November 14, 2011

# Financial Results for the Six Months Ended September 30, 2011

The Dai-ichi Life Insurance Company, Limited (the "Company" or the "Parent Company"; President: Koichiro Watanabe) announces its financial results for the six months ended September 30, 2011.

[Contents]




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

## 1. Business Highlights

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

Policies in Force

| | As of March 31, 2011 | | As of September 30, 2011 | | | |
|---|---|---|---|---|---|---|
| | Number of policies (thousands) | Amount (billions of yen) | Number of policies (thousands) | % of March 31, 2011 total | Amount (billions of yen) | % of March 31, 2011 total |
| Individual insurance | 11,143 | 144,361.3 | 11,295 | 101.4 | 141,317.9 | 97.9 |
| Individual annuities | 1,261 | 7,357.6 | 1,267 | 100.4 | 7,384.0 | 100.4 |
| Individual insurance and annuities | 12,405 | 151,718.9 | 12,562 | 101.3 | 148,701.9 | 98.0 |
| Group insurance | - | 52,336.6 | - | - | 51,086.7 | 97.6 |
| Group annuities | - | 6,041.7 | - | - | 5,988.9 | 99.1 |

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 (thousands) | % of September 30, 2010 total | Amount (billions of yen) | New Business | Net increase by conversion | % of September 30, 2010 total |
|---|---|---|---|---|---|---|
| Six months ended September 30, 2010 | | | | | | |
| Individual insurance | 559 | | 3,360.3 | 3,507.8 | (147.5) | |
| Individual annuities | 31 | | 220.2 | 225.3 | (5.0) | |
| Individual insurance and annuities | 591 | | 3,580.5 | 3,733.1 | (152.6) | |
| Group insurance | - | | 240.0 | 240.0 | - | |
| Group annuities | - | | 0.2 | 0.2 | - | |
| Six months ended September 30, 2011 | | | | | | |
| Individual insurance | 656 | 117.3 | 3,027.0 | 3,016.2 | 10.8 | 90.1 |
| Individual annuities | 22 | 70.3 | 162.6 | 167.5 | 4.8 | 73.9 |
| Individual insurance and annuities | 678 | 114.8 | 3,189.7 | 3,183.7 | 6.0 | 89.1 |
| Group insurance | - | - | 98.9 | 98.9 | - | 41.2 |
| Group annuities | - | - | 0.4 | 0.4 | - | 175.3 |

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.

(Reference) Surrenders and lapses in individual insurance and annuities

(billions of yen except percentages)

| | Six months ended September 30, 2010 | Six months ended September 30, 2011 |
|---|---|---|
| Amount of surrenders and lapses | 3,609.5 | 3,545.2 |
| Surrender and lapse rate (%) | 2.29 | 2.34 |

Note: 1. The amount of lapses is not offset by the amount of lapses which are reinstated.
2. The table above excludes cases where the sum insured is decreased or riders are surrendered for in-force contracts.

(2) Annualized Net Premiums

Policies in Force

(billions of yen except percentages)

| | As of March 31, 2011 | As of September 30, 2011 | |
|---|---|---|---|
| | | | % of March 31, 2011 total |
| Individual insurance | 1,704.7 | 1,697.6 | 99.6 |
| Individual annuities | 309.0 | 313.4 | 101.4 |
| Total | 2,013.8 | 2,011.0 | 99.9 |
| Medical and survival benefits | 506.6 | 511.8 | 101.0 |

New Policies

(billions of yen except percentages)

| | Six months ended September 30, 2010 | Six months ended September 30, 2011 | |
|---|---|---|---|
| | | | % of September 30, 2010 total |
| Individual insurance | 54.0 | 57.0 | 105.4 |
| Individual annuities | 7.8 | 5.9 | 75.4 |
| Total | 61.9 | 62.9 | 101.6 |
| Medical and survival benefits | 18.1 | 21.3 | 117.6 |

Note: 1. Annualized net premiums are 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 premiums for medical and survival benefits include (a) premiums related to medical benefits such as hospitalization and surgery benefits, (b) premiums related to survival benefits such as specific illness and nursing benefits, and (c) premiums 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.

(3) Profit and Loss Items

(millions of yen except percentages)

| | Six months ended September 30, 2010 | Six months ended September 30, 2011 | |
|---|---|---|---|
| | | | % of September 30, 2010 total |
| Insurance premium and other | 1,501,746 | 1,600,033 | 106.5 |
| Investment income | 456,384 | 492,364 | 107.9 |
| Insurance claims and other | 1,223,647 | 1,221,242 | 99.8 |
| Investment expenses | 190,814 | 287,910 | 150.9 |
| Ordinary profit | 106,222 | 76,124 | 71.7 |

(4) Total assets

(millions of yen except percentages)

| | As of March 31, 2011 | As of September 30, 2011 | |
|---|---|---|---|
| | | | % of March 31, 2011 total |
| Total Assets | 30,869,661 | 30,901,058 | 100.1 |

## 2. Unaudited Quarterly Non-Consolidated Balance Sheets

(millions of yen)

| | As of March 31, 2011 (summarized) | As of September 30, 2011 |
|---|---|---|
| (ASSETS) | | |
| Cash and deposits | 230,249 | 226,640 |
| Call loans | 236,900 | 270,100 |
| Monetary claims bought | 291,115 | 291,430 |
| Money held in trust | 21,178 | 18,495 |
| Securities | 24,294,557 | 24,362,478 |
| [ Government bonds ] | [ 11,124,813 ] | [ 12,822,212 ] |
| [ Local government bonds ] | [ 313,283 ] | [ 315,666 ] |
| [ Corporate bonds ] | [ 2,312,471 ] | [ 2,212,883 ] |
| [ Stocks ] | [ 2,838,617 ] | [ 2,522,934 ] |
| [ Foreign securities ] | [ 7,370,161 ] | [ 6,196,814 ] |
| Loans | 3,627,422 | 3,454,605 |
| Policy loans | 539,497 | 530,600 |
| Ordinary loans | 3,087,925 | 2,924,004 |
| Tangible fixed assets | 1,295,811 | 1,261,951 |
| Intangible fixed assets | 105,770 | 105,544 |
| Reinsurance receivable | 4,189 | 4,310 |
| Other assets | 282,565 | 412,096 |
| Deferred tax assets | 475,198 | 485,116 |
| Customers' liabilities for acceptances and guarantees | 17,826 | 19,695 |
| Reserve for possible loan losses | (12,900) | (11,409) |
| Reserve for possible investment losses | (223) | - |
| Total assets | 30,869,661 | 30,901,058 |

| | | |
|---|---|---|
| (LIABILITIES) | | |
| Policy reserves and others | 28,190,891 | 28,376,552 |
| Reserves for outstanding claims | 197,695 | 162,353 |
| Policy reserves | 27,589,524 | 27,823,290 |
| Reserve for policyholder dividends | 403,671 | 390,908 |
| Reinsurance payable | 588 | 393 |
| Subordinated bonds | 149,129 | 145,880 |
| Other liabilities | 1,118,137 | 1,015,074 |
| Corporate income tax payable | 13,333 | 284 |
| Lease liabilities | 1,459 | 1,868 |
| Asset retirement obligations | 4,019 | 5,005 |
| Other liabilities | 1,099,325 | 1,007,916 |
| Reserve for employees' retirement benefits | 418,312 | 430,927 |
| Reserve for retirement benefits of directors, executive officers and corporate auditors | 3,147 | 2,651 |
| Reserve for possible reimbursement of prescribed claims | 1,100 | 987 |
| Reserve for price fluctuations | 80,453 | 80,453 |
| Deferred tax liabilities for land revaluation | 123,635 | 114,280 |
| Acceptances and guarantees | 17,826 | 19,695 |
| Total liabilities | 30,103,223 | 30,186,897 |
| (NET ASSETS) | | |
| Capital stock | 210,200 | 210,200 |
| Capital surplus | 210,200 | 210,200 |
| Legal capital surplus | 210,200 | 210,200 |
| Retained earnings | 192,887 | 199,258 |
| Legal retained earnings | 5,600 | 5,600 |
| Other retained earnings | 187,287 | 193,658 |
| Fund for risk allowance | 43,120 | 43,120 |
| Fund for price fluctuation allowance | 65,000 | 65,000 |
| Reserve for tax basis adjustments of real estate | 17,962 | 17,975 |
| Retained earnings brought forward | 61,205 | 67,562 |
| Treasury stock | (20,479) | (18,738) |
| Total shareholders' equity | 592,808 | 600,919 |
| Net unrealized gains (losses) on securities, net of tax | 237,580 | 195,001 |
| Deferred hedge gains (losses) | 1,243 | (241) |
| Reserve for land revaluation | (65,194) | (81,667) |
| Total of valuation and translation adjustments | 173,629 | 113,091 |
| Subscription rights to shares | - | 150 |
| Total net assets | 766,437 | 714,161 |
| Total liabilities and net assets | 30,869,661 | 30,901,058 |

## 3. Unaudited Non-Consolidated Statements of Earnings

(millions of yen)

| | Six months ended September 30, 2010 | Six months ended September 30, 2011 |
|---|---|---|
| ORDINARY REVENUES | 2,094,396 | 2,248,357 |
| Premium and other income | 1,501,746 | 1,600,033 |
| [ Premium income ] | [ 1,501,420 ] | [ 1,599,675 ] |
| Investment income | 456,384 | 492,364 |
| [ Interest and dividends ] | [ 338,318 ] | [ 342,871 ] |
| [ Gains on sale of securities ] | [ 101,692 ] | [ 146,379 ] |
| [ Derivative transaction gains ] | [ 15,049 ] | [ 215 ] |
| Other ordinary revenues | 136,265 | 155,960 |
| [ Reversal of reserves for outstanding claims ] | [ 6,223 ] | [ 35,341 ] |
| ORDINARY EXPENSES | 1,988,173 | 2,172,233 |
| Benefits and claims | 1,223,647 | 1,221,242 |
| [ Claims ] | [ 384,902 ] | [ 368,547 ] |
| [ Annuities ] | [ 212,749 ] | [ 230,021 ] |
| [ Benefits ] | [ 261,839 ] | [ 240,995 ] |
| [ Surrender values ] | [ 307,031 ] | [ 317,712 ] |
| [ Other refunds ] | [ 56,535 ] | [ 63,518 ] |
| Provision for policy reserves and others | 163,552 | 238,567 |
| Provision for policy reserves | 158,532 | 233,765 |
| Provision for interest on policyholder dividends | 5,019 | 4,801 |
| Investment expenses | 190,814 | 287,910 |
| [ Interest expenses ] | [ 5,701 ] | [ 9,310 ] |
| [ Losses on money held in trust ] | [ 2,272 ] | [ 1,666 ] |
| [ Losses on sale of securities ] | [ 61,837 ] | [ 56,949 ] |
| [ Losses on valuation of securities ] | [ 6,867 ] | [ 85,101 ] |
| [ Losses on investment in separate accounts ] | [ 75,615 ] | [ 89,623 ] |
| Operating expenses | 210,256 | 203,521 |
| Other ordinary expenses | 199,902 | 220,990 |
| ORDINARY PROFIT | 106,222 | 76,124 |
| EXTRAORDINARY GAINS | 3,864 | 456 |
| Gains on disposal of fixed assets | 3,176 | 456 |
| Reversal of reserve for possible loan losses | 80 | - |
| Reversal of reserve for possible invesement losses | 480 | - |
| Gains on collection of loans and claims written off | 127 | - |
| EXTRAORDINARY LOSSES | 14,432 | 29,646 |
| Losses on disposal of fixed assets | 574 | 534 |
| Impairment losses on fixed assets | 2,784 | 29,112 |
| Provision for reserve for price fluctuations | 7,000 | - |
| Effect of initial application of accounting standard for asset retirement obligations | 4,074 | - |
| Provision for reserve for policyholder dividends | 41,249 | 34,796 |
| Income before income taxes | 54,406 | 12,138 |
| Corporate income taxes-current | 5,374 | 470 |
| Corporate income tax-deferred | 14,874 | 5,508 |
| Total of corporate income taxes | 20,248 | 5,979 |
| Net income for the period | 34,157 | 6,159 |

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

(millions of yen)

| | Six months ended September 30, 2010 | Six months ended September 30, 2011 |
|---|---|---|
| Shareholders' equity | | |
| Capital stock | | |
| Balance at the beginning of the year | 210,200 | 210,200 |
| Changes for the period | | |
| Total changes for the period | - | - |
| Balance at the end of the period | 210,200 | 210,200 |
| Capital surplus | | |
| Legal capital surplus | | |
| Balance at the beginning of the year | 210,200 | 210,200 |
| Changes for the period | | |
| Total changes for the period | - | - |
| Balance at the end of the period | 210,200 | 210,200 |
| Other capital surplus | | |
| Balance at the beginning of the year | - | - |
| Changes for the period | | |
| Disposal of treasury stock | - | (451) |
| Transfer from retained earnings to capital surplus | - | 451 |
| Total changes for the period | - | - |
| Balance at the end of the period | - | - |
| Total capital surplus | | |
| Balance at the beginning of the year | 210,200 | 210,200 |
| Changes for the period | | |
| Disposal of treasury stock | - | (451) |
| Transfer from retained earnings to capital surplus | - | 451 |
| Total changes for the period | - | - |
| Balance at the end of the period | 210,200 | 210,200 |
| Retained earnings | | |
| Legal retained earnings | | |
| Balance at the beginning of the year | 5,600 | 5,600 |
| Changes for the period | | |
| Total changes for the period | - | - |
| Balance at the end of the period | 5,600 | 5,600 |
| Other retained earnings | | |
| Fund for risk allowance | | |
| Balance at the beginning of the year | 43,120 | 43,120 |
| Changes for the period | | |
| Total changes for the period | - | - |
| Balance at the end of the period | 43,120 | 43,120 |
| Fund for price fluctuation allowance | | |
| Balance at the beginning of the year | 55,000 | 65,000 |
| Changes for the period | | |
| Transfer to fund for price fluctuation allowance | 10,000 | - |
| Total changes for the period | 10,000 | - |
| Balance at the end of the period | 65,000 | 65,000 |
| Reserve for tax basis adjustments of real estate | | |
| Balance at the beginning of the year | 16,420 | 17,962 |
| Changes for the period | | |
| Transfer to reserve for tax basis adjustments of real estate | 1,759 | 79 |
| Transfer from reserve for tax basis adjustments of real estate | (66) | (66) |
| Total changes for the period | 1,693 | 13 |
| Balance at the end of the period | 18,113 | 17,975 |
| Retained earnings brought forward | | |
| Balance at the beginning of the year | 64,157 | 61,205 |
| Changes for the period | | |
| Dividends | (10,000) | (15,776) |
| Net income for the period | 34,157 | 6,159 |
| Transfer to fund for price fluctuation allowance | (10,000) | - |
| Transfer from retained earnings to capital surplus | - | (451) |
| Transfer to reserve for tax basis adjustments of real estate | (1,759) | (79) |
| Transfer from reserve for tax basis adjustments of real estate | 66 | 66 |
| Transfer from reserve for land revaluation | 1,197 | 16,439 |
| Total changes for the period | 13,661 | 6,357 |
| Balance at the end of the period | 77,818 | 67,562 |
| Total retained earnings | | |
| Balance at the beginning of the year | 184,297 | 192,887 |
| Changes for the period | | |
| Dividends | (10,000) | (15,776) |
| Net income for the period | 34,157 | 6,159 |
| Transfer from retained earnings to capital surplus | - | (451) |
| Transfer from reserve for land revaluation | 1,197 | 16,439 |
| Total changes for the period | 25,355 | 6,370 |
| Balance at the end of the period | 209,652 | 199,258 |

(millions of yen)

| | Six months ended September 30, 2010 | Six months ended September 30, 2011 |
|---|---|---|
| Treasury stock | | |
| Balance at the beginning of the year | - | (20,479) |
| Changes for the period | | |
| Disposal of treasury stock | - | 1,740 |
| Total changes for the period | - | 1,740 |
| Balance at the end of the period | - | (18,738) |
| Total shareholders' equity | | |
| Balance at the beginning of the year | 604,697 | 592,808 |
| Changes for the period | | |
| Dividends | (10,000) | (15,776) |
| Net income for the period | 34,157 | 6,159 |
| Disposal of treasury stock | - | 1,289 |
| Transfer from reserve for land revaluation | 1,197 | 16,439 |
| Total changes for the period | 25,355 | 8,111 |
| Balance at the end of the period | 630,052 | 600,919 |
| Valuation and translation adjustments | | |
| Net unrealized gains (losses) on securities, net of tax | | |
| Balance at the beginning of the year | 461,158 | 237,580 |
| Changes for the period | | |
| Net changes of items other than shareholders' equity | (46,555) | (42,579) |
| Total changes for the period | (46,555) | (42,579) |
| Balance at the end of the period | 414,603 | 195,001 |
| Deferred hedge gains (losses) | | |
| Balance at the beginning of the year | (2,008) | 1,243 |
| Changes for the period | | |
| Net changes of items other than shareholders' equity | (791) | (1,484) |
| Total changes for the period | (791) | (1,484) |
| Balance at the end of the period | (2,800) | (241) |
| Reserve for land revaluation | | |
| Balance at the beginning of the year | (63,540) | (65,194) |
| Changes for the period | | |
| Net changes of items other than shareholders' equity | (1,197) | (16,473) |
| Total changes for the period | (1,197) | (16,473) |
| Balance at the end of the period | (64,738) | (81,667) |
| Total of valuation and translation adjustments | | |
| Balance at the beginning of the year | 395,609 | 173,629 |
| Changes for the period | | |
| Net changes of items other than shareholders' equity | (48,544) | (60,537) |
| Total changes for the period | (48,544) | (60,537) |
| Balance at the end of the period | 347,064 | 113,091 |
| Subscription rights to shares | | |
| Balance at the beginning of the year | - | - |
| Changes for the period | | |
| Net changes of items other than shareholders' equity | - | 150 |
| Total changes for the period | - | 150 |
| Balance at the end of the period | - | 150 |
| Total net assets | | |
| Balance at the beginning of the year | 1,000,307 | 766,437 |
| Changes for the period | | |
| Dividends | (10,000) | (15,776) |
| Net income for the period | 34,157 | 6,159 |
| Disposal of treasury stock | - | 1,289 |
| Transfer from reserve for land revaluation | 1,197 | 16,439 |
| Net changes of items other than shareholders' equity | (48,544) | (60,387) |
| Total changes for the period | (23,189) | (52,276) |
| Balance at the end of the period | 977,117 | 714,161 |

## I. NOTES TO THE UNAUDITED NON-CONSOLIDATED BALANCE SHEET FOR THE SIX MONTHS ENDED SEPTEMBER 30, 2011

### 1. Valuation Methods of Securities

Securities held by the Company including cash equivalents, bank 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 premium or discount of securities 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 Securities

Held-to-maturity debt securities 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

i. Available-for-sale Securities with Market Value

Available-for-sale securities which have market value are valued at fair value as of September 30, 2011 (for domestic stocks, the average value during September), with cost determined by the moving average method.

ii. Available-for-sale Securities Whose Market Values Are Extremely Difficult to Be Recognized

a. 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.

b. Others

All others are valued at cost using the moving average method.

