
Financial Results for the Six Months Ended September 30, 2023

The Dai-ichi Frontier Life Insurance Co., Ltd. (the "Company"; President: Mamoru Akashi) announces its financial results for the six months ended September 30, 2023

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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, 2023	As of September 30, 2023	
			% of March 31, 2023 total
Individual insurance	549,672	625,403	113.8
Individual annuities	414,813	481,063	116.0
Total	964,485	1,106,466	114.7
Medical and survival benefits	5,397	6,781	125.6

New Policies

(millions of yen except percentages)

	Six months ended September 30, 2022	Six months ended September 30, 2023	% of September 30, 2022 total
Individual insurance	38,311	53,660	140.1
Individual annuities	56,367	96,320	170.9
Total	94,678	149,980	158.4
Medical and survival benefits	969	1,056	108.9

- 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, 2023		As of September 30, 2023			
	Number of Policies (thousands)	Amount (millions of yen)	Number of Policies		Amount	
			(thousands)	% of March 31, 2023 total	(millions of yen)	% of March 31, 2023 total
Individual insurance	910	6,649,740	1,002	110.1	7,783,536	117.1
Individual annuities	771	3,962,170	806	104.5	4,445,163	112.2
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		Amount			
	(thousands)	% of September 30, 2022 total	(millions of yen)	% of September 30, 2022 total	New Business	Net increase from conversions
Six months ended September 30, 2023						
Individual insurance	122	168.9	715,280	149.8	715,280	-
Individual annuities	138	123.2	775,888	137.8	775,888	-
Group insurance	-	-	-	-	-	-
Group annuities	-	-	-	-	-	-
Six months ended September 30, 2022						
Individual insurance	72	-	477,432	-	477,432	-
Individual annuities	112	-	563,230	-	563,230	-
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 2023, the global economy showed a decelerating trend amid continued monetary tightening in various countries, but it also has underlying strengths than expected, especially in the United States. Although the inflation rate has peaked out, it is expected that the way of control inflation is long journey and the period of monetary tightening is prolonged in many countries.

The Japanese economy continued to recover, supported by the normalization of economic activity, the acceleration of wage increases, and accommodative fiscal and monetary policies.

Amid these economic conditions, the operational environment was as follows.

[Domestic interest rates]

The yield on 10-year JGBs rose to the upper 0.7% range as The Bank of Japan; BOJ flexibly adjusted the range of fluctuation in its yield curve control policy.

Yield on ten-year government bonds:	April 1, 2023	0.320%
	September 30, 2023	0.765%

[U.S. Interest Rates and Foreign Currency]

Despite the strengthening view that the U.S. economy would slow down due to concerns over credit of regional banks in the country originating in the collapse of Silicon Valley Bank, the ten-year U.S. bond yield was on an upward trend due to the prevailing outlook that monetary tightening by the FRB would be prolonged against the backdrop of the steady U.S. economy. The dollar rose to around 150 yen per dollar as yen-selling and dollar-buying prevailed against the backdrop of the rising U.S. bond yield and differences in the direction of monetary policy between Japan and major advanced economies.

Yield on ten-year U.S. government bonds:	April 1, 2023	3.468 %
	September 30, 2023	4.571 %
yen/U.S. dollar:	April 1, 2023	¥133.53
	September 30, 2023	¥149.58

[Australian Interest Rates and Foreign Currency]

The ten-year Australian bond yield rose to the vicinity of 4.5% against the backdrop of the steady Australian economy and the upward-trending U.S. bond yield. As for the Australian dollar, although the yen depreciation progressed against the backdrop of differences in the direction of monetary policy between Japan and major advanced economies, there were heightened concerns over an economic slowdown in China, which the Australian economy is dependent on. As a result, depreciation of the yen against the Australian dollar progressed slowly compared to USD/JPY.

Yield on ten-year Australian government bonds:	April 1, 2023	3.297 %
	September 30, 2023	4.486 %
yen/Australian dollar:	April 1, 2023	¥89.69
	September 30, 2023	¥96.06

(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.

