ANNUAL REPORT 2023

HelloKitty

YEAR ENDED MARCH 31, 2023

FUKOKU MUTUAL LIFE
INSURANCE COMPANY

Management Philosophy of Fukoku Life

Management Philosophy

Fukoku Life will continue adhering to its original management philosophy of protecting the interests of policyholders and contributing to society. In addition, we will continue to help our employees achieve personal fulfillment.

- Protecting the interests of our policyholders
- Contributing to society
- Helping our employees achieve personal fulfillment

Customer-centered Values

First & Fast

Values

Customer-centered Values

Applying customer-centered values means that all executives and employees of Fukoku Mutual Life Insurance Company consistently adopt customer perspectives while creating and rendering distinctive services and experiences that provide our customers with a true sense of security.

We will continue to view customer-centered values as the springhead for all of our most critical corporate activities.

Code of Conduct

Our Customers

- **Consistently apply customer-centered values**
- **Always act in an honorable and upright manner**

Our Communities

- **Continue to emphasize the importance of life insurance**
- **Facilitate the achievement of a brighter future**

Our Employees

- **Remain willing to act without fear of failure**
- **Respect each other and pursue growth as a team**

Business Policies

Further strengthen our management base and provide our customers with stability and security

Fukoku Life will increase the size of its customer base and secure a stable business foundation through enhancement of its consulting capabilities while building a strong financial base through the establishment of a beneficial and self-perpetuating cycle consisting of capital enhancement, appropriate risk-taking, and improvement of returns.

Contribute to the realization of a sustainable society as a mutual company engaged in the life insurance business

A sustainable society is an essential cornerstone for the fulfillment of long-term promises associated with life insurance. Together with its customers, its employees, and the regions and communities it serves, Fukoku Life remains committed to facilitating the achievement of a sustainable society.

Increase employee job satisfaction through human resource development based on customer-centered values

Fukoku Life is committed to enhancing the job satisfaction of its employees by developing human resources capable of applying customer-centered values and establishing environments that encourage them to take on new challenges.

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Message from the President

Fukoku Life's policyholder-oriented founding principles inform its management philosophy of protecting our policyholders' interests, as well as customer-centered values.

The Company's mutual corporate management is applied in pursuit of a concept it calls THE MUTUAL, the same mutual as is used in mutual companies and mutual aid, in reference to the next generation of mutual assistance it provides.

Fukoku Life is the only company in Japan that has maintained a mutual company structure since its establishment.

Approaching our centennial

Founded in 1923 as a mutual company based on policyholder-oriented values, Fukoku Life will celebrate its 100th anniversary on November 22.

Yoshiteru Yoshida, our second president and effectively the Company founder, insisted on the mutual company format. He was committed to the belief that the ethos underlying insurance is based on mutual support provided by policyholders, who form insurance organizations and help each other. He viewed mutual companies as policyholder-centered enterprises, born from a spirit of mutual support.

Fukoku Life is the only company in Japan that has maintained a mutual company structure since its establishment, and underlying this are our founder's genuine feelings concerning mutual companies. Our founding policyholder-oriented principles have been passed down through our management philosophy, which requires that we protect the interests of our policyholders, and our customer-centered values.

Mutual company insurance business

Yoshida insisted that the Company have a mutual structure, to ensure that management would be policyholder oriented. After all, business at a mutual insurance company—which has no shareholders—is that of its policyholders, who are company members: both users (customers) and constituents of the company (company members).

Since a company member is a colleague, or a member of a cooperative, we can be said to do little more than run our business on behalf of our policyholders.

Life insurance is a highly public business that is closely linked to people's lives. Article 1 of the Insurance Business Act refers to the public nature of the insurance business, meaning that policyholders are to be protected.

Given that our management philosophy stipulates the need to protect the interests of our policyholders, we see the mutual company structure as being the best format. Life insurance guarantees customers' contracts for a very long time, while mutual company management concentrates on the interests of long-term policyholders.

We believe that our most important responsibility as an insurance company is to ensure the reliable payment of claims, no matter when. At the same time, being a mutual company, we consider our mission to be providing customers with reductions in insurance premiums by increasing dividend payouts.

Essence of life insurance

We distribute to all executives and employees a booklet we have compiled, titled "Our Founding Spirit," that summarizes Yoshida's thoughts and belief. It is used in training, and I myself reread it from time to time. As we approach our 100th anniversary, we are working to ensure that the founding philosophy of our starting point continues to be reflected in our business operations.

Life insurance differs from other financial products in that it involves not only money, but also life. For this reason, I find that Yoshida's words in the booklet—"Insurance gives policyholders and their families mental and financial well-being and benefits"—resonate with me. By preparing policy holders for emergencies, insurance provides peace of mind, which is the foundation of well-being. So when emergencies do occur, financial hardship is not inflicted on top of tragedy.

In addition to delivering economic benefits through the payment of insurance claims and benefits, customer advisors pay close attention to what customers say. It may sound presumptuous, but I believe that by doing so, as a company, we can be a source of emotional support.

Because the business of life insurance touches on human subtleties, we generally insist on face-to-face communication. However, during the COVID-19 pandemic, we responded flexibly to customer requests. For those that did not require face-to-face meetings, we used IT and other digital solutions. In fact, the pandemic helped remind us of the value of face-to-face contact between people.

Unwavering core values

I believe that we are able to celebrate our centennial precisely because of our Company's core values: our founding principles, management philosophy, commitment to the mutual company format, and face-to-face interaction.

Since 2018, we have been working on the centenary project, based on our concept of THE MUTUAL, which will continue to evolve over the coming years based on empathy, connection, and mutual support. The concept embodies our aim to become an enterprise representing true mutual aid, by deepening our connection to, and support for, all our stakeholders.

An easy-to-understand expression of THE MUTUAL is our new corporate message, entitled "From Person to Person" that was released in January. It denotes our power of connection to serve our customers and local communities. As a mutual company, we play a role in connecting people who help each other. For people to connect, empathy is necessary, but it requires face-to-face interaction. Empathy leads to trust, and trust to peace of mind, for which the sustainability of our Company is essential if it is to continue protecting our customers.

We are committed to the soundness of our Company in order to cause our customers no inconvenience, as was said by our fourth president, Jiro Satake who, in 1951, emphasized the need to "Valuing quality over quantity." Based on sound management principles, he aimed at management that emphasizes quality over scale. This is the essence of the life insurance business, and it is the DNA that has been consistently passed down through the core of our management.

I believe that the execution of this management philosophy has resulted in exceptional soundness and enhanced dividend payments. We will continue to work to further strengthen our capital, so as to maintain financial soundness regardless of the operating environment.

Keeping promises to our customers

Life insurance is a covenant that extends beyond a single lifetime to include subsequent generations, making it a never-ending endeavor. Just as we have for the past 100 years, we aim to maintain sound management for the next 100 years, while continuing to be a Company that fulfills its promises to its customers, even in the face of major disasters or economic crises. To that end, we must maintain unwavering core values. While we live in an era of upheaval, it is also important to adapt to changes by making fine-tuned adjustments.

COVID-19 Response

When it comes to sales activities, we have taken it as our mission to stand by our customers and continue to provide life insurance during the COVID-19 pandemic. Sales have been conducted using digital tools and, for the convenience of our customers, we have been communicating via LINE WORKS (the business version of the LINE app), sending insurance policy illustrations electronically, and holding consultations online.

In addition, by combining this with mail-in paperwork, we have been handling procedures, from insurance proposals to applications, without face-to-face meetings. From now on, our sales activities will combine digital and conventional methods, so that we can stand by our customers and respond flexibly to their requests.

In terms of customer service, we have been working to alleviate customer concerns by providing detailed information and guidance regarding initiatives related to COVID-19. Specifically, we have simplified procedures for insurance claims, benefits, and policyholder loans.

Regarding the payment of insurance claims and benefits for policies with additional disaster riders, we have expanded eligibility for additional disaster insurance claims and accidental death benefits, in the event of severe disability or death due to COVID-19.

Further, we have paid hospital and other benefits when the deemed hospitalization arrangement applied to patients who, recuperating at home, were considered to have the same status as individuals who had been hospitalized and, thus, were entitled to benefit payments.

Because of the significant increase in claims for benefits following the sixth wave of the pandemic, there were some delays in payments. But, by December, the delays were resolved once we had increased our payment department staff and augmented our payment systems.

However, as of this writing, we have ended our handling of hospital benefits for those to whom the deemed hospitalization arrangement had applied. This we have done based on the government's May 8 decision, effective the same day, to change the status of COVID-19 under the Infectious Diseases Act to a Category 5 Infectious Disease.

FY2022 Financial Results

In spite of the severe business environment due to the pandemic, combined annualized premiums from new policies for Fukoku Life and Fukokushinrai Life Insurance Company exceeded the pre-COVID fiscal 2019 level. Premium income (an insurance company's sales) for the two companies increased 20.3% year on year to ¥760.6 billion, also exceeding pre-pandemic levels.

With regard to asset management, the interest, dividends, and other income generated through Fukoku Life increased again year on year,* reaching a record high for the fifth consecutive year.

The total fundamental profit (the standard measure of an insurance company's profitability) for Fukoku Life and Fukokushinrai Life fell 34.8% year on year to ¥48.8 billion, but our soundness remains intact. Our consolidated solvency margin ratio, an indicator of soundness, remained high at 1,171.9%. Hence, in accordance with the expectations of our policyholders, we raised dividends for policyholders of individual insurance policies, achieving an 11th consecutive year of dividend increase for holders of such policies

Since life insurance involves a spirit of mutual assistance, insurance premiums received from policyholders are provided as insurance payouts to customers who need them. In fiscal 2022, along with Fukokushinrai Life, we paid out a total of ¥582.6 billion in insurance claims, annuities, and benefits.

* Based on comparable adjusted figures excluding the impact of a partial change in the method of recording interest in FY2022.

Medium-term management plan

To draw closer to our long-term management vision of generating greater customer satisfaction than any other life insurance company, the key themes of our medium-term management plan (fiscal 2022–2024) are laying the groundwork for business transformation and adopting initiatives aimed at resolving increasingly diverse social issues.

By promoting these themes, we are striving to build a virtuous cycle for sustainable growth that links improvement in employee satisfaction with growth in customer satisfaction.

Specifically, we are promoting action plans formulated across the organization for each initiative theme, and we have generally been making progress on schedule. Aiming to boost customer satisfaction, each branch office is working to improve continuation rates as well as lapses and surrenders, and to enhance after-sales service.

We have adopted a plan to use our customers' word-of-mouth recommendation of our services to others as an indicator of progress in building a virtuous cycle for sustainable growth. In our policyholder survey, nearly all customers who responded that they were very satisfied with our company indicated that they were willing to recommend Fukoku Life to family and friends. Yet, although the fiscal 2022 indicator for having insurance coverage by us recommended to others did improve year on year, we nevertheless will continue striving to make even more customers feel very satisfied.

People: the bottom line

Given our strong financial base and exceptional soundness, Fukoku Life tends to be perceived as being overly cautious. But, in fact, we are an entity with a history of undertaking bold challenges. This is illustrated by our track record of differentiation, including the development of a number of industry-first products.

As we look to reflect the changing times by creating new value, products, and services over the coming years, we ask our employees to undertake their daily work while remaining steadfast to our core policyholder-oriented and mutual company values.

I also head our Human Resources Development Headquarters, and follow Fukoku Life's approach to human resource development by encouraging spontaneity, creativity, and altruism among our employees.

Humans are more than just brains; the brain and the body must work together. Information may be transmitted by the brain alone, but genuine emotions cannot be transmitted without the body. Therefore, true knowledge (comprising information and emotions) cannot be transmitted remotely, because there is no physical synchronization of emotions from person to person. Synchronization between people means empathy. Physical synchronization of emotions occurs only in real—rather than virtual—face-to-face interaction. In other words, empathy is mutually generated. This has been scientifically proven by measuring blood flow in the brain during remote and face-to-face interactions.

Because face-to-face contact is essential in the life insurance business, it is crucial to always try to create opportunities for this. Since 2011, we have held roundtable meetings for two-way dialogue with our staff and, as of the end of March 2023, we have held a total of 318 such meetings with 2,339 participants. It is a true joy to spend time with employees from a range of workplaces, and of different ages and genders, and to witness the birth of empathy through dialogue.

In fiscal 2022, in response to employee requests, we introduced open application round-table meetings with officers (including external officers). Reflecting the increase in the number of participants, their posts about their impressions have multiplied on our company's social media sites.

But since for meetings to be of benefit, the atmosphere must be open and relaxed, we have taken the stance of acknowledging each other's individuality, as well as believing and trusting each other. We aim to attain a servant leadership style, in which leaders prioritize serving the greater good of the Company. In this way they can encourage employees with a variety of abilities to step up and play an active role, as well as to take independent action and support each employee's aspirations. I believe that it is only with such a foundation we can create new value. Looking ahead to the coming years, we will continue to make company-wide efforts to create opportunities and cultivate human resources.

Yoshiteru Yoneyama
President

Fukoku Life's Value Creation Process

Sources of Value Creation

Our founding spirit

Commitment to a policyholder-oriented approach

The only company that has maintained a mutual company structure since its founding

Motto (company motto and company DNA)

Valuing quality over quantity

Management philosophy

Protecting the interests of our policyholders

Contributing to society

Helping our employees achieve personal fulfillment

Values

Customer-Centered Value

Human resource development

Spontaneity, creativity, and altruism

Management Base

Financial capital

Strong financial base

- Solvency margin ratio: 1,133.8%*
- Capital ratio: 13.80%*

Social capital

Stability and security for customers

- Number of policies in force: 3.7 million*
- Insurance claims, annuities, and benefits provided: ¥429.9 billion**

Human capital

Human resources who apply customer-centered values

- Number of sales representatives: 9,573*
- Number of office-based personnel: 2,863*

Intellectual capital

Distinctive, quality-driven management

- Industry-leading product development
- Dynamic asset management that draws on unique perspectives

Management under a Mutual Company System:

Business Policies

- Further strengthen our management base and provide customers with stability and security
- Contribute to the realization of a sustainable society as a mutual company engaged in the life insurance business

Long-term Management Vision

Management strategy Target differentiation in all business areas

Medium-term Management Plan (Fiscal 2022–2024)

Initiatives targeting the resolution of increasingly diverse social issues

1. Strengthen capacity to provide self-help consulting by integrating face-to-face and digital approaches.
2. Bolster our ties with Generation Z, which includes society's future leaders.
3. Provide stability and security for working women, senior citizens.
4. Promote Groupwide efforts to resolve local issues.
5. Fulfill stakeholder expectations through sustainability-oriented initiatives.

Further strengthen our management base

* As of March 31, 2023
** For the fiscal year ended March 31, 2023

Pursuing Ultra-Long-Term Sustainability

■ Increase employee job satisfaction through human resource development based on customer-centered values

Be the top life insurance company in terms of customer satisfaction

Building a virtuous cycle for sustainable growth

Value Created Jointly with Stakeholders

Partnerships with stakeholders

Customers

Sound management of our life insurance business

Offer coverage through our life insurance business

Community and Society

Promote ESG investment and financing

Address climate change and other environmental issues

Employees

Promote health management, work style reforms

Address human rights and diversity

Achievement of Steadfast and Sustainable Societies

Medium-term Management Plan (Fiscal 2022–2024)

Role of Plan in Management Philosophy

Our Medium-term Management Plan outlines initiatives we will implement over the next three years, as we aim to draw closer to our long-term management vision of being the top life insurance company in terms of customer satisfaction.

Management Philosophy

- Protecting the interests of our policyholders
- Contributing to society
- Helping our employees achieve personal fulfillment

Values

Customer-centered Values
First & Fast

Business Policies

- Further strengthen our management base and provide our customers with stability and security
- Contribute to the realization of a sustainable society as a mutual company engaged in the life insurance business
- Increase employee job satisfaction through human resource development based on customer-centered values

Long-term Management Vision

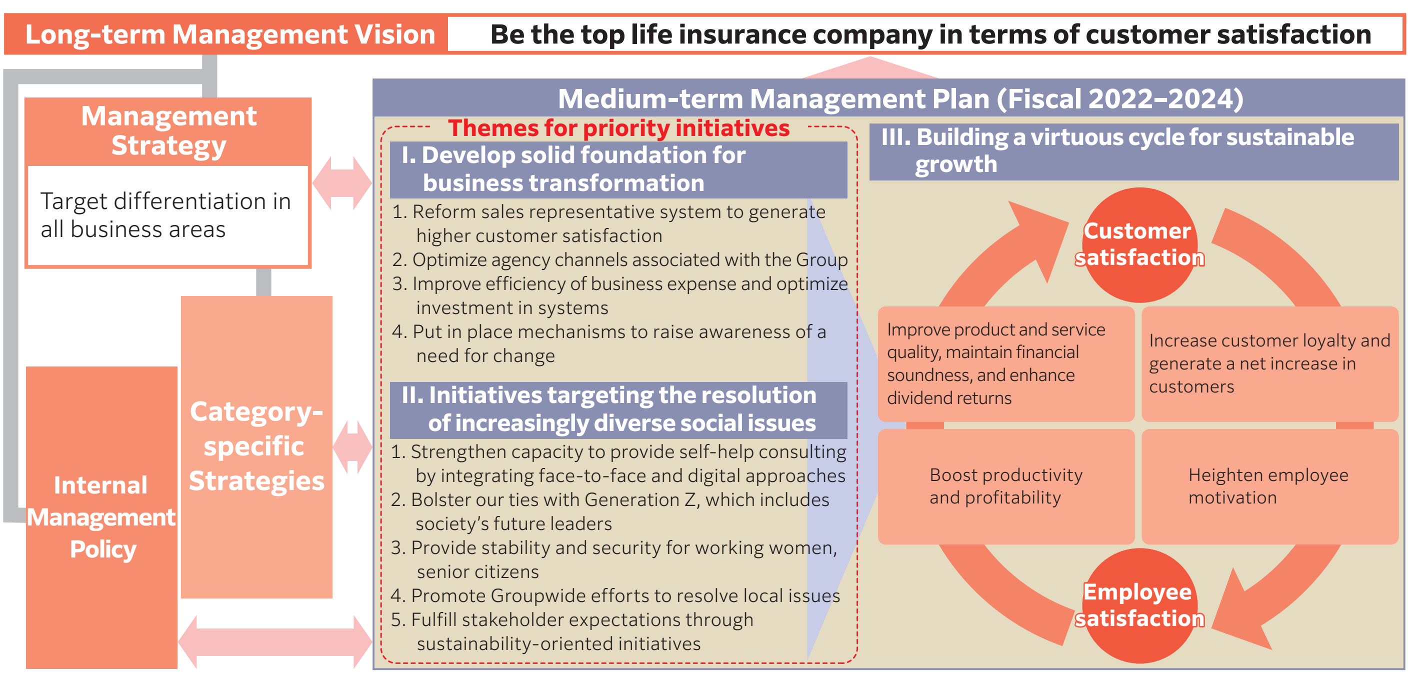
Be the top life insurance company in terms of customer satisfaction

Management Strategy

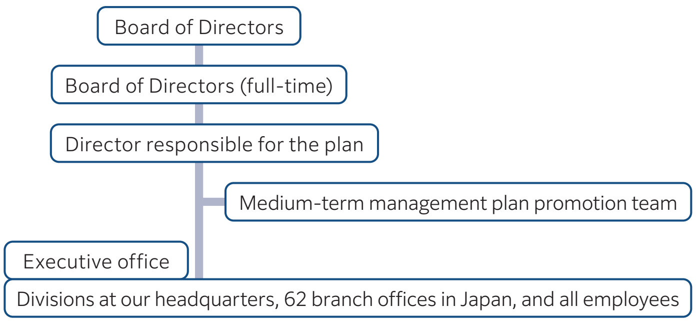
Target differentiation in all business areas

Overview of Current Plan

Our medium-term management plan will focus on two priorities: setting up a solid foundation for business transformation, and resolving increasingly diverse social issues. Through related efforts, we will aim to achieve a perpetual, positive cycle of sustainable growth. As we pursue our vision, we hope to set in motion a cycle through which growth in employee satisfaction generates improvement in customer satisfaction.



Framework for Plan's Implementation



Medium-term Management Plan Promotion Team
We have formed a cross-departmental project team that, under the leadership of the general manager of the Priority Theme Administration Division, will ensure the effective implementation PDCA cycles when managing initiatives associated with these priority themes.

Divisions at our headquarters
We will implement the action plans established for each department.

Sixty-two branch offices in Japan (Branch Office Medium-term Management Plan Committee)
Through monthly meetings of the Branch Office Medium-term Management Plan Committee, we will seek to enhance the quality of our services by attaining improved customer-centered indicators.

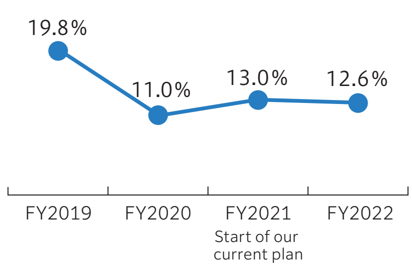
Customer-Centered Action at Headquarters Departments and 62 Branches Nationwide

We implement customer-centered action aimed encouraging realization and awareness so that we can act with customer-oriented values. These endeavors include training centered on discussions for all employees in each department.

We have carried these activities since fiscal 2013, and we will continue to implement them so as to improve employee satisfaction through our business policy of increase employee job satisfaction through human resource development based on customer-centered values, which in turn leads to improved customer satisfaction.

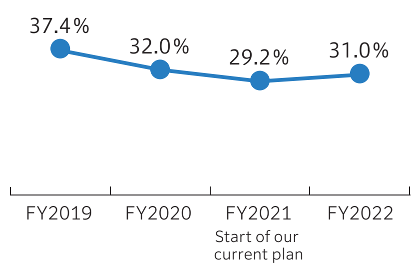
Indicators of Progress in Setting Up a Virtuous Cycle for Sustainable Growth

Indicator One: Customer Satisfaction*



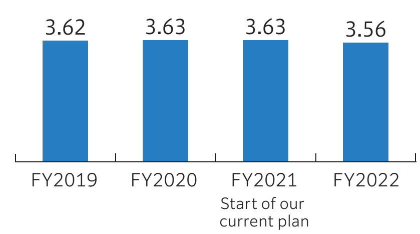
* Percentage of customers who responded "very satisfied" (the highest level of satisfaction out of a total of seven options) to the question, "How satisfied are you with Fukoku Life overall?" in our policyholder survey

Indicator Two: Plan to Recommend Coverage to Others*



* Percentage of customers who answered "yes, I would strongly recommend" or "yes, I would recommend" (the top two choices out of a total of seven) in response to the policyholder survey question "Would you recommend insurance from Fukoku Life to others?"

Indicator Three: Employee Satisfaction*



* Average point total generated by responses to the question "Are you satisfied with your work at Fukoku Mutual Life Insurance Company?" in our staff attitude survey. The possible responses were "yes, very satisfied" (five points), "somewhat satisfied" (four points), "neither satisfied nor dissatisfied" (three points), "somewhat dissatisfied" (two points), and "not at all satisfied" (one point).

Looking back on fiscal 2022

In the first year of the medium-term management plan (fiscal 2022–2024), we implemented initiatives such as action plans in each division of our head office and improvement of service quality at our 62 nationwide branch offices.

When it comes to the status of indicators for confirming whether such efforts are leading to the building of a virtuous cycle for sustainable growth, compared to the start of the medium-term management plan, although confirmation indicator two: plan to recommend Coverage to others has increased, indicators one: customer satisfaction, indicator three: employee satisfaction, have decreased.

We believed that the impacts of the seventh and eighth waves of the COVID-19 pandemic have affected our performance both directly and indirectly. That said, we take these outcomes seriously, and we will consider effective measures by adding and modifies action plans through the PDCA cycle of the medium-term management plan promotion team, such as discussing ways to respond going forward.

Management As a Mutual Company —Pursuing Ultra-Long-Term Sustainability—

Approach to Sustainability

Fukoku Life is the only company in Japan that has maintained a mutual company structure since its establishment.

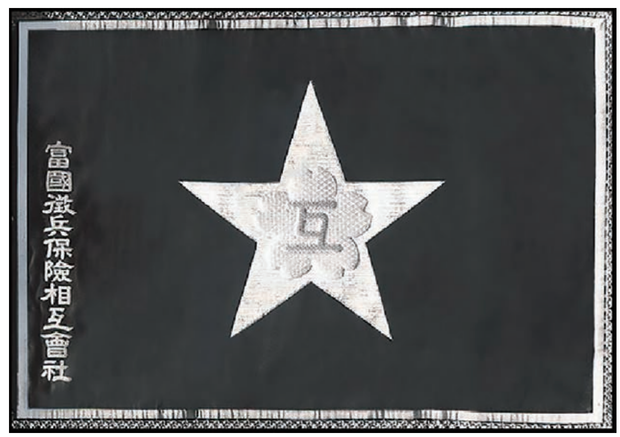
Based on a desire to build a policyholder-oriented company, Yoshiteru Yoshida, the second president and effectively the founder of Fukoku Life, insisted on that structure. Yoshida was committed to the idea in the belief that the ethos underlying insurance is based on mutual support provided by policyholders who form insurance organizations and help each other. Yoshida viewed mutual companies as policyholder-centered organizations, born from a spirit of mutual support.

Our life insurance business, which has a highly public nature and is closely connected to people’s lives, is predicated on ultra-long-term sustainability. We believe a mutual company structure is optimal for life insurance companies, since it involves no shareholders and allows such levels of growth to be sought as will best benefit and protect customers.

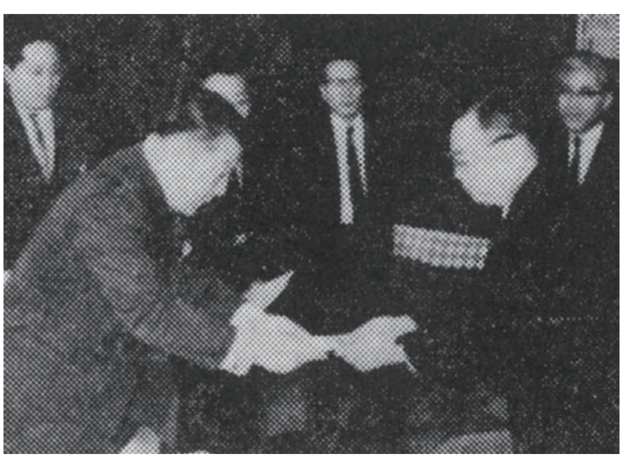
Life insurance business, which involves lifelong and multigenerational commitment to our customers, is a never-ending endeavor. To ensure that we can fulfill our obligations in perpetuity, we must achieve sustainable growth and ensure ongoing viability.

Sustainable society being a necessary prerequisite for achieving our goals, we view corporate activities aimed at attaining such a society as indispensable. Accordingly, we strive to help secure a sustainable society through each of our mutual support-based corporate activities.

Yoshiteru Yoshida, Fukoku Life’s second president



The Company’s flag at the time of its establishment. To indicate the company’s status as a mutual organization, a Japanese character meaning mutual was embroidered in the center of the flag.

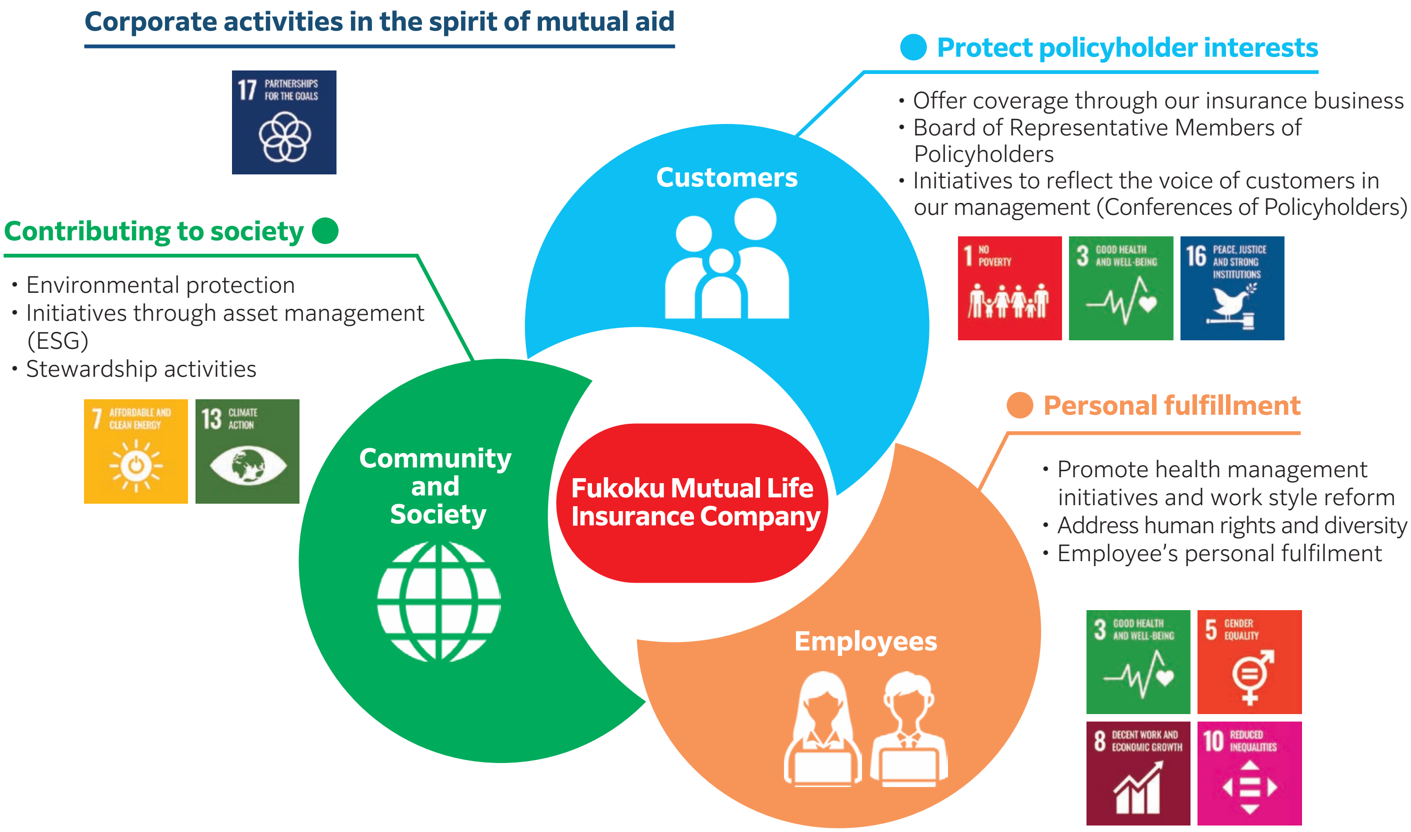


In 1968, we began donating to the Children’s Cancer Association of Japan, in order to facilitate more effective treatment for pediatric cancer. By 1983, we had donated ¥1.0 billion.

