

Financial Results for the Six Months Ended September 30, 2023

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

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Attached: Supplementary Materials for the Six Months Ended September 30, 2023

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 September 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	3,149	219,628	99.7	99.1
Individual annuities	562	21,722	551	21,254	98.0	97.8
Subtotal	3,722	243,456	3,700	240,883	99.4	98.9
Group insurance	—	172,790	—	173,596	—	100.5
Group annuities	—	23,048	—	23,253	—	100.9

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

Six months ended September 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	168	7,118	5,671	1,447
Individual annuities	3	95	98	(3)
Subtotal	171	7,213	5,770	1,443
Group insurance	—	83	83	—
Group annuities	—	164	164	—

Six months ended September 30, 2023	Total				New business		Net increase by conversion	
	Number of policies (Thousands)	Amount		Amount (100 millions of yen)	Amount		Amount (100 millions of yen)	Changes (%, YoY)
		Changes (%, YoY)	(100 millions of yen)		Changes (%, YoY)	(100 millions of yen)		
Individual insurance	173	103.3	5,875	82.5	5,385	95.0	489	33.9
Individual annuities	3	95.7	89	94.1	93	94.0	(3)	—
Subtotal	176	103.1	5,965	82.7	5,478	94.9	486	33.7
Group insurance	—	—	32	38.4	32	38.4	—	—
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)

	Six months ended September 30, 2022	Six months ended September 30, 2023	
		Amount	Changes (%, YoY)
Amount of surrender and lapse (100 millions of yen)	5,356	5,719	106.8
Surrender and lapse ratio (%)	2.17	2.35	0.18

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 September 30, 2023	
			Changes (% Pre-FYE)
Individual insurance	2,629	2,621	99.7
Individual annuities	1,066	1,052	98.8
Total	3,695	3,673	99.4
Medical coverage and living benefits	1,164	1,166	100.2

(ii) New Policies

(100 millions of yen, %)

	Six months ended September 30, 2022	Six months ended September 30, 2023	
			Changes (% YoY)
Individual insurance	66	71	107.8
Individual annuities	2	2	94.2
Total	68	73	107.3
Medical coverage and living benefits	37	33	89.4

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 September 30, 2023	
	Amount	% of total	Amount	% of total
Cash, deposits, and call loans	525,043	7.4 %	222,450	3.1 %
Money held in trust	25,897	0.4	22,506	0.3
Securities	5,692,461	80.1	6,048,708	84.7
Domestic bonds	3,003,156	42.3	3,116,831	43.7
Domestic stocks	808,831	11.4	901,681	12.6
Foreign securities	1,705,027	24.0	1,834,903	25.7
Foreign bonds	1,194,387	16.8	1,299,711	18.2
Foreign stocks and other securities	510,639	7.2	535,191	7.5
Other securities	175,445	2.5	195,291	2.7
Loans	524,193	7.4	524,296	7.3
Policy loans	47,088	0.7	46,743	0.7
Ordinary loans	477,104	6.7	477,553	6.7
Real estate	242,980	3.4	242,820	3.4
Deferred tax assets	13,829	0.2	—	—
Others	83,918	1.2	77,604	1.1
Allowance for possible loan losses	(826)	(0.0)	(797)	(0.0)
Total	7,107,497	100.0	7,137,589	100.0
Foreign currency denominated assets	1,802,337	25.4	1,888,437	26.5

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

(2) Changes (Increase/Decrease) in Assets

(Millions of yen)

	Six months ended September 30, 2022	Six months ended September 30, 2023
Cash, deposits, and call loans	5,496	(302,593)
Monetary claims bought	(80)	—
Money held in trust	(133)	(3,391)
Securities	(92,402)	356,247
Domestic bonds	201,132	113,675
Domestic stocks	(18,113)	92,850
Foreign securities	(271,148)	129,876
Foreign bonds	(248,514)	105,324
Foreign stocks and other securities	(22,633)	24,552
Other securities	(4,273)	19,845
Loans	(12,704)	103
Policy loans	(523)	(345)
Ordinary loans	(12,180)	448
Real estate	(1,499)	(159)
Deferred tax assets	20,750	(13,829)
Others	1,305	(6,314)
Allowance for possible loan losses	1,383	29
Total	(77,884)	30,092
Foreign currency denominated assets	(383,284)	86,099

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

(3) Investment Income

(Millions of yen)

	Six months ended September 30, 2022	Six months ended September 30, 2023
Interest, dividends and other income	81,279	78,817
Interest on deposits	0	1
Interest and dividends on securities	67,465	64,403
Interest on loans	4,025	4,449
Income from real estate for rent	9,621	9,850
Other interest and dividends	166	112
Gains on money held in trust, net	—	200
Gains on trading securities, net	756	652
Gains on sales of securities	18,025	34,539
Gains on sales of domestic bonds	3,083	982
Gains on sales of domestic stocks	5,539	19,004
Gains on sales of foreign securities	9,403	14,552
Gains on redemption of securities	5,480	1,954
Foreign exchange gains, net	4,622	2,600
Reversal of allowance for possible loan losses	323	23
Other investment income	114	219
Total	110,603	119,008