The Company also conducts transactions for the purpose of mitigating the guaranteed minimum assumed investment yield risk associated with fixed annuities (and other purposes).

(3) Investment Results

〈 Assets 〉

The Company invested primarily in yen-denominated bonds. Foreign-currency denominated insurance were invested in foreign-currency denominated bonds. The Company also made transactions for the purpose of mitigating the guaranteed minimum assumed investment yield risk associated with fixed annuities (and other purposes).

〈 Investment Income and Expenses 〉

Investment income was 617,224 million yen mainly due to foreign exchange gains (497,893 million yen), interest and dividends received (98,238 million yen), and derivative transaction gains (18,760 million yen). Investment expenses were 16,887 million due mainly to losses on sale of securities (16,339 million yen), other investment expenses (488 million yen), and losses on redemption of securities (57 million yen).

3. Investment Results of General Account

(1) Asset Composition

(millions of yen except percentages)

	As of March 31, 2023		As of September 30, 2023	
	Carrying value	%	Carrying value	%
Cash, deposits, and call loans	749,050	9.4	543,718	6.1
Securities repurchased under resale agreements	-	-	-	-
Deposit paid for securities borrowing transaction	-	-	-	-
Monetary claims bought	21,550	0.3	22,414	0.3
Trading account securities	-	-	-	-
Money held in trust	904,519	11.3	869,590	9.8
Securities	6,060,001	76.0	7,079,334	79.8
Domestic bonds	1,833,660	23.0	2,034,064	22.9
Domestic stocks	-	-	-	-
Foreign securities	4,114,497	51.6	4,917,570	55.4
Foreign bonds	4,114,497	51.6	4,917,570	55.4
Foreign stocks and other securities	-	-	-	-
Other securities	111,843	1.4	127,698	1.4
Loans	-	-	-	-
Real estate	737	0.0	711	0.0
Deferred tax assets	52,685	0.7	71,978	0.8
Others	184,087	2.3	283,777	3.2
Reserve for possible loan losses	(59)	(0.0)	(1)	(0.0)
Total	7,972,573	100.0	8,871,523	100.0
Foreign currency-denominated assets	4,337,627	54.4	5,113,433	57.6

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

(2) Changes (Increase/Decrease) in Assets

(millions of yen)

	Six months ended September 30, 2022	Six months ended September 30, 2023
Cash, deposits, and call loans	(176,224)	(205,332)
Securities repurchased under resale agreements	-	-
Deposit paid for securities borrowing transaction	-	-
Monetary claims bought	7,512	863
Trading account securities	-	-
Money held in trust	(93,947)	(34,928)
Securities	(320,013)	1,019,332
Domestic bonds	40,262	200,404
Domestic stocks	-	-
Foreign securities	(330,732)	803,072
Foreign bonds	(330,732)	803,072
Foreign stocks and other securities	-	-
Other securities	(29,542)	15,854
Loans	-	-
Real estate	(27)	(25)
Deferred tax assets	27,742	19,292
Others	(187,251)	99,690
Reserve for possible loan losses	(30)	57
Total	(742,240)	898,949
Foreign currency-denominated assets	(787,059)	775,805

(3) Investment Income

(millions of yen)

	Six months ended September 30, 2022	Six months ended September 30, 2023
Interest and dividends	92,930	98,238
Interest from bank deposits	413	1,403
Interest and dividends from securities	92,193	96,411
Interest from loans	-	-
Rental income	-	-
Other interest and dividends	324	423
Gains on trading account securities	-	-
Gains on money held in trust	-	1,076
Gains on investment in trading securities	-	-
Gains on sale of securities	13,495	1,186
Gains on sale of domestic bonds	11,962	1,122
Gains on sale of domestic stocks	-	-
Gains on sale of foreign securities	1,532	64
Others	-	-
Gains on redemption of securities	419	10
Derivative transaction gains	-	18,760
Foreign exchange gains	647,749	497,893
Reversal of reserve for possible loan losses	-	57
Other investment income	-	-
Total	754,595	617,224