In 2022, we donated boxes of THE MUTUAL Art for children Oyasai Crayons* (vegetable-based crayons) to nursery schools and other facilities nationwide.

* For more information about Oyasai Crayons, please see the section “Centenary Project” on pages 13 of this report.

Relationship between Fukoku Life and Its Stakeholders



Priority Initiatives

We have established seven priority initiatives, based on factors such as congruity with our business operations and potential impact on stakeholders.

	Initiatives		Relevant SDGs
Customers	1. Sound management of our life insurance business. 2. Offer coverage through our life insurance business.	7. Partnerships with stakeholders 17 PARTNERSHIPS FOR THE GOALS	1 NO POVERTY 3 GOOD HEALTH AND WELL-BEING 16 PEACE, JUSTICE AND STRONG INSTITUTIONS
Community and Society	3. Promote ESG investment and financing. 4. Address climate change and other environmental issues.		7 AFFORDABLE AND CLEAN ENERGY 13 CLIMATE ACTION
Employees	5. Promote health management, work style reforms. 6. Address human right and diversity.		3 GOOD HEALTH AND WELL-BEING 5 GENDER EQUALITY 8 DECENT WORK AND ECONOMIC GROWTH 10 REDUCED INEQUALITIES

Centenary Project —Our Centenary Project in Action!—

THE MUTUAL

Next generation of mutual aid

Fukoku Life will celebrate its 100th anniversary in November 2023 and accordingly is pushing forward with a centenary project, based on the concept of THE MUTUAL, which embodies the Company's aspirations as it approaches the conclusion of its first century of existence.

THE MUTUAL refers to the next generation of mutual aid that is expected to evolve over the coming century, as well as our aim to become an enterprise representing true mutual aid by deepening our connection to, and support for, all our stakeholders.

Through our centenary project, we hope to ensure that we share an affinity with a greatly expanded circle of individuals and organizations by conveying the message of mutual aid associated with THE MUTUAL. These efforts will support our goal of becoming a company that can empathize with all of its stakeholders.

Founding

- The Company was founded as a mutual company, based on the idea that the only path ahead for the insurance business lay in customer-centered values
- It is the only company that has maintained a mutual company structure since its founding

Launch of Centenary Project

- Our centenary project aims to reaffirm our philosophy and ideas as we approach the conclusion of our first 100 years
- The actor Takumi Saitoh was selected to be the ambassador for THE MUTUAL

1923 Founding

2018 The 95th Anniversary

2019 The 96th Anniversary

Find the MUTUAL

Find THE MUTUAL

The FIND THE MUTUAL program, which involves exploring what the next generation of mutual aid might be, collects related personal narratives concerning community-based connections and mutual support. These stories it disseminates through newspaper ads and on its websites.

Intended to convey to the public Fukoku Life's approach and philosophy, from the start of the activities to March 2023 we had disclosed initiatives implemented by 27 of our branch offices.

Participating branches in fiscal 2022

The branches that took part in disclosing their initiatives were those in Akita, Fukuoka, Machida, Matsuyama, Niigata, Okayama, Shinjuku, Shonan, Tokushima, and Yamagata.

Members of our Shinjuku Branch Office and the Green Ribbon Running Festival

Members of our Okayama Branch Office, Meiken Lamwood Corporation and Okayama Technical High School

Members of our Yamagata Branch Office and Sugawara Logistics Co., Ltd.

Members of our Fukuoka Branch Office and support hero Gamba Lee α and support ninja Guy

Primary Initiatives in 2022

As an easily understood expression of our core values, we have adopted a new corporate message: From Person to Person. This encapsulates the fact that, at the root of THE MUTUAL are our policyholder-oriented founding principles, our original management philosophy of protecting the interests of our policyholders, and our customer-centered values.

In addition, we have revamped our code of conduct to better convey our judgment criteria to all our stakeholders, namely, our customers, communities, society at large, and our employees.

Given that our role as a mutual company is to connect people who assist each other, we will continue to safeguard that spirit through mutual empathy.

人と人の間に
フコク生命
THE MUTUAL

We have produced a company song—THE MUTUAL SONG—to express the concept of THE MUTUAL, which refers to the next generation of mutual aid. The video featuring the song serves to unite the entire company through its more than 700 performers.

100th Anniversary

- Become an embodiment of THE MUTUAL as a concept
- Evolve into a company that empathizes with all people associated with Fukoku Life

2020 The 97th Anniversary
2021 The 98th Anniversary
2022 The 99th Anniversary
2023 The 100th Anniversary

The MUTUAL Art for children

THE MUTUAL
Art for children

Through THE MUTUAL Art for children, a project dating back to fiscal 2012, artwork is displayed at our Smile Gallery. Some of those works of art are used in designs crafted to communicate the messages with which the artists imbue their compositions. And it is through this art that we help connect children with society.

Driven by the hope that as many children as possible will experience the joy of drawing, we have donated approximately 77,000 vegetable-based crayons to nursery schools, preschools, and other local facilities.

Our donations of the crayons, which are made primarily from the parts of vegetables destined for disposal, are just one of the ways in which we help reduce food waste to facilitate the achievement of Sustainable Development Goals.

Vegetable-based crayons


Some of the children who have received our crayon donations.

Letters from some of the children

Review of Operations in Fiscal 2022

Business Performance

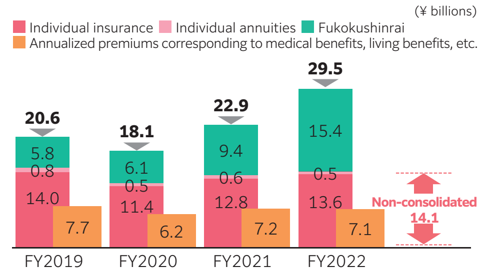
Note. Consolidated: total for both Fukoku Mutual Life Insurance Company and Fukokushinrai Life Insurance Company;
non-consolidated: total for Fukoku Mutual Life Insurance Company

New Policies (Individual Insurance and Individual Annuities, Consolidated)

Annualized Premiums

¥29.5 billion (¥14.1 billion, non-consolidated)

Annualized premiums for new policies increased 28.6% year on year, to ¥29.5 billion, exceeding their pre-COVID-19 level in fiscal 2019 and showing substantial growth for a second consecutive year.



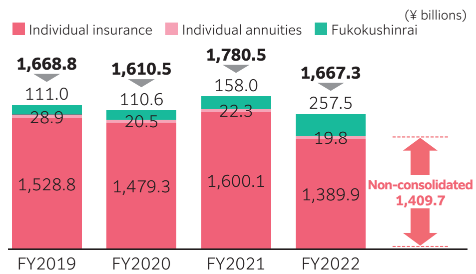
■ What are annualized premiums?

Annualized premiums are a indicator that demonstrates how much revenue a life insurance company earns from its policies in one year. They are calculated by adjusting for differences in payment methods and payment periods among various policies (monthly payments, yearly payments, single-premium payments, etc.) and determining the average amount of premiums paid over the entire durations of these policies.

Policy Amounts

¥1,667.3 billion (¥1,409.7 billion, non-consolidated)

Policy amounts for new policies fell 6.4% year on year, amounting to ¥1,667.3 billion. This is primarily attributable to the shift in sales to medical insurance due to the launch of new medical insurance and the growing preference for medical coverage during the COVID-19 crisis.



■ What are policy amounts?

Policies amounts indicate the total monetary guarantees for which a life insurance company is responsible.

Surrendered and Lapsed Policies (Individual Insurance and Individual Annuities, Consolidated)

Annualized Premiums

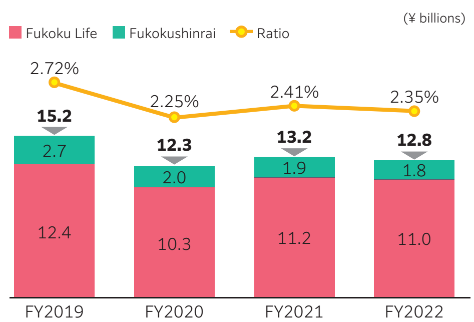
¥12.8 billion (¥11.0 billion, non-consolidated)

Surrendered and Lapsed Ratio (based on annualized premiums)

2.35 % (2.97 %, non-consolidated)

Annualized premiums for surrendered and lapsed policies declined 2.8% year on year, to ¥12.8 billion. The surrendered and lapsed ratio improved year on year, to 2.35%, and remains at a favorable level compared with its pre-COVID-19 level.

$$\text{Surrendered and lapsed policy ratio (based on annualized premiums)} = \frac{\text{Annualized premiums for surrendered and lapsed policies}}{\text{Policies in force at the beginning of the fiscal year}}$$



Policy Amounts

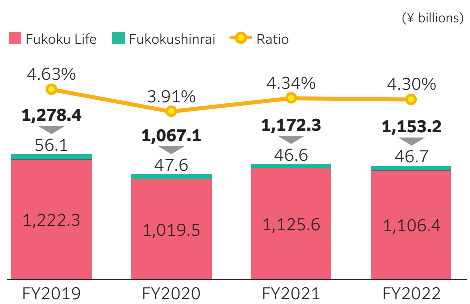
¥1,153.2 billion (¥1,106.4 billion, non-consolidated)

Surrendered and Lapsed Ratio (based on amounts insured)

4.30 % (4.49 %, non-consolidated)

Policy amounts for surrendered and lapsed policies fell 1.6% year on year, to ¥1,153.2 billion. The surrendered and lapsed ratio improved year on year to 4.30%, and remains at a favorable level compared with its pre-COVID-19 level.

$$\text{Surrendered and lapsed policy ratio (based on amounts insured)} = \frac{\text{Policy amounts for surrendered and lapsed policies}}{\text{Policies in force at the beginning of the fiscal year}}$$

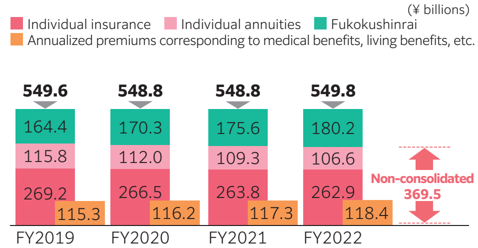


Policies in Force (Individual Insurance and Individual Annuities, Consolidated)

Annualized Premiums

¥549.8 billion (¥369.5 billion, non-consolidated)

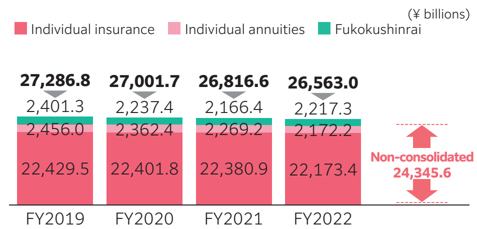
Annualized premiums for policies in force increased by 0.2% from the end of the previous fiscal year to ¥549.8 billion, marking the first increase in six years. Medical coverage and living benefits included in this amount have continued to grow since the Company began disclosing statistics regarding these benefits in FY2003 and have increased for 19 years running.



Policy Amounts

¥26,563.0 billion (¥24,345.6 billion, non-consolidated)

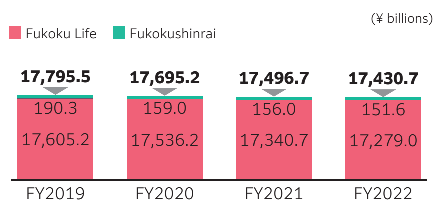
Policy amounts in force declined 0.9% at fiscal year-end, to ¥26,563.0 billion.



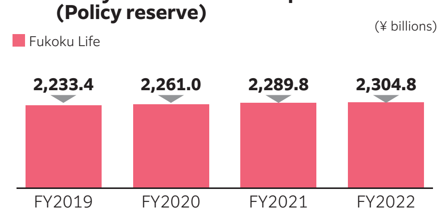
Corporate Insurance (Group Insurance and Group Annuities, Non-consolidated)

We provide comprehensive support to our corporate insurance customers by proposing various products and plans geared toward corporations. Policy amounts in force for group insurance fell 0.4% compared with the end of FY2021, to ¥17,430.7 billion. Meanwhile, policy amounts in force for group annuities increased 0.7% at fiscal year-end, to ¥2,304.8 billion.

Policy Amounts for Group Insurance



Policy Amounts for Group Annuities (Policy reserve)

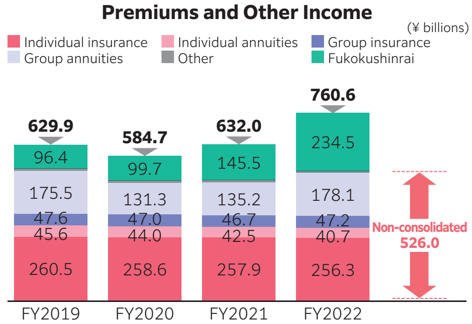


Premiums and Other Income (Consolidated)

¥760.6 billion (¥526.0 billion, non-consolidated)

Premiums and other income increased to ¥760.6 billion, up 20.3% year on year.

Premiums and Other Income



Financial Soundness and Profitability (Non-consolidated)

Fundamental Profit

¥47.2 billion

Fundamental profit fell to ¥47.2 billion, down 38.1% year on year. Insurance-related profit decreased significantly with the surge in COVID-related hospitalization payouts.

■ What is fundamental profit?

Fundamental profit is a indicator that demonstrates the periodic fundamental profit or loss of a life insurance company. It includes impact from both insurance-related income and expenses (insurance premiums, payment of insurance claims, operating expenses, etc.) and investment income and expenses (primarily interest, dividends, and other income). It is similar to operating profit reported by general industrial companies and net operating profit recorded by banks.

■ What is expense gain/loss?

Expense gain/loss is the difference between projected operating expenditures based on the expenditure rate assumed when calculating insurance premiums and actual operating expense.

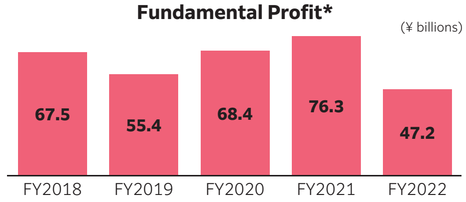
■ What is mortality and morbidity gain/loss?

Mortality and morbidity gain/loss is the difference between projected payments of claims and benefits based on the insured event occurrence rate assumed when calculating insurance premiums and actual payments of claims and benefits.

■ What is interest gain/loss?

Interest gain/loss is the difference between investment profit expected from assumed interest rates and actual investment profit net of expense.

Fundamental Profit*



Breakdown of Fundamental Profit

(¥ billions)

	FY2021	FY2022
Fundamental profit*	**76.3**	**47.2**
Insurance-related profit/loss	37.4	5.4
Expense gains/losses	(23.0)	(23.6)
Mortality and morbidity gains/losses	60.4	29.0
Interest gains/losses	38.9	41.8

* Figures for fundamental profits prior to FY 2022 were re-calculated based on the same calculation method as FY2022

Solvency Margin Ratio

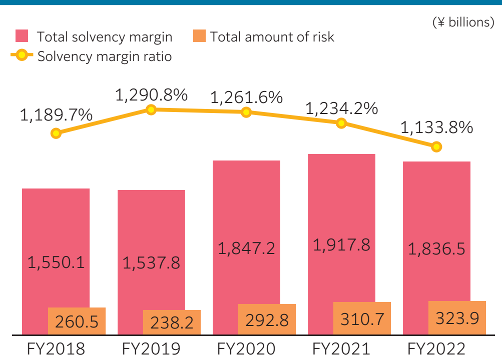
1,133.8%

The solvency margin ratio declined to 1,133.8%, down 100.4 percentage points year on year due to factors such as a decrease in unrealized gains on securities due to rising interest rates in Japan and overseas. However, this ratio greatly exceeds the level of 200%, which is widely considered to be a standard indicating financial soundness.

$$\text{Solvency margin ratio (\%)} = \frac{\text{Total solvency margin}}{(1/2) \times \text{Total amount of risk}} \times 100$$

■ What is solvency margin ratio?

Solvency margin ratio is an indicator used by regulatory authorities that measures an insurance company's ability to respond to unexpected events such as major disasters or stock market crashes.



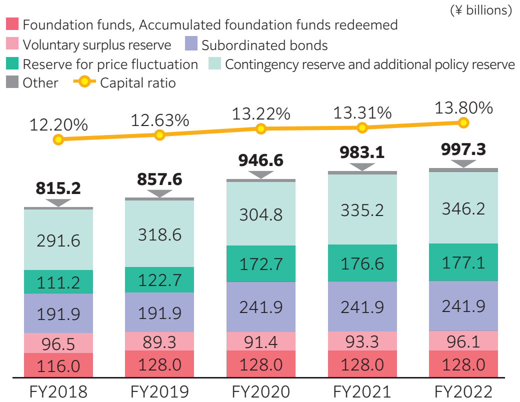
Capital

¥997.3 billion

On-balance capital increased to ¥997.3 billion, up ¥14.2 billion year on year. Our capital ratio (capital ÷ total assets) was 13.80%. The capital alone accounted for 615.7% of the total solvency margin.

■ What Is On-balance capital?

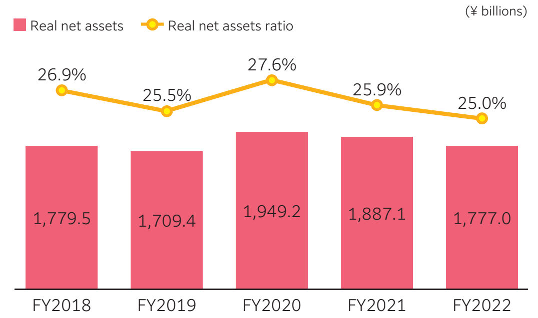
We place a great deal of importance on the portion of our total solvency margin that constitutes capital base (excluding unrealized gains on securities and real estate, etc.). Accordingly, we routinely strive to strengthen our capital base, enhancing our internal reserves and obtaining external financing.



Real Net Assets

¥1,777.0 billion

Real net assets decreased to ¥1,777.0 billion, down 5.8% year on year. Meanwhile, our real net assets ratio (real net assets ÷ general account assets) came to 25.0%.



■ What are real net assets?

In addition to solvency margin ratio, real net assets is an indicator used by supervisory authorities to measure the financial soundness of life insurance companies. It is calculated by subtracting liabilities (excluding liabilities with highly capitalistic characteristics, such as reserve for price fluctuation and contingency reserve) from the current market value of total assets. Negative real net assets values sometimes lead to judgments of effective insolvency, as well as business-suspension orders and other restrictions.

Unrealized Gains on Securities and Real Estate

¥766.1 billion

Unrealized gains on securities and real estate decreased to ¥766.1 billion, down ¥130.9 billion year on year. Unrealized gains on securities decreased to ¥601.8 billion, down ¥147.9 billion, and unrealized gains on real estate increased to ¥164.3 billion, up ¥16.9 billion year on year, respectively.

■ What are unrealized gains/losses?

Unrealized gains/losses are calculated by subtracting the book values of assets from their corresponding market values. A positive value indicates an unrealized gain, while a negative value indicates an unrealized loss.

(¥ billions)

	As of March 31, 2022	As of March 31, 2023
Securities	**749.8**	**601.8**
Domestic bonds	195.0	88.2
Domestic stocks	351.9	387.3
Foreign secutities	173.1	101.3
Real estate (land, leasehold right)	**147.3**	**164.3**
Total	**897.1**	**766.1**

Ratings

To help our customers objectively determine how capable we are of paying claims, Fukoku Life obtain ratings from three neutral and unbiased rating organizations. Our current ratings can be found below.

■ What are life insurance company ratings?

Ratings of life insurance companies are determined by independent third-party rating agencies and demonstrate the degree of reliability at which life insurance companies are capable of paying insurance claims and benefits in accordance with policies (insurance claims paying ability).

Rating and Investment Information, Inc. (Insurance Claims Paying Ability)	Japan Credit Rating Agency, Ltd. (Insurance Claims Paying Ability)	S&P Global Ratings (Insurer Financial Strength Rating)	Moody's (Insurance Financial Strength Rating)	Fitch Ratings, Inc. (Insurance company financial rating)
AA-	**AA**	**A+**	**A2**	**A+**
Very high claims paying ability supported by some excellent factors.	A very high level of certainty to honor the financial obligations.	The Company has a high capacity for fulfilling its insurance policy obligations, but is slightly too susceptible to potential impact from business environment deterioration to achieve either of our highest two ratings (AAA and AA).	The Company is in the upper-middle range of rated organizations and has low credit risk.	Suspension or stoppage of payments is unlikely, and the ability to meet policyholder and other contractual obligations without delay is strong. However, the impact of changes in the business and economic environment can be greater compared with higher rated entities.

AAA AA A BBB BB B CCC CC C …

Notes:
1. The ratings indicated are current as of August, 2023.
2. The ratings indicated are the opinions of their respective rating agencies and do not indicate guarantees regarding the payment of insurance claims. These ratings are also continuously monitored by their respective agencies and are subject to change.
3. Rating and Investment Information, Inc., Japan Credit Rating Agency, Standard & Poor's, Moody's, and Fitch Ratings are credit rating agencies stipulated by the Financial Instruments and Exchange Act.
4. A "+" or "-" sign may be added after the rating to indicate its relative position within the same grade. (Moody's assigns the numbers 1, 2, and 3 to the rating, with "1" being the highest and "3" being the lowest.)

Investment Performance (General Account)

Overview

In fiscal 2022, the global economy grew at a slower pace overall. The root cause was worsening inflation, which has reduced household purchasing power as well as caused a downturn in housing investment as the world's major central banks scramble to raise policy rates, thus driving up loan interest rates.

The US economy lost steam as personal consumption slowed down largely due to high inflation, and housing investment declined as a result of higher loan interest rates. The European economy slowed down due to sluggish consumer spending caused by high inflation, including a sharp rise in electricity prices, as well as slumping capital investment stemming from factors such as rising loan interest rates. The pace of growth in the Chinese economy slowed due to persistently sluggish housing demand and a decline in consumer spending due to the rapid increase in the number of COVID-19 infections following the lifting of the zero-Covid policy. The Japanese economy saw a moderate pick up. Although household real purchasing power declined due to rising prices on daily necessities, demand that had been postponed due to the pandemic began to recover, particularly in the service sector, following the lifting of restrictions related to the COVID-19 infections, while inbound demand gradually recovered as well.

As for monetary policy, world's major central banks aggressively tightened their monetary policies as inflation intensified around the world. The Federal Reserve Board (FRB) has continued to raise the policy rates from 0.5% to 5.0% and began quantitative tightening in June. The European Central Bank (ECB) continued to raise its main policy rate from 0.0% to 3.5% and started quantitative tightening in March. Meanwhile, the Bank of Japan (BOJ) kept its monetary easing in place. Although it revised its yield curve control (YCC) in December to expand the upper limit of 0.50% from 0.25%, it kept its policy rate unchanged at minus 0.1%.

Given the aggressive monetary tightening by major central banks in response to rising inflation worldwide, the outlook for financial markets were highly uncertain, and we therefore allocated funds mainly to yen-denominated bonds as low-risk investments. In addition, we significantly reduced FX-hedged foreign currency- denominated bonds that were performing poorly due to elevated hedging costs by global monetary tightening. Since the BOJ expanded the range of YCC, we refrained from investing in super-long JGBs in preparation for further change of YCC, and we also sold unhedged foreign currency-denominated bonds to reduce FX risk.

Along with these measures, we also conducted efforts aimed at executing our Management Philosophy of contributing to society through asset management while performing our fiduciary duty of ensuring profitability. In terms of specific initiatives, we invested in bonds that support biodiversity conservation and bonds that increase electricity access rates in Africa.

Through our stewardship activities, we shared recommendations for improving corporate value and facilitating sustainable growth through constructive "purpose-driven dialogue" rooted in a deep understanding of both the companies in which we invest and their business environments, as well as careful consideration of factors related to medium- to long-term sustainability (ESG-related factors, etc)

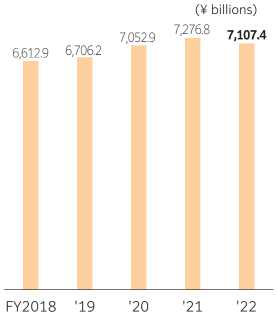
Additionally, to further differentiate our asset management activities, we strove to enhance our investment diversification on a global scale by reinforcing investment capabilities of our overseas asset management subsidiaries and by strengthening our relationships with overseas asset management companies with which we have business relationships regarding the asset management of regions and asset classes that we deemed were not sufficiently covered by our corporate group. By acquiring asset management expertise through methods such as dispatching trainees to these asset management companies and regularly exchanging investment ideas, we are endeavoring to enhance our asset management capabilities and develop globally minded personnel capable of adopting more sophisticated approaches to asset management.

Investment income increased by ¥44.5 billion (up 23.7%) year on year to ¥232.5 billion due to an increase in gains on sales and redemption of securities, while a decrease in interest, dividends, and other income.

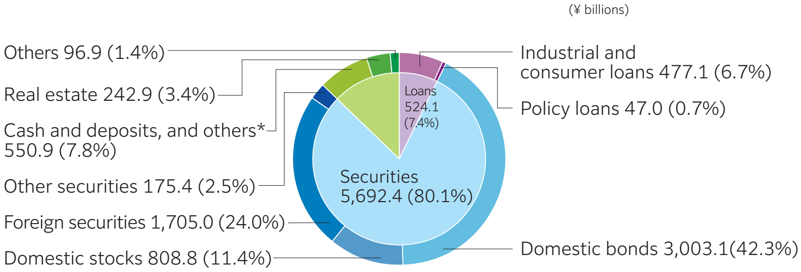
Investment expenses increased by ¥47.7 billion (up 110.2%) year on year to ¥91.0 billion, due to the accounting of foreign exchange losses stemming from increased FX hedging costs and an increase in losses on sales of securities.

Consequently, net investment income amounted to ¥141.4 billion, down ¥3.1 billion (2.2%) year on year.

General account assets



Breakdown of general account assets (as of March 31, 2023)



Total: ¥7,107.4 billion

* This total includes cash and deposits, call loans and money held in trust.

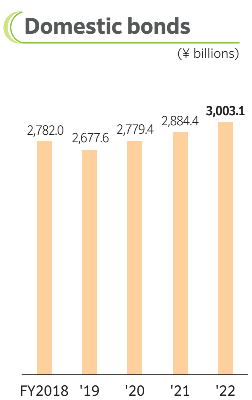
Domestic Bonds
Domestic bonds amounted to ¥3,003.1 billion, up ¥118.6 billion (4.1%) year on year, as the funds from the sale of FX-hedged foreign currency-denominated bonds and the redemption of foreign currency-denominated bonds were allocated to super-long JGBs.

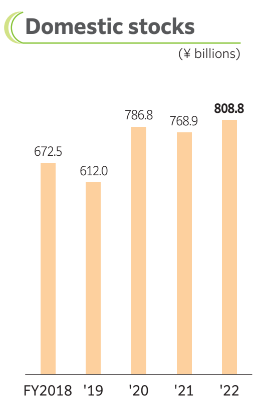
Domestic Stocks
Domestic stocks amounted to ¥808.8 billion, up ¥39.8 billion (5.2%) year on year, mainly due to an increase in unrealized gains resulting from rising stock prices.

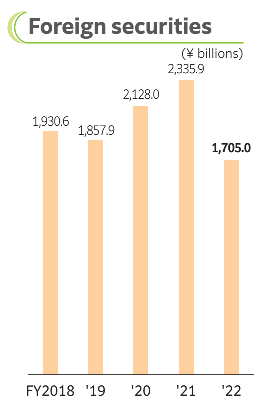
Foreign Securities
Foreign securities amounted to ¥1,705.0 billion, down ¥630.9 billion (27.0%) year on year mainly due to our significant reduction in FX-hedged foreign currency-denominated bonds, whose profitability had declined due to higher FX hedging costs by global monetary tightening.

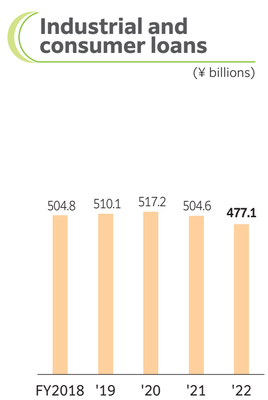
Industrial and Consumer Loans
Loans amounted to ¥477.1 billion, down ¥27.5 billion (5.5%) year on year, because repayments outpaced new loans as we carefully selected deals expected to generate superior profitability.

