

November 14, 2019

Financial Results for the Six Months Ended September 30, 2019

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

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Attached: Supplementary Materials for the Six Months Ended September 30, 2019

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

1. Business Highlights

(1) Annualized Net Premiums

Policies in Force

(billions of yen)

	As of March 31, 2019	As of September 30, 2019	% of March 31, 2019 total
Individual insurance	1,593.2	1,579.7	99.2
Individual annuities	536.4	537.3	100.2
Total	2,129.7	2,117.1	99.4
Medical and survival benefits	675.2	684.3	101.3

New Policies

(billions of yen)

	Six months ended September 30, 2018	Six months ended September 30, 2019	% of September 30, 2018 total
Individual insurance	38.1	35.1	92.0
Individual annuities	7.9	7.5	95.7
Total	46.0	42.7	92.7
Medical and survival benefits	27.8	26.5	95.5

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, 2019		As of September 30, 2019			
	Number of policies (thousands)	Amount (billions of yen)	Number of policies		Amount	
			(thousands)	% of March 31, 2019 total	(billions of yen)	% of March 31, 2019 total
Individual insurance	15,113	95,847.3	16,609	109.9	92,865.1	96.9
Individual annuities	2,036	11,277.7	2,064	101.4	11,251.4	99.8
Individual insurance and annuities	17,150	107,125.0	18,674	108.9	104,116.5	97.2
Group insurance	-	48,385.3	-	-	48,653.3	100.6
Group annuities	-	6,197.7	-	-	6,294.8	101.6

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

New Policies

	Number of policies		Amount			
	(thousands)	% of September 30, 2018 total	(billions of yen)	New Business	Net increase by conversion	% of September 30, 2018 total
Six months ended September 30, 2018						
Individual insurance	2,214		622.7	1,457.2	(834.5)	
Individual annuities	68		226.1	228.2	(2.0)	
Individual insurance and annuities	2,283		848.9	1,685.5	(836.6)	
Group insurance	-		241.9	241.9	-	
Group annuities	-		0.0	0.0	-	
Six months ended September 30, 2019						
Individual insurance	2,083	94.1	588.2	1,290.1	(701.9)	94.5
Individual annuities	62	90.9	214.3	216.7	(2.4)	94.8
Individual insurance and annuities	2,146	94.0	802.5	1,506.9	(704.4)	94.5
Group insurance	-	-	184.2	184.2	-	76.1
Group annuities	-	-	0.0	0.0	-	30.3

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

2. Unaudited Balance Sheet

(millions of yen)

	As of March 31, 2019 (summarized)	As of September 30, 2019
(ASSETS)		
Cash and deposits	461,554	410,303
Call loans	335,500	566,200
Monetary claims bought	199,193	205,689
Money held in trust	24,747	55,198
Securities	30,755,525	31,620,037
[Government bonds]	[13,789,754]	[13,961,458]
[Local government bonds]	[130,344]	[128,888]
[Corporate bonds]	[1,999,444]	[2,089,760]
[Stocks]	[3,560,534]	[3,439,335]
[Foreign securities]	[10,482,496]	[10,948,448]
Loans	2,348,201	2,343,458
Policy loans	340,424	333,420
Ordinary loans	2,007,776	2,010,038
Tangible fixed assets	1,122,873	1,132,561
Intangible fixed assets	106,939	110,985
Reinsurance receivable	2,762	4,296
Other assets	535,293	549,961
Customers' liabilities for acceptances and guarantees	55,515	48,911
Reserve for possible loan losses	(588)	(634)
Reserve for possible investment losses	(390)	(365)
Total assets	35,947,128	37,046,604
(LIABILITIES)		
Policy reserves and others	30,882,605	30,972,850
Reserves for outstanding claims	130,650	124,106
Policy reserves	30,353,777	30,457,526
Reserve for policyholder dividends	398,178	391,217
Reinsurance payable	129,512	385
Subordinated bonds	476,277	476,277
Other liabilities	639,493	1,523,756
Corporate income tax payable	14,743	31,959
Lease liabilities	2,392	7,789
Asset retirement obligations	2,432	2,156
Other liabilities	619,925	1,481,851
Reserve for employees' retirement benefits	400,632	402,545
Reserve for retirement benefits of directors, executive officers and corporate auditors	1,298	1,226
Reserve for possible reimbursement of prescribed claims	900	721
Reserve for price fluctuations	198,453	206,953
Deferred tax liabilities	201,155	291,875
Deferred tax liabilities for land revaluation	76,023	75,921
Acceptances and guarantees	55,515	48,911
Total liabilities	33,061,866	34,001,424
(NET ASSETS)		
Capital stock	60,000	60,000
Capital surplus	420,000	370,000
Legal capital surplus	60,000	60,000
Other capital surplus	360,000	310,000
Retained earnings	204,144	172,967
Other retained earnings	204,144	172,967
Reserve for tax basis adjustments of real estate	2,228	2,400
Retained earnings brought forward	201,915	170,566
Total shareholders' equity	684,144	602,968
Net unrealized gains (losses) on securities, net of tax	2,211,147	2,433,740
Deferred hedge gains (losses)	3,457	21,588
Reserve for land revaluation	(13,488)	(13,117)
Total of valuation and translation adjustments	2,201,117	2,442,211
Total net assets	2,885,261	3,045,179
Total liabilities and net assets	35,947,128	37,046,604

3. Unaudited Statement of Earnings

(millions of yen)