(4) Investment Expenses

(millions of yen)

	Six months ended September 30, 2022	Six months ended September 30, 2023
Interest expenses	3	2
Losses on trading account securities	-	-
Losses on money held in trust	1,235	-
Losses on investment in trading securities	-	-
Losses on sale of securities	90,913	16,339
Losses on sale of domestic bonds	5,031	564
Losses on sale of domestic stocks	-	-
Losses on sale of foreign securities	85,881	15,774
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	304	57
Derivative transaction losses	32,541	-
Foreign exchange losses	-	-
Provision for reserve for possible loan losses	30	-
Write-down of loans	-	-
Depreciation of rented real estate and others	-	-
Other investment expenses	1,041	488
Total	126,070	16,887

(5) Valuation Gains and Losses on Trading Securities

(millions of yen)

	As of March 31, 2023		As of September 30, 2023	
	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	904,519	(2,256)	839,545	115

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, 2023					
Bonds held to maturity	-	-	-	-	-
Policy-reserve-matching bonds	4,988,265	4,509,418	(478,847)	8,784	487,632
Stocks of subsidiaries and affiliates	-	-	-	-	-
Securities available for sale	2,257,877	2,143,526	(114,350)	973	115,323
Domestic bonds	504,276	493,772	(10,503)	307	10,810
Domestic stocks	-	-	-	-	-
Foreign securities	1,570,048	1,469,596	(100,452)	657	101,110
Foreign bonds	1,570,048	1,469,596	(100,452)	657	101,110
Foreign stocks and other securities	-	-	-	-	-
Other securities	130,311	127,698	(2,612)	-	2,612
Monetary claims bought	23,203	22,414	(789)	-	789
Certificates of deposit	-	-	-	-	-
Others	30,036	30,044	8	8	-
Total	7,246,142	6,652,945	(593,197)	9,758	602,955
Domestic bonds	2,044,568	1,985,536	(59,032)	8,606	67,638
Domestic stocks	-	-	-	-	-
Foreign securities	5,018,022	4,487,251	(530,771)	1,143	531,914
Foreign bonds	5,018,022	4,487,251	(530,771)	1,143	531,914
Foreign stocks and other securities	-	-	-	-	-
Other securities	130,311	127,698	(2,612)	-	2,612
Monetary claims bought	23,203	22,414	(789)	-	789
Certificates of deposit	-	-	-	-	-
Others	30,036	30,044	8	8	-
As of March 31, 2023					
Bonds held to maturity	-	-	-	-	-
Policy-reserve-matching bonds	4,355,670	4,137,776	(217,893)	29,122	247,016
Stocks of subsidiaries and affiliates	-	-	-	-	-
Securities available for sale	1,786,466	1,725,882	(60,583)	4,211	64,795
Domestic bonds	429,092	422,997	(6,095)	643	6,738
Domestic stocks	-	-	-	-	-
Foreign securities	1,221,519	1,169,490	(52,028)	3,554	55,583
Foreign bonds	1,221,519	1,169,490	(52,028)	3,554	55,583
Foreign stocks and other securities	-	-	-	-	-
Other securities	113,812	111,843	(1,968)	13	1,981
Monetary claims bought	22,041	21,550	(491)	-	491
Certificates of deposit	-	-	-	-	-
Others	-	-	-	-	-
Total	6,142,136	5,863,658	(278,477)	33,334	311,811
Domestic bonds	1,839,755	1,821,640	(18,115)	21,150	39,266
Domestic stocks	-	-	-	-	-
Foreign securities	4,166,526	3,908,624	(257,902)	12,170	270,072
Foreign bonds	4,166,526	3,908,624	(257,902)	12,170	270,072
Foreign stocks and other securities	-	-	-	-	-
Other securities	113,812	111,843	(1,968)	13	1,981
Monetary claims bought	22,041	21,550	(491)	-	491
Certificates of deposit	-	-	-	-	-
Others	-	-	-	-	-

Note: 1. The table above includes assets which are considered appropriate to handle as securities as defined in the Financial Instruments and Exchange Law.