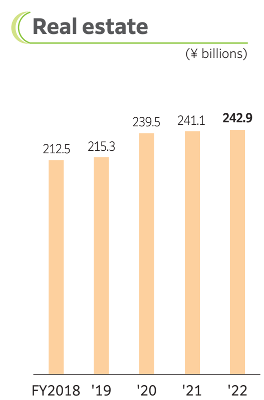
Real Estate
Real estate amounted to ¥242.9 billion, up ¥1.8 billion (0.8%) year on year mainly due to progress on properties under development.











Investment Policies for Fiscal 2023

Investment Environment
Although the global economy is likely to be sluggish through the middle of fiscal 2023 due to high inflation and higher loan interest rates resulting from interest rate hikes by major central banks, the economy is expected to recover in the latter half of the fiscal year thanks to factors including expansion of capital investment and growth of real wages underpinned by peaking out inflation. Under these economic conditions, long-term interest rates in the United States are likely to remain flat against the backdrop of concerns about an economic slowdown, and then gradually decline as inflation slows down, although the FRB will likely maintain its monetary tightening. Japan's long-term interest rates may rise to around 1% due to moves toward monetary policy normalization, such as modifying the BOJ's yield curve control. Stock prices in Japan and overseas are likely to remain robust as corporate earnings generally pick up overseas and continue to rise in Japan. In forex, the yen will likely appreciate against the dollar due to the BOJ's moves toward normalization of its monetary policy. However, the yen is unlikely to appreciate unilaterally given Japan's persistent trade deficit.

Domestic Bonds
From the perspective of promoting ALM, we plan to accumulate super-long JGBs while utilizing the purpose of holding policy-reserve-matching bonds, and to increase corporate bonds to enhance investment yield.

Domestic Stocks
By switching individual stocks, we aim to improve the profitability of our portfolio while realizing capital gains.

Foreign Securities
In foreign currency-denominated bonds, we will dispose FX hedged foreign currency-denominated bonds as deterioration of profitability due to high FX hedging cost. In foreign equities, we will accumulate alternatives (e.g. PE funds, Hedge funds).

Industrial and Consumer Loans
We will make loans while carefully selecting investment projects expected to generate superior profitability.

Real Estate
We will invest in select properties projected to generate stable rent income over the medium to long term.

ESG Investment and Financing

Basic Approach to ESG Investment and Financing

Based on our management philosophy of protecting the interests of our policyholders, we practice asset management that ensures a high level of investment returns in accordance with the principle of safety and profitability while taking into account the public nature of the life insurance business. Concurrently, in line with our business policy of contributing to the realization of a sustainable society as a mutual company engaged in the life insurance business, we are working on investments that incorporate ESG (environmental, social, and governance) factors. It is our belief that ESG investment contributes to profitability enhancement of the precious funds entrusted to us by our customers, while at the same time further fulfilling our responsibilities as an institutional investor whose management philosophy is to contribute to society.

Based on this belief, since becoming a PRI signatory in March 2016, we have incorporated ESG factors into our investment decision. In addition, in our stewardship activities, we focus on dialogue with investee companies with ESG factors as one of the main themes. We also became a supporter of TCFD recommendations in June 2020.

Going forward, while maintaining our awareness of various issues that affect the sustainability of society, including climate change, we aim to contribute to a more sustainable society by promoting ESG investments and stewardship activities while assuming to secure profitability.

Signing of the Principles for Responsible Investment (PRI)

We endorse the aims of the United Nations Principles for Responsible Investment (PRI) and became a signatory on March 21, 2016. The principles affirm the need to integrate ESG factors into the investment decision so as to support the realization of a sustainable society.

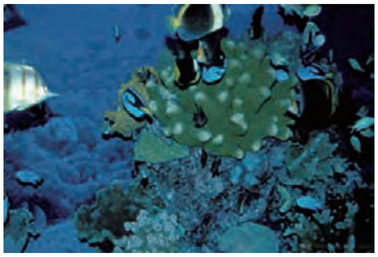
ESG Investment and Financing Initiative

In accordance with the business policy of "contributing to the realization of a sustainable society as a mutual company operating life insurance business," we are committed to investing assets with themes that help solve social issues, including environmental problems.

• Initiatives to support biodiversity conservation

In September 2022, we invested in sustainable development bonds issued by the World Bank. These are the first bonds issued by the World Bank to raise awareness of the importance of conserving biodiversity. Investments in this bond will support development projects in a wide range of fields, including biodiversity, by the World Bank, one of the world's largest financial institutions that provide funds for natural capital.

* Funds procured by the World Bank through the issuance of sustainable development bonds support financing for development projects in all areas that the World Bank is engaged in for developing countries.



© World Bank

• Initiatives to support the proliferation of electric power

In March 2023, we invested in the Light Up and Power Africa Bond issued by the African Development Bank. The bond is intended to support the proliferation of electricity on the African continent. To this end, in one example of projects the African Development Bank is working on, it is engaged in a project to improve access to electricity in the Republic of Rwanda.

Photo credits: AfDB

• Incorporating ESG in research

When picking domestic stocks, we conduct screenings based on ESG scores provided by a subsidiary, Fukoku Capital Management, Inc., a PRI signatory with extensive expertise concerning ESG research. In addition, when making investment decisions we take into account ESG-related information obtained through our stewardship activities. We also screen some bonds based on ESG-related data.

Environmental Protection Initiatives

Fukoku Life Implements Environment-friendly Activities.

We believe that the issue of climate change, including measures to deal with global warming, presents tremendous impacts for a sustainable society. We pursue environment-friendly activities through initiatives for environmental protection (energy and resource conservation initiatives, forest protection activities) and initiatives channeled through asset management (ESG investment and financing).

Environment-friendly Real Estate Development

Fukoku Life conducts real estate development that takes energy conservation and protection of the into consideration when constructing new buildings. Opened in 2010, the Osaka Fukoku Seimei Building received a commendation during the Fifth Award Ceremony for Buildings in Osaka, receiving the year's highest Comprehensive Assessment System for Built Environment Efficiency evaluation.

Meanwhile, the Sapporo Fukoku Seimei Koshiyama Building opened in 2017 is the first building in Sapporo to be certified gold under the Leadership in Energy and Environmental Design rating system managed by the US Green Building Council.

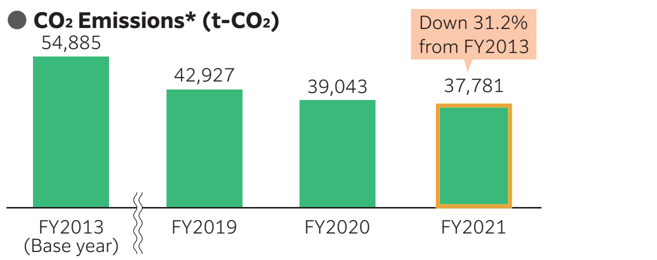
The structure also received praise as an energy-saving and environment-friendly office building, obtaining a four-star rating according to the Development Bank of Japan's Green Building Certification System.

Due primarily to its green walls and highly efficient facilities, the Koiwa Fukoku Seimei Building (completed in fiscal 2019) became the first building maintained by Fukoku Life to receive a top ranking and ZEB Ready certification under the Building-Housing Energy-efficiency Labeling System promoted by the Japanese government. In fiscal 2022, PARK AXIS Chitose-Funabashi, which was completed as a rental condominium, acquired ZEH-M Oriented certification.

Conserving Energy, Reducing CO_2 Emissions

Our goal for fiscal 2030 is to reduce our business-related (that is, generated by our owned real estate and leased offices) CO_2 emissions to 46% of our fiscal 2013 figure. To this end, we are striving to implement a variety of systems, including high-efficiency air conditioning, LED lighting, as well as daylight and motion sensors. At our Chiba New Town headquarters, we thus have installed 12 hybrid outdoor lights that use solar and wind power.

As a result, our CO_2 emissions in fiscal 2021 dropped 31.2% from the fiscal 2013 level.



* Accounts for the CO_2 emission coefficients associated with individual energy suppliers

Initiatives for Recommendations from the Task Force on Climate-related Financial Disclosures (TCFD)

In June 2020, Fukoku Life officially endorsed recommendations issued by the Task Force on Climate-related Financial Disclosures. Our endorsement of the TCFD recommendations reflects our recognition of the importance of climate change and our commitment to helping attain a secure and sustainable society.

Governance	Our Sustainability Working Group monitors the status of SDG-related initiatives, including those associated with climate change, and reports its findings to the Board of Directors.
Strategy	By managing climate change-related risks, we endeavor to limit downward slides in earnings and use climate change-related issues as opportunities to generate revenue. **Risks** • Increase in payments of insurance claims and other benefits following natural disasters, such as floods caused by global warming, and typhoons; growth in morbidity and mortality rates stemming from outbreaks of mosquito-borne tropical diseases and other infectious contagions caused by rising average temperatures (physical risk) • Negative impact on the value of invested and financed assets, resulting from policy changes in, and technological innovations associated with, the transition to a low-carbon and decarbonized society (transition risk) • Reputational damage, resulting from a passive approach toward reducing greenhouse gas emissions, the main cause of climate change (reputational risk) **Opportunities** • Growth in coverage requirements, stemming from risks posed by climate change • Growth in opportunities to earn returns through investment in, and financing of, companies and projects that contribute to the resolution of climate change issues • Improvement in reputation of stakeholders, reflecting disaster mitigation and other initiatives
Risk Management	We consider risks associated with global warming and large-scale flooding to be emerging risks. We manage them from an integrated risk perspective, while assessing the likelihood and potential impact of their occurrence. **Physical risks** • Scenario-based testing concerning tropical infectious disease outbreaks caused by rising average temperatures; quantitative assessments regarding the financial impact of resultant increases in the payment of insurance claims and benefits • Assignment of a major flood (storm surges, flooding) risk rating to all operating locations on a five-point scale **Transition risk** • Appropriate execution and improvement of the management of credit and market risks arising from policy changes and technological innovations associated with the transition to a low-carbon and decarbonized society
Metrics and Targets	**Life insurance providers** Indicator: CO_2 emissions generated by business activities Targets: 46% reduction in CO_2 emissions compared with fiscal 2013 by fiscal 2030; net-zero emissions by fiscal 2050 **Institutional investors** Indicator: CO_2 emissions generated by our investment portfolio (covering stocks and bonds from, and financing provided to, listed companies in Japan) Target: Net-zero emissions by fiscal 2050

Contribution to Society

Fukoku Life makes a number of social contributions to help build a better society.

Building Connections through Art and Culture

Art and culture have the power to connect people from all walks of life. Through its classical music concerts, Fukoku Life uses music to connect with customers, local residents, and children with disabilities. Not limited to concerts, however, our efforts are expanding and include a variety of other activities.

• Fukoku Life visiting and charity concerts

These concerts have evolved since the initial Fukoku Salon Concert, held in the lobby of our Uchisaiwaicho headquarters in fiscal 1989.

Communities benefit from the concerts we organize. These comprise visiting concerts, featuring professional musicians performing classical music for schools and institutions for individuals with disabilities, as well as charity concerts at which audiences are asked to donate to local charities that support community welfare efforts. A total of 301 charity concerts were held by the end of fiscal 2022, with a total donation of approximately ¥64.7 million.

• Smile Concert

In order to deliver the gift of music to as many special-needs schools and facilities for persons with disabilities as possible, starting in fiscal 2022, we spun off our visiting concerts as a new Smile Concert program held across the country.

Charity Concert

Smile Concert

Other Social Contributions

• Reconstruction support for disaster-stricken areas (sale of local products)

At our headquarters in Uchisaiwaicho and Chiba New Town, we have been selling, since fiscal 2011, local products from the Tohoku region's Fukushima, Miyagi, and Iwate Prefectures that were affected by the Great East Japan Earthquake and Tsunami of 2011.

In fiscal 2022, we took measures to prevent the spread of COVID-19 and resumed face-to-face sales.

During the events held for each prefecture, the basement cafeteria of our Chiba New Town headquarters offered menus featuring specialties and local bento boxed lunches from each of the prefectures. Fukoku Life donated a portion of these proceeds to areas that had been affected by the disaster.

Sales event featuring specialty products from Iwate Prefecture

Miyagi Izunuma loin pork cutlet, a special menu item at the underground cafeteria of our Chiba New Town headquarters

Fukushima Shirakawa Ramen, a special menu item at the underground cafeteria of our Chiba New Town headquarters

Local bento lunch package

Communication

• Brand mascot

We feature Sanrio Co., Ltd.'s popular Hello Kitty character as a brand mascot on posters, pamphlets, flyers, and merchandise.

Initiatives for the Respect of Human Rights

Each and every employee will deepen their understanding of human rights issues and respect the human rights of stakeholders.

• Promoting human rights awareness

Given their social and public nature, life insurance companies are required to respond to customers based on a correct understanding and recognition of human rights issues. These include issues surrounding *burakumin*—a social minority descended from outcaste communities of feudal times—ethnicity, women, and persons with disabilities.

The need to tackle the issue of discrimination as part of company training sessions has also been taken up by government administrations. They have called for staff at companies in Japan to adopt a spirit of respect for human rights.

Fukoku Life promotes in-house awareness activities for head office staff in charge of internal affairs education at our human resources development department, and for deputy general managers of internal affairs at our branch offices. These members of staff are charged with promoting fair recruitment, selection, and human rights awareness.

We see harassment as a human rights issue that adversely affects the dignity of individual victims, and consider it a work environment issue that hinders workplace order and business performance.

Besides setting up a contact point for harassment reporting and consultation, we provide training to ensure that all our employees are thoroughly aware of the issues involved and the appropriate responses.

1. Understanding

We promote in-house awareness primarily through staff who are responsible for fair recruitment and selection, as well as instilling human rights awareness.

2. External training

A representative of our branch offices acquires necessary knowledge by participating in off-site training sessions organized on our behalf by activist organizations and government agencies.

3. Internal training

Instructional sessions are held at our office once a year, under the auspices of the Human Resources Development Division. In addition, branch offices collaborate with the Human Resources Development department to hold training sessions tailored to the needs of actual circumstances.

Main points covered
- Priority goals of human rights and human rights awareness
- Japan's Act for the Elimination of Discrimination against Persons with Disabilities
- The COVID-19 pandemic and human rights
- Online human rights violations

Training materials

Outstanding organization recognition

On March 8, 2023, Fukoku Life was selected—for the sixth consecutive year—under the Ministry of Economy, Trade and Industry's Certified Health & Productivity Management Outstanding Organizations Recognition Program. This acknowledged our role in promoting health and productivity management.

Reflecting the management philosophy that we have cultivated since our founding, we will continue both to work with our executives, employees, and their respective families to take care of their health; and to promote health management, to better contribute to the community and society at large.

2023
健康経営優良法人
Health and productivity

Business Management System

Corporate Governance Enhancement Initiatives

We have formulated a Basic Policy on Corporate Governance to foster an understanding of our perspective to enhance corporate governance. We publicize this policy, along with our Corporate Governance Report.

Basic Approach to Corporate Governance

Our mutual company's insurance business is a business of our policyholders that have entrusted the management of this business to us. No matter the circumstances, we must survive as a life insurance company to continue fulfilling our responsibility of reliably paying insurance claims and benefits. To this end, we will establish a corporate governance system based on this fundamental policy in an effort to stabilize and ensure the stability our business while providing policyholders with peace of mind.

Establishment of Management Control Measures

The Board of Directors makes important business decisions and monitors business execution. The two external directors bring an outside perspective to the deliberations of the board. In April 2009, Fukoku Life introduced an executive officer system. Under this system, we have separated and strengthened decision-making and business execution functions, with the Board of Directors fulfilling decision-making and supervisory functions. The Board of Full-Time Directors, comprising the president and executive officer and other titled executive officers, deliberates important business execution policy for the Company. Meanwhile, various committees have been established beneath the Board of Directors in an effort to strengthen internal controls.

Members of the Audit & Supervisory Board attend meetings of the Board of Directors, the Board of Full-Time Directors and other important boards, auditing the execution of operations by directors. The internal audit department performs internal audits, verifies the appropriateness of corporate operations and strives to ensure the soundness of business operations.

Enhancement of Internal Control System

We are a mutual company that operates a highly public life insurance business with the goal of protecting the livelihoods of policyholders. As such, we have established a "Basic Internal Control System Policy" aimed at ensuring the suitability of our operations, with the ultimate goal of achieving sound and appropriate management. Based on this policy, we are working to enhance our internal control systems, which include our risk management and compliance systems.

Compliance Enhancement Initiatives

As members of the community, all executives and employees are expected to be fully aware of the need to respect the spirit of compliance, not only from the perspective of laws and regulations, but also from that of protocols and social conventions. To this end, as well as to improve and reinforce the system of compliance, we conduct ongoing hands-on compliance training.

That said, we recognize that even the most robust of systems cannot guarantee the complete elimination of improper conduct. We thus believe it important to detect any improper conduct early, deal with it swiftly and appropriately, and make constant improvements to rectify such behavior and prevent a recurrence.

• Compliance framework

The Compliance Committee—comprising full-time directors and other executives, and chaired by the president—is mandated by the Board of Directors to deliberate matters related to compliance, while promoting it using means such as the formulation of relevant programs. The Compliance Control Department serves as the committee's secretariat.

An officer responsible for compliance promotion (the head of compliance promotion) and officers in charge of practical compliance-related matters (compliance promotion officers) in each department at Head Office and branch offices are involved in ensuring adherence to the strictures of, and in promoting, compliance under the direction of the Compliance Control Department. It is the duty of the chief compliance officer and compliance officers at Head Office to carry out regular compliance checks.

• Protection of personal information

Fukoku Life believes that proper handling of personal information is vital if it is to maintain its status among customers as a trusted insurance company. Thus we have formulated a privacy policy and a basic policy on the handling of specific personal information, both to ensure appropriate treatment and safeguarding of personal data.

We will continue to comply with Japan's Act on the Protection of Personal Information and other related laws and ordinances, while continuing to properly handle and protect personal data.

Enterprise Risk Management

• Risk management based on customer-centered values

Life insurance is a "promise" to pay insurance claims and benefits in the event of an unforeseen emergency. It involves a lifetime commitment to customers that even can span generations. Events may occur, such as drastic changes in the economic environment or other catastrophes, during the many months and years in which we accompany customers on their life journey. When this happens, the role of life insurance companies becomes even more important. Only after fulfilling this promise with unwavering reliability regardless of the circumstances can customers enjoy peace of mind.

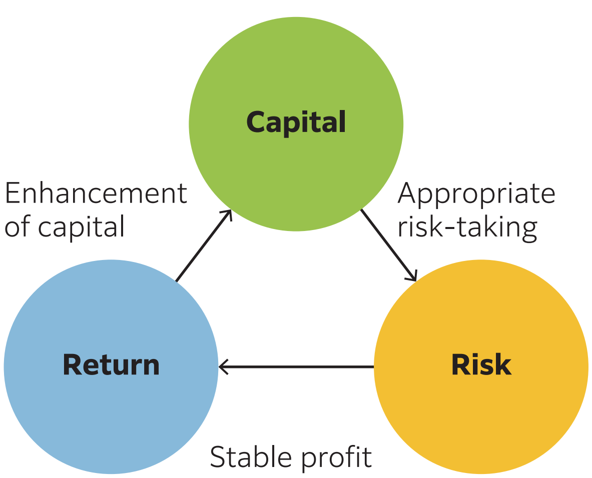
To maintain this reliability in the future, Fukoku Life promotes enterprise risk management (ERM) for overall management of a diverse range of complicated risks from a strategic perspective, based on the recognition that each executive officer and employee is responsible for risk management commensurate with their position.

• Integrated management of capital, risk, and return

As a mutual company, we look ahead several decades and, based on management that prioritizes the interests of our customers, we are working hard to strengthen our capital in order to adequately respond to risks, as well as secure stable profits (return), which are the source of that capital.

Profit and risk are two sides of the same coin, and appropriate risk-taking is necessary to ensure stable profits. Integrated management of capital, risk, and return means securing profits through appropriate risk-taking, based on capital adequacy. This results in the improvement of capital adequacy and promotion of appropriate risk-taking. It is an advanced ERM concept that aims to attain a virtuous cycle.

By utilizing important risk management indicators, such as the economic solvency ratio, return on required capital, and the economic internal rate of return in management, we implement integrated management of capital, risk, and return.



• Comprehensive risk management policies and regulations

Fukoku Life's Risk-Taking Statement lays out its management policy-based risk tolerance. Meanwhile, the Company conducts integrated risk management in conjunction with management strategies based on the risk management rules set by the Board of Directors.

We have formulated a set of risk management regulations that define our basic concept of comprehensive risk management, our broad risk management system, and the roles and authorities related to managing risk. Based on these, we have devised practical directives for the implementation of the rules for each type of risk.

Risk-Taking Statement

I. Risk-taking strategic goals

- Make insurance underwriting the main source of revenue
- Make sound and profitable asset management our principle
- Provide the highest level of service in the industry through differentiation by applying customer-centered values
- Aim to strengthen capital in preparation for the future

II. Risk tolerance

- Retain sufficient capital to act as a buffer, to ensure business continuity
- Use capital after deducting management reserve to cover losses that may occur in the course of business operations

• Risk management system

At Fukoku Life, the Board of Directors established the Risk Management Committee to perform ERM. Several subcommittees have been established under this committee to manage the various risks that arise in business operations, and to conduct asset and liability management. The committee consolidates and evaluates risks at the corporate level, before considering the appropriate level of acceptable risk and risk response. In addition, the committee has established a specialized risk management committee to help enhance enterprise risk management.

Full-time directors are members of the Risk Management Committee, which is chaired by the president. Other directors chair subcommittees, creating a risk management structure led by top management.

The specialized risk management committee is central to understanding the Group's overall risk management situation. At Fukokushinrai Life, the Company's Risk Management Committee secretariat and the secretariats of various subcommittees directly monitor the management status of risks under their jurisdiction.

Furthermore, the audit department verifies that the risk management system is functioning effectively.

Non-consolidated Financial Statements

Non-consolidated Balance Sheets

Fukoku Mutual Life Insurance Company
As of March 31, 2022 and 2023

	As of March 31,		
	2022	2023	2023
	Millions of yen		Millions of U.S. dollars
Assets:			
Cash and deposits:			
Cash	¥166	¥156	$1
Bank deposits	159,983	402,315	3,012
	160,149	402,472	3,014
Call loans	48,000	130,000	973
Monetary claims bought	80	—	—
Money held in trust	26,070	25,897	193
Securities:			
Government bonds	2,102,521	2,395,965	17,943
Local government bonds	102,771	92,958	696
Corporate bonds	704,056	542,134	4,060
Stocks	795,801	836,501	6,264
Foreign securities	2,388,284	1,756,176	13,151
Other securities	184,163	175,445	1,313
	6,277,599	5,799,182	43,429
Loans:			
Policy loans	48,629	47,088	352
Ordinary loans	504,675	477,104	3,573
	553,305	524,193	3,925
Tangible fixed assets:			
Land	150,195	149,747	1,121
Buildings	89,202	89,583	670
Lease assets	265	928	6
Construction in progress	1,767	3,649	27
Other tangible fixed assets	3,974	3,412	25
	245,405	247,321	1,852
Intangible fixed assets:			
Software	19,914	24,148	180
Lease assets	498	311	2
Other intangible fixed assets	7,407	2,456	18
	27,821	26,917	201
Agency receivables	15	100	0
Reinsurance receivables	135	62	0
Other assets:			
Accounts receivable	5,392	13,940	104
Prepaid expenses	3,202	4,281	32
Accrued income	31,840	29,089	217
Deposits	1,834	1,801	13
Differential account for futures trading	—	147	1
Derivatives	35	1,481	11
Cash collateral paid for financial instruments	4,499	—	—
Suspense payments	1,871	1,621	12
Rest of the other asset	3,653	3,153	23
	52,328	55,516	415
Prepaid pension cost	912	1,614	12
Deferred tax assets	—	13,829	103
Allowance for possible loan losses	(2,515)	(826)	(6)
Total assets	¥7,389,308	¥7,226,280	$54,117

	As of March 31,		
	2022	2023	2023
	Millions of yen		Millions of U.S. dollars
Liabilities:			
Policy reserves:			
Reserve for outstanding claims	¥22,985	**¥21,523**	**$161**
Policy reserve	5,800,015	**5,830,565**	**43,664**
Reserve for dividends to policyholders	63,411	**64,420**	**482**
	5,886,412	**5,916,509**	**44,308**
Reinsurance payables	87	**46**	**0**
Subordinated bonds	241,935	**241,935**	**1,811**
Other liabilities:			
Cash received as collateral under securities lending transactions	160,928	**155,483**	**1,164**
Corporate income tax payable	2,767	**101**	**0**
Accounts payable	7,282	**6,324**	**47**
Accrued expenses	11,438	**10,580**	**79**
Unearned income	419	**437**	**3**
Deposits received	6,523	**6,592**	**49**
Guarantee deposits received	13,970	**13,700**	**102**
Derivatives	68,377	**3,005**	**22**
Cash collateral received for financial instruments	—	**3,822**	**28**
Lease obligations	553	**345**	**2**
Asset retirement obligations	2,355	**2,328**	**17**
Suspense receipts	1,711	**1,319**	**9**
	276,328	**204,041**	**1,528**
Reserve for claims and other payments	3,400	**—**	**—**
Reserve for employees' retirement benefits	24,850	**25,951**	**194**
Reserve for price fluctuation	176,670	**177,188**	**1,326**
Deferred tax liabilities	25,061	**—**	**—**
Deferred tax liabilities for land revaluation	14,183	**14,164**	**106**
Total liabilities	6,648,929	**6,579,836**	**49,276**
Net assets:			
Foundation funds	12,000	**12,000**	**89**
Accumulated foundation funds redeemed	116,000	**116,000**	**868**
Reserve for revaluation	112	**112**	**0**
Surplus:			
Legal reserve for future losses	3,370	**3,463**	**25**
Other surplus:			
Reserve for redemption of foundation funds	4,800	**7,200**	**53**
Reserve for dividend allowances	20,000	**20,000**	**149**
Accumulated fund for price fluctuation	41,000	**41,000**	**307**
Reserve for advanced depreciation of real estate for tax purpose	206	**205**	**1**
Other reserves	767	**767**	**5**
Unappropriated surplus	57,078	**54,346**	**406**
	123,852	**123,518**	**925**
	127,222	**126,981**	**950**
Total foundation funds, surplus and others	255,334	**255,093**	**1,910**
Net unrealized gains (losses) on available-for-sale securities, net of tax	480,860	**386,882**	**2,897**
Revaluation reserve for land, net of tax	4,184	**4,468**	**33**
Total valuation and translation adjustments	485,044	**391,350**	**2,930**
Total net assets	740,379	**646,444**	**4,841**
Total liabilities and net assets	¥7,389,308	**¥7,226,280**	**$54,117**

See notes to the non-consolidated financial statements.

Non-consolidated Statements of Operations

Fukoku Mutual Life Insurance Company
For the years ended March 31, 2022 and 2023

	Year ended March 31,		
	2022	2023	2023
	Millions of yen		Millions of U.S. dollars
Ordinary revenues:			
Premium and other income:			
Premium income	¥486,302	¥525,871	$3,938
Reinsurance income	158	166	1
	486,461	526,037	3,939
Investment income:			
Interest, dividends and other income:			
Interest on deposits	2	3	0
Interest and dividends on securities	140,247	136,893	1,025
Interest on loans	8,048	8,237	61
Income from real estate for rent	19,074	19,292	144
Other interest and dividends	237	343	2
	167,609	164,768	1,233
Gains on money held in trust, net	817	—	—
Gains on trading securities, net	1,664	348	2
Gains on sales of securities	13,920	54,756	410
Gains on redemption of securities, net	65	11,702	87
Foreign exchange gains, net	1,617	—	—
Reversal of allowance for possible loan losses	1,867	624	4
Other investment income	381	322	2
Gains on separate accounts, net	6,391	2,174	16
	194,336	234,698	1,757
Other ordinary revenues:			
Fund receipt from annuity rider	2,704	1,270	9
Proceeds from deferred insurance	2,938	3,122	23
Reversal of reserve for outstanding claims	—	1,461	10
Reversal of reserve for claims and other payments	—	3,400	25
Others	3,279	3,817	28
	8,922	13,072	97
Total ordinary revenues	689,719	773,808	5,795
Ordinary expenses:			
Claims and other payments:			
Claims	81,426	131,371	983
Annuities	152,290	153,869	1,152
Benefits	109,711	144,757	1,084
Surrenders	48,261	49,579	371
Other payments	24,152	25,008	187
Reinsurance premiums	218	204	1
	416,061	504,790	3,780
Provision of policy reserve and others:			
Provision of reserve for outstanding claims	3,434	—	—
Provision of policy reserves	70,504	30,549	228
Provision of interest portion of reserve for dividends to policyholders	13	13	0
	¥73,952	¥30,563	$228

	Year ended March 31, 2022	2023	2023
	Millions of yen		Millions of U.S. dollars
Investment expenses:			
Interest expenses	¥4,402	**¥4,469**	**$33**
Losses on money held in trust, net	—	**161**	**1**
Losses on sales of securities	15,060	**46,169**	**345**
Losses on valuation of securities	344	**3,608**	**27**
Losses on redemption of securities, net	—	**185**	**1**
Losses on derivative instruments, net	7,746	**11,221**	**84**
Foreign exchange losses, net	—	**8,231**	**61**
Depreciation of real estate for rent and other assets	4,788	**4,850**	**36**
Other investment expenses	10,985	**12,185**	**91**
	43,328	**91,083**	**682**
Operating expenses	90,779	**90,478**	**677**
Other ordinary expenses:			
Deferred annuity payments	3,353	**3,618**	**27**
Taxes	7,472	**7,546**	**56**
Depreciation	10,657	**11,388**	**85**
Provision of reserve for claims and other payments	3,400	**—**	**—**
Provision of reserve for employees' retirement benefits	750	**399**	**2**
Others	1,212	**1,426**	**10**
	26,845	**24,380**	**182**
Total ordinary expenses	650,967	**741,296**	**5,551**
Ordinary profits	38,752	**32,512**	**243**
Extraordinary gains:			
Gains on disposal of fixed assets	10	**393**	**2**
Total extraordinary gains	10	**393**	**2**
Extraordinary losses:			
Losses on disposal of fixed assets	430	**178**	**1**
Impairment losses	46	**32**	**0**
Provision of reserve for price fluctuation	3,873	**518**	**3**
Total extraordinary losses	4,349	**730**	**5**
Surplus before income taxes	34,412	**32,175**	**240**
Income taxes:			
Current	11,069	**3,096**	**23**
Deferred	(9,975)	**(1,793)**	**(13)**
Total income taxes	1,093	**1,303**	**9**
Net surplus for the year	¥33,319	**¥30,872**	**$231**

See notes to the non-consolidated financial statements.

