
Financial Results for the Fiscal Year Ended March 31, 2019

The Dai-ichi Frontier Life Insurance Co., Ltd. (the "Company"; President: Masao Taketomi) announces its financial results for the fiscal year ended March 31, 2019

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

1. Business Highlights

(1) Annualized Net Premiums

Policies in Force

(millions of yen except percentages)

	As of March 31, 2018		As of March 31, 2019	
		% of March 31, 2017 total		% of March 31, 2018 total
Individual insurance	231,579	125.1	316,022	136.5
Individual annuities	498,429	94.5	511,633	102.6
Total	730,008	102.4	827,656	113.4
Medical and survival benefits	-	-	-	-

New Policies

(millions of yen except percentages)

	Year ended March 31, 2018		Year ended March 31, 2019	
		% of March 31, 2017 total		% of March 31, 2018 total
Individual insurance	65,170	219.7	98,856	151.7
Individual annuities	128,292	88.8	107,529	83.8
Total	193,462	111.1	206,385	106.7
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.

(2) Policies in Force and New Policies

Policies in Force

	As of March 31, 2018				As of March 31, 2019			
	Number of policies		Amount		Number of policies		Amount	
	(thousands)	% of March 31, 2017 total	(millions of yen)	% of March 31, 2017 total	(thousands)	% of March 31, 2018 total	(millions of yen)	% of March 31, 2018 total
Individual insurance	421	130.2	2,914,275	123.0	576	136.6	3,875,382	133.0
Individual annuities	844	112.0	4,704,366	105.2	950	112.6	4,995,231	106.2
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 March 31, 2018 total		% of March 31, 2018 total	New Business	Net increase from conversions
Year ended March 31, 2019						
Individual insurance	169	146.7	1,151,881	147.5	1,151,881	-
Individual annuities	162	113.8	747,399	111.3	747,399	-
Group insurance	-	-	-	-	-	-
Group annuities	-	-	-	-	-	-
Year ended March 31, 2018						
Individual insurance	115	/	780,759	/	780,759	-
Individual annuities	142	/	671,592	/	671,592	-
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. Policies in Force as of March 31, 2019 by Benefit Type

	Individual Insurance		Individual annuities		Group Insurance		Total	
	Policies (thousands)	Amount (millions of yen)	Policies (thousands)	Amount (millions of yen)	Policies (thousands)	Amount (millions of yen)	Policies (thousands)	Amount (millions of yen)
Death benefits								
General	576	3,875,382	-	-	-	-	576	3,875,382
Accidental	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-
Survival benefits	-	-	950	4,995,231	-	-	950	4,995,231
Hospitalization benefits								
Accidental	-	-	-	-	-	-	-	-
Illness	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-
Injury benefits	-	-	-	-	-	-	-	-
Surgery benefits	-	-	-	-	-	-	-	-

	Group annuities		Financial insurance / Financial annuities		Total	
	Policies (thousands)	Amount (millions of yen)	Policies (thousands)	Amount (millions of yen)	Policies (thousands)	Amount (millions of yen)
Survival benefits	-	-	-	-	-	-

	Medical care insurance	
	Policies (thousands)	Amount (millions of yen)
Hospitalization benefits	-	-

	Group disability	
	Policies (thousands)	Amount (millions of yen)
Disability benefits	-	-

Note: Survival benefit amounts for individual annuities are 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.

3. Investment of General Account Assets

(1) Overview of Investment of General Account Assets for the Fiscal Year ended March 31, 2019

A. Investment Environment

- During the fiscal year ended March 31, 2019, the Japanese economy expanded slightly due to a moderate increase in domestic demand, including consumer spending and corporate capital investment, despite the limited growth in exports due to the slowdown in overseas economies such as China and Europe.
- In the U.S., the U.S. economy remained strong, supported by continued growth in consumer spending as the employment and income environment improved, but slowed slightly in the second half of the fiscal year due to the impact of the trade war and the closure of certain U.S. government agencies.
- Given the economic environment described above, the investment environment was as follows:

[Domestic interest rates]

- The yield on 10-year JGBs temporarily rose to above 0.1 percent due to the strengthening of the monetary policy framework by the Bank of Japan and the global upward pressure on interest rates following the U.S. interest rate hike, but subsequently declined to negative territory as expectations of a U.S. interest rate hike strengthened toward the end of the fiscal year. JGB yields remained stable, centering on the range of 0% to 0.1% due to the Bank of Japan's quantitative and qualitative monetary easing policy, which operates long-term and short-term interest rates,.

Yield on ten-year government bonds:	April 1, 2018	0.040%
	March 31, 2019	▲0.095%

[U.S. Interest Rates and Foreign Currency]

1. In the first half of the fiscal year ended March 31, 2019, the ten-year US Treasury note yield continued to rise, while the US dollar firmed against the Japanese yen, reflecting the strong US economy. In the second half of the fiscal year ended March 31, 2019, the Fed put monetary tightening on hold in response to slower growth prospects, pushing the ten-year yield downward. The US dollar likewise weakened against the Japanese yen. Following the Fed's monetary policy pivot at the beginning of the year, however, awareness that the accommodative policy would continue led to improvement in market sentiment and the US dollar firmed against the Japanese yen.