	Six months ended September 30, 2018	Six months ended September 30, 2019
ORDINARY REVENUES	1,827,776	1,807,096
Premium and other income	1,120,169	1,161,510
[Premium income]	[1,119,673]	[1,158,873]
Investment income	602,220	552,608
[Interest and dividends]	[410,248]	[388,573]
[Gains on money held in trust]	[1,342]	[-]
[Gains on sale of securities]	[133,832]	[108,159]
[Derivative transaction gains]	[-]	[13,937]
[Gains on investments in separate accounts]	[48,153]	[36,748]
Other ordinary revenues	105,386	92,977
[Reversal of reserves for outstanding claims]	[11,727]	[6,543]
ORDINARY EXPENSES	1,648,612	1,609,450
Benefits and claims	1,079,234	1,043,534
[Claims]	[322,046]	[303,800]
[Annuities]	[233,358]	[237,205]
[Benefits]	[195,024]	[216,635]
[Surrender values]	[249,593]	[243,583]
[Other refunds]	[78,240]	[41,215]
Provision for policy reserves and others	42,101	107,872
Provision for policy reserves	37,958	103,749
Provision for interest on policyholder dividends	4,143	4,123
Investment expenses	186,588	126,476
[Interest expenses]	[6,490]	[6,307]
[Losses on money held in trust]	[-]	[507]
[Losses on sale of securities]	[75,364]	[25,807]
[Losses on valuation of securities]	[2,476]	[14,246]
[Derivative transaction losses]	[39,668]	[-]
Operating expenses	194,458	196,315
Other ordinary expenses	146,229	135,251
ORDINARY PROFIT	179,163	197,645
EXTRAORDINARY GAINS	2,105	360
Gains on disposal of fixed assets	2,105	360
EXTRAORDINARY LOSSES	11,554	9,073
Losses on disposal of fixed assets	2,486	156
Impairment losses on fixed assets	568	416
Provision for reserve for price fluctuations	8,500	8,500
Provision for reserve for policyholder dividends	40,330	40,931
Income before income taxes	129,384	148,001
Corporate income taxes-current	41,614	44,286
Corporate income taxes-deferred	(6,305)	(2,625)
Total of corporate income taxes	35,309	41,660
Net income	94,075	106,341

4. Unaudited Statement of Changes in Net Assets

Six months ended September 30, 2018

(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	1,746	164,295	166,041	696,041
Changes for the period								
Dividends			(49,999)	(49,999)		(135,862)	(135,862)	(185,862)
Net income						94,075	94,075	94,075
Transfer to reserve for tax basis adjustments of real estate					411	(411)	-	-
Transfer from reserve for land revaluation						615	615	615
Net changes of items other than shareholders' equity								
Total changes for the period	-	-	(49,999)	(49,999)	411	(41,581)	(41,170)	(91,170)
Balance at the end of the period	60,000	60,000	360,000	420,000	2,157	122,713	124,870	604,871

(millions of yen)

	Valuation and translation adjustments				Total net assets
	Net unrealized gains (losses) on securities, net of tax	Deferred hedge gains (losses)	Reserve for land revaluation	Total of valuation and translation adjustments	
Balance at the beginning of the year	2,213,897	(9,256)	(12,423)	2,192,217	2,888,259
Changes for the period					
Dividends					(185,862)
Net income					94,075
Transfer to reserve for tax basis adjustments of real estate					-
Transfer from reserve for land revaluation					615
Net changes of items other than shareholders' equity	19,893	(18,315)	(615)	961	961
Total changes for the period	19,893	(18,315)	(615)	961	(90,208)
Balance at the end of the period	2,233,790	(27,572)	(13,039)	2,193,179	2,798,050

Six months ended September 30, 2019

(millions of yen)

(millions of yen)

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

(millions of yen)

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

5. Breakdown of Ordinary Profit (Fundamental Profit)

(millions of yen)		
	Six months ended September 30, 2018	Six months ended September 30, 2019
Fundamental revenues	1,693,738	1,685,000
Premium and other income	1,120,169	1,161,510
Investment income	467,060	430,511
[Interest and dividends]	410,248	388,573
Other ordinary revenues	106,505	92,977
Other fundamental revenues (a)	3	-
Fundamental expenses	1,456,858	1,481,256
Benefits and claims	1,079,234	1,043,534
Provision for policy reserves and others	4,143	70,104
Investment expenses	32,776	35,888
Operating expenses	194,458	196,315
Other ordinary expenses	146,229	135,251
Other fundamental expenses (b)	16	162
Fundamental profit	A 236,880	203,743
Capital gains	135,191	122,258
Gains on money held in trust	1,342	-
Gains on investments in trading securities	-	-
Gains on sale of securities	133,832	108,159
Derivative transaction gains	-	13,937
Foreign exchange gains	-	-
Others (c)	16	162
Capital losses	153,800	90,482
Losses on money held in trust	-	507
Losses on investments in trading securities	-	-
Losses on sale of securities	75,364	25,807
Losses on valuation of securities	2,476	14,246
Derivative transaction losses	39,668	-
Foreign exchange losses	36,287	49,921
Others (d)	3	-
Net capital gains (losses)	B (18,609)	31,776
Fundamental profit plus net capital gains (losses)	A + B 218,271	235,519
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	39,092	37,873
Ceding reinsurance commissions	-	-
Provision for contingency reserve	-	-
Provision for specific reserve for possible loan losses	-	48
Provision for specific reserve for loans to refinancing countries	-	-
Write-down of loans	4	5
Others (Note 1)	39,087	37,819
Other one-time profits (losses)	C (39,107)	(37,873)
Ordinary profit	A + B + C 179,163	197,645

(Reference) Breakdown of other fundamental revenues, etc.