Non-consolidated Statements of Changes in Net Assets

Fukoku Mutual Life Insurance Company
For the years ended March 31, 2022 and 2023

	Millions of yen											
	Foundation funds, surplus and others											
				Surplus								
					Other surplus							
For the year ended March 31, 2022	Foundation funds	Accumulated foundation funds redeemed	Reserve for revaluation	Legal reserve for future losses	Reserve for redemption of foundation funds	Reserve for dividend allowances	Accumulated fund for price fluctuation	Reserve for advanced depreciation of real estate for tax purpose	Other reserves	Unappropri-ated surplus	Total surplus	Total foundation funds, surplus and others
Balance at the beginning of the fiscal year	¥12,000	¥116,000	¥112	¥3,271	¥2,400	¥20,000	¥41,000	¥207	¥767	¥59,102	¥126,748	¥254,860
Changes in the fiscal year												
Additions to reserve for dividends to policyholders										(32,744)	(32,744)	(32,744)
Additions to legal reserve for future losses				99						(99)	—	—
Payment of interest on foundation funds										(102)	(102)	(102)
Net surplus for the fiscal year......										33,319	33,319	33,319
Additions to reserve for redemption of foundation funds					2,400					(2,400)	—	—
Reversal of reserve for advanced depreciation of real estate for tax purpose								(1)		1	—	—
Reversal of revaluation reserve for land, net of tax										1	1	1
Net changes, excluding foundation funds, surplus and others												
Total changes in the fiscal year	—	—	—	99	2,400	—	—	(1)	—	(2,024)	473	473
Balance at the end of the fiscal year	¥12,000	¥116,000	¥112	¥3,370	¥4,800	¥20,000	¥41,000	¥206	¥767	¥57,078	¥127,222	¥255,334

	Millions of yen			
	Valuation and translation adjustments			
For the year ended March 31, 2022	Net unrealized gains (losses) on available-for-sale securities, net of tax	Revaluation reserve for land, net of tax	Total valuation and translation adjustments	Total net assets
Balance at the beginning of the fiscal year	¥458,287	¥4,185	¥462,473	¥717,333
Changes in the fiscal year				
Additions to reserve for dividends to policyholders				(32,744)
Additions to legal reserve for future losses				—
Payment of interest on foundation funds				(102)
Net surplus for the fiscal year				33,319
Additions to reserve for redemption of foundation funds				—
Reversal of reserve for advanced depreciation of real estate for tax purpose				—
Reversal of revaluation reserve for land, net of tax				1
Net changes, excluding foundation funds, surplus and others	22,572	(1)	22,571	22,571
Total changes in the fiscal year	22,572	(1)	22,571	23,045
Balance at the end of the fiscal year	¥480,860	¥4,184	¥485,044	¥740,379

For the year ended March 31, 2023	Millions of yen											
	Foundation funds, surplus and others											
				Surplus								
					Other surplus							
	Foundation funds	Accumulated foundation funds redeemed	Reserve for revaluation	Legal reserve for future losses	Reserve for redemption of foundation funds	Reserve for dividend allowances	Accumulated fund for price fluctuation	Reserve for advanced depreciation of real estate for tax purpose	Other reserves	Unappropri-ated surplus	Total surplus	Total foundation funds, surplus and others
Balance at the beginning of the fiscal year	¥12,000	¥116,000	¥112	¥3,370	¥4,800	¥20,000	¥41,000	¥206	¥767	¥57,078	¥127,222	¥255,334
Changes in the fiscal year												
Additions to reserve for dividends to policyholders										(30,726)	(30,726)	(30,726)
Additions to legal reserve for future losses				93						(93)	—	—
Payment of interest on foundation funds										(102)	(102)	(102)
Net surplus for the fiscal year										30,872	30,872	30,872
Additions to reserve for redemption of foundation funds					2,400					(2,400)	—	—
Reversal of reserve for advanced depreciation of real estate for tax purpose								(1)		1	—	—
Reversal of revaluation reserve for land, net of tax										(284)	(284)	(284)
Net changes, excluding foundation funds, surplus and others												
Total changes in the fiscal year	—	—	—	93	2,400	—	—	(1)	—	(2,732)	(240)	(240)
Balance at the end of the fiscal year	¥12,000	¥116,000	¥112	¥3,463	¥7,200	¥20,000	¥41,000	¥205	¥767	¥54,346	¥126,981	¥255,093

For the year ended March 31, 2023	Millions of yen			
	Valuation and translation adjustments			
	Net unrealized gains (losses) on available-for-sale securities, net of tax	Revaluation reserve for land, net of tax	Total valuation and translation adjustments	Total net assets
Balance at the beginning of the fiscal year	¥480,860	¥4,184	¥485,044	¥740,379
Changes in the fiscal year				
Additions to reserve for dividends to policyholders				(30,726)
Additions to legal reserve for future losses				—
Payment of interest on foundation funds				(102)
Net surplus for the fiscal year				30,872
Additions to reserve for redemption of foundation funds				—
Reversal of reserve for advanced depreciation of real estate for tax purpose				—
Reversal of revaluation reserve for land, net of tax				(284)
Net changes, excluding foundation funds, surplus and others	(93,978)	284	(93,694)	(93,694)
Total changes in the fiscal year	(93,978)	284	(93,694)	(93,935)
Balance at the end of the fiscal year	¥386,882	¥4,468	¥391,350	¥646,444

For the year ended March 31, 2023	Millions of U.S. dollars											
	Foundation funds, surplus and others											
				Surplus								
					Other surplus							
	Foundation funds	Accumulated foundation funds redeemed	Reserve for revaluation	Legal reserve for future losses	Reserve for redemption of foundation funds	Reserve for dividend allowances	Accumulated fund for price fluctuation	Reserve for advanced depreciation of real estate for tax purpose	Other reserves	Unappropri- ated surplus	Total surplus	Total foundation funds, surplus and others
Balance at the beginning of the fiscal year	$89	$868	$0	$25	$35	$149	$307	$1	$5	$427	$952	$1,912
Changes in the fiscal year												
Additions to reserve for dividends to policyholders										(230)	(230)	(230)
Additions to legal reserve for future losses				0						(0)	—	—
Payment of interest on foundation funds										(0)	(0)	(0)
Net surplus for the fiscal year										231	231	231
Additions to reserve for redemption of foundation funds					17					(17)	—	—
Reversal of reserve for advanced depreciation of real estate for tax purpose								(0)		0	—	—
Reversal of revaluation reserve for land, net of tax										(2)	(2)	(2)
Net changes, excluding foundation funds, surplus and others												
Total changes in the fiscal year	—	—	—	0	17	—	—	(0)	—	(20)	(1)	(1)
Balance at the end of the fiscal year	$89	$868	$0	$25	$53	$149	$307	$1	$5	$406	$950	$1,910

For the year ended March 31, 2023	Millions of U.S. dollars			
	Valuation and translation adjustments			
	Net unrealized gains (losses) on available- for-sale securities, net of tax	Revaluation reserve for land, net of tax	Total valuation and translation adjustments	Total net assets
Balance at the beginning of the fiscal year	$3,601	$31	$3,632	$5,544
Changes in the fiscal year				
Additions to reserve for dividends to policyholders				(230)
Additions to legal reserve for future losses				—
Payment of interest on foundation funds				(0)
Net surplus for the fiscal year				231
Additions to reserve for redemption of foundation funds				—
Reversal of reserve for advanced depreciation of real estate for tax purpose				—
Reversal of revaluation reserve for land, net of tax				(2)
Net changes, excluding foundation funds, surplus and others	(703)	2	(701)	(701)
Total changes in the fiscal year	(703)	2	(701)	(703)
Balance at the end of the fiscal year	$2,897	$33	$2,930	$4,841

Non-consolidated Statements of Surplus

Fukoku Mutual Life Insurance Company
For the years ended March 31, 2022 and 2023

	Year ended March 31,		
	2022	2023	2023
	Millions of yen		Millions of U.S. dollars
Unappropriated surplus	¥57,078	**¥54,346**	**$406**
Reversal of voluntary surplus reserve:			
Reversal of reserve for advanced depreciation of real estate for tax purpose	1	**1**	**0**
	1	**1**	**0**
Total	57,079	**54,347**	**407**
Appropriation of surplus			
Reserve for dividends to policyholders	30,726	**28,002**	**209**
Net surplus:			
Legal reserve for future losses	93	**85**	**0**
Interest payment for foundation funds	102	**102**	**0**
Voluntary surplus reserve:			
Reserve for redemption of foundation funds	2,400	**2,400**	**17**
	2,400	**2,400**	**17**
	2,595	**2,587**	**19**
Total of appropriation of surplus	33,321	**30,589**	**229**
Unappropriated surplus carried forward	¥23,758	**¥23,758**	**$177**

Note: Net surplus is calculated by deducting reserve for dividends to policyholders from the sum of unappropriated surplus and reversal of voluntary surplus reserve.

Notes to the Non-consolidated Financial Statements

I. Presentation of the Non-consolidated Financial Statements

1. Basis of presentation

The accompanying non-consolidated financial statements have been prepared from the accounts maintained by Fukoku Mutual Life Insurance Company (the "Company") in accordance with the provisions set forth in the Insurance Business Act of Japan and its related rules and regulations and in conformity with accounting principles generally accepted in Japan, which are different in certain respects from accounting principles generally accepted in countries and jurisdictions other than Japan.

In addition, the notes to the non-consolidated financial statements include information which is not required under accounting principles generally accepted in Japan but is presented herein as additional information.

Amounts of less than one million yen have been rounded down. As a result, the totals do not add up.

The translations of yen amounts into U.S. dollar amounts are included solely for the convenience of the reader and have been made, as a matter of arithmetical computation only, at the rate of ¥133.53 = US$1.00, the effective rate of exchange at the balance sheet date of March 31, 2023. The translations should not be construed as representations that such yen amounts have been or could in the future be, converted into U.S. dollars at that or any other rates.

II. Notes to the Non-consolidated Balance Sheets

1. (1) The valuation of securities, including cash and deposits and monetary claims bought which are equivalent to securities, and securities managed as trust assets in money held in trust, is as follows:

i) Trading securities are stated at fair market value. Costs of their sales are determined by the moving average method.

ii) Held-to-maturity debt securities are stated at amortized cost under the straight-line method, cost being determined by the moving average method.

iii) Investments in subsidiaries and affiliates are stated at cost, cost being determined by the moving average method.

iv) Available-for-sale securities are stated at fair market value based on the market prices at the end of the fiscal year. Costs of their sales are determined by the moving average method. Public and corporate bonds (including foreign bonds) with differences between their acquisition costs and fair values that are considered as adjustments of interest are stated at amortized cost (straight-line method) determined by the moving average method. However, stocks and other securities without quoted market prices are stated at cost, as determined using the moving average method. Net unrealized gains or losses on these available-for-sale securities, net of taxes, are recorded as a separate component of net assets.

(2) Derivative instruments are stated at fair market value.

(3) The Company revalued the land used in the operations based on the Act for Revaluation of Land (Act No.34 promulgated on March 31, 1998). The difference between fair value and book value resulting from the revaluation, net of related taxes, is recorded as revaluation reserve for land as a separate component of net assets and the related tax is recorded as deferred tax liabilities for land revaluation.

- Date of revaluation: March 31, 2002
- Method of revaluation as prescribed for in Article 3 Paragraph 3 of the said Act:

  Calculation is based on the appraisal value for property tax set forth in Article 2 item 3 of the Enforcement Ordinance of the Act for Revaluation of Land (Government Ordinance No.119 promulgated on March 31, 1998) and the road rate set forth in Article 2 item 4 of the said Ordinance with certain reasonable adjustments.

(4) Depreciation of tangible fixed assets is calculated by the following methods.

- Tangible fixed assets (excluding lease assets): Declining-balance method

  However, buildings (excluding building attachments and structures acquired on or before March 31, 2016) acquired on or after April 1, 1998 are depreciated using Straight-line method.
- Lease assets related to finance lease transactions that do not transfer ownership: Straight-line method over the lease term with no residual value.

Other tangible fixed assets acquired for ¥100,000 or more but less than ¥200,000 are depreciated equally over three years.

(5) Assets and liabilities denominated in foreign currencies, except for investments in subsidiaries and affiliates, are translated into Japanese yen at the effective exchange rate prevailing at the balance sheet date. Investments in subsidiaries and affiliates are translated into Japanese yen at the exchange rate on the date of acquisition.

(6) Allowance for possible loan losses is provided in accordance with the Company's standards of self-assessment and write-offs and reserves on credit quality:

i) For the credits of borrowers who are legally bankrupt such as being in the proceedings of bankruptcy or civil rehabilitation (hereinafter called "legally bankrupt borrowers") and who are substantially bankrupt (hereinafter called "substantially bankrupt borrowers"), the Company provides the remaining amounts of credits after the direct write-off described below and the deductions of the amount expected to be collected through the disposal of collateral or the execution of guarantees.

ii) For the credits of borrowers who are not currently bankrupt but have a high possibility of bankruptcy (hereinafter called "not currently bankrupt borrowers"), the Company provides the amounts deemed as necessary considering the borrowers' ability to pay, within the amounts after deductions of the amounts expected to be collected through the disposal of collateral or the execution of guarantees.

iii) For the credits of borrowers other than the above, the Company provides the amounts calculated by multiplying the borrowers' balance by the actual ratio of bad debt losses on defaults during a certain past period.

All credits are assessed by the relevant departments in accordance with the Company's standards of self-assessment on credit quality. The results of the assessment are reviewed by the audit department, which is independent of business-related divisions. Subsequently, the allowance for possible loan losses is provided based on the results of these assessments.

For the credits of legally bankrupt borrowers and substantially bankrupt borrowers, the amounts remaining after deductions of collateral value or the amounts collectible through the execution of guarantees are written-off directly from the borrowers' balances as the estimated uncollectible amounts. The amount written-off as of March 31, 2022 and 2023 were ¥0 million and ¥0 million (US$5 thousand).

(7) Reserve for employees' retirement benefits and prepaid pension cost are presented based on projected benefit obligations and pension plan assets at the balance sheet date.

The Company uses the following methods for amortizing retirement benefit obligations and retirement benefit expenses:

- Method for allocation of projected retirement benefits ....Benefit formula basis
- Amortization period of actuarial gains and losses ..10 years
- Amortization period of prior service cost................10 years

(8) Reserve for price fluctuation is calculated in accordance with Article 115 of the Insurance Business Act.

(9) Hedge accounting is based on "Accounting Standards for Financial Instruments" (ASBJ Statement No. 10, July 4, 2019). The Company applies a fair value hedge accounting as a hedge against the risk of foreign exchange fluctuation in relation to bonds and others denominated in foreign currencies, and a designated hedge accounting ("Furiate shori") for foreign currency swaps as a hedge against the risk of foreign exchange fluctuation in relation to bonds denominated in foreign currencies issued by the Company.

For assessing the effectiveness of hedge used, ratio analysis of comparing the fluctuations in the fair value or cash flows of hedged items and hedging instruments is mainly applied.

(10) Accounting of unrecognized actuarial differences and unrecognized prior service costs related to employees' retirement benefits is different to the methods used for these items in the consolidated financial statements.

(11) The Company accounts for consumption taxes by the tax-exclusion method. The consumption taxes on certain assets, which are not deductible from consumption taxes withheld and that are stipulated to be deferred under the Tax Act, are deferred as prepaid expenses and amortized equally over five years. Consumption taxes other than deferred consumption taxes are recognized as an expense when incurred.

(12) Initial premium incomes are recorded by the relevant amounts received when the premium incomes have been received and the responsibilities on the insurance contract have been commenced, in principal.

Subsequent premium incomes are also recorded as the amount of payments that have been received.

Of premium incomes that have been received, the portion corresponding to the period that has yet to pass as of the end of the fiscal year is accumulated as policy reserve in accordance with Article 116 of the Insurance Business Act and Article 69 Paragraph 1 Item 2 of the Enforcement Regulation of the Insurance Business Act.

Premium incomes associated with the acceptance of group annuities are recorded as amounts equivalent to the policy reserve received when accepting the transfers of these group annuities.

(13) Claims and other payments (excluding reinsurance premiums) are recorded by the relevant amounts paid when the cause for payment under the policy conditions is occurred and the calculated amounts are paid based on the policy conditions.

In accordance with Article 117 of the Insurance Business Act and Article 72 of the Enforcement Regulation of the Insurance Business Act, reserve for outstanding claims are accumulated as for claims for which the Company has a payment due but has not paid, or for which the occurrence of cause for payment has not been reported but the Company recognizes that insured payment has already occurred as of the end of the fiscal year.

Regarding claims for which the occurrence of cause for payment has not been reported but the Company recognizes that insured payment has already occurred ("IBNR reserves"), the scope of payment of hospitalization benefits was changed in the fiscal year ended March 31, 2023, with respect to those diagnosed with COVID-19 and were under the care of a doctor or the like at an lodging facility or at home ("deemed hospitalization"). As a result of this change, an appropriate amount of reserves cannot be obtained with the calculation method set forth in the main rules in Article 1, Paragraph 1 of the Notification of the Minister of Finance No.234, 1998 ("IBNR Notification"). The Company therefore records the amount that was calculated using the following method, pursuant to provisions in the proviso of Article 1, Paragraph 1 of IBNR Notification (the "Proviso").

(Overview of the calculation method)
The Company first deducts an amount pertaining to deemed hospitalization of policy holders other than those with high risk of severity ("4 categories") from a required amount of IBNR reserves and the amount of claim payments for all the fiscal years, as set forth in the main rules in Article 1, Paragraph 1 of IBNR Notification, and then calculates in the same manner as in the main rules in Article 1, Paragraph 1 of IBNR Notification.

In addition, the amount pertaining to deemed hospitalization of the 4 categories which date of diagnosis required for the above calculation is before September 25, 2022 is estimated by multiplying the amount for deemed hospitalization for those 65 years of age or older whose diagnosis date is before September 25, 2022 by the ratio of the amount for the four categories whose diagnosis date is on or after September 26, 2022 and the amount for the deemed hospitalization for persons 65 years of age or older. However, the amount related to 4 categories deemed hospitalizations for co-insurance follower policies is estimated based on the amount of payments for leader policies.

Claims and other payments associated with the outgoing transfer of group annuities are recorded as amounts equivalent to the policy reserve transferred when recognizing the transfers of these group annuities.

(14) Policy reserve of the Company is accumulated in accordance with the methods stated in the statement of calculation procedures for Insurance Premiums and Policy Reserves (Article 4 Paragraph 2 Item 4 of the Insurance Business Act) pursuant to Article 116 Paragraph 1 of the Insurance Business Act to prepare for the future performance of obligations under the insurance contracts for which the insurer's responsibilities have started as of the end of the fiscal year.

Premium reserves, one of the components of policy reserve, are calculated by the following method.

i) In regard to the policies subject to the standard policy reserve, the method as prescribed by the Commissioner of Financial Services Agency (Ministry of Finance Ordinance No.48, 1996) is applied.

ii) In regard to the policies not subject to the standard policy reserve, the net level premium method is applied.

In regard to the policy reserve accumulated pursuant to Article 69 Paragraphs 1,2, and 4 of the Enforcement Regulation of the Insurance Business Act, when the actual assumptions for long-term future cash flows (such as assumed incidence rate and assumed interest rate) deviate from those assumptions set in the "statement of calculation procedures for Insurance Premiums and Policy Reserves" and policy reserve is considered to be possibly insufficient to cover the future performance of obligations, additional policy reserve is required to accumulate in accordance with Article 69 Paragraph 5 of the Enforcement Regulation of the Insurance Business Act. The following reserves have been established in compliance with this regulation.

- Among individual annuity insurance policies with an assumed interest rate of 5.00% or higher, for policies that have begun paying annuities (excluding wife's annuity insurance additional rider), the Company has reduced the assumed interest rate to 1.00% and funded additional policy reserves. As of March 31, 2022, the balance of these policy reserves was ¥72,419 million.
- Among whole life insurance policies with assumed interest rates of 5.00% or higher following the fiscal year ended March 31, 2022, the Company has reduced assumed interest rates for policies with premiums that have been paid in full (excluding policies that have been converted into paid-up or extended policies, single premium policies, and policies for which premiums have been waived) to 1.00% and funded additional policy reserves of ¥107,284 million. The establishment of these reserves rendered ¥1,589 million of additional policy reserves set aside at the conclusion of the fiscal year ended March 31, 2021 unnecessary. Accordingly, the Company reversed this amount and transferred ¥105,695 million (a higher amount) from contingency reserves to additional policy reserves. Consequently, the establishment of these policy reserves has had no impact on provision of policy reserves, ordinary profits, and surplus before income taxes.
- The Company has also funded additional policy reserves for certain whole life insurance policies that include distribution of surplus every five years, new cancer riders, highly advanced medical riders and advanced medical riders. As of March 31, 2022, the balance of these policy reserves was ¥77 million.
- Among individual annuity insurance policies with an assumed interest rate of 5.00% or higher, for policies that have begun paying annuities (excluding wife's annuity insurance additional rider), the Company has reduced the assumed interest rate to 1.00% and funded additional policy reserves. As of March 31, 2023, the balance of these policy reserves was ¥71,649 million (US$536 million).
- Among whole life insurance policies with assumed interest rates of 5.00% or higher following the fiscal year ended March 31, 2023, the Company has reduced assumed interest rates for policies with premiums that have been paid in full (excluding policies that have been converted into paid-up or extended policies, single premium policies, and policies for which premiums have been waived) to 1.00% and funded additional policy reserves. As of March 31, 2023, the balance of these policy reserves was ¥106,590 million (US$798 million).
- The Company has also funded additional policy reserves for certain whole life insurance policies that include distribution of surplus every five years, new cancer riders, highly advanced medical riders and transplant medical riders. As of March 31, 2023, the balance of these policy reserves was ¥105 million (US$786 thousand).

Appointed actuary, for each fiscal year, verify whether policy reserves have been reasonably accumulated in accordance with Article 121 Paragraph 1 of the Insurance Business Act and Article 80 of the Enforcement Regulation of the Insurance Business Act.

Contingency reserves, one of the components of policy reserve, are accumulated pursuant to Article 116 of the Insurance Business Act and Article 69 Paragraph 1 Item 3 of the Enforcement Regulation of the Insurance Business Act to cover risks that may accrue in the future in order to ensure performing future obligations under the insurance contracts.

(15) Depreciation of intangible fixed assets is calculated by the following methods.
- Software: Straight-line method over the estimated useful lives.
- Lease assets related to finance lease transactions that do not transfer ownership: Straight-line method over the lease term with no residual value.

2. The Company began applying the "Implementation Guidance on Accounting Standard for Fair Value Measurement" (ASBJ Statement No. 31, June 17, 2021; hereinafter called "Implementation Guidance on Accounting Standard for Fair Value Measurement") from the beginning of the fiscal year. In accordance with the transitional treatments prescribed in Paragraph 27-2 of the Implementation Guidance on Accounting Standard for Fair Value Measurement, new accounting policies set forth by the Implementation Guidance on Accounting Standard for Fair Value Measurement will be applied prospectively. As a result, certain investment trusts that had previously been carried on the balance sheet at acquisition cost are stated at fair value on the balance sheet from the fiscal year ended March 31, 2023. The Company has observed no material impact from this application of the Implementation Guidance on Accounting Standard for Fair Value Measurement.

3. Asset management of the general accounts other than the separate accounts stipulated in Article 118 Paragraph 1 of the Insurance Business Act is conducted on the principle of prudent and profitable investments, considering public and social responsibilities of the insurance business. Based on this policy, the Company allocates the fund, securing its liquidity, from the medium-to-long term viewpoints. The Company is diversifying investments in assets such as foreign securities, stocks and real estates within the acceptable range of risks in order to enhance the profitability, although yen-denominated interest bearing assets including debt securities such as Japanese government bonds and loans are the cores of the portfolios under the asset liability management. Derivatives are mainly used to hedge the market risk regarding spot-priced assets and liabilities.

Major financial instruments including securities, loans and derivatives are exposed to market risk and credit risk.

The Company manages its asset management risk by establishing internal control systems including various rules pursuant to the "Three Basic Rules related to Enterprise Risk Management" established by the Board of Directors. Specifically, the Company eliminates excessive risk deviating from the basic principle and secures the safety of the assets by utilizing control functions of the Financial and Investment Risk Management Department towards the asset management sections, monitoring the status of market risk and credit risk periodically on a daily or monthly basis. In addition, the Company quantifies the market risk and credit risk using value-at-risk (VaR) method in order to control the possible maximum losses which may arise from the holding assets within a certain range of risk buffers.

The carrying amounts, fair values and their related differences of major financial assets and liabilities in the general account were as follows:

	As of March 31, 2022		
	Millions of yen		
	Carrying amount	Fair value	Difference
Monetary claims bought:			
Claims treated as loans	¥80	¥81	¥0
Total monetary claims bought	80	81	0
Money held in trust:			
Trading securities	25,070	25,070	—
Total money held in trust	25,070	25,070	—
Securities:			
Trading securities	18,493	18,493	—
Held-to-maturity debt securities	760,097	847,316	87,218
Available-for-sale securities	5,288,571	5,288,571	—
Total securities	6,067,162	6,154,381	87,218
Loans:			
Policy loans	48,629	48,629	(0)
Ordinary loans	504,675	521,484	16,809
Total loans	553,305	570,114	16,809
Assets total	6,645,619	6,749,647	104,028
Subordinated bonds*1	241,935	245,074	3,139
Liabilities total	241,935	245,074	3,139
Derivative instruments*2:			
Hedge accounting not applied	(4,814)	(4,814)	—
Hedge accounting applied	(63,528)	(63,528)	—
Total derivative instruments	¥(68,342)	¥(68,342)	¥—

*1 The fair value of derivative instruments that are currency swaps under designated hedge accounting is included in the fair value of subordinated bonds because it is accounted for as an integral part of the subordinated bonds that are the hedge items.
*2 Assets and liabilities generated by derivative instruments are offset and presented net. Net liabilities in total are presented in parentheses.

Notes: 1. Stocks without market prices, such as unlisted stocks, are not included in Securities of the above table. The amount of these stocks on the balance sheet as of March 31, 2022 was ¥73,986 million.
2. In accordance with the transitional treatments prescribed in Paragraph 27 of the "Implementation Guidance on Accounting Standard for Fair Value Measurement" (ASBJ Guidance No. 31, July 4, 2019), investments in partnerships have not been included in Securities of the above table. As of March 31, 2022, the amount of investments in partnerships included on the balance sheet was ¥32,380 million.

	As of March 31,					
	2023			2023		
	Millions of yen			Millions of U.S. dollars		
	Carrying amount	Fair value	Difference	Carrying amount	Fair value	Difference
Money held in trust:						
Trading securities	¥24,897	¥24,897	¥—	$186	$186	$—
Total money held in trust	24,897	24,897	—	186	186	—
Securities:						
Trading securities	10,232	10,232	—	76	76	—
Held-to-maturity debt securities	738,300	808,660	70,360	5,529	6,056	526
Available-for-sale securities	4,839,472	4,839,472	—	36,242	36,242	—
Total securities	5,588,005	5,658,365	70,360	41,848	42,375	526
Loans:						
Policy loans	47,088	47,088	(0)	352	352	(0)
Ordinary loans	477,104	487,443	10,339	3,573	3,650	77
Total loans	524,193	534,532	10,339	3,925	4,003	77
Assets total	6,137,096	6,217,795	80,699	45,960	46,564	604
Subordinated bonds*1	241,935	238,498	(3,436)	1,811	1,786	(25)
Liabilities total	241,935	238,498	(3,436)	1,811	1,786	(25)
Derivative instruments*2:						
Hedge accounting not applied	(683)	(683)	—	(5)	(5)	—
Hedge accounting applied	(840)	(840)	—	(6)	(6)	—
Total derivative instruments	¥(1,524)	¥(1,524)	¥—	$(11)	$(11)	$—

*1 The fair value of derivative instruments that are currency swaps under designated hedge accounting is included in the fair value of subordinated bonds because it is accounted for as an integral part of the subordinated bonds that are the hedge items.
*2 Assets and liabilities generated by derivative instruments are offset and presented net. Net liabilities in total are presented in parentheses.

Notes: 1. Stocks without market prices, such as unlisted stocks, are not included in Securities of the above table.
The amount of these stocks on the balance sheet as of March 31, 2023 was ¥73,497 million (US$550 million).
2. In accordance with Paragraph 24-16 of the Implementation Guidance on Accounting Standard for Fair Value Measurement, investments in partnerships are not included in Securities of the above table.
The amount of investments in partnerships included on the balance sheet as of March 31, 2023, was ¥30,957 million (US$231 million).
3. Investment trusts with real estate as investment trust properties which have applied Paragraph 24-9 of the Implementation Guidance on Accounting Standard for Fair Value Measurement are included in Securities.

