

[Unofficial Translation]



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Code: 8750 (TSE First section)

Supplementary Materials for the Six Months Ended September 30, 2021
(The Dai-ichi Frontier Life Insurance Co., Ltd.)

Financial Results for the Six Months Ended September 30, 2021

The Dai-ichi Frontier Life Insurance Co., Ltd. (the "Company"; President: Masao Taketomi) announces its financial results for the six months ended September 30, 2021.

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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, 2021	As of September 30, 2021	
			% of March 31, 2021 total
Individual insurance	418,614	430,328	102.8
Individual annuities	442,393	423,669	95.8
Total	861,007	853,997	99.2
Medical and survival benefits	1,581	2,234	141.3

New Policies

(millions of yen except percentages)

	Six months ended September 30, 2020	Six months ended September 30, 2021	% of September 30, 2020 total
Individual insurance	19,582	27,435	140.1
Individual annuities	10,419	30,355	291.3
Total	30,002	57,791	192.6
Medical and survival benefits	485	658	135.6

Note: 1. 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. "Medical and survival benefits" include annualized net premiums related to medical benefits (e.g. hospitalization and surgery benefits), survival benefits (e.g. specified illness and nursing care benefits), and premiums related to premium waiver benefits (e.g. excluding disability-related causes but including causes related to specified illness and nursing care).

(2) Policies in Force and New Policies

Policies in Force

	As of March 31, 2021		As of September 30, 2021			
	Number of Policies (thousands)	Amount (millions of yen)	Number of Policies		Amount	
			(thousands)	% of March 31, 2021 total	(millions of yen)	% of March 31, 2021 total
Individual insurance	734	5,154,172	750	102.2	5,243,528	101.7
Individual annuities	829	4,166,339	811	97.9	3,961,737	95.1
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		Amount			
	(thousands)	% of September 30, 2020 total	(millions of yen)	% of September 30, 2020 total	New Business	Net increase from conversions
Six months ended September 30, 2021						
Individual insurance	36	133.5	270,127	135.9	270,127	-
Individual annuities	48	210.2	223,521	239.5	223,521	-
Group insurance	-	-	-	-	-	-
Group annuities	-	-	-	-	-	-
Six months ended September 30, 2020						
Individual insurance	27	-	198,836	-	198,836	-
Individual annuities	23	-	93,342	-	93,342	-
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. Investment of General Account Assets

(1) Investment Environment

During the six months ended September 30, 2021, the global economy continued to recover. Developed countries in Europe and the United States, which had advanced vaccination, showed a rapid recovery. On the other hand, in emerging countries where vaccination was relatively delayed, recovery was delayed due to the spread of delta mutant infections. As for the Japanese economy, the recovery of the overseas economy led to a recovery in exports, while the declaration of a state of emergency in Tokyo and other areas limited the recovery of the economy. During most of the first half of the fiscal year, regulations on sales to the interpersonal service industry continued, resulting in a gap in the pace of economic recovery compared with the advanced economies of Europe and the United States.

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

[Domestic interest rates]

As for the yield on 10-year JGBs, the BOJ's Yield Curve Control continued. As the short-term interest rate was minus 0.1% and the 10-year interest rate target of 0% continued, the 10-year interest rate remained near 0%.

Yield on ten-year government bonds:	April 1, 2021	0.090%
	September 30, 2021	0.065%

[U.S. Interest Rates and Foreign Currency]

The yield on the 10-year US Treasury note, while having increased to above 1.7% at the end of March due to expectations surrounding the reopening of the economy due to the additional economic stimulus packages and increasing COVID-19 vaccination rates, edged lower following the spread of delta mutant infections and unexpected disappointing job data. The US dollar against the Japanese yen hovered in a narrow band centered on USD/JPY 110 from the end of March. However, the dollar appreciated against the yen to nearly USD/JPY 112, as the September FOMC meeting favored QE tapering before the end of the year, and prospects for an early interest rate hike increased.

Yield on ten-year U.S. government bonds:	April 1, 2021	1.740%
	September 30, 2021	1.487%
yen/U.S. dollar:	April 1, 2021	¥110.71
	September 30, 2021	¥111.92

[Australian Interest Rates and Foreign Currency]

The ten-year Australian government bond yield fell amid worries over the economic slowdown following extended lockdowns in major cities after the spread of delta mutant infections. The Australian dollar fell against the Japanese yen, due to the impact of the lockdowns and the Reserve Bank of Australia's indication that it will retain its accommodative guidance, with no rate rises foreseen until 2024.

Yield on ten-year Australian government bonds:	April 1, 2021	1.781%
	September 30, 2021	1.490%
yen/Australian dollar:	April 1, 2021	¥84.36
	September 30, 2021	¥80.46

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

Also, trades are to be carried out for the purposes such as mitigating the guaranteed minimum benefit risk on individual variable annuities.