(millions of yen)		
	Six months ended September 30, 2018	Six months ended September 30, 2019
Other fundamental revenues (a)	3	-
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	3	-
Other fundamental expenses (b)	16	162
The effect of provision for (reversal of) policy reserve associated with market value adjustments of fixed life insurance	16	0
The effect of change in the exchange rates related to foreign currency denominated insurance contracts	-	162
The impact on fundamental profit	(a) - (b) (12)	(162)
Other capital gains (c)	16	162
The effect of provision for (reversal of) policy reserve associated with market value adjustments of fixed life insurance	16	0
The effect of change in the exchange rates related to foreign currency denominated insurance contracts	-	162
Other capital losses (d)	3	-
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	3	-
The impact on net capital gains (losses)	(c) - (d) 12	162

Note 1: "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, 2018: 10 million yen, For the six months ended September 30, 2019: 51 million yen) and the amount of the additional policy reserves provided (For the six months ended September 30, 2018: 39,077 million yen, For the six months ended September 30, 2019: 37,767 million yen) in accordance with Article 69, Paragraph 5 of the Enforcement Regulations of the Insurance Business Act.

I. NOTES TO THE UNAUDITED BALANCE SHEET AS OF SEPTEMBER 30, 2019

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, 2019 (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 (Publicly Issue Cabinet Order No.119, March 31, 1998).

5. Depreciation of Depreciable Assets

(1) Depreciation of Tangible Fixed Assets Excluding Leased Assets

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

Estimated useful lives of major assets are as follows:

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

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

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

(2) Amortization of Intangible Fixed Assets Excluding Leased Assets

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

(3) Depreciation of Leased Assets

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

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

The Company translates foreign currency-denominated assets and liabilities (excluding stocks of its subsidiaries and affiliated companies) into yen at the prevailing exchange rates as of September 30, 2019. Stocks of subsidiaries and affiliated companies are translated into yen at the exchange rates on the dates of acquisition.

7. Reserve for Possible Loan Losses

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

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

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

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

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

For loans and claims to bankrupt and substantially bankrupt obligors, the unrecoverable amount is calculated by deducting the amount deemed recoverable from collateral or guarantees from the amount of the loans and claims and is directly written off from the amount of the loans and claims. The amount written off during the six months ended September 30, 2019 was ¥2 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, 2019.

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

(1) Allocation of Estimated Retirement Benefits

In calculating the projected benefit obligations, the benefit formula basis is adopted to allocate estimated retirement benefit for the fiscal year ended March 31, 2020.

(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 based on the book value of stocks and other securities as of September 30, 2019 in accordance with the provisions of Article 115 of the Insurance Business Act.

13. Hedge Accounting

(1) Methods for Hedge Accounting

Hedging transactions are accounted for in accordance with the "Accounting Standards for Financial Instruments" (Accounting Standards Board of Japan (ASBJ) Statement No. 10). Primarily, i) special hedge accounting and the deferral hedge method for interest rate swaps are used for cash flow hedges of certain loans, government and corporate bonds, loans payable and bonds payable; ii) the currency allotment method and the deferral hedge method using foreign currency swaps and foreign currency forward contracts are used for cash flow hedges against exchange rate fluctuations in certain foreign currency-denominated bonds, loans, loans payable and bonds payable and certain foreign currency-denominated term deposits and stocks (forecasted transaction); iii) the fair value hedge method using currency options and foreign currency forward contracts is used for hedges against exchange rate fluctuations in the value of certain foreign currency-denominated bonds; iv) the deferral hedge method for bond over-the-counter options is used for hedges against interest rate fluctuations in certain foreign currency-denominated bonds; v) the deferral hedge method and fair value hedge method using equity options and equity forward contracts are used for hedges against price fluctuations in the value of certain domestic stocks and foreign currency-denominated stocks (forecasted transaction), and vi) the deferral hedge method using interest rate swaps is used for hedges against interest rate fluctuations in certain insurance liabilities, under the "Accounting and Auditing Treatment of Application of Accounting Standard for Financial Instruments to Insurance Operators" (Industry Audit Committee Report No. 26 issued by the JICPA).

(2) Hedging Instruments and Hedged Items

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

(3) Hedging Policies

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

(4) Assessment of Hedge Effectiveness

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

14. Calculation of National and Local Consumption Tax

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

15. Policy Reserve

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

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

16. 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, 2019 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, 2019	Carrying amount	Fair value	Gains (Losses)
(Unit: million yen)			
(1) Cash and deposits	410,303	410,303	-
(2) Call loans	566,200	566,200	-
(3) Monetary claims bought	205,689	205,689	-
(4) Money held in trust	55,198	55,198	-
(5) Securities			
a. Trading securities	899,303	899,303	-
b. Held-to-maturity bonds	46,768	49,998	3,229
c. Policy-reserve-matching bonds	12,180,649	15,362,730	3,182,080
d. Stock of subsidiaries and affiliate companies ..	343	355	12
e. Available-for-sale securities	18,190,261	18,190,261	-
(6) Loans	2,343,458		
Reserve for possible loan losses (*1)	(165)		
	2,343,293	2,451,313	108,020
Total assets	34,898,012	38,191,354	3,293,342
(1) Bonds payable.....	476,277	502,592	26,315
(2) Payables under repurchase agreements.....	872,177	872,177	-
(3) Long-term borrowings	283,000	285,212	2,212
Total liabilities	1,631,454	1,659,982	28,528
Derivative transactions (* 2)			
a. Hedge accounting not applied	6,793	6,793	-
b. Hedge accounting applied	42,865	40,490	(2,375)
Total derivative transactions	49,659	47,283	(2,375)

(*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.

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

● Assets

(1) Cash and deposits

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

(2) Call loans

Since all call loans are close to the 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 prices.

