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# Financial Results for the Six Months Ended September 30, 2013

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The Dai-ichi Frontier Life Insurance Co., Ltd. (the "Company"; President: Satoru Tsutsumi) announces its financial results for the six months ended September 30, 2013.

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

## 1. Business Highlights

### (1) Policies in Force and New Policies

#### Policies in Force

	As of March 31, 2013		As of September 30, 2013			
	Number of Policies (thousands)	Amount (millions of yen)	Number of Policies		Amount	
			(thousands)	% of March 31, 2013 total	(millions of yen)	% of March 31, 2013 total
Individual insurance	15	133,326	49	331.0	385,146	288.9
Individual annuities	368	2,103,035	406	110.3	2,306,267	109.7
Group insurance	-	-	-	-	-	-
Group annuities	-	-	-	-	-	-

Note: Policy amount in force for individual annuities is equal to the sum of (a) the amount required to fund annuity payments when they commence for annuities that have not yet commenced paying out and (b) policy reserves for annuities that have commenced paying out.

#### New Policies

	Number of Policies		(millions of yen)	Amount		
	(thousands)	% of September 30, 2012 total		% of September 30, 2012 total	New Business	Net increase from conversions
<b>Six months ended September 30, 2013</b>						
Individual insurance	35	1,031.0	267,149	914.6	267,149	-
Individual annuities	53	165.9	288,746	173.2	288,746	-
Group insurance	-	-	-	-	-	-
Group annuities	-	-	-	-	-	-
<b>Six months ended September 30, 2012</b>						
Individual insurance	3		29,208		29,208	-
Individual annuities	32		166,757		166,757	-
Group insurance	-		-		-	-
Group annuities	-		-		-	-

Note: Amount of new policies (new business) for individual annuities is equal to the amount required to fund annuity payments when they commence.

## (2) Annualized Net Premiums

### Policies in Force

(millions of yen except percentages)

	As of March 31, 2013	As of September 30, 2013	
			% of March 31, 2013 total
Individual insurance	9,298	28,688	308.5
Individual annuities	228,272	249,350	109.2
Total	237,571	278,039	117.0
Medical and survival benefits	-	-	-

### New Policies

(millions of yen except percentages)

	Six months ended September 30, 2012	Six months ended September 30, 2013	% of September 30, 2012 total
Individual insurance	2,009	20,473	1,019.0
Individual annuities	24,586	33,889	137.8
Total	26,595	54,363	204.4
Medical and survival benefits	-	-	-

Note: Annualized net premiums are calculated by multiplying the per-premium payments by a multiplier that depends on the premium payment terms. For single-premium contracts, the amount is calculated by dividing the premium by the duration of the policy.

## (3) Profit and Loss Items

(millions of yen except percentages)

	Six months ended September 30, 2012	Six months ended September 30, 2013	% of September 30, 2012 total
Premium and other income	203,799	595,717	292.3
Investment income	15,978	62,170	389.1
Benefits and claims	56,305	173,161	307.5
Investment expenses	21,830	33,034	151.3

## (4) Total Assets

(millions of yen except percentages)

	As of March 31, 2013	As of September 30, 2013	
			% of March 31, 2013 total
Total Assets	2,373,197	2,806,023	118.2

## **2. Investment of General Account Assets**

### (1) Investment Environment

The Japanese economy achieved high growth during the six months ended September 30, 2013 due to a) an improvement in exports given yen depreciation, b) an increase in individual consumption attributable to improved consumer sentiment and c) acceleration of public expenditures as a part of the Japanese government's economic policy.

In the U.S., despite the support of the monetary easing measures by the Federal Reserve Board (FRB), tax hikes such as an increase in payroll tax rate and large-scale budget cuts due to budget sequestration restrained growth, resulting in a moderate economic recovery.

The European economy picked up, owing to the enhanced monetary easing measures by the European Central Bank and the fiscal reconstruction of Euro-zone countries.

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

#### [Domestic interest rates]

The yield on ten-year Japanese government bonds (JGBs) declined to 0.315%, a historically low level among global economies, given the 'quantitative and qualitative monetary easing measures' by the Bank of Japan (BOJ). Subsequently, it temporarily rose to around the 1.0% level, mainly because the BOJ purchased a substantial amount of JGBs and, therefore, liquidity in the bond market decreased. Thereafter, it showed a downward trend as an unstable political situation related to the planned increase in consumption tax was settled and the effect of the BOJ's purchase of JGBs gradually materialized.

(Yield on ten-year government bonds: April 1, 2013:0.560% ; September 30, 2013:0.680%)

#### [Domestic Stocks]

The Nikkei 225 temporarily rose to the 16,000 level due to expectations for overcoming deflation given a) aggressive monetary easing measures by the BOJ and b) the growth strategies of the Japanese government. After that, the market went into a volatile period because of the turmoil in emerging markets related to the expectation for tapering of the quantitative easing of the U.S., while on the other hand expectations for improvement of corporate earnings associated with yen depreciation and a boost to economic recovery given Tokyo's successful 2020 Olympic bid supported prices.