(3) Investment Results

〈 Assets 〉

The Company invested primarily in yen-denominated bonds. Foreign-currency denominated insurance were invested in foreign-currency denominated bonds. Also, derivative trades are to be carried out for the purposes such as mitigating the guaranteed minimum benefit risk on individual variable annuities.

〈 Investment Income and Expenses 〉

Investment income was 105,360 million yen mainly due to interest and dividends received (83,501 million yen), gains on sale of securities (20,861 million yen), and gains on money held in trust (531 million yen). Investment expenses were 48,528 million due mainly to foreign exchange losses (29,668 million yen), derivative transaction losses (17,875 million yen), and losses on sale of securities (654 million yen).

3. Investment Results of General Account

(1) Asset Composition

(millions of yen except percentages)

	As of March 31, 2021		As of September 30, 2021	
	Carrying value	%	Carrying value	%
Cash, deposits, and call loans	785,833	9.1	745,295	8.7
Securities repurchased under resale agreements	-	-	-	-
Deposit paid for securities borrowing transactions	-	-	-	-
Monetary claims bought	-	-	7,628	0.1
Trading account securities	-	-	-	-
Money held in trust	1,123,204	13.0	1,091,696	12.8
Securities	6,481,546	74.8	6,457,086	75.7
Domestic bonds	1,645,775	19.0	1,646,176	19.3
Domestic stocks	-	-	-	-
Foreign securities	4,650,664	53.7	4,629,244	54.3
Foreign bonds	4,650,664	53.7	4,629,244	54.3
Foreign stocks and other securities	-	-	-	-
Other securities	185,106	2.1	181,665	2.1
Loans	-	-	-	-
Real estate	95	0.0	89	0.0
Deferred tax assets	-	-	-	-
Others	270,224	3.1	225,830	2.6
Reserve for possible loan losses	(14)	(0.0)	(6)	(0.0)
Total	8,660,888	100.0	8,527,619	100.0
Foreign currency-denominated assets	5,213,036	60.2	5,082,952	59.6

Note: "Real estate" represents the value of buildings.

(2) Changes (Increase/Decrease) in Assets

(millions of yen)

	Six months ended September 30, 2020	Six months ended September 30, 2021
Cash, deposits, and call loans	141,309	(40,538)
Securities repurchased under resale agreements	-	-
Deposit paid for securities borrowing transactions	-	-
Monetary claims bought	-	7,628
Trading account securities	-	-
Money held in trust	220,207	(31,507)
Securities	102,159	(24,459)
Domestic bonds	18,788	401
Domestic stocks	-	-
Foreign securities	81,077	(21,419)
Foreign bonds	81,077	(21,419)
Foreign stocks and other securities	-	-
Other securities	2,293	(3,440)
Loans	-	-
Real estate	12	(5)
Deferred tax assets	-	-
Others	(64,244)	(44,394)
Reserve for possible loan losses	(16)	8
Total	399,427	(133,268)
Foreign currency-denominated assets	40,108	(130,084)

(3) Investment Income

(millions of yen)

	Six months ended September 30, 2020	Six months ended September 30, 2021
Interest and dividends	90,047	83,501
Interest from bank deposits	16	11
Interest and dividends from securities	89,825	83,296
Interest from loans	-	-
Rental income	-	-
Other interest and dividends	205	193
Gains on trading account securities	-	-
Gains on money held in trust	16,594	531
Gains on investment in trading securities	-	-
Gains on sale of securities	53,074	20,861
Gains on sale of domestic bonds	1,791	1,728
Gains on sale of domestic stocks	-	-
Gains on sale of foreign securities	51,283	19,132
Others	-	-
Gains on redemption of securities	25	456
Derivative transaction gains	88,260	-
Foreign exchange gains	154,031	-
Reversal of reserve for possible loan losses	-	8
Other investment income	-	1
Total	402,033	105,360

(4) Investment Expenses

(millions of yen)

	Six months ended September 30, 2020	Six months ended September 30, 2021
Interest expenses	1	6
Losses on trading account securities	-	-
Losses on money held in trust	-	-
Losses on investment in trading securities	-	-
Losses on sale of securities	172	654
Losses on sale of domestic bonds	70	81
Losses on sale of domestic stocks	-	-
Losses on sale of foreign securities	101	572
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	138	-
Derivative transaction losses	-	17,875
Foreign exchange losses	-	29,668
Provision for reserve for possible loan losses	16	-
Write-down of loans	-	-
Depreciation of rented real estate and others	-	-
Other investment expenses	300	322
Total	629	48,528

(5) Valuation Gains and Losses on Trading Securities

(millions of yen)

	As of March 31, 2021		As of September 30, 2021	
	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	1,123,204	23,330	1,091,696	531

