

November 14, 2017

Financial Results for the Six Months Ended September 30, 2017

The Dai-ichi Life Insurance Company, Limited (the "Company"; President: Seiji Inagaki) announces its financial results for the six months ended September 30, 2017.

[Contents]

Financial Summary for the Six Months Ended September 30, 2017

1. Business Highlights	-----	P.1
2. Unaudited Balance Sheet	-----	P.3
3. Unaudited Statement of Earnings	-----	P.4
4. Unaudited Statement of Changes in Net Assets	-----	P.5
5. Breakdown of Ordinary Profit (Fundamental Profit)	-----	P.18
6. Investment of General Account Assets	-----	P.19
7. Investment Results of General Account	-----	P.23
8. Disclosed Claims Based on Categories of Obligors	-----	P.26
9. Solvency Margin Ratio	-----	P.27
10. Status of Separate Account	-----	P.29
11. Consolidated Financial Summary	-----	P.29

Attached: Supplementary Materials for the Six Months Ended September 30, 2017

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

Regarding the Figures Presented in this Document

The Dai-ichi Life Insurance Company, Limited ("former Dai-ichi Life": "A" as shown below) changed its trading name to Dai-ichi Life Holdings, Inc. on October 1, 2016 and changed its business purpose to managing the business activities of its group companies etc.

The domestic life insurance business of former Dai-ichi Life is succeeded by The Dai-ichi Life Insurance Company, Limited* ("current Dai-ichi Life": "C" as shown below) by means of corporate split.

*Trading name changed from The Dai-ichi Life Split Preparation Company, Limited ("B" as shown below) on October 1, 2016.

For the purpose of presenting comparable business results with the previous fiscal year, the figures presented in this document are defined below.

<Figures Presented>

- Ending balance of a given fiscal year

For fiscal year 2017 (current fiscal year) and 2016 (previous fiscal year), current Dai-ichi Life figures are presented.

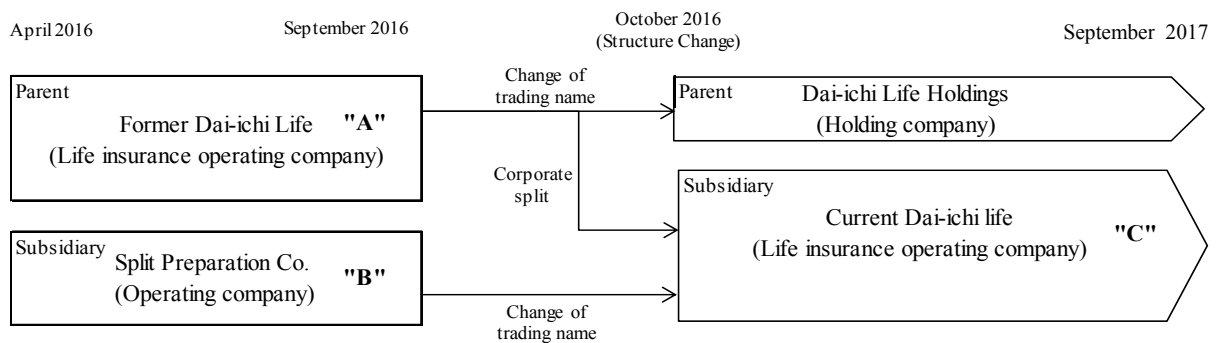
	Figures Presented
Fiscal year 2017	Current Dai-ichi Life figures as of September 30, 2017
Fiscal year 2016	Current Dai-ichi Life figures as of March 31, 2017

- Profit/loss etc. for a given period

For fiscal year 2017 (current fiscal year), current Dai-ichi Life results are presented.

For fiscal year 2016 (previous fiscal year), former Dai-ichi Life results (April to September, 2016) are presented.

	Figures Presented
Fiscal year 2017	Current Dai-ichi Life results (April to September, 2017)
Fiscal year 2016	Former Dai-ichi Life results (April to September, 2016)



1. Business Highlights

(1) Annualized Net Premiums

Policies in Force

(billions of yen)

	As of March 31, 2017	As of September 30, 2017	
			% of March 31, 2017 total
Individual insurance	1,620.3	1,616.3	99.8
Individual annuities	526.9	529.6	100.5
Total	2,147.2	2,145.9	99.9
Medical and survival benefits	606.3	627.3	103.5

New Policies

(billions of yen)

	Six months ended September 30, 2016	Six months ended September 30, 2017	
			% of September 30, 2016 total
Individual insurance	42.8	47.3	110.4
Individual annuities	34.8	7.1	20.5
Total	77.7	54.5	70.1
Medical and survival benefits	23.4	36.3	155.3

- 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, 2017		As of September 30, 2017			
	Number of policies (thousands)	Amount (billions of yen)	Number of policies (thousands)		Amount (billions of yen)	
				% of March 31, 2017 total		% of March 31, 2017 total
Individual insurance	11,704	108,578.4	11,722	100.2	105,491.9	97.2
Individual annuities	1,964	11,481.3	1,969	100.3	11,423.2	99.5
Individual insurance and annuities	13,668	120,059.7	13,692	100.2	116,915.1	97.4
Group insurance	-	47,451.8	-	-	47,639.9	100.4
Group annuities	-	6,106.6	-	-	6,149.0	100.7

- 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

	Number of policies		Amount (billions of yen)	New Business	Net increase by conversion	% of September 30, 2016 total
	(thousands)	% of September 30, 2016 total				
Six months ended September 30, 2016						
Individual insurance	464		946.6	1,820.9	(874.3)	
Individual annuities	127		730.1	736.0	(5.9)	
Individual insurance and annuities	592		1,676.7	2,557.0	(880.2)	
Group insurance	-		92.5	92.5	-	
Group annuities	-		0.0	0.0	-	
Six months ended September 30, 2017						
Individual insurance	482	103.7	1,007.4	1,936.4	(929.0)	106.4
Individual annuities	32	25.8	164.3	169.3	(4.9)	22.5
Individual insurance and annuities	515	86.9	1,171.8	2,105.8	(934.0)	69.9
Group insurance	-	-	325.3	325.3	-	351.7
Group annuities	-	-	0.0	0.0	-	94.8

- 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.