Yield on ten-year U.S. government bonds:	April 1, 2018	2.729%
	March 31, 2019	2.405%
yen/U.S. dollar:	April 1, 2018	¥106.30
	March 31, 2019	¥110.99

[Australian Interest Rates and Foreign Currency]

2. The Australian economy slowed, following weaker growth in China, one of its principal trading partners, as a result of the US-China trade war. The Reserve Bank of Australia's monetary policy stance consequently shifted from monetary tightening to neutral. As a result, the ten-year Australian government bond yield remained low and the Australian dollar remained weak against the Japanese yen throughout the fiscal year.

Yield on ten-year Australian government bonds:	April 1, 2018	2.601%
	March 31, 2019	1.775%
yen/Australian dollar:	April 1, 2018	¥81.76
	March 31, 2019	¥78.64

B. 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. As to the yen- and foreign currency-denominated fixed products, those assets are primarily invested in yen-denominated bonds and foreign currency-denominated bonds.

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

C. Investment Results

The Company invested primarily in assets from which stable returns can be expected, e.g., yen-denominated and foreign currency-denominated bonds. Derivative trades (including 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 160,952 million yen mainly due to interest and dividends received (154,441 million yen), gains on money held in trust (4,213 million yen), and gains on sale of securities (1,543 million yen). Investment expenses were 73,919 million yen due mainly to foreign exchange losses (66,579 million yen), losses on investment in trading securities (4,089 million yen), and losses on sale of securities (1,723).

(2) Asset Composition

(millions of yen except percentages)

	As of March 31, 2018		As of March 31, 2019	
	Carrying value	%	Carrying value	%
Cash, deposits, and call loans	162,743	3.0	199,524	2.9
Securities repurchased under resale agreements	-	-	-	-
Deposit paid for securities borrowing transactions	-	-	-	-
Monetary claims bought	4,024	0.1	-	-
Trading account securities	-	-	-	-
Money held in trust	464,480	8.5	534,726	7.7
Securities	4,701,518	86.1	6,082,493	87.3
Domestic bonds	1,210,923	22.2	1,356,170	19.5
Domestic stocks	-	-	-	-
Foreign securities	3,291,518	60.3	4,538,002	65.1
Foreign bonds	3,285,168	60.2	4,530,203	65.0
Foreign stocks and other securities	6,349	0.1	7,799	0.1
Other securities	199,077	3.6	188,319	2.7
Loans	-	-	-	-
Real estate	-	-	96	0.0
Deferred tax assets	-	-	-	-
Others	127,435	2.3	150,760	2.2
Reserve for possible loan losses	(5)	(0.0)	(4)	(0.0)
Total	5,460,196	100.0	6,967,597	100.0
Foreign currency-denominated assets	3,552,440	65.1	4,946,182	71.0

(3) Changes (Increase/Decrease) in Assets

(millions of yen)

	Year ended March 31, 2018	Year ended March 31, 2019
Cash, deposits, and call loans	60,226	36,780
Securities repurchased under resale agreements	-	-
Deposit paid for securities borrowing transactions	-	-
Monetary claims bought	(2,056)	(4,024)
Trading account securities	-	-
Money held in trust	181,560	70,246
Securities	607,333	1,380,974
Domestic bonds	65,621	145,247
Domestic stocks	-	-
Foreign securities	544,301	1,246,484
Foreign bonds	544,939	1,245,035
Foreign stocks and other securities	(637)	1,449
Other securities	(2,589)	(10,757)
Loans	-	-
Real estate	-	96
Deferred tax assets	-	-
Others	(206)	23,325
Reserve for possible loan losses	0	0
Total	846,857	1,507,401
Foreign currency-denominated assets	651,443	1,393,741

(4) Investment Income

(millions of yen)

	Year ended March 31, 2018	Year ended March 31, 2019
Interest and dividends	119,171	154,441
Interest from bank deposits	486	1,215
Interest and dividends from securities	118,363	152,941
Interest from loans	-	-
Rental income	-	-
Other interest and dividends	321	284
Gains on trading account securities	-	-
Gains on money held in trust	-	4,213
Gains on investment in trading securities	-	-
Gains on sale of securities	4,965	1,543
Gains on sale of domestic bonds	2,255	1,477
Gains on sale of domestic stocks	-	-
Gains on sale of foreign securities	2,710	65
Others	-	-
Gains on redemption of securities	3,109	749
Derivative transaction gains	-	-
Foreign exchange gains	-	-
Reversal of reserve for possible loan losses	0	0
Other investment income	-	3
Total	127,247	160,952

(5) Investment Expenses

(millions of yen)