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

(6) Fair Value Information on Securities (Other than trading securities)

(millions of yen)

	Book value	Fair value	Gains (losses)		
			Gains	Losses	
As of September 30, 2021					
Bonds held to maturity	-	-	-	-	-
Policy-reserve-matching bonds	3,435,745	3,683,557	247,812	257,655	9,843
Stocks of subsidiaries and affiliates	-	-	-	-	-
Securities available for sale	2,846,273	3,028,969	182,696	188,470	5,773
Domestic bonds	459,985	475,453	15,468	15,615	146
Domestic stocks	-	-	-	-	-
Foreign securities	2,208,244	2,364,222	155,978	161,599	5,621
Foreign bonds	2,208,244	2,364,222	155,978	161,599	5,621
Foreign stocks and other securities	-	-	-	-	-
Other securities	170,409	181,665	11,255	11,255	-
Monetary claims bought	7,633	7,628	(5)	-	5
Certificates of deposit	-	-	-	-	-
Others	-	-	-	-	-
Total	6,282,018	6,712,527	430,508	446,125	15,617
Domestic bonds	1,630,708	1,720,812	90,104	91,319	1,215
Domestic stocks	-	-	-	-	-
Foreign securities	4,473,266	4,802,421	329,154	343,550	14,396
Foreign bonds	4,473,266	4,802,421	329,154	343,550	14,396
Foreign stocks and other securities	-	-	-	-	-
Other securities	170,409	181,665	11,255	11,255	-
Monetary claims bought	7,633	7,628	(5)	-	5
Certificates of deposit	-	-	-	-	-
Others	-	-	-	-	-
As of March 31, 2021					
Bonds held to maturity	-	-	-	-	-
Policy-reserve-matching bonds	3,402,501	3,609,308	206,807	227,336	20,529
Stocks of subsidiaries and affiliates	-	-	-	-	-
Securities available for sale	2,876,582	3,079,044	202,462	211,777	9,315
Domestic bonds	460,427	476,511	16,084	16,402	318
Domestic stocks	-	-	-	-	-
Foreign securities	2,245,655	2,417,427	171,771	180,768	8,997
Foreign bonds	2,245,655	2,417,427	171,771	180,768	8,997
Foreign stocks and other securities	-	-	-	-	-
Other securities	170,500	185,106	14,606	14,606	-
Monetary claims bought	-	-	-	-	-
Certificates of deposit	-	-	-	-	-
Others	-	-	-	-	-
Total	6,279,083	6,688,353	409,269	439,113	29,844
Domestic bonds	1,629,691	1,716,011	86,320	89,056	2,736
Domestic stocks	-	-	-	-	-
Foreign securities	4,478,892	4,787,235	308,342	335,451	27,108
Foreign bonds	4,478,892	4,787,235	308,342	335,451	27,108
Foreign stocks and other securities	-	-	-	-	-
Other securities	170,500	185,106	14,606	14,606	-
Monetary claims bought	-	-	-	-	-
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 Law.

*The book value of stocks and other securities without market value and of investment partnerships etc. 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, 2021	1,091,696	1,091,696	531	2,044
As of March 31, 2021	1,123,204	1,123,204	23,330	2,443

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, 2021		As of September 30, 2021	
	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	1,123,204	23,330	1,091,696	531

*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. Unaudited Balance Sheet

(millions of yen)

	As of March 31, 2021 (Summarized)	As of September 30, 2021 (Summarized)
	Amount	Amount
(ASSETS)		
Cash and deposits	790,120	749,568
Monetary claims bought	-	7,628
Money held in trust	1,123,204	1,091,696
Securities	7,514,371	7,423,295
[Government bonds]	[516,321]	[514,557]
[Local government bonds]	[46,254]	[45,699]
[Corporate bonds]	[1,083,199]	[1,085,919]
[Foreign securities]	[4,662,647]	[4,640,978]
Tangible fixed assets	591	684
Intangible fixed assets	12,171	13,787
Reinsurance receivables	94,021	61,992
Other assets	164,478	150,729
Reserve for possible loan losses	(14)	(6)
Total assets	9,698,942	9,499,374

(millions of yen)

	As of March 31, 2021 (Summarized)	As of September 30, 2021 (Summarized)
	Amount	Amount
(LIABILITIES)		
Policy reserves and others	8,213,333	8,092,113
Reserves for outstanding claims	23,899	22,484
Policy reserves	8,189,434	8,069,628
Reinsurance payable	719,586	647,933
Other liabilities	396,180	360,828
Corporate income tax payable	8,390	2,017
Lease liabilities	38	201
Other liabilities	387,751	358,609
Reserve for price fluctuations	30,994	33,784
Deferred tax liabilities	56,689	51,155
Total liabilities	9,416,783	9,185,814
(NET ASSETS)		
Capital stock	117,500	117,500
Capital surplus	67,500	67,500
Legal capital surplus	67,500	67,500
Retained earnings	(48,613)	(2,981)
Other retained earnings	(48,613)	(2,981)
Retained earnings brought forward	(48,613)	(2,981)
Total shareholders' equity	136,386	182,018
Net unrealized gains on securities, net of tax	145,772	131,541
Total of valuation and translation adjustments	145,772	131,541
Total net assets	282,158	313,560
Total liabilities and net assets	9,698,942	9,499,374