(3) Profit and Loss Items

(millions of yen)

	Six months ended September 30, 2016	Six months ended September 30, 2017	
			% of September 30, 2016 total
Premium and other income	1,314,251	1,105,936	84.1
Investment income	526,259	577,191	109.7
Benefits and claims	1,145,348	1,078,215	94.1
Investment expenses	130,443	145,686	111.7
Ordinary profit	182,642	158,140	86.6

(4) Total Assets

(millions of yen)

	As of March 31, 2017	As of September 30, 2017	
			% of March 31, 2017 total
Total Assets	35,686,645	36,776,029	103.1

2. Unaudited Balance Sheet

(millions of yen)

	As of March 31, 2017 (summarized)	As of September 30, 2017
(ASSETS)		
Cash and deposits	438,454	418,977
Call loans	98,500	389,800
Monetary claims bought	192,213	188,765
Money held in trust	50,191	55,767
Securities	30,498,102	31,353,881
[Government bonds]	[14,084,907]	[14,053,586]
[Local government bonds]	[109,098]	[118,122]
[Corporate bonds]	[2,023,985]	[1,968,046]
[Stocks]	[3,666,952]	[3,904,911]
[Foreign securities]	[9,868,430]	[10,601,908]
Loans	2,657,852	2,586,208
Policy loans	381,830	371,304
Ordinary loans	2,276,021	2,214,904
Tangible fixed assets	1,124,412	1,116,042
Intangible fixed assets	87,793	92,970
Reinsurance receivable	2,260	2,338
Other assets	434,994	464,721
Customers' liabilities for acceptances and guarantees	103,786	109,179
Reserve for possible loan losses	(1,472)	(2,013)
Reserve for possible investment losses	(444)	(611)
Total assets	35,686,645	36,776,029
(LIABILITIES)		
Policy reserves and others	30,864,753	30,922,677
Reserves for outstanding claims	229,698	206,629
Policy reserves	30,249,170	30,331,587
Reserve for policyholder dividends	385,884	384,461
Reinsurance payable	741	473
Subordinated bonds	476,277	476,277
Other liabilities	1,004,764	1,546,761
Corporate income tax payable	9,967	33,731
Lease liabilities	4,956	5,067
Asset retirement obligations	2,674	2,664
Other liabilities	987,165	1,505,298
Reserve for employees' retirement benefits	380,870	389,858
Reserve for retirement benefits of directors, executive officers and corporate auditors	1,498	1,417
Reserve for possible reimbursement of prescribed claims	800	676
Reserve for price fluctuations	164,453	172,453
Deferred tax liabilities	129,833	236,591
Deferred tax liabilities for land revaluation	77,236	77,087
Acceptances and guarantees	103,786	109,179
Total liabilities	33,205,016	33,933,455
(NET ASSETS)		
Capital stock	60,000	60,000
Capital surplus	470,000	470,000
Legal capital surplus	60,000	60,000
Other capital surplus	410,000	410,000
Retained earnings	31,230	74,134
Other retained earnings	31,230	74,134
Reserve for tax basis adjustments of real estate	1,257	1,413
Retained earnings brought forward	29,972	72,721
Total shareholders' equity	561,230	604,134
Net unrealized gains (losses) on securities, net of tax	1,963,267	2,285,818
Deferred hedge gains (losses)	(25,327)	(29,561)
Reserve for land revaluation	(17,541)	(17,817)
Total of valuation and translation adjustments	1,920,398	2,238,439
Total net assets	2,481,628	2,842,573
Total liabilities and net assets	35,686,645	36,776,029

3. Unaudited Statement of Earnings

(millions of yen)

	Six months ended September 30, 2016	Six months ended September 30, 2017
ORDINARY REVENUES	2,027,716	1,815,851
Premium and other income	1,314,251	1,105,936
[Premium income]	[1,313,883]	[1,105,553]
Investment income	526,259	577,191
[Interest and dividends]	[376,863]	[420,427]
[Gains on money held in trust]	[189]	[5,616]
[Gains on sale of securities]	[89,635]	[91,760]
[Derivative transaction gains]	[38,100]	[-]
[Gains on investments in separate accounts]	[-]	[49,217]
Other ordinary revenues	187,205	132,723
[Reversal of reserves for outstanding claims]	[38,420]	[23,068]
ORDINARY EXPENSES	1,845,074	1,657,710
Benefits and claims	1,145,348	1,078,215
[Claims]	[388,408]	[351,050]
[Annuities]	[243,434]	[225,811]
[Benefits]	[185,713]	[182,626]
[Surrender values]	[260,564]	[242,475]
[Other refunds]	[66,437]	[75,494]
Provision for policy reserves and others	161,360	86,585
Provision for policy reserves	157,131	82,416
Provision for interest on policyholder dividends	4,228	4,168
Investment expenses	130,443	145,686
[Interest expenses]	[6,157]	[7,095]
[Losses on sale of securities]	[31,302]	[51,688]
[Losses on valuation of securities]	[9,506]	[649]
[Derivative transaction losses]	[-]	[26,379]
[Losses on investments in separate accounts]	[9,805]	[-]
Operating expenses	208,884	204,445
Other ordinary expenses	199,038	142,778
ORDINARY PROFIT	182,642	158,140
EXTRAORDINARY GAINS	4,467	170
Gains on disposal of fixed assets	4,467	170
EXTRAORDINARY LOSSES	24,329	9,442
Losses on disposal of fixed assets	5,025	595
Impairment losses on fixed assets	11,303	846
Provision for reserve for price fluctuations	8,000	8,000
Provision for reserve for policyholder dividends	45,000	45,995
Income before income taxes	117,780	102,873
Corporate income taxes-current	31,725	38,769
Corporate income taxes-deferred	1,245	(8,494)
Total of corporate income taxes	32,970	30,274
Net income	84,809	72,598

4. Unaudited Statement of Changes in Net Assets

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

Six months ended September 30, 2017

(millions of yen)

	Shareholders' equity							
	Capital stock	Capital surplus			Retained earnings			Total shareholders' equity
		Legal capital surplus	Other capital surplus	Total capital surplus	Other retained earnings		Total retained earnings	
					Reserve for tax basis adjustments of real estate	Retained earnings brought forward		
Balance at the beginning of the year	60,000	60,000	410,000	470,000	1,257	29,972	31,230	561,230
Changes for the period								
Dividends						(29,972)	(29,972)	(29,972)
Net income						72,598	72,598	72,598
Transfer to reserve for tax basis adjustments of real estate					155	(155)	-	-
Transfer from reserve for land revaluation						278	278	278
Net changes of items other than shareholders' equity								
Total changes for the period	-	-	-	-	155	42,748	42,904	42,904
Balance at the end of the period	60,000	60,000	410,000	470,000	1,413	72,721	74,134	604,134

(millions of yen)

	Valuation and translation adjustments				Total net assets
	Net unrealized gains (losses) on securities, net of tax	Deferred hedge gains (losses)	Reserve for land revaluation	Total of valuation and translation adjustments	
Balance at the beginning of the year	1,963,267	(25,327)	(17,541)	1,920,398	2,481,628
Changes for the period					
Dividends					(29,972)
Net income					72,598
Transfer to reserve for tax basis adjustments of real estate					-
Transfer from reserve for land revaluation					278
Net changes of items other than shareholders' equity	322,550	(4,233)	(276)	318,040	318,040
Total changes for the period	322,550	(4,233)	(276)	318,040	360,945
Balance at the end of the period	2,285,818	(29,561)	(17,817)	2,238,439	2,842,573

I. NOTES TO THE UNAUDITED BALANCE SHEET AS OF SEPTEMBER 30, 2017

1. Valuation Methods of Securities

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

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

(1) Trading Securities

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

(2) Held-to-maturity Bonds

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

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

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

(4) Stocks of Subsidiaries and Affiliated Companies

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

(5) Available-for-sale Securities

a) Available-for-sale Securities with Fair Value

Available-for-sale securities which have market value are valued at fair value as of September 30, 2017 (for domestic stocks, the average value during September), with cost determined by the moving average method.