	Year ended March 31, 2018	Year ended March 31, 2019
Interest expenses	3	5
Losses on trading account securities	-	-
Losses on money held in trust	10,467	-
Losses on investment in trading securities	5,671	4,089
Losses on sale of securities	3,724	1,723
Losses on sale of domestic bonds	92	3
Losses on sale of domestic stocks	-	-
Losses on sale of foreign securities	3,632	1,719
Others	-	-
Losses on valuation of securities	-	-
Losses on valuation of domestic bonds	-	-
Losses on valuation of domestic stocks	-	-
Losses on valuation of foreign securities	-	-
Others	-	-
Losses on redemption of securities	17	470
Derivative transaction losses	6,080	90
Foreign exchange losses	175,529	66,579
Provision for reserve for possible loan losses	-	-
Write-down of loans	-	-
Depreciation of rented real estate and others	-	-
Other investment expenses	877	961
Total	202,371	73,919

(6) Other Information on Investments

A. Rates of return

(%)

	Year ended March 31, 2018	Year ended March 31, 2019
Cash, deposits, and call loans	(8.88)	(1.79)
Securities repurchased under resale agreements	-	-
Deposit paid for securities borrowing transactions	-	-
Monetary claims bought	0.86	0.88
Trading account securities	-	-
Money held in trust	(2.83)	0.81
Securities	(1.13)	1.47
Domestic bonds	0.65	1.53
Domestic stocks	-	-
Foreign securities	(2.00)	1.45
Loans	-	-
Real Estate	-	-
Total	(1.48)	1.36
Foreign investments	(2.43)	1.26

Notes: 1. Rates of return above were calculated by dividing the net investment income included in net surplus from operations by the average daily balance on a book value basis.

2. "Foreign investments" include yen-denominated assets.

B. Valuation Gains and Losses on Trading Securities

(millions of yen)

	As of March 31, 2018		As of March 31, 2019	
	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	470,830	(16,139)	542,526	123

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

C. 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 March 31, 2019					
Bonds held to maturity	-	-	-	-	-
Policy-reserve-matching bonds	4,871,729	5,160,046	288,317	296,428	8,110
Stocks of subsidiaries and affiliates	-	-	-	-	-
Securities available for sale	1,140,956	1,202,964	62,008	63,661	1,653
Domestic bonds	300,369	313,466	13,097	13,303	206
Domestic stocks	-	-	-	-	-
Foreign securities	666,158	701,178	35,019	36,467	1,447
Foreign bonds	666,158	701,178	35,019	36,467	1,447
Foreign stocks and other securities	-	-	-	-	-
Other securities	174,428	188,319	13,890	13,890	-
Monetary claims bought	-	-	-	-	-
Certificates of deposit	-	-	-	-	-
Others	-	-	-	-	-
Total	6,012,685	6,363,011	350,325	360,089	9,764
Domestic bonds	1,343,073	1,436,957	93,883	94,476	592
Domestic stocks	-	-	-	-	-
Foreign securities	4,495,183	4,737,734	242,550	251,722	9,171
Foreign bonds	4,495,183	4,737,734	242,550	251,722	9,171
Foreign stocks and other securities	-	-	-	-	-
Other securities	174,428	188,319	13,890	13,890	-
Monetary claims bought	-	-	-	-	-
Certificates of deposit	-	-	-	-	-
Others	-	-	-	-	-
As of March 31, 2018					
Bonds held to maturity	-	-	-	-	-
Policy-reserve-matching bonds	3,654,359	3,769,152	114,792	134,863	20,071
Stocks of subsidiaries and affiliates	-	-	-	-	-
Securities available for sale	1,014,320	1,044,833	30,513	36,623	6,109
Domestic bonds	311,958	325,496	13,537	14,243	706
Domestic stocks	-	-	-	-	-
Foreign securities	509,060	516,235	7,175	12,490	5,315
Foreign bonds	509,060	516,235	7,175	12,490	5,315
Foreign stocks and other securities	-	-	-	-	-
Other securities	189,300	199,077	9,776	9,863	87
Monetary claims bought	4,000	4,024	24	24	-
Certificates of deposit	-	-	-	-	-
Others	-	-	-	-	-
Total	4,668,679	4,813,985	145,305	171,486	26,181
Domestic bonds	1,197,386	1,271,024	73,638	76,847	3,208
Domestic stocks	-	-	-	-	-
Foreign securities	3,277,993	3,339,858	61,865	84,750	22,884
Foreign bonds	3,277,993	3,339,858	61,865	84,750	22,884
Foreign stocks and other securities	-	-	-	-	-
Other securities	189,300	199,077	9,776	9,863	87
Monetary claims bought	4,000	4,024	24	24	-
Certificates of deposit	-	-	-	-	-
Others	-	-	-	-	-

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

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

Not applicable.

