

Financial Results for the Six Months Ended September 30, 2021

The Neo First Life Insurance Company, Limited (the “Company”; President: Yuji Tokuoka) 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	140,557	140,136	99.7
Individual annuities	14	17	121.3
Total	140,571	140,153	99.7
Medical and survival benefits	26,869	31,896	118.7

- 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	5,514	7,166	130.0
Individual annuities	—	—	—
Total	5,514	7,166	130.0
Medical and survival benefits	4,414	6,015	136.3

(Notes) 1. Annualized net premiums are calculated by using multipliers for various premium payment terms to the premium per payment.

2. Annualized net premium for medical and survival benefits includes (a) premiums related to medical benefits such as hospitalization and surgery benefits, (b) premiums related to survival benefits such as specific illness, and (c) premiums related to premium waiver benefits.

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

- Policies in Force

	As of March 31, 2021		As of September 30, 2021			
	Number of policies (thousands)	Amount (billions of yen)	Number of policies (thousands)		Amount (billions of yen)	
				% of March 31, 2021 total		% of March 31, 2021 total
Individual insurance	482	1,449.6	556	115.4	1,543.1	106.5
Individual annuities	0	0.2	0	125.0	0.2	126.2
Group insurance	—	—	—	—	—	—
Group annuities	—	—	—	—	—	—

Note: The amount of individual annuities shows policy reserves for policies after the commencement of annuities.

- New Policies

	Six months ended September 30, 2020				Six months ended September 30, 2021					
	Number of policies (thousands)	Amount (billions of yen)			Number of policies (thousands)		Amount (billions of yen)			
			New Business	Net increase by conversions		% of September 30, 2020 total		% of September 30, 2020 total	New Business	Net increase by conversions
Individual insurance	66	115.8	115.8	—	89	134.6	126.9	109.6	126.9	—
Individual annuities	—	—	—	—	—	—	—	—	—	—
Group insurance	—	—	—	—	—	—	—	—	—	—
Group annuities	—	—	—	—	—	—	—	—	—	—

2. Investment of General Account Assets for the Six Months Ended September 30, 2021

(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 10-year government bonds:	April 1, 2021	0.090%
	September 30, 2021	0.065%

[Domestic Stocks]

- While the Nikkei 225 Stock Average was supported by accommodative fiscal and monetary policies, and there were expectations that economic activity would resume in line with the progress of vaccination, the state of emergency was declared mainly by the Tokyo Metropolitan Government in response to the spread of the novel coronavirus delta strain and other factors, and the high price was held down. However, in the run-up to the Liberal Democratic Party presidential election in September, the Nikkei exceeded 30,000 yen temporarily from the expectations for the next prime minister, setting a new high for the first time in 31 years.

Nikkei 225 Stock Average:	April 1, 2021	29,178
	September 30, 2021	29,452
TOPIX:	April 1, 2021	1,954
	September 30, 2021	2,030

[Foreign Currency]

- With regard to the yen/U.S. dollar, the yen depreciated against the U.S. dollar due to the speculation about a rate hike by the U.S. Federal Reserve Board (FRB) against job recovery and high inflation, while concerns about the expansion of the U.S. fiscal deficit and other factors affected the depreciation of the U.S. dollar.
- With regard to the yen/euro, the yen temporarily depreciated against the euro due to the progress of vaccination and the resumption of economic activities in Europe, but remained almost unchanged due to the progress of vaccination in Japan.

yen /U.S. dollar:	April 1, 2021	¥110.71
	September 30, 2021	¥111.92
yen/euro:	April 1, 2021	¥129.80
	September 30, 2021	¥129.86

(2) Investment Policies

The Company invests mainly in fixed income assets such as bonds with the aim of securing stable investment income.

(3) Investment Results

General account assets as of September 30, 2021 were ¥381,350 million. The balance of assets under management was deposits of ¥240,872 million, money held in trust of ¥20,009 million, bonds of ¥76,465 million, and domestic stocks of ¥1,597 million.

In addition, investment income was ¥212 million, and investment expenses were ¥1 million.