2. Of money held in trust, including for purposes other than trading securities, its book value and gain or loss as of September 30, 2023 were 30,036 million yen and 8 million yen respectively.

*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, 2023	869,590	869,590	1,076	8,323	7,246
As of March 31, 2023	904,519	904,519	(2,256)	1,857	4,113

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, 2023		As of September 30, 2023	
	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	904,519	(2,256)	839,545	115

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

(millions of yen)

	Book value	Fair value	Gains (losses)		
			Gains	Losses	
As of September 30, 2023					
Money held in trust for held-to-maturity purposes	-	-	-	-	-
Money held in trust for policy reserve matching	-	-	-	-	-
Other money held in trust	30,036	30,044	8	8	-
As of March 31, 2023					
Money held in trust for held-to-maturity purposes	-	-	-	-	-
Money held in trust for policy reserve matching	-	-	-	-	-
Other money held in trust	-	-	-	-	-

4. Unaudited Balance Sheet

(millions of yen)

	As of March 31, 2023 Summarized	As of September 30, 2023
	Amount	Amount
(ASSETS)		
Cash and deposits	758,582	549,171
Monetary claims bought	21,550	22,414
Money held in trust	904,519	869,590
Securities	6,714,344	7,588,855
[Government bonds]	[551,236]	[621,132]
[Local government bonds]	[46,413]	[51,266]
[Corporate bonds]	[1,236,011]	[1,361,665]
[Foreign securities]	[4,124,858]	[4,927,584]
Tangible fixed assets	1,152	1,090
Intangible fixed assets	16,370	16,347
Reinsurance receivables	43,046	100,423
Other assets	126,198	167,840
Deferred tax assets	52,685	71,978
Reserve for possible loan losses	(59)	(1)
Total assets	8,638,390	9,387,709

(millions of yen)

	As of March 31, 2023 Summarized	As of September 30, 2023
	Amount	Amount
(LIABILITIES)		
Policy reserves and others	7,650,331	8,462,550
Reserves for outstanding claims	29,529	32,081
Policy reserves	7,620,802	8,430,468
Reinsurance payable	498,907	447,522
Other liabilities	250,554	307,003
Corporate income tax payable	-	5
Lease liabilities	119	100
Other liabilities	250,434	306,896
Reserve for price fluctuations	42,094	45,194
Total liabilities	8,441,887	9,262,269
(NET ASSETS)		
Capital stock	117,500	117,500
Capital surplus	67,500	67,500
Legal capital surplus	67,500	67,500
Retained earnings	56,582	25,528
Retained Earnings Reserves	8,000	8,000
Other retained earnings	48,582	17,528
Retained earnings brought forward	48,582	17,528
Total shareholders' equity	241,582	210,528
Net unrealized gains on securities, net of tax	(45,080)	(85,087)
Total of valuation and translation adjustments	(45,080)	(85,087)
Total net assets	196,502	125,440
Total liabilities and net assets	8,638,390	9,387,709

5. Unaudited Statement of Earnings

(millions of yen)