D. 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 March 31, 2019	534,726	534,726	4,213	11,015	6,801
As of March 31, 2018	464,480	464,480	(10,467)	3,805	14,272

Notes: 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, 2018		As of March 31, 2019	
	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	464,480	(10,467)	534,726	4,213

*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	As of		As of	As of
	March 31,	March 31,		March 31,	March 31,
	2018	2019		2018	2019
	Amount	Amount		Amount	Amount
(ASSETS)			(LIABILITIES)		
Cash and deposits	171,963	209,967	Policy reserves and others	7,110,390	8,241,472
Cash	0	-	Reserves for outstanding claims	12,524	19,699
Bank deposits	171,963	209,967	Policy reserves	7,097,865	8,221,773
Monetary claims bought	4,024	-	Reinsurance payable	166,033	191,869
Money held in trust	464,480	534,726	Other liabilities	83,312	90,211
Securities	6,765,295	7,858,032	Payable under securities lending transactions	11,060	10,902
Government bonds	561,774	526,073	Corporate income tax payable	5,692	662
Local government bonds	11,349	23,941	Accounts payable	29,898	33,447
Corporate bonds	637,799	806,156	Accrued expenses	11,379	12,074
Foreign securities	3,305,183	4,550,738	Deposits received	56	41
Other securities	2,249,188	1,951,122	Guarantee deposits received	3,155	5,795
Tangible fixed assets	281	327	Differential account for futures trading	-	173
Buildings	-	96	Derivatives	17,176	20,320
Leased assets	117	67	Cash collateral received for financial instruments	312	372
Other tangible fixed assets	163	162	Lease liabilities	127	72
Intangible fixed assets	5,503	7,688	Suspense receipts	4,454	6,348
Software	5,502	7,687	Reserve for price fluctuations	14,340	19,802
Other intangible fixed assets	0	0	Deferred tax liabilities	8,568	17,362
Reinsurance receivables	56,274	61,474	Total liabilities	7,382,645	8,560,717
Other assets	66,871	83,217	(NET ASSETS)		
Accounts receivable	3,750	27,757	Capital stock	117,500	117,500
Prepaid expenses	433	534	Capital surplus	67,500	67,500
Accrued revenue	30,921	42,795	Legal capital surplus	67,500	67,500
Deposits	15,143	198	Retained earnings	(54,903)	(34,934)
Margin money for futures trading	4,157	3,958	Other retained earnings	(54,903)	(34,934)
Defferential account for futures trading	541	-	Retained earnings brought forward	(54,903)	(34,934)
Derivatives	9,571	5,773	Total shareholders' equity	130,096	150,065
Cash collateral paid for financial instruments	458	341	Net unrealized gains on securities, net of tax	21,944	44,645
Suspense payments	1,458	1,487	Total of valuation and translation adjustments	21,944	44,645
Other assets	434	371			
Reserve for possible loan losses	(5)	(4)	Total net assets	152,041	194,711
Total assets	7,534,687	8,755,429	Total liabilities and net assets	7,534,687	8,755,429

Notes to the Non-Consolidated Balance Sheet as of March 31,2019

- 1 Securities (including monetary claims bought which is equivalent to marketable securities and marketable securities managed as trust assets in money held in trust) 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)
 - (b) Individual insurance and annuities (US dollar-denominated)
 - (c) Individual insurance and annuities (AUS dollar-denominated)
 - (d) Individual insurance and annuities (NZ dollar-denominated)with the exception of certain types and policies.

(Additional Information)

Effective from the fiscal year ended March 31, 2019, the sub-groups of individual insurance and annuities (JP yen-denominated, short term) and individual insurance and annuities (JP yen-denominated, long term) have now been integrated and categorized as individual insurance and annuities (JP yen-denominated). This integration has been conducted for the purpose of carrying out appropriate duration control in terms of efficient ALM, following the shortening of the policy reserve duration in connection with the discontinuation of sales of the insurance product categorized as individual insurance and annuities (JP yen-denominated, short term).

This change will have no effect on gains or losses.
- 3 Derivative transactions (including those attributable to money held in trust and foreign securities (investment trusts)) are reported at fair value.
- 4 Depreciation of tangible fixed assets is as follows:
 - (a) Tangible fixed assets (excluding leased assets)

Annual amount of depreciation estimated by declining balance method (straight-line method being applied to buildings, with the exception of those buildings and accompanying facilities acquired prior to March 31, 2016), is reported pro rata in accordance with the life. Declining balance method is applied. However, other tangible fixed assets that were acquired for 100,000 yen or more but less than 200,000 yen are depreciated in an equal installment over three years.
 - (b) Leased assets
Depreciation of leased assets with regard to finance leases whose ownership does not transfer to the lessees is computed under the straight-line method assuming zero residual value and with the lease period being deemed as useful life .
- 5 Amortization of intangible fixed assets is calculated by the straight-line method. Amortization of software for internal use is based on the estimated useful life.
- 6 Foreign currency-denominated assets and liabilities are translated into the yen 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 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
- 8 Reserve for price fluctuations is calculated pursuant to Article 115 of the Insurance Business Act.