5. Unaudited Statement of Earnings

(millions of yen)

	Six months ended September 30, 2020	Six months ended September 30, 2021
	Amount	Amount
ORDINARY REVENUES	858,991	871,044
Premium and other income	396,882	627,925
[Premium income]	[287,651]	[480,914]
Investment income	462,080	121,885
[Interest and dividends]	[90,047]	[83,501]
[Gains on money held in trust]	[16,594]	[531]
[Gains on sale of securities]	[53,074]	[20,861]
[Derivative transaction gains]	[88,260]	[-]
[Foreign exchange gains]	[154,031]	[-]
[Gains on investment in separate accounts]	[60,047]	[16,525]
Other ordinary revenues	27	121,233
[Reversal of reserves for outstanding claims]	[-]	[1,414]
[Reversal of policy reserve]	[-]	[119,805]
ORDINARY EXPENSES	828,915	814,476
Benefits and claims	755,570	737,562
[Claims]	[51,069]	[65,242]
[Annuities]	[143,882]	[99,489]
[Benefits]	[49,181]	[59,501]
[Surrender values]	[199,593]	[349,224]
[Other refunds]	[1,659]	[1,996]
Provision for policy reserves and others	49,359	-
Provision for reserves for outstanding claims	209	-
Provision for policy reserve	49,149	-
Investment expenses	629	48,528
[Interest expenses]	[1]	[6]
[Losses on sale of securities]	[172]	[654]
[Derivative transaction losses]	[-]	[17,875]
[Foreign exchange losses]	[-]	[29,668]
Operating expenses	19,702	23,621
Other ordinary expenses	3,655	4,763
ORDINARY PROFIT	30,075	56,568
EXTRAORDINARY LOSSES	2,806	2,790
Income before income taxes	27,269	53,778
Corporate income taxes - current	4,109	8,146
Total of corporate income taxes	4,109	8,146
Net income for the period	23,159	45,632

6. Unaudited Statement of Changes in Net Assets

Six months ended September 30, 2021

(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	(48,613)	136,386
Changes for the period				
Net income for the period			45,632	45,632
Net changes of items other than shareholders' equity				
Total changes for the period	-	-	45,632	45,632
Balance at the end of the period	117,500	67,500	(2,981)	182,018

	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	145,772	145,772	282,158
Changes for the period			
Net income for the period			45,632
Net changes of items other than shareholders' equity	(14,231)	(14,231)	(14,231)
Total changes for the period	(14,231)	(14,231)	31,401
Balance at the end of the period	131,541	131,541	313,560

Six months ended September 30, 2020

(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	(135,006)	49,993
Changes for the period				
Net income for the period			23,159	23,159
Net changes of items other than shareholders' equity				
Total changes for the period	-	-	23,159	23,159
Balance at the end of the period	117,500	67,500	(111,847)	73,152

	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	202,994	202,994	252,987
Changes for the period			
Net income for the period			23,159
Net changes of items other than shareholders' equity	33,738	33,738	33,738
Total changes for the period	33,738	33,738	56,898
Balance at the end of the period	236,732	236,732	309,885

- 1 “Accounting Standard for Fair Value Measurement, etc.” (ASBJ Statement No. 30, July 4, 2019, hereinafter “Accounting Standard for Fair Value Measurement”) has been adopted, effective from the beginning of the first half of the year. Pursuant to the transitional treatment stipulated in paragraph 19 of the Accounting Standard for Fair Value Measurement and paragraph 44-2 of the “Accounting Standard for Financial Instruments” (ASBJ Statement No.10, revised on July 4, 2019), new accounting policies established by the Accounting Standard for Fair Value Measurement shall be implemented prospectively. Note that this has no impact on the interim financial statements.
- 2 Securities (including those monetary claims bought conforming to marketable securities, and also those 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 are valued at fair value using market prices as of the first half of the year (sales cost is calculated with the moving-average method).Valuation differences on other securities are reported as a component of net assets.
- 3 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)with the exception of certain types and policies.

(Additional information)

Effective from the first half of the current fiscal year, the sub-group of individual insurance and annuities (NZ dollar-denominated) has been abolished, and the policy-reserve-matching bonds formerly held in said sub-group have been reclassified to securities available for sale.