(Nikkei 225 Stock Average: April 1, 2013:12,397 ; September 30, 2013:14,455)

(TOPIX: April 1, 2013:1,034 ; September 30, 2013:1,194)

#### [Foreign Currency]

The yen temporarily depreciated against the U.S. dollar to the ¥100 level due to a) the BOJ's monetary easing measures and b) the expectation for a tapering of quantitative easing by the United States. The concern over early tapering by the FRB contributed to raised market confusion and price volatility.

The yen also depreciated against the euro to the ¥130 level, given the BOJ's aggressive monetary easing measures. Then, the yen temporarily saw an appreciating trend given the concern over the early tapering of the quantitative easing in the U.S. However, yen depreciation against the euro turned, due to the recovery in the economy of Euro-zone countries.

(yen /U.S. dollar: April 1, 2013:¥94.05 ; September 30, 2013:¥97.75)

(yen/Euro: April 1, 2013:¥120.73 ; September 30, 2013:¥131.87)

### (2) Investment Policies

In view of the liability characteristics of life insurance policies, assets in the general account are invested in accordance with asset-liability management (ALM) principles with the primary objective of steadily paying annuities, insurance proceeds, and benefits over the long term.

General account assets are invested primarily in yen-denominated bonds, and call loans, other money market instruments.

Foreign-currency denominated insurance are invested in foreign-currency denominated bonds.

Certain instruments are also used to mitigate the guaranteed minimum benefit risk on individual variable annuities.

### (3) Investment Results

The Company invested primarily in fixed-income assets, such as yen-denominated bonds, and call loans, other money market instruments. Foreign-currency denominated insurance are invested in foreign-currency denominated bonds.

Derivative trades attributable to money held in trust and investments in foreign securities (investment trusts) were also used to mitigate the guaranteed minimum benefit risk on individual variable annuities.

As a result, investment income was 15,177 million yen mainly due to gains on interest and dividends (8,508 million yen) and gains on sale of securities (6,669 million yen). Investment expenses were 33,034 million yen mainly due to foreign exchange losses (17,688 million yen), losses on money held in trust (8,928 million yen), incurred through transactions to hedge the guaranteed minimum benefit risk on individual variable annuities and derivative transaction losses (5,253 million yen).

### 3. Investment Results of General Account

#### (1) Asset Composition

(millions of yen except percentages)

	As of March 31, 2013		As of September 30, 2013	
	Carrying value	%	Carrying value	%
Cash, deposits, and call loans	53,667	6.6	54,027	4.9
Securities repurchased under resale agreements	-	-	-	-
Deposit paid for securities borrowing transactions	-	-	-	-
Monetary claims bought	1,978	0.2	3,009	0.3
Trading account securities	-	-	-	-
Money held in trust	32,179	3.9	28,351	2.6
Securities	691,648	84.6	965,831	88.3
Domestic bonds	322,321	39.4	481,486	44.0
Domestic stocks	-	-	-	-
Foreign securities	369,327	45.2	481,356	44.0
Foreign bonds	364,694	44.6	476,842	43.6
Foreign stocks and other securities	4,632	0.6	4,513	0.4
Other securities	-	-	2,989	0.3
Loans	-	-	-	-
Real estate	-	-	-	-
Deferred tax assets	-	-	-	-
Others	38,035	4.7	42,923	3.9
Reserve for possible loan losses	(1)	(0.0)	(1)	(0.0)
Total	817,509	100.0	1,094,142	100.0
Foreign currency-denominated assets	325,664	39.8	444,326	40.6

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

(millions of yen)

	Six months ended September 30, 2012	Six months ended September 30, 2013
Cash, deposits, and call loans	10,848	359
Securities repurchased under resale agreements	-	-
Deposit paid for securities borrowing transactions	-	-
Monetary claims bought	-	1,031
Trading account securities	-	-
Money held in trust	14,764	(3,828)
Securities	143,784	274,182
Domestic bonds	50,921	159,165
Domestic stocks	-	-
Foreign securities	92,862	112,028
Foreign bonds	90,704	112,148
Foreign stocks and other securities	2,158	(119)
Other securities	-	2,989
Loans	-	-
Real estate	-	-
Deferred tax assets	-	-
Others	(3,975)	4,888
Reserve for possible loan losses	9	(0)
Total	165,432	276,632
Foreign currency-denominated assets	89,669	118,661

## (3) Investment Income

(millions of yen)