(4) Money held in trust

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

(5) Securities

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

(6) Loans

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

Additionally, for risk-monitored loans, reserve for possible loan losses is calculated based on the present value of estimated future cash flows or the amount deemed recoverable from collateral and guarantees and the fair value is close to the carrying amount on the balance sheet minus reserve for possible loan losses as of September 30, 2019. 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

(1) Bonds payable

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

(2) Payables under repurchase agreements

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

(3) Long-term borrowings

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

- Derivative Transactions

The breakdown of derivative transactions is a) currency-related transactions; b) interest-related transactions; c) stock-related transactions; and d) bond-related transactions. The fair value of the instruments is based on the prices on derivatives markets and the prices quoted from financial institutions, etc.

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

As of September 30, 2019	Carrying amount
	(Unit: million yen)
1. Unlisted domestic stocks (*)	47,627
2. Unlisted foreign stocks (*).....	27,781
3. Other foreign securities (*)	85,000
4. Other securities (*)	142,301
Total	302,710

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

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, 2019 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, 2019 was ¥2,043,914 million.

19. Problem Loans

As of September 30, 2019, the total amounts of credits to bankrupt borrowers, delinquent loans, loans past due for three months or more, and restructured loans were as follows:

	(Unit: million yen)
Credits to bankrupt borrowers (*1).....	94
Delinquent loans (*2).....	3,670
Loans past due for three months or more (*3).....	-
Restructured loans (*4).....	-
<u>Total</u>	<u>3,765</u>

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

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

Credits to bankrupt borrowers	¥2 million
Delinquent loans	¥- 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 as of September 30, 2019 was ¥1,346,432 million. Separate account liabilities were the same amount as the separate account assets.

21. Contingent Liabilities

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

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

22. Changes in Reserve for Policyholder Dividends

Changes in reserve for policyholder dividends were as follows:

	(Unit: million yen)
Balance at the beginning of the fiscal year.....	398,178
Dividends paid	(52,014)
Interest accrual	4,123
Provision for reserve for policyholder dividends.....	40,931
<u>Balance as of September 30, 2019.....</u>	<u>391,217</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, 2019 was ¥98,980million.

24. Organization Change Surplus

As of September 30, 2019, 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 assets pledged as collateral were as follows:

	(Unit: million yen)
Securities	800,134
Lands	261
Cash and deposits	86
Buildings	37
<u>Assets pledged as collateral ...</u>	<u>800,519</u>

The amounts of secured liabilities were as follows:

	(Unit: million yen)
Payables under repurchase agreements.....	872,177
Guarantee deposit	20
<u>Secured liabilities</u>	<u>872,197</u>

"Securities" mentioned above included ¥746,447 million of Securities which were sold under repurchase agreements, as of September 30, 2019.

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 ¥37 million. The amount of policy reserves provided for reinsured parts defined in Article 71, Paragraph 1 of the Ordinance (hereinafter "policy reserves reinsured") was ¥97,866 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, 2019 was ¥74,755 million, among which none of the securities were pledged as collateral.

28. Commitment Line

As of September 30, 2019, there were unused commitment line agreements under which the Company was the lender of ¥69,235 million.

29. Subordinated Debt

As of September 30, 2019, other liabilities included subordinated debt of ¥283,000 million, whose repayment is subordinated to other obligations.

30. Subordinated Bonds

As of September 30, 2019, bonds payable included foreign currency-denominated subordinated bonds of ¥476,277 million, whose repayment is subordinated to other obligations.

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

The estimated future obligations to the Life Insurance Policyholders Protection Corporation of Japan under Article 259 of the Insurance Business Act as of September 30, 2019 were ¥45,077 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, 2019

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 ¥56,082 million, ¥31,399 million, ¥20,189million and ¥486 million respectively.

Losses on sale of securities included losses on sales of domestic bonds, domestic stocks, foreign securities and other securities of ¥34million, ¥3,616 million ¥21,990 million and ¥166 million respectively.

Losses on valuation of securities included losses on valuation of domestic stocks and foreign securities of ¥4,435 million and ¥9,810 million, respectively.

2. Reinsurance

In calculating the reversal of reserves for outstanding claims, a provision for reserves for outstanding claims reinsured of ¥10 million was added. In calculating the provision for policy reserves, a reversal of reserves for policy reserves reinsured of ¥788 million was added.

3. Interest and Dividends

The breakdown of interest and dividends for the six months ended September 30, 2019 were as follows:

	(Unit: million yen)
Interest from bank deposits	2,767
Interest and dividends from securities ...	323,493
Interest from loans	20,756
Rental income	37,430
Other interest and dividends	4,126
<u>Total</u>	<u>388,573</u>

4. Net Income per Share

Net income per share for the six months ended September 30, 2019 was ¥17,723,594.17. 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, 2019 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, 2019 were as follows:

Asset Group	Place	Number	Impairment Losses		
			Land	Buildings	Total
(Unit: million yen)					
Real estate not in use	Yokote City, Akita prefecture and others	7	247	168	416

(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 2.22% 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 was used as the net sale value.

III. NOTES TO THE UNAUDITED STATEMENT OF CHANGES IN NET ASSETS FOR THE SIX MONTHS ENDED SEPTEMBER 30, 2019

1. Type and Number of Shares Outstanding

	At the beginning of the fiscal year	Increase during the six months ended September 30, 2019	Decrease during the six months ended September 30, 2019	As of September 30, 2019
Common Stock	6,000	-	-	6,000

2. Dividends on Common Stock

(1)Cash Dividends

Date of resolution	June 18, 2019 (at the Annual General Meeting of Shareholders)
Type of shares	Common stock
Total dividends	¥137,148 million
Dividends per share	¥22,858,000
Record date	March 31, 2019
Effective date	June 19, 2019
Dividend resource	Retained earnings

Date of resolution	June 18, 2019 (at the Annual General Meeting of Shareholders)
Type of shares	Common stock
Total dividends	¥49,999 million
Dividends per share	¥8,333,300
Record date	March 31, 2019
Effective date	June 19, 2019
Dividend resource	Capital surplus

(2)Dividends in Kind

Date of resolution	August 20, 2019 (at the Extraordinary Meeting of Shareholders) (*)
Type of shares	Common stock
Type of the dividend property	Securities
Book value of the dividend property	¥1
Record date	-
Effective date	September 13, 2019
Dividend resource	Retained earnings

(*) At the Extraordinary Meeting of Shareholders in August 20, 2019, the Company decided to transfer its securities to Daiichi life Holdings, Inc. as a qualified dividend in kind, and carried out it in September 13, 2019.