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

### 2. Policy-reserve-matching Bonds

(1) Book Value and Market Value

The book value of policy-reserve-matching bonds as of September 30, 2011 amounted to ¥7,649,141 million. The market value of these bonds as of September 30, 2011 was ¥8,194,571 million.

(2) Risk Management Policy

The Company categorizes its insurance products into sub-groups by 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 are:

i. individual life insurance and annuities,
ii. non-participating single premium whole life insurance (without duty of medical disclosure),
iii. financial insurance and annuities, and
iv. group annuities,

with the exception of certain types.

(3) Addition of sub-group

Effective the six months ended September 30, 2011, in order to conduct appropriate duration control, taking into account debt situation, and thus, promote more sophisticated ALM, the Company added non-participating single premium whole life insurance (without duty of medical disclosure) as a new sub-group. This addition did not have any impact on profits and losses of the Company for the six months ended September 30, 2011.

## 3. Derivative Transactions

Derivative transactions are reported at fair value.

## 4. Revaluation of Land

Based on the "Law for Revaluation of Land" (Publicly Issued Law 34, March 31, 1998), the Company revalued land for business use. The difference between fair value and book value resulting from the revaluation, net of related deferred taxes, is recorded as a reserve for land revaluation as a separate component of net assets and the related deferred tax liability is recorded as deferred tax liabilities for land revaluation.

- Date of revaluation: March 31, 2001
- Method stipulated in Article 3 Paragraph 3 of the Law for Revaluation of Land
  The fair value was determined based on the appraisal value publicly announced for tax assessment purposes with certain reasonable adjustments in accordance with Article 2-1 and 2-4 of the Enforcement Ordinance relating to the Law for Revaluation of Land.
- The excess of the new book value of the land over the fair value after revaluation in accordance with Article 10 of the Law for Revaluation of Land as of September 30, 2011 was ¥38,541 million.

## 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 following method.

i. Buildings (excluding leasehold improvements and structures)
   a. Acquired on or before March 31, 2007
      Calculated by the previous straight-line method.
   b. Acquired on or after April 1, 2007
      Calculated by the straight-line method.

ii. Assets other than buildings
   a. Acquired on or before March 31, 2007
      Calculated by the previous declining balance method.
   b. Acquired on or after April 1, 2007
      Calculated by the declining balance method.

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 and buildings that were acquired for ¥100,000 or more but less than ¥200,000 are depreciated by equal amounts over three years.

With respect to tangible fixed assets that were acquired on or before March 31, 2007 and that were depreciated to their final depreciable limit, effective the fiscal year ended March 31, 2008, the salvage values are depreciated in the five years following the fiscal year end when such assets were depreciated to their final depreciable limit.

(2) Amortization of Intangible Fixed Assets Excluding Leased Assets

The Company uses the straight-line method of amortization for intangible fixed assets excluding leased assets. Amortization of software for internal use is based on the estimated useful life of five years.

(3) Depreciation of Leased Assets

Depreciation 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.

Finance leases, which commenced on or before March 31, 2008, are accounted for in the same manner applicable to ordinary operating leases.

(4) Accumulated Depreciation of Tangible Fixed Assets

Accumulated depreciation of tangible fixed assets as of September 30, 2011 was ¥669,887 million.

**6. Translation of Assets and Liabilities Denominated in Foreign Currencies to 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, 2011. Stocks of non-consolidated subsidiaries and affiliated companies are translated into yen at the exchange rates on the dates of acquisition.

**7. Reserve for Possible Loan Losses**

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

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

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

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

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

For loans and claims to bankrupt and substantially bankrupt obligors, the unrecoverable amount is calculated by deducting the amount deemed recoverable from collateral and guarantees from the amount of the loans and claims and is directly written off from the amount of the loans and claims. The amount written off during the six months ended September 30, 2011 was ¥1,737 million.

**8. Accounting for Beneficial Interests in Securitized Mortgage Loans**

The trust beneficial interests, mostly obtained in the securitization of mortgage loans originated by the Company in August 2000, amounted to ¥25,057 million as of September 30, 2010, and are included as loans in the non-consolidated balance sheet. The reserve for possible loan losses for these particular beneficial interests is calculated based on the balance of the underlying loans. The balance of the underlying loans in the trust as of September 30, 2011 was ¥39,953 million.

**9. Reserve for Employees' Retirement Benefits**

For the reserve for employees' retirement benefits, the amount calculated in accordance with the accounting standards for retirement benefits ("Statement on Establishing Accounting Standards for Retirement Benefits" issued on June 16, 1998 by the Business Accounting Council), supposed to be incurred as of September 30, 2011, is provided, based on the projected benefit obligations and pension assets as of March 31, 2012.

Actuarial differences are amortized by the straight-line method through a certain period of 7 years starting from the following year, which is within the employees' average remaining service period.

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

For the reserve for retirement benefits of directors, executive officers and corporate auditors of the Company, (1) an estimated amount for future payment out of the total amount of benefits for past service approved by the 105th general meeting of representative policyholders of the Company and (2) an estimated amount for future corporate-pension payments to directors, executive officers, and corporate auditors who retired before the approval of the $105^{th}$ general meeting of representative policyholders of the Company are provided.

## 11. Reserve for Possible Reimbursement of Prescribed Claims

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

## 12. Reserve for Price Fluctuations

A reserve for price fluctuations is calculated based on the book value of stocks and other securities as of September 30, 2011 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 issued on March 10, 2008). Primarily, (1) special hedge accounting for interest rate swaps and the deferral hedge method are used for cash flow hedges of certain loans, government and corporate bonds and loans and bonds payable; (2) the currency allotment method and deferral hedge method are used for cash flow hedges by foreign currency swaps and foreign currency forward contracts against exchange rate fluctuations in certain foreign currency-denominated loans, loans payable, bonds payable, term deposits and stocks (forecasted transaction); and (3) the fair value hedge method by currency options and foreign currency forward contracts is used for hedges against exchange rate fluctuations in the value of certain foreign currency-denominated bonds.

(2) Hedging instruments and hedged instruments

| Hedging instruments | Hedged instruments |
|---|---|
| Interest rate swaps …………………………… | loans, government and corporate bonds, loans payable, bonds payable |
| Foreign currency swaps ……………………... | 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 |

(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 values of hedged and hedging instruments.

## 14. Calculation of National and Local Consumption Tax

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

## 15. Policy Reserve

Policy reserve of the Company are established in accordance with Article 116 of the Insurance Business Act. Insurance premium reserves are calculated as follows:

i. 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).

ii. Reserves for other policies are established based on the net level premium method.

Effective the fiscal year ended March 31, 2008, for whole life insurance contracts acquired on or before March 31, 1996 and premium payments for which were already completed (including lump-sum payment), additional policy reserves are provided in accordance with Article 69, Paragraph 5 of the Enforcement Regulation of the Insurance Business Act and will be provided in the following nine years. As a result, additional provision for policy reserves for the six months ended September 30, 2011 was ¥53,157 million.

## 16. Application of "Accounting Standard for Accounting Changes and Error Corrections"

The Company applied "Accounting Standard for Accounting Changes and Error Corrections" (ASBJ Statement No.24 issued on December 4, 2009) and "Guidance on Accounting Standard for Accounting Changes and Error Corrections" (ASBJ Guidance No.24 issued on December 4, 2009) for making accounting changes and correcting past errors on or after April 1, 2011.

## 17. Revision of "Practical Guidelines on Accounting Standards for Financial Instruments"

The Company formerly presented (1) reversal of reserve for possible loan losses, (2) reversal of reserve for possible investment losses and (3) gains on collection of loans and claims written off as items under extraordinary gains. However, effective the six months ended September 30, 2011, the Company started to present the three items under investment income due to the revision made to "Practical Guidelines on Accounting Standards for Financial Instruments" (Accounting Practice Committee Statement No.14 issued by the JICPA).

## 18. Securities Lending

Securities lent under lending agreements are included in the non-consolidated balance sheets. The total balance of securities lent as of September 30, 2011 was ¥463,887 million.

## 19. Problem Loans

As of September 30, 2011, the total amount of credits to bankrupt borrowers, delinquent loans, loans past due for three months or more, and restructured loans, which were included in loans, was ¥24,997 million. The amounts of credits to bankrupt borrowers was ¥4,974 million, the amount of delinquent loans was ¥16,595 million, the Company held no amount of loans past due for three months or more, and the amount of restructured loans was ¥3,427 million.

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 and 4 of the Enforcement Ordinance of the Corporation Tax Law. 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 above, credits to bankrupt borrowers and delinquent loans decreased by ¥547 million and ¥1,189 million, respectively.

**20. Assets and Liabilities Held in Separate Accounts**

The total amount of assets held in separate accounts defined in Article 118, Paragraph 1 of the Insurance Business Act was ¥1,049,032 million. Separate account liabilities were the same amount as separate account assets.

**21. Leased Computers**

In addition to leased assets included in the non-consolidated balance sheet, the Company has computers as significant leased tangible fixed assets. The Company has no material leased intangible fixed assets.

**22. Changes in Reserve for Policyholder Dividends**

Changes in reserve for policyholder dividends were as follows:

| | (millions of yen) |
|---|---|
| Balance at the beginning of fiscal year ending March 31, 2012 | ¥ 403,671 |
| Dividends paid during the six months ended September 30, 2011 | (52,360) |
| Interest accrual during the six months ended September 30, 2011 | 4,801 |
| Provision for reserve for policyholder dividends | 34,796 |
| Balance as of September 30, 2011 | ¥ 390,908 |

**23. Stocks of Subsidiaries**

The amount of stocks of subsidiaries the Company held as of September 30, 2011 was ¥331,032 million.

**24. Organization Change Surplus**

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

**25. Assets Pledged as Collateral / Secured Liabilities**

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

| | | (millions of yen) |
|---|---|---|
| Securities (Government bonds) | ¥ | 398,196 |
| Securities (Foreign securities) | | 3,097 |
| Cash/deposits | | 86 |
| Securities and cash/deposits pledged as collateral | ¥ | 401,381 |

The amounts of secured liabilities were as follows:

| | | (millions of yen) |
|---|---|---|
| Cash collateral for securities lending transactions | ¥ | 410,750 |
| Loans payable | | 9 |
| Secured liabilities | ¥ | 410,759 |

Among the amounts, "Securities (Government bonds)" for securities lending transactions as of September 30, 2011 was ¥396,804 million.

**26. Reinsurance**

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

**27. Asset Retirement Obligation**

The following table shows the increase and decrease in asset retirement obligation for the six months ended September 30, 2011:

| | | (millions of yen) |
|---|---|---|
| Beginning balance …………………………………….. | ¥ | 4,019 |
| Time progress adjustments…………………………….... | | 25 |
| Others ……………………………………………….... | | 960 |
| Ending balance ………………………………………. | ¥ | 5,005 |

## 28. Securities Borrowing

Securities borrowed under borrowing agreements can be sold or pledged as collateral. As of September 30, 2011, the market value of the securities borrowed which were not sold or pledged was ¥7,666 million, among which no securities were pledged as collateral.

## 29. Commitment Line

There were unused commitment line agreements under which the Company is the lender of ¥2,300 million.

## 30. Subordinated Debt

Other liabilities included subordinated debt of ¥350,000 million, repayment of which is subordinated to other obligations.

## 31. Subordinated Bonds

Subordinated bonds of ¥145,880 million shown in liabilities were foreign currency-denominated subordinated bonds, the repayment of which is subordinated to other obligations.

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

The estimated future obligations of the Company to the Life Insurance Policyholders Protection Corporation of Japan under Article 259 of the Insurance Business Act were ¥58,920 million as of September 30, 2011. These obligations will be recognized as operating expenses in the period in which they are paid.

# II. NOTES TO THE UNAUDITED NON-CONSOLIDATED STATEMENT OF EARNINGS FOR THE SIX MONTHS ENDED SEPTEMBER 30, 2011

## 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 ¥59,888 million, ¥21,514 million and ¥64,977 million, respectively.

Losses on sale of securities included losses on sales of domestic bonds, domestic stocks and foreign securities of ¥170 million, ¥11,625 million and ¥45,153 million, respectively.

Losses on valuation of securities included losses on valuation of domestic stocks and foreign securities of ¥39,968 million and ¥45,133 million, respectively.

## 2. Reinsurance

In calculating reversal of reserves for outstanding claims, a reversal of reserves for outstanding claims reinsured of ¥4 million was subtracted. In calculating provision for policy reserves, reversal for policy reserve reinsured of ¥0 million was added.

## 3. Interest and Dividends

Major components of interest and dividends for the six months ended September 30, 2011 were as follows:

| | | (millions of yen) |
|---|---|---|
| Interest from deposits …………………. | ¥ | 2,942 |
| Interest and dividends from securities … | | 262,098 |
| Interest from loans …………………….. | | 41,132 |
| Rental income …………………………. | | 32,616 |
| Other interest and dividends …………... | | 4,081 |
| Total ………………………………….... | ¥ | 342,871 |

**4. Gains/Losses on Money Held in Trust**

Losses on money held in trust included losses on valuation of securities of ¥1,722 million.

**5. Derivative Transaction Gains/Losses**

Derivative transaction gains included valuation gains of ¥5,382 million.

**6. Net Income per Share**

Net income per share for the six months ended September 30, 2011 was ¥624.22. Diluted net income per share for the same period was ¥624.19.

**7. Impairment Losses on Fixed Assets**

Details on impairment losses on fixed assets for the six months ended September 30, 2011 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 decline in profitability or market value in some asset groups, the Company wrote down the book value of these assets to the recoverable value, and reported such reduced amount as impairment losses in extraordinary losses.

(3) Breakdown of Impairment Losses

Impairment losses by asset group were as follows:

| Asset Group | Place | Number | Impairment Loss | | |
|---|---|---|---|---|---|
| | | | Land | Buildings | Total |
| | | | | (millions of yen) | |
| Real estate for rent | Assets including Tomakomai City, Hokkaido | 5 | ¥ 378 | ¥ 467 | ¥ 845 |
| Real estate not in use | Assets including Ashigara-kami County, Kanagawa Prefecture | 74 | 26,131 | 2,135 | 28,266 |
| Total | | 79 | ¥ 26,509 | ¥ 2,602 | ¥ 29,112 |

(4) Calculation of Recoverable Value

Value in use or net sale value is used as 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 2.81% was applied for discounting future cash flows in 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 is used as net sale value.

## III. NOTES TO THE UNAUDITED NON-CONSOLIDATED STATEMENT OF CHANGES IN NET ASSETS FOR THE SIX MONTHS ENDED SEPTEMBER 30, 2011

### 1. Treasury Stock

(thousand shares)

| | Number of treasury stocks outstanding at the beginning of the fiscal year endind March 31, 2012 | Increase in treasury stocks | Decrease in treasury stocks | Number of treasury stocks outstanding as of September 30, 2011 |
|---|---|---|---|---|
| Common Stocks (*1 | 139 | - | 12 | 127 |

*1 Decrease in treasury stocks represents the sum of the numbers of shares of common stock of the Company which (1) Stock Granting Trust of the Company granted to its qualified employees and (2) Trust-type Employee Stockholding Incentive Plan of the Company sold to the Dai- ichi Life Insurance Employee Stock Holding Partnership.