4. Matters concerning the breakdown of financial instruments by fair value level are as follows.
The fair values of financial instruments are classified into the following three levels according to the observability and materiality of inputs used to measure fair value.
Fair Value Level 1: Fair values measured using (unadjusted) quoted prices in active markets for identical assets or liabilities
Fair Value Level 2: Fair values measured using directly or indirectly observable inputs other than Level 1 inputs
Fair Value Level 3: Fair values measured using material unobservable inputs
When multiple inputs with material impact are used to measure fair value, the resulting fair value is classified into the lowest fair value level into which any of these inputs can be categorized.

(1) Financial assets and liabilities with fair values recorded on the balance sheet were as follows:

Classification	As of March 31,			
	2022			
	Millions of yen			
	Fair value			
	Level 1	Level 2	Level 3	Total
Money held in trust:				
Trading securities	¥—	¥25,070	¥—	¥25,070
Total money held in trust	—	25,070	—	25,070
Securities:				
Trading securities:				
Foreign securities	7,859	10,634	—	18,493
Total trading securities	7,859	10,634	—	18,493
Available-for-sale securities:				
Government bonds	1,374,059	—	—	1,374,059
Local government bonds	—	96,671	—	96,671
Corporate bonds	—	675,954	—	675,954
Stocks	699,525	—	—	699,525
Foreign securities	744,812	1,129,151	28,139	1,902,104
Other securities	3,372	—	—	3,372
Total available-for-sale securities	2,821,770	1,901,778	28,139	4,751,688
Total securities	2,829,629	1,912,412	28,139	4,770,181
Assets total	2,829,629	1,937,482	28,139	4,795,251
Derivative instruments*:				
Currency-related	—	(68,160)	—	(68,160)
Interest-related	—	20	—	20
Stock-related	(202)	—	—	(202)
Total derivative instruments	¥(202)	¥(68,140)	¥—	¥(68,342)

* Assets and liabilities generated by derivative instruments are offset and presented net. Net liabilities in total are presented in parentheses.

Note: In accordance with the transitional treatments prescribed in Paragraph 26 of the “Implementation Guidance on Accounting Standard for Fair Value Measurement” (ASBJ Guidance No.31, July 4, 2019), investment trusts have not been included in the figures above.
As of March 31, 2022, the amount of investment trusts included on the balance sheet was ¥536,883 million.

Classification	As of March 31, 2023 Millions of yen Fair value Level 1	Level 2	Level 3	Total	2023 Millions of U.S. dollars Fair value Level 1	Level 2	Level 3	Total
Money held in trust:								
Trading securities	¥—	¥24,897	¥—	¥24,897	$—	$186	$—	$186
Total money held in trust	—	24,897	—	24,897	—	186	—	186
Securities:								
Trading securities:								
Foreign securities	—	10,232	—	10,232	—	76	—	76
Total trading securities	—	10,232	—	10,232	—	76	—	76
Available-for-sale securities:								
Government bonds	1,665,641	—	—	1,665,641	12,473	—	—	12,473
Local government bonds	—	86,960	—	86,960	—	651	—	651
Corporate bonds	—	512,254	—	512,254	—	3,836	—	3,836
Stocks	739,891	—	—	739,891	5,541	—	—	5,541
Foreign securities	595,331	1,053,931	26,490	1,675,753	4,458	7,892	198	12,549
Other securities	40,683	112,692	—	153,375	304	843	—	1,148
Total available-for-sale securities	3,041,547	1,765,839	26,490	4,833,876	22,778	13,224	198	36,200
Total securities	3,041,547	1,776,071	26,490	4,844,109	22,778	13,300	198	36,277
Assets total	3,041,547	1,800,969	26,490	4,869,007	22,778	13,487	198	36,463
Derivative instruments*:								
Currency-related	—	(1,402)	—	(1,402)	—	(10)	—	(10)
Interest-related	—	47	—	47	—	0	—	0
Stock-related	(31)	—	—	(31)	(0)	—	—	(0)
Bond-related	(137)	—	—	(137)	(1)	—	—	(1)
Total derivative instruments	¥(169)	¥(1,355)	¥—	¥(1,524)	$(1)	$(10)	$—	$(11)

* Assets and liabilities generated by derivative instruments are offset and presented net. Net liabilities in total are presented in parentheses.

Note: Investment trusts with real estate as investment trust properties that have applied Paragraph 24-9 of the Implementation Guidance on Accounting Standard for Fair Value Measurement are not included in the figures above. The amount of the investment trusts on the balance sheet as of March 31, 2023 was ¥5,596 million (US$41 million). Reconciliation of balances from the beginning of the current fiscal year to balances as of March 31, 2023 for the investment trusts were as follows:

	As of March 31, 2023 Millions of yen	2023 Millions of U.S. dollars
Balance at the beginning of the fiscal year	¥3,654	$27
Changes in net unrealized gains or losses	441	3
Purchase, sales, and redemption	1,500	11
Purchase	1,500	11
Balance at the end of the fiscal year	¥5,596	$41

(2) Financial assets and liabilities with fair values not recorded on the balance sheet were as follows:

Classification	As of March 31, 2022 Millions of yen Fair value Level 1	Level 2	Level 3	Total
Monetary claims bought:				
Claims treated as loans	¥—	¥—	¥81	¥81
Total monetary claims bought	—	—	81	81
Securities:				
Held-to-maturity debt securities:				
Government bonds	796,339	—	—	796,339
Local government bonds	—	7,824	—	7,824
Corporate bonds	—	20,610	—	20,610
Foreign securities	20,878	1,663	—	22,541
Total held-to-maturity debt securities	817,218	30,098	—	847,316
Total securities	817,218	30,098	—	847,316
Loans:				
Policy loans	—	—	48,629	48,629
Ordinary loans	—	—	521,484	521,484
Total loans	—	—	570,114	570,114
Assets total	817,218	30,098	570,196	1,417,512
Subordinated bonds	—	245,074	—	245,074
Liabilities total	¥—	¥245,074	¥—	¥245,074

Classification	As of March 31, 2023 Millions of yen Fair value Level 1	Level 2	Level 3	Total	2023 Millions of U.S. dollars Fair value Level 1	Level 2	Level 3	Total
Securities:								
Held-to-maturity debt securities:								
Government bonds	¥780,191	¥—	¥—	¥780,191	$5,842	$—	$—	$5,842
Local government bonds	—	7,357	—	7,357	—	55	—	55
Corporate bonds	—	21,110	—	21,110	—	158	—	158
Total held-to-maturity debt securities	780,191	28,468	—	808,660	5,842	213	—	6,056
Total securities	780,191	28,468	—	808,660	5,842	213	—	6,056
Loans:								
Policy loans	—	—	47,088	47,088	—	—	352	352
Ordinary loans	—	—	487,443	487,443	—	—	3,650	3,650
Total loans	—	—	534,532	534,532	—	—	4,003	4,003
Assets total	780,191	28,468	534,532	1,343,192	5,842	213	4,003	10,059
Subordinated bonds	—	238,498	—	238,498	—	1,786	—	1,786
Liabilities total	¥—	¥238,498	¥—	¥238,498	$—	$1,786	$—	$1,786

(3) Explanation of valuation techniques and inputs used to measure fair value

i) Securities (including deposits and monetary claims bought which are treated as securities based on "Accounting Standards for Financial Instruments" [ASBJ Statement No.10, July 4, 2019])

The fair values of securities for which unadjusted quoted market prices in active markets are available (primarily listed stocks and government bonds [including some foreign securities]) are classified as Fair Value Level 1. Meanwhile, the fair values of securities for which quoted market prices are available, but are not available in active markets, are classified as Fair Value Level 2 (This category primarily includes local government bonds and corporate bonds [including some foreign securities]). When quoted market prices are not available for securities, prices obtained from third parties (mainly from information vendors and financial institutions with which the Company conducts business) and determined to have been measured in accordance with prescribed accounting standards are used to measure the fair values of these securities. If the inputs used to measure the fair value of a given security are material but unobservable, the resulting fair value is classified as Fair Value Level 3.

ii) Money held in trust

In principle, the fair values of securities managed as trust assets and classifed as money held in trust are measured using the Company's prescribed method for determining the value of securities. These fair values are categorized as Fair Value Level 2.

iii) Loans

The fair values of policy loans are deemed to approximate book values, considering estimated repayment period and interest rate conditions since their repayment deadlines have not been set up due to the characteristics that the loans are limited to the amount of cash surrender values. Therefore, the book values are used as the fair values of policy loans.

The fair values of floating interest rate loans among the ordinary loans approximate the book values because the market interest rates are reflected in future cash flows in a short period. Therefore, the fair values of floating interest rate loans are based on their book values. The fair values of fixed interest rate loans are primarily measured by discounting the future cash flows to the present values.

The fair values of loans from legally bankrupt borrowers, substantially bankrupt borrowers and not currently bankrupt borrowers are computed by deducting the amount of the allowance for possible loan losses from the book values before direct write-offs.

If the impact of unobservable inputs used to measure the fair values of loans is determined to be material, the resulting fair values are classified as Fair Value Level 3. Otherwise, they are categorized as Fair Value Level 2.

iv) Subordinated bonds

The fair values of corporate bonds issued by the Company are classified as Fair Value Level 2 and are measured using the same method applied to securities.

v) Derivative instruments

The fair values of derivative instruments for which unadjusted quoted market prices in active markets are available (primarily exchange-traded futures and options) are classified as Fair Value Level 1. However, most derivative instruments are traded over the counter and have no quoted market prices. Accordingly, prices obtained from third parties (mainly from information vendors and financial institutions with which the Company conducts business) and determined to have been measured in accordance with prescribed accounting standards are used to measure the fair values of these derivative instruments. Fair values of derivative instruments that were measured using only observable inputs or with unobservable inputs considered to be immaterial are classified as Fair Value Level 2. Meanwhile, fair values of derivative instruments that have been measured using material unobservable inputs are categorized as Fair Value Level 3.

(4) Information concerning fair values of financial assets and liabilities that have been recorded on the balance sheet and classified as Fair Value Level 3

i) Quantitative information regarding material unobservable inputs

When measuring fair value, the Company does not adjust quoted prices obtained from third parties and does not make estimates related to inputs that it cannot observe. Accordingly, quantitative information regarding material unobservable inputs have been omitted.

ii) Reconciliation of beginning to end of balance as of March 31, 2022 and 2023, and the valuation gains or losses recognized in the statements of operations for the respective fiscal years were as follows:

	Year ended March 31,	
	2022	
	Millions of yen	
	Securities, Available-for-sale securities, Foreign securities	Total
Balance at the beginning of the current fiscal year..........	¥29,312	¥29,312
Gains or losses during the fiscal year	(10)	(10)
Values recognized as gains or loses*	(10)	(10)
Changes in net unrealized gains or losses	(1,162)	(1,162)
Balance at the end of the current fiscal year....................	¥28,139	¥28,139

* These amounts are included in investment income and investment expenses in the non-consolidated statements of operations for the fiscal year ended March 31, 2022.

	Year ended March 31,			
	2023		**2023**	
	Millions of yen		Millions of U.S. dollars	
	Securities, Available-for-sale securities, Foreign securities	Total	Securities, Available-for-sale securities, Foreign securities	Total
Balance at the beginning of the current fiscal year..........	**¥28,139**	**¥28,139**	**$210**	**$210**
Gains or losses during the fiscal year	**(10)**	**(10)**	**(0)**	**(0)**
Values recognized as gains or loses*	**(10)**	**(10)**	**(0)**	**(0)**
Changes in net unrealized gains or losses	**(1,638)**	**(1,638)**	**(12)**	**(12)**
Balance at the end of the current fiscal year....................	**¥26,490**	**¥26,490**	**$198**	**$198**

* These amounts are included in investment income and investment expenses in the non-consolidated statements of operations for the fiscal year ended March 31, 2023.

iii) Explanation of the valuation process for fair value

The Company's asset management division is responsible for the formulation of policies and procedures related to the measurement of fair value and the actual measurement of fair value. These fair values are subsequently checked by the risk management department to ensure their appropriateness and compliance with relevant policies and procedures.

The Company verifies the appropriateness of the fair values it measures using a variety of suitable methods, which include comparing quoted market prices obtained from different third parties; confirming techniques and inputs utilized for calculation; and further comparing measured fair values with the fair values of similar financial instruments.

iv) Explanation of the impact on fair value in case of change in material unobservable inputs

When measuring fair value, the Company does not adjust quoted prices obtained from third parties and does not make estimates related to inputs that it cannot observe. Accordingly, it has omitted information concerning impact on fair value stemming from changes in material unobservable inputs.

5. The Company holds investment and rental properties such as office buildings in Tokyo and other areas. The carrying amounts and the fair values of investment and rental properties were ¥196,610 million and ¥328,744 million as of March 31, 2022, and ¥199,666 million (US$1,495 million) and ¥351,564 million (US$2,632 million) as of March 31, 2023, respectively. The fair value is mainly based on the value calculated by the Company in accordance with real estate appraisal standards which includes some adjustments using the reference prices.

The amount corresponding to asset retirement obligations included in the carrying amount of investment and rental properties were ¥372 million as of March 31, 2022, and ¥327 million (US$2 million) as of March 31, 2023, respectively.

6. The amount of securities lent under lending agreements were ¥621,280 million and ¥504,760 million (US$3,780 million) as of March 31, 2022 and 2023, respectively.

7. The total amount of claims against bankrupt and quasi-bankrupt obligors, claims with collection risk, delinquent loans past three months or more, and restructured loans were ¥3,759 million and ¥1,236 million (US$9 million) as March 31, 2022 and 2023, respectively. The details are as follows.

i) The balance of claims against bankrupt and quasi-bankrupt obligors were ¥143 million and ¥130 million (US$975 thousand) as of March 31, 2022 and 2023, respectively.

Of which, the estimated uncollectible amount written-off were ¥0 million and ¥0 million (US$5 thousand) as of March 31, 2022 and 2023, respectively.

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.

ii) The balance of claims with collection risk were ¥1,999 million and ¥544 million (US$4 million) as of March 31, 2022 and 2023, respectively.

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.

iii) There was no balance of delinquent loans past three months or more as of March 31, 2022 and 2023, respectively.

Delinquent loans past three months or more are loans for which interest payments or repayments of principal are delinquent for three months or more from the due date under the terms of the related loan agreements, excluding those loans classified as claims against bankrupt and quasi-bankrupt obligors, claims with collection risk.

iv) The balance of restructured loans were ¥1,616 million and ¥561 million (US$4 million) as of March 31, 2022 and 2023, respectively.

Restructured loans are loans for which certain concessions favorable to borrowers, such as interest reduction or exemption, rescheduling of due date for repayments of principal or interest payment, waiver of claim or other terms, have been negotiated for the purpose of assisting and supporting the borrowers in the restructuring of their business. This category excludes loans classified as claims against bankrupt and quasi-bankrupt obligors, claims with collection risk, and delinquent loans past three months or more.

8. Accumulated depreciation of tangible fixed assets were ¥178,381 million and ¥182,618 million (US$1,367 million) as of March 31, 2022 and 2023, respectively.

9. Total assets in separate accounts provided for in Article 118 of the Insurance Business Act were ¥112,487 million and ¥118,783 million (US$889 million) as of March 31, 2022 and 2023, respectively. The amounts of separate account liabilities were the same as separate account assets.

10. The total amounts of receivables from/payables to subsidiaries were ¥2,334 million and ¥2,714 million as of March 31, 2022, and ¥2,405 million (US$18 million) and ¥1,891 million (US$14 million) as of March 31, 2023, respectively.

11. Deferred tax assets and deferred tax liabilities as of March 31, 2022 were ¥170,333 million and ¥190,417 million, respectively. Valuation allowance for deferred tax assets was ¥4,976 million.

Major components of deferred tax assets were ¥98,854 million of policy reserves, ¥49,467 million of reserve for price fluctuation and ¥12,184 million of reserve for employees' retirement benefits as of March 31, 2022.

Major component of deferred tax liabilities was ¥185,335 million of net unrealized gains on available-for-sale securities as of March 31, 2022.

The statutory tax rate and the actual effective tax rate for the year ended March 31, 2022 were 28.0% and 3.2%, respectively. The difference between the statutory tax rate and the actual effective tax rate was attributable mainly to -25.0% of reserve for dividends to policyholders.

Deferred tax assets and deferred tax liabilities as of March 31, 2023 were ¥172,319 million (US$1,290 million) and ¥153,674 million (US$1,150 million), respectively. Valuation allowance for deferred tax assets was ¥4,815 million (US$36 million).

Major components of deferred tax assets were ¥101,887 million (US$763 million) of policy reserves, ¥49,612 million (US$371 million) of reserve for price fluctuation and ¥12,959 million (US$97 million) of reserve for employees' retirement benefits as of March 31, 2023.

Major component of deferred tax liabilities was ¥148,218 million (US$1,110 million) of net unrealized gains on available-for-sale securities as of March 31, 2023.

The statutory tax rate and the actual effective tax rate for the year ended March 31, 2023 were 28.0% and 4.1%, respectively. The difference between the statutory tax rate and the actual effective tax rate was attributable mainly to -24.4% of reserve for dividends to policyholders.

12. Changes in reserve for dividends to policyholders were as follows:

	Year ended March 31,		
	2022	2023	2023
	Millions of yen		Millions of U.S. dollars
Balance at the beginning of the fiscal year	¥63,232	**¥63,411**	**$474**
Transfer from surplus in the previous fiscal year	32,744	**30,726**	**230**
Dividend payments to policyholders during the fiscal year	(32,580)	**(29,731)**	**(222)**
Increase in interest	13	**13**	**0**
Balance at the end of the fiscal year	¥63,411	**¥64,420**	**$482**

13. The amount of stocks of subsidiaries were ¥64,787 million and ¥64,787 million (US$485 million) as of March 31, 2022 and 2023, respectively.

14. Assets pledged as collateral as of March 31, 2022 were ¥225,740 million of securities.

Secured debts as of March 31, 2022, were ¥166,881 million.

These amounts include ¥150,826 million of investments in securities deposited and ¥160,928 million of cash received as collateral under securities lending transactions secured by cash as of March 31, 2022.

Assets pledged as collateral as of March 31, 2023 were ¥175,557 million (US$1,314 million) of securities.

Secured debts as of March 31, 2023, were ¥161,480 million (US$1,209 million).

These amounts include ¥147,552 million (US$1,105 million) of investments in securities deposited and ¥155,483 million (US$1,164 million)of cash received as collateral under securities lending transactions secured by cash as of March 31, 2023.

15. Reserve for outstanding claims for the reinsurance contracts provided in accordance with Article 71 Paragraph 1 of the Enforcement Regulation of the Insurance Business Act (hereinafter called "reserve for outstanding claims for ceded reinsurance") were ¥0 million and ¥0 million (US$2 thousand) as of March 31, 2022 and 2023, respectively.

Policy reserve for the reinsurance contracts provided in accordance with Article 71 Paragraph 1 of the Enforcement Regulation of the Insurance Business Act (hereinafter called "policy reserve for ceded reinsurance") were ¥23 million and ¥21 million (US$160 thousand) as of March 31, 2022 and 2023, respectively.

16. The total amounts of adjustment items for redemption of foundation funds and appropriation of net surplus defined in Article 30 Paragraph 2 of the Enforcement Regulation of the Insurance Business Act were ¥485,157 million and ¥391,462 million (US$2,931 million) as of March 31, 2022 and 2023, respectively.

17. There were unused commitment line agreements under which the Company is the lender of ¥11,492 million and ¥8,604 million (US$64 million) as of March 31, 2022 and 2023, respectively.

18. Repayments of subordinated bonds are subordinated to other obligations.

At the Board of Directors meeting held on June 29, 2023, the Company resolved to issue subordinated bonds up to US$500 million by the end of March 2024 as well as to redeem US$500 million in subordinated bonds on September 19, 2023 prior to the maturity date.

19. The future contribution to the Life Insurance Policyholders Protection Corporation of Japan under Article 259 of the Insurance Business Act was estimated at ¥8,181 million as of March 31, 2022.

The contribution is recognized as operating expenses when contributed.

20. Matters Related to Employees' Retirement Benefits

(1) Overview of Employees' Retirement Benefit Plan

As for a defined benefit plan for office-based employees, the Company has a defined benefit corporate pension plan and retirement lump-sum payments. As for a defined contribution plan for these employees, the Company also has a defined contribution pension plan.

As for a defined benefit plan for sales employees, the Company has retirement lump-sum payments.

The Company places a retirement benefit trust in relation to the retirement lump-sum grant plan for sales employees.

The simplified method for calculating retirement benefit obligation is applied to a portion of the Company's retirement lump-sum grant plans.

(2) Defined Benefit Plan

i) Reconciliation of beginning and end of balance of retirement benefit obligation

	As of March 31,		
	2022	2023	2023
	Millions of yen		Millions of U.S. dollars
Retirement benefit obligation at the beginning of the fiscal year	¥90,576	¥90,644	$678
Service cost	3,657	3,639	27
Interest cost	541	542	4
Actuarial differences occurred during the fiscal year	47	(12)	(0)
Retirement benefit payments	(4,178)	(4,386)	(32)
Retirement benefit obligation at the end of the fiscal year	¥90,644	¥90,426	$677

ii) Reconciliation of beginning and end of balance of pension plan assets

	As of March 31,		
	2022	2023	2023
	Millions of yen		Millions of U.S. dollars
Pension plan assets at the beginning of the fiscal year	¥62,244	¥63,886	$478
Expected return on pension plan assets	1,202	1,232	9
Actuarial differences occurred during the fiscal year	956	2,410	18
Contributions by the employer	1,088	1,075	8
Retirement benefit payments	(1,605)	(2,134)	(15)
Pension plan assets at the end of the fiscal year	¥63,886	¥66,470	$497

iii) Reconciliation of retirement benefit obligation and pension plan assets with reserve for employees' retirement benefits and prepaid pension cost presented on the non-consolidated balance sheet

	As of March 31,		
	2022	2023	2023
	Millions of yen		Millions of U.S. dollars
a. Funded plan retirement benefit obligation	¥78,793	¥78,820	$590
b. Pension plan assets	(63,886)	(66,470)	(497)
c. (a + b)	14,906	12,349	92
d. Unfunded plan retirement benefit obligation	11,850	11,606	86
e. Unrecognized actuarial differences	(2,774)	421	3
f. Unrecognized prior service cost	(45)	(40)	(0)
g. Net amount of liabilities and assets presented on the non-consolidated balance sheet	23,937	24,337	182
h. Reserve for employees' retirement benefits	24,850	25,951	194
i. Prepaid pension cost	(912)	(1,614)	(12)
j. Net amount of liabilities and assets presented on the non-consolidated balance sheet	¥23,937	¥24,337	$182

iv) Breakdown of retirement benefit gains and losses

	As of March 31,		
	2022	2023	2023
	Millions of yen		Millions of U.S. dollars
Service cost	¥3,657	¥3,639	$27
Interest cost	541	542	4
Expected return on pension plan assets	(1,202)	(1,232)	(9)
Amortization of actuarial differences	1,428	772	5
Amortization of prior service cost	(13)	5	0
Retirement benefit expenses related to defined benefit plan	¥4,410	¥3,726	$27

v) Breakdown of pension plan assets

The breakdown of asset categories as a percentage of total pension plan assets were as follows:

	As of March 31,	
	2022	2023
Domestic stocks	42.2%	45.1%
Life insurance general account	31.1%	30.0%
Domestic bonds	9.6%	9.4%
Foreign stocks	10.3%	8.3%
Assets under joint management	3.7%	3.7%
Foreign bonds	3.1%	3.5%
Total	100.0%	100.0%

Within the total of pension assets as of March 31, 2022 and 2023, 35.7% and 38.3% of these amounts are accounted for by the retirement benefit trust established in relation to the retirement lump-sum payments plan for sales employees, respectively.

vi) Method for setting the expected long-term rate of return

To set the expected long-term rate of return on pension plan assets, the Company takes into account the present and future allocation of pension plan assets, and the present and expected future long-term rate of return on a variety of assets that makes up the pension assets.

vii) Underlying actuarial assumptions

Main underlying actuarial assumptions were as follows:

	As of March 31,	
	2022	2023
Discount rate	0.6%	0.6%
Expected long-term rate of return on pension plan assets		
Defined Benefit Plan	3.0%	3.0%
Retirement benefit trust	0.0%	0.0%

(3) Defined Contribution Plan

The required contribution amount by the Company to the defined contribution plan were ¥222 million and ¥219 million (US$1 million) as of March 31, 2022 and 2023, respectively.

III. Notes to the Non-consolidated Statements of Operations

1. The total amounts of revenues and expenses in connection with subsidiaries were ¥1,326 million and ¥8,687 million for the year ended March 31, 2022, and ¥1,804 million (US$13 million) and ¥9,116 million (US$68 million) for the year ended March 31, 2023, respectively.

2. The details of gains on sales of securities were as follows:

	Year ended March 31,		
	2022	2023	2023
	Millions of yen		Millions of U.S. dollars
Domestic bonds	¥6,543	¥7,576	$56
Domestic stocks and others	3,932	16,946	126
Foreign securities	3,444	30,203	226
Others	¥ —	¥29	$0

3. The details of losses on sales of securities were as follows:

	Year ended March 31,		
	2022	2023	2023
	Millions of yen		Millions of U.S. dollars
Domestic bonds	¥5,343	¥10,732	$80
Domestic stocks and others	7,414	339	2
Foreign securities	2,302	34,777	260
Others	¥ —	¥319	$2

4. The details of losses on valuation of securities were as follows:

	Year ended March 31,		
	2022	2023	2023
	Millions of yen		Millions of U.S. dollars
Domestic bonds	¥ —	¥593	$4
Domestic stocks and others	302	610	4
Foreign securities	¥42	¥2,403	$18

5. For the year ended March 31, 2022, in calculating the provision of reserve for outstanding claims, a reversal of reserves for outstanding claims reinsured of ¥3 million was added. In calculating the provision of policy reserves, a reversal of reserves for policy reserves reinsured of ¥7 million was added.

For the year ended March 31, 2023, in calculating the reversal of reserve for outstanding claims, a reversal of reserve for outstanding claims for ceded reinsurance of ¥0 million (US$2 thousand) was deducted. In calculating the provision of policy reserves, a reversal of policy reserve for ceded reinsurance of ¥1 million (US$13 thousand) was added.

6. The details of gains on trading securities were as follows:

	Year ended March 31,		
	2022	2023	2023
	Millions of yen		Millions of U.S. dollars
Interest, dividends and other income	¥753	¥455	$3
Gains on sales of trading securities	0	—	—
Losses on sales of trading securities	—	(2)	(0)
Gains on redemption of trading securities	—	549	4
Losses on redemption of trading securities	(1,671)	—	—
Gains on valuation of trading securities	2,581	—	—
Losses on valuation of trading securities	¥—	¥(653)	$(4)

7. Gains on money held in trust for the year ended March 31, 2022 included valuation gains of ¥0 million.
Losses on money held in trust for the year ended March 31, 2023 included valuation losses of ¥0 million (US$0 thousand).

8. Losses on derivative instruments for the year ended March 31, 2022 included valuation losses of ¥1,419 million.
Losses on derivative instruments for the year ended March 31, 2023 included valuation gains of ¥4,130 million (US$30 million).

Independent Auditor's Report

September 25, 2023

To the Board of Directors of
Fukoku Mutual Life Insurance Company:

Moore Mirai & Co.
Tokyo, Japan

Designated Engagement Partner
Certified Public Accountant
Shinnosuke Tsuruta

Designated Engagement Partner
Certified Public Accountant
Yuichi Yasuda

Opinion

We have audited the accompanying non-consolidated financial statements of Fukoku Mutual Life Insurance Company (collectively referred to as "the Company"), which comprise the non-consolidated balance sheets as at March 31, 2023, the non-consolidated statements of operations, the non-consolidated statements of changes in net assets, and the non-consolidated statements of surplus for the year then ended, and notes to the non-consolidated financial statements, all expressed in Japanese yen.

In our opinion, the accompanying non-consolidated financial statements present fairly, in all material respects, the financial position of the Company as at March 31, 2023, and its financial performance for the year then ended in accordance with accounting principles generally accepted in Japan.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in Japan. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Non-Consolidated Financial Statements* section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in Japan, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Information

The other information comprises the information included in the Annual Report, but does not include the consolidated financial statements, the non-consolidated financial statements and our auditor's report thereon. Management is responsible for the preparation and presentation of the other information. Audit & Supervisory Board Members and the Audit & Supervisory Board are responsible for overseeing the directors' performance of their duties with regard to the design, implementation and maintenance of the reporting process for the other information.

Our opinion on the non-consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the non-consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the non-consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Responsibilities of Management, Audit & Supervisory Board Members and Audit & Supervisory Board for the Non-Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the non-consolidated financial statements in accordance with accounting principles generally accepted in Japan, and for such internal control as management determines is necessary to enable the preparation of non-consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern in accordance with accounting principles generally accepted in Japan.

Audit & Supervisory Board Members and Audit & Supervisory Board are responsible for overseeing the directors' performance of their duties with regard to the design, implementation and maintenance of the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Non-Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the non-consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with auditing standards generally accepted in Japan will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these non-consolidated financial statements.