3. Investment of General Account Assets for the Six Months Ended September 30, 2019

(1) Investment Environment

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

[Domestic interest rates]

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

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

[Domestic Stocks]

- The Nikkei 225 Stock Average fell sharply due to concerns about the downturn in corporate earnings caused by the slowdown in the global economy and concerns about the deterioration of the Central American Trade War, but was supported by monetary easing measures by central banks, mainly in Europe and the United States.

Nikkei 225 Stock Average:	April 1, 2019	21,205
	September 30, 2019	21,755
TOPIX:	April 1, 2019	1,591
	September 30, 2019	1,587

[Foreign Currency]

- The yen appreciated against the U.S. dollar due to moves to avert risks associated with concerns over the worsening of the U.S.-China trade war and the narrowing of interest rate differentials between Japan and overseas accompanying the U.S. interest rate cut.
- With regard to the yen/euro, the yen appreciated and the euro depreciated against the euro against the backdrop of concerns over political situations in Italy and other countries, as well as interest rate cuts by the European Central Bank (ECB) against the backdrop of the intensified economic slowdown.

yen /U.S. dollar:	April 1, 2019	¥110.99
	September 30, 2019	¥107.92
yen/euro:	April 1, 2019	¥124.56
	September 30, 2019	¥118.02

(2) Investment Results

[Asset Composition]

- The Company continued to invest primarily in fixed-income assets such as bonds and debentures, based on its medium-to long-term asset management policy. In response to the continuation of the low interest rate environment, the Company limited the amount of policy reserve-matching bonds, mainly super-long-term JGBs, but continued to control interest rate risk through interest rate swaps and other means.
- With regard to risk assets, such as domestic stocks and foreign securities, which are invested primarily in enhancing the profitability and diversifying investment in their portfolios, the Company conducted a flexible allocation of funds while paying attention to market trends, while promoting diversification and other measures to improve the quality of its portfolios.
- In addition, the Company implemented risk control by reducing the outstanding amount of certain risk assets, such as domestic stocks..
- The table below summarizes the investment results of the Company's general account by asset class:

Assets	Investment results
Domestic bonds	<u>Increase</u> Taking into account the low interest rate environment in Japan and overseas, the Company limited the number of policy-reserve-matching bonds, mainly super-long-term JGBs. In addition, the balance of credit risk assets such as corporate bonds and securitized products increased as a result of strengthening screening based on credit spreads commensurate with risk and diversifying issues.
Loans	<u>Remained flat.</u> While there were repayments and other factors, the balance remained unchanged due to the effective use of new loans. In addition, the Company provided loans with the aim of generating excess returns commensurate with credit risk, while taking into account developments in credit spreads in the corporate bond market and other factors.
Domestic stocks	<u>Decrease</u> In order to improve the profitability of our portfolio, we have invested in fields and companies that promise medium-to long-term growth, based on our analysts' corporate research. On the other hand, the total balance decreased due to the sale for risk control.
Foreign bonds	<u>Increase</u> The balance increased as a result of the buildup of the balance from the viewpoint of improving the profitability of the portfolio. We also endeavored to control risk by diversifying bond types and currencies in an effort to improve investment efficiency.
Foreign stocks	<u>Decrease</u> As a result of the sale in accordance with the stock price level, the amount outstanding decreased. In addition, the Company worked to diversify its manager and investment styles by utilizing in-house investment management and external investment management companies, as well as to strengthen regional diversification.
Real estate	<u>Increase</u> The balance increased due to new acquisitions of properties. In order to diversify uses, the Investment Corporation worked to improve the profitability and soundness of its portfolio by promoting investment in new properties such as housing and commerce, and by replacing properties based on such factors as occupancy status, geographical characteristics, and age.

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

[Investment Income and Expenses]

- Investment income decreased ¥38.2 billion to ¥515.8 billion due to decreases in interest and dividends income and gain on sales of securities.
- Investment expenses decreased by ¥60.1 billion to ¥126.4 billion due to a decrease in losses on sales of securities and losses on derivative financial instruments.

As a result, net investment income in the general account improved ¥21.9 billion to ¥389.3 billion.

(3) Investment Environment Outlook for the Six Months Ending March 31, 2019

- For the Six Months Ending March 31, 2019, the Japanese economy is expected to continue expanding only slightly, mainly due to the slowdown in overseas economies caused by the impact of the U.S.-China trade war and the effects of the consumption tax hike.
- On the other hand, global monetary easing policies, including Japan, are expected to support the economy to a certain extent. In addition, given the risk of further deterioration in trade wars, political events in various countries, and heightened geopolitical risks, we should be mindful of the possibility that volatility in financial markets will increase significantly..

[Domestic interest rates]

The Company assumes that domestic interest rates will remain at a low level, as the BOJ's stance on monetary easing is expected to continue on the back of the slow rise in inflation in Japan.

[Domestic stocks]

- The Company forecasts that domestic stocks will be supported by the Bank's continued monetary easing policy, but their upper values are projected to be limited toward the fiscal year-end due to concerns over a global economic slowdown. In addition, attention should be paid to the possibility that volatility will increase due to changes in speculation over trade wars and geopolitical risks.