	Six months ended September 30, 2012	Six months ended September 30, 2013
Interest and dividends	5,394	8,508
Interest from bank deposits	12	38
Interest and dividends from securities	5,349	8,412
Interest from loans	-	-
Rental income	-	-
Other interest and dividends	33	57
Gains on trading account securities	-	-
Gains on money held in trust	4,664	-
Gains on investment in trading securities	2,158	-
Gains on sale of securities	380	6,669
Gains on sale of domestic bonds	380	699
Gains on sale of domestic stocks	-	-
Gains on sale of foreign securities	-	5,969
Others	-	-
Gains on redemption of securities	-	-
Derivative transaction gains	3,370	-
Foreign exchange gains	-	-
Reversal of reserve for possible loan losses	9	-
Other investment income	-	-
Total	15,978	15,177

## (4) Investment Expenses

(millions of yen)

	Six months ended September 30, 2012	Six months ended September 30, 2013
Interest expenses	-	0
Losses on trading account securities	-	-
Losses on money held in trust	-	8,928
Losses on investment in trading securities	-	726
Losses on sale of securities	3	114
Losses on sale of domestic bonds	1	4
Losses on sale of domestic stocks	-	-
Losses on sale of foreign securities	2	110
Others	-	-
Losses on valuation of securities	168	-
Losses on valuation of domestic bonds	168	-
Losses on valuation of domestic stocks	-	-
Losses on valuation of foreign securities	-	-
Others	-	-
Losses on redemption of securities	-	-
Derivative transaction losses	-	5,253
Foreign exchange losses	9,651	17,688
Provision for reserve for possible loan losses	-	0
Write-down of loans	-	-
Depreciation of rented real estate and others	-	-
Other investment expenses	307	322
Total	10,130	33,034

(5) Valuation Gains and Losses on Trading Securities

(millions of yen)

	As of March 31, 2013		As of September 30, 2013	
	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	36,812	(24,359)	32,864	(9,654)

Note: Figures in this table include money held in trust and other instruments classified as trading securities.

## (6) Fair Value Information on Securities (securities with fair value except trading securities)

(millions of yen)

	Book value	Fair value	Gains (losses)		
			Gains	Losses	
As of September 30, 2013					
Bonds held to maturity	-	-	-	-	-
Policy-reserve-matching bonds	436,922	438,556	1,633	3,898	2,264
Stocks of subsidiaries and affiliates	-	-	-	-	-
Securities available for sale	520,414	527,404	6,990	9,023	2,032
Domestic bonds	271,723	276,364	4,640	5,032	392
Domestic stocks	-	-	-	-	-
Foreign securities	242,690	245,041	2,351	3,981	1,629
Foreign bonds	242,690	245,041	2,351	3,981	1,629
Foreign stocks and other securities	-	-	-	-	-
Other securities	3,000	2,989	(10)	-	10
Monetary claims bought	3,000	3,009	9	9	-
Certificates of deposit	-	-	-	-	-
Others	-	-	-	-	-
<b>Total</b>	<b>957,337</b>	<b>965,961</b>	<b>8,624</b>	<b>12,921</b>	<b>4,297</b>
Domestic bonds	476,845	482,741	5,895	6,427	532
Domestic stocks	-	-	-	-	-
Foreign securities	474,491	477,221	2,730	6,484	3,753
Foreign bonds	474,491	477,221	2,730	6,484	3,753
Foreign stocks and other securities	-	-	-	-	-
Other securities	3,000	2,989	(10)	-	10
Monetary claims bought	3,000	3,009	9	9	-
Certificates of deposit	-	-	-	-	-
Others	-	-	-	-	-
As of March 31, 2013					
Bonds held to maturity	-	-	-	-	-
Policy-reserve-matching bonds	295,732	299,537	3,805	4,503	697
Stocks of subsidiaries and affiliates	-	-	-	-	-
Securities available for sale	382,795	393,262	10,467	11,096	629
Domestic bonds	194,630	199,656	5,025	5,311	285
Domestic stocks	-	-	-	-	-
Foreign securities	186,165	191,627	5,462	5,784	322
Foreign bonds	186,165	191,627	5,462	5,784	322
Foreign stocks and other securities	-	-	-	-	-
Other securities	-	-	-	-	-
Monetary claims bought	2,000	1,978	(21)	-	21
Certificates of deposit	-	-	-	-	-
Others	-	-	-	-	-
<b>Total</b>	<b>678,527</b>	<b>692,799</b>	<b>14,272</b>	<b>15,599</b>	<b>1,327</b>
Domestic bonds	317,295	323,113	5,818	6,131	313
Domestic stocks	-	-	-	-	-
Foreign securities	359,232	367,707	8,475	9,467	992
Foreign bonds	359,232	367,707	8,475	9,467	992
Foreign stocks and other securities	-	-	-	-	-
Other securities	-	-	-	-	-
Monetary claims bought	2,000	1,978	(21)	-	21
Certificates of deposit	-	-	-	-	-
Others	-	-	-	-	-



\*Book values of securities for which it is not practicable to determine fair value are as follows:

Not applicable.