As part of our audit in accordance with auditing standards generally accepted in Japan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the non-consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, while the objective of the audit is not to express an opinion on the effectiveness of the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate whether the presentation and disclosures in the financial statements are in accordance with accounting principles generally accepted in Japan, the overall presentation, structure and content of the non-consolidated financial statements, including the disclosures, and whether the non-consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with Audit & Supervisory Board Members and Audit & Supervisory Board regarding, among other matters, the planned scope and timing of the audit, significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Convenience Translation

The amounts expressed in U.S. dollars, which are provided solely for the convenience of the reader, have been translated on the basis set forth in Note I.1 to the accompanying non-consolidated financial statements with respect to the year ended March 31, 2023.

Interest required to be disclosed by the Certified Public Accountants Act of Japan

Our firm and its designated engagement partners do not have any interest in the Company which is required to be disclosed pursuant to the provisions of the Certified Public Accountants Act of Japan.

Consolidated Balance Sheets

Fukoku Mutual Life Insurance Company and consolidated subsidiaries
As of March 31, 2022 and 2023

	As of March 31,		
	2022	2023	2023
	Millions of yen		Millions of U.S. dollars
Assets:			
Cash and deposits	¥323,128	¥524,841	$3,930
Call loans	48,000	130,000	973
Monetary claims bought	80	—	—
Money held in trust	26,070	25,897	193
Securities	7,697,988	7,321,344	54,829
Loans	556,577	527,561	3,950
Tangible fixed assets:			
Land	150,195	149,747	1,121
Buildings	89,379	89,751	672
Lease assets	298	991	7
Construction in progress	1,767	3,649	27
Other tangible fixed assets	4,125	3,583	26
	245,765	247,723	1,855
Intangible fixed assets:			
Software	19,657	23,558	176
Lease assets	3,486	2,635	19
Other intangible fixed assets	7,466	2,497	18
	30,609	28,690	214
Agency receivables	0	0	0
Reinsurance receivables	175	83	0
Other assets	58,397	61,085	457
Net defined benefit assets	822	1,184	8
Deferred tax assets	1,831	16,131	120
Allowance for possible loan losses	(2,516)	(826)	(6)
Total assets	¥8,986,931	¥8,883,718	$66,529

	As of March 31,		
	2022	2023	2023
	Millions of yen		Millions of U.S. dollars
Liabilities:			
Policy reserves:			
Reserve for outstanding claims	¥27,719	¥26,326	$197
Policy reserve	7,356,399	7,449,355	55,787
Reserve for dividends to policyholders	63,411	64,420	482
Reserve for dividends to policyholders (subsidiary)	322	304	2
	7,447,853	7,540,406	56,469
Agency payables	165	461	3
Reinsurance payables	104	60	0
Subordinated bonds	241,935	241,935	1,811
Other liabilities	281,058	208,704	1,562
Reserve for claims and other payments	3,432	—	—
Net defined benefit liabilities	27,677	25,220	188
Reserve for price fluctuation	187,692	188,538	1,411
Deferred tax liabilities	25,188	0	0
Deferred tax liabilities for land revaluation	14,183	14,164	106
Total liabilities	8,229,290	8,219,491	61,555
Net assets:			
Foundation funds	12,000	12,000	89
Accumulated foundation funds redeemed	116,000	116,000	868
Reserve for revaluation	112	112	0
Consolidated surplus	132,765	133,303	998
Total foundation funds, surplus and others	260,877	261,415	1,957
Net unrealized gains (losses) on available-for-sale securities, net of tax	486,644	390,148	2,921
Revaluation reserve for land, net of tax	4,184	4,468	33
Foreign currency translation adjustment	(312)	(58)	(0)
Accumulated remeasurements of defined benefit plans	(2,030)	274	2
Total accumulated other comprehensive income	488,486	394,833	2,956
Non-controlling interests	8,276	7,977	59
Total net assets	757,640	664,226	4,974
Total liabilities and net assets	¥8,986,931	¥8,883,718	$66,529

See notes to the consolidated financial statements.

Consolidated Statements of Operations

Fukoku Mutual Life Insurance Company and consolidated subsidiaries
For the year ended March 31, 2022 and 2023

	Year ended March 31,		
	2022	**2023**	**2023**
	Millions of yen		Millions of U.S. dollars
Ordinary revenues:			
Premium and other income	¥632,055	**¥760,603**	**$5,696**
Investment income:			
Interest, dividends and other income	185,514	**182,754**	**1,368**
Gains on money held in trust, net	817	**—**	**—**
Gains on trading securities, net	1,664	**348**	**2**
Gains on sales of securities	16,760	**55,764**	**417**
Gains on redemption of securities, net	65	**11,702**	**87**
Foreign exchange gains, net	1,616	**—**	**—**
Reversal of allowance for possible loan losses	1,867	**624**	**4**
Other investment income	381	**322**	**2**
Gains on separate accounts, net	6,391	**2,174**	**16**
	215,080	**253,691**	**1,899**
Other ordinary revenues	10,762	**14,327**	**107**
Total ordinary revenues	857,898	**1,028,622**	**7,703**
Ordinary expenses:			
Claims and other payments:			
Claims	91,523	**144,133**	**1,079**
Annuities	309,762	**288,512**	**2,160**
Benefits	116,426	**150,002**	**1,123**
Surrenders	71,221	**71,845**	**538**
Other payments	24,648	**25,473**	**190**
	613,582	**679,967**	**5,092**
Provision of policy reserve and others:			
Provision of reserve for outstanding claims	4,006	**—**	**—**
Provision of policy reserves	25,127	**92,956**	**696**
Provision of interest portion of reserve for dividends to policyholders	13	**13**	**0**
Provision of interest portion of reserve for dividends to policyholders (subsidiary)	0	**0**	**0**
	29,147	**92,970**	**696**
Investment expenses:			
Interest expenses	4,417	**4,479**	**33**
Losses on money held in trust, net	—	**161**	**1**
Losses on sales of securities	15,060	**46,995**	**351**
Losses on valuation of securities	344	**3,608**	**27**
Losses on redemption of securities, net	—	**185**	**1**
Losses on derivative instruments, net	7,746	**11,221**	**84**
Foreign exchange losses, net	—	**8,235**	**61**
Depreciation of real estate for rent and other assets	4,788	**4,850**	**36**
Other investment expenses	9,553	**10,868**	**81**
	41,910	**90,607**	**678**
Operating expenses	99,607	**101,175**	**757**
Other ordinary expenses	33,132	**29,486**	**220**
Total ordinary expenses	817,379	**994,207**	**7,445**
Ordinary profits	¥40,519	**¥34,415**	**$257**

	Year ended March 31,		
	2022	2023	2023
	Millions of yen		Millions of U.S. dollars
Extraordinary gains:			
Gains on disposal of fixed assets	¥11	¥393	$2
Total extraordinary gains	11	393	2
Extraordinary losses:			
Losses on disposal of fixed assets	431	182	1
Impairment losses	46	32	0
Provision of reserve for price fluctuation	4,171	845	6
Total extraordinary losses	4,650	1,060	7
Provision of reserve for dividends to policyholders (subsidiary)	195	173	1
Surplus before income taxes	35,685	33,574	251
Income taxes:			
Current	11,945	4,008	30
Deferred	(10,247)	(2,191)	(16)
Total income taxes	1,698	1,816	13
Net surplus	33,986	31,757	237
Net surplus attributable to non-controlling interests	74	106	0
Net surplus attributable to the parent company	¥33,911	¥31,650	$237

See notes to the consolidated financial statements.

Consolidated Statements of Comprehensive Income

Fukoku Mutual Life Insurance Company and consolidated subsidiaries
For the year ended March 31, 2022 and 2023

	Year ended March 31,		
	2022	2023	2023
	Millions of yen		Millions of U.S. dollars
Net surplus	¥33,986	¥31,757	$237
Other comprehensive income:			
Net unrealized gains (losses) on available-for-sale securities, net of tax	20,581	(96,789)	(724)
Foreign currency translation adjustments	259	254	1
Remeasurements of defined benefit plan, net of tax	1,673	2,305	17
	22,514	(94,229)	(705)
Comprehensive income:			
Comprehensive income attributable to the parent company	56,633	(62,286)	(466)
Comprehensive income attributable to non-controlling interests	(132)	(186)	(1)
	¥56,500	¥(62,472)	$(467)

See notes to the consolidated financial statements.

Consolidated Statements of Cash Flow

Fukoku Mutual Life Insurance Company and consolidated subsidiaries
For the year ended March 31, 2022 and 2023

	Year ended March 31,		
	2022	2023	2023
	Millions of yen		Millions of U.S. dollars
Cash flows from operating activities:			
Surplus before income taxes	¥35,685	¥33,574	$251
Depreciation of real estate for rent and other assets	4,788	4,850	36
Depreciation	14,529	13,720	102
Impairment losses	46	32	0
Increase (decrease) in reserve for outstanding claims	4,006	(1,392)	(10)
Increase (decrease) in policy reserve	25,127	92,956	696
Provision of interest portion of reserve for dividends to policyholders	13	13	0
Provision of interest portion of reserve for dividends to policyholders (subsidiary)	0	0	0
Provision of reserve for dividends to policyholders (subsidiary)	195	173	1
Increase (decrease) in allowance for possible loan losses	(1,870)	(1,689)	(12)
Increase (decrease) in reserve for claims and other payments	3,432	(3,432)	(25)
Increase (decrease) in net defined benefit liabilities	755	382	2
Increase (decrease) in reserve for price fluctuation	4,171	845	6
Interest, dividends and other income	(185,514)	(182,754)	(1,368)
Losses (gains) on securities, net	(2,548)	(7,817)	(58)
Interest expenses	4,417	4,479	33
Foreign exchange losses (gains), net	(1,616)	8,235	61
Losses (gains) on tangible fixed assets, net	386	(218)	(1)
Decrease (increase) in agency receivable	0	(0)	(0)
Decrease (increase) in reinsurance receivable	(5)	92	0
Decrease (increase) in other assets except from investing and financing activities	2,589	(5,974)	(44)
Increase (decrease) in agency payable	53	295	2
Increase (decrease) in reinsurance payable	0	(43)	(0)
Increase (decrease) in other liabilities except from investing and financing activities	2,185	(1,548)	(11)
Others	17,933	20,590	154
Subtotal	(71,236)	(24,627)	(184)
Interest, dividends and other income received	182,614	185,806	1,391
Interest expenses paid	(4,388)	(4,450)	(33)
Dividends to policyholders paid	(32,580)	(29,731)	(222)
Dividends to policyholders paid (subsidiary)	(181)	(192)	(1)
Corporate income tax (paid) refunded	(11,931)	(6,640)	(49)
Net cash provided by (used in) operating activities (a)	62,296	120,164	899
Cash flows from investing activities:			
Net decrease (increase) in deposits	2,003	(9,767)	(73)
Proceeds from sales and redemption of monetary claims bought	158	77	0
Increase in money held in trust	(2,310)	—	—
Decrease in money held in trust	2,310	—	—
Payments for purchase of securities	(768,599)	(983,240)	(7,363)
Proceeds from sales and redemption of securities	618,119	1,307,916	9,794
Payments for additions to loans	(78,096)	(75,769)	(567)
Proceeds from collections of loans	86,729	96,953	726
Proceeds from and payments for settlements of derivatives, net	(76,466)	(146,423)	(1,096)
Increase (decrease) in cash received as collateral under securities lending transactions	99,108	(5,445)	(40)
Others	(8,672)	(9,853)	(73)
Subtotal (b)	(125,716)	174,447	1,306
(a + b)	¥(63,420)	¥294,611	$2,206

	Year ended March 31,		
	2022	2023	2023
	Millions of yen		Millions of U.S. dollars
Payments for purchase of tangible fixed assets	¥(9,512)	¥(8,976)	$(67)
Proceeds from sales of tangible fixed assets	109	1,036	7
Payments for purchase of intangible fixed assets	(11,808)	(8,863)	(66)
Net cash provided by (used in) investing activities	(146,928)	157,643	1,180
Cash flows from financing activities:			
Payment of interest on foundation funds	(102)	(102)	(0)
Dividends paid to non-controlling interests	(159)	(112)	(0)
Payments for lease obligations	(3,710)	(2,467)	(18)
Net cash provided by (used in) financing activities	(3,972)	(2,681)	(20)
Effect of exchange rate changes on cash and cash equivalents	(219)	(1,226)	(9)
Net increase (decrease) in cash and cash equivalents	(88,823)	273,899	2,051
Cash and cash equivalents at the beginning of the fiscal year	455,823	366,999	2,748
Cash and cash equivalents at the end of the fiscal year	¥366,999	¥640,899	$4,799

See notes to the consolidated financial statements.

Consolidated Statements of Changes in Net Assets

Fukoku Mutual Life Insurance Company and consolidated subsidiaries
For the year ended March 31, 2022 and 2023

	Millions of yen				
	Foundation funds, surplus and others				
For the year ended March 31, 2022	Foundation funds	Accumulated foundation funds redeemed	Reserve for revaluation	Consolidated surplus	Total foundation funds, surplus and others
Balance at the beginning of the fiscal year	¥12,000	¥116,000	¥112	¥131,699	¥259,811
Changes in the fiscal year					
Additions to reserve for dividends to policyholders				(32,744)	(32,744)
Payment of interest on foundation funds				(102)	(102)
Net surplus attributable to the parent company for the fiscal year				33,911	33,911
Reversal of revaluation reserve for land, net of tax				1	1
Net changes, excluding foundation funds, surplus and others					
Total changes in the fiscal year	—	—	—	1,066	1,066
Balance at the end of the fiscal year	¥12,000	¥116,000	¥112	¥132,765	¥260,877

	Millions of yen						
	Accumulated other comprehensive income						
For the year ended March 31, 2022	Net unrealized gains (losses) on available-for-sale securities, net of tax	Revaluation reserve for land, net of tax	Foreign currency translation adjustments	Accumulated remeasurements of defined benefit plans	Total accumulated other comprehensive income	Non-controlling interests	Total net assets
Balance at the beginning of the fiscal year	¥465,855	¥4,185	¥ (571)	¥ (3,703)	¥465,765	¥8,568	¥734,145
Changes in the fiscal year							
Additions to reserve for dividends to policyholders							(32,744)
Payment of interest on foundation funds							(102)
Net surplus attributable to the parent company for the fiscal year							33,911
Reversal of revaluation reserve for land, net of tax							1
Net changes, excluding foundation funds, surplus and others	20,789	(1)	259	1,673	22,720	(292)	22,428
Total changes in the fiscal year	20,789	(1)	259	1,673	22,720	(292)	23,494
Balance at the end of the fiscal year	¥486,644	¥4,184	¥ (312)	¥ (2,030)	¥488,486	¥8,276	¥757,640

For the year ended March 31, 2023	Millions of yen Foundation funds, surplus and others Foundation funds	Accumulated foundation funds redeemed	Reserve for revaluation	Consolidated surplus	Total foundation funds, surplus and others
Balance at the beginning of the fiscal year	¥12,000	¥116,000	¥112	¥132,765	¥260,877
Changes in the fiscal year					
Additions to reserve for dividends to policyholders				(30,726)	(30,726)
Payment of interest on foundation funds				(102)	(102)
Net surplus attributable to the parent company for the fiscal year				31,650	31,650
Reversal of revaluation reserve for land, net of tax				(284)	(284)
Net changes, excluding foundation funds, surplus and others					
Total changes in the fiscal year	—	—	—	537	537
Balance at the end of the fiscal year	¥12,000	¥116,000	¥112	¥133,303	¥261,415

For the year ended March 31, 2023	Millions of yen Accumulated other comprehensive income Net unrealized gains (losses) on available-for-sale securities, net of tax	Revaluation reserve for land, net of tax	Foreign currency translation adjustments	Accumulated remeasurements of defined benefit plans	Total accumulated other comprehensive income	Non-controlling interests	Total net assets
Balance at the beginning of the fiscal year	¥486,644	¥4,184	¥ (312)	¥ (2,030)	¥488,486	¥8,276	¥757,640
Changes in the fiscal year							
Additions to reserve for dividends to policyholders							(30,726)
Payment of interest on foundation funds							(102)
Net surplus attributable to the parent company for the fiscal year							31,650
Reversal of revaluation reserve for land, net of tax							(284)
Net changes, excluding foundation funds, surplus and others	(96,496)	284	254	2,305	(93,652)	(298)	(93,951)
Total changes in the fiscal year	(96,496)	284	254	2,305	(93,652)	(298)	(93,413)
Balance at the end of the fiscal year	¥390,148	¥4,468	¥ (58)	¥274	¥394,833	¥7,977	¥664,226

For the year ended March 31, 2023	Foundation funds	Accumulated foundation funds redeemed	Reserve for revaluation	Consolidated surplus	Total foundation funds, surplus and others
	Millions of U.S. dollars				
	Foundation funds, surplus and others				
Balance at the beginning of the fiscal year	$89	$868	$0	$994	$1,953
Changes in the fiscal year					
Additions to reserve for dividends to policyholders				(230)	(230)
Payment of interest on foundation funds				(0)	(0)
Net surplus attributable to the parent company for the fiscal year				237	237
Reversal of revaluation reserve for land, net of tax				(2)	(2)
Net changes, excluding foundation funds, surplus and others					
Total changes in the fiscal year	—	—	—	4	4
Balance at the end of the fiscal year	$89	$868	$0	$998	$1,957

For the year ended March 31, 2023	Net unrealized gains (losses) on available- for-sale securities, net of tax	Revaluation reserve for land, net of tax	Foreign currency translation adjustments	Accumulated remeasurements of defined benefit plans	Total accumulated other comprehensive income	Non-controlling interests	Total net assets
	Millions of U.S. dollars						
	Accumulated other comprehensive income						
Balance at the beginning of the fiscal year	$3,644	$31	$ (2)	$ (15)	$3,658	$61	$5,673
Changes in the fiscal year							
Additions to reserve for dividends to policyholders							(230)
Payment of interest on foundation funds							(0)
Net surplus attributable to the parent company for the fiscal year							237
Reversal of revaluation reserve for land, net of tax							(2)
Net changes, excluding foundation funds, surplus and others	(722)	2	1	17	(701)	(2)	(703)
Total changes in the fiscal year	(722)	2	1	17	(701)	(2)	(699)
Balance at the end of the fiscal year	$2,921	$33	$0	$2	$2,956	$59	$4,974

Notes to the Consolidated Financial Statements

I. Presentation of the Consolidated Financial Statements

1. Basis of Presentation

The accompanying consolidated financial statements have been prepared from the accounts maintained by Fukoku Mutual Life Insurance Company (the "Company") and its consolidated subsidiaries in accordance with the provisions set forth in the Insurance Business Act of Japan and its related rules and regulations and in conformity with accounting principles generally accepted in Japan, which are different in certain respects from accounting principles generally accepted in countries and jurisdictions other than Japan.

In addition, the notes to the consolidated financial statements include information which is not required under accounting principles generally accepted in Japan but is presented herein as additional information.

Amounts of less than one million yen have been rounded down. As a result, the totals do not add up.

The translations of yen amounts into U.S. dollar amounts are included solely for the convenience of the reader and have been made, as a matter of arithmetical computation only, at the rate of ¥133.53 = US$1.00, the effective rate of exchange at the balance sheet date of March 31, 2023. The translations should not be construed as representations that such yen amounts have been or could in the future be, converted into U.S. dollars at that or any other rates.

2. Principles of Consolidation

(1) Scope of Consolidation

Consolidated subsidiaries as of March 31, 2022 and 2023 are listed below:

Fukoku Capital Management, Inc.
Fukokushinrai Life Insurance Co., Ltd.
Fukoku Information Systems Co., Ltd.
Fukoku Life International (U.K.) Ltd.
Fukoku Life International (America) Inc.
Fukoku Life Investments Singapore Pte. Ltd.

Major unconsolidated subsidiary is Fukoku Business Service Company Limited.

Four subsidiaries are excluded from the scope of consolidation, as each one of them is small in its total assets, amount of sales, net surplus for the period and surplus and are sufficiently insignificant to reasonable judgement on their impact on the financial position and results of operation of the Company's group.

(2) Application of Equity Method

Unconsolidated subsidiaries (such as Fukoku Business Service Company Limited, etc.) are insignificant in their impact on net surplus attributable to the parent company and consolidated surplus, and also immaterial as a whole, therefore, application of equity method is not applied.

There are no affiliates for the year ended March 31, 2022 and 2023.

(3) Fiscal Year of Consolidated Subsidiaries

Among the subsidiaries to be consolidated, fiscal year-end of overseas subsidiaries is December 31. For the preparation of consolidated financial statements, financial statements as of that date are used and concerning any important transaction taking place in between December 31 and the consolidated closing date, necessary adjustments for consolidation are made.

II. Notes to the Consolidated Balance Sheets

1. (1) The valuation of securities, including cash and deposits and monetary claims bought which are equivalent to securities, and securities managed as trust assets in money held in trust, is as follows:

i) Trading securities are stated at fair market value. Costs of their sales are determined by the moving average method.

ii) Held-to-maturity debt securities are stated at amortized cost under the straight-line method, cost being determined by the moving average method.

iii) Policy-reserve-matching bonds are stated at amortized cost under the straight-line method, cost being determined by the moving average method in accordance with "Temporary Treatment of Accounting and Auditing Concerning Policy-reserve-matching Bonds in the Insurance Industry" (Industry Audit Committee Report No.21 issued by the Japanese Institute of Certified Public Accountants on November 16, 2000).

iv) Investments in unconsolidated subsidiaries and affiliates which are not accounted for under the equity method are stated at cost, cost being determined by the moving average method.

v) Available-for-sale securities are stated at fair market value based on the market prices at the end of the fiscal year. Costs of their sales are determined by the moving average method. Public and corporate bonds (including foreign bonds) with differences between their acquisition costs and fair values that are considered as adjustments of interest are stated at amortized cost (straight-line method) determined by the moving average method. However, stocks and other securities without quoted market prices are stated at cost, as determined using the moving average method. Net unrealized gains or losses on these available-for-sale securities, net of taxes, are recorded as a separate component of net assets.

(2) Derivative instruments are stated at fair market value.

(3) The Company revalued the land used in the operations based on the Act for Revaluation of Land (Act No.34 promulgated on March 31, 1998). The difference between fair value and book value resulting from the revaluation, net of related taxes, is recorded as revaluation reserve for land as a separate component of net assets and the related tax is recorded as deferred tax liabilities for land revaluation.

・Date of revaluation: March 31, 2002

- Method of revaluation as prescribed for in Article 3 Paragraph 3 of the said Act:
  Calculation is based on the appraisal value for property tax set forth in Article 2 item 3 of the Enforcement Ordinance of the Act for Revaluation of Land (Government Ordinance No.119 promulgated on March 31, 1998) and the road rate set forth in Article 2 item 4 of the said Ordinance with certain reasonable adjustments.

(4) Depreciation of the Company's tangible fixed assets is calculated by the following methods.
- Tangible fixed assets (excluding lease assets): Declining-balance method
  However, buildings (excluding building attachments and structures acquired on or before March 31, 2016) acquired on or after April 1, 1998 are depreciated using Straight-line method.
- Lease assets related to finance lease transactions that do not transfer ownership: Straight-line method over the lease term with no residual value.

Other tangible fixed assets acquired for ¥100,000 or more but less than ¥200,000 are depreciated equally over three years.

(5) Assets and liabilities denominated in foreign currencies, except for investments in unconsolidated subsidiaries and affiliates, are translated into Japanese yen at the effective exchange rate prevailing at the balance sheet date. Investments in unconsolidated subsidiaries and affiliates are translated into Japanese yen at the exchange rate on the date of acquisition.

(6) Allowance for possible loan losses for the Company is provided in accordance with the standards of self-assessment and write-offs and reserves on credit quality:

i) For the credits of borrowers who are legally bankrupt such as being in the proceedings of bankruptcy or civil rehabilitation (hereinafter called "legally bankrupt borrowers") and who are substantially bankrupt (hereinafter called "substantially bankrupt borrowers"), the Company provides the remaining amounts of credits after the direct write-off described below and the deductions of the amount expected to be collected through the disposal of collateral or the execution of guarantees.

ii) For the credits of borrowers who are not currently bankrupt but have a high possibility of bankruptcy (hereinafter called "not currently bankrupt borrowers"), the Company provides the amounts deemed as necessary considering the borrowers' ability to pay, within the amounts after deductions of the amounts expected to be collected through the disposal of collateral or the execution of guarantees.

iii) For the credits of borrowers other than the above, the Company provides the amounts calculated by multiplying the borrowers' balance by the actual ratio of bad debt losses on defaults during a certain past period.

All credits are assessed by the relevant departments in accordance with the Company's standards of self-assessment on credit quality. The results of the assessment are reviewed by the audit department, which is independent of business-related divisions. Subsequently, the allowance for possible loan losses is provided based on the results of these assessments.

For the credits of legally bankrupt borrowers and substantially bankrupt borrowers, the amounts remaining after deductions of collateral value or the amounts collectible through the execution of guarantees are written-off directly from the borrowers' balances as the estimated uncollectible amounts. The amount written-off as of March 31, 2022 and 2023 were ¥0 million and ¥0 million (US$5 thousand).

(7) Net defined benefit liabilities and assets, which are provided for employees' retirement benefits, are calculated by deducting the amount of pension assets from the amount of retirement benefit obligations incurred as of the balance sheet date based on the projected retirement benefits as of the current fiscal year end.

The Company uses the following methods of accounting in relation to retirement benefits:
- Method for allocation of projected retirement benefits .... Benefit formula basis
- Amortization period of actuarial gains and losses ....10 years
- Amortization period of prior service cost ....10 years

(8) Reserve for price fluctuation is calculated in accordance with Article 115 of the Insurance Business Act.

(9) Hedge accounting is based on "Accounting Standards for Financial Instruments" (ASBJ Statement No. 10, July 4, 2019). The Company applies a fair value hedge accounting as a hedge against the risk of foreign exchange fluctuation in relation to bonds and others denominated in foreign currencies, and a designated hedge accounting ("Furiate shori") for foreign currency swaps as a hedge against the risk of foreign exchange fluctuation in relation to bonds denominated in foreign currencies issued by the Company.

For assessing the effectiveness of hedge used, ratio analysis of comparing the fluctuations in the fair value or cash flows of hedged items and hedging instruments is mainly applied.

(10) The Company accounts for consumption taxes by the tax-exclusion method. The consumption taxes on certain assets, which are not deductible from consumption taxes withheld and that are stipulated to be deferred under the Tax Act, are deferred as prepaid expenses and amortized equally over five years. Consumption taxes other than deferred consumption taxes are recognized as an expense when incurred.

(11) Initial premium incomes are recorded by the relevant amounts received when the premium incomes have been received and the responsibilities on the insurance contract have been commenced, in principal.

Subsequent premium incomes are also recorded as the amount of payments that have been received.

Of premium incomes that have been received, the portion corresponding to the period that has yet to pass as of the end of the fiscal year is accumulated as policy reserve in accordance with Article 116 of the Insurance Business Act and Article 69 Paragraph 1 Item 2 of the Enforcement Regulation of the Insurance Business Act.

Premium incomes associated with the acceptance of group annuities are recorded as amounts equivalent to the policy reserve received when accepting the transfers of these group annuities.

(12) Claims and other payments (excluding reinsurance premiums) are recorded by the relevant amounts paid when the cause for payment under the policy conditions is occurred and the calculated amounts are paid based on the policy conditions.

In accordance with Article 117 of the Insurance Business Act and Article 72 of the Enforcement Regulation of the Insurance Business Act, reserve for outstanding claims are accumulated as for claims for which the Company has a payment due but has not paid, or for which the occurrence of cause for payment has not been reported but the Company recognizes that insured payment has already occurred as of the end of the fiscal year.

Regarding claims for which the occurrence of cause for payment has not been reported but the Company recognizes that insured payment has already occurred ("IBNR reserves"), the scope of payment of hospitalization benefits was changed in the fiscal year ended March 31, 2023, with respect to those diagnosed with COVID-19 and were under the care of a doctor or the like at an lodging facility or at home ("deemed hospitalization"). As a result of this change, an appropriate amount of reserves cannot be obtained with the calculation method set forth in the main rules in Article 1, Paragraph 1 of the Notification of the Minister of Finance No.234, 1998 ("IBNR Notification"). The Company therefore records the amount that was calculated using the following method, pursuant to provisions in the proviso of Article 1, Paragraph 1 of IBNR Notification (the "Proviso").

(Overview of the calculation method)
The Company first deducts an amount pertaining to deemed hospitalization of policy holders other than those with high risk of severity ("4 categories") from a required amount of IBNR reserves and the amount of claim payments for all the fiscal years, as set forth in the main rules in Article 1, Paragraph 1 of IBNR Notification, and then calculates in the same manner as in the main rules in Article 1, Paragraph 1 of IBNR Notification.

In addition, the amount pertaining to deemed hospitalization of the 4 categories which date of diagnosis required for the above calculation is before September 25, 2022 is estimated by multiplying the amount for deemed hospitalization for those 65 years of age or older whose diagnosis date is before September 25, 2022 by the ratio of the amount for the four categories whose diagnosis date is on or after September 26, 2022 and the amount for the deemed hospitalization for persons 65 years of age or older. However, the amount related to 4 categories deemed hospitalizations for co-insurance follower policies is estimated based on the amount of payments for leader policies.

Claims and other payments associated with the outgoing transfer of group annuities are recorded as amounts equivalent to the policy reserve transferred when recognizing the transfers of these group annuities.

(13) Policy reserve of the Company is accumulated in accordance with the methods stated in the statement of calculation procedures for Insurance Premiums and Policy Reserves (Article 4 Paragraph 2 Item 4 of the Insurance Business Act) pursuant to Article 116 Paragraph 1 of the Insurance Business Act to prepare for the future performance of obligations under the insurance contracts for which the insurer's responsibilities have started as of the end of the consolidated fiscal year.

