

Financial Results for the Three Months Ended June 30, 2023

Fukoku Mutual Life Insurance Company (President: Yoshiteru Yoneyama) announces financial results for the three months ended June 30, 2023.

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1. Business Highlights

(1) Policies in Force, New Policies and Surrendered and Lapsed Policies

(i) Policies in Force

	As of March 31, 2023		As of June 30, 2023			
	Number of policies (Thousands)	Amount (100 millions of yen)	Number of policies (Thousands)	Amount		Changes (%, Pre-FYE)
				(100 millions of yen)	Changes (%, Pre-FYE)	
Individual insurance	3,159	221,734	3,158	100.0	221,008	99.7
Individual annuities	562	21,722	556	99.0	21,499	99.0
Subtotal	3,722	243,456	3,715	99.8	242,507	99.6
Group insurance	—	172,790	—	—	173,734	100.5
Group annuities	—	23,048	—	—	23,223	100.8

Notes: 1. Policy amounts for individual annuities are equal to (a) the funds to be held at the time annuity payments are to commence for an annuity for which annuity payments have not yet commenced and (b) the amount of policy reserve for an annuity for which payments have commenced and (c) special riders for term insurance attached to individual annuities.

2. Policy amount in force for group annuities is equal to the amount of outstanding policy reserve.

(ii) New Policies

Three months ended June 30, 2022	Total		New business	Net increase by conversion
	Number of policies (Thousands)	Amount (100 millions of yen)	Amount (100 millions of yen)	Amount (100 millions of yen)
Individual insurance	86	3,780	2,966	814
Individual annuities	1	53	55	(2)
Subtotal	88	3,833	3,022	811
Group insurance	—	47	47	—
Group annuities	—	164	164	—

Three months ended June 30, 2023	Total				New business		Net increase by conversion	
	Number of policies (Thousands)	Changes (%, YoY)	Amount		Amount		Amount	
			(100 millions of yen)	Changes (%, YoY)	(100 millions of yen)	Changes (%, YoY)	(100 millions of yen)	Changes (%, YoY)
Individual insurance	95	109.4	3,341	88.4	3,010	101.5	331	40.7
Individual annuities	1	94.4	50	94.1	52	93.6	(1)	—
Subtotal	96	109.1	3,391	88.5	3,062	101.3	329	40.6
Group insurance	—	—	11	24.1	11	24.1	—	—
Group annuities	—	—	0	0.1	0	0.1	—	—

Notes: 1. Number of new policies is the sum of new business and policies after conversion.

2. Amount of new policies for individual annuities, both new business and net increase by conversion, is equal to the funds to be held at the time annuity payments are to commence and special riders for term insurance attached to individual annuities.

3. Amount for group annuities is equal to the initial premium payment.

(iii) Surrendered and Lapsed Policies (Individual Insurance and Individual Annuities)

	Three months ended June 30, 2022	Three months ended June 30, 2023	
		Amount	Changes (%, YoY)
Amount of surrender and lapse (100 millions of yen)	2,837	2,944	103.8
Surrender and lapse ratio (%)	1.15	1.21	0.06

Notes: 1. The amount of lapse is not offset by the amount of reinstatement which was once lapsed.

2. The column of "Changes" of surrender and lapse ratio is increase-decrease points over year.

(2) Annualized Premiums

(i) Policies in Force

(100 millions of yen, %)

	As of March 31, 2023	As of June 30, 2023	
			Changes (% , Pre-FYE)
Individual insurance	2,629	2,627	99.9
Individual annuities	1,066	1,060	99.5
Total	3,695	3,688	99.8
Medical coverage and living benefits	1,164	1,166	100.2

(ii) New Policies

(100 millions of yen, %)

	Three months ended June 30, 2022	Three months ended June 30, 2023	
			Changes (% , YoY)
Individual insurance	33	40	121.6
Individual annuities	1	1	94.4
Total	34	41	120.4
Medical coverage and living benefits	18	18	95.7

Notes: 1. Annualized premiums are calculated by using coefficients based on the premium payment method. (For single premium contracts, the amount is calculated by dividing the premium by the coverage period.)

2. Figures for medical coverage and living benefits represent portion of annualized premium corresponding to the medical benefits (hospitalization benefits and surgery benefits, etc.), living benefits (nursing care benefits, etc.) and premium waiver benefits, in which disability cause is excluded but causes such as specific illness are included.