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

(millions of yen)

| | | Six months ended September 30, 2010 | Six months ended September 30, 2011 |
|---|---|---|---|
| Fundamental revenues | | 1,977,653 | 2,101,543 |
| Premium and other income | | 1,501,746 | 1,600,033 |
| Investment income | | 339,641 | 345,550 |
| [Interest and dividends] | | [ 338,318 ] | [ 342,871 ] |
| Other ordinary revenues | | 136,265 | 155,960 |
| Fundamental expense | | 1,840,275 | 1,947,585 |
| Benefits and claims | | 1,223,647 | 1,221,242 |
| Provision for policy reserve and other | | 100,138 | 176,410 |
| Investment expenses | | 106,329 | 125,419 |
| Operating expenses | | 210,256 | 203,521 |
| Other ordinary expenses | , | 199,902 | 220,990 |
| Fundamental profit | ***A*** | 137,378 | 153,957 |
| Capital gains | | 116,742 | 146,595 |
| Gains on money held in trust | | - | - |
| Gains on investments in trading securities | | - | - |
| Gains on sales of securities | | 101,692 | 146,379 |
| Derivative transaction gains | | 15,049 | 215 |
| Foreign exchange gains | | - | - |
| Others | | - | - |
| Capital losses | | 84,036 | 162,373 |
| Losses on money held in trust | | 2,272 | 1,666 |
| Losses on invesement in trading securities | | - | - |
| Losses on sales of securities | | 61,837 | 56,949 |
| Losses on valuation of securities | | 6,867 | 85,101 |
| Derivative transaction losses | | - | - |
| Foreign exchange losses | | 13,059 | 18,655 |
| Others | | - | - |
| Net capital gains | ***B*** | 32,705 | (15,778) |
| Fundamental profit plus net capital gains | ***A + B*** | 170,084 | 138,179 |
| Other one-time gains | | - | 218 |
| Reinsurance income | | - | - |
| Reversal of contingency reserve | | - | - |
| Reversal of specific reserve for possible loan losses | | - | 47 |
| Others | | - | 171 |
| Other one-time losses | | 63,861 | 62,274 |
| Ceding reinsurance commissions | | - | - |
| Provision for contingency reserve | | 9,000 | 9,000 |
| Provision for specific reserve for possible loan losses | | - | - |
| Provision for specific reserve for loans to refinancing countries | | - | - |
| Write-down of loans | | 447 | 116 |
| Others | | 54,413 | 53,157 |
| Other one-time profits | ***C*** | (63,861) | (62,055) |
| Ordinary profit | ***A + B + C*** | 106,222 | 76,124 |

Note: "Others"in "Other one-time gains" for the six months ended September 30, 2011 represents the reversal of reserve for possible invesement losses (171 million yen for the six months ended September 30, 2011).

"Others" in "Other one-time losses" represents the amount of the additional policy reserve provided in accordance with Article 69, Paragraph 5 of the Enforcement Regulations of the Insurance Business Act (53,157 million yen for the six months ended September 30, 2011 and 54,413 million yen for the six months ended September 30, 2010).

## 6. Investment of General Account Assets for the Six Months Ended September 30, 2011

### (1) Investment Environment

The Japanese economy has substantially but temporarily weakened due to (i) declined production activities and exports due to the supply constraints such as the supply chain disruption associated with the Great East Japan Earthquake and related Tsunami which occurred in March, (ii) weakened business and household sentiment affected by the economic uncertainty accompanying yen appreciation and power shortages. However, thanks to corporate efforts to ease supply constraints, business confidence improved and the economy entered a recovering phase in summer.

While the economies of developing countries slowed down due to the monetary tightening policies, the uncertainty of the European and U.S. economies deepened, mainly due to (i) the concern of economic downturn associated with cuts in government expenditures and (ii) the confusion caused by the sovereign debt crisis.

In the economic environment described above, the investment environment was as follows:

[Domestic interest rates]

The yield on ten year government bonds has shown a downward trend affected by the monetary easing measures by the Bank of Japan (“BOJ”) resulting from the slowdown of the overseas economy and the yen appreciation, and temporarily drifted below 1.0%. However, the concern over the Japanese government to over-issue bonds in relation to the earthquake limited the downward trend of the yield on government bonds.

| | | |
|---|---|---|
| Yield on ten-year government bonds: | April 1, 2011 | 1.250% |
| | September 30, 2011 | 1.025% |

[Domestic Stocks]

After the sharp drop caused by the Great East Japan Earthquake and related Tsunami which occurred in March, the Nikkei 225 Stock Average temporarily recovered to the 10,000-yen level as corporate efforts to resolve the supply chain constraint and concern over power shortage gradually materialized. However, affected by yen appreciation and concern over the slowdown of overseas economies, the Nikkei 225 Stock Average subsequently fell below the 9,000-yen level and has remained weak.

| | | |
|---|---|---|
| Nikkei 225 Stock Average: | April 1, 2011 | 9,755 |
| | September 30, 2011 | 8,700 |
| TOPIX: | April 1, 2011 | 869 |
| | September 30, 2011 | 761 |

[Foreign Currency]

In early spring, both the U.S. dollar and Euro appreciated against the yen, reflecting (i) global economic recovery and (ii) increased expectations for the widening of future international interest-spread after the European Central Bank (“ECB”) raised interest rates for the first time since July 2008 in order to control price increases.

However, with the debt crisis in Greece spreading to neighboring countries, the increased concern about the credit risks in the Euro area led to substantial depreciation of the Euro, which temporarily depreciated against the yen to the level of 101yen for the first time in a decade. Also, due to the concern about potential recession and debt ceiling problem in the United States and the expectation that the Federal Reserve Bank (“FRB”) would conduct additional monetary easing measures, the U.S. dollar temporarily depreciated against the yen to ¥75.95, hitting a postwar record.

| | | |
|---|---|---|
| yen/U.S. dollar: | April 1, 2011 | ¥83.15 |
| | September 30, 2011 | ¥76.65 |
| yen/euro: | April 1, 2011 | ¥117.57 |
| | September 30, 2011 | ¥104.11 |

## (2) Investment Results

[Asset Composition]

The Company continued to set fixed income investments, including domestic bonds, as the core of its asset portfolio, consistent with its mid- to long-term investment policies. The Company actively increased its position in policy-reserve-matching bonds by purchasing long-term and super-long-term domestic bonds, in order to further enhance its Asset Liability Management (ALM) strategy and to improve profitability.

The Company has appropriately controlled risks associated with its risk assets (such as domestic stocks and foreign securities intended to promote diversification of risks and to improve its profitability) by taking the market trends into account.

The table below summarizes the investment results of general account by asset:

| Assets | Investment results |
|---|---|
| Domestic bonds | <u>Increase</u><br>The Company actively replaced bonds with longer duration bonds, capturing the moment of interest rate rise, and also increased investment in policy-reserve-matching bonds (mainly long-term and super-long-term bonds), based on its ALM strategy. The Company replaced its foreign currency-denominated bonds with currency hedges with domestic bonds, aiming to improve its investment efficiency.<br>The Company also made efforts to improve investment yields by carefully selecting and diversifying among various credit risk products, including corporate bonds and securitized products, in accordance with risk-adjusted credit spread guidelines. |
| Loans | <u>Decrease</u><br>Although the Company provided loans by setting adequate risk-adjusted spreads, while also paying attention to the credit spread trends in the bond market, the total balance of loans decreased due to contractual maturities and other factors. |
| Domestic stocks | <u>Decrease</u><br>The Company replaced some companies/sectors with those with higher competitiveness and more growth potential, taking into account analyses by in-house analysts. The Company cautiously controlled stock-related risks by paying attention to the stock market trends, resulting in a decrease in the total balance of domestic stocks. |
| Foreign bonds | <u>Decrease</u><br>Due to the decreasing exposure to foreign currency-denominated bonds with currency hedges in order to improve investment efficiency, and decrease in the balance of foreign currency-denominated bonds without currency hedges attributable to the yen appreciation, the Company's exposures to foreign currency-denominated bonds decreased. The Company cautiously controlled related risks by diversifying its portfolio by sector and currency. |
| Foreign Stocks | <u>Flat</u><br>Despite the impact of declining stock prices and yen appreciation, as a result of the acquisition of an overseas affiliated company, the total balance remained almost unchanged. The Company continuously focused on further diversification of styles and geographic allocation of foreign stock investment, utilizing both independent investment advisors and in-house managers. |
| Real Estate | <u>Decrease</u><br>By renegotiating rent and improving vacancy rates of the existing real estate portfolio, the Company pursued enhancement of the profitability of the overall portfolio. Also, the Company strived to increase the value of existing real estate by refurbishment and housing rehabilitation. |

Note: Underlined changes in assets above are described on a book value basis.

[Investment income and expenses]

Investment income increased by ¥35.9 billion compared to the corresponding period in the prior fiscal year, to ¥492.3 billion, largely due to an increase in gains on sales of domestic and foreign bonds as a result of lowered interest rates. Meanwhile, investment expenses increased by ¥83.0 billion to ¥198.2 billion, mainly due to an increase in losses on valuation of securities as a consequence of a decline in the stock market.

As a result, net investment income decreased by ¥47.1 billion to ¥294.0 billion.

(3) Investment Environment Outlook for the Six Months Ending March 31, 2012

In the second half of the fiscal year, the pace of economic recovery in Japan after the harsh economic decline following the Great East Japan Earthquake and related tsunami is expected to weaken in light of (1) weakening overseas economies with cuts in government expenditures, etc. and (2) a slowdown in individual consumption, given diminishing and temporarily booming demand associated with the introduction of digital terrestrial broadcasting and energy saving activities. However, the recovery is forecasted to continue as (1) capital expenditure associated with reconstruction demand of the private sector is expected to increase and (2) investment in the public sector to be implemented by the Japanese government with the supplementary budget is expected to bring a positive effect to the Japanese economy.

[Domestic interest rates]

With a downward trend in prices and monetary easing measures taken by the BOJ, domestic interest rates are expected to remain at a low level, although there is concern over a possible hike in interest rates against a backdrop of serious financial problems of the Japanese government. We expect the interest rates to rise, although slowly and gradually, given the economic recovery in relation to reconstruction demands, etc.

[Domestic stocks]

We forecast the domestic stock market to improve, although the improvement may be accompanied by continued volatility, owing to (1) recovering economies of developing countries and (2) cash inflows to stock markets as a result of monetary easing policies taken by developed countries. However, (1) uncertainty of the overseas economies and/or (2) yen appreciation against other currencies can be a risk scenario.

[Foreign currency]

We anticipate the dollar/yen exchange rate to move without an explicit direction, given (1) the yen appreciation pressure resulting from (i) lack of firm progress towards recovery of the U.S. economy in light of the downward trend in labor and housing markets and (ii) the FRB’s long-term monetary easing policy, and (2) the yen depreciation pressure resulting from (i) the monetary easing policy to be taken by the BOJ and (ii) yen-selling intervention to be implemented by the Japanese government and BOJ.

We anticipate the Euro/yen exchange rate to seesaw: the currency exchange market is supposed to watch the progress on measures against the European sovereign debt crisis, while taking into account the yen appreciation pressure resulting from the ECB’s monetary easing policy.

(4) Investment Policies for the Six Months Ending March 31, 2012

The Company will continue to set fixed income investments, including bonds, as the core of its asset portfolio, consistent with its mid- to long-term investment policies. Meanwhile, the Company will control the balance of risk assets, such as domestic stocks and foreign securities carried to diversify and improve overall returns of its investment portfolio, taking into account the market trends.

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

| Assets | Investment policies |
|---|---|
| Domestic bonds | Increase<br>The Company will continue investing in domestic bonds, as a core asset under its ALM strategy. When interest rates rise, the Company will accelerate its investment in bonds with longer durations (i.e. long-term bonds and super-long-term bonds) to further enhance its ALM. |
| Loans | Decrease<br>The Company will provide new loans with attention to borrowers' profiles and credit spread levels in the corporate bond market. Because corporate capital needs are estimated to shrink, however, the total balance of loans is expected to decrease slightly. |
| Domestic stocks | Decrease or slight decrease<br>The Company will seek opportunities to improve the profitability of portfolio by actively selecting companies and sectors with mid- to long-term growth potential, while it intends to decrease its exposure to domestic stocks in the long run for risk management reasons. |
| Foreign Bonds | Flat<br>The Company will maintain its foreign currency-denominated bond portfolio at the present level, which contributes to diversification and a better risk-return profile of the overall asset portfolio. The Company will carefully monitor domestic and foreign interest rate differentials as well as foreign currency exchange rates. |
| Foreign Stocks | Flat<br>Taking market trends into account, the Company will control its exposure to foreign stocks with average exposure targeted at the present level. The Company also continues to seek regional diversification, as well as investment style diversification, by utilizing both in-house fund managers and independent investment advisors. |

## 7. Investment Results of General Account

(1) Asset Composition (General Account)

(millions of yen)

| | As of March 31, 2011 | | As of September 30, 2011 | |
|---|---|---|---|---|
| | Carrying value | % | Carrying value | % |
| Cash, deposits, and call loans | 441,114 | 1.5 | 449,913 | 1.5 |
| Securities repurchased under resale agreements | - | - | - | - |
| Deposit paid for securities borrowing transactions | - | - | - | - |
| Monetary claims bought | 291,115 | 1.0 | 291,430 | 1.0 |
| Trading account securities | - | - | - | - |
| Money held in trust | 21,178 | 0.1 | 18,495 | 0.1 |
| Securities | 23,201,366 | 78.0 | 23,391,884 | 78.3 |
| Domestic bonds | 13,434,971 | 45.2 | 15,035,746 | 50.3 |
| Domestic stocks | 2,538,013 | 8.5 | 2,253,770 | 7.5 |
| Foreign securities | 7,035,698 | 23.7 | 5,929,734 | 19.9 |
| Foreign bonds | 5,581,739 | 18.8 | 4,475,997 | 15.0 |
| Foreign stocks and other securities | 1,453,959 | 4.9 | 1,453,736 | 4.9 |
| Other securities | 192,683 | 0.6 | 172,632 | 0.6 |
| Loans | 3,627,422 | 12.2 | 3,454,605 | 11.6 |
| Policy loans | 539,497 | 1.8 | 530,600 | 1.8 |
| Ordinary loans | 3,087,925 | 10.4 | 2,924,004 | 9.8 |
| Real estate | 1,290,787 | 4.3 | 1,256,345 | 4.2 |
| Real estate for rent | 814,333 | 2.7 | 813,949 | 2.7 |
| Deferred tax assets | 475,198 | 1.6 | 485,116 | 1.6 |
| Others | 398,585 | 1.3 | 535,967 | 1.8 |
| Reserve for possible loan losses | (12,900) | (0.0) | (11,409) | (0.0) |
| Total | 29,733,868 | 100.0 | 29,872,349 | 100.0 |
| Foreign currency-denominated assets | 5,435,294 | 18.3 | 4,485,911 | 15.0 |

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

(3) Changes (Increase/Decrease) in Assets (General Account)

(millions of yen)

| | Six month ended September 30, 2010 | Six month ended September 30, 2011 |
|---|---|---|
| Cash, deposits, and call loans | (21,277) | 8,798 |
| Securities repurchased under resale agreements | - | - |
| Deposit paid for securities borrowing transactions | - | - |
| Monetary claims bought | 19,408 | 314 |
| Trading account securities | - | - |
| Money held in trust | (2,287) | (2,682) |
| Securities | 224,238 | 190,517 |
| Domestic bonds | 186,863 | 1,600,775 |
| Domestic stocks | (413,347) | (284,242) |
| Foreign securities | 470,756 | (1,105,964) |
| Foreign bonds | 508,406 | (1,105,741) |
| Foreign stocks and other securities | (37,650) | (222) |
| Other securities | (20,034) | (20,051) |
| Loans | (69,738) | (172,816) |
| Policy loans | (14,843) | (8,896) |
| Ordinary loans | (54,894) | (163,920) |
| Real estate | 42,374 | (34,441) |
| Real estate for rent | 34,073 | (384) |
| Deferred tax assets | 11,038 | 9,918 |
| Others | (239,056) | 137,382 |
| Reserve for possible loan losses | 109 | 1,490 |
| Total | (35,192) | 138,480 |
| Foreign currency-denominated assets | 191,676 | (949,382) |