(4) Investment Expenses

(Millions of yen)

	Six months ended September 30, 2022	Six months ended September 30, 2023
Interest expenses	2,229	2,154
Losses on money held in trust, net	116	—
Losses on sales of securities	12,735	17,149
Losses on sales of domestic bonds	6,030	4,376
Losses on sales of domestic stocks	—	729
Losses on sales of foreign securities	6,704	12,042
Losses on valuation of securities	3,373	185
Losses on valuation of domestic stocks	189	185
Losses on valuation of foreign securities	3,184	—
Losses on redemption of securities, net	—	137
Losses on derivative instruments, net	16,090	5,712
Depreciation of real estate for rent and other assets	2,391	2,516
Other investment expenses	6,182	6,906
Total	43,119	34,762

(5) Net Investment Income

(Millions of yen)

	Six months ended September 30, 2022	Six months ended September 30, 2023
Net investment income	67,484	84,246

(6) Net Valuation Gains/Losses on Trading Securities

(Millions of yen)

	As of March 31, 2023		As of September 30, 2023	
	Carrying value on the balance sheet	Net valuation gains/losses included in the statement of operations	Carrying value on the balance sheet	Net valuation gains/losses included in the statement of operations
Trading securities	35,130	(653)	27,765	2,059

Note: The table above includes money held in trust for trading purpose.

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

(Millions of yen)

	As of March 31, 2023					As of September 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	724,638	778,741	54,102	54,102	—
Domestic bonds	738,300	808,660	70,360	70,424	64	724,638	778,741	54,102	54,102	—
Foreign bonds	—	—	—	—	—	—	—	—	—	—
Policy-reserve-matching bonds	—	—	—	—	—	108,389	102,026	(6,362)	—	6,362
Domestic bonds	—	—	—	—	—	108,389	102,026	(6,362)	—	6,362
Foreign bonds	—	—	—	—	—	—	—	—	—	—
Investments in subsidiaries and affiliates	—	—	—	—	—	—	—	—	—	—
Available-for-sale securities	4,307,988	4,839,472	531,484	676,027	144,543	4,473,355	5,097,910	624,554	824,770	200,215
Domestic bonds	2,246,987	2,264,856	17,868	99,271	81,402	2,354,212	2,283,803	(70,408)	82,431	152,840
Domestic stocks	352,575	739,891	387,316	389,227	1,911	355,871	832,811	476,940	479,034	2,094
Foreign securities	1,574,356	1,675,753	101,396	160,374	58,977	1,627,090	1,805,936	178,845	222,654	43,808
Foreign bonds	1,169,512	1,184,154	14,642	68,369	53,727	1,224,120	1,293,452	69,331	107,657	38,326
Foreign stocks and other securities	404,844	491,598	86,754	92,004	5,250	402,970	512,484	109,514	114,996	5,482
Other securities	134,069	158,971	24,902	27,153	2,251	136,180	175,357	39,177	40,649	1,472
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	5,306,383	5,978,678	672,294	878,872	206,578
Domestic bonds	2,985,287	3,073,516	88,228	169,695	81,466	3,187,240	3,164,571	(22,668)	136,534	159,203
Domestic stocks	352,575	739,891	387,316	389,227	1,911	355,871	832,811	476,940	479,034	2,094
Foreign securities	1,574,356	1,675,753	101,396	160,374	58,977	1,627,090	1,805,936	178,845	222,654	43,808
Foreign bonds	1,169,512	1,184,154	14,642	68,369	53,727	1,224,120	1,293,452	69,331	107,657	38,326
Foreign stocks and other securities	404,844	491,598	86,754	92,004	5,250	402,970	512,484	109,514	114,996	5,482
Other securities	134,069	158,971	24,902	27,153	2,251	136,180	175,357	39,177	40,649	1,472
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 September 30, 2023
Investments in subsidiaries and affiliates	64,787	64,787
Available-for-sale securities	36,051	40,727
Domestic stocks	5,709	5,639
Others	30,341	35,087
Total	100,838	105,514

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 ¥5,996 million as of September 30, 2023) are included in their balance sheet carrying amounts.

(8) Fair Value Information on Money Held in Trust

(Millions of yen)

	As of March 31, 2023					As of September 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	—	—	22,506	22,506	—	—	—	

• Money held in trust for trading purpose

(Millions of yen)

	As of March 31, 2023		As of September 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)	21,506	(3)

• 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 September 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 Information on Derivative Instruments (General Account)

(i) Gains and Losses on Derivatives

(Millions of yen)

As of March 31, 2023	Interest-related	Currency- related	Stock- related	Bond- related	Others	Total
Hedge accounting applied	—	(840)	—	—	—	(840)
Hedge accounting not applied	47	(561)	(31)	(137)	—	(683)
Total	47	(1,402)	(31)	(137)	—	(1,524)

As of September 30, 2023	Interest- related	Currency- related	Stock- related	Bond- related	Others	Total
Hedge accounting applied	—	—	—	—	—	—
Hedge accounting not applied	(2)	(1,309)	—	—	—	(1,312)
Total	(2)	(1,309)	—	—	—	(1,312)

Note: Gains and losses from applying fair value hedge accounting (currency-related losses of ¥840 million as of March 31, 2023) included in gains and losses with hedge accounting applied, and gains and losses with hedge accounting not applied are reported in the statements of operations.