3. New policies include net increase by conversion.

2. Investment Results of General Account Assets

(1) Asset Composition

(Millions of yen, %)

	As of March 31, 2023		As of June 30, 2023	
	Amount	% of total	Amount	% of total
Cash, deposits, and call loans	525,043	7.4 %	455,212	6.2 %
Money held in trust	25,897	0.4	22,463	0.3
Securities	5,692,461	80.1	5,971,355	81.8
Domestic bonds	3,003,156	42.3	3,089,514	42.3
Domestic stocks	808,831	11.4	914,176	12.5
Foreign securities	1,705,027	24.0	1,751,136	24.0
Foreign bonds	1,194,387	16.8	1,225,187	16.8
Foreign stocks and other securities	510,639	7.2	525,948	7.2
Other securities	175,445	2.5	216,527	3.0
Loans	524,193	7.4	530,920	7.3
Policy loans	47,088	0.7	46,850	0.6
Ordinary loans	477,104	6.7	484,069	6.6
Real estate	242,980	3.4	243,337	3.3
Deferred tax assets	13,829	0.2	—	—
Others	83,918	1.2	78,496	1.1
Allowance for possible loan losses	(826)	(0.0)	(867)	(0.0)
Total	7,107,497	100.0	7,300,918	100.0
Foreign currency denominated assets	1,802,337	25.4	1,814,231	24.8

Note: The amount of real estate is equal to the amounts of land, buildings, and construction in progress.

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

(Millions of yen)

	As of March 31, 2023					As of June 30, 2023				
	Book value	Fair value	Gains/Losses			Book value	Fair value	Gains/Losses		
			Gains	Losses				Gains	Losses	
Held-to-maturity debt securities	738,300	808,660	70,360	70,424	64	739,295	808,690	69,395	69,415	19
Domestic bonds	738,300	808,660	70,360	70,424	64	739,295	808,690	69,395	69,415	19
Foreign bonds	—	—	—	—	—	—	—	—	—	—
Policy-reserve-matching bonds	—	—	—	—	—	47,755	48,148	392	402	9
Domestic bonds	—	—	—	—	—	47,755	48,148	392	402	9
Foreign bonds	—	—	—	—	—	—	—	—	—	—
Investments in subsidiaries and affiliates	—	—	—	—	—	—	—	—	—	—
Available-for-sale securities	4,307,988	4,839,472	531,484	676,027	144,543	4,301,346	5,069,980	768,634	874,415	105,780
Domestic bonds	2,246,987	2,264,856	17,868	99,271	81,402	2,263,346	2,302,463	39,116	106,782	67,665
Domestic stocks	352,575	739,891	387,316	389,227	1,911	352,650	845,268	492,617	493,860	1,242
Foreign securities	1,574,356	1,675,753	101,396	160,374	58,977	1,525,288	1,723,373	198,085	233,878	35,793
Foreign bonds	1,169,512	1,184,154	14,642	68,369	53,727	1,136,221	1,218,961	82,739	113,663	30,924
Foreign stocks and other securities	404,844	491,598	86,754	92,004	5,250	389,066	504,412	115,345	120,214	4,868
Other securities	134,069	158,971	24,902	27,153	2,251	160,060	198,875	38,814	39,894	1,079
Money held in trust	—	—	—	—	—	—	—	—	—	—
Monetary claims bought	—	—	—	—	—	—	—	—	—	—
Negotiable certificate of deposits	—	—	—	—	—	—	—	—	—	—
Others	—	—	—	—	—	—	—	—	—	—
Total	5,046,289	5,648,133	601,844	746,451	144,607	5,088,397	5,926,819	838,422	944,232	105,810
Domestic bonds	2,985,287	3,073,516	88,228	169,695	81,466	3,050,397	3,159,302	108,904	176,599	67,694
Domestic stocks	352,575	739,891	387,316	389,227	1,911	352,650	845,268	492,617	493,860	1,242
Foreign securities	1,574,356	1,675,753	101,396	160,374	58,977	1,525,288	1,723,373	198,085	233,878	35,793
Foreign bonds	1,169,512	1,184,154	14,642	68,369	53,727	1,136,221	1,218,961	82,739	113,663	30,924
Foreign stocks and other securities	404,844	491,598	86,754	92,004	5,250	389,066	504,412	115,345	120,214	4,868
Other securities	134,069	158,971	24,902	27,153	2,251	160,060	198,875	38,814	39,894	1,079
Money held in trust	—	—	—	—	—	—	—	—	—	—
Monetary claims bought	—	—	—	—	—	—	—	—	—	—
Negotiable certificate of deposits	—	—	—	—	—	—	—	—	—	—
Others	—	—	—	—	—	—	—	—	—	—

Notes: 1. The table above includes assets which are considered appropriate to deem as securities under the Financial Instruments and Exchange Law.