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

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

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

ii) Others

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

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

2. Risk Management Policy of Policy-reserve-matching Bonds

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

The sub-groups of insurance products are:

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

3. Valuation Method of Derivative Transactions

Derivative transactions are reported at fair value.

4. Revaluation of Land

Based on the “Act on Revaluation of Land” (Act No.34, March 31, 1998), land for business use was revalued. The difference between the fair value and book value resulting from the revaluation, net of related

deferred taxes, is recorded as a reserve for land revaluation as a separate component of net assets and the related deferred tax liability is recorded as deferred tax liabilities for land revaluation.

(1) Date of revaluation: March 31, 2001

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

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

5. Depreciation of Depreciable Assets

(1) Depreciation of Tangible Fixed Assets Excluding Leased Assets

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

Estimated useful lives of major assets are as follows:

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

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

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

(2) Amortization of Intangible Fixed Assets Excluding Leased Assets

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

(3) Depreciation of Leased Assets

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

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

The Company 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, 2017. Stocks of subsidiaries and affiliated companies were translated into yen at the exchange rates on the dates of acquisition.

7. Reserve for Possible Loan Losses

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

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

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

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

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

For loans and claims to bankrupt and substantially bankrupt obligors, the unrecoverable amount is calculated by deducting the amount deemed recoverable from collateral or guarantees from the amount of the

loans and claims and is directly written off from the amount of the loans and claims. The amount written off during the six months ended September 30, 2017 was ¥52 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, 2017.

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

(1) Allocation of Estimated Retirement Benefits

In calculating the projected benefit obligations, the benefit formula basis is adopted to allocate estimated retirement benefit for the fiscal year ending March 31, 2018.

(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.

9. Reserve for Possible Investment Losses

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

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

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

11. Reserve for Possible Reimbursement of Prescribed Claims

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

12. Reserve for Price Fluctuations

A reserve for price fluctuations is calculated 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, i) special hedge accounting and the deferral hedge method for interest rate swaps are used for cash flow hedges of certain loans, government and corporate bonds, loans payable and bonds payable; ii) the currency allotment method and the deferral hedge method using foreign currency swaps and foreign currency forward contracts are used for cash flow hedges against exchange rate fluctuations in certain foreign currency-denominated bonds, loans, loans payable and bonds payable and certain foreign currency-denominated term deposits and stocks (forecasted transaction); iii) the fair value hedge method using currency options and foreign currency forward contracts is used for hedges against exchange rate fluctuations in the value of certain foreign currency-denominated bonds; iv) the deferral hedge method for over-the-counter options on bonds is used for hedges against interest rate fluctuations in certain foreign currency-denominated bonds; and v) the deferral hedge method and fair value hedge method using equity options and equity forward contracts are used for hedges against price fluctuations in the value of certain domestic stocks and foreign currency-denominated stocks (forecasted transaction). and vi) the deferral hedge method using interest rate swaps is used for hedges against interest rate fluctuations in certain insurance liabilities, under the "Accounting and Auditing Treatment of Application of Accounting Standard for Financial Instruments to Insurance Operators" (Industry Audit Committee Report No. 26 issued by the JICPA).

(2) Hedging Instruments and Hedged Items

Hedging instruments	Hedged items
Interest rate swaps	Loans, government and corporate bonds, loans payable, bonds payable, insurance liabilities
Foreign currency swaps	Foreign currency-denominated bonds, foreign currency-denominated loans,

Foreign currency forward contracts	foreign currency-denominated loans payable, foreign currency-denominated bonds payable Foreign currency-denominated bonds, foreign currency-denominated term deposits, foreign currency-denominated stocks (forecasted transaction)
Currency options	Foreign currency-denominated bonds
Bond over-the-counter options.....	Foreign currency-denominated bonds
Equity options	Domestic stocks, foreign currency-denominated stocks (forecasted transaction)
Equity forward contracts	Domestic stocks

(3) Hedging Policies

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

(4) Assessment of Hedge Effectiveness

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

14. Calculation of National and Local Consumption Tax

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

15. Policy Reserve

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

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

16. Fair Value of Financial Instruments

The carrying amount on the balance sheet, fair value and differences between carrying amount and fair value as of September 30, 2017 were as follows. The following tables do not include financial instruments whose fair value is extremely difficult to recognize. (Please refer to (Note 2))

As of September 30, 2017	Carrying amount	Fair value	Gains (Losses)
(Unit: million yen)			
(1) Cash and deposits	418,977	418,977	-
(2) Call loans	389,800	389,800	-
(3) Monetary claims bought	188,765	188,765	-
(4) Money held in trust	55,767	55,767	-
(5) Securities			
a. Trading securities	892,346	892,346	-
b. Held-to-maturity bonds	46,165	50,275	4,110
c. Policy-reserve-matching bonds	11,997,569	14,699,882	2,702,312
d. Stock of subsidiaries and affiliate companies ..	305	287	(17)
e. Available-for-sale securities	17,774,499	17,774,499	-
(6) Loans	2,586,208		
Reserve for possible loan losses (*1)	(1,342)		
	2,584,866	2,713,028	128,161
Total assets	34,349,063	37,183,630	2,834,566
(1) Bonds payable	476,277	497,964	21,687
(2) Long-term borrowings	283,000	288,703	5,703
Total liabilities	759,277	786,668	27,391
Derivative transactions (* 2)			
a. Hedge accounting not applied	[5,965]	[5,965]	-
b. Hedge accounting applied	[119,699]	[122,462]	(2,763)
Total derivative transactions	[125,665]	[128,428]	(2,763)

(*1) Excluding general reserves for possible loan losses and 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

a) Cash and deposits

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

b) Call loans

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

c) Monetary claims bought

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

d) 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.