This is due to the fact that the recording of interest rate risk management utilizing asset-liability matching in financial statements has declined in importance, as the outstanding balance of policy reserves related to said sub-group has decreased and the duration has been shortened.

The impact of this change on the interim financial statements is immaterial.
- 4 Derivative transactions (including those attributable to money held in trust) are reported at fair value.
- 5 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 assetsDepreciation 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 .
- 6 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.
- 7 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. ”
- 8 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 on the assessment results.
- 9 Reserve for price fluctuations is calculated pursuant to Article 115 of the Insurance Business Act.
- 10 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.

11 Policy reserves have been calculated and set aside for those insurance policies for which contractual obligations have commenced as of the end of the first half of the current fiscal year, so as to prepare for the future performance of obligations under those insurance policies, in accordance with the formula specified in the statement of calculation procedures (as set forth in Article 4, Paragraph 2, Item (iv) of the Insurance Business Act) and pursuant to Article 116, Paragraph 1 of the Insurance Business Act.

Insurance premium reserves included in the policy reserves are calculated using the following formula:

(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

Contingency reserves included in the policy reserves have been set aside pursuant to Article 69, Paragraph 1, Item (iii) of the Ordinance for Enforcement of the Insurance Business Act, for covering risks which may accrue in the future, so as to secure performance of future obligations under insurance contracts.

12 Amounts of financial instruments recorded on the balance sheet for the first half of the current fiscal year, their fair values, and differences between the two are as follows:

(millions of yen)

	Carrying amount on the balance sheet for the first half of the current fiscal year	Fair value	Difference
(1) Monetary claims bought	7,628	7,628	-
(2) Money held in trust	1,091,696	1,091,696	-
(3) Securities	7,423,295	7,671,107	247,812
(a) Trading securities	966,208	966,208	-
(b) Policy-reserve-matching bonds	3,435,745	3,683,557	247,812
(c) Other securities	3,021,341	3,021,341	-
Assets total	8,522,619	8,770,431	247,812
Derivative transactions			
(a) Derivative transactions to which hedge accounting is not applied	44,682	44,682	-
Derivative transactions total	44,682	44,682	-

(*1) Since cash and deposits are cash or are settled in a short period of time, their book values approximate their fair values, and notes are accordingly omitted.

(*2) Net derivative assets and liabilities arising from derivative transactions are reported as a net value. A negative total indicates a net liability.

13 Details of the fair values of financial instruments are described by level below.

The fair value of financial instruments is classified into the following three levels in accordance with the observability and materiality of inputs used in calculations:

Level 1 fair value: Fair value calculated using those quoted prices of the measured assets or liabilities that are formed in active markets from among observable valuation inputs.

Level 2 fair value: Fair value calculated using inputs other than inputs included within Level 1 from among observable valuation inputs.

Level 3 fair value: Fair values calculated using important unobservable valuation inputs.

Where there are multiple inputs that have a material impact on the calculation of fair value, the Company classifies fair value in accordance with the level that is lowest in the order of priority in the calculation of fair value selecting from among the respective levels of each of the inputs involved.

(1) Financial instruments reported at fair value in the balance sheet for the first half of the current fiscal year

(millions of yen)

	Fair value			Total
	Level 1	Level 2	Level 3	
Monetary claims bought	-	-	7,628	7,628
Money held in trust	926,850	164,845	-	1,091,696
Securities				
Other securities	444,051	2,390,330	5,293	2,839,676
Government bonds	103,040	-	-	103,040
Local government bonds	-	13,281	-	13,281
Corporate bonds	-	359,131	-	359,131
Foreign public and corporate bonds	341,010	2,017,917	5,293	2,364,222
Derivative transactions				
Currency-related	-	53,438	-	53,438
Interest-rate-related	-	367	-	367
Stock-related	336	-	-	336
Others	-	370	-	370
Assets total	1,371,238	2,609,353	12,921	3,993,513
Derivative transactions				
Currency-related	-	9,646	-	9,646
Interest-rate-related	-	183	-	183
Total liabilities	-	9,829	-	9,829

*The investment funds to which transitional treatment has been applied in accordance with paragraph 26 of “Implementation Guidance on Accounting Standard for Fair Value Measurement,” (ASBJ Guidance No. 3, July 4, 2019), are not reported as such in the abovementioned balance sheet. The amount of the said investment funds, in the balance sheet for the first half, stands at 1,147,873 million yen and is recorded under securities.

(2) Financial instruments other than those reported at fair value in the balance sheet for the first half of the current fiscal year

(millions of yen)

	Fair value			Total
	Level 1	Level 2	Level 3	
Securities				
Policy-reserve-matching bonds	504,584	3,178,972	-	3,683,557
Government bonds	453,632	-	-	453,632
Local government bonds	-	33,485	-	33,485
Corporate bonds	-	758,240	-	758,240
Foreign public and corporate bonds	50,951	2,387,246	-	2,438,198
Assets total	504,584	3,178,972	-	3,683,557

Note 1. Explanation of methodologies and inputs employed in fair value calculation

Asset

Monetary claims bought

The fair value of monetary claims bought are determined using the prices obtained from financial institutions. The inputs used for those prices thus obtained include material non-observable inputs and therefore monetary claims bought are classified as Level 3.