2. The securities and investment partnerships without fair value are not included in the table above.

• Book value of securities and investment partnerships without fair value are as follows:

(Millions of yen)

	As of March 31, 2023	As of June 30, 2023
Investments in subsidiaries and affiliates	64,787	64,787
Available-for-sale securities	36,051	38,001
Domestic stocks	5,709	5,678
Foreign stocks	—	—
Others	30,341	32,322
Total	100,838	102,788

Note: In this table, domestic and overseas investment partnerships are included in “Others” within “Available-for-sale securities.” However, unrealized gains on available-for-sale securities corresponding to these holdings by domestic and overseas investment partnerships (¥3,616 million as of March 31, 2023 and ¥5,308 million as of June 30, 2023 are included in their balance sheet carrying amounts.

(3) Fair Value Information on Money Held in Trust

(Millions of yen)

	As of March 31, 2023					As of June 30, 2023				
	Carrying value on the balance sheet	Fair value	Gains/Losses		Carrying value on the balance sheet	Fair value	Gains/Losses			
			Gains	Losses			Gains	Losses		
Money held in trust	25,897	25,897	—	—	22,463	22,463	—	—	—	

• Money held in trust for trading purpose

(Millions of yen)

	As of March 31, 2023		As of June 30, 2023	
	Carrying value on the balance sheet	Net valuation gains/losses included in the statements of operations	Carrying value on the balance sheet	Net valuation gains/losses included in the statements of operations
Money held in trust for trading purpose	24,897	(0)	21,463	40

• Money held in trust classified as held-to-maturity, policy-reserve-matching and available-for-sale

(Millions of yen)

	As of March 31, 2023					As of June 30, 2023				
	Book value	Fair value	Gains/Losses		Book value	Fair value	Gains/Losses			
			Gains	Losses			Gains	Losses		
Money held in trust for held-to-maturity	—	—	—	—	—	—	—	—	—	
Money held in trust for policy-reserve-matching	—	—	—	—	—	—	—	—	—	
Money held in trust for available-for-sale	—	—	—	—	—	—	—	—	—	

Reference: Fair Value of Real Estate (Land and Leaseholds)

(Millions of yen)

As of March 31, 2023			As of June 30, 2023		
Carrying value on the balance sheet	Fair value	Gains (Losses)	Carrying value on the balance sheet	Fair value	Gains (Losses)
149,749	314,057	164,307	149,661	314,159	164,498

Note: Fair value is based on the appraisal value by the real-estate appraiser, the appraisal value for property tax and the road rate.

3. Non-consolidated Balance Sheets

(Millions of yen)

	As of March 31, 2023	As of June 30, 2023
Assets:		
Cash and deposits	402,472	313,255
Call loans	130,000	150,000
Money held in trust	25,897	22,463
Securities:	5,799,182	6,088,343
[Government bonds]	[2,395,965]	[2,494,371]
[Local government bonds]	[92,958]	[97,050]
[Corporate bonds]	[542,134]	[526,190]
[Stocks]	[836,501]	[945,939]
[Foreign securities]	[1,756,176]	[1,808,263]
Loans:	524,193	530,920
Policy loans	47,088	46,850
Ordinary loans	477,104	484,069
Tangible fixed assets	247,321	247,587
Intangible fixed assets	26,917	25,973
Agency receivables	100	85
Reinsurance receivables	62	6
Other assets	55,516	47,756
Prepaid pension cost	1,614	1,755
Deferred tax assets	13,829	—
Allowance for possible loan losses	(826)	(867)
Total assets	7,226,280	7,427,280
	As of March 31, 2023	As of June 30, 2023
Liabilities:		
Policy reserves:	5,916,509	5,952,185
Reserve for outstanding claims	21,523	18,757
Policy reserve	5,830,565	5,850,360
Reserve for dividends to policyholders	64,420	83,067
Reinsurance payables	46	46
Subordinated bonds	241,935	241,935
Other liabilities:	204,041	162,050
Corporate income tax payable	101	1,113
Lease obligations	345	294
Asset retirement obligations	2,328	2,340
Rest of the other liabilities	201,264	158,302
Reserve for employees' retirement benefits	25,951	26,251
Reserve for price fluctuation	177,188	176,624
Deferred tax liabilities	—	52,050
Deferred tax liabilities for land revaluation	14,164	14,164
Total liabilities	6,579,836	6,625,309
Net assets:		
Foundation funds	12,000	12,000
Accumulated foundation funds redeemed	116,000	116,000
Reserve for revaluation	112	112
Surplus:	126,981	110,555
Legal reserve for future losses	3,463	3,548
Other surplus:	123,518	107,007
Reserve for redemption of foundation funds	7,200	9,600
Reserve for dividend allowances	20,000	20,000
Accumulated fund for price fluctuation	41,000	41,000
Reserve for advanced depreciation of real estate for tax purpose	205	204
Other reserves	767	767
Unappropriated surplus	54,346	35,436
Total foundation funds, surplus and others	255,093	238,668
Net unrealized gains (losses) on available-for-sale securities, net of tax	386,882	558,834
Revaluation reserve for land, net of tax	4,468	4,468
Total valuation and translation adjustments	391,350	563,302
Total net assets	646,444	801,970
Total liabilities and net assets	7,226,280	7,427,280