3. Investment Results of General Account

(1) Asset Composition

(millions of yen)

	As of March 31, 2021		As of September 30, 2021	
	Carrying amount	%	Carrying amount	%
Cash, deposits, and call loans	248,955	70.6	240,872	63.2
Securities repurchased under resale agreements	—	—	—	—
Deposit paid for securities borrowing transactions	—	—	—	—
Monetary claims bought	—	—	—	—
Trading account securities	—	—	—	—
Money held in trust	—	—	20,009	5.2
Securities	62,872	17.8	78,063	20.5
Domestic bonds	52,007	14.7	63,739	16.7
Domestic stocks	1,249	0.4	1,597	0.4
Foreign securities	9,616	2.7	12,725	3.3
Foreign bonds	9,616	2.7	12,725	3.3
Foreign stocks and other securities	—	—	—	—
Other securities	—	—	—	—
Loans	1,313	0.4	1,390	0.4
Real estate	96	0.0	95	0.0
Deferred tax assets	—	—	—	—
Others	39,611	11.2	40,925	10.7
Reserve for possible loan losses	(7)	(0.0)	(7)	(0.0)
Total	352,842	100.0	381,350	100.0
Foreign currency-denominated assets	—	—	—	—

(Note) The amounts of buildings were posted for real estate.

(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	55,475	(8,082)
Securities repurchased under resale agreements	—	—
Deposit paid for securities borrowing transactions	—	—
Monetary claims bought	—	—
Trading account securities	—	—
Money held in trust	—	20,009
Securities	13,965	15,190
Domestic bonds	13,425	11,732
Domestic stocks	244	348
Foreign securities	295	3,109
Foreign bonds	295	3,109
Foreign stocks and other securities	—	—
Other securities	—	—
Loans	303	76
Real estate	(4)	(0)
Deferred tax assets	—	—
Others	(4,257)	1,314
Reserve for possible loan losses	(5)	0
Total	65,476	28,507
Foreign currency-denominated assets	—	—

(Note) The amounts of buildings were posted for real estate.

(3) Investment Income

(millions of yen)

	Six months ended September 30, 2020	Six months ended September 30, 2021
Interest and dividends	111	193
Interest from bank deposits	—	—
Interest and dividends from securities	108	174
Interest from loans	2	19
Rental income	—	—
Other interest and dividends	—	—
Gains on trading account securities	—	—
Gains on money held in trust	—	9
Gains on investments in trading securities	—	—
Gains on sale of securities	—	9
Gains on sale of domestic bonds	—	—
Gains on sale of domestic stocks	—	9
Gains on sale of foreign securities	—	—
Others	—	—
Gains on redemption of securities	—	—
Derivative transaction gains	—	—
Foreign exchange gains	—	—
Reversal of reserve for possible loan losses	—	0
Other investment income	—	—
Total	111	212

(4) Investment Expense

(millions of yen)

	Six months ended September 30, 2020	Six months ended September 30, 2021
Interest expenses	0	1
Losses on trading account securities	—	—
Losses on money held in trust	—	—
Losses on investments in trading securities	—	—
Losses on sale of securities	—	—
Losses on sale of domestic bonds	—	—
Losses on sale of domestic stocks	—	—
Losses on sale of foreign securities	—	—
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	—	—
Derivative transaction losses	—	—
Foreign exchange losses	—	—
Provision for reserve for possible loan losses	5	—
Write-down of loans	—	—
Depreciation of real estate for rent and others	—	—
Other investment expenses	—	—
Total	5	1

(5) Valuation Gains and Losses on Trading Securities

(millions of yen)

	As of March 31, 2021		As of September 30, 2021	
	Value on Balance Sheet	Valuation gains or losses included in the statement of earnings	Value on Balance Sheet	Valuation gains or losses included in the statement of earnings
Trading securities	—	—	20,009	9
Money held in trust	—	—	20,009	9

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

(millions of yen)