e) Securities

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

f) 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 balance sheet minus reserve for possible loan losses as of September 30, 2017. Therefore, that amount (the carrying amount on the balance sheet minus reserve for possible loan losses) is recorded as fair value of 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

- a) Bonds payable

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

- b) Long-term borrowings

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

- Derivative Transactions

- The breakdown of derivative transactions is a) currency-related transactions (currency forward contracts, currency options, etc.); b) interest-related transactions (interest rate futures, interest rate swaps, etc.); c) stock-related transactions (yen stock index futures, foreign currency-denominated stock index futures, etc.); and d) bond-related transactions (yen bond futures, foreign currency-denominated bond futures, etc.). The fair value of the instruments is based on the prices on derivatives markets and the prices quoted from 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 e) Securities in (Note 1)

As of September 30, 2017	Carrying amount (Unit: million yen)
1. Unlisted domestic stocks (*)	141,945
2. Unlisted foreign stocks (*).....	21,236
3. Other foreign securities (*)	396,831
4. Other securities (*)	82,981
Total	642,995

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

17. Real Estate for Rent

The information on real estate for rent has been omitted as there was no significant change in carrying amount and fair value of real estate for rent as of September 30, 2017 compared to those at the end of the previous fiscal year.

18. Securities Lending

Securities lent under lending agreements are included in the balance sheet. The total balance of securities lent as of September 30, 2017 was ¥3,202,286 million.

19. Problem Loans

As of September 30, 2017, the total amount of credits to bankrupt borrowers, delinquent loans, loans past due for three months or more, and restructured loans were as follows:

	(Unit: million yen)
Credits to bankrupt borrowers.....	106
Delinquent loans.....	2,807
Loans past due for three months or more.....	-
Restructured loans.....	5
Total	2,919

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

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

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

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

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

Credits to bankrupt borrowers	¥2 million
Delinquent loans	¥49 million

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 ¥1,171,726 million. Separate account liabilities were the same amount as the separate account assets.

21. Contingent Liabilities

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

	(Unit: million yen)
Dai-ichi Life Holdings, Inc.	450,000

22. Changes in Reserve for Policyholder Dividends

Changes in reserve for policyholder dividends were as follows:

	(Unit: million yen)
Balance at the beginning of the fiscal year.....	385,884
Dividends paid	(51,587)
Interest accrual	4,168
Provision for reserve for policyholder dividends.....	45,995
<u>Balance as of September 30, 2017.....</u>	<u>384,461</u>

23. Stock of Subsidiaries and Affiliated Companies

The amount of stocks of subsidiaries and affiliated companies of the Company held as of September 30, 2017 was ¥65,064 million.

24. Organization Change Surplus

As of September 30, 2017, the amount of organizational change surplus stipulated in Article 91 of the Insurance Business Act was ¥117,776 million.

25. Assets Pledged as Collateral / Secured Liabilities

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

	(Unit: million yen)
Securities	773,682
Cash and deposits	86
<u>Securities and cash and deposits pledged as collateral ...</u>	<u>773,769</u>

The amounts of secured liabilities were as follows:

	(Unit: million yen)
Cash collateral for securities lending transactions	786,044

“Securities” pledged as collateral for securities lending transactions with cash collateral as of September 30, 2017 was ¥682,792 million.

26. Reinsurance

The amount of reserves for outstanding claims for reinsured parts defined in Article 71, Paragraph 1 of the Ordinance for Enforcement of the Insurance Business Act, which is referred to in Article 73, Paragraph 3 of the Ordinance (hereinafter “reserves for outstanding claims reinsured”) was ¥6 million. The amount of policy reserves provided for reinsured parts defined in Article 71, Paragraph 1 of the Ordinance (hereinafter “policy reserves reinsured”) was ¥0 million.

27. 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, 2017 was ¥44,843 million, among which none of the securities were pledged as collateral.

28. Commitment Line

As of September 30, 2017, there were unused commitment line agreements under which the Company was the lender of ¥39,845 million.

29. Subordinated Debt

As of September 30, 2017, other liabilities included subordinated debt of ¥283,000 million, the repayment of which is subordinated to other obligations.

30. Subordinated Bonds

As of September 30, 2017, bonds payable included foreign currency-denominated subordinated bonds of ¥476,277 million, the repayment of which is subordinated to other obligations.

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

The estimated future obligations of the Company to the Life Insurance Policyholders Protection Corporation of Japan under Article 259 of the Insurance Business Act as of September 30, 2017 were ¥47,606 million. These obligations will be recognized as operating expenses in the period in which they are paid.

II. NOTES TO THE UNAUDITED STATEMENT OF EARNINGS FOR THE SIX MONTHS ENDED SEPTEMBER 30, 2017

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 and foreign securities of ¥58,671 million, ¥7,730 million and ¥25,358 million, respectively.

Losses on sale of securities included losses on sales of domestic bonds, domestic stocks and foreign securities of ¥3,434 million, ¥4,619 million and ¥43,635 million, respectively.

Losses on valuation of securities included losses on valuation of domestic stocks and foreign securities of ¥51 million and ¥598 million, respectively.

2. Reinsurance

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

3. Interest and Dividends

The breakdown of interest and dividends for the six months ended September 30, 2017 were as follows:

	(Unit: million yen)
Interest from bank deposits	3,007
Interest and dividends from securities ...	349,525
Interest from loans	27,361
Rental income	35,165
Other interest and dividends	5,368
<u>Total</u>	<u>420,427</u>

4. Net Income per Share

Net income per share for the six months ended September 30, 2017 was ¥12,099,753.44. Diluted net income per share for the same period is not presented because there were no existing diluted shares.

5. Impairment Losses on Fixed Assets

Details of impairment losses on fixed assets for the six months ended September 30, 2017 were as follows:

(1) Method of Grouping Assets

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

(2) Background for Recognition of Impairment Losses

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

(3) Breakdown of Impairment Losses

Impairment losses by asset group for the six months ended September 30, 2017 were as follows:

Asset Group	Place	Number	Impairment Losses		
			Land	Buildings	Total
(Unit: million yen)					
Real estate not in use	Omuta City, Fukuoka and others	15	515	331	846

(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 2.34% 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.