4. Non-consolidated Statements of Operations

(Millions of yen)

	Three months ended June 30, 2022	Three months ended June 30, 2023
Ordinary revenues:		
Premium and other income	180,248	150,334
[Premium income]	[180,215]	[150,327]
Investment income	57,972	67,000
[Interest, dividends and other income]	[39,014]	[35,647]
[Gains on money held in trust, net]	[—]	[135]
[Gains on trading securities, net]	[759]	[576]
[Gains on sales of securities]	[10,431]	[16,312]
[Foreign exchange gains, net]	[3,975]	[2,142]
[Gains on separate accounts, net]	[—]	[11,155]
Other ordinary revenues	6,292	6,587
[Reversal of reserve for outstanding claims]	[2,827]	[2,765]
[Reversal of reserve for claims and other payments]	[1,700]	[—]
Total ordinary revenues	244,513	223,923
Ordinary expenses:		
Claims and other payments	166,285	137,111
[Claims]	[75,786]	[49,864]
[Annuities]	[38,157]	[37,926]
[Benefits]	[35,038]	[31,301]
[Surrenders]	[11,962]	[12,950]
[Other payments]	[5,290]	[5,023]
Provision of policy reserve and others:	10,275	19,797
Provision of policy reserves	10,272	19,794
Provision of interest portion of reserve for dividends to policyholders	3	3
Investment expenses	25,018	24,888
[Interest expenses]	[1,109]	[1,100]
[Losses on money held in trust, net]	[95]	[—]
[Losses on sales of securities]	[5,930]	[12,922]
[Losses on valuation of securities]	[1,539]	[37]
[Losses on derivative instruments, net]	[9,272]	[4,920]
[Losses on separate accounts, net]	[2,422]	[—]
Operating expenses	22,244	22,058
Other ordinary expenses	6,560	6,461
Total ordinary expenses	230,385	210,317
Ordinary profits	14,127	13,605
Extraordinary gains:		
Gains on disposal of fixed assets	0	—
Reversal of reserve for price fluctuation	—	563
Total extraordinary gains	0	563
Extraordinary losses:		
Losses on disposal of fixed assets	19	48
Impairment losses	—	571
Provision of reserve for price fluctuation	937	—
Total extraordinary losses	956	620
Surplus before income taxes	13,170	13,548
Income taxes:		
Current	2,581	2,880
Deferred	(876)	(1,010)
Total income taxes	1,705	1,870
Net surplus for the period	11,465	11,678

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.

II. Notes to the Non-consolidated Balance Sheets

1. Article 59-6 of the Enforcement Regulations of the Insurance Business Act requires that insurance companies and subsidiaries make an effort to disclose especially important reference information related to conditions of business and property to policyholders and any other customers as stipulated under Article 111, Paragraph 6 of the Insurance Business Act.

To fulfil our efforts to comply with these requirements, we have prepared financial statements for the three months ended June 30, 2023 in accordance with the first- and third-quarter announcement format model created by The Life Insurance Association of Japan (the “Quarterly Reporting Model”) and generally accepted standards for preparation of quarterly financial statements in Japan. As the Quarterly Reporting Model is prepared for the purpose of fulfilling the obligation above to make an effort to disclose information, disclosures in the Quarterly Reporting Model differ from those prescribed by the regulations concerning terminology, formats, and preparation methods of quarterly financial statements and other reports.

2. As the proposal for appropriation of unappropriated surplus for the fiscal year ended March 31, 2023 was approved by the Board of Representative Member of Policyholders on July 4, 2023, it is included in the non-consolidated balance sheet as of June 30, 2023.

3. The amount of securities lent under lending agreements was ¥502,666 million as of June 30, 2023.

4. Changes in reserve for dividends to policyholders for the three months ended June 30, 2023 were as follows:

	(Millions of yen)
Balance at the beginning of the current period.....	¥ 64,420
Transfer from surplus in the previous fiscal year.....	28,002
Dividend payments to policyholders during the current period.....	(9,357)
Increase in interest.....	3
Balance at the end of the current period.....	<u>¥ 83,067</u>

5. 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.