	As of March 31, 2021					As of September 30, 2021				
	Book value	Fair value	Gains (losses)		Book value	Fair value	Gains (losses)			
			Gains	Losses			Gains	Losses		
Held-to-maturity bonds	61,525	61,268	(256)	103	360	76,366	76,460	94	265	171
Policy-reserve-matching bonds	—	—	—	—	—	—	—	—	—	—
Stocks of subsidiaries and affiliated companies	—	—	—	—	—	—	—	—	—	—
Available-for-sale securities	1,110	1,347	236	238	1	1,706	1,697	(8)	165	174
Domestic bonds	—	—	—	—	—	—	—	—	—	—
Domestic stocks	1,010	1,249	238	238	—	1,606	1,597	(8)	165	174
Foreign securities	100	98	(1)	—	1	100	99	(0)	—	0
Foreign bonds	100	98	(1)	—	1	100	99	(0)	—	0
Foreign stocks and other securities	—	—	—	—	—	—	—	—	—	—
Other securities	—	—	—	—	—	—	—	—	—	—
Monetary claims bought	—	—	—	—	—	—	—	—	—	—
Certificates of deposit	—	—	—	—	—	—	—	—	—	—
Others	—	—	—	—	—	—	—	—	—	—
Total	62,635	62,616	(19)	341	361	78,072	78,157	85	431	346
Domestic bonds	52,007	51,737	(270)	78	349	63,739	63,815	76	240	164
Domestic stocks	1,010	1,249	238	238	—	1,606	1,597	(8)	165	174
Foreign securities	9,617	9,629	12	24	12	12,726	12,744	17	24	7
Foreign bonds	9,617	9,629	12	24	12	12,726	12,744	17	24	7
Foreign stocks and other securities	—	—	—	—	—	—	—	—	—	—
Other securities	—	—	—	—	—	—	—	—	—	—
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 Act.

- Book value of stocks without market value and associations, etc.
Not applicable.

(7) Fair Value Information on Money Held in Trust

(millions of yen)

	As of March 31, 2021					As of September 30, 2021				
	Value on Balance Sheet	Fair value	Gains (losses)			Value on Balance Sheet	Fair value	Gains (losses)		
			Gains	Losses				Gains	Losses	
Money held in trust	—	—	—	—	—	20,009	20,009	9	9	—

- Money held in trust for investment purposes

(millions of yen)

	As of March 31, 2021		As of September 30, 2021	
	Value on Balance Sheet	Valuation gains or losses included in the statement of earnings	Value on Balance Sheet	Valuation gains or losses included in the statement of earnings
Money held in trust for investment purposes	—	—	20,009	9

- The Company does not have any held-to-maturity or policy-reserve-matching money held in trust, or other money held in trust.

4. Unaudited Non-Consolidated Balance Sheets

(millions of yen)

	As of March 31, 2021 (summarized)	As of September 30, 2021
	Amount	Amount
(ASSETS)		
Cash and deposits	248,955	240,872
Money held in trust	—	20,009
Securities	62,872	78,063
[Corporate bonds]	[52,007]	[63,739]
[Domestic stocks]	[1,249]	[1,597]
[Foreign securities]	[9,616]	[12,725]
Loans	1,313	1,390
Policy loans	1,313	1,390
Tangible fixed assets	235	191
Intangible fixed assets	4,313	5,229
Reinsurance receivables	25,995	23,912
Other assets	9,163	11,688
Reserve for possible loan losses	(7)	(7)
Total assets	352,842	381,350
(LIABILITIES)		
Policy reserves and others	327,687	359,905
Reserves for outstanding claims	1,956	2,418
Policy reserves	325,731	357,487
Reinsurance payable	399	357
Other liabilities	5,393	5,456
Corporate income tax payable	8	4
Other liabilities	5,384	5,452
Reserve for price fluctuations	7	9
Deferred tax liabilities	66	—
Total liabilities	333,554	365,729
(NET ASSETS)		
Capital stock	47,599	47,599
Capital surplus	39,599	39,599
Legal capital surplus	39,599	39,599
Retained earnings	(68,081)	(71,568)
Other retained earnings	(68,081)	(71,568)
Retained earnings brought forward	(68,081)	(71,568)
Total shareholders' equity	19,117	15,630
Net unrealized gains (losses) on securities, net of tax	170	(8)
Total of valuation and translation adjustments	170	(8)
Total net assets	19,287	15,621
Total liabilities and net assets	352,842	381,350

5. Unaudited Non-Consolidated Statement of Earnings

(millions of yen)

	Six months ended September 30, 2020	Six months ended September 30, 2021
	Amount	Amount
ORDINARY REVENUES	73,049	89,540
Premium and other income	72,937	89,314
[Premium income]	[66,332]	[67,118]
Investment income	111	212
[Interest and dividends]	[111]	[193]
[Gains on money held in trust]	[—]	[9]
[Gains on sale of securities]	[—]	[9]
Other ordinary revenues	0	13
ORDINARY EXPENSES	80,815	92,989
Benefits and claims	23,818	43,978
[Claims]	[487]	[959]
[Annuities]	[6]	[87]
[Benefits]	[2,031]	[3,177]
[Surrender values]	[5,718]	[13,891]
[Other refunds]	[1,155]	[2,189]
Provision for policy reserves and others	43,457	32,218
Provision for reserves for outstanding claims	421	461
Provision for policy reserves	43,036	31,756
Investment expenses	5	1
[Interest expenses]	[0]	[1]
Operating expenses	12,964	16,041
Other ordinary expenses	568	749
ORDINARY PROFIT (LOSS)	(7,765)	(3,448)
EXTRAORDINARY LOSSES	0	34
Income (loss) before income taxes	(7,766)	(3,483)
Corporate income taxes - current	4	4
Total of corporate income taxes	4	4
Net income (loss) for the period	(7,770)	(3,487)