	Six months ended September 30, 2022	Six months ended September 30, 2023
	Amount	Amount
ORDINARY REVENUES	2,515,517	2,217,777
Premium and other income	1,228,816	1,574,235
[Premium income]	[905,432]	[1,327,104]
Investment income	754,595	643,530
[Interest and dividends]	[92,930]	[98,238]
[Gains on money held in trust]	[-]	[1,076]
[Gains on sale of securities]	[13,495]	[1,186]
[Derivative transaction gains]	[-]	[18,760]
[Foreign exchange gains]	[647,749]	[497,893]
[Gains on investment in separate accounts]	[-]	[26,306]
Other ordinary revenues	532,106	12
[Reversal of policy reserve]	[531,429]	[-]
ORDINARY EXPENSES	2,526,929	2,256,405
Benefits and claims	2,321,247	1,369,289
[Claims]	[82,707]	[100,376]
[Annuities]	[80,240]	[231,896]
[Benefits]	[71,029]	[77,093]
[Surrender values]	[1,048,820]	[400,937]
[Other refunds]	[3,344]	[4,229]
[Ceding reinsurance commissions]	[1,035,104]	[554,757]
Provision for policy reserves and others	621	812,218
Provision for reserves for outstanding claims	621	2,552
Provision for policy reserve	-	809,665
Investment expenses	159,937	16,887
[Interest expenses]	[3]	[2]
[Losses on money held in trust]	[1,235]	[-]
[Losses on sale of securities]	[90,913]	[16,339]
[Derivative transaction losses]	[32,541]	[-]
[Losses on investment in separate accounts]	[33,867]	[-]
Operating expenses	37,734	47,912
Other ordinary expenses	7,388	10,096
ORDINARY LOSS	11,412	38,627
EXTRAORDINARY LOSSES	2,800	3,100
Loss before income taxes	14,212	41,728
Corporate income taxes - current	(1,743)	(5,139)
Corporate income taxes-deferred	(1,867)	(5,533)
Total of corporate income taxes	(3,610)	(10,673)
Net loss for the period	10,602	31,054

6. Unaudited Statement of Changes in Net Assets

Six months ended September 30, 2023

(millions of yen)

	Shareholders' equity					
	Capital stock	Capital surplus		Retained earnings		Total shareholders' equity
		Legal capital surplus	Retained Earnings Reserves	Other retained earnings	Total retained earnings	
				Retained earnings brought forward		
Balance at the beginning of the year	117,500	67,500	8,000	48,582	56,582	241,582
Changes for the period						
Net loss for the period				(31,054)	(31,054)	(31,054)
Net changes of items other than shareholders' equity						
Total changes for the period	-	-	-	(31,054)	(31,054)	(31,054)
Balance at the end of the period	117,500	67,500	8,000	17,528	25,528	210,528

	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	(45,080)	(45,080)	196,502
Changes for the period			
Net loss for the period			(31,054)
Net changes of items other than shareholders' equity	(40,007)	(40,007)	(40,007)
Total changes for the period	(40,007)	(40,007)	(71,061)
Balance at the end of the period	(85,087)	(85,087)	125,440

Six months ended September 30, 2022

(millions of yen)

	Shareholders' equity					
	Capital stock	Capital surplus		Retained earnings		Total shareholders' equity
		Legal capital surplus	Retained Earnings Reserves	Other retained earnings	Total retained earnings	
				Retained earnings brought forward		
Balance at the beginning of the year	117,500	67,500	-	90,084	90,084	275,084
Changes for the period						
Dividends			8,000	(48,000)	(40,000)	(40,000)
Net loss for the period				(10,602)	(10,602)	(10,602)
Net changes of items other than shareholders' equity						
Total changes for the period	-	-	8,000	(58,602)	(50,602)	(50,602)
Balance at the end of the period	117,500	67,500	8,000	31,482	39,482	224,482

	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	(9,033)	(9,033)	266,050
Changes for the period			
Dividends			(40,000)
Net loss for the period			(10,602)
Net changes of items other than shareholders' equity	(75,235)	(75,235)	(75,235)
Total changes for the period	(75,235)	(75,235)	(125,838)
Balance at the end of the period	(84,269)	(84,269)	140,212

- 1 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.
- 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)with the exception of certain types and policies.
- 3 Derivative transactions (including those attributable to money held in trust) 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 on the assessment results.
- 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 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.