- 9 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 year in which they are incurred.
- 10 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
- 11 Among the derivative transactions, currency swap gains or losses, realized at the time of the settlement, used to be reported as foreign exchange losses or gains. However, these currency swap losses or gains are now reported as derivative transaction gains or losses. This change has been made in order to report our operating results in a more appropriate manner by means of changing the main purposes of currency swap transactions so as to better respond to market changes. As a result, 5,506 million yen in gains realized at the time of the settlement in the fiscal year ended March 31, 2018, has now been restated and reported under the heading of “Derivative transaction expenses,” instead of “Foreign exchange losses.”
- 12 In view of the liability characteristics of life insurance policies, assets in the general account (i.e., not in separate accounts as defined by Article 118, paragraph 1, of the Insurance Business Act) are invested primarily in fixed-income assets (government and corporate bonds) in accordance with asset-liability management (ALM) principles with the primary objective of steadily paying annuities, insurance proceeds, and benefits over the long term. To mitigate the guaranteed minimum benefit risk on individual variable annuities and for the purpose of hedging against the foreign exchange risk on the bond holdings, the Company engages in derivative transactions (foreign exchange forward contracts, currency futures contracts, stock-index futures contracts, securities futures contract, etc.). The Company’s holdings of financial instruments, mainly securities and derivatives, are subject to market risk and credit risk.

Market Risk Management: Under its internal investment policy and market risk management rules, the Company manages market risk by making medium- to long-term investments in a manner appropriate to its liabilities, constantly confirming the consistency of its portfolio positions and investment policies and measuring VaR (value-at-Risk) .

Credit Risk Management: Under its internal investment policy and credit risk management rules, the Company manages credit risk by establishing credit limits designed to avoid excessive concentration of risk toward a specific company or group. Each individual transaction is screened before credit is extended and follow-up checks are conducted regularly. In addition, the Company measures VaR as part of its effort to better grasp and analyze credit risk exposure.

Derivative transactions used by the Company to mitigate the guaranteed minimum benefit risk on individual variable annuities are conducted in accordance with the Company’s policy and internal rules on managing guaranteed minimum benefit risk. In addition to verifying the effectiveness of hedge positions and managing gains and losses generated by derivative transactions on a daily basis, the Company regularly monitors reductions in guaranteed minimum benefit risk and gauges its VaR .

The risk management department reports regularly to the Board of Directors on the status of the Company’s entire risk position.

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	209,967	209,967	-
(2) Money held in trust	534,726	534,726	-
(3) Securities	7,858,032	8,146,349	288,317
(a) Trading securities	1,783,338	1,783,338	-
(b) Policy-reserve-matching bonds	4,871,729	5,160,046	288,317
(c) Other securities	1,202,964	1,202,964	-
Assets total	8,602,726	8,891,043	288,317
Derivative transactions			
(a) Derivative transactions to which hedge accounting is not applied	(16,692)	(16,692)	-
Derivative transactions total	(16,692)	(16,692)	-

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) Money held in trust

Information on securities and derivative transactions appear below in “(d) Securities” and “(e) Derivative transactions,” respectively.

(c) Securities

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

(d) Derivative transactions

For foreign exchange forward contracts, futures market prices on the book closing date are used as fair value. For currency swap contracts, interest rate swap contracts and Credit default swap contracts, the amounts discounted to present value are used as fair value. For total return swap contracts, the amounts calculated by using indices on the book closing date are used as fair value. For

- 13 Accumulated depreciation on tangible fixed assets is 485 million yen.
- 14 Securities lent under lending agreements are included in the non-consolidated balance sheet. Total balance of securities lent as of March 31, 2019 was 161,609 million yen.
- 15 Assets in separate accounts, as defined by Article 118 of the Insurance Business Act, total 1,787,891 million yen. Liabilities in separate accounts total the same amount.
- 16 The total amounts of receivables from and payables to subsidiaries and affiliated companies were 45 million yen.
- 17 Deferred tax assets totaled 43,481 million yen, while deferred tax liabilities totaled 17,562 million yen. Of deferred tax assets, 43,281 million yen was deducted as the amount of valuation reserves.
The deferred tax assets were primarily due to policy reserves and others of 36,877 million yen and reserve for price fluctuations of 5,544 million yen, while the deferred tax liabilities were primarily the result of net unrealized gains on securities, net of tax of 17,362 million yen.
- 18 The effective statutory tax rate for the fiscal year ended March 31, 2019, was 28.00%, and the Company’s corporate income tax burden (corporate income tax as a percentage of pretax income) was 40.64%. The difference was due mainly to the impact of a valuation allowance 12.56%.
- 19 The value of assets (marketable securities) pledged as collateral is 74,264 million yen. The amounts of secured liabilities were 10,902 million yen.

- 20 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 84,176 million yen as of March 31, 2019, and we have no assets pledged as a re-collateral.
- 21 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 169 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 296,081 million yen.
- 22 As of fiscal year end (March 31, 2019) , the Company estimated that it would be required to contribute 10,976 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 fiscal year in which they are incurred.
- 23 Net assets per share is 105,249,266.59 yen.
- 24 As of fiscal year end (March 31, 2019) , undepreciated balance of the fee of the reinsurance contract, as stipulated in the Ministry of Finance Notification No. 50, 1996, Article 1, Paragraph 5, is 65,798 million yen.