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

## (3) Investment Income (General Account)

(millions of yen)

| | Six months ended September 30, 2010 | Six months ended September 30, 2011 |
|---|---|---|
| Interest and dividends | 338,318 | 342,871 |
| Interest from bank deposits | 2,421 | 2,942 |
| Interest and dividends from securities | 254,431 | 262,098 |
| Interest from loans | 43,477 | 41,132 |
| Rental income | 33,937 | 32,616 |
| Other interest and dividends | 4,051 | 4,081 |
| Gains on trading account securities | - | - |
| Gains on money held in trust | - | - |
| Gains on investments in trading securities | - | - |
| Gains on sale of securities | 101,692 | 146,379 |
| Gains on sale of domestic bonds | 36,987 | 59,888 |
| Gains on sale of domestic stocks | 32,054 | 21,514 |
| Gains on sale of foreign securities | 32,651 | 64,977 |
| Others | - | - |
| Gains on redemption of securities | 985 | 340 |
| Derivative transaction gains | 15,049 | 215 |
| Foreign exchange gains | - | - |
| Reversal of reserve for possible loan losses | - | 1,464 |
| Reversal of reserve for possible investment losses | - | 171 |
| Other investment income | 336 | 921 |
| Total | 456,384 | 492,364 |

## (4) Investments Expense (General Account)

(millions of yen)

| | Six months ended September 30, 2010 | Six months ended September 30, 2011 |
|---|---|---|
| Interest expenses | 5,701 | 9,310 |
| Losses on trading account securities | - | - |
| Losses on money held in trust | 2,272 | 1,666 |
| Losses on investments in trading securities | - | - |
| Losses on sale of securities | 61,837 | 56,949 |
| Losses on sale of domestic bonds | 147 | 170 |
| Losses on sale of domestic stocks | 9,218 | 11,625 |
| Losses on sale of foreign securities | 52,470 | 45,153 |
| Others | - | - |
| Losses on valuation of securities | 6,867 | 85,101 |
| Losses on valuation of domestic bonds | - | - |
| Losses on valuation of domestic stocks | 4,446 | 39,968 |
| Losses on valuation of foreign securities | 2,421 | 45,133 |
| Others | - | - |
| Losses on redemption of securities | 1,033 | 1,857 |
| Derivative transaction losses | - | - |
| Foreign exchange losses | 13,059 | 18,655 |
| Provision for reserve for possible loan losses | - | - |
| Provision for reserve for possible investment losses | - | - |
| Write-down of loans | 447 | 116 |
| Depreciation of rented real estate and others | 7,397 | 7,479 |
| Other investment expenses | 16,583 | 17,149 |
| Total | 115,199 | 198,286 |

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

(millions of yen)

| | Six months ended September 30, 2010 | Six months ended September 30, 2011 |
|---|---|---|
| Net investment income | 341,184 | 294,077 |

(6) Valuation gains and losses on trading securities (general account)

(millions of yen)

| | As of March 31, 2011 | | As of September 30, 2011 | |
|---|---|---|---|---|
| | Carrying value on the balance sheet | Valuation gains (losses) included in the statement of earnings | Carrying value on the balance sheet | Valuation gains (losses) included in the statement of earnings |
| Trading securities | 21,178 | (1,049) | 18,495 | (1,722) |
| Trading account securities | - | - | - | - |
| Money held in trust | 21,178 | (1,049) | 18,495 | (1,722) |

Note: 'Valuation gains (losses) included in statement of earnings' include reversal gains (losses) at the beginning of the fiscal year.

(7) Fair value information on securities (general account) (securities with fair value except for trading securities)

(millions of yen)

| | Book value | Fair value | Gains (losses) | | |
|---|---|---|---|---|---|
| | | | | Gains | Losses |
| As of March 31, 2011 | | | | | |
| Bonds held to maturity | 145,823 | 150,247 | 4,424 | 4,424 | - |
| Domestic bonds | 103,924 | 105,161 | 1,237 | 1,237 | - |
| Foreign bonds | 41,899 | 45,085 | 3,186 | 3,186 | - |
| Policy-reserve-matching bonds | 6,870,639 | 7,092,066 | 221,426 | 234,913 | 13,486 |
| Domestic bonds | 6,870,639 | 7,092,066 | 221,426 | 234,913 | 13,486 |
| Stocks of subsidiaries and affiliates | 20,785 | 42,999 | 22,213 | 22,224 | 10 |
| Securities available for sale | 14,706,987 | 15,078,568 | 371,580 | 794,148 | 422,567 |
| Domestic bonds | 6,299,209 | 6,460,407 | 161,198 | 174,100 | 12,902 |
| Domestic stocks | 1,915,677 | 2,221,350 | 305,672 | 495,777 | 190,104 |
| Foreign securities | 6,088,114 | 5,987,731 | (100,383) | 106,876 | 207,259 |
| Foreign bonds | 5,608,527 | 5,539,839 | (68,687) | 85,205 | 153,892 |
| Foreign stocks and other securities | 479,587 | 447,891 | (31,695) | 21,671 | 53,367 |
| Other securities | 106,978 | 101,963 | (5,015) | 6,914 | 11,929 |
| Monetary claims bought | 281,006 | 291,115 | 10,108 | 10,479 | 371 |
| Certificates of deposit | 16,000 | 16,000 | 0 | 0 | - |
| Others | - | - | - | - | - |
| Total | 21,744,236 | 22,363,881 | 619,644 | 1,055,709 | 436,065 |
| Domestic bonds | 13,273,773 | 13,657,635 | 383,862 | 410,250 | 26,388 |
| Domestic stocks | 1,915,677 | 2,221,350 | 305,672 | 495,777 | 190,104 |
| Foreign securities | 6,149,107 | 6,074,134 | (74,972) | 132,287 | 207,259 |
| Foreign bonds | 5,650,426 | 5,584,925 | (65,501) | 88,391 | 153,892 |
| Foreign stocks and other securities | 498,680 | 489,209 | (9,471) | 43,896 | 53,367 |
| Other securities | 108,671 | 103,645 | (5,025) | 6,914 | 11,940 |
| Monetary claims bought | 281,006 | 291,115 | 10,108 | 10,479 | 371 |
| Certificates of deposit | 16,000 | 16,000 | 0 | 0 | - |
| Others | - | - | - | - | - |
| As of September 30, 2011 | | | | | |
| Bonds held to maturity | 132,793 | 138,154 | 5,361 | 5,361 | - |
| Domestic bonds | 94,221 | 96,419 | 2,197 | 2,197 | - |
| Foreign bonds | 38,571 | 41,735 | 3,163 | 3,163 | - |
| Policy-reserve-matching bonds | 7,649,141 | 8,194,571 | 545,430 | 545,788 | 358 |
| Domestic bonds | 7,649,141 | 8,194,571 | 545,430 | 545,788 | 358 |
| Stocks of subsidiaries and affiliates | 1,564 | 1,552 | (12) | - | 12 |
| Securities available for sale | 14,151,500 | 14,457,037 | 305,536 | 788,111 | 482,575 |
| Domestic bonds | 7,025,691 | 7,292,383 | 266,692 | 278,590 | 11,897 |
| Domestic stocks | 1,831,865 | 1,939,077 | 107,212 | 354,071 | 246,858 |
| Foreign securities | 4,899,677 | 4,827,489 | (72,188) | 133,205 | 205,393 |
| Foreign bonds | 4,445,630 | 4,437,425 | (8,204) | 125,977 | 134,182 |
| Foreign stocks and other securities | 454,047 | 390,064 | (63,983) | 7,227 | 71,210 |
| Other securities | 97,764 | 81,655 | (16,109) | 2,289 | 18,398 |
| Monetary claims bought | 271,501 | 291,430 | 19,928 | 19,955 | 27 |
| Certificates of deposit | 25,000 | 25,000 | 0 | 0 | - |
| Others | - | - | - | - | - |
| Total | 21,935,000 | 22,791,315 | 856,315 | 1,339,261 | 482,946 |
| Domestic bonds | 14,769,053 | 15,583,374 | 814,320 | 826,576 | 12,255 |
| Domestic stocks | 1,831,865 | 1,939,077 | 107,212 | 354,071 | 246,858 |
| Foreign securities | 4,938,249 | 4,869,225 | (69,024) | 136,368 | 205,393 |
| Foreign bonds | 4,484,202 | 4,479,161 | (5,041) | 129,141 | 134,182 |
| Foreign stocks and other securities | 454,047 | 390,064 | (63,983) | 7,227 | 71,210 |
| Other securities | 99,329 | 83,207 | (16,121) | 2,289 | 18,411 |
| Monetary claims bought | 271,501 | 291,430 | 19,928 | 19,955 | 27 |
| Certificates of deposit | 25,000 | 25,000 | 0 | 0 | - |
| Others | - | - | - | - | - |

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

* Carrying values of securities whose market prices are deemed extremely difficult to obtain are as follows:

(millions of yen)

| | As of March 31, 2011 | As of September 30, 2011 |
|---|---|---|
| Bonds held to maturity | - | - |
| Unlisted foreign bonds | - | - |
| Others | - | - |
| Policy-reserve-matching bonds | - | - |
| Stocks of subsidiaries and affiliates | 202,187 | 329,480 |
| Unlisted domestic stocks (except over-the-counter stocks) | 182,680 | 182,680 |
| Unlisted foreign stocks (except over-the-counter stocks) | 12,192 | 139,524 |
| Others | 7,313 | 7,275 |
| Other securities | 1,190,373 | 1,138,707 |
| Unlisted domestic stocks (except over-the-counter stocks) | 133,982 | 132,012 |
| Unlisted foreign stocks (except over-the-counter stocks) | 968,050 | 917,929 |
| Unlisted foreign bonds | 0 | 0 |
| Others | 88,340 | 88,764 |
| Total | 1,392,560 | 1,468,188 |

Note: 1. The table above includes assets which are considered appropriate to handle as securities as defined in the Financial Instruments and Exchange Law.
2. The amounts of foreign exchange valuation losses on foreign securities whose market prices are deemed extremely difficult to obtain and which are listed in the table above are as follows: 19,558 million yen as of September 30, 2011 and 5,524 million yen as of March 31, 2011.

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

(millions of yen)

| | Book value | Fair value | Gains (losses) | | |
|---|---|---|---|---|---|
| | | | | Gains | Losses |
| As of March 31, 2011 | | | | | |
| Bonds held to maturity | 145,823 | 150,247 | 4,424 | 4,424 | - |
| Domestic bonds | 103,924 | 105,161 | 1,237 | 1,237 | - |
| Foreign bonds | 41,899 | 45,085 | 3,186 | 3,186 | - |
| Policy-reserve-matching bonds | 6,870,639 | 7,092,066 | 221,426 | 234,913 | 13,486 |
| Domestic bonds | 6,870,639 | 7,092,066 | 221,426 | 234,913 | 13,486 |
| Stocks of subsidiaries and affiliates | 222,972 | 239,546 | 16,574 | 22,224 | 5,650 |
| Domestic stocks | 182,680 | 182,680 | - | - | - |
| Foreign stocks | 37,902 | 54,487 | 16,585 | 22,224 | 5,639 |
| Other securities | 2,389 | 2,378 | (10) | - | 10 |
| Securities available for sale | 15,897,360 | 16,269,056 | 371,695 | 794,263 | 422,568 |
| Domestic bonds | 6,299,209 | 6,460,407 | 161,198 | 174,100 | 12,902 |
| Domestic stocks | 2,049,660 | 2,355,333 | 305,672 | 495,777 | 190,104 |
| Foreign securities | 7,056,164 | 6,955,896 | (100,268) | 106,992 | 207,260 |
| Foreign bonds | 5,608,527 | 5,539,839 | (68,687) | 85,205 | 153,892 |
| Foreign stocks and other securities | 1,447,637 | 1,416,057 | (31,580) | 21,787 | 53,367 |
| Other securities | 195,319 | 190,304 | (5,015) | 6,914 | 11,929 |
| Monetary claims bought | 281,006 | 291,115 | 10,108 | 10,479 | 371 |
| Certificates of deposit | 16,000 | 16,000 | 0 | 0 | - |
| Others | - | - | - | - | - |
| Total | 23,136,797 | 23,750,917 | 614,120 | 1,055,825 | 441,705 |
| Domestic bonds | 13,273,773 | 13,657,635 | 383,862 | 410,250 | 26,388 |
| Domestic stocks | 2,232,341 | 2,538,013 | 305,672 | 495,777 | 190,104 |
| Foreign securities | 7,135,966 | 7,055,470 | (80,496) | 132,403 | 212,900 |
| Foreign bonds | 5,650,426 | 5,584,925 | (65,501) | 88,391 | 153,892 |
| Foreign stocks and other securities | 1,485,540 | 1,470,544 | (14,995) | 44,011 | 59,007 |
| Other securities | 197,709 | 192,683 | (5,025) | 6,914 | 11,940 |
| Monetary claims bought | 281,006 | 291,115 | 10,108 | 10,479 | 371 |
| Certificates of deposit | 16,000 | 16,000 | 0 | 0 | - |
| Others | - | - | - | - | - |
| As of September 30, 2011 | | | | | |
| Bonds held to maturity | 132,793 | 138,154 | 5,361 | 5,361 | - |
| Domestic bonds | 94,221 | 96,419 | 2,197 | 2,197 | - |
| Foreign bonds | 38,571 | 41,735 | 3,163 | 3,163 | - |
| Policy-reserve-matching bonds | 7,649,141 | 8,194,571 | 545,430 | 545,788 | 358 |
| Domestic bonds | 7,649,141 | 8,194,571 | 545,430 | 545,788 | 358 |
| Stocks of subsidiaries and affiliates | 331,045 | 311,871 | (19,174) | - | 19,174 |
| Domestic stocks | 182,680 | 182,680 | - | - | - |
| Foreign stocks | 146,140 | 126,979 | (19,161) | - | 19,161 |
| Other securities | 2,224 | 2,211 | (12) | - | 12 |
| Securities available for sale | 15,290,208 | 15,595,347 | 305,139 | 788,111 | 482,972 |
| Domestic bonds | 7,025,691 | 7,292,383 | 266,692 | 278,590 | 11,897 |
| Domestic stocks | 1,963,878 | 2,071,090 | 107,212 | 354,071 | 246,858 |
| Foreign securities | 5,817,607 | 5,745,022 | (72,585) | 133,205 | 205,790 |
| Foreign bonds | 4,445,630 | 4,437,425 | (8,204) | 125,977 | 134,182 |
| Foreign stocks and other securities | 1,371,977 | 1,307,596 | (64,381) | 7,227 | 71,608 |
| Other securities | 186,529 | 170,420 | (16,109) | 2,289 | 18,398 |
| Monetary claims bought | 271,501 | 291,430 | 19,928 | 19,955 | 27 |
| Certificates of deposit | 25,000 | 25,000 | 0 | 0 | - |
| Others | - | - | - | - | - |
| Total | 23,403,188 | 24,239,945 | 836,756 | 1,339,261 | 502,505 |
| Domestic bonds | 14,769,053 | 15,583,374 | 814,320 | 826,576 | 12,255 |
| Domestic stocks | 2,146,558 | 2,253,770 | 107,212 | 354,071 | 246,858 |
| Foreign securities | 6,002,320 | 5,913,736 | (88,583) | 136,368 | 224,951 |
| Foreign bonds | 4,484,202 | 4,479,161 | (5,041) | 129,141 | 134,182 |
| Foreign stocks and other securities | 1,518,117 | 1,434,575 | (83,542) | 7,227 | 90,769 |
| Other securities | 188,754 | 172,632 | (16,121) | 2,289 | 18,411 |
| Monetary claims bought | 271,501 | 291,430 | 19,928 | 19,955 | 27 |
| Certificates of deposit | 25,000 | 25,000 | 0 | 0 | - |
| Others | - | - | - | - | - |

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

(8) Fair value information on money held in trust (general account)

(millions of yen)

| | Carrying value on the balance sheet | Fair value | Gains (losses) | | |
|---|---|---|---|---|---|
| | | | | Gains | Losses |
| As of March 31, 2011 | 21,178 | 21,178 | (1,049) | 4,705 | 5,755 |
| As of September 30, 2011 | 18,495 | 18,495 | (1,722) | 5,817 | 7,540 |

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.

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

(millions of yen)

| | As of March 31, 2011 | | As of September 30, 2011 | |
|---|---|---|---|---|
| | Carrying value on the balance sheet | Valuation gains (losses) included in the statement of earnings | Carrying value on the balance sheet | Valuation gains (losses) included in the statement of earnings |
| Money held in trust for investment purpose | 21,178 | (1,049) | 18,495 | (1,722) |

Note: "Valuation gains (losses) included in the statement of earnings" include reversal gains (losses) at the beginning of the fiscal year.