(ii) Interest-related Transactions

(Millions of yen)

	As of March 31, 2023				As of September 30, 2023			
	Notional amount/ contract value		Fair value	Gains (Losses)	Notional amount/ contract value		Fair value	Gains (Losses)
		Over 1 year				Over 1 year		
Over-the-counter transactions								
Yen interest rate swaption contracts								
Sold								
Receipt fixed, payment floating	—	—	—	—	—	—	—	—
[—]								
Payment fixed, receipt floating	—	—	—	—	—	—	—	—
[—]								
Bought								
Receipt fixed, payment floating	—	—	—	—	—	—	—	—
[—]								
Payment fixed, receipt floating	30,000	—	110	47	30,000	—	60	(2)
[63]								
Total				47				(2)

Note: Figures in [] are option premiums which are included in the balance sheet.

(iii) Currency-related Transactions

(Millions of yen)

	As of March 31, 2023				As of September 30, 2023			
	Notional amount/ contract value		Fair value	Gains (Losses)	Notional amount/ contract value		Fair value	Gains (Losses)
	Over 1 year				Over 1 year			
Over-the-counter transactions								
Currency forward contracts								
Sold	237,141	—	238,186	(1,044)	35,992	—	37,042	(1,050)
U.S. dollar	140,574	—	141,687	(1,112)	20,586	—	21,413	(827)
Australian dollar	64,856	—	63,991	865	8,834	—	9,011	(177)
Canadian dollar	5,829	—	5,906	(77)	6,571	—	6,616	(45)
Euro	14,743	—	15,102	(359)	—	—	—	—
Swedish krona	8,758	—	9,020	(262)	—	—	—	—
British pound	2,379	—	2,477	(98)	—	—	—	—
Bought	—	—	—	—	—	—	—	—
Currency options								
Sold								
Call	—	—	—	—	—	—	—	—
	[—]	—	—	—	[—]	—	—	—
Put	—	—	—	—	—	—	—	—
	[—]	—	—	—	[—]	—	—	—
Bought								
Call	—	—	—	—	—	—	—	—
	[—]	—	—	—	[—]	—	—	—
Put	30,650	—	—	—	25,900	—	—	—
U.S. dollar	[475]	—	118	(357)	[513]	—	254	(259)
	[475]	—	118	(357)	[513]	—	254	(259)
Total				(1,402)				(1,309)

Notes: 1. Forward exchange rates are used for exchange rates as of September 30, 2023.

2. Figures in [] are option premiums which are included in the balance sheet.

3. Regarding assets and liabilities which are denominated in foreign currencies but have fixed settlement in yen under currency forward contracts and are reported in yen amounts in the balance sheet, those currency forward contracts are excluded from the table above.

(iv) Stock-related Transactions

(Millions of yen)

	As of March 31, 2023				As of September 30, 2023			
	Notional amount/ contract value		Fair value	Gains (Losses)	Notional amount/ contract value		Fair value	Gains (Losses)
	Over 1 year				Over 1 year			
Exchange-traded transactions								
Stock index option								
Sold								
Call	—	—	—	—	—	—	—	—
	[—]	—	—	—	[—]	—	—	—
Put	—	—	—	—	—	—	—	—
	[—]	—	—	—	[—]	—	—	—
Bought								
Call	—	—	—	—	—	—	—	—
	[—]	—	—	—	[—]	—	—	—
Put	8,800	—	8	(31)	—	—	—	—
	[39]	—	8	(31)	[—]	—	—	—
Total				(31)				—

Note: Figures in [] are option premiums which are included in the balance sheet.

(v) Bond-related Transactions

(Millions of yen)

	As of March 31, 2023				As of September 30, 2023			
	Notional amount/ contract value		Fair value	Gains (Losses)	Notional amount/ contract value		Fair value	Gains (Losses)
	Over 1 year				Over 1 year			
Exchange-traded transactions								
Yen-denominated bond futures								
Sold	7,268	—	7,406	(137)	—	—	—	—
Bought	—	—	—	—	—	—	—	—
Foreign currency-denominated bond futures								
Sold	—	—	—	—	—	—	—	—
Bought	—	—	—	—	—	—	—	—
Total				(137)				—

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

(Millions of yen)

As of March 31, 2023			As of September 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	149,642	314,688	165,045