[Foreign currency]

- The Company anticipates a moderate appreciation of the yen due to concerns over a narrowing of interest rate differentials at home and abroad as a result of the U.S. interest rate cuts and a slowdown in the economy. However, attention should be paid to the possibility that volatility will increase due to changes in speculation regarding the direction of monetary policy and geopolitical risks.
-
- For euro-yen exchange rates, the Company we expect a moderate appreciation of the yen and depreciation of the euro, mainly due to concerns over the economic slowdown in Europe and expectations for additional easing of the ECB.

(4) Investment Policies for the Six Months Ending March 31, 2019

- The Company will continue to manage its portfolio, centered on fixed-income assets such as bonds and debentures, with the aim of securing stable investment returns based on its medium-to long-term asset management policy. With regard to risk assets, such as domestic stocks and foreign securities, which are invested primarily to improve profitability through diversification, the Company will allocate funds in a flexible manner while paying close attention to market trends. At the same time, the Company will continue to diversify investments and improve the quality of its portfolio. In addition, the Company's policy is to control risk by reducing the outstanding amount of certain risky assets, such as domestic stocks.
- The table below summarizes the expected investments of the Company's general account by asset class:

Assets	Investment policies
Domestic bonds	<u>Remained flat</u> The Company will continue stable asset management as a core asset of ALM. Taking the current low interest rate environment into account, the Company investment in government bonds is expected to continue to be restrained. From the perspective of improving investment efficiency within fixed-income assets, we will actively invest in infrastructure-related and other areas. However, due to the impact of redemption and other factors, the balance is expected to remain unchanged. In times of rising interest rates, we plan to increase the outstanding balance of long-term bonds and super-long-term bonds, while also considering a shift to long-term bonds, in order to strengthen ALM.
Loans	<u>Remained flat</u> While the Company will continue to aggressively respond to financing needs in growth areas, we expect the balance to remain flat due to the impact of redemption and other factors. The Company will also conduct new lending by setting appropriate lending rates, taking into account the analysis of borrowers' credit risk and developments in credit spreads on corporate bonds.
Domestic stocks	<u>Decrease</u> The balance is expected to decrease due to the sale of securities for risk control purposes. However, we will actively replace stocks and industries in light of factors such as competitiveness, growth potential, and the cheapness of stock prices. At the same time, we will flexibly control the balance depending on the stock price level.
Foreign bonds	<u>Depending on the interest rate and exchange rate level</u> FX open foreign bonds are flexibly allocated according to risk tolerance and exchange rate fluctuations. The Company will also flexibly adjust the outstanding amount of foreign currency-hedged foreign bonds, taking into account interest rate differentials at home and abroad, etc.
Foreign stocks	<u>Depend on the level of foreign stock prices</u> The Company's policy is to accumulate alternative assets in order to diversify the risk of its portfolios. Depending on the level of stock prices, the Company's policy is to flexibly control the outstanding amount of foreign stocks as a whole. We will also strive to improve and stabilize the profitability of our portfolio while diversifying our investment style and geographical distribution.
Real estate	The Company will strive to increase rental income from owned properties and reduce operating costs. At the same time, while taking into account market conditions, the Investment Corporation will reconfigure its portfolio by investing in new properties and selling properties, and continue to make effective use of owned properties in an effort to improve profitability, soundness, and asset value.

7. Investment Results of General Account

(1) Asset Composition

(millions of yen)

	As of March 31, 2019		As of September 30, 2019	
	Carrying amount	%	Carrying amount	%
Cash, deposits, and call loans	780,445	2.2	961,202	2.7
Securities repurchased under resale agreements	-	-	-	-
Deposit paid for securities borrowing transactions	-	-	-	-
Monetary claims bought	199,193	0.6	205,689	0.6
Trading account securities	-	-	-	-
Money held in trust	24,747	0.1	55,198	0.2
Securities	29,889,730	85.5	30,720,734	85.3
Domestic bonds	15,760,707	45.1	16,020,623	44.5
Domestic stocks	3,395,945	9.7	3,283,040	9.1
Foreign securities	10,122,795	28.9	10,554,422	29.3
Foreign bonds	8,933,476	25.5	9,502,852	26.4
Foreign stocks and other securities	1,189,319	3.4	1,051,569	2.9
Other securities	610,282	1.7	862,647	2.4
Loans	2,348,201	6.7	2,343,458	6.5
Policy loans	340,424	1.0	333,420	0.9
Ordinary loans	2,007,776	5.7	2,010,038	5.6
Real estate	1,117,762	3.2	1,119,628	3.1
Real estate for rent	793,420	2.3	799,865	2.2
Deferred tax assets	-	-	-	-
Others	610,156	1.7	616,032	1.7
Reserve for possible loan losses	(588)	(0.0)	(634)	(0.0)
Total	34,969,648	100.0	36,021,309	100.0
Foreign currency-denominated assets	9,131,204	26.1	9,668,457	26.8

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

(2) Investment Income

(millions of yen)

	Six months ended September 30, 2018	Six months ended September 30, 2019
Interest and dividends	410,248	388,573
Interest from bank deposits	3,328	2,767
Interest and dividends from securities	341,666	323,493
Interest from loans	24,292	20,756
Rental income	36,371	37,430
Other interest and dividends	4,589	4,126
Gains on trading account securities	-	-
Gains on money held in trust	1,342	-
Gains on investments in trading securities	-	-
Gains on sale of securities	133,832	108,159
Gains on sale of domestic bonds	70,320	56,082
Gains on sale of domestic stocks	22,286	31,399
Gains on sale of foreign securities	41,060	20,189
Others	164	486
Gains on redemption of securities	7,853	4,773
Derivative transaction gains	-	13,937
Foreign exchange gains	-	-
Reversal of reserve for possible loan losses	356	-
Reversal of reserve for possible investment losses	-	-
Other investment income	432	416
Total	554,066	515,859