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

(millions of yen)

| | Book value | Fair value | Gains (losses) | | |
|---|---|---|---|---|---|
| | | | | Gains | Losses |
| As of March 31, 2011 | | | | | |
| Trust held to maturity | - | - | - | - | - |
| Trust matched with policy reserve | - | - | - | - | - |
| Trust available for sale | - | - | - | - | - |
| As of September 30, 2011 | | | | | |
| Trust held to maturity | - | - | - | - | - |
| Trust matched with policy reserve | - | - | - | - | - |
| Trust available for sale | - | - | - | - | - |

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

(millions of yen)

| | As of March 31, 2011 | As of September 30, 2011 |
|---|---|---|
| Securities | 614,120 | 836,756 |
| Domestic bonds | 383,862 | 814,320 |
| Domestic stocks | 305,672 | 107,212 |
| Foreign securities | (80,496) | (88,583) |
| Foreign bonds | (65,501) | (5,041) |
| Foreign stocks and other securities | (14,995) | (83,542) |
| Other securities | (5,025) | (16,121) |
| Others | 10,108 | 19,928 |
| Real estate | 20,526 | 10,745 |
| Total (including others not listed above) | 639,200 | 849,538 |

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

## 8. Disclosed Claims Based on Categories of Obligors

(millions of yen)

| | As of March 31, 2011 | As of September 30, 2011 |
|---|---|---|
| Claims against bankrupt and quasi-bankrupt obligors | 5,387 | 5,316 |
| Claims with collection risk | 16,996 | 16,253 |
| Claims for special attention | 3,292 | 3,463 |
| Subtotal (I) | 25,676 | 25,033 |
| [Percentage (I)/(II) ] | [ 0.62%] | [ 0.63%] |
| Claims against normal obligors | 4,122,851 | 3,933,812 |
| Total (II) | 4,148,527 | 3,958,845 |

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

## 9. Risk-Monitored Loans

(millions of yen)

| | | As of March 31, 2011 | As of September 30, 2011 |
|---|---|---|---|
| Credits to bankrupt borrowers | (I) | 5,034 | 4,974 |
| Delinquent loans | (II) | 17,349 | 16,595 |
| Loans past due for three months or more | (III) | - | - |
| Restructured loans | (IV) | 3,255 | 3,427 |
| Total ( (I)+(II)+(III)+(IV) ) | | 25,639 | 24,997 |
| [Percentage of total loans] | | [ 0.71%] | [ 0.72%] |

Note:
1. For loans and claims to bankrupt and substantially bankrupt obligors, the unrecoverable amount is calculated by deducting the amount deemed recoverable from collateral and guarantees from the amount of the loans and claims and is directly written off from the amount of the loans and claims. The write-offs relating to bankrupt borrowers as of March 31, 2011 and September 30, 2011 were 739 million yen and 547 million yen, respectively. The write-offs relating to delinquent loans as of March 31, 2011 and September 30, 2011 were3,093 million yen and 1,189 million yen, respectively.
2. Credits to bankrupt borrowers represent non-accrual loans to borrowers which are subject to bankruptcy, corporate reorganization or rehabilitation or other similar, including but not limited to foreign, proceedings. Accrual of interest on such loans have been suspended based upon a determination that collection or repayment of principal or interest is unlikely due to significant delay in payment of principal or interest or for some other reason.
3. Delinquent loans are credits that are delinquent other than credits to bankrupt borrowers and loans for which interest payments have been suspended to assist and support the borrowers in the restructuring of their businesses.
4. Loans past due for three months or more are loans for which interest or principal payments are delinquent for three months or more under the terms of the loans, excluding those loans classified as credits to bankrupt borrowers or delinquent loans.
5. Restructured loans are loans for which certain concessions favorable to borrowers, such as interest reductions or exemptions, postponement of principal or interest payments, release from repayment or other agreements have been negotiated for the purpose of assisting and supporting the borrowers in the restructuring of their businesses. This category excludes loans classified as credits to bankrupt borrowers, delinquent loans, and loans past due for three months or more.

## 10. Solvency Margin Ratio

(millions of yen)

| | | As of March 31, 2011 | As of September 30, 2011 |
|---|---|---|---|
| Total solvency margin | *(A)* | 3,314,721 | 3,328,791 |
| Common stock, etc *1 | | 576,808 | 596,615 |
| Reserve for price fluctuations | | 80,453 | 80,453 |
| Contingency reserve | | 502,093 | 511,093 |
| General reserve for possible loan losses | | 4,480 | 3,063 |
| Net unrealized gains on securities (before tax) × 90% *2 | | 334,526 | 274,625 |
| Net unrealized gains (losses) on real estate × 85% *2 | | 17,447 | 9,133 |
| Policy reserves in excess of surrender values | | 1,367,418 | 1,419,934 |
| Qualifying subordinated debt | | 456,189 | 448,889 |
| Excluded items | | (169,881) | (169,489) |
| Others | | 145,185 | 154,472 |
| Total risk $\sqrt{(R_1+R_8)^2+(R_2+R_3+R_7)^2}+R_4$ | *(B)* | 673,739 | 684,632 |
| Insurance risk | $R_1$ | 98,094 | 95,070 |
| 3rd sector insurance risk | $R_8$ | 154,741 | 155,652 |
| Assumed investment yield risk | $R_2$ | 123,947 | 121,364 |
| Investment risk | $R_3$ | 475,887 | 490,899 |
| Business risk | $R_4$ | 17,175 | 17,381 |
| Guaranteed minimum benefit risk | $R_7$ *3 | 6,094 | 6,089 |
| Solvency margin ratio $\frac{(A)}{(1/2)\times(B)}\times 100$ | | 983.9% | 972.4% |

*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 and 87 of the Enforcement Regulations of Insurance Business Act, and Announcement No. 50, Ministry of Finance, 1996. ("Policy reserves in excess of surrender values" is calculated based on Article 1 Paragraph 3-1 of the Announcement No. 50.)

## (Reference) Solvency Margin Ratio under the New Standards to be Officially Applied at the end of Fiscal Year ending March 31, 2012

(millions of yen)

| | | As of March 31, 2011 | As of September 30, 2011 |
|---|---|---|---|
| Total solvency margin | *(A)* | 3,048,033 | 3,044,821 |
| Common stock, etc *1 | | 576,808 | 596,615 |
| Reserve for price fluctuations | | 80,453 | 80,453 |
| Contingency reserve | | 502,093 | 511,093 |
| General reserve for possible loan losses | | 4,480 | 3,063 |
| Net unrealized gains on securities (before tax) × 90% *2 | | 334,526 | 274,625 |
| Net unrealized gains (losses) on real estate × 85% *2 | | 17,447 | 9,133 |
| Policy reserves in excess of surrender values *3 | | 1,367,418 | 1,419,934 |
| Qualifying subordinated debt *3 | | 456,189 | 448,889 |
| Excluded portion of policy reserves in excess of surrender values and qualifying subordinated debt *3 | | (227,437) | (244,720) |
| Excluded items | | (169,881) | (169,489) |
| Others | | 105,935 | 115,222 |
| Total risk $\sqrt{(R_1+R_8)^2+(R_2+R_3+R_7)^2}+R_4$ | *(B)* | 1,112,941 | 1,087,567 |
| Insurance risk | $R_1$ | 98,094 | 95,070 |
| 3rd sector insurance risk | $R_8$ | 154,741 | 155,652 |
| Assumed investment yield risk | $R_2$ | 296,597 | 291,591 |
| Investment risk | $R_3$ | 754,112 | 734,307 |
| Business risk | $R_4$ | 26,195 | 25,652 |
| Guaranteed minimum benefit risk | $R_7$ *4 | 6,215 | 5,993 |
| Solvency margin ratio $\frac{(A)}{(1/2)\times(B)} \times 100$ | | 547.7% | 559.9% |

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

*2: Multiplied by 100% if losses.

*3: "Policy reserves in excess of surrender values" represent the amount stipulated under Notification of the Financial Services Agency No. 25, Article 1, paragraph 1-1. "Qualifying subordinated debt" represent the amount stipulated under Notification of the Financial Services Agency No. 25, Article 1, paragraph 1-2. "Excluded portion of policy reserves in excess of surrender values and qualifying subordinated debt" represent the amount stipulated under Notification of the Financial Services Agency No. 25, Article 1, paragraph 1-3.

*4: Calculated by standard method.

Note: Under Cabinet Office Ordinance No.23, 2010 and Notification of the Financial Services Agency No. 48, the standards for the calculation of solvency margin ratio is planned to be revised to tighten and refine calculation of total solvency margin and estimation of total risk and others. The revised standards will be officially applied at the end of the fiscal year ending March 31, 2012.
The above figures are calculated by appliying the revised standards to the financial results as of March 31, 2011 and Septempber 30, 2011, respectively.

## 11. Status of Separate Account

(1) Separate Account Assets by Product

(millions of yen)

| | As of March 31, 2011 | As of September 30, 2011 |
|---|---|---|
| Individual variable insurance | 45,273 | 40,105 |
| Individual variable annuities | 153,869 | 135,315 |
| Group annuities | 976,992 | 873,611 |
| Separate account total | 1,176,136 | 1,049,032 |

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

A. Variable insurance

(millions of yen except number of policies)

| | As of March 31, 2011 | | As of September 30, 2011 | |
|---|---|---|---|---|
| | Number of policies | Amount | Number of policies | Amount |
| Variable insurance (term life) | 201 | 1,015 | 196 | 996 |
| Variable insurance (whole life) | 47,495 | 294,700 | 47,191 | 292,469 |
| Total | 47,696 | 295,716 | 47,387 | 293,465 |

Note: Policies in force include term life riders.

B. Variable annuities

(millions of yen except number of policies)

| | As of March 31, 2011 | | As of September 30, 2011 | |
|---|---|---|---|---|
| | Number of policies | Amount | Number of policies | Amount |
| Variable annuities | 44,063 | 142,440 | 42,592 | 124,560 |

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

## 12. Consolidated Financial Summary

(1) Selected Financial Data and Other Information

(millions of yen)

| | Six months ended September 30, 2010 | Six months ended September 30, 2011 |
|---|---|---|
| Ordinary revenues | 2,262,676 | 2,469,759 |
| Ordinary profit | 101,092 | 60,408 |
| Net income for the period | 29,443 | 12,361 |
| Comprehensive income for the interim | (16,537) | (54,731) |

| | As of March 31, 2011 | As of September 30, 2011 |
|---|---|---|
| Total assets | 32,297,862 | 32,624,265 |

(2) Scope of Consolidation and Application of Equity Method

| | As of September 30, 2011 |
|---|---|
| Number of consolidated subsidiaries | 18 |
| Number of non-consolidated subsidiaries accounted for under the equity method | 0 |
| Number of affiliates accounted for under the equity method | 14 |

For information regarding changes in subsidiaries and affiliates, please refer to "Notes to the Unaudited Consolidated Financial Statements for the Six Months Ended September 30, 2011" (P.36).

(3) Unaudited Consolidated Balance Sheets

(millions of yen)

| | As of March 31, 2011 (summarized) | As of September 30, 2011 |
|---|---|---|
| ASSETS | | |
| Cash and deposits | 257,204 | 269,088 |
| Call loans | 244,700 | 278,700 |
| Monetary claims bought | 291,115 | 291,430 |
| Money held in trust | 62,838 | 67,547 |
| Securities | 25,597,752 | 25,791,910 |
| Loans | 3,627,991 | 3,455,495 |
| Tangible fixed assets | 1,296,105 | 1,262,485 |
| Intangible fixed assets | 104,173 | 201,083 |
| Reinsurance receivable | 45,764 | 45,463 |
| Other assets | 288,336 | 465,656 |
| Deferred tax assets | 477,206 | 487,142 |
| Customers' liabilities for acceptances and guarantees | 17,826 | 19,695 |
| Reserve for possible loan losses | (12,928) | (11,434) |
| Reserve for possible investment losses | (223) | - |
| Total assets | 32,297,862 | 32,624,265 |

| | | |
|---|---|---|
| LIABILITIES | | |
| Policy reserves and others | 29,641,967 | 30,078,059 |
| Reserves for outstanding claims | 198,841 | 246,300 |
| Policy reserves | 29,039,453 | 29,440,850 |
| Reserve for policyholder dividends | 403,671 | 390,908 |
| Reinsurance payable | 1,278 | 10,728 |
| Subordinated bonds | 149,129 | 145,880 |
| Other liabilities | 1,126,459 | 1,065,903 |
| Reserve for employees' retirement benefits | 420,067 | 432,690 |
| Reserve for retirement benefits of directors, executive officers and corporate auditors | 3,168 | 2,670 |
| Reserve for possible reimbursement of prescribed claims | 1,100 | 987 |
| Reserve for price fluctuations | 80,596 | 80,668 |
| Deferred tax liabilities | 798 | 9,956 |
| Deferred tax liabilities for land revaluation | 123,635 | 114,280 |
| Acceptances and guarantees | 17,826 | 19,695 |
| Total liabilities | 31,566,027 | 31,961,521 |
| NET ASSETS | | |
| Capital stock | 210,200 | 210,200 |
| Capital surplus | 210,200 | 210,200 |
| Retained earnings | 149,007 | 161,581 |
| Treasury stock | (20,479) | (18,738) |
| Total shareholders' equity | 548,928 | 563,242 |
| Net unrealized gains (losses) on securities, net of tax | 238,886 | 197,669 |
| Deferred hedge gains (losses) | 1,243 | (241) |
| Reserve for land revaluation | (65,194) | (81,667) |
| Foreign currency translation adjustments | (3,765) | (26,101) |
| Total accumulated other comprehensive income | 171,169 | 89,659 |
| Subscription rights to shares | - | 150 |
| Minority interests | 11,737 | 9,691 |
| Total net assets | 731,835 | 662,743 |
| Total liabilities and net assets | 32,297,862 | 32,624,265 |

(4) Unaudited Consolidated Statements of Earnings and Consolidated Statements of Comprehensive Income

[Unaudited Consolidated Statements of Earnings]

(millions of yen)

| | Six months ended September 30, 2010 | Six months ended September 30, 2011 |
|---|---|---|
| ORDINARY REVENUES | 2,262,676 | 2,469,759 |
| Premium and other income | 1,665,198 | 1,807,604 |
| Investment income | 458,014 | 506,263 |
| [ Interest and dividends ] | [ 338,204 ] | [ 343,929 ] |
| [ Gains on money held in trust ] | [ 1,598 ] | [ 8,924 ] |
| [ Gains on investments in trading securities ] | [ 301 ] | [ - ] |
| [ Gains on sale of securities ] | [ 101,745 ] | [ 146,404 ] |
| [ Derivative transaction gains ] | [ 14,842 ] | [ 4,102 ] |
| Other ordinary revenues | 139,463 | 155,891 |
| ORDINARY EXPENSES | 2,161,584 | 2,409,351 |
| Benefits and claims | 1,263,834 | 1,304,534 |
| [ Claims ] | [ 385,195 ] | [ 384,952 ] |
| [ Annuities ] | [ 213,007 ] | [ 230,645 ] |
| [ Benefits ] | [ 265,851 ] | [ 251,748 ] |
| [ Surrender values ] | [ 317,450 ] | [ 329,864 ] |
| Provision for policy reserves and others | 272,240 | 305,555 |
| Provision for policy reserves | 267,221 | 300,753 |
| Provision for interest on policyholder dividends | 5,019 | 4,801 |
| Investment expenses | 207,034 | 343,736 |
| [ Interest expenses ] | [ 5,701 ] | [ 9,902 ] |
| [ Losses on investments in trading securities ] | [ - ] | [ 3,709 ] |
| [ Losses on sale of securities ] | [ 61,837 ] | [ 56,949 ] |
| [ Losses on valuation of securities ] | [ 6,867 ] | [ 85,103 ] |
| [ Losses on investment in separate accounts ] | [ 93,734 ] | [ 135,837 ] |
| Operating expenses | 215,819 | 228,915 |
| Other ordinary expenses | 202,655 | 226,608 |
| Ordinary profit | 101,092 | 60,408 |
| EXTRAORDINARY GAINS | 3,860 | 23,575 |
| Gains on disposal of fixed assets | 3,176 | 458 |
| Reversal of reserve for possible loan losses | 75 | - |
| Reversal of reserve for possible investment losses | 480 | - |
| Gains on collection of loans and claims written off | 127 | - |
| Gain on step acquisition | - | 23,116 |
| Other extraordinary gains | 0 | 0 |
| EXTRAORDINARY LOSSES | 14,468 | 30,037 |
| Losses on disposal of fixed assets | 583 | 542 |
| Impairment losses on fixed assets | 2,784 | 29,308 |
| Provision for reserve for price fluctuations | 7,026 | 72 |
| Effect of initial application of accounting standard for asset retirement obligations | 4,074 | - |
| Other extraordinary losses | 0 | 114 |
| Provision for reserve for policyholder dividends | 41,249 | 34,796 |
| Income before income taxes and minority interests | 49,235 | 19,149 |
| Corporate income taxes-current | 5,648 | 3,487 |
| Corporate income tax-deferred | 14,784 | 5,498 |
| Total of corporate income taxes | 20,432 | 8,985 |
| Income before minority interests | 28,802 | 10,163 |
| Minority interests in loss of subsidiaries | 640 | 2,198 |
| Net income for the period | 29,443 | 12,361 |

[Unaudited Consolidated Statements of Comprehensive Income]

(millions of yen)

| | Six months ended September 30, 2010 | Six months ended September 30, 2011 |
|---|---|---|
| Income before minority interests | 28,802 | 10,163 |
| Other comprehensive income | (45,340) | (64,895) |
| Net unrealized gains (losses) on securities, net of tax | (45,028) | (40,827) |
| Deferred hedge gains (losses) | (791) | (1,484) |
| Reserve for land revaluation | ― | (34) |
| Foreign currency translation adjustments | (407) | (22,236) |
| Share of other comprehensive income of subsidiaries and affiliates accounted for under the equity method | 887 | (312) |
| Comprehensive income for the interim | (16,537) | (54,731) |
| Attributable to shareholders of the parent company | (16,049) | (52,708) |
| Attributable to minority interests | (487) | (2,022) |