6. Unaudited Non-Consolidated Statement of Changes in Net Assets

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	32,599	24,599	(53,934)	3,264
Changes for the period				
Issuance of new shares	15,000	15,000		30,000
Net loss for the period			7,770	7,770
Net changes of items other than shareholders' equity				
Total changes for the period	15,000	15,000	(7,770)	22,229
Balance at the end of the period	47,599	39,599	(61,704)	25,493

	Valuation and translation adjustments		Total net assets
	Net unrealized gains (losses) on securities, net of tax	Total of valuation and translation adjustments	
Balance at the beginning of the year	(27)	(27)	3,237
Changes for the period			
Issuance of new shares			30,000
Net loss for the period			7,770
Net changes of items other than shareholders' equity	183	183	183
Total changes for the period	183	183	22,412
Balance at the end of the period	155	155	25,649

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	47,599	39,599	(68,081)	19,117
Changes for the period				
Net loss for the period			3,487	3,487
Net changes of items other than shareholders' equity				
Total changes for the period	—	—	(3,487)	(3,487)
Balance at the end of the period	47,599	39,599	(71,568)	15,630

	Valuation and translation adjustments		Total net assets
	Net unrealized gains (losses) on securities, net of tax	Total of valuation and translation adjustments	
Balance at the beginning of the year	170	170	19,287
Changes for the period			
Net loss for the period			3,487
Net changes of items other than shareholders' equity	(179)	(179)	(179)
Total changes for the period	(179)	(179)	(3,666)
Balance at the end of the period	(8)	(8)	15,621

As of September 30, 2021

1. Valuation Methods of Securities

Of securities (including securities managed as trust property in money held in trust), trading securities are evaluated by the market value method (costs are calculated by the moving average method) and held-to-maturity bonds are evaluated by the amortized cost method (straight-line method) based on the moving average method. Available-for-sale securities, except stocks, etc. without market value, are evaluated by the market value method (costs are calculated by the moving average method) based on the market price, etc. on the last day of September.

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

2. Depreciation of Depreciable Assets

(1) Depreciation of Tangible Fixed Assets Excluding Leased Assets

Depreciation of tangible fixed assets excluding leased assets is calculated by the declining balance method. (Depreciation of buildings is calculated by the straight-line method.)

(2) Depreciation of 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 remaining value.

(3) Amortization of Intangible Fixed Assets Excluding Leased Assets

Amortization of intangible fixed assets excluding leased assets is calculated by the straight-line method. Amortization of software is calculated by the straight-line method based on the estimated useful life of the software.

3. Reserve for Possible Loan Losses

To prepare for possible loan losses, the reserve for possible loan losses is calculated based on the asset quality assessment regulations, the internal rules for self-assessment, the write-offs and reserves recording regulations, and the internal rules for write-offs and reserves that have been established by the Company.

For loans to and claims on obligors for which the Company has serious concerns over their recoverability or whose value is assessed by the Company to have been damaged materially as a result of the assessment of individual loans or claims, the amount that is deemed necessary is provided.

4. Reserve for Price Fluctuations

A reserve for price fluctuations is calculated in accordance with the provisions of Article 115 of the Insurance Business Act.

5. Calculation of National and Local Consumption Tax

The Company accounts for national and local consumption tax by the tax-exclusion method. However, the tax-inclusion method is employed for operating expenses and other expenses. Of the non-deductible consumption tax, etc. related to assets, deferred consumption tax, etc. provided for in tax law is posted in prepaid expenses and is amortized evenly in five years. The non-deductible consumption tax, etc. other than deferred consumption tax, etc. is recorded as an expense in the first six months under review.