- 11 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	22,414	22,414	-
(2) Money held in trust	869,590	869,590	-
(a) Money held in trust for investment purposes	839,545	839,545	-
(b) Money held in trust for other purposes	30,044	30,044	-
(3) Securities	7,588,855	7,110,008	(478,847)
(a) Trading securities	509,521	509,521	-
(b) Policy-reserve-matching bonds	4,988,265	4,509,418	(478,847)
(c) Other securities	2,091,068	2,091,068	-
Assets total	8,480,859	8,002,012	(478,847)
Derivative transactions			
(a) Derivative transactions to which hedge accounting is not applied	50,440	50,440	-
Derivative transactions total	50,440	50,440	-

(*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.

- 12 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	-	-	22,414	22,414
Money held in trust				
Investment purposes	648,674	190,871	-	839,545
Other purposes	-	30,044	-	30,044
Securities				
Trading securities	-	509,521	-	509,521
Other securities				
Government bonds	37,127	-	-	37,127
Local government bonds	-	15,091	-	15,091
Corporate bonds	-	441,554	-	441,554
Foreign public and corporate bonds	54,311	1,404,787	10,497	1,469,596
Other securities	-	127,698	-	127,698
Derivative transactions				
Currency-related	-	65,528	-	65,528
Others	-	213	-	213
Assets total	740,113	2,785,310	32,911	3,558,335
Derivative transactions				
Currency-related	-	13,416	-	13,416
Interest-related	-	1,884	-	1,884
Total liabilities	-	15,300	-	15,300

(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				
Government bonds	579,116	-	-	579,116
Local government bonds	-	34,971	-	34,971
Corporate bonds	-	877,675	-	877,675
Foreign public and corporate bonds	261,658	2,752,723	3,273	3,017,655
Assets total	840,774	3,665,369	3,273	4,509,418

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, 2023
		Recorded under profit (losses) *	Recorded under net unrealized gains (losses) on securities, net of tax		
Monetary claims bought	21,550	-	(298)	1,162	22,414
Securities					
Other securities					
Foreign public and corporate bonds	4,815	635	(156)	5,204	10,497

*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.

13 Securities lent under lending agreements are included in the balance sheet. The total balance of securities lent as of September 30, 2023 is 444,218 million yen.

14 Assets in separate accounts, as defined by Article 118 of the Insurance Business Act, total 516,207 million yen. Liabilities in separate accounts, total the same amount.

- 15 The amount of assets pledged as collateral is securities of 155,383 million yen, the amounts of secured liabilities are 127,894 million yen.
- 16 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 153,305 million yen. None of these assets are re-pledged as collateral.
- 17 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 365 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 2,754,132 million yen.
- 18 As of September 30, 2023, undepreciated balance of the fee of the reinsurance contract, which is defined in announcement No.50, 1-5, Ministry of Finance, 1996, is 11,638 million yen.

Notes to the Unaudited Statement of Earnings for the six months ended September 30, 2023

- 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 1,122 million yen and 64 million yen, respectively.
- 3 Losses on sale of securities included losses on sales of domestic bonds and foreign securities of 564 million yen and 15,774 million yen, respectively.
- 4 In calculating the reversal of reserve for outstanding claims, 47 million yen was deducted from the reversal of reserve for outstanding claims reinsured. In calculating the reversal of policy reserves, 512,947 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 :	1,403million yen
Interest and dividends from securities :	96,411 million yen
Other interest and dividends :	423 million yen
Total :	98,238 million yen
- 6 Net gain per share for the six months ended September 30, 2023 was 16,786,161.93 yen.
- 7 Benefits and claims includes the decrease of 3,856 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 Statement of Changes in Net Assets for the six months ended September 30, 2023

- 1 Number of outstanding shares by class

(shares)

	No. shares as of April 1, 2023	Increase in number of shares	Decrease in number of shares	No. shares as of September 30, 2023
Outstanding shares Common stock	1,850	-	-	1,850

7. Breakdown of Ordinary Profit (Fundamental Profit)

(millions of yen)