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 September 30, 2023
Assets:		
Cash and deposits	402,472	170,066
Call loans	130,000	61,000
Money held in trust	25,897	22,506
Securities:	5,799,182	6,164,126
[Government bonds]	[2,395,965]	[2,526,965]
[Local government bonds]	[92,958]	[96,055]
[Corporate bonds]	[542,134]	[522,279]
[Stocks]	[836,501]	[932,689]
[Foreign securities]	[1,756,176]	[1,890,845]
Loans:	524,193	524,296
Policy loans	47,088	46,743
Ordinary loans	477,104	477,553
Tangible fixed assets	247,321	247,090
Intangible fixed assets	26,917	25,720
Agency receivables	100	94
Reinsurance receivables	62	20
Other assets	55,516	46,935
Prepaid pension cost	1,614	1,895
Deferred tax assets	13,829	—
Allowance for possible loan losses	(826)	(797)
Total assets	7,226,280	7,262,954
	As of March 31, 2023	As of September 30, 2023
Liabilities:		
Policy reserves:	5,916,509	5,952,193
Reserve for outstanding claims	21,523	20,220
Policy reserve	5,830,565	5,854,296
Reserve for dividends to policyholders	64,420	77,676
Reinsurance payables	46	60
Subordinated bonds	241,935	192,065
Other liabilities:	204,041	160,682
Corporate income tax payable	101	7,435
Lease obligations	345	242
Asset retirement obligations	2,328	2,351
Rest of the other liabilities	201,264	150,653
Reserve for employees' retirement benefits	25,951	26,459
Reserve for price fluctuation	177,188	178,873
Deferred tax liabilities	—	12,378
Deferred tax liabilities for land revaluation	14,164	14,159
Total liabilities	6,579,836	6,536,873
Net assets:		
Foundation funds	12,000	12,000
Accumulated foundation funds redeemed	116,000	116,000
Reserve for revaluation	112	112
Surplus:	126,981	137,704
Legal reserve for future losses	3,463	3,548
Other surplus:	123,518	134,156
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	62,585
Total foundation funds, surplus and others	255,093	265,816
Net unrealized gains (losses) on available-for-sale securities, net of tax	386,882	455,694
Revaluation reserve for land, net of tax	4,468	4,569
Total valuation and translation adjustments	391,350	460,264
Total net assets	646,444	726,081
Total liabilities and net assets	7,226,280	7,262,954

4. Non-consolidated Statements of Operations

(Millions of yen)

	Six months ended September 30, 2022	Six months ended September 30, 2023
Ordinary revenues:		
Premium and other income	296,046	263,305
[Premium income]	[295,966]	[263,278]
Investment income	110,603	129,727
[Interest, dividends and other income]	[81,279]	[78,817]
[Gains on money held in trust, net]	[—]	[200]
[Gains on trading securities, net]	[756]	[652]
[Gains on sales of securities]	[18,025]	[34,539]
[Foreign exchange gains, net]	[4,622]	[2,600]
[Gains on separate accounts, net]	[—]	[10,718]
Other ordinary revenues	7,666	7,062
[Reversal of reserve for outstanding claims]	[—]	[1,302]
[Reversal of reserve for claims and other payments]	[3,400]	[—]
Total ordinary revenues	414,316	400,094
Ordinary expenses:		
Claims and other payments	271,144	233,953
[Claims]	[93,943]	[66,439]
[Annuities]	[73,733]	[72,201]
[Benefits]	[67,134]	[55,801]
[Surrenders]	[24,159]	[27,663]
[Other payments]	[12,063]	[11,741]
Provision of policy reserve and others:	32,949	23,737
Provision of reserve for outstanding claims	11,941	—
Provision of policy reserves	21,001	23,731
Provision of interest portion of reserve for dividends to policyholders	6	6
Investment expenses	45,919	34,762
[Interest expenses]	[2,229]	[2,154]
[Losses on money held in trust, net]	[116]	[—]
[Losses on sales of securities]	[12,735]	[17,149]
[Losses on valuation of securities]	[3,373]	[185]
[Losses on derivative instruments, net]	[16,090]	[5,712]
[Losses on separate accounts, net]	[2,799]	[—]
Operating expenses	44,855	44,449
Other ordinary expenses	12,228	12,080
Total ordinary expenses	407,098	348,984
Ordinary profits	7,218	51,110
Extraordinary gains:		
Gains on disposal of fixed assets	1	0
Total extraordinary gains	1	0
Extraordinary losses:		
Losses on disposal of fixed assets	73	63
Impairment losses	0	593
Provision of reserve for price fluctuation	1,810	1,685
Total extraordinary losses	1,883	2,341
Surplus before income taxes	5,336	48,769
Income taxes:		
Current	194	10,274
Deferred	(2,430)	(434)
Total income taxes	(2,236)	9,840
Net surplus for the period	7,572	38,928

5. Non-consolidated Statements of Changes in Net Assets

[For the six months ended September 30, 2022]

(Millions of yen)

	Foundation funds, surplus and others												
	Foundation funds	Accumulated foundation funds redeemed	Reserve for revaluation	Surplus								Total surplus	Total foundation funds, surplus and others
				Other surplus									
				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	Unappropriated surplus			
Balance at the beginning of the current period	12,000	116,000	112	3,370	4,800	20,000	41,000	206	767	57,078	127,222	255,334	
Changes in the current period													
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 current period										7,572	7,572	7,572	
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	—	—	
Net changes, excluding foundation funds, surplus and others													
Total changes in the current period	—	—	—	93	2,400	—	—	(1)	—	(25,747)	(23,256)	(23,256)	
Balance at the end of the current period	12,000	116,000	112	3,463	7,200	20,000	41,000	205	767	31,330	103,966	232,078	