III. NOTES TO THE UNAUDITED STATEMENT OF CHANGES IN NET ASSETS FOR THE SIX MONTHS ENDED SEPTEMBER 30, 2017

1. Type and Number of Shares Outstanding

	At the beginning of the fiscal year	Increase during the six months ended September 30, 2017	Decrease during the six months ended September 30, 2017	As of September 30, 2017
Common Stock	6,000	-	-	6,000

2. Dividends on Common Stock

Date of resolution	June 21, 2017 (at the Annual General Meeting of Shareholders)
Type of shares	Common stock
Total dividends	¥29,972 million
Dividends per share	¥4,995,400
Record date	March 31, 2017
Effective date	June 22, 2017
Dividend resource	Retained earnings

5. Breakdown of Ordinary Profit (Fundamental Profit)

	(millions of yen)	
	Six months ended September 30, 2016	Six months ended September 30, 2017
Fundamental revenues	1,899,806	1,718,522
Premium and other income	1,314,251	1,105,936
Investment income	398,349	479,814
[Interest and dividends]	376,863	420,427
Other ordinary revenues	187,205	132,723
Other fundamental revenues (a)	-	47
Fundamental expenses	1,711,715	1,504,766
Benefits and claims	1,145,348	1,078,215
Provision for policy reserves and others	111,767	44,092
Investment expenses	46,015	35,161
Operating expenses	208,884	204,445
Other ordinary expenses	199,038	142,778
Other fundamental expenses (b)	662	72
Fundamental profit ^(Note 1)	A 188,090	213,756
Capital gains	128,587	97,449
Gains on money held in trust	189	5,616
Gains on investments in trading securities	-	-
Gains on sale of securities	89,635	91,760
Derivative transaction gains	38,100	-
Foreign exchange gains	-	-
Others (c)	662	72
Capital losses	84,396	110,255
Losses on money held in trust	-	-
Losses on investments in trading securities	-	-
Losses on sale of securities	31,302	51,688
Losses on valuation of securities	9,506	649
Derivative transaction losses	-	26,379
Foreign exchange losses	43,586	31,490
Others (d)	-	47
Net capital gains (losses) ^(Note 1)	B 44,190	(12,805)
Fundamental profit plus net capital gains (losses)	A + B 232,281	200,950
Other one-time gains	(15)	-
Reinsurance income	-	-
Reversal of contingency reserve	-	-
Reversal of specific reserve for possible loan losses	(15)	-
Others	-	-
Other one-time losses	49,623	42,809
Ceding reinsurance commissions	-	-
Provision for contingency reserve	9,000	2,200
Provision for specific reserve for possible loan losses	-	(9)
Provision for specific reserve for loans to refinancing countries	-	-
Write-down of loans	20	6
Others ^(Note 2)	40,603	40,612
Other one-time profits (losses)	C (49,639)	(42,809)
Ordinary profit	A + B + C 182,642	158,140

(Reference) Breakdown of other fundamental revenues, etc.

	(millions of yen)	
	Six months ended September 30, 2016	Six months ended September 30, 2017
Other fundamental revenues (a)	-	47
The effect of provision for (reversal of) policy reserve associated with market value adjustments of fixed life insurance	-	-
The effect of change in the exchange rates related to foreign currency denominated insurance contracts	-	47
Other fundamental expenses (b)	662	72
The effect of provision for (reversal of) policy reserve associated with market value adjustments of fixed life insurance	226	72
The effect of change in the exchange rates related to foreign currency denominated insurance contracts	435	-
The impact on fundamental profit	(a) - (b) (662)	(24)
Other capital gains (c)	662	72
The effect of provision for (reversal of) policy reserve associated with market value adjustments of fixed life insurance	226	72
The effect of change in the exchange rates related to foreign currency denominated insurance contracts	435	-
Other capital losses (d)	-	47
The effect of provision for (reversal of) policy reserve associated with market value adjustments of fixed life insurance	-	-
The effect of change in the exchange rates related to foreign currency denominated insurance contracts	-	47
The impact on net capital gains (losses)	(c) - (d) 662	24

Note 1: Beginning from disclosures for fiscal year 2017, the disclosure method of the breakdown of ordinary profit relating to the effect of provision for (reversal of) policy reserve associated with market value adjustments of fixed life insurance and the effect of change in the exchange rates related to foreign currency denominated insurance contracts have been modified. The figures for the six months ended September 30, 2016 were also re-calculated based on the modified disclosure method. As a result, compared to before the modification, fundamental profit decreased by 662 million yen and net capital gains increased by 662 million yen for the six months ended September 30, 2016.

Note 2: "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, For the six months ended September 30, 2017: 319 million yen) and the amount of the additional policy reserves provided (For the six months ended September 30, 2016: 40,593 million yen, For the six months ended September 30, 2017: 40,292 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, 2017

(1) Investment Environment

During the six months ended September 30, 2017, the Japanese economy experienced growth higher than the potential growth rate, spurred by domestic demand centered on individual consumption due to continuous improvement in employment and household income.

The U.S. economy continued moderate growth, driven by expanding individual consumption reflecting improvements in employment and household income, as well as strong capital investment backed by increasing corporate profits.

The European economy maintained strong momentum as capital spending followed an upward trend while individual consumption continued to grow strong.

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

[Domestic Interest Rates]

The ten-year Japanese government bond (JGB) yield temporarily rose over the 0.1%-line under pressure from U.S. rate hikes and expectations for tapering of quantitative easing by the European Central Bank (ECB). Thereafter, the JGB yield reverted and stabilized at a low level supported by quantitative and qualitative easing with yield curve control of the Bank of Japan (BOJ).

Yield on ten-year government bonds:	April 1, 2017: 0.065%
	September 30, 2017: 0.060%

[Domestic Stocks]

The Nikkei 225 fell temporarily to approximately ¥18,000 in response to geopolitical risk surrounding North Korea. However, with political uncertainty in Europe eliminated together with favorable corporate profits driven by the ongoing global economic expansion, the Nikkei 225 has been hovering above the ¥20,000 level for the first time since December 2015.

Nikkei 225 Stock Average:	April 1, 2017: 18,909
	September 30, 2017: 20,356
TOPIX:	April 1, 2017: 1,512
	September 30, 2017: 1,674

[Foreign Currency]

The yen appreciated temporarily against the dollar in response to geopolitical risk, but has since turned range bound in reaction to a second interest rate hike and a policy announcement indicating balance sheet reduction by the Federal Reserve Board (FRB).

The yen weakened against the euro on expectations that quantitative easing will see tapering by the ECB.

yen/U.S. dollar:	April 1, 2017: ¥112.19
	September 30, 2017: ¥112.73
yen/euro:	April 1, 2017: ¥119.79
	September 30, 2017: ¥132.85

(2) Investment Results

[Asset Composition]

The Company continued to set fixed-income investments, including government and corporate bonds, as the core of its portfolio, consistent with its mid- to long-term investment policies. Given the sustained low interest rate environment, the Company limited accumulating policy-reserve-matching bonds centered on super long-term government bonds. On the other hand, the Company engaged in growth area investing such as infrastructure-related themes and credit investing in order to improve its investment returns. Additionally, its currency hedging cost was cut back by shifting from hedged to un-hedged foreign bonds.