5. Non-Consolidated Statements of Earnings

(millions of yen)

	Year ended March 31, 2018	Year ended March 31, 2019
	Amount	Amount
ORDINARY REVENUES	1,809,449	2,036,962
Premium and other income	1,607,943	1,876,001
Premium income	1,366,691	1,773,386
Reinsurance Income	241,251	102,615
Investment Revenue	201,497	160,952
Interest and dividends	119,171	154,441
Interest from bank deposits	486	1,215
Interest and dividends from securities	118,363	152,941
Other interest and dividends	321	284
Gains on money held in trust	-	4,213
Gains on sale of securities	4,965	1,543
Gains on redemption of securities	3,109	749
Reversal of reserve for possible loan losses	0	0
Other investment revenue	-	3
Losses on investment in separate accounts	74,249	-
Other ordinary revenues	8	9
Other ordinary revenues	8	9
ORDINARY EXPENSES	1,748,600	1,997,854
Benefits and claims	784,889	702,856
Claims	46,366	65,697
Annuities	143,236	261,307
Benefits	57,542	71,030
Surrender values	229,176	131,207
Other refunds	6,092	6,659
Ceding reinsurance commissions	302,474	166,953
Provision for policy reserves and other	691,324	1,131,082
Provision for reserves for outstanding claims	3,348	7,174
Provision for policy reserves	687,975	1,123,907
Investment expenses	202,371	74,373
Interest expenses	3	5
Losses on money held in trust	10,467	-
Losses on investment in trading securities	5,671	4,089
Losses on sale of securities	3,724	1,723
Losses on redemption of securities	17	470
Derivative transaction losses	6,080	90
Foreign exchange losses	175,529	66,579
Other investment expenses	877	961
Losses on investment in separate accounts	-	453
Operating expenses	61,452	78,070
Other ordinary expenses	8,562	11,471
National and local taxes	7,493	9,989
Depreciation	1,068	1,481
Other ordinary expenses	0	0
ORDINARY GAIN	60,849	39,108
EXTRAORDINARY LOSSES	4,124	5,471
Losses on disposal of fixed assets	0	9
Provision for reserves for price fluctuations	4,124	5,462
Profit before income taxes	56,725	33,637
Corporate income taxes - current	19,640	13,668
Total of corporate income taxes	19,640	13,668
Net profit for the year	37,084	19,968

Notes to the Non-Consolidated Statement of Earnings for the fiscal year ended March 31, 2019

- 1 The total amounts of revenues and expenses from transactions with affiliated companies were 0 million yen and 396 million yen, respectively.
- 2 Gains on sale of securities included gains on sales of domestic bonds and foreign securities of 1,477 million yen and 65 million yen, respectively.
- 3 Losses on sale of securities included losses on sales of domestic bonds and foreign securities of 3 million yen and 1,719 million yen, respectively.
- 4 In calculating the provision for reserves for outstanding claims , a reversal of reserves for outstanding ceding insurance claims of 49 million yen was added as an adjustment. In calculating the provision for policy reserves, provision for ceding reinsurance reserves of 35,411 million yen was deducted.
- 5 The main component of losses on investments in trading securities was a valuation loss of 4,089 million yen.
- 6 Losses on money held in trust included a valuation gain of 4,213 million yen.
- 7 Derivative transaction losses included a valuation loss of 6,942 million yen.
- 8 Net income per share for the fiscal year ended March 31, 2019 was 10,793,830.84 yen.
- 9 Reinsurance income includes 19,706 million yen increase in the undepreciated balance of the fee of reinsurance contract , as stipulated in the Ministry of Finance Notification No. 50, 1996, Article 1, Paragraph 5 .
- 10 Ceding reinsurance commissions includes 14,808 million yen decrease in the undepreciated balance of the fee of reinsurance contract , as stipulated in the Ministry of Finance Notification No. 50, 1996, Article 1, Paragraph 5 .

6. Breakdown of Ordinary Profit (Fundamental Profit)

(millions of yen)

		Year ended March 31, 2018	Year ended March 31, 2019
Fundamental profit	A	68,459	48,978
Capital gains		200,874	93,770
Gains on money held in trust		-	4,213
Gains on investment in trading securities		-	-
Gains on sale of securities		4,965	1,543
Derivative transaction gains		-	-
Foreign exchange gains		-	-
Others		195,909	88,013
Capital losses		201,473	94,141
Losses on money held in trust		10,467	-
Losses on investment in trading securities		5,671	4,089
Losses on sale of securities		3,724	1,723
Losses on valuation of securities		-	-
Derivative transaction losses		6,080	90
Foreign exchange losses		175,529	66,579
Others		-	21,659
Net capital gains (losses)	B	(598)	(371)
Fundamental profit plus net capital gains (losses)	A + B	67,860	48,606
Other one-time gains		-	-
Reinsurance income		-	-
Reversal of contingency reserve		-	-
Reversal of specific reserve for possible loan losses		-	-
Others		-	-
Other one-time losses		7,011	9,498
Ceding reinsurance commissions		-	-
Provision for contingency reserve		7,011	9,497
Provision for specific reserve for possible loan losses		-	0
Provision for specific reserve for loans to refinancing countries		-	-
Write-down of loans		-	-
Others		-	-
Other one-time profits (losses)	C	(7,011)	(9,498)
Ordinary profit (loss)	A + B + C	60,849	39,108

Notes: 1. Fundamental profit includes the amount below.