	Valuation and translation adjustments			Total net assets
	Net unrealized gains (losses) on available-for-sale securities, net of tax	Revaluation reserve for land, net of tax	Total valuation and translation adjustments	
Balance at the beginning of the current period	480,860	4,184	485,044	740,379
Changes in the current period				
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 current period				7,572
Additions to reserve for redemption of foundation funds				—
Reversal of reserve for advanced depreciation of real estate for tax purpose				—
Net changes, excluding foundation funds, surplus and others	(110,147)	40	(110,106)	(110,106)
Total changes in the current period	(110,147)	40	(110,106)	(133,362)
Balance at the end of the current period	370,713	4,225	374,938	607,016

[For the six months ended September 30, 2023]

(Millions of yen)

	Foundation funds, surplus and others											Total foundation funds, surplus and others
	Foundation funds	Accumulated foundation funds redeemed	Reserve for revaluation	Surplus							Total surplus	
				Legal reserve for future losses	Other surplus							
					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	Unappropriated surplus		
Balance at the beginning of the current period	12,000	116,000	112	3,463	7,200	20,000	41,000	205	767	54,346	126,981	255,093
Changes in the current period												
Additions to reserve for dividends to policyholders										(28,002)	(28,002)	(28,002)
Additions to legal reserve for future losses				85						(85)	—	—
Payment of interest on foundation funds										(102)	(102)	(102)
Net surplus for the current period										38,928	38,928	38,928
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										(101)	(101)	(101)
Net changes, excluding foundation funds, surplus and others												
Total changes in the current period	—	—	—	85	2,400	—	—	(1)	—	8,239	10,723	10,723
Balance at the end of the current period	12,000	116,000	112	3,548	9,600	20,000	41,000	204	767	62,585	137,704	265,816

	Valuation and translation adjustments			Total net assets
	Net unrealized gains (losses) on available-for-sale securities, net of tax	Revaluation reserve for land, net of tax	Total valuation and translation adjustments	
Balance at the beginning of the current period	386,882	4,468	391,350	646,444
Changes in the current period				
Additions to reserve for dividends to policyholders				(28,002)
Additions to legal reserve for future losses				—
Payment of interest on foundation funds				(102)
Net surplus for the current period				38,928
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				(101)
Net changes, excluding foundation funds, surplus and others	68,812	101	68,914	68,914
Total changes in the current period	68,812	101	68,914	79,637
Balance at the end of the current period	455,694	4,569	460,264	726,081

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. (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 (JICPA) on November 16, 2000).
 - iv) Investments in subsidiaries and affiliates 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 current period. 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 September 30, 2023 was ¥0 million.

(7) Reserve for employees' retirement benefits and prepaid pension costs 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 September 30, 2023 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 September 30, 2023.

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 special treatment providing payment of hospitalization benefits 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”) was discontinued on May 8, 2023. 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 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.

Furthermore, at the end of the previous fiscal year, instead of the amount related to the deemed hospitalization, the amount related to the deemed hospitalization other than those with a high risk of severity was deducted, but due to the termination of treatment of hospitalization benefits for deemed hospitalizations during the current interim period, we have revised the calculation method to deduct the amount related to such deemed hospitalizations.

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 September 30, 2023.

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 September 30, 2023, the balance of these policy reserves was ¥70,859 million.
- Among whole life insurance policies with assumed interest rates of 5.00% or higher, 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 September 30, 2023, the balance of these policy reserves was ¥106,290 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 September 30, 2023, the balance of these policy reserves was ¥105 million.

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.

(16) Of the bonds corresponding to the sub-groups of individual insurance, individual annuities, and group 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 JICPA on November 16, 2000).

2. The carrying amounts, fair values and their related differences of major financial assets and liabilities in the general account as of September 30, 2023 were as follows:

	(Millions of yen)		
	Carrying amount	Fair value	Difference
Money held in trust:			
Trading securities.....	¥21,506	¥21,506	¥—
Total money held in trust.....	21,506	21,506	—
Securities:			
Trading securities.....	6,259	6,259	—
Held-to-maturity debt bonds.....	724,638	778,741	54,102
Policy-reserve-matching bonds.....	108,389	102,026	(6,362)
Available-for-sale securities.....	5,097,910	5,097,910	—
Total securities.....	5,937,197	5,984,937	47,739
Loans:			
Policy loans.....	46,743	46,743	(0)
Ordinary loans.....	477,553	479,645	2,092
Total loans.....	524,296	526,388	2,092
Assets total.....	6,483,000	6,532,832	49,832
Subordinated bonds*1.....	192,065	187,752	(4,312)
Liabilities total.....	192,065	187,752	(4,312)
Derivative instruments*2:			
Hedge accounting not applied.....	(1,312)	(1,312)	—
Total derivative instruments.....	¥(1,312)	¥(1,312)	¥—

*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 September 30, 2023 was ¥73,427 million.