## (5) Unaudited Consolidated Statements of Cash Flows

(millions of yen)

| | Six months ended September 30, 2010 | Six months ended September 30, 2011 |
|---|---|---|
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Income (loss) before income taxes and minority interests | 49,235 | 19,149 |
| Depreciation | 15,632 | 18,927 |
| Impairment losses on fixed assets | 2,784 | 29,308 |
| Amortization of goodwill | - | 1,473 |
| Increase (decrease) in reserves for outstanding claims | (6,048) | (28,446) |
| Increase (decrease) in policy reserves | 267,221 | 298,630 |
| Provision for interest on policyholder dividends | 5,019 | 4,801 |
| Provision for (reversal of) reserve for policyholder dividends | 41,249 | 34,796 |
| Increase (decrease) in reserve for possible loan losses | (104) | (1,494) |
| Increase (decrease) in reserve for possible investment losses | (829) | (223) |
| Gains on collection of loans and claims written off | (127) | - |
| Write-down of loans | 447 | 116 |
| Increase (decrease) in reserve for employees' retirement benefits | 9,226 | 12,623 |
| Increase (decrease) in reserve for retirement benefits of directors, executive officers and corporate auditors | (108) | (496) |
| Increase (decrease) in reserve for possible reimbursement of prescribed claims | (220) | (112) |
| Increase (decrease) in allowance for policyholder dividends | (92,500) | - |
| Transfer from allowance for policyholder dividends to reserve for policyholder dividends | 92,500 | - |
| Increase (decrease) in reserve for price fluctuations | 7,026 | 72 |
| Interest and dividends | (338,204) | (343,929) |
| Securities related losses (gains) | 60,440 | 136,712 |
| Interest expenses | 5,701 | 9,902 |
| Losses (gains) on disposal of fixed assets | (2,593) | 84 |
| Loss (gain) on step acquisitions | - | (23,116) |
| Others, net | 9,113 | 43,715 |
| Subtotal | 124,860 | 212,493 |
| Interest and dividends received | 362,447 | 388,175 |
| Interest paid | (5,764) | (8,812) |
| Policyholder dividends paid | (60,971) | (52,360) |
| Others, net | 169,368 | (109,193) |
| Corporate income taxes paid | 2,392 | (23,216) |
| Net cash flows provided by operating activities | 592,333 | 407,085 |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Purchases of monetary claims bought | (6,701) | (15,000) |
| Proceeds from sale and redemption of monetary claims bought | 9,365 | 24,505 |
| Purchases of money held in trust | (12,900) | (5,100) |
| Proceeds from decrease in money held in trust | - | 9,300 |
| Purchases of securities | (5,300,984) | (5,301,087) |
| Proceeds from sale and redemption of securities | 4,691,351 | 4,906,638 |
| Origination of loans | (181,662) | (167,036) |
| Proceeds from collection of loans | 251,011 | 339,897 |
| Others, net | (8,422) | (28,693) |
| Total of net cash provided by (used in) investment transactions | (558,942) | (236,576) |
| Total of net cash provided by (used in) operating activities and investment transactions | 33,391 | 170,508 |
| Acquisition of tangible fixed assets | (57,589) | (8,080) |
| Proceeds from sale of tangible fixed assets | 5,582 | 614 |
| Acquisition of intangible fixed assets | (10,541) | (11,045) |
| Proceeds from sale of intangible fixed assets | 0 | 0 |
| Acquisition of stock of subsidiaries resulting in change in scope of consolidation | - | (86,217) |
| Payments for execution of assets retirement obligations | - | (35) |
| Net cash flows used in investing activities | (621,489) | (341,341) |
| CASH FLOWS FROM FINANCING ACTIVITIES | | |
| Repayment of borrowings | (1) | (1,250) |
| Repayment of financial lease obligations | (108) | (229) |
| Proceeds from disposal of treasury stock | - | 1,289 |
| Cash dividends paid | (9,854) | (15,673) |
| Others, net | (12) | (24) |
| Net cash flows provided by (used in) financing activities | (9,976) | (15,889) |
| Effect of exchange rate changes on cash and cash equivalents | (711) | (3,970) |
| Net increase (decrease) in cash and cash equivalents | (39,843) | 45,883 |
| Cash and cash equivalents at the beginning of the period | 437,308 | 501,904 |
| Cash and cash equivalents at the end of the period | 397,464 | 547,788 |

## (6) Unaudited Consolidated Statements of Changes in Net Assets

(millions of yen)

| | Six months ended September 30, 2010 | Six months ended September 30, 2011 |
|---|---|---|
| Shareholders' equity | | |
| Capital stock | | |
| Balance at the beginning of the year | 210,200 | 210,200 |
| Changes for the period | | |
| Total changes for the period | - | - |
| Balance at the end of the period | 210,200 | 210,200 |
| Capital surplus | | |
| Balance at the beginning of the year | 210,200 | 210,200 |
| Changes for the period | | |
| Disposal of treasury stock | - | (451) |
| Transfer from retained earnings to capital surplus | - | 451 |
| Total changes for the period | - | - |
| Balance at the end of the period | 210,200 | 210,200 |
| Retained earnings | | |
| Balance at the beginning of the year | 138,318 | 149,007 |
| Changes for the period | | |
| Dividends | (10,000) | (15,776) |
| Net income for the period | 29,443 | 12,361 |
| Transfer from retained earnings to capital surplus | - | (451) |
| Transfer from reserve for land revaluation | 1,197 | 16,439 |
| Others | 3 | 0 |
| Total changes for the period | 20,644 | 12,573 |
| Balance at the end of the period | 158,963 | 161,581 |
| Treasury stock | | |
| Balance at the beginning of the year | - | (20,479) |
| Changes for the period | | |
| Disposal of treasury stock | - | 1,740 |
| Total changes for the period | - | 1,740 |
| Balance at the end of the period | - | (18,738) |
| Total shareholders' equity | | |
| Balance at the beginning of the year | 558,718 | 548,928 |
| Changes for the period | | |
| Dividends | (10,000) | (15,776) |
| Net income for the period | 29,443 | 12,361 |
| Disposal of treasury stock | - | 1,289 |
| Transfer from retained earnings to capital surplus | - | - |
| Transfer from reserve for land revaluation | 1,197 | 16,439 |
| Others | 3 | 0 |
| Total changes for the period | 20,644 | 14,314 |
| Balance at the end of the period | 579,363 | 563,242 |
| Accumulated other comprehensive income | | |
| Net unrealized gains (losses) on securities, net of tax | | |
| Balance at the beginning of the year | 462,289 | 238,886 |
| Changes for the period | | |
| Net changes of items other than shareholders' equity | (45,255) | (41,216) |
| Total changes for the period | (45,255) | (41,216) |
| Balance at the end of the period | 417,034 | 197,669 |
| Deferred hedge gains (losses) | | |
| Balance at the beginning of the year | (2,008) | 1,243 |
| Changes for the period | | |
| Net changes of items other than shareholders' equity | (791) | (1,484) |
| Total changes for the period | (791) | (1,484) |
| Balance at the end of the period | (2,800) | (241) |
| Reserve for land revaluation | | |
| Balance at the beginning of the year | (63,540) | (65,194) |
| Changes for the period | | |
| Net changes of items other than shareholders' equity | (1,197) | (16,473) |
| Total changes for the period | (1,197) | (16,473) |
| Balance at the end of the period | (64,738) | (81,667) |
| Foreign currency translation adjustments | | |
| Balance at the beginning of the year | (3,069) | (3,765) |
| Changes for the period | | |
| Net changes of items other than shareholders' equity | 553 | (22,335) |
| Total changes for the period | 553 | (22,335) |
| Balance at the end of the period | (2,515) | (26,101) |
| Total accumulated other comprehensive income | | |
| Balance at the beginning of the year | 393,671 | 171,169 |
| Changes for the period | | |
| Net changes of items other than shareholders' equity | (46,690) | (81,509) |
| Total changes for the period | (46,690) | (81,509) |
| Balance at the end of the period | 346,980 | 89,659 |
| Subscription rights to shares | | |
| Balance at the beginning of the year | - | - |
| Changes for the period | | |
| Net changes of items other than shareholders' equity | - | 150 |
| Total changes for the period | - | 150 |
| Balance at the end of the period | - | 150 |
| Minority interests | | |
| Balance at the beginning of the year | 11,804 | 11,737 |
| Changes for the period | | |
| Net changes of items other than shareholders' equity | (499) | (2,046) |
| Total changes for the period | (499) | (2,046) |
| Balance at the end of the period | 11,304 | 9,691 |
| Total net assets | | |
| Balance at the beginning of the year | 964,193 | 731,835 |
| Changes for the period | | |
| Dividends | (10,000) | (15,776) |
| Net income for the period | 29,443 | 12,361 |
| Disposal of treasury stock | - | 1,289 |
| Transfer from retained earnings to capital surplus | - | - |
| Transfer from reserve for land revaluation | 1,197 | 16,439 |
| Others | 3 | 0 |
| Net changes of items other than shareholders' equity | (47,190) | (83,406) |
| Total changes for the period | (26,545) | (69,092) |
| Balance at the end of the period | 937,648 | 662,743 |

# Notes to the Unaudited Consolidated Financial Statements

# for the Six Months Ended September 30, 2011

## I. BASIS FOR PRESENTATION

### 1. Scope of Consolidation

(1) Number of consolidated subsidiaries for the six months ended September 30, 2011: 18

The eighteen subsidiaries include:

- The Dai-ichi Life Information Systems Co., Ltd.,
- The Dai-ichi Frontier Life Insurance Co., Ltd.,
- Dai-ichi Life Insurance Company of Vietnam, Limited and
- TAL Dai-ichi Life Australia Pty Ltd

Effective the six months ended September 30, 2011, Tower Australia Group Limited ("Tower"), formerly an equity method affiliate, and its twelve group companies were newly included in the scope of consolidation of the Parent Company as the Parent Company completed the acquisition of 100% ownership of Tower on May 11, 2011. Tower changed its name to TAL Limited on June 1, 2011.

(2) Number of non-consolidated subsidiaries for the six months ended September 30, 2011: 12

The main subsidiaries that are not consolidated for the purposes of financial reporting are Dai-ichi Seimei Sogo Service K.K., Dai-ichi Seimei Human Net K.K., and Dai-ichi Seimei Business Service K.K. These twelve non-consolidated subsidiaries had, individually and in aggregate, a minimal impact on the consolidated financial statements in terms of total assets, sales, net income, retained earnings, cash flows, and others.

(3) Specified Purpose Companies subject to disclose

(i) Securitization of Subordinated Obligations

The Parent Company securitized subordinated obligations to broaden the range of investors and to secure a stable base for raising capital. For the securitization, the Parent Company utilized Tokutei Mokuteki Kaishas (TMKs, specified purpose companies) regulated by the Asset Liquidation Act. TMKs raise capital by issuing specified company bonds backed by assets transferred to the TMKs by contributors of subordinated loans. The Parent Company holds non-voting shares in the Cayman-based special purpose company ("SPC"), which in turn holds specified shares in the TMKs. DL monitors the TMK's financial situation and appropriately recognizes those non-voting shares and writes down future possible losses associated with the shares, if necessary, in its financial statements in accordance with the "Accounting Standard for Financial Instruments" issued on March 10, 2008 regarding those non-voting preference shares in its financial statements.

The total of assets and liabilities of the remaining one company at the end of its prior fiscal year (March 31, 2011) were ¥30,360 million and ¥30,088 million, respectively. The Parent Company held no ordinary shares in this company and it had neither directors, officers, nor employees transferred from the Parent Company.

The amounts involved in the principal transactions between DL and the TMK were as follows:

| | Amounts as of September 30, 2011 (millions of yen) | | Six months ended September 30, 2011 (millions of yen) |
|---|---|---|---|
| Subordinated obligation | ¥30,000 | Interest expenses | ¥310 |

(ii) Investment in Securitized Real Estate

To diversify investments in real estate and stabilize its investment returns, the Parent Company had exposure to an investment project to securitize real estate as of September 30, 2011. The Parent Company had three SPCs as of September 30, 2011, and the Parent Company invested in the SPCs under an anonymous association contract based on the Commercial Code. The investment in the anonymous association contract was accounted for based on the fair value of real estate owned by the SPCs in accordance with the "Accounting Standards for Financial Instruments" issued on March 10, 2008. The Parent Company anticipates no obligation in the future to cover possible losses of the SPCs. Even if the fair value of the real estate declines, the loss of the Parent Company is limited to the amount of investment in the anonymous association contract. Total assets and liabilities of the SPCs at the end of their latest fiscal years (ended June 30 and July 31, 2011) amounted to ¥140,087 million and ¥94,952 million, respectively.

As of September 30, 2011, the Parent Company had no management authority in the SPCs and the SPCs had no directors, officers, and employees transferred from the Parent Company.

The amounts involved in transactions between the Parent Company and the SPCs were as follows:

| | Amounts as of September 30, 2011 (millions of yen) | | Six months ended September 30, 2011 (millions of yen) |
|---|---|---|---|
| Investment in anonymous association | ¥28,809 | Dividends | ¥990 |
| Preferred investments | ¥2,900 | Dividends | ¥51 |

## 2. Application of the Equity Method

(1) Number of non-consolidated subsidiaries under the equity method for the six months ended September 30, 2011: 0

(2) Number of affiliated companies under the equity method for the six months ended September 30, 2011: 14

The fourteen affiliated companies include:

- DIAM Co., Ltd.
- Mizuho-DL Financial Technology Co., Ltd.
- Japan Real Estate Asset Management Co., Ltd.
- Trust & Custody Services Bank Ltd.
- Corporate-pension Business Service Co., Ltd.
- Japan Excellent Asset Management Co., Ltd.
- NEOSTELLA CAPITAL CO., LTD.
- Ocean Life Insurance Co., Ltd.
- Star Union Dai-ichi Life Insurance Company Limited

Effective the six months ended September 30, 2011, Tower (currently TAL Limited) and its twelve group companies were excluded from the scope of the equity method accounting of the Parent Company as the Parent Company completed its acquisition of 100% ownership of Tower on May 11, 2011.

(3) Non-consolidated subsidiaries and affiliated companies

The non-consolidated subsidiaries (Dai-ichi Seimei Sogo Service K.K., Dai-ichi Seimei Human Net K.K., Dai-ichi Seimei Business Service K.K. and others), as well as affiliated companies (DSC No.3 Investment Partnership, CVC No.1 Investment Limited Partnership, CVC No.2 Investment Limited Partnership, NEOSTELLA No.1 Investment Limited Partnership, O.M. Building Management Co., Ltd., and others) were not accounted for under the equity method. These companies had, individually and in the aggregate, a minimal impact on the consolidated financial statements, in terms of net income (loss), retained earnings, and others.

## 3. Interim End Dates of Consolidated Subsidiaries

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

## 4. Amortization of Goodwill Associated with Acquisition of Tower

Effective the six months ended September 30, 2011, goodwill associated with acquisition of Tower (currently TAL Limited), which was completed on May 11, 2011, is amortized over a period of 20 years under the straight-line method.

## II. NOTES TO UNAUDITED CONSOLIDATED BALANCE SHEETS FOR THE SIX MONTHS ENDED SEPTEMBER 30, 2011

### 1. Valuation Methods of Securities

Securities held by the Parent Company and its consolidated subsidiaries, including cash equivalents, bank 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 premium or discount of securities 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 Securities

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

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

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

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

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

(5) Available-for-sale Securities

(i) Available-for-sale Securities with Market Value

Available-for-sale securities which have market value are valued at fair value as of September 30, 2011 (for domestic stocks, the average value during September), with cost determined by the moving average method.

(ii) Available-for-sale Securities Whose Market Values Are Extremely Difficult to Be Recognized

a. 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.

b. Others

All others are valued at cost using the moving average method.

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

### 2. Policy-Reserve-Matching Bonds

(1) Book Value and Market Value

The book value of policy-reserve-matching bonds as of September 30, 2011 amounted to ¥7,649,141 million. The market value of these bonds as of September 30, 2011 was ¥8,194,571 million.

(2) Risk management policy

The Parent Company categorizes its insurance products into sub-groups by 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 insurance groups are:

- individual life insurance and annuities

- non-participating single premium whole life insurance (without duty of medical disclosure)
- financial insurance and annuities, and
- group annuities,

with the exception of certain types.

(3) Addition of sub-group

Effective the six months ended September 30, 2011, in order to conduct appropriate duration control, taking into account debt situation, and, thus, promote more sophisticated ALM, the Parent Company added non-participating single premium whole life insurance (without duty of medical disclosure) as a new sub-group. This addition did not have any impact on profits and losses of the Parent Company for the six months ended September 30, 2011.

**3. Derivative Transactions**

Derivative transactions are reported at fair value.