	Year ended March 31, 2018	Year ended March 31, 2019
Impact from increase or decrease in surrender values in accordance with Market Value Adjustment (MVA)	(3,605)	21,659
Impact from market rate fluctuations of foreign exchange on foreign-currency denominated insurance policies	(192,303)	(88,013)

2. Other capital gains include the amount below.

	Year ended March 31, 2018	Year ended March 31, 2019
Impact from increase or decrease in surrender values in accordance with Market Value Adjustment (MVA)	3,605	-
Impact from market rate fluctuations of foreign exchange on foreign-currency denominated insurance policies	192,303	88,013

3. Other capital losses include the amount below.

	Year ended March 31, 2018	Year ended March 31, 2019
Impact from increase or decrease in surrender values in accordance with Market Value Adjustment (MVA)	-	21,659

4. The Company invests 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. These transactions are included in gains (losses) on money held in trust and gains (losses) on investment in trading securities.

5. Among the derivative transactions, currency swap gains or losses, realized at the time of the settlement, used to be reported as foreign exchange losses or gains. However, these currency swap losses or gains have now been changed to be reported as derivative transaction gains or losses. As a result, 5,506 million yen reported as "Foreign exchange gains" under the heading of "Capital gains" in the interim statements of earnings of the Financial Results for the Year ended March 31, 2017, has now been restated as "Derivative transaction gains".

7. Non-Consolidated Statement of Changes in Net Assets

Year ended March 31, 2019

(millions of yen)

	Shareholders' equity			
	Capital stock	Capital surplus	Retained earnings	Total shareholders' equity
		Legal capital surplus	Other retained earnings Retained earnings brought forward	
Balance at the beginning of the year	117,500	67,500	(54,903)	130,096
Changes for the year				
Net gain			19,968	19,968
Net changes of items other than shareholders' equity				
Total changes for the year	-	-	19,968	19,968
Balance at the end of the year	117,500	67,500	(34,934)	150,065

	Valuation and translation adjustments		Total net assets
	Net unrealized gains on securities, net of tax	Total valuation and translation adjustments	
Balance at the beginning of the year	21,944	21,944	152,041
Changes for the year			
Net gain			19,968
Net changes of items other than shareholders' equity	22,700	22,700	22,700
Total changes for the year	22,700	22,700	42,669
Balance at the end of the year	44,645	44,645	194,711

Year ended March 31, 2018

(millions of yen)

	Shareholders' equity			
	Capital stock	Capital surplus	Retained earnings	Total shareholders' equity
		Legal capital surplus	Other retained earnings Retained earnings brought forward	
Balance at the beginning of the year	117,500	67,500	(91,987)	93,012
Changes for the year				
Net gain			37,084	37,084
Net changes of items other than shareholders' equity				
Total changes for the year	-	-	37,084	37,084
Balance at the end of the year	117,500	67,500	(54,903)	130,096

	Valuation and translation adjustments		Total net assets
	Net unrealized gains on securities, net of tax	Total valuation and translation adjustments	
Balance at the beginning of the year	17,307	17,307	110,320
Changes for the year			
Net gain			37,084
Net changes of items other than shareholders' equity	4,636	4,636	4,636
Total changes for the year	4,636	4,636	41,721
Balance at the end of the year	21,944	21,944	152,041

Notes to Non-Consolidated Statement of Changes in Net assets for the fiscal year ended March 31, 2019

1. Number of outstanding shares by class

(shares)

	No. shares as of April 1, 2018	Increase in number of shares	Decrease in number of shares	No. shares as of March 31, 2019
Outstanding shares				
Common stock	1,850	-	-	1,850

8. Disclosed Claims Based on Categories of Obligors

(millions of yen except percentages)

	As of March 31, 2018	As of March 31, 2019
Claims against bankrupt and quasi-bankrupt obligors	-	-
Claims with collection risk	-	-
Claims for special attention	-	-
Subtotal	-	-
[Percentage]	[-]	[-]
Claims against normal obligors	170,227	161,623
Total	170,227	161,623

