debt	(521,349)	(413,575)
Excluded items	(177,962)	(166,691)
Others	199,348	235,394
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>(B)</b>	1,580,596	1,550,107
Insurance risk R <sub>1</sub>	122,410	117,484
General insurance risk R <sub>5</sub>	5,006	4,271
Catastrophe risk R <sub>6</sub>	1,844	1,701
3rd sector insurance risk R <sub>8</sub>	186,234	187,090
Small amount and short-term insurance risk R <sub>9</sub>	-	-
Assumed investment yield risk R <sub>2</sub>	262,581	255,838
Guaranteed minimum benefit risk R <sub>7</sub> *3	87,783	72,857
Investment risk R <sub>3</sub>	1,160,636	1,152,869
Business risk R <sub>4</sub>	36,529	35,842
Solvency margin ratio $\frac{(A)}{(1/2) \times (B)} \times 100$	763.8%	852.7%

\*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) Status of Insurance Claims Paying Ability of Insurance Subsidiaries  
(Solvency Margin Ratio)

The Dai-ichi Frontier Life Insurance Company

(millions of yen)

	As of March 31, 2016	As of September 30, 2016
Total solvency margin <b>(A)</b>	348,758	352,839
Common stock, etc.	42,765	41,043
Reserve for price fluctuations	6,773	8,279
Contingency reserve	114,644	114,415
General reserve for possible loan losses	8	9
(Net unrealized gains (losses) on securities (before tax) and deferred hedge gains (losses) (before tax)) × 90% *	54,049	60,386
Net unrealized gains (losses) on real estate × 85% *	-	-
Policy reserves in excess of surrender values	188,894	174,053
Qualifying subordinated debt	-	-
Excluded portion of policy reserves in excess of surrender values and qualifying subordinated debt	(53,056)	(39,855)
Excluded items	(5,320)	(5,491)
Others	-	-
Total risk $\sqrt{(R_1 + R_8)^2 + (R_2 + R_3 + R_7)^2} + R_4$ <b>(B)</b>	133,391	132,271
Insurance risk $R_1$	46	41
3rd sector insurance risk $R_8$	-	-
Assumed investment yield risk $R_2$	29,556	26,835
Guaranteed minimum benefit risk $R_7$	24,180	17,808
Investment risk $R_3$	75,767	83,773
Business risk $R_4$	3,886	3,853
Solvency margin ratio $\frac{(A)}{(1/2) \times (B)} \times 100$	522.9%	533.5%

\*: Multiplied by 100% if losses.

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

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

	As of March 31, 2016	As of September 30, 2016
Total solvency margin <b>(A)</b>	27,795	24,995
Common stock, etc.	27,343	24,546
Reserve for price fluctuations	20	14
Contingency reserve	428	432
General reserve for possible loan losses	-	-
(Net unrealized gains (losses) on securities (before tax) and deferred hedge gains (losses) (before tax)) × 90% *	3	2
Net unrealized gains (losses) on real estate × 85% *	-	-
Policy reserves in excess of surrender values	-	-
Qualifying subordinated debt	-	-
Excluded portion of policy reserves in excess of surrender values and qualifying subordinated debt	-	-
Excluded items	-	-
Others	-	-
Total risk $\sqrt{(R_1 + R_8)^2 + (R_2 + R_3 + R_7)^2} + R_4$ <b>(B)</b>	557	536
Insurance risk $R_1$	336	322
3rd sector insurance risk $R_8$	89	107
Assumed investment yield risk $R_2$	0	0
Guaranteed minimum benefit risk $R_7$	-	-
Investment risk $R_3$	323	282
Business risk $R_4$	22	21
Solvency margin ratio $\frac{(A)}{(1/2) \times (B)} \times 100$	9,969.9%	9,323.7%

\*: Multiplied by 100% if losses.

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

#### (9) 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.