Money held in trust

For money held in trust, fair value is classified as Level 1 in cases where unadjusted quoted prices in active markets can be used. This includes Japanese Government bonds. If the market is not active, fair value is classified as Level 2, irrespective of whether publicly disclosed quoted prices are used.

For money held in trust where fair value is not based on quoted market prices, fair value is measured based on prices obtained from external brokers and financial institutions, and is classified as Level 2.

Securities

For securities, fair value is classified as Level 1 in cases where unadjusted quoted prices in active markets can be used. This includes Japanese Government Bonds. If the market is not active then fair value is classified as Level 2, regardless of whether publicly disclosed quoted prices are used.

For bonds where fair value is not based on quoted market prices, fair value is measured based mainly on prices obtained from external brokers and financial institutions, and is classified as Level 2. For these prices, present values are calculated by discounting their future cash flows at a risk-free rate adjusted to their credit spreads. When measuring, fair value is classified as Level 2 in cases where observable inputs are used, and classified as Level 3 where material non-observable inputs are used.

For investment funds, fair value is determined based on prices obtained from financial institutions. They are not classified into levels due to application of the transitional measures provided for in item 26 of “Implementation Guidance on Accounting Standard for Fair Value Measurement” (ASBJ Guidance, July 4, 2019).

Derivative transactions

For exchange-traded derivative transactions, fair value is classified as Level 1 in cases where unadjusted quoted prices in active markets can be used. This includes stock-related derivative transactions.

For OTC (over-the-counter) derivatives, fair value is determined using amounts discounted to present value obtained from external brokers and financial institutions as well as prices calculated using evaluation techniques such as the discounted cash flow method in accordance with the type of transaction and the maturity period. Since inputs used for evaluation techniques for calculating OTC derivative prices are mainly interest rates, exchange rates, and the like, and material non-observable inputs are not used or their impacts are not material, OTC derivatives are classified as Level 2.

Note 2. Information on the financial instruments classified as Level 3, from among those reported at fair value in the balance sheet for the first half of the fiscal year.

(1) Table on the adjustment from the outstanding balance as of the beginning of the fiscal year to the balance as of the end of the first half of the fiscal year, and valuation gains or losses recognized in the current fiscal year.

(millions of yen)					
	Balance at the beginning of the year	Profit (losses) or net unrealized gains on securities, net of tax		(Net) changes for the year due to purchases, sales, issuance, and settlement	Balance as of September 30, 2021
		Recorded under profit (losses) *	Recorded under net unrealized gains (losses) on securities, net of tax		
Monetary claims bought	-	-	(5)	7,633	7,628
Securities					
Other securities	-	132	(22)	5,183	5,293
Foreign public and corporate bonds	-	132	(22)	5,183	5,293

*Included in “Investment income” and “Investment expenses” of the Statement of Earnings for the first half of the current fiscal year.

(2) Explanation of fair value valuation process

The Company determines the policies and processes for fair value calculations and fair value level classifications at its business unit in charge of the preparing financial statements. In accordance with the said policies and processes, the Company’s operational and administrative divisions select the fair value valuation model and thereby calculate fair values and classify them into the relevant levels. When the Company obtains a market quoted price from a third party, and uses this as a fair value, the Company verifies the appropriateness of the valuation methodology and inputs employed, through appropriate means involving comparative analyses of the fair values of similar financial products.

- 14 Securities lent under lending agreements are included in the balance sheet. The total balance of securities lent as of September 30, 2021 is 455,518 million yen.
- 15 Assets in separate accounts, as defined by Article 118 of the Insurance Business Act, total 971,755 million yen. Liabilities in separate accounts, total the same amount.
- 16 The amount of assets pledged as collateral is securities of 256,170 million yen, the amounts of secured liabilities are 242,414 million yen.

- 17 The assets, which the Company has the right to dispose of freely by means of sale or collateralization, are marketable securities held as collateral for reinsurance dealings and derivative transactions. The current market value of these assets still held by the Company as of the end of the first half of the current fiscal year is 110,750 million yen. None of these assets are re-pledged as collateral.
- 18 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 158 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 807,752 million yen.
- 19 As of September 30, 2021, the Company estimated that it would be required to contribute 13,459 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.
- 20 As of September 30, 2021, undepreciated balance of the fee of the reinsurance contract, which is defined in announcement No.50, 1-5, Ministry of Finance, 1996, is 53,120 million yen.