(7) Fair Value Information on Money Held in Trust

(millions of yen)

	Carrying value on the balance sheet	Fair value	Gains (losses)	
			Gains	Losses
As of September 30, 2013	28,351	28,351	(8,928)	8,928
As of March 31, 2013	32,179	32,179	(18,914)	18,914

Note: 1. Fair value equivalents appearing in this table are based on prices calculated using a reasonable method by trustees of money held in trust.

2. Gains (losses) are valuation gains (losses) that were included in the statement of earnings.

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

(millions of yen)

	As of March 31, 2013		As of September 30, 2013	
	Carrying value on the balance sheet	Valuation gains (losses) included in the statements of earnings	Carrying value on the balance sheet	Valuation gains (losses) included in the statements of earnings
Money held in trust for investment purposes	32,179	(18,914)	28,351	(8,928)

\*Information on money held in trust classified as held-to-maturity, policy-reserve-matching, or other money held in trust are as follows:

Not applicable.

#### 4. Non-Consolidated Balance Sheets

(millions of yen)

	As of March 31, 2013 (Summarized)		As of September 30, 2013	
	Amount		Amount	
<b>(ASSETS)</b>				
Cash and deposits		37,167		42,660
Call loans		25,400		19,200
Monetary claims bought		1,978		3,009
Money held in trust		32,179		28,351
Securities		2,236,570		2,667,988
[Government bonds]	[	113,020]	[	233,080]
[Local government bonds]	[	9,116]	[	8,206]
[Corporate bonds]	[	200,183]	[	240,200]
[Foreign securities]	[	372,912]	[	485,219]
Tangible fixed assets		39		71
Intangible fixed assets		1		1
Reinsurance receivables		27,968		27,115
Other assets		11,893		17,626
Reserve for possible loan losses		(1)		(1)
<b>Total assets</b>		<b>2,373,197</b>		<b>2,806,023</b>

(millions of yen)

	As of March 31, 2013 (Summarized)		As of September 30, 2013	
	Amount		Amount	
<b>(LIABILITIES)</b>				
Policy reserves and others		2,269,986		2,715,461
Reserves for outstanding claims		1,539		1,664
Policy reserves		2,268,447		2,713,797
Reinsurance payable		847		823
Other liabilities		33,742		42,682
Corporate income tax payable		101		4
Other liabilities		33,641		42,678
Reserve for employees' retirement benefits		103		122
Reserve for retirement benefits of directors, executive officers and corporate auditors		6		8
Reserve for price fluctuations		775		1,058
Deferred tax liabilities		3,220		2,151
<b>Total liabilities</b>		<b>2,308,682</b>		<b>2,762,309</b>
<b>(NET ASSETS)</b>				
Capital stock		117,500		117,500
Capital surplus		67,500		67,500
Legal capital surplus		67,500		67,500
Retained earnings		(127,730)		(146,125)
Other retained earnings		(127,730)		(146,125)
Retained earnings brought forward		(127,730)		(146,125)
Total shareholders' equity		57,269		38,874
Net unrealized gains on securities, net of tax		7,246		4,839
Total of valuation and translation adjustments		7,246		4,839
<b>Total net assets</b>		<b>64,515</b>		<b>43,713</b>
<b>Total liabilities and net assets</b>		<b>2,373,197</b>		<b>2,806,023</b>

## 5. Non-Consolidated Statements of Earnings

(millions of yen)

	Six months ended September 30, 2012	Six months ended September 30, 2013
	Amount	Amount
<b>ORDINARY REVENUES</b>	219,874	657,888
Premium and other income	203,799	595,717
[Premium income]	[ 181,558 ]	[ 537,563 ]
Investment income	15,978	62,170
[Interest and dividends]	[ 5,394 ]	[ 8,508 ]
[Gains on money held in trust]	[ 4,664 ]	[ - ]
[Gains on investment in trading securities]	[ 2,158 ]	[ - ]
[Gains on sale of securities]	[ 380 ]	[ 6,669 ]
[Derivative transaction gains]	[ 3,370 ]	[ - ]
[Gains on investment in separate accounts]	[ - ]	[ 46,992 ]
Other ordinary revenues	96	0
[Reversal of reserves for outstanding claims]	[ 96 ]	[ - ]
<b>ORDINARY EXPENSES</b>	227,818	675,999
Benefits and claims	56,305	173,161
[Claims]	[ 38 ]	[ 396 ]
[Annuities]	[ 341 ]	[ 360 ]
[Benefits]	[ 6,843 ]	[ 9,806 ]
[Surrender values]	[ 18,016 ]	[ 98,513 ]
[Other refunds]	[ 755 ]	[ 1,835 ]
Provision for policy reserves and others	140,511	445,475
Provision for reserves for outstanding claims	-	125
Provision for policy reserves	140,511	445,350
Investment expenses	21,830	33,034
[Interest expenses]	[ - ]	[ 0 ]
[Losses on money held in trust]	[ - ]	[ 8,928 ]
[Losses on investment in trading securities]	[ - ]	[ 726 ]
[Losses on sale of securities]	[ 3 ]	[ 114 ]
[Losses on valuation of securities]	[ 168 ]	[ - ]
[Derivative transaction losses]	[ - ]	[ 5,253 ]
[Losses on investment in separate accounts]	[ 11,700 ]	[ - ]
Operating expenses	8,523	22,143
Other ordinary expenses	647	2,183
<b>ORDINARY LOSS</b>	7,944	18,110
<b>EXTRAORDINARY LOSSES</b>	176	283
Loss before income taxes	8,121	18,393
Corporate income taxes - current	4	0
Total of corporate income taxes	4	0
Net loss for the period	8,125	18,394