**4. Revaluation of Land**

Based on the "Law for Revaluation of Land" (Publicly Issued Law 34, March 31, 1998), the Parent Company revalued land for business use. The difference between fair value and book value resulting from the revaluation, net of related deferred taxes, is recorded as a reserve for land revaluation as a separate component of net assets and the related deferred tax liability is recorded as deferred tax liabilities for land revaluation.

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

  The fair value was determined based on the appraisal value publicly announced for tax assessment purposes with certain reasonable adjustments in accordance with Article 2-1 and 2-4 of the Enforcement Ordinance relating to the Law for Revaluation of Land.
- The excess of the new book value of the land over the fair value after revaluation in accordance with Article 10 of the Law for Revaluation of Land as of September 30, 2011 was ¥38,541 million.

**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 following method.

(i) Buildings (excluding leasehold improvements and structures)

a. Acquired on or before March 31, 2007

Calculated by the previous straight-line method

b. Acquired on or after April 1, 2007

Calculated by the straight-line method

(ii) Assets other than buildings

a. Acquired on or before March 31, 2007

Calculated by the previous declining balance method

b. Acquired on or after April 1, 2007

Calculated by the declining balance method

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 and building that were acquired for ¥100,000 or more but less than ¥200,000 are depreciated at equal amounts over three years.

With respect to tangible fixed assets acquired on or before March 31, 2007 and that were depreciated to their final depreciable limit, effective the fiscal year ended March 31, 2008, the salvage values were depreciated in the five years following the fiscal year end when such assets were depreciated to their final depreciable limit.

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

(2) Amortization of Intangible Fixed Assets Excluding Leased Assets

The Parent Company uses the straight-line method of amortization for intangible fixed assets excluding leased assets. Amortization of software for internal use is based on the estimated useful life of five years.

(3) Depreciation of Leased Assets

Depreciation 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. Finance leases, which commenced on or before March 31, 2008, are accounted for in the same manner applicable to ordinary operating leases.

(4) Accumulated Depreciation of Tangible Fixed Assets

Accumulated depreciation of tangible fixed assets as of September 30, 2011 was ¥671,045 million.

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

The Parent Company translated foreign currency-denominated assets and liabilities (excluding stocks of its non-consolidated subsidiaries and affiliated companies which are not accounted for under the equity method) into yen at the prevailing exchange rate as of September 30, 2011. Stocks of non-consolidated subsidiaries and affiliated companies not accounted for under the equity method are translated into yen at the exchange rate on the date of acquisition. Assets, liabilities, revenues, and expenses of its consolidated overseas subsidiaries are translated into yen at the exchange rate at the end of their interim periods. Translation adjustments associated with the consolidated overseas subsidiaries are included in "Foreign currency translation adjustments" in the "Net assets" section of the consolidated balance sheet.

At a certain consolidated subsidiary of the Parent Company, changes in fair value of foreign currency-denominated available-for-sale bonds held for foreign currency-denominated insurance are divided into change in bond market prices in denominated currencies and changes in foreign exchange rates and accounted for as "net unrealized gains (losses) on securities" and "foreign exchange gains (losses)", respectively.

**7. Reserve for Possible Loan Losses**

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

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

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

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

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

For loans and claims to bankrupt and substantially bankrupt obligors, the unrecoverable amount is calculated by deducting the amount deemed recoverable from collateral and guarantees from the amount of the loans and claims and is directly written off from the amount of the loans and claims. The amount written off during the six months ended September 30, 2011 was ¥1,737 million.

**8. Accounting of Beneficial Interests in Securitized Mortgage Loans**

The trust beneficial interests, mostly obtained in the securitization of mortgage loans originated by the Parent Company in August 2000, amounted to ¥25,057 million as of September 30, 2011 and are included as loans in the consolidated balance sheet. The reserve for possible loan losses for these particular beneficial interests is calculated based on the balance of the underlying loans. The balance of the underlying loans in the trust as of September 30, 2011 was ¥39,953 million.

## 9. Reserve for Employees' Retirement Benefits

For the reserve for employees' retirement benefits, the amount calculated in accordance with the accounting standards for retirement benefits ("Statement on Establishing Accounting Standards for Retirement Benefits" issued on June 16, 1998 by the Business Accounting Council), supposed to be incurred as of September 30, 2011, is provided, based on the projected benefit obligations and pension assets as of March 31, 2012.

Gains/losses on plan amendments are amortized by the straight-line method through a certain period (3 years), which is within the employees' average remaining service period.

Actuarial differences are amortized by the straight-line method through a certain period of 3 or 7 years starting from the following year, which is within the employees' average remaining service period.

Certain consolidated subsidiaries applied simplified methods in calculating their projected benefit obligations.

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

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

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

## 11. Reserve for Possible Reimbursement of Prescribed Claims

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

## 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, 2011 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 issued on March 10, 2008). Primarily, (1) special hedge accounting for interest rate swaps and the deferral hedge method are used for cash flow hedges of certain loans, government and corporate bonds, and loans and bonds payable; (2) the currency allotment method and deferral hedge method are used for cash flow hedges by foreign currency swaps and foreign currency forward contracts against exchange rate fluctuations in certain foreign currency-denominated loans, loans payable, bonds payable, term deposits and stocks (forecast transaction); and (3) the fair value hedge method by currency options and foreign currency forward contracts is used for hedges against exchange rate fluctuations in the value of certain foreign currency-denominated bonds.

(2) Hedging Instruments and Hedged Instruments

| Hedging instruments | Hedged instruments |
|---|---|
| Interest rate swaps ……………………….. | Loans, government and corporate bonds, loans payable, bonds payable |
| Foreign currency swaps………………….. | Foreign currency-denominated loans, foreign currency-denominated loans payable, foreign currency-denominated bonds payable |
| Foreign currency forward contracts ……... | Foreign currency-denominated bonds, foreign |

| | |
|---|---|
| | currency-denominated term deposits, foreign currency-denominated stocks (forecasted transactions) |
| Currency options ………………………… | Foreign currency-denominated bonds |

(3) Hedging Policies

The Parent 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 values of hedged and hedging instruments.

**14. Calculation of National and Local Consumption Tax**

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

**15. Policy Reserve**

Policy reserve of the Parent Company and its life insurance subsidiary that operates life insurance business in Japan are established in accordance with Article 116 of the Insurance Business Act. Insurance premium reserves are calculated as follows:

(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.

Effective the fiscal year ended March 31, 2008, for the whole life insurance contracts acquired by the Parent Company on or before March 31, 1996 and premium payments for which were already completed (including lump-sum payments), additional policy reserves are provided by the Parent Company in accordance with Article 69, Paragraph 5 of the Enforcement Regulation of the Insurance Business Act and will be provided in the following nine years. As a result, the additional provisions for policy reserves for the six months ended September 30, 2011 was ¥53,157 million.

**16. Application of "Accounting Standard for Accounting Changes and Error Corrections"**

The Parent Company applied "Accounting Standard for Accounting Changes and Error Corrections" (ASBJ Statement No.24 issued on December 4, 2009) and "Guidance on Accounting Standard for Accounting Changes and Error Corrections" (ASBJ Guidance No.24 issued on December 4, 2009) for making accounting changes and correcting past errors on or after April 1, 2011.

**17. Revision of "Practical Guidelines on Accounting Standards for Financial Instruments"**

The Parent Company formerly presented (1) reversal of reserve for possible loan losses, (2) reversal of reserve for possible investment losses and (3) gains on collection of loans and claims written off as items under extraordinary gains. However, effective the six months ended September 30, 2011, the Parent Company started to present the three items under investment income due to the revision made to "Practical Guidelines on Accounting Standards for Financial Instruments" (Accounting Practice Committee Statement No.14 issued by the JICPA).

**18. Financial Instruments**

Financial Instruments

● Fair Values of Financial Instruments

Carrying amount on the consolidated balance sheet, fair value and differences between carrying amount and fair value as of September 30, 2011 were as follows. The following table does not include financial instruments whose fair values are extremely difficult to be recognized.

| As of September 30, 2011 | Carrying amount | Fair value | Gains (Losses) |
|---|---|---|---|
| | | (millions of yen) | |
| (1) Cash and deposits | ¥269,088 | ¥269,105 | ¥17 |
| (2) Call loans | 278,700 | 278,700 | - |
| (3) Monetary claims bought | 291,430 | 291,430 | - |
| (4) Money held in trust | 67,547 | 67,547 | - |
| (5) Securities | | | |
| 1. Trading securities | 2,413,075 | 2,413,075 | - |
| 2. Held-to-maturity bonds | 132,793 | 138,154 | 5,361 |
| 3. Policy-reserve-matching bonds | 7,649,141 | 8,194,571 | 545,430 |
| 4. Stocks of subsidiaries and affiliates | 1,552 | 1,552 | - |
| 5. Securities available for sale | 14,409,299 | 14,409,299 | - |
| (6) Loans | 3,455,495 | | |
| Reserve for possible loan losses (*1) | (9,586) | | |
| | 3,445,909 | 3,524,380 | 78,471 |
| Total assets | ¥28,958,536 | ¥29,587,816 | ¥629,280 |
| (1) Bonds | ¥145,880 | ¥147,988 | ¥2,107 |
| (2) Long-term borrowings | 379,157 | 356,754 | (22,403) |
| Total liabilities | ¥525,038 | ¥504,742 | (¥20,295) |
| Derivative transactions (* 2) | | | |
| 1. Hedge accounting not applied | ¥9,895 | ¥9,895 | - |
| 2. Hedge accounting applied | 111,793 | 114,207 | 2,414 |
| Total derivative transactions | ¥121,689 | ¥124,103 | ¥2,414 |

(*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 net base.

**(Note1) Notes to Methods for Calculating Fair Values of Financial Instruments, Securities and Derivative Transactions**

- **Assets**

(1) Cash and deposits

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

(2) Call loans

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

(3) Monetary claims bought

Fair value of monetary claims bought is based on the rationally calculated prices.

(4) Money held in trust

Fair value of stocks is based on the price on stock exchanges and that of bonds is based on price on bond markets or price presented by counterparty financial institutions. Fair value of mutual funds is based on unit price. Fair value of derivative transactions of money held in trust is based on the price on derivatives markets.

(5) Securities

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. 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. Additionally, notes for the securities for each investment purpose are described in "Securities" on page 45.

(6) Loans

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 fair value is close to the carrying amount on the balance sheet minus reserve for possible loan losses as of September 30, 2011 Therefore, that amount (carrying amount on the balance sheet minus reserve for possible loan losses) is recorded as fair value for risk-monitored loans.

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

- **Liabilities**

(1) Bonds payable (subordinated bonds)

Fair value of bonds issued by the Parent Company is based on the price on the bond market.

(2) Long-term borrowings

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

- **Derivative Instruments**

Breakdown of derivative instruments are (1) currency related transactions (currency forward contracts, currency options, etc.); (2) interest-related transactions (interest rate futures, interest rate swaps, etc.); (3) stock-related transactions (yen stock index futures, foreign stock index futures, etc.); (4) bond-related transactions (yen bond futures, foreign currency-denominated bond futures, etc.). Fair values of the instruments are based on the exchange-traded prices and the prices quoted from financial institution.

**(Note2) Financial instruments whose market values are extremely difficult to be recognized are as follows and are not included in the market value of (5) Securities**

| As of September 30, 2011 | Carrying amount (millions of yen) |
|---|---|
| 1. Unlisted domestic stocks (*1) .................. | ¥162,132 |
| 2. Unlisted foreign stocks (*1) .................... | 15,235 |
| 3. Other foreign securities (*1) .................... | 919,256 |
| 4. Other securities (*1) ............................ | 89,424 |
| Total | ¥1,186,048 |

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

**Securities**

- Held-to-maturity Securities:

| As of September 30, 2011 | Carrying amount | Market value | Unrealized Gains (Losses) |
|---|---|---|---|
| | | (millions of yen) | |
| Held-to-maturity securities with unrealized gains: | | | |
| (1) Bonds | ¥94,221 | ¥96,419 | ¥2,197 |
| 1. Government bonds | 94,221 | 96,419 | 2,197 |
| 2. Local government bonds | - | - | - |
| 3. Corporate bonds | - | - | - |
| (2) Foreign securities | 38,571 | 41,735 | 3,163 |
| 1. Foreign bonds | 38,571 | 41,735 | 3,163 |
| Subtotal | ¥132,793 | ¥138,154 | ¥5,361 |
| Held-to-maturity securities with unrealized losses: | | | |
| (1) Bonds | - | - | - |
| 1. Government bonds | - | - | - |
| 2. Local government bonds | - | - | - |
| 3. Corporate bonds | - | - | - |
| (2) Foreign securities | - | - | - |
| 1. Foreign bonds | - | - | - |
| Subtotal | ¥ - | ¥ - | ¥ - |
| Total | ¥132,793 | ¥138,154 | ¥5,361 |

- Policy-reserve-matching Bonds:

| As of September 30, 2011 | Carrying amount | Market value | Unrealized Gains (Losses) |
|---|---|---|---|
| | | (millions of yen) | |
| Policy-reserve-matching bonds with unrealized gains: | | | |
| (1) Bonds | ¥7,645,448 | ¥8,191,237 | ¥545,788 |
| 1. Government bonds | 7,204,608 | 7,729,672 | 525,064 |
| 2. Local government bonds | 188,799 | 196,508 | 7,708 |
| 3. Corporate bonds | 252,039 | 265,055 | 13,016 |
| (2) Foreign securities | - | - | - |
| 1. Foreign bonds | - | - | - |
| Subtotal | ¥7,645,448 | ¥8,191,237 | ¥545,788 |
| Policy-reserve-matching bonds with unrealized losses: | | | |
| (1) Bonds | 3,692 | 3,334 | (358) |
| 1. Government bonds | 2,292 | 2,277 | (15) |
| 2. Local government bonds | - | - | - |
| 3. Corporate bonds | 1,400 | 1,057 | (342) |
| (2) Foreign securities | - | - | - |
| 1. Foreign bonds | - | - | - |
| Subtotal | ¥3,692 | ¥3,334 | (¥358) |
| Total | ¥7,649,141 | ¥8,194,571 | ¥545,430 |

● Available-for-sale Securities:

| As of September 30, 2011 | Carrying amount | Purchase cost | Unrealized Gains (Losses) |
|---|---|---|---|
| | | (millions of yen) | |
| Available-for-sale securities with gains: | | | |
| (1) Bonds | ¥6,922,443 | ¥6,640,402 | ¥282,040 |
| 1. Government bonds | 4,939,954 | 4,736,875 | 203,079 |
| 2. Local government bonds | 124,268 | 118,704 | 5,563 |
| 3. Corporate bonds | 1,858,219 | 1,784,822 | 73,397 |
| (2) Domestic stocks | 1,187,551 | 833,479 | 354,071 |
| (3) Foreign securities | 2,645,392 | 2,511,716 | 133,675 |
| 1. Foreign bonds | 2,602,685 | 2,476,242 | 126,443 |
| 2. Other foreign securities | 42,706 | 35,474 | 7,231 |
| (4) Other securities | 331,044 | 308,798 | 22,245 |
| Subtotal | ¥11,086,431 | ¥10,294,397 | ¥792,033 |
| Available-for-sale securities with losses: | | | |
| (1) Bonds | 535,037 | 547,644 | (12,606) |
| 1. Government bonds | 404,727 | 405,345 | (618) |
| 2. Local government bonds | 1,104 | 1,106 | (1) |
| 3. Corporate bonds | 129,205 | 141,192 | (11,986) |
| (2) Domestic stocks | 751,526 | 998,385 | (246,858) |
| (3) Foreign securities | 2,285,692 | 2,494,840 | (209,147) |
| 1. Foreign bonds | 1,938,303 | 2,076,235 | (137,932) |
| 2. Other foreign securities | 347,388 | 418,604 | (71,215) |
| (4) Other securities | 67,041 | 85,467 | (18,425) |
| Subtotal | ¥3,639,298 | ¥4,126,337 | (¥487,039) |
| Total | ¥14,725,729 | ¥14,420,735 | ¥304,994 |

Figures in the chart above include (1) certificates of deposit (purchase cost: ¥25,000 million; carrying amount: ¥25,000 million) and (2) trust beneficiary rights (purchase cost: ¥271,501 million; carrying amount: ¥291,430 million), which were recorded as cash and deposits and monetary claims bought on the consolidated balance sheet.

**Money Held in Trust**

● Money-Held-in-Trust for Trading

| As of September 30, 2011 | (millions of yen) |
|---|---|
| Carrying amount on the consolidated balance sheets | ¥ 67,547 |
| Gains (losses) on valuation of money held in trust | 8,869 |

## 19. Real Estate for Rent

Information on carrying amount and fair value of real estate for rent the Parent Company owns is omitted from the report as changes in those figures during the six months ended September 30, 2011 were immaterial.

## 20. Securities Lending

Securities lent under lending agreements are included in the consolidated balance sheets. The total balance of securities lent as of September 30, 2011 was ¥463,887 million.

## 21. Problem Loans

The total amounts of credits to bankrupt borrowers, delinquent loans, loans past due for three months or more, and restructured loans, which were included in loans, was ¥24,997 million. The amounts of credits to bankrupt borrowers was ¥4,974 million, the amount of delinquent loans was ¥16,595 million, the Company held no amount of loans past due for three months or more, and the amount of restructured loans was ¥3,427 million.