6. Policy Reserves

Policy reserves of the Company are calculated and set aside in accordance with the method specified in the statement of calculation procedures (Article 4, Paragraph 2, Item 4 of the Insurance Business Act) pursuant to the provisions of Article 116 of the Insurance Business Act for contracts in which the liability under insurance contracts have begun as of the end of the first six months of the fiscal year in preparation for performance of future obligations under insurance contracts.

Of the policy reserves, insurance premium reserves are calculated as follows:

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

(2) Reserves for other policies are established based on the net level premium method.

Of the policy reserves, contingency reserves are set aside for covering risks that may accrue in the future, so as to secure the performance of future obligations under the insurance contracts in accordance with Article 69, Paragraph 1, Item 3 of the Regulation for Enforcement of the Insurance Business Act.

7. The Company has applied the Accounting Standard for Revenue Recognition (ASBJ Statement No. 29, March 31, 2020) and the Implementation Guidance on Accounting Standard for Revenue Recognition (ASBJ Guidance No. 30, March 26, 2021) from the beginning of the six months ended September 30, 2021 and changed the accounting treatment of national and local consumption taxes from the tax-inclusion method to the tax-exclusion method. However, there is no change from the tax-inclusion method for operating expenses and other expenses. There is no cumulative effect on net assets at the beginning of the period.

8. The Company has applied the Accounting Standard for Fair Value Measurement (ASBJ Statement No. 30, July 4, 2019; hereinafter the "Fair Value Measurement Accounting Standard"), etc. from the beginning of the six months ended September 30, 2021 and decided to continue to apply the new accounting policy stipulated in the Fair Value Measurement Accounting Standard, etc. according to the provisional treatment stipulated in Paragraph 19 of the Fair Value Measurement Accounting Standard and Paragraph 44-2 of the Accounting Standard for Financial Instruments (ASBJ Statement No. 10, July 4, 2019). The application has no effects on the interim financial statements. Section 9 below describes matters related to financial instruments, including a breakdown of financial instruments by level of fair value.

9. Matters Related to Financial Instruments, Etc.

(1) Fair values, etc. of financial instruments

The values on the interim balance sheet and the fair values of financial instruments and differences between them are as follows.

	Value on Interim Balance Sheet (millions of yen)	Fair Value (millions of yen)	Difference (millions of yen)
(1) Money held in trust	20,009	20,009	—
(2) Securities			
a. Held-to-maturity bonds	76,366	76,460	94
b. Available-for-sale securities	1,697	1,697	—
(3) Loans	1,390	1,390	—
Total assets	99,463	99,557	94

(Note) The information on deposits is omitted because they have no maturity dates and their fair value is close to their book value.

(2) Breakdown of financial instruments by level of fair value

The fair values of financial instruments are classified into the following three levels according to the observability and importance of inputs used in the calculation of fair values.

Level 1 fair value: fair value calculated using market prices, on an active market, of assets or liabilities whose fair value is calculated of the observable inputs related to the calculation of fair value

Level 2 fair value: fair value calculated using inputs other than the inputs used for Level 1 of the observable inputs related to fair value

Level 3 fair value: fair value calculated using inputs that are not observable and are significant related to the calculation of fair value

If more than one input that has a significant effect on the calculation of fair value is used, the fair value is classified to the level of inputs whose priority is lowest in the calculation of fair value.

(i) Financial instruments whose fair values are posted in the interim balance sheet

	Fair Value (millions of yen)			
	Level 1	Level 2	Level 3	Total
Money held in trust	—	20,009	—	20,009
Securities				
Available-for-sale securities				
Domestic stocks	1,597	—	—	1,597
Foreign bonds	—	99	—	99
Total assets	1,597	20,108	—	21,706

(ii) Financial instruments other than those whose fair values are posted in the interim balance sheet.

	Fair Value (millions of yen)			
	Level 1	Level 2	Level 3	Total
Securities				
Held-to-maturity bonds				
Corporate bonds	—	63,815	—	63,815
Foreign bonds	—	12,644	—	12,644
Loans	—	—	1,390	1,390
Total assets	—	76,460	1,390	77,851

(Note) Explanations about assessment techniques used in the calculation of fair value and inputs related to the calculation of fair value

(i) Money held in trust

Prices are determined based on information obtained from the financial institutions. Money held in trust is classified to Level 2 based primarily on the level of the composition of trust property.

(ii) Securities

The securities for which market prices on an active market can be used without adjustment are classified as Level 1. The Level 1 securities are primarily domestic stocks. If published market prices of securities on a market that is not active are used, the securities are classified to Level 2.