2. In accordance with Paragraph 24-16 of the "Implementation Guidance on Accounting Standard for Fair Value Measurement" (ASBJ Guidance No.31, June 17, 2021. Hereinafter called "Implementation Guidance on Accounting Standard for Fair Value Measurement"), investments in partnerships are not included in Securities of the above table. As of September 30, 2023, the amount of investments in partnerships included on the balance sheet was ¥38,083 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.

3. 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 as of September 30, 2023

(Millions of yen)

Classification	Fair value			Total
	Level 1	Level 2	Level 3	
Money held in trust:				
Trading securities.....	¥—	¥21,506	¥—	¥21,506
Total money held in trust.....	—	21,506	—	21,506
Securities:				
Trading securities:				
Foreign securities.....	—	6,259	—	6,259
Total trading securities.....	—	6,259	—	6,259
Available-for-sale securities:				
Government bonds.....	1,697,976	—	—	1,697,976
Local government bonds.....	—	90,056	—	90,056
Corporate bonds.....	—	495,770	—	495,770
Stocks.....	832,811	—	—	832,811
Foreign securities.....	690,000	1,090,089	25,846	1,805,936
Other securities.....	49,656	115,886	—	165,542
Total available-for-sale securities.....	3,270,445	1,791,803	25,846	5,088,094
Total securities.....	3,270,445	1,798,062	25,846	5,094,354
Assets total.....	3,270,445	1,819,569	25,846	5,115,860
Derivative instruments*:				
Currency-related.....	—	(1,309)	—	(1,309)
Interest-related.....	—	(2)	—	(2)
Total derivative instruments.....	¥—	¥(1,312)	¥—	¥(1,312)

* 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 September 30, 2023 was ¥9,815 million. Reconciliation of balances from the beginning of the current fiscal year to balances as of September 30, 2023 for the investment trusts were as follows:

(Millions of yen)

Balance at the beginning of the current period....	¥5,596
Changes in net unrealized gains or losses.....	72
Purchase, sales, and redemption.....	4,146
Purchase.....	4,146
Balance at the end of the current period	¥9,815

(2) Financial assets and liabilities with fair values not recorded on the balance sheet as of September 30, 2023

(Millions of yen)

Classification	Fair value			Total
	Level 1	Level 2	Level 3	
Securities:				
Held-to-maturity debt bonds:				
Government bonds.....	¥764,120	¥—	¥—	¥764,120
Local government bonds.....	—	7,033	—	7,033
Corporate bonds.....	—	7,587	—	7,587
Total held-to-maturity debt securities...	764,120	14,620	—	778,741
Policy-reserve- matching bonds:				
Government bonds.....	94,649	—	—	94,649
Corporate bonds.....	—	7,376	—	7,376
Total policy-reserve-matching bonds...	94,649	7,376	—	102,026
Total securities.....	858,770	21,997	—	880,768
Loans:				
Policy loans.....	—	—	46,743	46,743
Ordinary loans.....	—	—	479,645	479,645
Total loans.....	—	—	526,388	526,388
Assets total.....	858,770	21,997	526,388	1,407,156
Subordinated bonds	—	187,752	—	187,752
Liabilities total.....	¥—	¥187,752	¥—	¥187,752

(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 classified 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 as of September 30, 2023 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 balances from the beginning of the current fiscal year to balances as of September 30, 2023, and valuation gains or losses recognized in the statements of operations for the six months ended September 30, 2023.

	(Millions of yen)	
	Securities, Available-for-sale securities, Foreign securities	Total
Balance at the beginning of the current period.....	¥26,490	¥26,490
Gains or losses during the current period.....	(5)	(5)
Values recognized as gains or losses*.....	(5)	(5)
Changes in net unrealized gains or losses.....	(638)	(638)
Balance at the end of the current period.....	¥25,846	¥25,846

* These amounts are included in investment income and investment expenses in the non-consolidated statements of operations for the six months ended September 30, 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.

4. Notes related to the fair value of investment and rental properties are omitted as no significant change has occurred since the previous fiscal year-end.

5. The amount of securities lent under lending agreements was ¥521,148 million as of September 30, 2023.

6. 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 was ¥1,160 million as September 30, 2023. The details are as follows.

- i) The balance of claims against bankrupt and quasi-bankrupt obligors was ¥96 million as of September 30, 2023.

Of which, the estimated uncollectible amount written-off was ¥0 million as of September 30, 2023.

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 was ¥509 million as of September 30, 2023.

Claims with collection risk are loans to obligors (other than claims against 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 September 30, 2023.

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 was ¥555 million as of September 30, 2023.

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.

7. Accumulated depreciation of tangible fixed assets were ¥179,783 million as of September 30, 2023.

8. Total assets in separate accounts provided for in Article 118 of the Insurance Business Act were ¥125,365 million as of September 30, 2023. The amounts of separate account liabilities were the same as separate account assets.

9. Changes in reserve for dividends to policyholders for the six months ended September 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.....	(14,753)
Increase in interest.....	6
Balance at the end of the current period.....	<u>¥77,676</u>

10. The amount of stocks of subsidiaries was ¥64,787 million as of September 30, 2023.

11. Assets pledged as collateral as of September 30, 2023 were ¥141,233 million of securities.

Secured debts as of September 30, 2023, were ¥121,219 million.