## 6. Non-Consolidated Statements of Changes in Net Assets

(millions of yen)

	Six months ended September 30, 2012	Six months ended September 30, 2013
	Amount	Amount
Shareholders' equity		
Capital stock		
Balance at the beginning of the year	117,500	117,500
Changes for the period:		
Total changes for the period	-	-
Balance at the end of the period	117,500	117,500
Capital surplus		
Legal capital surplus		
Balance at the beginning of the year	67,500	67,500
Changes for the period:		
Total changes for the period	-	-
Balance at the end of the period	67,500	67,500
Retained earnings		
Other retained earnings		
Retained earnings brought forward		
Balance at the beginning of the year	(98,229)	(127,730)
Changes for the period:		
Net loss for the period	8,125	18,394
Total changes for the period	(8,125)	(18,394)
Balance at the end of the period	(106,355)	(146,125)
Total shareholders' equity		
Balance at the beginning of the year	86,770	57,269
Changes for the period:		
Net loss for the period	8,125	18,394
Total changes for the period	(8,125)	(18,394)
Balance at the end of the period	78,644	38,874
Valuation and translation adjustments		
Net unrealized gains on securities, net of tax:		
Balance at the beginning of the year	3,864	7,246
Changes for the period:		
Net changes of items other than shareholders' equity	5,250	(2,406)
Total changes for the period	5,250	(2,406)
Balance at the end of the period	9,115	4,839
Total net assets		
Balance at the beginning of the year	90,634	64,515
Changes for the period:		
Net loss for the period	8,125	18,394
Net changes of items other than shareholders' equity	5,250	(2,406)
Total changes for the period	(2,874)	(20,801)
Balance at the end of the period	87,760	43,713

As of September 30, 2013

- 1 Securities (including monetary claims bought which is equivalent to marketable securities) are valued as follows:
- (a) Trading securities are valued at fair value (sales cost is calculated with the moving-average method).
  - (b) Policy-reserve-matching bonds (bonds defined by the Japanese Institute of Certified Public Accountants (JICPA) Industry Audit Committee Report No. 21 entitled Treatment of Accounting and Auditing Concerning Policy-reserve-matching Bonds in the Insurance Industry) are valued using the moving-average amortized cost (straight line) method.
  - (c) Other securities with fair values are valued at fair value using market prices as of the end of the year (sales cost is calculated with the moving-average method). Securities for which it is not practicable to determine fair value are recorded on the balance sheet at acquisition cost.
- Valuation differences on other securities are reported as a component of net assets.
- 2 Risk management policies regarding policy-reserve matching bonds are as follows:
- The Company categorizes its insurance products into sub-groups by the attributes of each product and, in order to manage risks properly, formulates its policy on investments and resource allocation based on the balance of the sub-groups. Moreover, the Company periodically checks that the duration gap between policy-reserve-matching bonds and policy reserves stays within a certain range. The sub-groups are:
- (a) Individual insurance and annuities (JP yen-denominated, short term)
  - (b) Individual insurance and annuities (JP yen-denominated, long term)
  - (c) Individual insurance and annuities (US dollar-denominated)
  - (d) Individual insurance and annuities (AUS dollar-denominated)
- with the exception of certain types and policies.
- (Additional Information)
- Effective the six months ended September 30, 2013, in order to conduct appropriate duration control, taking into account debt situation, and thus promote more sophisticated ALM, the Company added individual insurance and annuities (JP yen-denominated, long term) as a new sub-group. This addition did not have any impact on profits or losses of the Company for the six months ended September 30, 2013.
- 3 Derivative transactions (including those attributable to money held in trust and foreign securities (investment trusts)) are reported at fair value.
- 4 Tangible fixed assets are depreciated using the declining-balance method, wherein the depreciation recorded for the period is a proportional distribution of the estimated annual depreciation expense.
- Other tangible fixed assets that were acquired for 100,000 yen or more but less than 200,000 yen are depreciated in equal increments over three years.
- 5 Intangible fixed assets are depreciated with the straight line method.
- 6 Foreign currency-denominated assets and liabilities are translated into yen-denominated amounts at market exchange rates as of the book closing date.
- Changes in market values of bonds included in foreign currency-denominated other securities are divided into two, and the portion attributable to changes in the securities' nominal market prices in their local currencies is included in "valuation difference" on other securities, and the rest in "foreign exchange gains/losses".
- 7 Reserve for possible loan losses is calculated by multiplying the value of loan claims by the historical loan loss rates calculated from actual loan losses, pursuant rules on the self-assessment of assets as well as rules on the write-offs on and provisioning of reserves for assets. Relevant departments assess all loan claims based on the self-assessment rules, and an independent department responsible for auditing assets audits the assessment results. Provisions to the reserve for possible loan losses are determined based on the assessment results.
- 8 Reserves for employees' retirement benefits are provisioned for in an amount that recognizes accruals as of the end of September, 2013. The amount is calculated using the simplified method (which assumes the Company's benefit obligation to be equal to the benefits payable assuming the voluntary retirement of all employees at fiscal year-end) as specified in the Practical Guidelines on Accounting Standards for Retirement Benefits (Interim Report) (JICPA, Auditing System Committee Report No.13).