(iii) Loans

The fair value of the loan that does not have a repayment deadline due to its characteristics, such as a loan limit that is within the value of collateral, is assumed to be close to its book value based on the expected time of repayment, interest rate conditions, etc., and the book value is used as its fair value. The loan is classified as Level 3.

10. Loans to Bankrupt Borrowers, Delinquent Loans, Delinquent Loans of Three Months or More, and Restructured Loans

The loans do not include any loans to bankrupt borrowers, delinquent loans, delinquent loans of three months or more, and restructured loans.

11. The balance of unamortized outwards reinsurance commissions at the end of the first six months of the fiscal year under review pertaining to reinsurance contracts stipulated in Article 1, Paragraph 5 of the Public Notice No. 50 of the Ministry of Finance of 1996 was ¥7,789 million.
12. Obligations to the Life Insurance Policyholders Protection Corporation of Japan
The estimated future obligations of the Company to the Life Insurance Policyholders Protection Corporation of Japan under Article 259 of the Insurance Business Act were ¥584 million as of September 30, 2021. These obligations will be recognized as operating expenses in the period in which they are paid.
13. Amounts are rounded off to the unit stated.

Notes to the Unaudited Non-Consolidated Statement of Earnings

Six months ended September 30, 2021

1. The standards for recording of premium and other income and benefits and claims are as follows.
 - (1) Premium income
For premium income, the amount of insurance premiums received for which the liability under insurance contracts has begun is recorded.
Of the insurance premiums received, the portion corresponding to the unexpired period as of the end of the first six months of the fiscal year is transferred to policy reserves in accordance with Article 69, Paragraph 1, Item 2 of the Regulation for Enforcement of the Insurance Business Act.
 - (2) Reinsurance income
For reinsurance income, the reinsured amount of the amount paid as insurance proceeds, etc. pertaining to the primary insurance contracts based on the reinsurance agreement is recorded in reinsurance income at the time of the payment of the insurance proceeds, etc.
Of modified coinsurance, in some transactions that do not give or receive cash, the amount received as part of the amount equivalent to new contract expenses pertaining to the primary insurance contracts based on the reinsurance agreement is recorded in reinsurance income, and the same amount is recorded in the total amount of claims against reinsurance companies as unamortized outwards reinsurance commissions and amortized over the reinsurance contract period.
 - (3) Benefits and claims (excluding ceding reinsurance commissions)
Benefits and claims (excluding ceding reinsurance commissions) are recorded for contracts in which the amount calculated based on the policy conditions was paid due to the occurrence of the grounds for payment under the policy conditions, using the said amount.
Based on Article 117 of the Insurance Business Act, reserves for outstanding claims are transferred for insurance proceeds, etc. for which payment is not made although the claims, etc. are due and payable as of the end of the first six months of the fiscal year, or the grounds for payment are deemed to have already occurred although they are not reported.
 - (4) Ceding reinsurance commissions
Reinsurance premiums agreed based on the reinsurance agreement are recorded in ceding reinsurance commissions at the time of receiving insurance premiums pertaining to the primary insurance contracts.
2. Gains on Sale of Securities
Gains on sale of securities include gains on sale of domestic stocks of ¥9 million.
3. Interest and Dividends
Interest, dividends, and other income for the six months ended September 30, 2021, include interest and dividends on securities of ¥174 million and interest on loans of ¥19 million.
4. Net Income per Share
Net income per share for the six months ended September 30, 2021 was ¥840.32.
5. Reinsurance income includes ¥6,407 million, the amount of increase in unamortized outwards reinsurance commissions for reinsurance contracts stipulated in Article 1, Paragraph 5 of the Public Notice No. 50 of the Ministry of Finance of 1996.
6. Ceding reinsurance commissions include ¥831 million, the amount of decrease in unamortized outwards reinsurance commissions for reinsurance contracts stipulated in Article 1, Paragraph 5 of the Public Notice No. 50 of the Ministry of Finance of 1996.
7. Amounts are rounded off to the unit stated.