(3) Investment Expense

(millions of yen)

	Six months ended September 30, 2018	Six months ended September 30, 2019
Interest expenses	6,490	6,307
Losses on trading account securities	-	-
Losses on money held in trust	-	507
Losses on investments in trading securities	-	-
Losses on sale of securities	75,364	25,807
Losses on sale of domestic bonds	91	34
Losses on sale of domestic stocks	4,002	3,616
Losses on sale of foreign securities	71,163	21,990
Others	107	166
Losses on valuation of securities	2,476	14,246
Losses on valuation of domestic bonds	-	-
Losses on valuation of domestic stocks	1,777	4,435
Losses on valuation of foreign securities	699	9,810
Others	-	-
Losses on redemption of securities	751	2,404
Derivative transaction losses	39,668	-
Foreign exchange losses	36,287	49,921
Provision for reserve for possible loan losses	-	46
Provision for reserve for possible investment losses	10	51
Write-down of loans	4	5
Depreciation of real estate for rent and others	6,532	6,682
Other investment expenses	19,002	20,495
Total	186,588	126,476

(4) Valuation gains and losses on trading securities

(millions of yen)

	As of March 31, 2019		As of September 30, 2019	
	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	24,747	(5,590)	55,198	(459)
Trading account securities	-	-	-	-
Money held in trust	24,747	(5,590)	55,198	(459)

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

(millions of yen)

		Book value	Fair value	Gains (losses)		
					Gains	Losses
As of March 31, 2019						
	Held-to-maturity bonds	46,617	49,940	3,322	3,322	-
	Domestic bonds	46,617	49,940	3,322	3,322	-
	Foreign bonds	-	-	-	-	-
	Policy-reserve-matching bonds	11,954,527	14,922,259	2,967,732	2,967,765	33
	Domestic bonds	11,873,519	14,839,042	2,965,523	2,965,532	9
	Foreign bonds	81,008	83,216	2,208	2,232	23
	Stocks of subsidiaries and affiliates	343	350	7	7	-
	Available-for-sale securities	14,726,896	17,797,842	3,070,945	3,177,392	106,446
	Domestic bonds	3,331,788	3,840,570	508,781	509,306	524
	Domestic stocks	1,558,636	3,350,001	1,791,364	1,842,577	51,212
	Foreign securities	9,094,843	9,832,236	737,393	789,490	52,096
	Foreign bonds	8,251,994	8,852,468	600,474	634,597	34,123
	Foreign stocks and other securities	842,849	979,768	136,919	154,892	17,973
	Other securities	480,572	505,845	25,272	27,797	2,524
	Monetary claims bought	191,055	199,193	8,138	8,220	82
	Certificates of deposit	70,000	69,995	(4)	-	4
	Total	26,728,384	32,770,393	6,042,008	6,148,488	106,480
	Domestic bonds	15,251,925	18,729,553	3,477,627	3,478,162	534
	Domestic stocks	1,558,636	3,350,001	1,791,364	1,842,577	51,212
	Foreign securities	9,176,194	9,915,804	739,609	791,730	52,120
	Foreign bonds	8,333,002	8,935,685	602,682	636,829	34,147
	Foreign stocks and other securities	843,192	980,119	136,927	154,900	17,973
	Other securities	480,572	505,845	25,272	27,797	2,524
	Monetary claims bought	191,055	199,193	8,138	8,220	82
	Certificates of deposit	70,000	69,995	(4)	-	4
As of September 30, 2019						
	Held-to-maturity bonds	46,768	49,998	3,229	3,229	-
	Domestic bonds	46,768	49,998	3,229	3,229	-
	Foreign bonds	-	-	-	-	-
	Policy-reserve-matching bonds	12,180,649	15,362,730	3,182,080	3,186,427	4,347
	Domestic bonds	12,099,642	15,279,487	3,179,845	3,184,192	4,347
	Foreign bonds	81,007	83,242	2,234	2,234	-
	Stocks of subsidiaries and affiliates	343	355	12	12	-
	Available-for-sale securities	15,125,646	18,506,945	3,381,298	3,523,185	141,886
	Domestic bonds	3,337,168	3,874,212	537,044	537,524	480
	Domestic stocks	1,527,660	3,235,412	1,707,752	1,780,133	72,380
	Foreign securities	9,268,937	10,360,290	1,091,352	1,157,146	65,793
	Foreign bonds	8,457,656	9,421,845	964,188	1,007,244	43,055
	Foreign stocks and other securities	811,280	938,445	127,164	149,902	22,737
	Other securities	684,005	720,345	36,339	39,433	3,093
	Monetary claims bought	196,874	205,689	8,814	8,946	131
	Certificates of deposit	111,000	110,993	(6)	0	6
	Total	27,353,408	33,920,029	6,566,621	6,712,855	146,233
	Domestic bonds	15,483,579	19,203,698	3,720,119	3,724,947	4,827
	Domestic stocks	1,527,660	3,235,412	1,707,752	1,780,133	72,380
	Foreign securities	9,350,287	10,443,888	1,093,600	1,159,394	65,793
	Foreign bonds	8,538,664	9,505,087	966,423	1,009,479	43,055
	Foreign stocks and other securities	811,623	938,800	127,176	149,914	22,737
	Other securities	684,005	720,345	36,339	39,433	3,093
	Monetary claims bought	196,874	205,689	8,814	8,946	131
	Certificates of deposit	111,000	110,993	(6)	0	6

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, 2019	As of September 30, 2019
Held-to-maturity bonds	-	-
Unlisted foreign bonds	-	-
Others	-	-
Policy-reserve-matching bonds	-	-
Stocks of subsidiaries and affiliated companies	70,321	98,637
Unlisted domestic stocks (except over-the-counter stocks)	4,975	4,885
Unlisted foreign stocks (except over-the-counter stocks)	-	4,348
Others	65,345	89,402
Available-for-sale securities	292,583	208,929
Unlisted domestic stocks (except over-the-counter stocks)	40,968	42,742
Unlisted foreign stocks (except over-the-counter stocks)	212,523	113,288
Unlisted foreign bonds	-	-
Others	39,091	52,898
Total	362,904	307,566

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 3,315 million yen as of March 31, 2019 and loss of 4,937 million yen as of September 30, 2019.