III. Notes to the Non-consolidated Statements of Operations

1. Items related to impairment losses for the three months ended June 30, 2023 were as follows:

(1) Asset grouping method

Real estate and similar used for the insurance business is treated as one asset group for the insurance business as a whole. For other assets such as real estate for rent and idle real estate, each property is treated as one asset group.

(2) Process leading to recognition of impairment losses

For certain assets such as real estate for rent, and idle real estate whose profitability declined significantly due to a decrease in rental income and a fall in land prices, the book value was reduced to the recoverable amount, and the reduced amount was recorded as an impairment losses in extraordinary losses.

(3) Asset groups for which impairment losses were recognized and breakdown of impairment losses by fixed asset type

(i) Real estate for rent and similar assets

(Millions of yen)

Land.....	¥—
Buildings.....	—
Total.....	<u>¥—</u>

(ii) Idle real estate and similar assets

(Millions of yen)

Land.....	¥88
Buildings.....	483
Total.....	<u>¥571</u>

(iii) Total (i + ii)

(Millions of yen)

Land.....	¥88
Buildings.....	483
Total.....	<u>¥571</u>

(4) Calculation method for recoverable amounts

Net selling prices are used to represent recoverable amounts. Appraisal value, or assessed value based on the published price or roadside land price is used to represent net selling prices.

5. Breakdown of Ordinary Profits (Fundamental Profit)

(Millions of yen)

		Three months ended June 30, 2022	Three months ended June 30, 2023
Fundamental profit	A	12,237	13,725
Capital gains		18,491	19,971
Gains on money held in trust, net		—	118
Gains on trading securities, net		607	518
Gains on sales of securities		10,431	16,312
Gains on derivative instruments, net		—	—
Foreign exchange gains, net		3,975	2,142
Other capital gains		3,476	878
Capital losses		15,510	16,993
Losses on money held in trust, net		130	—
Losses on trading securities, net		—	—
Losses on sales of securities		5,930	12,922
Losses on valuation of securities		1,539	37
Losses on derivative instruments, net		9,272	4,920
Foreign exchange losses, net		—	—
Other capital losses		(1,362)	(887)
Net capital gains (losses)	B	2,981	2,977
Fundamental profit plus net capital gains (losses)	A+B	15,218	16,703
Non-recurring gains		1,897	2
Reinsurance income		—	—
Reversal of contingency reserve		—	—
Reversal of specific allowance for possible loan losses		197	2
Others		1,700	—
Non-recurring losses		2,989	3,100
Reinsurance premiums		—	—
Provision for contingency reserve		211	224
Provision of specific allowance for possible loan losses		—	—
Provision of allowance for specified overseas loans		—	—
Write-offs of loans		—	—
Others		2,777	2,875
Non-recurring gains (losses)	C	(1,091)	(3,097)
Ordinary profits	A+B+C	14,127	13,605

Notes: 1. Fundamental profit and capital gains/losses for both the three months ended June 30, 2022 and the three months ended June 30, 2023 are calculated based on revised standards.

2. Other items break down as follows.

(Millions of yen)

		Three months ended June 30, 2022	Three months ended June 30, 2023
Fundamental profit		(4,652)	(1,691)
Interest, dividends, and other income from money held in trust		34	17
Interest, dividends, and other income from trading securities		152	58
Foreign exchange-related hedging costs categorized under foreign exchange gains/losses		(1,362)	(887)
Portion of gains/losses on redemption of securities attributable to foreign exchange fluctuations		(3,476)	(878)
Other capital gains		3,476	878
Portion of gains/losses on redemption of securities attributable to foreign exchange fluctuations		3,476	878
Other capital losses		(1,362)	(887)
Foreign exchange-related hedging costs categorized under foreign exchange gains		(1,362)	(887)
Non-recurring gains		1,700	—
Reversal of reserve for claims and other payments		1,700	—
Non-recurring losses		2,777	2,875
Provision of policy reserves in accordance with Article 69, Paragraph 5 of the Enforcement Regulations of the Insurance Business Act.		2,777	2,875

6. Solvency Margin Ratio

(Millions of yen)