	Six months ended September 30, 2022	Six months ended September 30, 2023
Fundamental revenues	2,523,011	2,236,776
Premium and other income	1,228,816	1,574,235
Investment income	93,350	124,612
[Interest and dividends]	92,930	98,238
Other ordinary revenues	537,419	12
Other fundamental revenues (a)	663,425	537,916
Fundamental expenses	2,520,187	2,255,575
Benefits and claims	2,321,247	1,369,289
Provision for policy reserves and others	-	792,993
Investment expenses	35,245	548
Operating expenses	37,734	47,912
Other ordinary expenses	7,388	10,096
Other fundamental expenses (b)	118,570	34,734
Fundamental profit (loss) A	2,824	(18,798)
Capital gains	751,481	553,651
Gains on money held in trust	-	1,076
Gains on investments in trading securities	-	-
Gains on sale of securities	13,495	1,186
Derivative transaction gains	-	18,760
Foreign exchange gains	647,749	497,893
Others (c)	90,236	34,734
Capital losses	786,159	554,256
Losses on money held in trust	1,235	-
Losses on investments in trading securities	-	-
Losses on sale of securities	90,913	16,339
Losses on valuation of securities	-	-
Derivative transaction losses	32,541	-
Foreign exchange losses	-	-
Others (d)	661,469	537,916
Net capital gains (losses) B	(34,678)	(604)
Fundamental profit plus net capital gains (losses) A + B	(31,854)	(19,403)
Other one-time gains	28,333	0
Reinsurance income	-	-
Reversal of contingency reserve	-	-
Reversal of specific reserve for possible loan losses	-	0
Others(e)	28,333	-
Other one-time losses	7,892	19,224
Ceding reinsurance commissions	-	-
Provision for contingency reserve	5,935	19,224
Provision for specific reserve for possible loan losses	1	-
Provision for specific reserve for loans to refinancing countries	-	-
Write-down of loans	-	-
Others (f)	1,955	-
Other one-time profits (losses) C	20,441	(19,224)
Ordinary profit (loss) A + B + C	(11,412)	(38,627)

(Reference)

Breakdown of other fundamental revenues, etc.

(millions of yen)

	Six months ended September 30, 2022	Six months ended September 30, 2023
Other fundamental revenues (a)	663,425	537,916
Gains and losses from cancellation of mutual funds	669	-
Impact from market rate fluctuations of foreign exchange on foreign-currency denominated insurance policies	651,993	528,948
Interest received and/or paid related to currency swap and interest rate swap contracts covering foreign-currency denominated insurance policies	8,807	8,968
Amount of Reinsurance Premium for Cancellation of Existing Reinsurance	1,955	-
Other fundamental expenses (b)	118,570	34,734
Forex hedge cost	454	1,473
Gains and losses from cancellation of mutual funds	3	-
Profit and loss associated with ceding reinsurance of the outstanding contracts	28,333	-
Impact from increase or decrease in surrender values in accordance with Market Value Adjustment (MVA)	85,732	31,344
Impact from assets held in money trusts and others related to reinsurance dealings	4,045	1,915
The impact on fundamental profit (a) - (b)	544,854	503,182
Other capital gains (c)	90,236	34,734
Forex hedge cost	454	1,473
Gains and losses from cancellation of mutual funds	3	-
Impact from increase or decrease in surrender values in accordance with Market Value Adjustment (MVA)	85,732	31,344
Impact from assets held in money trusts and others related to reinsurance dealings	4,045	1,915
Other capital losses (d)	661,469	537,916
Gains and losses from cancellation of mutual funds	669	-
Impact from market rate fluctuations of foreign exchange on foreign-currency denominated insurance policies	651,993	528,948
Interest received and/or paid related to currency swap and interest rate swap contracts covering foreign-currency denominated insurance policies	8,807	8,968
The impact on net capital gains (losses) (c) - (d)	(571,232)	(503,182)
Other one-time gains (e)	28,333	-
Profit and loss associated with ceding reinsurance of the outstanding contracts	28,333	-
Other one-time losses (f)	1,955	-
Amount of Reinsurance Premium for Cancellation of Existing Reinsurance	1,955	-
The impact other one-time profits (losses) (e) - (f)	26,378	-