Premium reserves, one of the components of policy reserve, are calculated by the following method.

i) In regard to the policies subject to the standard policy reserve, the method as prescribed by the Commissioner of Financial Services Agency (Ministry of Finance Ordinance No.48, 1996) is applied.

ii) In regard to the policies not subject to the standard policy reserve, the net level premium method is applied.

In regard to the policy reserve accumulated pursuant to Article 69 Paragraphs 1,2, and 4 of the Enforcement Regulation of the Insurance Business Act, when the actual assumptions for long-term future cash flows (such as assumed incidence rate and assumed interest rate) deviate from those assumptions set in the "statement of calculation procedures for Insurance Premiums and Policy Reserves" and policy reserve is considered to be possibly insufficient to cover the future performance of obligations, additional policy reserve is required to accumulate in accordance with Article 69 Paragraph 5 of the Enforcement Regulation of the Insurance Business Act. The following reserves have been established in compliance with this regulation.

- Among individual annuity insurance policies with an assumed interest rate of 5.00% or higher, for policies that have begun paying annuities (excluding wife's annuity insurance additional rider), the Company has reduced the assumed interest rate to 1.00% and funded additional policy reserves. As of March 31, 2022, the balance of these policy reserves was ¥72,419 million.
- Among whole life insurance policies with assumed interest rates of 5.00% or higher following the fiscal year ended March 31, 2022, the Company has reduced assumed interest rates for policies with premiums that have been paid in full (excluding policies that have been converted into paid-up or extended policies, single premium policies, and policies for which premiums have been waived) to 1.00% and funded additional policy reserves of ¥107,284 million. The establishment of these reserves rendered ¥1,589 million of additional policy reserves set aside at the conclusion of the fiscal year ended March 31, 2021 unnecessary. Accordingly, the Company reversed this

amount and transferred ¥105,695 million (a higher amount) from contingency reserves to additional policy reserves. Consequently, the establishment of these policy reserves has had no impact on provision of policy reserves, ordinary profits, and surplus before income taxes.

- The Company has also funded additional policy reserves for certain whole life insurance policies that include distribution of surplus every five years, new cancer riders, highly advanced medical riders and advanced medical riders. As of March 31, 2022, the balance of these policy reserves was ¥77 million.
- Among individual annuity insurance policies with an assumed interest rate of 5.00% or higher, for policies that have begun paying annuities (excluding wife's annuity insurance additional rider), the Company has reduced the assumed interest rate to 1.00% and funded additional policy reserves. As of March 31, 2023, the balance of these policy reserves was ¥71,649 million (US$536 million).
- Among whole life insurance policies with assumed interest rates of 5.00% or higher following the fiscal year ended March 31, 2023, the Company has reduced assumed interest rates for policies with premiums that have been paid in full (excluding policies that have been converted into paid-up or extended policies, single premium policies, and policies for which premiums have been waived) to 1.00% and funded additional policy reserves. As of March 31, 2023, the balance of these policy reserves was ¥106,590 million (US$798 million).
- The Company has also funded additional policy reserves for certain whole life insurance policies that include distribution of surplus every five years, new cancer riders, highly advanced medical riders and transplant medical riders. As of March 31, 2023, the balance of these policy reserves was ¥105 million (US$786 thousand).

Appointed actuary, for each fiscal year, verify whether policy reserves have been reasonably accumulated in accordance with Article 121 Paragraph 1 of the Insurance Business Act and Article 80 of the Enforcement Regulation of the Insurance Business Act.

Contingency reserves, one of the components of policy reserve, are accumulated pursuant to Article 116 of the Insurance Business Act and Article 69 Paragraph 1 Item 3 of the Enforcement Regulation of the Insurance Business Act to cover risks that may accrue in the future in order to ensure performing future obligations under the insurance contracts.

(14) Depreciation of intangible fixed assets is calculated by the following methods.

- Software: Straight-line method over the estimated useful lives.
- Lease assets related to finance lease transactions that do not transfer ownership: Straight-line method over the lease term with no residual value.

(15) Of the bonds of consolidated subsidiaries corresponding to the sub-groups of individual insurance and annuities which are set by insurance types and investment policies, the bonds that are held to match the duration of liabilities are classified as policy-reserve-matching bonds in accordance with "Temporary Treatment of Accounting and Auditing Concerning Policy-reserve-matching Bonds in Insurance Industry" (Industry Audit Committee Report No. 21 issued by the Japanese Institute of Certified Public Accountants on November 16, 2000).

2. The Company began applying the "Implementation Guidance on Accounting Standard for Fair Value Measurement" (ASBJ Statement No. 31, June 17, 2021; hereinafter called "Implementation Guidance on Accounting Standard for Fair Value Measurement") from the beginning of the consolidated fiscal year. In accordance with the transitional treatments prescribed in Paragraph 27-2 of the Implementation Guidance on Accounting Standard for Fair Value Measurement, new accounting policies set forth by the Implementation Guidance on Accounting Standard for Fair Value Measurement will be applied prospectively. As a result, certain investment trusts that had previously been carried on the consolidated balance sheet at acquisition cost are stated at fair value on the consolidated balance sheet from the consolidated fiscal year ended March 31, 2023. The Company has observed no material impact from this application of the Implementation Guidance on Accounting Standard for Fair Value Measurement.

3. Asset management of the general accounts other than the separate accounts stipulated in Article 118 Paragraph 1 of the Insurance Business Act is conducted on the principle of prudent and profitable investments by the Company, considering public and social responsibilities of the insurance business. Based on this policy, the Company allocates the fund, securing its liquidity, from the medium-to-long term viewpoints. The Company is diversifying investments in assets such as foreign securities, stocks and real estates within the acceptable range of risk in order to enhance the profitability, although yen-denominated interest bearing assets including debt securities such as Japanese government bonds and loans are the cores of the portfolios under the asset liability management. Derivatives are mainly used to hedge the market risk regarding spot-priced assets and liabilities.

Major financial instruments including securities, loans and derivatives are exposed to market risk and credit risk.

The Company manages its asset management risk by establishing internal control systems including various rules pursuant to the "Three Basic Rules related to Enterprise Risk Management" established by the Board of Directors. Specifically, the Company eliminates excessive risk deviating from the basic principle and secures the safety of the assets by utilizing control functions of the Financial and Investment Risk Management Department towards the asset management sections, monitoring the status of market risk and credit risk periodically on a daily or monthly basis. In addition, the Company quantifies the market risk and credit risk using value-at-risk (VaR) method in order to control the possible maximum losses which may arise from the holding assets within a certain range of risk buffers.

The carrying amounts, fair values and their related differences of major financial assets and liabilities in the general account were as follows:

	As of March 31,		
	2022		
	Millions of yen		
	Carrying amount	Fair value	Difference
Monetary claims bought:			
Claims treated as loans	¥80	¥81	¥0
Total monetary claims bought	80	81	0
Money held in trust:			
Trading securities	25,070	25,070	—
Total money held in trust	25,070	25,070	—
Securities:			
Trading securities	18,493	18,493	—
Held-to-maturity debt securities	1,277,683	1,434,476	156,792
Policy-reserve-matching bonds	704,016	734,244	30,227
Available-for-sale securities	5,551,740	5,551,740	—
Total securities	7,551,934	7,738,954	187,020
Loans:			
Policy loans	51,901	51,901	(0)
Ordinary loans	504,675	521,484	16,809
Total loans	556,577	573,386	16,809
Assets total	8,133,662	8,337,492	203,830
Subordinated bonds*1	241,935	245,074	3,139
Liabilities total	241,935	245,074	3,139
Derivative instruments*2 :			
Hedge accounting not applied	(4,814)	(4,814)	—
Hedge accounting applied	(63,528)	(63,528)	—
Total derivative instruments	¥(68,342)	¥(68,342)	¥—

*1 The fair value of derivative instruments that are currency swaps under designated hedge accounting is included in the fair value of subordinated bonds because it is accounted for as an integral part of the subordinated bonds that are the hedge items.
*2 Assets and liabilities generated by derivative instruments are offset and presented net. Net liabilities in total are presented in parentheses.

Notes: 1. Stocks without market prices, such as unlisted stocks, are not included in Securities of the above table. The amount of these stocks on the balance sheet as of March 31, 2022 was ¥9,603 million.
2. In accordance with the transitional treatments prescribed in Paragraph 27 of the "Implementation Guidance on Accounting Standard for Fair Value Measurement" (ASBJ Guidance No. 31, July 4, 2019), investments in partnerships have not been included in Securities of the above table. As of March 31, 2022, the amount of investments in partnerships included on the balance sheet was ¥32,380 million.

	As of March 31,					
	2023			2023		
	Millions of yen			Millions of U.S. dollars		
	Carrying amount	Fair value	Difference	Carrying amount	Fair value	Difference
Money held in trust:						
Trading securities	¥24,897	¥24,897	¥—	$186	$186	$—
Total money held in trust	24,897	24,897	—	186	186	—
Securities:						
Trading securities	10,232	10,232	—	76	76	—
Held-to-maturity debt securities	1,252,237	1,368,169	115,931	9,377	10,246	868
Policy-reserve-matching bonds	835,657	844,467	8,810	6,258	6,324	65
Available-for-sale securities	5,076,422	5,076,422	—	38,017	38,017	—
Total securities	7,174,550	7,299,292	124,741	53,729	54,664	934
Loans:						
Policy loans	50,456	50,456	(0)	377	377	(0)
Ordinary loans	477,104	487,443	10,339	3,573	3,650	77
Total loans	527,561	537,900	10,339	3,950	4,028	77
Assets total	7,727,009	7,862,089	135,080	57,867	58,878	1,011
Subordinated bonds*1	241,935	238,498	(3,436)	1,811	1,786	(25)
Liabilities total	241,935	238,498	(3,436)	1,811	1,786	(25)
Derivative instruments*2 :						
Hedge accounting not applied	(683)	(683)	—	(5)	(5)	—
Hedge accounting applied	(840)	(840)	—	(6)	(6)	—
Total derivative instruments	¥(1,524)	¥(1,524)	¥—	$(11)	$(11)	$—

*1 The fair value of derivative instruments that are currency swaps under designated hedge accounting is included in the fair value of subordinated bonds because it is accounted for as an integral part of the subordinated bonds that are the hedge items.
*2 Assets and liabilities generated by derivative instruments are offset and presented net. Net liabilities in total are presented in parentheses.

Notes: 1. Stocks without market prices, such as unlisted stocks, are not included in Securities of the above table.
The amount of these stocks on the balance sheet as of March 31, 2023 was ¥9,114 million (US$68 million).
2. In accordance with Paragraph 24-16 of the Implementation Guidance on Accounting Standard for Fair Value Measurement, investments in partnerships are not included in Securities of the above table.
The amount of investments in partnerships included on the balance sheet as of March 31, 2023, was ¥30,957 million (US$231 million).
3. Investment trusts with real estate as investment trust properties which have applied Paragraph 24-9 of the Implementation Guidance on Accounting Standard for Fair Value Measurement are included in Securities.

4. Matters concerning the breakdown of financial instruments by fair value level are as follows.
The fair values of financial instruments are classified into the following three levels according to the observability and materiality of inputs used to measure fair value.
Fair Value Level 1: Fair values measured using (unadjusted) quoted prices in active markets for identical assets or liabilities
Fair Value Level 2: Fair values measured using directly or indirectly observable inputs other than Level 1 inputs
Fair Value Level 3: Fair values measured using material unobservable inputs
When multiple inputs with material impact are used to measure fair value, the resulting fair value is classified into the lowest fair value level into which any of these inputs can be categorized.

(1) Financial assets and liabilities with fair values recorded on the balance sheet were as follows:

Classification	As of March 31, 2022 Millions of yen Fair value			
	Level 1	Level 2	Level 3	Total
Money held in trust:				
Trading securities	¥—	¥25,070	¥—	¥25,070
Total money held in trust	—	25,070	—	25,070
Securities:				
Trading securities:				
Foreign securities	7,859	10,634	—	18,493
Total trading securities	7,859	10,634	—	18,493
Available-for-sale securities:				
Government bonds	1,436,730	—	—	1,436,730
Local government bonds	—	156,768	—	156,768
Corporate bonds	—	812,361	—	812,361
Stocks	699,672	—	—	699,672
Foreign securities	744,812	1,129,151	28,139	1,902,104
Other securities	3,667	—	—	3,667
Total available-for-sale securities	2,884,883	2,098,282	28,139	5,011,305
Total securities	2,892,742	2,108,916	28,139	5,029,798
Assets total	2,892,742	2,133,986	28,139	5,054,868
Derivative instruments*:				
Currency-related	—	(68,160)	—	(68,160)
Interest-related	—	20	—	20
Stock-related	(202)	—	—	(202)
Total derivative instruments	¥(202)	¥(68,140)	¥—	¥(68,342)

* Assets and liabilities generated by derivative instruments are offset and presented net. Net liabilities in total are presented in parentheses.

Note: In accordance with the transitional treatments prescribed in Paragraph 26 of the "Implementation Guidance on Accounting Standard for Fair Value Measurement" (ASBJ Guidance No.31, July 4, 2019), investment trusts have not been included in the figures above.
As of March 31, 2022, the amount of investment trusts included on the balance sheet was ¥540,435 million.

Classification	As of March 31, 2023 Millions of yen Fair value				2023 Millions of U.S. dollars Fair value			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Money held in trust:								
Trading securities	¥—	¥24,897	¥—	¥24,897	$—	$186	$—	$186
Total money held in trust	—	24,897	—	24,897	—	186	—	186
Securities:								
Trading securities:								
Foreign securities	—	10,232	—	10,232	—	76	—	76
Total trading securities	—	10,232	—	10,232	—	76	—	76
Available-for-sale securities:								
Government bonds	1,724,721	—	—	1,724,721	12,916	—	—	12,916
Local government bonds	—	124,909	—	124,909	—	935	—	935
Corporate bonds	—	642,457	—	642,457	—	4,811	—	4,811
Stocks	740,041	—	—	740,041	5,542	—	—	5,542
Foreign securities	595,331	1,053,931	26,490	1,675,753	4,458	7,892	198	12,549
Other securities	47,246	115,697	—	162,943	353	866	—	1,220
Total available-for-sale securities	3,107,340	1,936,996	26,490	5,070,826	23,270	14,506	198	37,975
Total securities	3,107,340	1,947,228	26,490	5,081,059	23,270	14,582	198	38,051
Assets total	3,107,340	1,972,126	26,490	5,105,957	23,270	14,769	198	38,238
Derivative instruments*:								
Currency-related	—	(1,402)	—	(1,402)	—	(10)	—	(10)
Interest-related	—	47	—	47	—	0	—	0
Stock-related	(31)	—	—	(31)	(0)	—	—	(0)
Bond-related	(137)	—	—	(137)	(1)	—	—	(1)
Total derivative instruments	¥(169)	¥(1,355)	¥—	¥(1,524)	$(1)	$(10)	$—	$(11)

* Assets and liabilities generated by derivative instruments are offset and presented net. Net liabilities in total are presented in parentheses.

Note: Investment trusts with real estate as investment trust properties that have applied Paragraph 24-9 of the Implementation Guidance on Accounting Standard for Fair Value Measurement are not included in the figures above. The amount of the investment trusts on the balance sheet as of March 31, 2023 was ¥5,596 million (US$41 million). Reconciliation of balances from the beginning of the current fiscal year to balances as of March 31, 2023 for the investment trusts were as follows:

	As of March 31, 2023 Millions of yen	2023 Millions of U.S. dollars
Balance at the beginning of the fiscal year	¥3,654	$27
Gains or losses and other comprehensive income during the fiscal year	441	3
Values recognized as other comprehensive income*	441	3
Purchase, sales, and redemption	1,500	11
Purchase	1,500	11
Balance at the end of the fiscal year	¥5,596	$41

* These amounts are included in net unrealized gains (losses) on available-for-sale securities, net of tax under other comprehensive income in the consolidated statements of comprehensive income for the fiscal year ended March 31, 2023.

(2) Financial assets and liabilities with fair values not recorded on the balance sheet were as follows:

Classification	As of March 31, 2022 Millions of yen Fair value			
	Level 1	Level 2	Level 3	Total
Monetary claims bought:				
Claims treated as loans	¥—	¥—	¥81	¥81
Total monetary claims bought	—	—	81	81
Securities:				
Held-to-maturity debt securities:				
Government bonds	1,205,133	—	—	1,205,133
Local government bonds	—	98,778	—	98,778
Corporate bonds	—	108,022	—	108,022
Foreign securities	20,878	1,663	—	22,541
Total held-to-maturity debt securities	1,226,012	208,463	—	1,434,476
Policy-reserve-matching bonds:				
Government bonds	290,940	—	—	290,940
Local government bonds	—	137,159	—	137,159
Corporate bonds	—	306,143	—	306,143
Total policy-reserve-matching bonds	290,940	443,303	—	734,244
Total securities	1,516,953	651,767	—	2,168,720
Loans:				
Policy loans	—	—	51,901	51,901
Ordinary loans	—	—	521,484	521,484
Total loans	—	—	573,386	573,386
Assets total	1,516,953	651,767	573,467	2,742,188
Subordinated bonds	—	245,074	—	245,074
Liabilities total	¥—	¥245,074	¥—	¥245,074

Classification	As of March 31, 2023 Millions of yen Fair value				2023 Millions of U.S. dollars Fair value			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Securities:								
Held-to-maturity debt securities:								
Government bonds	¥1,171,314	¥—	¥—	¥1,171,314	$8,771	$—	$—	$8,771
Local government bonds	—	93,825	—	93,825	—	702	—	702
Corporate bonds	—	103,028	—	103,028	—	771	—	771
Total held-to-maturity debt securities	1,171,314	196,854	—	1,368,169	8,771	1,474	—	10,246
Policy-reserve-matching bonds:								
Government bonds	404,527	—	—	404,527	3,029	—	—	3,029
Local government bonds	—	126,664	—	126,664	—	948	—	948
Corporate bonds	—	313,275	—	313,275	—	2,346	—	2,346
Total policy-reserve- matching bonds	404,527	439,940	—	844,467	3,029	3,294	—	6,324
Total securities	1,575,842	636,794	—	2,212,636	11,801	4,768	—	16,570
Loans:								
Policy loans	—	—	50,456	50,456	—	—	377	377
Ordinary loans	—	—	487,443	487,443	—	—	3,650	3,650
Total loans	—	—	537,900	537,900	—	—	4,028	4,028
Assets total	1,575,842	636,794	537,900	2,750,536	11,801	4,768	4,028	20,598
Subordinated bonds	—	238,498	—	238,498	—	1,786	—	1,786
Liabilities total	¥—	¥238,498	¥—	¥238,498	$—	$1,786	$—	$1,786

(3) Explanation of valuation techniques and inputs used to measure fair value

i) Securities (including deposits and monetary claims bought which are treated as securities based on "Accounting Standards for Financial Instruments" [ASBJ Statement No.10, July 4, 2019])

The fair values of securities for which unadjusted quoted market prices in active markets are available (primarily listed stocks and government bonds [including some foreign securities]) are classified as Fair Value Level 1. Meanwhile, the fair values of securities for which quoted market prices are available, but are not available in active markets, are classified as Fair Value Level 2 (This category primarily includes local government bonds and corporate bonds [including some foreign securities]). When quoted market prices are not available for securities, prices obtained from third parties (mainly from information vendors and financial institutions with which the Company conducts business) and determined to have been measured in accordance with prescribed accounting standards are used to measure the fair values of these securities. If the inputs used to measure the fair value of a given security are material but unobservable, the resulting fair value is classified as Fair Value Level 3.

ii) Money held in trust

In principle, the fair values of securities managed as trust assets and classifed as money held in trust are measured using the Company's prescribed method for determining the value of securities. These fair values are categorized as Fair Value Level 2.

iii) Loans

The fair values of policy loans are deemed to approximate book values, considering estimated repayment period and interest rate conditions since their repayment deadlines have not been set up due to the characteristics that the loans are limited to the amount of cash surrender values. Therefore, the book values are used as the fair values of policy loans.

The fair values of floating interest rate loans among the ordinary loans approximate the book values because the market interest rates are reflected in future cash flows in a short period. Therefore, the fair values of floating interest rate loans are based on their book values. The fair values of fixed interest rate loans are primarily measured by discounting the future cash flows to the present values.

The fair values of loans from legally bankrupt borrowers, substantially bankrupt borrowers and not currently bankrupt borrowers are computed by deducting the amount of the allowance for possible loan losses from the book values before direct write-offs.

If the impact of unobservable inputs used to measure the fair values of loans is determined to be material, the resulting fair values are classified as Fair Value Level 3. Otherwise, they are categorized as Fair Value Level 2.

iv) Subordinated bonds

The fair values of corporate bonds issued by the Company are classified as Fair Value Level 2 and are measured using the same method applied to securities.

v) Derivative instruments

The fair values of derivative instruments for which unadjusted quoted market prices in active markets are available (primarily exchange-traded futures and options) are classified as Fair Value Level 1. However, most derivative instruments are traded over the counter and have no quoted market prices. Accordingly, prices obtained from third parties (mainly from information vendors and financial institutions with which the Company conducts business) and determined to have been measured in accordance with prescribed accounting standards are used to measure the fair values of these derivative instruments. Fair values of derivative instruments that were measured using only observable inputs or with unobservable inputs considered to be immaterial are classified as Fair Value Level 2. Meanwhile, fair values of derivative instruments that have been measured using material unobservable inputs are categorized as Fair Value Level 3.

(4) Information concerning fair values of financial assets and liabilities that have been recorded on the balance sheet and classified as Fair Value Level 3

i) Quantitative information regarding material unobservable inputs

When measuring fair value, the Company does not adjust quoted prices obtained from third parties and does not make estimates related to inputs that it cannot observe. Accordingly, quantitative information regarding material unobservable inputs have been omitted.

ii) Reconciliation of beginning to end of balance as of March 31, 2022 and 2023, and the valuation gains or losses recognized in the statements of operations for the respective consolidated fiscal years were as follows:

	2022		2023		2023	
	Millions of yen				Millions of U.S. dollars	
	Securities, Available-for-sale securities, Foreign securities	Total	Securities, Available-for-sale securities, Foreign securities	Total	Securities, Available-for-sale securities, Foreign securities	Total
Balance at the beginning of the fiscal year ...	¥29,312	¥29,312	¥28,139	¥28,139	$210	$210
Gains or losses and other comprehensive income during the fiscal year....................	(1,172)	(1,172)	(1,648)	(1,648)	(12)	(12)
Values recognized as gains or losses*1	(10)	(10)	(10)	(10)	(0)	(0)
Values recognized as other comprehensive income*2.............................	(1,162)	(1,162)	(1,638)	(1,638)	(12)	(12)
Balance at the end of the fiscal year	¥28,139	¥28,139	¥26,490	¥26,490	$198	$198

*1 These amounts are included in investment income and investment expenses in the consolidated statements of operations.
*2 These amounts are included in net unrealized gains (losses) on available-for-sale securities, net of tax under other comprehensive income in the consolidated statements of comprehensive income.

iii) Explanation of the valuation process for fair value
The Company's asset management division is responsible for the formulation of policies and procedures related to the measurement of fair value and the actual measurement of fair value. These fair values are subsequently checked by the risk management department to ensure their appropriateness and compliance with relevant policies and procedures.

The Company verifies the appropriateness of the fair values it measures using a variety of suitable methods, which include comparing quoted market prices obtained from different third parties; confirming techniques and inputs utilized for calculation; and further comparing measured fair values with the fair values of similar financial instruments.

iv) Explanation of the impact on fair value in case of change in material unobservable inputs
When measuring fair value, the Company does not adjust quoted prices obtained from third parties and does not make estimates related to inputs that it cannot observe. Accordingly, it has omitted information concerning impact on fair value stemming from changes in material unobservable inputs.

5. The Company holds investment and rental properties such as office buildings in Tokyo and other areas. The carrying amounts and the fair values of investment and rental properties were ¥194,813 million and ¥326,189 million as of March 31, 2022, and ¥197,979 million (US$1,482 million) and ¥349,089 million (US$2,614 million) as of March 31, 2023, respectively. The fair value is mainly based on the value calculated by the Company in accordance with real estate appraisal standards which includes some adjustments using the reference prices.

The amount corresponding to asset retirement obligations included in the carrying amount of investment and rental properties were ¥367 million and ¥321 million (US$2 million) as of March 31, 2022 and 2023, respectively.

6. The amount of securities lent under lending agreements were ¥621,280 million and ¥504,760 million (US$3,780 million) as of March 31, 2022 and 2023, respectively.

7. The total amount of claims against bankrupt and quasi-bankrupt obligors, claims with collection risk, delinquent loans past three months or more, and restructured loans were ¥3,776 million and ¥1,246 million (US$9 million) as March 31, 2022 and 2023, respectively. The details are as follows.

i) The balance of claims against bankrupt and quasi-bankrupt obligors were ¥160 million and ¥140 million (US$1 million) as of March 31, 2022 and 2023, respectively.

Of which, the estimated uncollectible amount written-off were ¥0 million and ¥0 million (US$5 thousand) as of March 31, 2022 and 2023, respectively.

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.

ii) The balance of claims with collection risk were ¥1,999 million and ¥544 million (US$4 million) as of March 31, 2022 and 2023, respectively.

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.

iii) There was no balance of delinquent loans past three months or more as of March 31, 2022 and 2023, respectively.

Delinquent loans past three months or more are loans for which interest payments or repayments of principal are delinquent for three months or more from the due date under the terms of the related loan agreements, excluding those loans classified as claims against bankrupt and quasi-bankrupt obligors, claims with collection risk.

iv) The balance of restructured loans were ¥1,616 million and ¥561 million (US$4 million) as of March 31, 2022 and 2023, respectively.

Restructured loans are loans for which certain concessions favorable to borrowers, such as interest reduction or exemption, rescheduling of due date for repayments of principal or interest payment, waiver of claim or other terms, have been negotiated for the purpose of assisting and supporting the borrowers in the restructuring of their business. This category excludes loans classified as claims against bankrupt and quasi-bankrupt obligors, claims with collection risk, and delinquent loans past three months or more.

8. Accumulated depreciation of tangible fixed assets were ¥179,324 million and ¥183,559 million (US$1,374 million) as of March 31, 2022 and 2023, respectively.

9. Total assets in separate accounts provided for in Article 118 of the Insurance Business Act were ¥112,487 million and ¥118,783 million (US$889 million) as of March 31, 2022 and 2023, respectively. The amounts of separate account liabilities were the same as separate account assets.

10. The total amounts of receivables from/payables to unconsolidated subsidiaries were ¥2,245 million and ¥39 million as of March 31, 2022, and ¥2,229 million (US$16 million) and ¥42 million (US$317 thousand) as of March 31, 2023, respectively.

11. Deferred tax assets and deferred tax liabilities as of March 31, 2022 were ¥175,093 million and ¥193,317 million, respectively. Valuation allowance for deferred tax assets was ¥5,133 million.

    Major components of deferred tax assets were ¥99,652 million of policy reserves, ¥52,554 million of reserve for price fluctuation and ¥13,115 million of net defined benefit liabilities as of March 31, 2022.

    Major component of deferred tax liabilities was ¥187,990 million of net unrealized gains on available-for-sale securities as of March 31, 2022.

    The statutory tax rate and the actual effective tax rate for the year ended March 31, 2022 were 28.0% and 4.8%, respectively. The difference between the statutory tax rate and the actual effective tax rate was attributable mainly to -24.1% of reserve for dividends to policyholders.

    Deferred tax assets and deferred tax liabilities as of March 31, 2023 were ¥177,047 million (US$1,325 million) and ¥156,019 million (US$1,168 million), respectively. Valuation allowance for deferred tax assets was ¥4,896 million (US$36 million).

    Major components of deferred tax assets were ¥102,788 million (US$769 million) of policy reserves, ¥52,790 million (US$395 million) of reserve for price fluctuation and ¥12,766 million (US$95 million) of net defined benefit liabilities as of March 31, 2023.

    Major component of deferred tax liabilities was ¥149,777 million (US$1,121 million) of net unrealized gains on available-for-sale securities as of March 31, 2023.

    The statutory tax rate and the actual effective tax rate for the year ended March 31, 2023 were 28.0% and 5.4%, respectively. The difference between the statutory tax rate and the actual effective tax rate was attributable mainly to -23.4% of reserve for dividends to policyholders.

12. Changes in reserve for dividends to policyholders were as follows:

	Year ended March 31, 2022	2023	2023
	Millions of yen		Millions of U.S. dollars
Balance at the beginning of the fiscal year	¥63,232	**¥63,411**	**$474**
Transfer from surplus in the previous fiscal year	32,744	**30,726**	**230**
Dividend payments to policyholders during the fiscal year	(32,580)	**(29,731)**	**(222)**
Increase in interest	13	**13**	**0**
Balance at the end of the fiscal year	¥63,411	**¥64,420**	**$482**

13. Changes in reserve for dividends to policyholders (Fukokushinrai Life Insurance Co., Ltd.) were as follows:

	Year ended March 31, 2022	2023	2023
	Millions of yen		Millions of U.S. dollars
Balance at the beginning of the fiscal year	¥308	**¥322**	**$2**
Dividend payments to policyholders during the fiscal year	(181)	**(192)**	**(1)**
Increase in interest	0	**0**	**0**
Provision of reserve for dividends to policyholders	195	**173**	**1**
Balance at the end of the fiscal year	¥322	**¥304**	**$2**

14. The amount of stocks of unconsolidated subsidiaries were ¥404 million and ¥404 million (US$3 million) as of March 31, 2022 and 2023, respectively.

15. Assets pledged as collateral as of March 31, 2022 were ¥225,740 million of securities.

Secured debts as of March 31, 2022, were ¥166,881 million.