	As of March 31, 2023	As of June 30, 2023
Total solvency margin (A)	1,836,582	2,059,437
Foundation funds and surplus	224,172	228,932
Reserve for price fluctuation	177,188	176,624
Contingency reserve	167,888	168,113
General allowance for possible loan losses	404	448
(Net unrealized gains (losses) on securities (before tax) and deferred hedge gains (losses) (before tax)) × 90%	481,590	696,549
Net unrealized gains on real estate × 85%	155,499	155,661
Excess amount of policy reserve based on full-time Zillmer method	393,521	395,390
Qualifying subordinated debt	241,935	241,935
The amount of “excess amount of policy reserve based on full-time Zillmer method” and “qualifying subordinated debt” excluded from the calculation of solvency margin	—	—
Deductible items	(46,783)	(46,783)
Others	41,164	42,567
Total amount of risk $\sqrt{(R_1 + R_8)^2 + (R_2 + R_3 + R_7)^2} + R_4$ (B)	323,968	355,081
Insurance risk R_1	21,405	21,350
3rd sector insurance risk R_8	10,092	10,110
Assumed investment yield risk R_2	21,074	20,805
Minimum guarantee risk R_7	—	—
Investment risk R_3	294,386	325,298
Business risk R_4	6,939	7,551
Solvency margin ratio $\frac{(A)}{(1/2) \times (B)} \times 100$	1,133.8%	1,159.9%

Notes: 1. Above figures are calculated based on the provisions of Articles 86 and 87 of the Enforcement Regulation of the Insurance Business Act and Ministry of Finance Notification No. 50, 1996.

2. “Deductible items” represent the capital increase to the subsidiary, Fukokushinrai Life Insurance Co., Ltd.

3. “Minimum guarantee risk” is calculated by standard method.

Reference: Economic Solvency Ratio

	As of March 31, 2023	As of June 30, 2023
Economic Solvency Ratio	233.8%	241.0%

Note: Economic solvency ratio (ESR) is an indicator of an insurance company’s soundness and indicates whether or not a company has sufficient capital to cover its risks based on market-value assessment of its assets and liabilities. The Company calculates its ESR according to European methodology. Figures for some insurance liabilities and risks current as of June 30, 2023 have been calculated using simplified methods.

7. Status of Separate Account

(1) Separate Account Assets by Products

(Millions of yen)

	As of March 31, 2023	As of June 30, 2023
	Amount	Amount
Individual variable insurance	—	—
Individual variable annuities	—	—
Group annuities	118,783	126,361
Total	118,783	126,361

(2) Policies in Force

(i) Individual Variable Insurance

The Company has not sold the individual variable insurance.

(ii) Individual Variable Annuities

(Millions of yen except number of policies)

	As of March 31, 2023		As of June 30, 2023	
	Number of policies	Amount	Number of policies	Amount
Individual variable annuities	—	—	—	—
Total	—	—	—	—

8. Status of the Company, Subsidiaries and Affiliates

(1) Selected Financial Data

(100 millions of yen)

	Three months ended June 30, 2022	Three months ended June 30, 2023
Ordinary revenues	2,905	3,035
Ordinary profits	141	147
Net surplus attributable to the parent company	113	122
Comprehensive income	(456)	1,857

	As of March 31, 2023	As of June 30, 2023
Total assets	88,837	91,336
Solvency margin ratio	1,171.9%	1,194.6%

(2) Scope of Consolidation and Application of Equity Method

Number of consolidated subsidiaries: 6

Number of unconsolidated subsidiaries accounted for under the equity method: 0

Number of affiliates accounted for under the equity method: 0

(3) Consolidated Balance Sheets

(Millions of yen)

	As of March 31, 2023	As of June 30, 2023
Assets:		
Cash and deposits	524,841	439,397
Call loans	130,000	150,000
Money held in trust	25,897	22,463
Securities	7,321,344	7,654,481
Loans	527,561	534,330
Tangible fixed assets	247,723	247,960
Intangible fixed assets	28,690	27,720
Agency receivables	0	0
Reinsurance receivables	83	7
Other assets	61,085	53,965
Net defined benefit assets	1,184	1,407
Deferred tax assets	16,131	2,800
Allowance for possible loan losses	(826)	(867)
Total assets	8,883,718	9,133,666
Liabilities:		
Policy reserves:	7,540,406	7,620,085
Reserve for outstanding claims	26,326	23,270
Policy reserve	7,449,355	7,513,478
Reserve for dividends to policyholders	64,420	83,067
Reserve for dividends to policyholders (subsidiary)	304	268
Agency payables	461	448
Reinsurance payables	60	54
Subordinated bonds	241,935	241,935
Other liabilities	208,704	168,551
Net defined benefit liabilities	25,220	25,476
Reserve for price fluctuation	188,538	188,058
Deferred tax liabilities	0	53,004
Deferred tax liabilities for land revaluation	14,164	14,164
Total liabilities	8,219,491	8,311,779
Net assets:		
Foundation funds	12,000	12,000
Accumulated foundation funds redeemed	116,000	116,000
Reserve for revaluation	112	112
Consolidated surplus	133,303	117,465
Total foundation funds, surplus and others	261,415	245,577
Net unrealized gains (losses) on available-for-sale securities, net of tax	390,148	563,281
Revaluation reserve for land, net of tax	4,468	4,468
Foreign currency translation adjustment	(58)	10
Accumulated remeasurements of defined benefit plans	274	380
Total accumulated other comprehensive income	394,833	568,141
Non-controlling interests	7,977	8,169
Total net assets	664,226	821,887
Total liabilities and net assets	8,883,718	9,133,666