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

Six months ended September 30, 2021

1. Type and Number of Shares Outstanding (thousands of shares)

	At the beginning of the fiscal year ending March 31, 2022	Increase	Decrease	As of September 30, 2021
Shares outstanding				
Common stock	4,149	—	—	4,149

2. Stock Acquisition Rights and Own Stock Acquisition Rights
Not applicable.

3. Dividends Paid
Not applicable.

4. Amounts are rounded off to the unit stated.

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	(7,565)	(3,382)
Capital gains		—	18
Gains on money held in trust		—	9
Gains on investment in trading securities		—	—
Gains on sale of securities		—	9
Derivative transaction gains		—	—
Foreign exchange gains		—	—
Others		—	—
Capital losses		—	—
Losses on money held in trust		—	—
Losses on investment in trading securities		—	—
Losses on sale of securities		—	—
Losses on valuation of securities		—	—
Derivative transaction losses		—	—
Foreign exchange losses		—	—
Others		—	—
Net capital gains (losses)	B	—	18
Fundamental profit plus net capital gains (losses)	A + B	(7,565)	(3,363)
Other one-time gains		—	0
Reinsurance income		—	—
Reversal of contingency reserve		—	—
Reversal of specific reserve for possible loan losses		—	0
Others		—	—
Other one-time losses		200	85
Ceding reinsurance commissions		—	—
Provision for contingency reserve		195	85
Provision for specific reserve for possible loan losses		5	—
Provision for specific reserve for loans to refinancing countries		—	—
Write-down of loans		—	—
Others		—	—
Other one-time profits (losses)	C	(200)	(84)
Ordinary profit (loss)	A + B + C	(7,765)	(3,448)

8. Disclosed Claims Based on Categories of Obligors

(millions of yen)

	As of March 31, 2021	As of September 30, 2021
Claims provable in bankruptcy, claims provable in rehabilitation and claims equivalent to these	—	—
Doubtful claims	—	—
Substandard loans	—	—
Subtotal	—	—
(Ratio to total)	(—%)	(—%)
Performing loans	1,313	1,390
Total	1,313	1,390

- (Notes) 1. Claims provable in bankruptcy, claims provable in rehabilitation, and claims equivalent to these refer to those loans to debtors who are bankrupt for a reason such as commencement of bankruptcy proceedings, commencement of rehabilitation proceedings, and filing a petition for the commencement of rehabilitation proceedings and claims equivalent to such loans.
2. Doubtful claims refer to those loans whose principal and interest are likely not collectible based on the contract due to the deterioration of the financial condition and business performance of the debtor despite not being bankrupt.
3. Substandard loans refer to those loans that are delinquent for three months or more and those that have been restructured. Loans delinquent for three months or more refer to those loans for which the payment of the principal or interest has been delayed for three months or more from the day following the contractual payment day (excluding loans specified in Note 1 and Note 2). Restructured loans refer to those loans on which interest has been reduced or exempted, for which interest payment has been postponed, for which the principal payment has been postponed, on which claims have been waived, or for which other arrangements have been made to provide the debtor with an advantage for the purpose of rebuilding its business or assisting the debtor (excluding loans specified in Note 1 and Note 2 and loans delinquent for three months or more).
4. Performing loans refer to those loans that are classified into categories other than those described in Note 1 through Note 3 for not having particular problems in the financial position and operating results of the debtor.

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)	39,806	27,198
Common stock, etc.	19,117	15,630
Reserve for price fluctuations	7	9
Contingency reserve	1,778	1,864
General reserve for possible loan losses	—	—
(Net unrealized gains (losses) on securities (before tax) and deferred hedge gains (losses) (before tax)) × 90% (Multiplied by 100% if losses)	213	(8)
Net unrealized gains (losses) on real estate × 85% (Multiplied by 100% if losses)	—	—
Policy reserves in excess of surrender values	48,892	50,069
Qualifying subordinated debt	—	—
Excluded portion of policy reserve in excess of surrender values and qualifying subordinated debt	(30,203)	(40,365)
Excluded items	—	—
Others	—	—
Total Risk $\sqrt{(R_1 + R_8)^2 + (R_2 + R_3 + R_7)^2} + R_4$ (B)	2,158	2,455
Insurance risk R ₁	567	583
3rd sector insurance risk R ₈	1,202	1,270
Assumed investment yield risk R ₂	6	7
Guaranteed minimum benefit risk R ₇	—	—
Investment risk R ₃	1,072	1,446
Business risk R ₄	85	99
Solvency margin ratio $\frac{(A)}{(1/2) \times (B)} \times 100$	3,688.8%	2,215.5%

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

11. Status of Separate Account

Not applicable.

12. Consolidated Financial Summary

Not applicable.