8. Status of loans pursuant to the Insurance Business Act

(millions of yen except percentages)

	As of March 31, 2023	As of September 30, 2023
Claims against bankrupt and quasi-bankrupt obligors	-	-
Claims with collection risk	-	-
Three-month delinquent loans	-	-
Restructured loans	-	-
Subtotal	-	-
[Percentage]	[-]	[-]
Claims against normal obligors	508,207	444,309
Total	508,207	444,309

- 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 (excluding the loans mentioned in note 1).
3. Three-month delinquent loans are those loans for which either repayments of the principal or interest payments have not been made for more than three months since the day after the agreed payment date (this excludes the loans mentioned in notes 1 and 2).
4. Restructured loans are those loans for which the terms and conditions have been modified in a way that is favorable to the borrower (including interest reductions or exemptions, grace periods for interest payments, grace periods for principal repayments, or the waiving of loan repayments), with the aim of supporting the borrower or facilitating their rehabilitation (this excludes the loans mentioned in notes 1, 2, and 3)
5. Normal loans are loans made to borrowers who have no particular issues with their financial position and business performance, and include all loans other than those mentioned in notes 1, 2, 3, and 4.

9. Solvency Margin Ratio

(millions of yen)

	As of March 31, 2023	As of September 30, 2023
Total solvency margin (A)	465,567	421,429
Common stock, etc	241,582	210,528
Reserve for price fluctuations	42,094	45,194
Contingency reserve	99,497	118,722
General reserve for possible loan losses	57	-
(Net unrealized gains (losses) on securities (before tax) and deferred hedge gains (losses) (before tax)) × 90% *	(60,583)	(114,350)
Net unrealized gains (losses) on real estate × 85% *	-	-
Policy reserves in excess of surrender values	124,026	154,518
Qualifying subordinated debt	-	-
Excluded portion of policy reserves in excess of surrender values and qualifying subordinated debt	-	-
Excluded items	-	-
Others	18,893	6,816
Total Risk $\sqrt{(R_1 + R_8)^2 + (R_2 + R_3 + R_7)^2} + R_4$ (B)	211,351	253,835
Insurance risk R_1	216	305
3rd sector insurance risk R_8	6	24
Assumed investment yield risk R_2	51,232	72,025
Guaranteed minimum benefit risk R_7	1,898	750
Investment risk R_3	154,071	176,075
Business risk R_4	4,148	4,983
Solvency margin ratio $\frac{(A)}{(1/2) \times (B)} \times 100$	440.5%	332.0%

* Multiplied by 100% if losses.

- Notes:
- The figures as of March 31, 2023 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, 2023 are calculated by using the method which is deemed appropriate taking the regulations and announcement above into account.
 - Common stock, etc. excludes the expected disbursements from capital outside the Company and valuation and translation adjustments.
 - Guaranteed minimum benefit risk is calculated by the standard method.

10. Separate Account Status

(1) Separate Account Assets by Product

(millions of yen)

	As of March 31, 2023	As of September 30, 2023
Individual variable insurance	14,099	14,751
Individual variable annuities	651,717	501,455
Group annuities	-	-
Separate account total	665,816	516,207

(2) Policies in Force

A. Individual Variable Insurance

(millions of yen except number of policies)

	As of March 31, 2023		As of September 30, 2023	
	Number of policies (thousands)	Amount	Number of policies (thousands)	Amount
Variable insurance (defined term type)	-	-	-	-
Variable insurance (whole life type)	32	285,619	30	278,599
Total	32	285,619	30	278,599

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, 2023		As of September 30, 2023	
	Number of policies	Amount	Number of policies	Amount
Individual variable annuities	297	1,570,738	240	1,274,619

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.

11. Consolidated Financial Summary

Not applicable.