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. In addition, growth area investment enhanced the quality of its portfolio.

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

Assets	Investment results
Domestic bonds	<u>Decrease</u> Given the sustained low interest rate environment, increases in policy-reserve-matching bonds centered on super-long JGB were scaled back, with redemptions, etc., resulting in a lower net balance. On the other hand, regarding credit risk assets such as corporate bonds and securitized bonds, etc., investments were made mainly in bank hybrid securities and infrastructure-related assets, on a highly selective basis predicated on credit spreads commensurate with risk and with attention to diversification.
Loans	<u>Decrease</u> The net balance decreased due to repayments. Taking into consideration the credit spread in the corporate bond market, loans were executed for the purpose of generating excess returns commensurate with credit risk.
Domestic stocks	<u>Increase</u> Due to rising share prices, the net balance increased on a market value basis. Moreover, in order to enhance its portfolio returns, investments were made based on the research conducted by its analysts in sectors and companies expected to grow over the mid- to long-terms.
Foreign bonds	<u>Increase</u> Based on the market outlook suggested by market trends, holdings of foreign bonds without currency hedge were increased. Moreover, in order to enhance earning potential by reducing hedge costs, investment shifted from currency-hedged foreign bonds to foreign bonds without currency hedge. Additionally, efforts were made to improve investment efficiency through cost control by diversifying bond types and currencies.
Foreign stocks	<u>Increase</u> In addition to flexible asset allocation in accordance with market trends, the net balance increased on a market value basis due to rising share prices. Additionally, the diversification of investment managers, investment styles, and investment regions was strengthened by using both in-house investment management and external investment management firms.
Real estate	<u>Flat in Investment properties</u> In order to further diversify property types, investments were made in new properties such as residential, logistics and commercial properties. Additionally, rents of owned properties were reviewed and steps were taken to enhance operating ratios so as to strengthen overall portfolio returns.

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

[Investment Income and Expense]

Investment income was ¥527.9 billion, nearly flat versus the comparable period of previous year due to an increase in derivative transaction losses offset by a decrease in interest and dividends.

Investment expenses increased by ¥25.0 billion to ¥145.6 billion, due to an increase in derivative transaction losses.

As a result, net investment income decreased by ¥23.3 billion to ¥382.2 billion.

(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 experience growth higher than the potential growth rate driven by expanding individual consumption reflecting improvements in employment and household income, as well as strong capital investment backed by increasing corporate profits. While overseas economies recover, Japanese exports are likely to rise, raising expectations of economic growth to be above potential growth rates. Backed by the continued quantitative and qualitative easing by the BOJ the low interest rate environment will continue.

On the other hand, it is necessary to consider factors that may give rise to high volatility in financial markets such as political uncertainty in U.S. and Europe and geopolitical risks.

[Domestic Interest rates]

The Company expects interest rates in Japan to stay at low levels given expectations of continued quantitative and qualitative easing with yield curve control by the BOJ in light of the challenging 2 percent inflation target in the near term.

[Domestic Stocks]

The Company foresees that market conditions surrounding domestic stocks will remain firm, supported by monetary easing policies including asset purchases by the BOJ and further improvement of corporate profits backed by the global economic growth.

[Foreign Currency]

The Company anticipates a weaker yen against the dollar as the BOJ leaves its monetary easing policies in place to attain its inflation target and with the FRB seen poised to raise interest rates at a moderate pace.

A weaker yen against the euro is anticipated in reaction to the ECB tapering quantitative easing amid rebounding inflation in Europe.

(4) Asset management policies for the Six Months Ending March 31, 2017

The Company will continue to aim at generating stable income based on its mid- to long-term asset management policies, with portfolio management remaining focused on fixed-income assets such as domestic bonds. In light of the unchanged low interest rate environment in Japan, as a policy, investment in JGB will be scaled back. At the same time, balances of foreign bonds respectively with and without currency hedge will be adjusted as opportunities arise in accordance with interest rates and foreign exchange rate levels. Risk assets such as domestic stocks and foreign securities, etc., held primarily for enhancing earning potential through investment diversification will see further asset allocation with close attention to market trends as opportunities arise, with investment in new fields to continue likewise, in order to enhance portfolio quality.

Assets	Investment policies
Domestic bonds	<p><u>Decrease</u> Stable investment as ALM core assets will continue. Given the current low interest rate environment, curbs on investment in JGB will likely remain in place. In order to enhance the investment efficiency of fixed-income assets, as a policy, proactive investments will be made in infrastructure-related instruments. However, the net balance is seen to decline mainly due to redemptions. Note that in order to strengthen ALM in case of rising interest rates, a shift to long and super-long bonds is being considered which is expected to raise net bond holdings.</p>
Loans	<p><u>Decrease</u> Proactive lending in response to demand for funds will continue. However, the balance is expected to decrease due to repayments. As a policy, new loans will be underwritten with appropriately set lending rates accompanied by borrower risk analysis and with consideration of risk spread trends, etc., in corporate bond markets.</p>
Domestic stocks	<p><u>Depending on stock market levels</u> Assets allocations are made as opportunities arise in accordance with market trends, taking into account risk control aspects, etc. In order to enhance return of its equity portfolio, a proactive approach will be taken to the restructuring of equity holdings with regard to industries and issuers based on assessments of competitive strength, growth potential, relative price level, and ESG factors, etc.</p>
Foreign bonds	<p><u>Depending on interest rates and exchange rate levels</u> Adjustments to the balance of foreign bonds without currency hedge will be made as opportunities arise in accordance with risk tolerance and foreign exchange trends. With regard to currency-hedged foreign bonds, funds will be allocated as opportunities arise with consideration of domestic/foreign interest differentials, etc.</p>
Foreign stocks	<p><u>Increase</u> Holdings are expected to be increased, with attention to market trends. Along with the diversification of investment styles and investment regions, steps will be taken to enhance portfolio earning potential and stability.</p>

7. Investment Results of General Account

(1) Asset Composition (General Account)

(millions of yen)