- 9 To provide for the retirement benefits of directors, executives and auditors seconded from the Dai-ichi Life Insurance Company (the parent company), which are payable to the parent company, the Company calculates its share of the relevant accrued benefits as of the end of September, 2013 pursuant to the parent company's regulations on retirement benefits. The amount is recorded in the reserve for retirement benefits of directors, executive officers and corporate auditors.
- 10 The reserve for price fluctuations is calculated pursuant to Article 115 of the Insurance Business Act.
- 11 Finance leases that do not transfer title to the leased assets to the lessee are treated as follows, pursuant to the Accounting Standard for Lease Transactions (Accounting Standards Board of Japan (ASBJ) Statement No. 13, March 30, 2007) and its associated Guidance on the Accounting Standard for Lease Transactions (ASBJ Guidance No. 16, March 30, 2007).  
(a) Lease agreements concluded on or after April 1, 2008, except those of minor value, are accounted for as ordinary sales/purchase transactions.  
(b) Transactions other than those corresponding to (a) above are accounted for as ordinary lease transactions.
- 12 National and local consumption taxes are recorded with the tax-exclusion method. Non-recoverable consumption tax on certain assets is capitalized as a prepaid expense and amortized equally over five years in accord with corporate taxation law, and such taxes other than deferred consumption tax are recognized as an expense in the first half of the year in which they are incurred.
- 13 Policy reserves are those reserves set aside in accord with Article 116 of the Insurance Business Act. Insurance premium reserve is calculated as follows:  
(a) For policies subject to the Standard Policy Reserve Method: Method stipulated by the Financial Services Agency Commissioner (Ministry of Finance Notification No. 48, 1996)  
(b) For policies not subject to the Standard Policy Reserve Method: Net level premium reserve method

- 14 Amounts of financial instruments recorded on the balance sheet, their fair values, and differences between the two are as follows:

	(millions of yen)		
	Carrying amount on balance sheet	Fair value	Difference
(1) Cash and deposits	42,660	42,660	-
(2) Call loans	19,200	19,200	-
(3) Monetary claims bought	3,009	3,009	-
(4) Money held in trust	28,351	28,351	-
(5) Securities	2,667,988	2,669,622	1,633
(a) Trading securities	1,706,670	1,706,670	-
(b) Policy-reserve-matching bonds	436,922	438,556	1,633
(c) Other securities	524,395	524,395	-
Assets total	2,761,210	2,762,844	1,633
Derivative transactions			
(a) Derivative transactions to which hedge accounting is not applied	(1,960)	(1,960)	-
Derivative transactions total	(1,960)	(1,960)	-

Note: Derivative transactions include those attributable to money held in trust and foreign securities (investment trusts).  
Net derivative assets and liabilities arising from derivative transactions are reported as a net value. A negative total indicates a net liability.

Fair values of financial instruments are calculated as follows:

(a) Cash and deposits

Deposits are recorded at book value as all deposits have no maturities and their book values approximate their fair values.

(b) 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.

(c) Monetary claims bought

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

(d) Money held in trust

Information on the fair value of derivative transactions attributable to money held in trust appears below in "(f) Derivative transactions".

(e) Securities

Fair value of bonds is based on the price on stock exchanges. Fair value of mutual funds is based on unit price.

(f) Derivative transactions

For foreign exchange forward contracts, futures market prices on the book closing date are used as fair value.

For currency swap contracts, amounts discounted to present value are used as fair value. For total return swap contracts, amounts calculated by using indices on the book closing date are used as fair value. For futures transactions and other market traded instruments, securities exchange market closing prices are used as fair value.