- Notes: 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, 2018	As of March 31, 2019
Total solvency margin (A)	472,720	520,279
Common stock, etc.	130,096	150,065
Reserve for price fluctuations	14,340	19,802
Contingency reserve	121,982	131,480
General reserve for possible loan losses	5	4
(Net unrealized gains (losses) on securities (before tax) and deferred hedge gains (losses) (before tax)) × 90% *	27,461	55,807
Net unrealized gains (losses) on real estate × 85% *	-	-
Policy reserves in excess of surrender values	183,277	163,879
Qualifying subordinated debt	-	-
Excluded portion of policy reserves in excess of surrender values and qualifying subordinated debt	-	-
Excluded items	(4,443)	(759)
Other	-	-
Total Risk $\sqrt{(R_1 + R_8)^2 + (R_2 + R_3 + R_7)^2} + R_4$ (B)	164,541	205,244
Insurance risk R_1	79	75
3rd sector insurance risk R_8	-	-
Assumed investment yield risk R_2	39,633	59,298
Guaranteed minimum benefit risk R_7	19,145	12,964
Investment risk R_3	100,967	127,001
Business risk R_4	4,794	5,980
Solvency margin ratio $\frac{(A)}{(1/2) \times (B)} \times 100$	574.5%	506.9%

*: Multiplied by 100% if losses.

Notes: 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. Status of Separate Account for the Fiscal Year ended March 31, 2019

(1) Separate Account Assets by Product

(millions of yen)

	As of March 31, 2018	As of March 31, 2019
Individual variable insurance	56,994	49,336
Individual variable annuities	2,017,819	1,738,555
Group annuities	-	-
Separate account total	2,074,814	1,787,891

(2) Individual Variable Insurance (Separate Account)

A. Policies in force

	As of March 31, 2018		As of March 31, 2019	
	Number of policies (thousands)	Amount (millions of yen)	Number of policies (thousands)	Amount (millions of yen)
Variable insurance (defined term type)	-	-	-	-
Variable insurance (whole life type)	54	441,301	53	436,669
Total	54	441,301	53	436,669

Note: The outstanding policies in force for individual variable insurance include those managed in general account.

B. Breakdown of separate account assets for individual variable insurance

(millions of yen except percentages)

	As of March 31, 2018		As of March 31, 2019	
	Amount	%	Amount	%
Cash, deposits, and call loans	357	0.6	171	0.3
Securities	56,613	99.3	49,136	99.6
Domestic bonds	-	-	-	-
Domestic stocks	-	-	-	-
Foreign securities	-	-	-	-
Foreign bonds	-	-	-	-
Foreign stocks and other securities	-	-	-	-
Other securities	56,613	99.3	49,136	99.6
Loans	-	-	-	-
Others	23	0.0	28	0.1
Reserve for possible loan losses	-	-	-	-
Total	56,994	100.0	49,336	100.0

C. Investment gains and losses on separate accounts for individual variable insurance

(millions of yen)

	Year ended March 31, 2018	Year ended March 31, 2019
Interest and dividends	12,292	843
Gains on sale of securities	-	-
Gains on redemption of securities	-	-
Gains on valuation of securities	4,842	(6,336)
Foreign exchange gains	-	-
Derivative transaction gains	-	-
Other investment income	-	-
Losses on sale of securities	-	-
Losses on redemption of securities	-	-
Losses on valuation of securities	-	-
Foreign exchange losses	-	-
Derivative transaction losses	-	-
Other investment losses	0	22
Net investment income	17,133	(5,514)

(3) Individual Variable Annuities (Separate Account)

A. Policies in force

	As of March 31, 2018		As of March 31, 2019	
	Number of policies (thousands)	Amount (millions of yen)	Number of policies (thousands)	Amount (millions of yen)
Individual variable annuities	624	3,663,591	599	3,401,076

Notes: 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. The outstanding policies in force for individual variable annuities include those managed in general account.

B. Breakdown of separate account assets for individual variable annuities

(millions of yen except percentages)

	As of March 31, 2018		As of March 31, 2019	
	Amount	%	Amount	%
Cash, deposits, and call loans	8,861	0.4	10,271	0.6
Securities	2,007,162	99.5	1,726,402	99.3
Domestic bonds	-	-	-	-
Domestic stocks	-	-	-	-
Foreign securities	13,665	0.7	12,735	0.7
Foreign bonds	-	-	-	-
Foreign stocks and other securities	13,665	0.7	12,735	0.7
Other securities	1,993,497	98.8	1,713,667	98.6
Loans	-	-	-	-
Others	1,794	0.1	1,881	0.1
Reserve for possible loan losses	-	-	-	-
Total	2,017,819	100.0	1,738,555	100.0

C. Investment gains and losses on separate accounts for individual variable annuities

(millions of yen)

	Year ended March 31, 2018	Year ended March 31, 2019
Interest and dividends	43,953	103,466
Gains on sale of securities	-	-
Gains on redemption of securities	-	-
Gains on valuation of securities	13,971	(97,062)
Foreign exchange gains	-	-
Derivative transaction gains	-	-
Other investment income	-	-
Losses on sale of securities	-	-
Losses on redemption of securities	-	-
Losses on valuation of securities	-	-
Foreign exchange losses	-	-
Derivative transaction losses	-	-
Other investment losses	808	1,342
Net investment income	57,116	5,061

12. Consolidated Financial Summary

Not applicable.