	As of March 31, 2017		As of September 30, 2017	
	Carrying amount	%	Carrying amount	%
Cash, deposits, and call loans	515,536	1.5	791,711	2.2
Securities repurchased under resale agreements	-	-	-	-
Deposit paid for securities borrowing transactions	-	-	-	-
Monetary claims bought	192,213	0.6	188,765	0.5
Trading account securities	-	-	-	-
Money held in trust	50,191	0.1	55,767	0.2
Securities	29,659,250	85.3	30,461,535	85.0
Domestic bonds	16,052,254	46.2	15,973,045	44.6
Domestic stocks	3,474,743	10.0	3,711,301	10.4
Foreign securities	9,512,246	27.3	10,232,160	28.6
Foreign bonds	8,260,182	23.7	8,807,549	24.6
Foreign stocks and other securities	1,252,063	3.6	1,424,610	4.0
Other securities	620,006	1.8	545,028	1.5
Loans	2,657,852	7.6	2,586,208	7.2
Policy loans	381,830	1.1	371,304	1.0
Ordinary loans	2,276,021	6.5	2,214,904	6.2
Real estate	1,116,371	3.2	1,108,131	3.1
Real estate for rent	773,479	2.2	773,700	2.2
Deferred tax assets	-	-	-	-
Others	592,762	1.7	629,088	1.8
Reserve for possible loan losses	(1,472)	(0.0)	(2,013)	(0.0)
Total	34,782,705	100.0	35,819,196	100.0
Foreign currency-denominated assets	8,407,769	24.2	9,089,081	25.4

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

(2) Investment Income (General Account)

(millions of yen)

	Six months ended September 30, 2016	Six months ended September 30, 2017
Interest and dividends	376,863	420,427
Interest from bank deposits	4,136	3,007
Interest and dividends from securities	303,280	349,525
Interest from loans	28,820	27,361
Rental income	35,019	35,165
Other interest and dividends	5,606	5,368
Gains on trading account securities	-	-
Gains on money held in trust	189	5,616
Gains on investments in trading securities	-	-
Gains on sale of securities	89,635	91,760
Gains on sale of domestic bonds	48,358	58,671
Gains on sale of domestic stocks	3,358	7,730
Gains on sale of foreign securities	37,129	25,358
Others	788	-
Gains on redemption of securities	20,812	9,644
Derivative transaction gains	38,100	-
Foreign exchange gains	-	-
Reversal of reserve for possible loan losses	101	-
Reversal of reserve for possible investment losses	-	-
Other investment income	557	525
Total	526,259	527,974

(3) Investment Expense (General Account)

(millions of yen)

	Six months ended September 30, 2016	Six months ended September 30, 2017
Interest expenses	6,157	7,095
Losses on trading account securities	-	-
Losses on money held in trust	-	-
Losses on investments in trading securities	-	-
Losses on sale of securities	31,302	51,688
Losses on sale of domestic bonds	263	3,434
Losses on sale of domestic stocks	3,961	4,619
Losses on sale of foreign securities	26,205	43,635
Others	873	-
Losses on valuation of securities	9,506	649
Losses on valuation of domestic bonds	589	-
Losses on valuation of domestic stocks	342	51
Losses on valuation of foreign securities	8,574	598
Others	-	-
Losses on redemption of securities	1,752	1,114
Derivative transaction losses	-	26,379
Foreign exchange losses	43,586	31,490
Provision for reserve for possible loan losses	-	541
Provision for reserve for possible investment losses	10	319
Write-down of loans	20	6
Depreciation of real estate for rent and others	6,976	6,666
Other investment expenses	21,323	19,734
Total	120,638	145,686

(4) Valuation gains and losses on trading securities (General Account)

(millions of yen)

	As of March 31, 2017		As of September 30, 2017	
	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	50,191	2,122	55,767	2,020
Trading account securities	-	-	-	-
Money held in trust	50,191	2,122	55,767	2,020

(5) 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, 2017					
Held-to-maturity bonds	46,014	50,534	4,519	4,519	-
Domestic bonds	46,014	50,534	4,519	4,519	-
Foreign bonds	-	-	-	-	-
Policy-reserve-matching bonds	12,001,580	14,764,373	2,762,792	2,782,071	19,278
Domestic bonds	11,911,257	14,672,992	2,761,734	2,780,815	19,081
Foreign bonds	90,322	91,380	1,058	1,255	197
Stocks of subsidiaries and affiliates	304	302	(2)	7	10
Available-for-sale securities	14,459,160	17,184,631	2,725,470	2,865,886	140,416
Domestic bonds	3,617,249	4,094,982	477,733	485,227	7,493
Domestic stocks	1,647,671	3,335,538	1,687,866	1,712,564	24,698
Foreign securities	8,443,706	8,964,471	520,764	625,317	104,552
Foreign bonds	7,776,125	8,169,860	393,734	488,696	94,961
Foreign stocks and other securities	667,581	794,611	127,030	136,621	9,591
Other securities	514,139	547,427	33,288	36,687	3,398
Monetary claims bought	186,393	192,213	5,819	6,090	270
Certificates of deposit	50,000	49,998	(1)	-	1
Total	26,507,060	31,999,841	5,492,780	5,652,485	159,704
Domestic bonds	15,574,521	18,818,509	3,243,987	3,270,562	26,575
Domestic stocks	1,647,671	3,335,538	1,687,866	1,712,564	24,698
Foreign securities	8,534,167	9,055,980	521,813	626,573	104,759
Foreign bonds	7,866,447	8,261,240	394,793	489,951	95,158
Foreign stocks and other securities	667,719	794,739	127,020	136,621	9,601
Other securities	514,306	547,601	33,295	36,694	3,398
Monetary claims bought	186,393	192,213	5,819	6,090	270
Certificates of deposit	50,000	49,998	(1)	-	1
As of September 30, 2017					
Held-to-maturity bonds	46,165	50,275	4,110	4,110	-
Domestic bonds	46,165	50,275	4,110	4,110	-
Foreign bonds	-	-	-	-	-
Policy-reserve-matching bonds	11,997,569	14,699,882	2,702,312	2,723,162	20,850
Domestic bonds	11,909,248	14,608,743	2,699,494	2,720,298	20,804
Foreign bonds	88,320	91,138	2,817	2,864	46
Stocks of subsidiaries and affiliates	277	287	10	10	-
Available-for-sale securities	14,840,942	18,013,261	3,172,319	3,239,799	67,479
Domestic bonds	3,538,074	4,017,631	479,556	480,655	1,099
Domestic stocks	1,665,002	3,569,356	1,904,353	1,931,760	27,406
Foreign securities	8,982,090	9,725,602	743,511	781,099	37,587
Foreign bonds	8,151,663	8,719,228	567,565	599,105	31,539
Foreign stocks and other securities	830,427	1,006,373	175,946	181,994	6,048
Other securities	422,194	461,910	39,716	40,877	1,160
Monetary claims bought	183,580	188,765	5,185	5,406	221
Certificates of deposit	50,000	49,996	(3)	-	3
Total	26,884,954	32,763,707	5,878,752	5,967,082	88,329
Domestic bonds	15,493,488	18,676,650	3,183,161	3,205,065	21,903
Domestic stocks	1,665,002	3,569,356	1,904,353	1,931,760	27,406
Foreign securities	9,070,560	9,816,892	746,332	783,965	37,633
Foreign bonds	8,239,984	8,810,367	570,383	601,969	31,585
Foreign stocks and other securities	830,576	1,006,524	175,948	181,996	6,048
Other securities	422,322	462,046	39,724	40,884	1,160
Monetary claims bought	183,580	188,765	5,185	5,406	221
Certificates of deposit	50,000	49,996	(3)	-	3