These amounts include ¥150,826 million of investments in securities deposited and ¥160,928 million of cash received as collateral under securities lending transactions secured by cash as of March 31, 2022.

Assets pledged as collateral as of March 31, 2023 were ¥175,557 million (US$1,314 million) of securities.

Secured debts as of March 31, 2023, were ¥161,480 million (US$1,209 million).

These amounts include ¥147,552 million (US$1,105 million) of investments in securities deposited and ¥155,483 million (US$1,164 million) of cash received as collateral under securities lending transactions secured by cash as of March 31, 2023.

16. Reserve for outstanding claims for the reinsurance contracts provided in accordance with Article 71 Paragraph 1 of the Enforcement Regulation of the Insurance Business Act (hereinafter called "reserve for outstanding claims for ceded reinsurance") were ¥2 million and ¥0 million (US$2 thousand) as of March 31, 2022 and 2023, respectively.

Policy reserve for the reinsurance contracts provided in accordance with Article 71 Paragraph 1 of the Enforcement Regulation of the Insurance Business Act (hereinafter called "policy reserve for ceded reinsurance") were ¥42 million and ¥40 million (US$305 thousand) as of March 31, 2022 and 2023, respectively.

17. There were unused commitment line agreements under which the Company is the lender of ¥11,492 million and ¥8,604 million (US$64 million) as of March 31, 2022 and 2023, respectively.

18. Repayments of subordinated bonds are subordinated to other obligations.

At the Board of Directors meeting held on June 29, 2023, the Company resolved to issue subordinated bonds up to US$500 million by the end of March 2024 as well as to redeem US$500 million in subordinated bonds on September 19, 2023 prior to the maturity date.

19. The future contribution to the Life Insurance Policyholders Protection Corporation of Japan under Article 259 of the Insurance Business Act was estimated at ¥9,995 million as of March 31, 2022.

The contribution is recognized as operating expenses when contributed.

20. Matters Related to Employees' Retirement Benefits

(1) Overview of Employees' Retirement Benefit Plan

As for a defined benefit plan for office-based employees, the Company and its consolidated subsidiaries have a defined benefit corporate pension plan and retirement lump-sum payments. As for a defined contribution plan for these employees, the Company also has a defined contribution pension plan.

As for a defined benefit plan for sales employees, the Company has retirement lump-sum payments.

The Company places a retirement benefit trust in relation to the retirement lump-sum grant plan for sales employees.

The simplified method for calculating retirement benefit obligation is applied to a portion of the Company and some consolidated subsidiaries' retirement lump-sum grant plans.

(2) Defined Benefit Plan

i) Reconciliation of beginning and end of balance of retirement benefit obligation

	As of March 31, 2022	2023	2023
	Millions of yen		Millions of U.S. dollars
Retirement benefit obligation at the beginning of the fiscal year	¥91,051	¥91,156	$682
Service cost	3,701	3,718	27
Interest cost	541	542	4
Actuarial differences occurred during the fiscal year	47	(12)	(0)
Retirement benefit payments	(4,185)	(4,450)	(33)
Retirement benefit obligation at the end of the fiscal year	¥91,156	¥90,953	$681

ii) Reconciliation of beginning and end of balance of pension plan assets

	As of March 31, 2022	2023	2023
	Millions of yen		Millions of U.S. dollars
Pension plan assets at the beginning of the fiscal year	¥62,627	¥64,301	$481
Expected return on pension plan assets	1,202	1,232	9
Actuarial differences occurred during the fiscal year	956	2,410	18
Contributions by the employer	1,117	1,105	8
Retirement benefit payments	(1,608)	(2,135)	(15)
Others	4	3	0
Pension plan assets at the end of the fiscal year	¥64,301	¥66,918	$501

iii) Reconciliation of retirement benefit obligation and pension plan assets with net defined benefit liabilities and assets presented on the consolidated balance sheet

	As of March 31, 2022	2023	2023
	Millions of yen		Millions of U.S. dollars
a. Funded plan retirement benefit obligation	¥78,843	¥78,877	$590
b. Pension plan assets	(64,301)	(66,918)	(501)
c. (a + b)	14,542	11,959	89
d. Unfunded plan retirement benefit obligation	12,312	12,076	90
e. Net amount of liabilities and assets presented on the consolidated balance sheet	26,855	24,035	180
f. Net defined benefit liabilities	27,677	25,220	188
g. Net defined benefit assets	(822)	(1,184)	(8)
h. Net amount of liabilities and assets presented on the consolidated balance sheet	¥26,855	¥24,035	$180

iv) Breakdown of retirement benefit gains and losses

	As of March 31, 2022	2023	2023
	Millions of yen		Millions of U.S. dollars
Service cost	¥3,701	¥3,718	$27
Interest cost	541	542	4
Expected return on pension plan assets	(1,202)	(1,232)	(9)
Amortization of actuarial differences	1,428	772	5
Amortization of prior service costs	(13)	5	0
Others	(4)	(3)	(0)
Retirement benefit expenses related to defined benefit plan	¥4,450	¥3,802	$28

v) Remeasurements of defined benefit plan

Remeasurements of defined benefit plan (before tax effects) comprised the following:

	As of March 31, 2022	2023	2023
	Millions of yen		Millions of U.S. dollars
Amortization of actuarial differences	¥2,337	¥3,196	$23
Amortization of prior service cost	(13)	5	0
Total	¥2,323	¥3,201	$23

vi) Accumulated remeasurements of defined benefit plan

Accumulated remeasurements of defined benefit plan (before tax effects) comprised the following:

	As of March 31,		
	2022	2023	2023
	Millions of yen		Millions of U.S. dollars
Unrecognized actuarial differences	¥(2,774)	¥421	$3
Unrecognized prior service cost	(45)	(40)	(0)
Total	¥(2,819)	¥381	$2

vii) Breakdown of pension plan assets

The breakdown of asset categories as a percentage of total pension plan assets were as follows:

	As of March 31,	
	2022	2023
Domestic stocks	41.9%	44.8%
Life insurance general account	31.6%	30.4%
Domestic bonds	9.5%	9.3%
Foreign stocks	10.2%	8.2%
Assets under joint management	3.6%	3.7%
Foreign bonds	3.1%	3.5%
Total	100.0%	100.0%

Within the total of pension assets as of March 31, 2022 and 2023, 35.5% and 38.1% of these amounts are accounted for by the retirement benefit trust established in relation to the retirement lump-sum payments plan for sales employees, respectively.

viii) Method for setting the expected long-term rate of return

To set the expected long-term rate of return on pension plan assets, the Company takes into account the present and future allocation of pension plan assets, and the present and expected future long-term rate of return on a variety of assets that makes up the pension assets.

ix) Underlying actuarial assumptions

Main underlying actuarial assumptions were as follows:

	As of March 31,	
	2022	2023
Discount rate	0.6%	0.6%
Expected long-term rate of return on pension plan assets		
Defined benefit plan	3.0%	3.0%
Retirement benefit trust	0.0%	0.0%

(3) Defined contribution plan

The required contribution amount by the Company and its consolidated subsidiaries to the defined contribution plan were ¥339 million and ¥339 million (US$2 million) as of March 31, 2022 and 2023, respectively.

III. Notes to the Consolidated Statements of Operations

1. The total amounts of revenues and expenses in connection with unconsolidated subsidiaries were ¥128 million and ¥1,197 million for the year ended March 31, 2022 and ¥120 million (US$904 thousand) and ¥1,184 million (US$8 million) for the year ended March 31, 2023, respectively.

2. For the year ended March 31, 2022, in calculating the provision of reserve for outstanding claims, a reversal of reserves for outstanding claims reinsured of ¥24 million was added. In calculating the provision of policy reserves, a reversal of reserves for policy reserves reinsured of ¥6 million was added.

   For the year ended March 31, 2023, in calculating the provision of reserve for outstanding claims, a reversal of reserve for outstanding claims for ceded reinsurance of ¥1 million (US$12 thousand) was deducted. In calculating the provision of policy reserves, a reversal of policy reserve for ceded reinsurance of ¥2 million (US$15 thousand) was added.

IV. Notes to the Consolidated Statements of Comprehensive Income

1. Other Comprehensive Income

The reclassification adjustments and tax effect amounts related to other comprehensive income were as follows:

i) Net unrealized gains (losses) on available-for-sale securities, net of tax

	Year ended March 31, 2022	2023	2023
	Millions of yen		Millions of U.S. dollars
Amount incurred during the fiscal year	¥27,373	¥(117,506)	$(879)
Reclassification adjustments	1,036	(17,496)	(131)
Before tax adjustments	28,409	(135,002)	(1,011)
Tax effects	(7,827)	38,212	286
Net unrealized gains (losses) on available-for-sale securities, net of tax	¥20,581	¥(96,789)	$(724)

ii) Foreign currency translation adjustments

	Year ended March 31, 2022	2023	2023
	Millions of yen		Millions of U.S. dollars
Amount incurred during the fiscal year	¥259	¥254	$1
Reclassification adjustments	—	—	—
Before tax adjustments	259	254	1
Tax effects	—	—	—
Foreign currency translation adjustments	¥259	¥254	$1

iii) Remeasurements of defined benefit plans, net of tax

	Year ended March 31, 2022	2023	2023
	Millions of yen		Millions of U.S. dollars
Amount incurred during the fiscal year	¥909	¥2,423	$18
Reclassification adjustments	1,414	777	5
Before tax adjustments	2,323	3,201	23
Tax effects	(650)	(896)	(6)
Remeasurements of defined benefit plans, net of tax	1,673	2,305	17
Total other comprehensive income	¥22,514	¥(94,229)	$(705)

V. Notes to the Consolidated Statements of Cash Flows

1. Cash and cash equivalents as of March 31, 2022 and 2023 consist of "Cash," "Deposits in transfer account," "Current deposits," "Ordinary deposits," "Notice deposits," "Time deposits maturing within 3 months of the date of acquisition," "Foreign currency deposits maturing within three months of the date of acquisition," "Negotiable certificate of deposits maturing within three months of the date of acquisition," "Call loans" and "Monetary claims bought maturing within three months of the date of acquisition."

2. Reconciliations of cash and cash equivalents in the consolidated statements of cash flows to the consolidated balance sheet accounts were as follows:

	Year ended March 31, 2022	2023	2023
	Millions of yen		Millions of U.S. dollars
Cash and deposits	¥323,128	¥524,841	$3,930
Call loans	48,000	130,000	973
Monetary claims bought	80	—	—
Time deposits maturing over 3 months of the date of acquisition	(3,100)	(13,100)	(98)
Foreign currency deposits maturing over 3 months of the date of acquisition	(1,029)	(842)	(6)
Monetary claims bought maturing over 3 months of the date of acquisition	(80)	—	—
Cash and cash equivalents	¥366,999	¥640,899	$4,799

Management's Report on Internal Control over Financial Reporting

1. Matters relating to the basic framework of internal control over financial reporting

Yoshiteru Yoneyama, President of Fukoku Mutual Life Insurance Company (the Company), is responsible for the design and operation of internal control over financial reporting for the Company's financial statements, namely, consolidated balance sheet and the related consolidated statements of operations, comprehensive income, cash flows, changes in net assets and a summary of significant accounting policies and other explanatory information for the year ended March 31, 2023, prepared in accordance with Article 110 Paragraph 2 of the Insurance Business Act. The Company designs and operates its internal control over financial reporting in accordance with the basic framework for internal control set forth in the Revision of Standards and Practice Standards for Management Assessment and Audit Concerning Internal Control Over Financial Reporting (Council Opinions) issued by the Business Accounting Council of the Financial Service Agency of Japan.

Internal control aims at achieving the objectives to a reasonable extent with the organized and integrated function of individual components of internal control as a whole. Therefore, internal control over financial reporting cannot always ensure the prevention or detection of misstatements in the presentation of financial reporting.

2. Matters relating to the scope of assessment, the basis date of assessment and the assessment procedures

The Company performed an assessment of internal control over financial reporting for its consolidated financial statements as of the end of the fiscal year, March 31, 2023 in accordance with generally accepted assessment standards in Japan for internal control over financial reporting.

In the assessment of internal control over financial reporting, the Company first assessed internal controls that have a material impact on overall consolidated financial reporting (company-level controls) and, based on the results, the Company selected the business processes to be assessed. In assessing those business processes, the Company analyzed selected business processes, identified a key control that would have a material impact on the reliability of financial reporting, and assessed the establishment and operation with regard to the key control. The Company assessed the effectiveness of internal control by the aforementioned procedures.

For the Company and its consolidated subsidiaries, the Company determined the scope of assessment of internal control over financial reporting from the perspective of their materiality to the reliability of financial reporting. The materiality to the reliability of financial reporting is determined in light of their degree of quantitative and qualitative impact. The Company rationally determined the scope of assessment of internal controls incorporated into business processes (process-level controls) based on the results of assessment of company-level controls regarding the Company and one consolidated subsidiary. Other than those indicated above, five consolidated subsidiaries were determined to be immaterial from quantitative and qualitative perspectives. Consequently, they are excluded from the scope of assessment of company-level controls.

With respect to the scope of assessment of process-level controls, the locations or business units were selected in descending order of ordinary revenues (after elimination of inter-company transactions) in the previous fiscal year until their combined amount reached about two-thirds of consolidated ordinary revenues. As a result, two companies (the Company and its consolidated subsidiary) were selected as significant locations or business units. At selected significant locations and business units, business processes related to accounting items that were closely associated with the company's business objectives, including securities, ordinary loans and policy reserves, as well as premium and other income and claims and other payments, which have a material impact on the calculation of policy reserves, were determined to be within the scope of assessment. Furthermore, at selected significant locations and business units and any other locations and business units, added to the scope of assessment were business processes relating to important accounting items that have a high possibility of material misstatements and involve estimates and judgments, and business processes relating to businesses or operations dealing with high-risk transactions.

3. Matters relating to the results of the assessment

As a result of performing the assessment, the Company concluded that the design and operation of internal control over financial reporting for the Company were effective as of March 31, 2023.

4. Supplementary information

Not applicable

5. Other special information

Not applicable

May 19, 2023
Yoshiteru Yoneyama
President
Fukoku Mutual Life Insurance Company

Independent Auditor's Report

September 25, 2023

To the Board of Directors of
Fukoku Mutual Life Insurance Company:

Moore Mirai & Co.
Tokyo, Japan

Designated Engagement Partner
Certified Public Accountant
Shinnosuke Tsuruta
Shinnosuke Tsuruta

Designated Engagement Partner
Certified Public Accountant
Yuichi Yasuda
Yuichi Yasuda

< Financial Statements Audit>

Opinion

We have audited the accompanying consolidated financial statements of Fukoku Mutual Life Insurance Company (collectively referred to as "the Company") and its consolidated subsidiaries (collectively referred to as "the Group"), which comprise the consolidated balance sheets as at March 31, 2023, the consolidated statements of operations, the consolidated statements of comprehensive income, the consolidated statements of cash flows, and the consolidated statements of changes in net assets for the year then ended, and notes to the consolidated financial statements, all expressed in Japanese yen.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at March 31, 2023, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with accounting principles generally accepted in Japan.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in Japan. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Group in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Japan, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matter

Key audit matter is the matter that, in our professional judgment, was of most significance in our audit of the consolidated financial statements of the current period. The matter was addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on the matter.

Appropriateness of the amount of policy reserve

(The key audit matter)

In the consolidated financial statements of the Group, the value of policy reserve is amounted to ¥7,449,355 million which is 90.6% of the total liabilities.

As described in the Notes to the Consolidated Balance Sheets 1.(13), policy reserve is accumulated in accordance with the methods stated in the "statement of calculation procedures for Insurance Premiums and Policy Reserves" (Article 4 Paragraph 2 Item 4 of the Insurance Business Act) pursuant to Article 116 Paragraph 1 of the Insurance Business Act to prepare for the future performance of obligations under the insurance contracts for which the insurer's responsibilities have started.

In addition, when the actual assumptions for long-term future cash flows (such as assumed incidence rate and assumed interest rate) deviate from those assumptions set in the "statement of calculation procedures for Insurance Premiums and Policy Reserves" and policy reserve is considered to be possibly insufficient to cover the future performance of obligations, additional policy reserve is required to accumulate in accordance with Article 69 Paragraph 5 of the Enforcement Regulation of the Insurance Business Act.

The appointed actuary verifies the sufficiency of policy reserve based on the future cash flow analysis in accordance with Article 121 Paragraph 1 of the Insurance Business Act and Article 80 of the Enforcement Regulation of the Insurance Business Act.

The policy reserve is significant in terms of amount, and the insurance amount to be paid in the future are calculated based on long-term insurance policy in accordance with the actuarial science. Accordingly, the process of the policy reserve calculation is complex and specialized. We, therefore, determined that the appropriateness of the amount of policy reserve was a key audit matter.

(How the key audit matter was addressed in our audit)

In order to assess whether the amount of policy reserve was appropriate, we tested the design and operating effectiveness of certain of the Group's internal controls relevant to the amount of policy reserve and primarily performed the following audit procedures. It should be noted that actuarial specialists and IT specialists were involved in those audit procedures since the policy reserve is automatically calculated by IT system under the actuarial science.

(1) Accuracy of the calculation of the amount of policy reserve

We independently recalculated the policy reserve on a sample basis to ensure whether those policy reserve follow the "statement of calculation procedures for Insurance Premiums and Policy Reserves". Samples were selected based on our risk assessment including the newly sold insurance products and additional policy reserves funded by reducing the assumed interest rates. Furthermore, we evaluated the movement in policy reserve, including consideration of whether the movements were in line with the insurance premiums, claims and so on.

(2) Completeness of the amount of policy reserve

In terms of completeness of policy reserves, we tested through the aggregation process if all insurance policies in the administration system were included in the scope of the policy reserve calculation and the result of calculations were appropriately aggregated.

(3) Sufficiency of the amount of policy reserve

We assessed whether "the opinion letter of appointed actuary and supplementary report" that includes the result of the future cash flow analysis following the related laws, regulations and "Standard of Practice for Appointed Actuaries of Life Insurance Companies" (issued by the Institute of Actuaries of Japan) by the following procedures. We discussed with the appointed actuary. Then we compared the current fiscal year result of the future cash flow analysis with that of last fiscal year. And we tested whether the management booked the policy reserve balance based on the "the opinion letter of appointed actuary and supplementary report" by interview with management and by inspection of the board meeting minutes.

Other Information

The other information comprises the information included in the Annual Report, but does not include the consolidated financial statements, the non-consolidated financial statements, and our auditor's reports thereon. Management is responsible for the preparation and presentation of the other information. Audit & Supervisory Board Members and the Audit & Supervisory Board are responsible for overseeing the directors' performance of their duties with regard to the design, implementation and maintenance of the reporting process for the other information.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Responsibilities of Management, Audit & Supervisory Board Members and Audit & Supervisory Board for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with accounting principles generally accepted in Japan, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern in accordance with accounting principles generally accepted in Japan.

Audit & Supervisory Board Members and Audit & Supervisory Board are responsible for overseeing the directors' performance of their duties with regard to the design, implementation and maintenance of the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with auditing standards generally accepted in Japan will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of our audit in accordance with auditing standards generally accepted in Japan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, while the objective of the audit is not to express an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate whether the presentation and disclosures in the consolidated financial statements are in accordance with accounting principles generally accepted in Japan, the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with Audit & Supervisory Board Members and Audit & Supervisory Board regarding, among other matters, the planned scope and timing of the audit, significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

From the matters communicated with Audit & Supervisory Board Members and Audit & Supervisory Board, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Convenience Translation

The amounts expressed in U.S. dollars, which are provided solely for the convenience of the reader, have been translated on the basis set forth in Note I.1 to the accompanying consolidated financial statements with respect to the year ended March 31, 2023.

< Internal Control Audit>

Opinion

We also have audited the accompanying management's report on internal control over financial reporting of the Company, which comprise the consolidated balance sheets as at March 31, 2023, the consolidated statements of operations, the consolidated statements of comprehensive income, the consolidated statements of cash flows, and the consolidated statements of changes in net assets for the year then ended, and notes to the consolidated financial statements.

In our opinion, the management's report on internal control over financial reporting referred to above, which represents that the internal control over financial reporting of the consolidated financial statements of the Company as at March 31, 2023 is effectively maintained, presents fairly, in all material respects, the results of management's assessment of internal control over financial reporting in conformity with standards for assessment of internal control over financial reporting generally accepted in Japan.

Basis for Opinion

We conducted our internal control audit in accordance with auditing standards for internal control over financial reporting generally accepted in Japan. Our responsibilities under those standards are further described in the

Auditor's Responsibilities for the Internal Control Audit section of our report. We are independent of the Group in accordance with the ethical requirements in Japan, and we have fulfilled our other ethical responsibilities as auditors. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management, Audit & Supervisory Board Members and Audit & Supervisory Board for the Management's Report on Internal Control over Financial Reporting

Management is responsible for designing and operating effective internal control over financial reporting and for the preparation and fair presentation of its report on internal control in accordance with standards for assessment of internal control over financial reporting generally accepted in Japan.

Audit & Supervisory Board Members and Audit & Supervisory Board are responsible for overseeing and verifying the design and operating effectiveness of internal control over financial reporting.

There is a possibility that misstatements may not be completely prevented or detected by internal control over financial reporting.

Auditor's Responsibilities for the Internal Control Audit

Our responsibility is to obtain reasonable assurance about whether the management's report on internal control over financial reporting is free from material misstatement, and to express an opinion from an independent perspective on an internal control report, based on our internal control audit.

As part of our audit in accordance with auditing standards for internal control over financial reporting generally accepted in Japan, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

- Perform audit procedures to obtain audit evidence for the assessment results for internal control over financial reporting in management's report on internal control. Internal control audit procedures selected and applied depend on the auditor's judgment, taking into account the significance of effects on the reliability of financial reporting.
- Examine representations on the scope, procedures, and results of assessment of internal control over financial reporting made by management, as well as evaluating the overall presentation of management's report on internal control.
- Obtain sufficient appropriate audit evidence regarding the results of assessment of internal control over financial reporting in the management's report on internal control. We are responsible for direction, supervision and performance of the audit of management's report on internal control. We remain solely responsible for our audit opinion.

We communicate with Audit & Supervisory Board Members and Audit & Supervisory Board regarding the planned scope and timing of the internal control audit, results of the internal control audit, including identified material weakness which should be disclosed, the results of remediation, and other matters that are required by auditing standards for internal control.

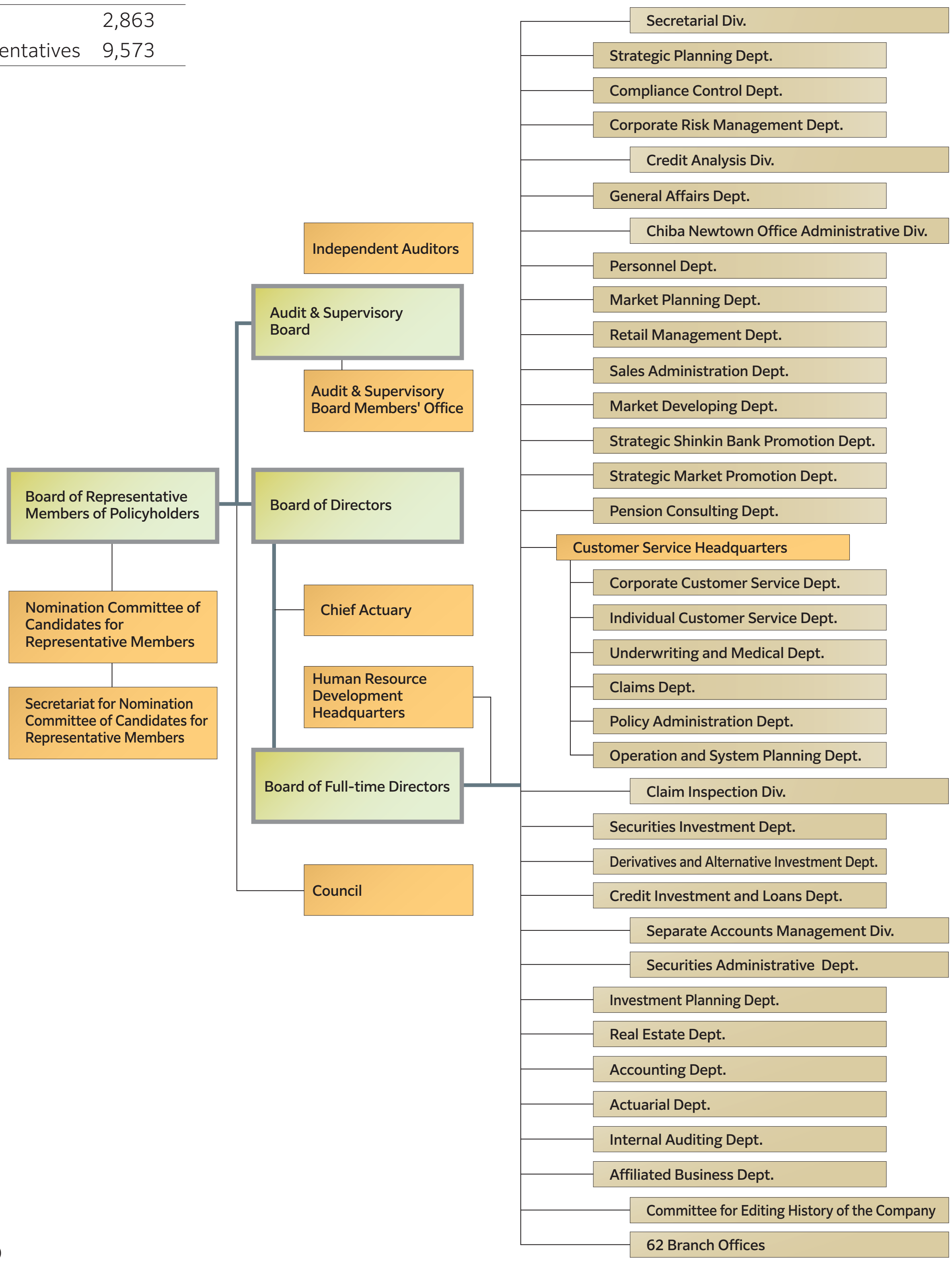
Interest required to be disclosed by the Certified Public Accountants Act of Japan

Our firm and its designated engagement partners do not have any interest in the Group which is required to be disclosed pursuant to the provisions of the Certified Public Accountants Act of Japan.

Corporate Organization

Employees (As of March 31, 2023)

Office Staff	2,863
Sales Representatives	9,573



(As of July 4, 2023)

Directors, Audit & Supervisory Board Members, and Executive Officers

President and Chief Executive Officer
Yoshiteru Yoneyama*

Deputy President and Executive Officer
Yuuki Sakurai

Director and Senior Managing Executive Officer
Toshikatsu Hayashi

Director and Managing Executive Officer
Takehiko Watabe

Director and Managing Executive Officer
Yasuyuki Kitamura

Director
Masanori Yanagi**

Director
Hiroshi Sato**

Director
Aya Komaki**

Director and Executive Officer
Naoyuki Torii

Director and Executive Officer
Naoki Sunamoto

Director and Executive Officer
Takeshi Kondou

Director and Executive Officer
Yuuji Yoshida

Audit & Supervisory Board Member
Yoshizumi Nezu***

Audit & Supervisory Board Member
Kyohei Takahashi***

Audit & Supervisory Board Member
Kunio Otani***

Audit & Supervisory Board Member (Standing)
Keiichi Kurota

Audit & Supervisory Board Member (Standing)
Hideaki Shigematsu

Managing Executive Officer
Takeshi Oomori

Managing Executive Officer
Ichiro Yamada

Executive Officer
Mitsuhiro Hoshino

Executive Officer
Kenichi Yoshioka

Executive Officer
Yoshiyuki Suzuki

Executive Officer
Hirotaka Kurihara

Executive Officer
Hideki Matsushiro

Executive Officer
Osamu Eguchi

Executive Officer
Hitoshi Yazaki

*Representative Director
**External Directors
***External Audit & Supervisory Board Member

(As of July 4, 2023)

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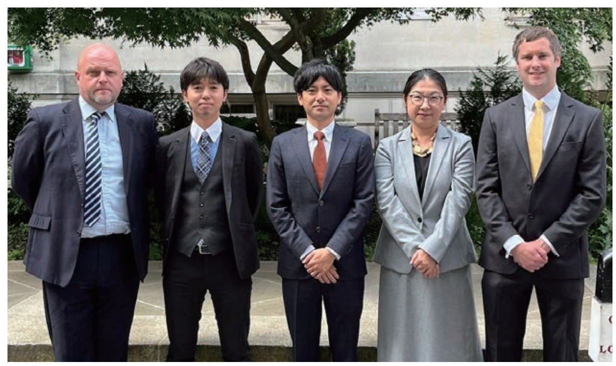

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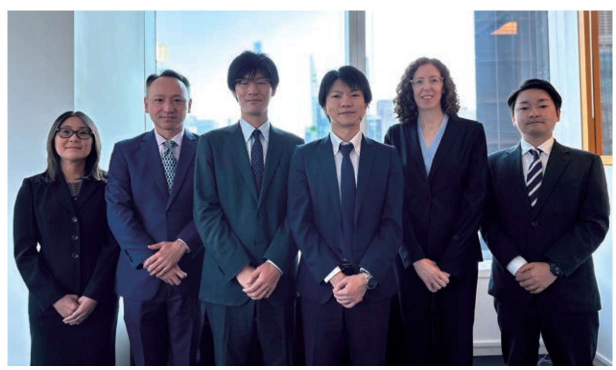

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(From left: K.Matsumoto, Y.Takubo, I.Chan, J.Morizane, M.Wan and Q.Wei Ren)

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