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 and 4 of the Enforcement Ordinance of the Corporation Tax Law.

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 above, credits to bankrupt borrowers and delinquent loans decreased by ¥547 million and ¥1,189 million, respectively.

**22. Assets and Liabilities Held in Separate Accounts**

The total amount of assets held in separate accounts defined in Article 118 Paragraph 1 of the Insurance Business Act was ¥2,293,946 million. Separate account liabilities were the same amount as the separate account assets.

**23. Leased Computers**

In addition to leased assets included in the consolidated balance sheet, the Parent Company and its consolidated subsidiaries have computers as significant leased tangible fixed assets. They have no material leased intangible fixed assets.

**24. Changes in Reserve for Policyholder Dividends**

Changes in reserve for policyholder dividends were as follows:

| | | (millions of yen) |
|---|---|---|
| Balance at the beginning of the fiscal year ending March 31, 2012 . | ¥ | 403,671 |
| Dividends paid during the six months ended September 30, 2011 ............. | | (52,360) |
| Interest accrual during the six months ended September 30, 2011 ............. | | 4,801 |
| Provision for reserve for policyholder dividends ......................................... | | 34,796 |
| Balance as of September 30, 2011 ...................................... | ¥ | 390,908 |

**25. Stocks of Affiliated Companies**

The amount of stocks of and stakes in non-consolidated subsidiaries and affiliated companies the Parent Company held as of September 30, 2011 was as follows:

| | | (millions of yen) |
|---|---|---|
| Stocks .............................. | ¥ | 41,000 |
| Capital .............................. | | 2,211 |
| Total .............................. | ¥ | 43,212 |

**26. Organizational Change Surplus**

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

**27. Assets Pledged as Collateral / Secured Liabilities**

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

| | (millions of yen) |
|---|---|
| Securities (Government bonds) ............................... | ¥ 401,953 |
| Securities (Foreign securities) .................................... | 3,097 |
| Cash/deposits ......................................................... | 86 |
| Securities and cash/deposits pledged as collateral .......... | ¥ 405,138 |

The amounts of secured liabilities were as follows:

| | (millions of yen) |
|---|---|
| Cash collateral for securities lending transactions | ¥ 410,750 |
| Loans payable | 9 |
| Secured liabilities | ¥ 410,759 |

Among the amounts, "Securities (Government bonds)" for securities lending transactions as of September 30, 2011 was ¥396,804 million.

## 28. Net Asset per Share

The amount of net asset per share of the Parent Company as of September 30, 2011 was ¥66,132.80.

## 29. Stock Options

(1) The Account used to record expenses associated with issuing stock options and the amount expensed during the six months ended September 30, 2011

Operating expenses: ¥150 million

(2) Details of the Stock Options Granted during the Six Months Ended September 30, 2011

| | Series 1 Stock Acquisition Rights |
|---|---|
| Granted persons | 10 directors (except outside directors) and 16 executive officers |
| Class and total number *1 | 1,698 shares of common stock |
| Granted date | August 16, 2011 |
| Conditions on acquisition rights to be effective | The acquisition rights become effective on the above granted date. |
| Required length of service | N/A |
| Exercise period | From August 17, 2011 to August 16, 2041<br>A granted person may exercise stock options only within 10 days from the day immediately following the date on which she/he loses the status as both a director and an executive officer of the Company. |
| Exercise price | ¥1 per stock option |
| Fair value per stock option at the granted date | ¥88,521 |

*1. The total number of stock options is translated to the number of common stocks for better understanding.

## 30. Consolidation as a Result of Acquisition of Tower

(1) Overview of business combination

(i) Name and engaged business of the acquired company

- Company name: Tower Australia Group Limited *1
- Engaged business: Insurance and insurance-related business *2

*1. Tower changed its name to TAL Limited ("TAL") on June 1, 2011.

*2. TAL was established as a holding company, subsidiaries of which operate insurance and insurance-related businesses.

(ii) Purpose of the acquisition

Making Tower a wholly owned subsidiary, the Parent Company aims to (a) strengthen its operating base significantly in Australia, (b) promote geographical diversification of its earnings, etc.

(iii) Completion date of the transaction

The transaction was completed on May 11, 2011.

(iv) Acquisition scheme

Purchase of shares of Tower in cash *3

*3. The Parent Company acquired TAL (Tower at the point of the acquisition) by utilizing a friendly acquisition scheme called a "Scheme of Arrangement", in which the transaction became effective when (a) 75% or more voting rights and the majority of TAL's shareholders who attended the meeting of shareholders (including proxies) approved the transaction and (b) the Parent Company completed the transaction by paying AUD 4.00 per share for Tower's shareholders with Australian court approval.

(v) Name of acquired company after combination

Tower Australia Group Limited (currently TAL Limited)

(vi) The Parent Company's percentage of share holdings after completion of the transaction

- Share of existing voting rights before the date of business combination: 28.96%
- Share of additional voting rights acquired on the date of business combination: 71.04%
- Share of voting rights after completion of the transaction: 100%

(vii) Controlling company

Consolidated subsidiaries of the Parent Company hold more than 50% stake in TAL and, therefore, the Parent Company controls the decision-making body of TAL.

(2) Financial performance of acquired company recognized in consolidated statement of income of the Parent Company

The Parent Company recognized TAL's financial performances between April 1, 2011 and September 30, 2011.

(3) Breakdown of acquisition cost

| | (millions of yen) |
|---|---|
| Acquisition price (costs associated with purchase of share of Tower in cash) ............... | ¥ 104,860 |
| Other direct costs (fees to outside advisors, etc.) .................................................... | 818 |
| Total acquisition cost ........................................................................................ | ¥ 105,678 |

(4) Difference between revalued acquisition price and the sum of actual costs associated with step acquisitions

The difference between (i) the revalued acquisition price of Tower (100%) at the date of transaction and (ii) the sum of the actual costs associated with step acquisitions (28.96% before the transaction and 71.04% at the date of transaction) was 23,116 million yen.

(5) Goodwill

(i) Amount of goodwill

AUD 786 million

(ii) Reason to recognize goodwill

The acquisition price exceeded net amount of Tower's assets and liabilities identified by the Parent Company at the completion date of the transaction.

(iii) Amortization of goodwill

Goodwill associated with the acquisition is amortized over a period of 20 years under the straight-line method.

(6) The amounts of assets and liabilities consolidated at the completion date of the transaction

| | (millions of yen) |
|---|---|
| Total assets ............................................................. | ¥438,644 |
| Securities included in the above "Total assets" ........................ | 237,125 |
| | |
| Total liabilities ........................................................ | ¥286,407 |
| Policy reserves and others included in the above "Total liabilities" . | 209,671 |

(7) Allocation of acquisition cost

Since the Parent Company has not yet completed the allocation of acquisition cost, a tentative accounting procedure is made, based on the information reasonably available at that time.

**31. Reinsurance**

The amount of reserves for outstanding claims for reinsured parts defined in Article 71, Paragraph 1 of the Enforcement Regulations of the Insurance Business Act, which is referred to in Article 73, Paragraph 3 of the Regulations (hereinafter "reserve for outstanding claims reinsured") was ¥20 million. The amount of policy reserves provided for reinsured parts defined in Article 71, Paragraph 1 of the Regulations (hereinafter "policy reserve reinsured") was ¥10,162 million.

**32. Asset Retirement Obligation**

The following table shows the increase and decrease in asset retirement obligations for the six months ended September 30, 2011:

| | (millions of yen) |
|---|---|
| Beginning balance ............................................ | ¥4,019 |
| Time progress adjustments .................................... | 25 |
| Others ......................................................... | 960 |
| Ending balance ................................................ | ¥5,005 |

**33. Securities Borrowing**

Securities borrowed under borrowing agreements can be sold or pledged as collateral. As of September 30, 2011, the market value of the securities borrowed which are not sold or pledged was ¥7,666 million, among which no securities are pledged as collateral.

**34. Commitment Line**

There were unused commitment line agreements under which the Parent Company is the lender of ¥2,300 million.

**35. Subordinated Debt**

Other liabilities included subordinated debt of ¥350,000 million, repayment of which is subordinated to other obligations.

**36. Subordinated Bonds**

Subordinated bonds of ¥145,880 million shown in liabilities were foreign currency-denominated subordinated bonds, the repayment of which is subordinated to other obligations.

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

The estimated future obligations of the Parent Company and its life insurance subsidiary that operates life insurance businesses in Japan to the Life Insurance Policyholders Protection Corporation of Japan under Article 259 of the Insurance Business Act were ¥60,468 million as of September 30, 2011. These obligations will be recognized as operating expenses in the period in which they are paid.

## III. NOTES TO UNAUDITED CONSOLIDATED STATEMENT OF EARNINGS FOR THE SIX MONTHS ENDED SEPTEMBER 30, 2011

### 1. Net Income per Share

Net income per share for the six months ended September 30, 2011 was ¥1,252.85. Diluted net income per share for the same period was ¥1,252.78.

### 2. Calculation of Tax

Income taxes for certain consolidated subsidiaries are calculated by applying a reasonably estimated effective tax rate for the full fiscal year to net income before tax for the six months ended September 30, 2011. The effective tax rate is determined by estimating the effective tax rate for the full fiscal year, which includes the six months ended September 30, 2011, after taking into account the effect of deferred tax accounting.

### 3. Impairment Losses on Fixed Assets

Details on the Parent Company's impairment losses on fixed assets for the six months ended September 30, 2011 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 in some asset groups, the Parent Company wrote down the book value of these assets to the recoverable value, and reported such reduced amount as impairment losses in extraordinary losses.

(3) Breakdown of Impairment Losses

Impairment losses by asset group were as follows:

| Asset Group | Place | Number | Impairment Loss | | |
|---|---|---|---|---|---|
| | | | Land | Buildings | Total |
| | | | (millions of yen) | | |
| Real estate for rent | Assets including Tomakomai City, Hokkaido | 5 | ¥ 378 | ¥ 467 | ¥ 845 |
| Real estate not in use | Assets including Ashigara-kami County, Kanagawa Prefecture | 74 | 26,131 | 2,135 | 28,266 |
| Total | | 79 | ¥ 26,509 | ¥ 2,602 | ¥ 29,112 |

(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 2.81% 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 is used as net sales value.

## IV. NOTES TO UNAUDITED CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE SIX MONTHS ENDED SEPTEMBER 30, 2011

### 1. Scope of Cash and Cash Equivalents

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

### 2. Reconciliation of Cash and Cash Equivalents

Reconciliation of cash and cash equivalents to balance sheet accounts as of September 30, 2011 was as follows:

| | | (millions of yen) |
|---|---|---|
| Cash and cash deposits (a) | ¥ | 269,088 |
| Call loans (b) | | 278,700 |
| Cash and cash equivalents (a + b) | ¥ | 547,788 |

## V. NOTES TO UNAUDITED CONSOLIDATED STATEMENTS OF CHANGE IN NET ASSETS FOR THE SIX MONTHS ENDED SEPTEMBER 30, 2011

### 1. Type and Number of Shares Outstanding

| | At the beginning of the fiscal year ending March 31, 2012 | Increase | Decrease | As of September 30, 2011 |
|---|---|---|---|---|
| | (thousands of shares) | | | |
| Common stocks ……………………… | 10,000 | - | - | 10,000 |
| Treasury stocks ……………………… | 139 | - | 12 | 127 |

Note: Decrease in treasury stocks (12 thousand shares) represents the sum of the numbers of shares of common stock of the Parent Company which (1) Stock Granting Trust of the Parent Company granted to its qualified employees and (2) Trust-type Employee Stockholding Incentive Plan of the Parent Company sold to the Dai-ichi Life Insurance Employee Stock Holding Partnership.

### 2. Stock Acquisition Rights

| Issuer | Details | Balance at the end of the period (million of yen) |
|---|---|---|
| The Parent Company | Stock acquisition rights in the form of stock options | ¥150 |

### 3. Dividend on Ordinary Shares

| | |
|---|---|
| Date of resolution | June 27, 2011 (at the Ordinary General Meeting of Shareholders) |
| Type of shares | Common stock |
| Total dividends | ¥15,776 million |
| Dividends per share | ¥1,600 |
| Record date | 31-Mar-11 |
| Effective date | 28-Jun-11 |
| Dividend resource | Retained earnings |

Note: Total dividends do not include ¥223 million of dividends to the Stock Granting Trust (J-ESOP) and the Trust-type Employee Stockholding Incentive Plan (E-ship), as the Parent Company recognizes the shares held by those trusts as treasury stocks.

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

The Dai-ichi Frontier Life Insurance Company (millions of yen)

| | | As of March 31, 2011 | As of September 30, 2011 |
|---|---|---|---|
| Total solvency margin | *(A)* | 215,850 | 193,014 |
| Common stock, etc. | | 115,329 | 93,234 |
| Reserve for price fluctuations | | 143 | 215 |
| Contingency reserve | | 36,403 | 38,024 |
| General reserve for possible loan losses | | 28 | 27 |
| Net unrealized gains on securities (before tax) × 90% * | | 1,979 | 4,452 |
| Net unrealized gains (losses) on real estate × 85% * | | - | - |
| Policy reserves in excess of surrender values | | 61,965 | 57,059 |
| Qualifying subordinated debt | | - | - |
| Excluded items | | - | - |
| Others | | - | - |
| Total risk $\sqrt{(R_1+R_8)^2+(R_2+R_3+R_7)^2}+R_4$ | *(B)* | 27,150 | 23,642 |
| Insurance risk $R_1$ | | 0 | 0 |
| 3rd sector insurance risk $R_8$ | | - | - |
| Assumed investment yield risk $R_2$ | | 111 | 612 |
| Investment risk $R_3$ | | (15,964) | (19,770) |
| Business risk $R_4$ | | 790 | 688 |
| Guaranteed minimum benefit risk $R_7$ | | 42,212 | 42,112 |
| Solvency margin ratio $\frac{(A)}{(1/2)\times(B)}\times 100$ | | 1,590.0% | 1,632.7% |

*: Multiplied by 100% if losses.

Note 1. The above figures are calculated based on Articles 86 and 87 of the Ordinance for Enforcement of the Insurance Business Act, and Ministry of Finance Official Notification No. 50 of 1996.
2. Guaranteed minimum benefit risk is calculated by the standard method.
3. Derivative trades attributable to money held in trust and investments in foreign securities (investment trusts) are used to mitigate guaranteed minimum benefit risk on individual variable annuities. Derivative transactions reduced guaranteed minimum benefit risk by 19,823 million yen in the fiscal year ended March 31, 2011, and by 24,804 million yen in the first half of the year, and these amounts are included in "Investment risk" above.

## (Reference) Solvency Margin Ratio under the New Standards to Be Officially Applied at the end of Fiscal Year ending March 31, 2012

The Dai-ichi Frontier Life Insurance Company (millions of yen)

| | | As of March 31, 2011 | As of September 30, 2011 |
|---|---|---|---|
| Total solvency margin | *(A)* | 215,850 | 193,014 |
| Common stock, etc | | 115,329 | 93,234 |
| Reserve for price fluctuations | | 143 | 215 |
| Contingency reserve | | 36,403 | 38,024 |
| General reserve for possible loan losses | | 28 | 27 |
| Net unrealized gains on securities (before tax) × 90% * | | 1,979 | 4,452 |
| Net unrealized gains (losses) on real estate × 85% * | | - | - |
| Policy reserves in excess of surrender values | | 61,965 | 57,059 |
| Qualifying subordinated debt | | - | - |
| Excluded portion of policy reserves in excess of surrender values and qualifying subordinated debt | | - | - |
| Excluded items | | - | - |
| Others | | - | - |
| Total risk $\sqrt{(R_1+R_8)^2+(R_2+R_3+R_7)^2}+R_4$ | *(B)* | 43,847 | 54,579 |
| Insurance risk | $R_1$ | 0 | 0 |
| 3rd sector insurance risk | $R_8$ | - | - |
| Assumed investment yield risk | $R_2$ | 250 | 1,571 |
| Investment risk | $R_3$ | 20,490 | 31,044 |
| Business risk | $R_4$ | 1,277 | 1,589 |
| Guaranteed minimum benefit risk | $R_7$ | 21,829 | 20,373 |
| Solvency margin ratio $\frac{(A)}{(1/2)\times(B)} \times 100$ | | 984.5% | 707.2% |

*: Multiplied by 100% if losses.

Note: 1. Under Cabinet Office Ordinance No.23, 2010 and Notification of the Financial Services Agency No. 48, the standards for the calculation of solvency margin ratio is planned to be revised to tighten and refine calculation of total solvency margin and estimation of total risk and others. The revised standards will be officially applied at the end of the fiscal year ending March 31, 2012.
The above figures are calculated by appliying the revised standards to the financial results as of March 31, 2011 and September 30, 2011.
2. Guaranteed minimum benefit risk is calculated by the standard method.

### (8) Segment Information

The Company didn't operate any businesses categorized in other segments than its own core life insurance business during the six months ended September 30,2011, and therefore segment information was omitted.