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, 2017	As of September 30, 2017
Held-to-maturity bonds	-	-
Unlisted foreign bonds	-	-
Others	-	-
Policy-reserve-matching bonds	-	-
Stocks of subsidiaries and affiliated companies	58,751	64,759
Unlisted domestic stocks (except over-the-counter stocks)	12,684	12,787
Unlisted foreign stocks (except over-the-counter stocks)	-	-
Others	46,067	51,971
Available-for-sale securities	611,909	579,350
Unlisted domestic stocks (except over-the-counter stocks)	126,521	129,158
Unlisted foreign stocks (except over-the-counter stocks)	459,050	418,850
Unlisted foreign bonds	-	-
Others	26,337	31,341
Total	670,660	644,110

Note: 1. The table above includes assets which are considered appropriate to handle as securities as defined in the Financial Instruments and Exchange Act.
2. The amounts of foreign exchange valuation gains (losses) on foreign securities whose fair value is deemed extremely difficult to recognize and which are listed in the table above are as follows:
loss of 1,746 million yen as of March 31, 2017 and loss of 1,114 million yen as of September 30, 2017.

(6) 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
As of March 31, 2017	50,191	50,191	17,996	15,971
As of September 30, 2017	55,767	55,767	9,163	7,012

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

8. Disclosed Claims Based on Categories of Obligors

(millions of yen)

	As of March 31, 2017	As of September 30, 2017
Claims against bankrupt and quasi-bankrupt obligors	128	148
Claims with collection risk	2,569	2,765
Claims for special attention	24	23
Subtotal	2,722	2,937
[Percentage]	[0.06%]	[0.05%]
Claims against normal obligors	4,584,681	5,916,468
Total	4,587,404	5,919,405

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

9. Solvency Margin Ratio

(millions of yen)

	As of March 31, 2017	As of September 30, 2017
Total solvency margin (A)	5,936,832	6,554,250
Common stock, etc. ^{*1}	527,591	604,173
Reserve for price fluctuations	164,453	172,453
Contingency reserve	594,093	596,293
General reserve for possible loan losses	737	1,288
(Net unrealized gains (losses) on securities (before tax) and deferred hedge gains (losses) (before tax)) × 90% ^{*2}	2,446,154	2,839,502
Net unrealized gains (losses) on real estate × 85% ^{*2}	113,883	130,244
Policy reserves in excess of surrender values	2,019,361	2,074,368
Qualifying subordinated debt	759,277	759,277
Excluded portion of policy reserves in excess of surrender values and qualifying subordinated debt	(709,214)	(675,434)
Excluded items	(4,000)	(4,000)
Others	24,495	56,082
Total risk $\sqrt{(R_1 + R_8)^2 + (R_2 + R_3 + R_7)^2} + R_4$ (B)	1,396,021	1,503,979
Insurance risk R_1	70,408	68,582
3rd sector insurance risk R_8	177,428	181,477
Assumed investment yield risk R_2	223,664	219,404
Guaranteed minimum benefit risk R_7 ^{*3}	3,215	3,166
Investment risk R_3	1,114,653	1,226,010
Business risk R_4	31,787	33,972
Solvency margin ratio $\frac{(A)}{(1/2) \times (B)} \times 100$	850.5%	871.5%

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

*2: Multiplied by 100% if losses.

*3: Calculated by standard method.

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

(Reference) Consolidated Solvency Margin Ratio

(millions of yen)

	As of March 31, 2017	As of September 30, 2017
Total solvency margin (A)	5,858,298	6,470,909
Common stock, etc. *1	532,465	608,637
Reserve for price fluctuations	164,453	172,453
Contingency reserve	594,093	596,293
Catastrophe loss reserve	-	-
General reserve for possible loan losses	737	1,288
(Net unrealized gains (losses) on securities (before tax) and deferred hedge gains (losses) (before tax)) × 90% *2	2,446,154	2,839,502
Net unrealized gains (losses) on real estate × 85% *2	113,883	130,244
Sum of unrecognized actuarial differences and unrecognized past service cost	(27,581)	(26,080)
Policy reserves in excess of surrender values	2,019,361	2,074,368
Qualifying subordinated debt	759,277	759,277
Excluded portion of policy reserves in excess of surrender values and qualifying subordinated debt	(709,214)	(675,434)
Excluded items	(59,827)	(65,722)
Others	24,495	56,082
Total risk $\sqrt{(\sqrt{R_1^2 + R_5^2 + R_8 + R_9})^2 + (R_2 + R_3 + R_7)^2} + R_4 + R_6$ (B)	1,379,562	1,485,679
Insurance risk R ₁	70,408	68,582
General insurance risk R ₅	-	-
Catastrophe risk R ₆	-	-
3rd sector insurance risk R ₈	177,428	181,477
Small amount and short-term insurance risk R ₉	-	-
Assumed investment yield risk R ₂	223,664	219,404
Guaranteed minimum benefit risk R ₇ *3	3,215	3,166
Investment risk R ₃	1,098,246	1,207,806
Business risk R ₄	31,459	33,608
Solvency margin ratio $\frac{(A)}{(1/2) \times (B)} \times 100$	849.2%	871.1%

*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.

Notes: 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.

10. Status of Separate Account

(1) Separate Account Assets by Product

(millions of yen)

	As of March 31, 2017	As of September 30, 2017
Individual variable insurance	55,680	58,880
Individual variable annuities	47,116	41,695
Group annuities	993,781	1,071,150
Separate account total	1,096,578	1,171,726

(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, 2017		As of September 30, 2017	
	Number of policies	Amount	Number of policies	Amount
Individual variable insurance (term life)	129	629	98	468
Individual variable insurance (whole life)	42,827	264,207	42,405	261,617
Total	42,956	264,837	42,503	262,086

Note: Policies in force include term life riders.

B. Individual variable annuities

(millions of yen except number of policies)

	As of March 31, 2017		As of September 30, 2017	
	Number of policies	Amount	Number of policies	Amount
Individual variable annuities	12,828	68,599	11,832	58,169

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

11. Consolidated Financial Summary

Not applicable