(6) Fair Value Information on Money Held in Trust

(millions of yen)					
	Carrying amount on the balance sheet	Fair value	Gains (losses)	Gains	Losses
As of March 31, 2019	24,747	24,747	(5,164)	4,154	9,318
As of September 30, 2019	55,198	55,198	(87)	3,802	3,889

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

- The ending balance was zero for held-to-maturity bonds, policy-reserve-matching bonds and other money held in trust as of March 31, 2019 and September 30, 2019.

8. Disclosed Claims Based on Categories of Obligors

(millions of yen)		
	As of March 31, 2019	As of September 30, 2019
Claims against bankrupt and quasi-bankrupt obligors	88	94
Claims with collection risk	3,818	3,671
Claims for special attention	4	3
Subtotal	3,910	3,770
[Percentage]	[0.09%]	[0.08%]
Claims against normal obligors	4,563,611	4,448,814
Total	4,567,522	4,452,585

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, 2019	As of September 30, 2019
Total solvency margin (A)	6,397,977	6,967,609
Common stock, etc. ^{*1}	494,174	597,537
Reserve for price fluctuations	198,453	206,953
Contingency reserve	598,493	598,493
General reserve for possible loan losses	95	93
(Net unrealized gains (losses) on securities (before tax) and deferred hedge gains (losses) (before tax)) × 90% ^{*2}	2,759,808	3,041,380
Net unrealized gains (losses) on real estate × 85% ^{*2}	199,850	217,317
Policy reserves in excess of surrender values	2,161,803	2,182,123
Qualifying subordinated debt	759,277	759,277
Excluded portion of policy reserves in excess of surrender values and qualifying subordinated debt	(835,305)	(740,306)
Excluded items	-	-
Others	61,326	104,738
Total risk $\sqrt{(R_1 + R_8)^2} + (\sqrt{R_2^2 + R_3^2 + R_7^2}) + R_4$ (B)	1,318,040	1,358,874
Insurance risk R_1	63,035	61,480
3rd sector insurance risk R_8	178,690	174,957
Assumed investment yield risk R_2	202,582	198,220
Guaranteed minimum benefit risk R_7 ^{*3}	3,081	3,046
Investment risk R_3	1,059,353	1,105,526
Business risk R_4	30,134	30,864
Solvency margin ratio $\frac{(A)}{(1/2) \times (B)} \times 100$	970.8%	1,025.4%

*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 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, 2019	As of September 30, 2019
Total solvency margin (A)	6,318,688	6,863,480
Common stock, etc. *1	497,058	599,732
Reserve for price fluctuations	198,453	206,953
Contingency reserve	598,493	598,493
Catastrophe loss reserve	-	-
General reserve for possible loan losses	97	96
(Net unrealized gains (losses) on securities (before tax) and deferred hedge gains (losses) (before tax)) × 90% *2	2,759,808	3,041,380
Net unrealized gains (losses) on real estate × 85% *2	199,850	217,317
Sum of unrecognized actuarial differences and unrecognized past service cost	(12,929)	(13,357)
Policy reserves in excess of surrender values	2,161,803	2,182,123
Qualifying subordinated debt	759,277	759,277
Excluded portion of policy reserves in excess of surrender values and qualifying subordinated debt	(835,305)	(740,306)
Excluded items	(69,246)	(92,969)
Others	61,326	104,738
Total risk $\sqrt{\left(\sqrt{R_1^2 + R_5^2 + R_8 + R_9}\right)^2 + (R_2 + R_3 + R_7)^2} + R_4 + R_6$ (B)	1,296,925	1,329,581
Insurance risk R_1	63,035	61,480
General insurance risk R_5	-	-
Catastrophe risk R_6	-	-
3rd sector insurance risk R_8	178,690	174,957
Small amount and short-term insurance risk R_9	-	-
Assumed investment yield risk R_2	202,582	198,220
Guaranteed minimum benefit risk R_7 *3	3,081	3,046
Investment risk R_3	1,038,279	1,076,339
Business risk R_4	29,713	30,280
Solvency margin ratio $\frac{(A)}{(1/2) \times (B)} \times 100$	974.4%	1,032.4%

*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

	As of March 31, 2019	(millions of yen) As of September 30, 2019
Individual variable insurance	55,834	54,927
Individual variable annuities	33,949	33,175
Group annuities	1,166,776	1,258,328
Separate account total	1,256,560	1,346,432

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

A. Individual variable insurance

	As of March 31, 2019		(millions of yen except number of policies) As of September 30, 2019	
	Number of policies	Amount	Number of policies	Amount
Individual variable insurance (term life)	70	336	60	293
Individual variable insurance (whole life)	41,109	253,119	40,746	250,632
Total	41,179	253,455	40,806	250,926

Note: Policies in force include term life riders.

B. Individual variable annuities

	As of March 31, 2019		(millions of yen except number of policies) As of September 30, 2019	
	Number of policies	Amount	Number of policies	Amount
Individual variable annuities	9,589	37,551	8,332	32,854

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

11. Consolidated Financial Summary

Not applicable