(4) Consolidated Statements of Operations and Comprehensive Income

[Consolidated Statements of Operations]

(Millions of yen)

	Three months ended June 30, 2022	Three months ended June 30, 2023
Ordinary revenues:		
Premium and other income	220,931	224,898
Investment income	62,670	71,648
[Interest, dividends and other income]	[42,953]	[40,295]
[Gains on money held in trust, net]	[—]	[135]
[Gains on trading securities, net]	[759]	[576]
[Gains on sales of securities]	[11,192]	[16,312]
[Foreign exchange gains, net]	[3,974]	[2,142]
[Gains on separate accounts, net]	[—]	[11,155]
Other ordinary revenues	6,943	7,017
[Reversal of reserve for outstanding claims]	[3,096]	[3,055]
Total ordinary revenues	290,545	303,564
Ordinary expenses:		
Claims and other payments	202,263	167,662
[Claims]	[78,422]	[52,880]
[Annuities]	[65,056]	[58,613]
[Benefits]	[36,409]	[32,244]
[Surrenders]	[16,962]	[18,826]
[Other payments]	[5,345]	[5,039]
Provision of policy reserve and others:	16,817	64,126
Provision of policy reserves	16,813	64,122
Provision of interest portion of reserve for dividends to policyholders	3	3
Provision of interest portion of reserve for dividends to policyholders (subsidiary)	0	0
Investment expenses	24,696	24,545
[Interest expenses]	[1,111]	[1,104]
[Losses on money held in trust, net]	[95]	[—]
[Losses on sales of securities]	[5,930]	[12,922]
[Losses on valuation of securities]	[1,539]	[37]
[Losses on derivative instruments, net]	[9,272]	[4,920]
[Losses on separate accounts, net]	[2,422]	[—]
Operating expenses	24,494	25,033
Other ordinary expenses	8,096	7,453
Total ordinary expenses	276,367	288,820
Ordinary profits	14,177	14,743
Extraordinary gains:		
Gains on disposal of fixed assets	0	—
Reversal of reserve for price fluctuation	—	479
Total extraordinary gains	0	479
Extraordinary losses:		
Losses on disposal of fixed assets	20	37
Impairment losses	—	571
Provision of reserve for price fluctuation	1,012	—
Total extraordinary losses	1,033	609
Provision of reserve for dividends to policyholders (subsidiary)	49	45
Surplus before income taxes	13,094	14,568
Income taxes:		
Current	2,716	3,340
Deferred	(934)	(1,108)
Total income taxes	1,781	2,232
Net surplus for the period	11,313	12,336
Net surplus (loss) attributable to non-controlling interests	(1)	69
Net surplus attributable to the parent company	11,314	12,266

(4) Consolidated Statements of Operations and Comprehensive Income (Continued)

[Consolidated Statements of Comprehensive Income]

(Millions of yen)

	Three months ended June 30, 2022	Three months ended June 30, 2023
Net surplus	11,313	12,336
Other comprehensive income:	(56,995)	173,445
Net unrealized gains (losses) on available-for-sale securities, net of tax	(57,273)	173,270
Foreign currency translation adjustments	137	68
Remeasurements of defined benefit plan, net of tax	140	105
Comprehensive income:	(45,682)	185,781
Comprehensive income attributable to the parent company	(45,499)	185,573
Comprehensive income attributable to non-controlling interests	(183)	207

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.

II. Notes to the Consolidated Balance Sheets

1. Article 59-6 of the Enforcement Regulations of the Insurance Business Act requires that insurance companies and subsidiaries make an effort to disclose especially important reference information related to conditions of business and property to policyholders and any other customers as stipulated under Article 111, Paragraph 6 of the Insurance Business Act.

To fulfil our efforts to comply with these requirements, we have prepared consolidated financial statements for the three months ended June 30, 2023 in accordance with the first- and third-quarter announcement format model created by The Life Insurance Association of Japan (the “Quarterly Reporting Model”) and generally accepted standards for preparation of quarterly consolidated financial statements in Japan. As the Quarterly Reporting Model is prepared for the purpose of fulfilling the obligation above to make an effort to disclose information, disclosures in the Quarterly Reporting Model differ from those prescribed by the regulations concerning terminology, formats, and preparation methods of quarterly consolidated financial statements and other reports.