- 15 Accumulated depreciation on tangible fixed assets is 128 million yen.
- 16 Securities lent under lending agreements are included in the balance sheets. The total balance of securities lent as of September 30, 2013 was 10,393 million yen.
- 17 Assets in separate accounts, as defined by Article 118 of the Insurance Business Act, total 1,712,076 million yen.  
Liabilities in separate accounts, total the same amount.
- 18 The value of assets (marketable securities) pledged as collateral is 5,260 million yen.
- 19 Assets for which rights held can be freely disposed of by means of sale or collateralization are available-for-sale securities that have been accepted as collateral of reinsurance dealings, and in this period ownership was maintained for total market value of 5,038 million yen as of September 30, 2013, and we have no assets pledged as a re-collateral.
- 20 Reserves for outstanding claims attributable to the portion of reinsurance specified in Article 71, paragraph 1, of the Ordinance for Enforcement of the Insurance Business Act, applied under Article 73, paragraph 3, of said Ordinance ("reserves for outstanding ceding insurance claims"), amount to 2 million yen. Policy reserves attributable to the portion of reinsurance specified in Article 71, paragraph 1, of said Ordinance ("ceding reinsurance policy reserves") amount to 10,219 million yen.
- 21 As of the end of September, 2013, the Company estimated that it would be required to contribute 2,136 million yen to the Life Insurance Policyholders Protection Corporation of Japan pursuant to Article 259 of the Insurance Business Act. Contributions are expensed as an operating expense in the first half of the year in which they are incurred.

Notes to the Non-Consolidated Statement of Earnings

Six months ended September 30, 2013	
1	The total amounts of revenues and expenses from transactions with affiliated companies were 0 million yen and 106 million yen, respectively.
2	Gains on sale of securities included gains on sales of domestic bonds and foreign securities of 699 million yen and 5,969 million yen, respectively.
3	Losses on sale of securities included losses on sales of domestic bonds and foreign securities of 4 million yen and 110 million yen, respectively.
4	Premium and other income includes 18,687 million yen of operating expenses received in association with ceding reinsurance business.
5	Benefits and claims includes ceding reinsurance policy reserves transferred of 78,538 million yen and the ceding reinsurance policy reserve adjustment of -21,608 million yen.
6	In calculating the reversal of reserves for outstanding claims, a reversal of reserve for outstanding claims reinsured of 0 million yen was deducted as an adjustment. In calculating provision for policy reserves, provision of reserve for outstanding claims reinsured of 1,983 million yen was deducted.
7	The details of Interest and dividends are as follows:
	Interest on deposits 38 million yen
	Interest and dividends from securities 8,412 million yen
	Other interest and dividends 57 million yen
	Total 8,508 million yen
8	The main component of losses on investment in trading securities is a valuation loss of 726 million yen.
9	Losses on money held in trust include a valuation loss of 8,928 million yen.
10	Derivative transaction losses include a valuation loss of 2,225 million yen.
11	Net loss per share for the six months ended September 30, 2013 was 9,943,085.43 yen.

Notes to the Non-Consolidated Statement of Changes in Net Assets

Six months ended September 30, 2013				
1 Number of outstanding shares by class				
	No.shares as of April 1, 2013	Increase in number of shares	Decrease in number of shares	No.shares as of September 30,2013
Outstanding shares				
Common stock	1,850	-	-	1,850



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

(millions of yen)

		Six months ended September 30, 2012	Six months ended September 30, 2013
Fundamental profit	A	(15,217)	3,083
Capital gains		18,474	20,982
Gains on money held in trust		4,664	-
Gains on investment in trading securities		2,158	-
Gains on sale of securities		380	6,669
Derivative transaction gains		3,370	-
Foreign exchange gains		-	-
Others		7,900	14,313
Capital losses		9,823	32,711
Losses on money held in trust		-	8,928
Losses on investment in trading securities		-	726
Losses on sale of securities		3	114
Losses on valuation of securities		168	-
Derivative transaction losses		-	5,253
Foreign exchange losses		9,651	17,688
Others		-	-
Net capital gains (losses)	B	8,651	(11,728)
Fundamental profit plus net capital gains (losses)	A + B	(6,566)	(8,645)
Other one-time gains		-	-
Reinsurance income		-	-
Reversal of contingency reserve		-	-
Reversal of specific reserve for possible loan losses		-	-
Others		-	-
Other one-time losses		1,377	9,464
Ceding reinsurance commissions		-	-
Provision for contingency reserve		1,377	9,464
Provision for specific reserve for possible loan losses		-	-
Provision for specific reserve for loans to refinancing countries		-	-
Write-down of loans		-	-
Others		-	-
Other one-time profits (losses)	C	(1,377)	(9,464)
Ordinary profit (loss)	A + B + C	(7,944)	(18,110)

Note: 1. Fundamental profit includes the amount below.