These amounts include ¥110,827 million of investments in securities deposited and ¥115,233 million of cash received as collateral under securities lending transactions secured by cash as of September 30, 2023.

12. 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”) was ¥0 million as of September 30, 2023.

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”) was ¥21 million as of September 30, 2023.

13. There were unused commitment line agreements under which the Company is the lender of ¥8,055 million as of September 30, 2023.

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

Based on the resolution of the Board of Directors meeting held on June 29, 2023, the Company issued US\$500 million in new subordinated bonds on November 14, 2023.

III. Notes to the Non-consolidated Statements of Operations

1. The details of gains on sales of securities for the six months ended September 30, 2023 were as follows:

	(Millions of yen)
Domestic bonds.....	¥982
Domestic stocks and others.....	19,004
Foreign securities.....	¥14,552

2. The details of losses on sales of securities for the six months ended September 30, 2023 were as follows:

	(Millions of yen)
Domestic bonds.....	¥4,376
Domestic stocks and others.....	729
Foreign securities.....	¥12,042

3. The details of losses on valuation of securities for the six months ended September 30, 2023 were as follows:

	(Millions of yen)
Domestic stocks and others.....	¥185

4. For the six months ended September 30, 2023, in calculating the reversal of reserve for outstanding claims, a reversal of reserve for outstanding claims for ceded reinsurance of ¥0 million was deducted. In calculating the provision of policy reserves, a reversal of policy reserve for ceded reinsurance of ¥0 million was added.

5. Breakdown of interest, dividends and other income for the six months ended September 30, 2023 were as follows:

	(Millions of yen)
Interest on deposits.....	¥1
Interest and dividends on securities.....	64,403
Interest on loans.....	4,449
Income from real estate for rent.....	9,850
Other interest and dividends.....	112
Total.....	<u>¥78,817</u>

6. Items related to impairment losses for the six months ended September 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.....	¥107
Buildings.....	<u>485</u>
Total.....	<u>¥593</u>

(iii) Total (i + ii)

(Millions of yen)

Land.....	¥107
Buildings.....	<u>485</u>
Total.....	<u>¥593</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.

6. Breakdown of Ordinary Profits (Fundamental Profit)

(Millions of yen)

	Six months ended September 30, 2022	Six months ended September 30, 2023
Fundamental profit A	11,349	39,762
Capital gains	28,628	39,706
Gains on money held in trust, net	—	150
Gains on trading securities, net	498	551
Gains on sales of securities	18,025	34,539
Gains on derivative instruments, net	—	—
Foreign exchange gains, net	4,622	2,600
Other capital gains	5,480	1,864
Capital losses	28,685	22,047
Losses on money held in trust, net	189	—
Losses on trading securities, net	—	—
Losses on sales of securities	12,735	17,149
Losses on valuation of securities	3,373	185
Losses on derivative instruments, net	16,090	5,712
Foreign exchange losses, net	—	—
Other capital losses	(3,703)	(999)
Net capital gains (losses) B	(57)	17,658
Fundamental profit plus net capital gains (losses) A+B	11,292	57,421
Non-recurring gains	3,601	5
Reinsurance income	—	—
Reversal of contingency reserve	—	—
Reversal of specific allowance for possible loan losses	201	5
Others	3,400	—
Non-recurring losses	7,675	6,315
Reinsurance premiums	—	—
Provision for contingency reserve	1,517	489
Provision of specific allowance for possible loan losses	—	—
Provision of allowance for specified overseas loans	—	—
Write-offs of loans	—	—
Others	6,158	5,826
Non-recurring gains (losses) C	(4,074)	(6,310)
Ordinary profits A+B+C	7,218	51,110

Note: Other items break down as follows.

(Millions of yen)

	Six months ended September 30, 2022	Six months ended September 30, 2023
Fundamental profit	(8,852)	(2,712)
Interest, dividends, and other income from gains/losses on money held in trust	73	49
Interest, dividends, and other income from gains/losses on trading securities	258	100
Foreign exchange-related hedging costs categorized under foreign exchange gains/losses	(3,983)	(999)
Interest, dividends, and other investment expenses from gains/losses on cancellation of investment trusts	279	(47)
Portion of gains/losses on redemption of securities attributable to foreign exchange fluctuations	(5,480)	(1,817)
Other capital gains	5,480	1,864
Interest, dividends, and other investment expenses from gains/losses on cancellation of investment trusts	—	47
Portion of gains/losses on redemption of securities attributable to foreign exchange fluctuations	5,480	1,817
Other capital losses	(3,703)	(999)
Foreign exchange-related hedging costs categorized under foreign exchange gains	(3,983)	(999)
Interest, dividends, and other investment expenses from gains/losses on cancellation of investment trusts	279	—
Non-recurring gains	3,400	—
Reversal of reserve for claims and other payments	3,400	—
Non-recurring losses	6,158	5,826
Provision of policy reserves in accordance with Article 69, Paragraph 5 of the Enforcement Regulations of the Insurance Business Act.	6,158	5,826