Notes to the Unaudited Statement of Earnings for the six months ended September 30, 2021

- 1 The accounting standards for reporting premium and other income, and for benefits and claims, are as follows:
 - a) Premium and Other Income (Excluding Reinsurance Income)
 Premium and other income (excluding reinsurance income) that has been received and for which contractual obligations have commenced, are recorded in accordance with the amounts received.
 Of the premium and other income (excluding reinsurance income) received, however, the portion corresponding to the unexpired period as of the end of the first half of the current fiscal year, has been transferred to policy reserves, pursuant to Article 69, Paragraph 1, Item (ii) of the Ordinance for Enforcement of the Insurance Business Act.
 - b) Reinsurance Income
 Of the amount paid as insurance benefits and claims related to the primary insurance contract, the amount reinsured is, pursuant to the reinsurance agreement, recorded as reinsurance income at the time of payment of said insurance benefits and claims.
 In some modified coinsurance transactions involving no cash transfer, pursuant to the reinsurance agreement, the amount to be received as a portion of the amount equivalent to new contract expenses of the primary insurance contract, is recorded as reinsurance income. In addition, the same amount is recorded under reinsurance receivables as the undepreciated balance of the fee of the reinsurance contract, and is to be amortized over the period of the reinsurance contract.
 - c) Benefits and Claims (Excluding Ceding Reinsurance Commissions)
 Benefits and claims (excluding ceding reinsurance commissions), the amount of which is calculated and paid in accordance with the insurance contract, are recorded in cases when reasons for payment provided for in insurance contracts have arisen.
 Pursuant to Article 117 of the Insurance Business Act, the Company has set aside, as reserves for outstanding claims, insurance proceeds that are due and payable as of the end of the first half of the current fiscal year, but payment is yet to have been made, and insurance proceeds in cases where reasons for payment are deemed to have arisen but reports concerning the reasons for payment are yet to be received.
 - d) Ceding Reinsurance Commissions
 Ceding reinsurance commissions are recorded, upon receipt of the insurance premium related to the primary insurance contract as agreed upon pursuant to the reinsurance agreement or at the time of the conclusion of the reinsurance agreement concerned.
- 2 Gains on sale of securities included losses on sales of domestic bonds and foreign securities of 1,728 million yen and 19,132 million yen, respectively.
- 3 Losses on sale of securities included losses on sales of domestic bonds and foreign securities of 81 million yen and 572 million yen, respectively.
- 4 In calculating the reversal of reserve for outstanding claims, 10 million yen was deducted from the reversal of reserve for outstanding claims reinsured. In calculating the reversal of policy reserves, 25,219 million yen was deducted from the reversal of ceding reinsurance policy reserves.
- 5 The details of Interest and dividends are as follows:

Interest on deposits :	11 million yen
Interest and dividends from securities :	83,296 million yen
Other interest and dividends :	193 million yen
Total :	83,501 million yen
- 6 Net gain per share for the six months ended September 30, 2021 was 24,666,173.94 yen.
- 7 Premium and other income includes the increase of 2,474 million yen of the fee of the reinsurance contract which is defined in announcement No.50, 1-5, Ministry of Finance, 1996.
- 8 Benefits and claims includes the decrease of 6,589 million yen of the fee of the reinsurance contract which is defined in announcement No.50, 1-5, Ministry of Finance, 1996.

Notes to Unaudited Non-Consolidated Statement of Changes in Net Assets for the six months ended September 30, 2021

- 1 Number of outstanding shares by class

(shares)

	No. shares as of April 1, 2021	Increase in number of shares	Decrease in number of shares	No. shares as of September 30, 2021
Outstanding shares				
Common stock	1,850	-	-	1,850

7. Breakdown of Ordinary Profit (Fundamental Profit)

(millions of yen)

	Six months ended September 30, 2020	Six months ended September 30, 2021
Fundamental profit A	28,399	21,344
Capital gains	311,960	94,188
Gains on money held in trust	16,594	531
Gains on investment in trading securities	-	-
Gains on sale of securities	53,074	20,861
Derivative transaction gains	88,260	-
Foreign exchange gains	154,031	-
Others	-	72,795
Capital losses	291,690	58,238
Losses on money held in trust	-	-
Losses on investment in trading securities	-	-
Losses on sale of securities	172	654
Losses on valuation of securities	-	-
Derivative transaction losses	-	17,875
Foreign exchange losses	-	29,668
Others	291,518	10,039
Net capital gains (losses) B	20,269	35,949
Fundamental profit plus net capital gains (losses) A + B	48,669	57,294
Other one-time gains	190,717	6
Reinsurance income	-	-
Reversal of contingency reserve	368	-
Reversal of specific reserve for possible loan losses	-	6
Others	190,348	-
Other one-time losses	209,310	732
Ceding reinsurance commissions	-	-
Provision for contingency reserve	-	732
Provision for specific reserve for possible loan losses	18	-
Provision for specific reserve for loans to refinancing countries	-	-
Write-down of loans	-	-
Others	209,292	-
Other one-time profits (losses) C	(18,593)	(725)
Ordinary profit A + B + C	30,075	56,568