2. As the proposal for appropriation of unappropriated surplus for the fiscal year ended March 31, 2023 was approved by the Board of Representative Member of Policyholders on July 4, 2023, it is included in the consolidated balance sheet as of June 30, 2023.

3. The amount of securities lent under lending agreements was ¥502,666 million as of June 30, 2023.

4. Changes in reserve for dividends to policyholders for the three months ended June 30, 2023 were as follows:

	(Millions of yen)
Balance at the beginning of the current period.....	¥64,420
Transfer from surplus in the previous fiscal year.....	28,002
Dividend payments to policyholders during the current period.....	(9,357)
Increase in interest.....	3
Balance at the end of the current period.....	<u>¥83,067</u>

5. Changes in reserve for dividends to policyholders (Fukokushinrai Life Insurance Co., Ltd.) for the three months ended June 30, 2023 were as follows:

	(Millions of yen)
Balance at the beginning of the current period.....	¥304
Dividend payments to policyholders during the current period.....	(82)
Increase in interest.....	0
Provision of reserve for dividends to policyholders.....	45
Balance at the end of the current period.....	<u>¥268</u>

6. 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.

III. Notes to the Consolidated Statements of Operations

1. Items related to impairment losses for the three months ended June 30, 2023 were as follows:

(1) Asset grouping method

Real estate and similar used for the insurance business is treated as one asset group for the insurance business as a whole. For other assets such as real estate for rent and idle real estate, each property is treated as one asset group.

(2) Process leading to recognition of impairment losses

For certain assets such as real estate for rent, and idle real estate whose profitability declined significantly due to a decrease in rental income and a fall in land prices, the book value was reduced to the recoverable amount, and the reduced amount was recorded as an impairment losses in extraordinary losses.

(3) Asset groups for which impairment losses were recognized and breakdown of impairment losses by fixed asset type

(i) Real estate for rent and similar assets

(Millions of yen)

Land.....	¥—
Buildings.....	—
Total.....	<u>¥—</u>

(ii) Idle real estate and similar assets

(Millions of yen)

Land.....	¥88
Buildings.....	<u>483</u>
Total.....	<u>¥571</u>

(iii) Total (i + ii)

(Millions of yen)

Land.....	¥88
Buildings.....	<u>483</u>
Total.....	<u>¥571</u>

(4) Calculation method for recoverable amounts

Net selling prices are used to represent recoverable amounts. Appraisal value, or assessed value based on the published price or roadside land price is used to represent net selling prices.

2. For the three months ended June 30, 2023, the total amount of depreciation, including depreciation of real estate for rent, was ¥4,018 million.

(5) Status of Insurance Claims Paying Ability of the Company and Insurance Subsidiaries

(Millions of yen)

	As of March 31, 2023	As of June 30, 2023
Total solvency margin (A)	1,923,471	2,149,217
Foundation funds and surplus	238,663	244,174
Reserve for price fluctuation	188,538	188,058
Contingency reserve	170,512	170,792
Catastrophe loss reserve	—	—
General allowance for possible loan losses	404	448
(Net unrealized gains (losses) on securities (before tax) and deferred hedge gains (losses) (before tax)) × 90%	486,289	702,765
Net unrealized gains on real estate × 85%	155,499	155,661
Sum of unrecognized actuarial differences and unrecognized prior service cost	381	528
Excess amount of policy reserve based on full-time Zillmer method	395,807	397,694
Qualifying subordinated debt	241,935	241,935
The amount of “excess amount of policy reserve based on full-time Zillmer method” and “qualifying subordinated debt” excluded from the calculation of solvency margin	—	—
Deductible items	—	—
Others	45,439	47,158
Total amount of risk $\sqrt{(\sqrt{R_1^2 + R_5^2 + R_8 + R_9})^2 + (R_2 + R_3 + R_7)^2 + R_4 + R_6}$ (B)	328,259	359,792
Insurance risk R_1	21,801	21,745
General insurance risk R_5	—	—
Catastrophe risk R_6	—	—
3rd sector insurance risk R_8	10,241	10,260
Small amount and short-term insurance risk R_9	—	—
Assumed investment yield risk R_2	21,398	21,133
Minimum guarantee risk R_7	—	—
Investment risk R_3	298,225	329,548
Business risk R_4	7,033	7,653
Solvency margin ratio $\frac{(A)}{(1/2) \times (B)} \times 100$	1,171.9%	1,194.6%

Notes: 1. Above figures are calculated based on the provisions of Articles 86-2 and 88 of the Enforcement Regulation of the Insurance Business Act and the Financial Services Agency Notification No. 23, 2011.

2. “Minimum guarantee risk” is calculated by standard method.