	Six months ended September 30, 2012	Six months ended September 30, 2013
Adjustment of the portion valued in exchange rate fluctuations of foreign-currency denominated insurance's liability	(7,900)	(14,313)

2. Other capital gains include the amount below.

	Six months ended September 30, 2012	Six months ended September 30, 2013
Adjustment of the portion valued in exchange rate fluctuations of foreign-currency denominated insurance's liability	7,900	14,313

3. Gains (losses) on money held in trust, gains (losses) on investment in trading securities are attributable to investments in derivative financial instruments (including investments in money held in trust, foreign securities (investment trusts) ) for the purpose of mitigating the guaranteed minimum benefit risk on individual variable annuities.

## **8. Disclosed Claims Based on Categories of Obligors**

(millions of yen)

	As of March 31, 2013	As of September 30, 2013
Claims against bankrupt and quasi-bankrupt obligors	-	-
Claims with collection risk	-	-
Claims for special attention	-	-
Subtotal( I )	-	-
[Percentage( I )/( II )]	[ - ]	[ - ]
Claims against normal obligors	10,456	10,399
Total( II )	10,456	10,399

- 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**

Not applicable.

## 10. Solvency Margin Ratio

(millions of yen)

	As of March 31, 2013	As of September 30, 2013
Total solvency margin (A)	219,637	211,891
Common stock, etc	57,269	38,874
Reserve for price fluctuations	775	1,058
Contingency reserve	92,403	101,868
General reserve for possible loan losses	1	1
Net unrealized gains on securities (before tax) × 90%*	9,420	6,291
Net unrealized gains (losses) on real estate × 85%*	-	-
Policy reserves in excess of surrender values	59,768	63,797
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)	46,798	66,396
Insurance risk $R_1$	5	16
3rd sector insurance risk $R_8$	-	-
Assumed investment yield risk $R_2$	4,330	6,214
Investment risk $R_3$	18,611	29,784
Guaranteed minimum benefit risk $R_7$	22,493	28,463
Business risk $R_4$	1,363	1,934
Solvency margin ratio $\frac{(A)}{(1/2) \times (B)} \times 100$	938.6%	638.2%

\* Multiplied by 100% if losses.

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

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

## **11. Separate Account Status**

### (1) Separate Account Assets by Product

(millions of yen)

	As of March 31, 2013	As of September 30, 2013
Individual variable insurance	2,985	3,009
Individual variable annuities	1,555,229	1,709,066
Group annuities	-	-
Separate account total	1,558,215	1,712,076

### (2) Policies in Force

#### A. Individual Variable Insurance

(millions of yen except number of policies)

	As of March 31, 2013		As of September 30, 2013	
	Number of policies (thousands)	Amount	Number of policies (thousands)	Amount
Variable insurance (defined term type)	-	-	-	-
Variable insurance (whole life type)	0	3,081	0	3,042
Total	0	3,081	0	3,042

Note: Policy amounts not placed into separate accounts as of the end of the fiscal period are included in policies in force.

#### B. Individual Variable Annuities

(millions of yen except number of policies)

	As of March 31, 2013		As of September 30, 2013	
	Number of policies	Amount	Number of policies	Amount
Individual variable annuities	266	1,569,891	293	1,731,052

Note: 1. Total policy amount in force for individual annuities is equal to the sum of (a) the amount required to fund annuity payments when they commence for annuities that have not yet commenced paying out and (b) policy reserves for annuities that have commenced paying out.

2. Policy amounts not placed into separate accounts as of the end of the fiscal period are included in policies in force.

## **12. Consolidated Financial Summary**

Not applicable.

## **Reference: Exposure to Securitized Products and Subprime-related Investments**

The Company discloses its exposure to securitized products and subprime-related investments, based on the "Leading-Practice Disclosures for Selected Exposures" included in the Financial Stability Forum (FSF) report announced in April 2008.

The Company defines "unrealized gains (losses)" as fair value less book value and "realized gains (losses)" as total of gains (losses) on sales and impairment losses.

### **The Company's exposure to securitized products**

#### **1. Special-Purpose Entities (SPEs, as of September 30, 2013)**

The Company holds no investments in SPEs.

#### **2. Collateralized Debt Obligation (CDOs, as of September 30, 2013)**

The Company holds no investments in CDOs.

#### **3. Other Subprime/Alt-A Exposure (as of September 30, 2013)**

The Company holds no securitized products backed by subprime/Alt-A exposure.

#### **4. Commercial Mortgage-Backed Securities(CMBS, as of September 30, 2013)**

The Company holds no commercial mortgage-backed securities.

#### **5. Leveraged Finance (as of September 30, 2013)**

The Company holds no leveraged finance products.

#### **6. Others (as of September 30, 2013)**

(millions of yen)

	Fair value	Unrealized gains (losses)	Realized gains (losses)
Credit-linked note	10,750	250	-