(Reference)

Breakdown of Other Fundamental Income

(millions of yen)

	Six months ended September 30, 2020	Six months ended September 30, 2021
Fundamental Income	310,461	(62,756)
Impact from increase or decrease in surrender values in accordance with Market Value Adjustment (MVA)	39,807	(12,116)
Impact from market rate fluctuations of foreign exchange on foreign-currency denominated insurance policies	236,232	(60,679)
Interest received and/or paid related to currency swap and interest rate swap contracts covering foreign-currency denominated insurance policies	6,676	7,245
Impact from assets held in money trusts and others related to reinsurance dealings	8,802	2,794
Policy reserves attributable to the portion of reinsurance specified in Article 71, paragraph 1 of the Ordinance for Enforcement of the Insurance Business Act	(190,348)	-
Ceding reinsurance commissions for the reinsurance specified in Article 71, paragraph 1 of the Ordinance for Enforcement of the Insurance Business Act	209,292	-
Other Capital Gains	-	72,795
Impact from increase or decrease in surrender values in accordance with Market Value Adjustment (MVA)	-	12,116
Impact from market rate fluctuations of foreign exchange on foreign-currency denominated insurance policies	-	60,679
Other Capital Losses	291,518	10,039
Impact from increase or decrease in surrender values in accordance with Market Value Adjustment (MVA)	39,807	-
Impact from market rate fluctuations of foreign exchange on foreign-currency denominated insurance policies	236,232	-
Interest received and/or paid related to currency swap and interest rate swap contracts covering foreign-currency denominated insurance policies	6,676	7,245
Impact from assets held in money trusts and others related to reinsurance dealings	8,802	2,794
Other One-Time Gains	190,348	-
Policy reserves attributable to the portion of reinsurance specified in Article 71, paragraph 1 of the Ordinance for Enforcement of the Insurance Business Act	190,348	-
Other One-Time Gains	209,292	-
Ceding reinsurance commissions for the reinsurance specified in Article 71, paragraph 1 of the Ordinance for Enforcement of the Insurance Business Act	209,292	-

8. Disclosed Claims Based on Categories of Obligors

(millions of yen)

	As of March 31, 2021	As of September 30, 2021
Claims against bankrupt and quasi-bankrupt obligors	-	-
Claims with collection risk	-	-
Claims for special attention	-	-
Subtotal	-	-
[Percentage]	[-]	[-]
Claims against normal obligors	397,999	455,566
Total	397,999	455,566

- 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, 2021	As of September 30, 2021
Total solvency margin	(A)	570,750	586,655
Common stock, etc		136,386	182,018
Reserve for price fluctuations		30,994	33,784
Contingency reserve		111,326	112,059
General reserve for possible loan losses		7	6
(Net unrealized gains (losses) on securities (before tax) and deferred hedge gains (losses) (before tax)) × 90% *		182,216	164,426
Net unrealized gains (losses) on real estate × 85% *		-	-
Policy reserves in excess of surrender values		109,819	94,360
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)	200,614	196,663
Insurance risk	R_1	135	160
3rd sector insurance risk	R_8	-	0
Assumed investment yield risk	R_2	51,027	47,335
Guaranteed minimum benefit risk	R_7	2,794	2,900
Investment risk	R_3	140,946	140,694
Business risk	R_4	5,847	5,732
Solvency margin ratio	$\frac{(A)}{(1/2) \times (B)} \times 100$	569.0%	596.6%

* Multiplied by 100% if losses.

Note: 1. The figures as of March 31, 2021 are calculated based on Articles 86 and 87 of the Enforcement Regulations of Insurance Business Act, and Announcement No.50, Ministry of Finance, 1996.

The figures as of September 30, 2021 are calculated by using the method which is deemed appropriate taking the regulations and announcement above into account.

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, 2021	As of September 30, 2021
Individual variable insurance	39,537	31,281
Individual variable annuities	998,676	940,474
Group annuities	-	-
Separate account total	1,038,213	971,755

(2) Policies in Force

A. Individual Variable Insurance

(millions of yen except number of policies)

	As of March 31, 2021		As of September 30, 2021	
	Number of policies (thousands)	Amount	Number of policies (thousands)	Amount
Variable insurance (defined term type)	-	-	-	-
Variable insurance (whole life type)	44	385,040	39	349,277
Total	44	385,040	39	349,277

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, 2021		As of September 30, 2021	
	Number of policies	Amount	Number of policies	Amount
Individual variable annuities	471	2,639,398	443	2,392,756

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.