7. Disclosed Claims Based on Insurance Business Act

(Millions of yen)

	As of March 31, 2023	As of September 30, 2023
Claims against bankrupt and quasi-bankrupt obligors	130	96
Claims with collection risk	544	509
Delinquent loans past three months or more	—	—
Restructured loans	561	555
Subtotal [Percentage of total]	1,236 [0.12%]	1,160 [0.11%]
Claims against normal obligors	1,032,163	1,048,902
Total	1,033,399	1,050,063

Notes: 1. Claims against bankrupt and quasi-bankrupt obligors are loans to borrowers who are subject to bankruptcy, corporate reorganization or rehabilitation or other similar proceedings and other borrowers in serious financial difficulties.

2. Claims with collection risk are loans to obligors (other than claims against bankrupt and quasi-bankrupt obligors) with deteriorated financial condition and results of operations from which it is unlikely that the principal and interest on the loans will be recovered.

3. 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.

4. 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.

5. Claims against normal obligors are all other loans.

8. Solvency Margin Ratio

(Millions of yen)

	As of March 31, 2022	As of September 30, 2023
Total solvency margin (A)	1,836,582	1,911,816
Foundation funds and surplus	224,172	249,128
Reserve for price fluctuation	177,188	178,873
Contingency reserve	167,888	168,378
General allowance for possible loan losses	404	386
(Net unrealized gains (losses) on securities (before tax) and deferred hedge gains (losses) (before tax)) × 90%	481,590	567,495
Net unrealized gains on real estate × 85%	155,499	156,209
Excess amount of policy reserve based on full-time Zillmer method	393,521	396,132
Qualifying subordinated debt	241,935	192,065
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	49,931
Total amount of risk $\sqrt{(R_1 + R_8)^2 + (R_2 + R_3 + R_7)^2} + R_4$ (B)	323,968	361,928
Insurance risk R_1	21,405	21,238
3rd sector insurance risk R_8	10,092	10,110
Assumed investment yield risk R_2	21,074	20,603
Minimum guarantee risk R_7	—	—
Investment risk R_3	294,386	332,250
Business risk R_4	6,939	7,684
Solvency margin ratio $\frac{(A)}{(1/2) \times (B)} \times 100$	1,133.8%	1,056.4%

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.

Reference: Economic Solvency Ratio

	As of March 31, 2023	As of September 30, 2023
Economic Solvency Ratio	233.8%	231.0%

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 September 30, 2023 have been calculated using simplified methods.

9. Status of Separate Account

(1) Separate Account Assets by Products

(Millions of yen)

	As of March 31, 2023		As of September 30, 2023	
	Amount		Amount	
Individual variable insurance	—		—	
Individual variable annuities	—		—	
Group annuities	118,783		125,365	
Total	118,783		125,365	

(2) Individual Variable Insurance (Separate Account)

The Company has not sold the individual variable insurance.

(3) Individual Variable Annuities (Separate Account)

(i) Policies in Force

(Millions of yen except number of policies)

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

(ii) Breakdown of Separate Account Assets for Individual Variable Annuities

(Millions of yen)

	As of March 31, 2023		As of September 30, 2023	
	Amount	Percentage	Amount	Percentage
Cash, deposits, call loans	—	—%	—	—%
Securities	—	—	—	—
Domestic bonds	—	—	—	—
Domestic stocks	—	—	—	—
Foreign securities	—	—	—	—
Foreign bonds	—	—	—	—
Foreign stocks and other securities	—	—	—	—
Other securities	—	—	—	—
Loans	—	—	—	—
Others	—	—	—	—
Allowance for possible loan losses	—	—	—	—
Total	—	—	—	—

(iii) Investment Income and Expenses of Separate Account for Individual Variable Annuities

(Millions of yen)

	Six months ended September 30, 2022	Six months ended September 30, 2023
	Amount	Amount
Interest, dividends and other income	0	—
Gains on sales of securities	—	—
Gains on valuation of securities	8	—
Gains on redemption of securities	—	—
Gains on derivative instruments	—	—
Foreign exchange gains, net	—	—
Other investment income	—	—
Losses on sales of securities	—	—
Losses on valuation of securities	8	—
Losses on redemption of securities	—	—
Losses on derivative instruments	—	—
Foreign exchange losses, net	—	—
Other investment expenses	—	—
Net investment income	(0)	

(iv) Fair Value Information on Securities in Separate Account for Individual Variable Annuities

• Net Valuation Gains/Losses on Trading Securities

(Millions of yen)

	As of March 31, 2023		As of September 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
Trading securities	—	(8)	—	—

Note: The Company had no balances of money held in trust and derivative instruments.

Reference: Fair Value Information on Securities (Total of General Account and Separate Account)

Net Valuation Gains/Losses on Trading Securities

(Millions of yen)

	As of March 31, 2023		As of September 30, 2023	
	Carrying value on the balance sheet	Net valuation gains/losses included in the statement of operations	Carrying value on the balance sheet	Net valuation gains/losses included in the statement of operations
Trading securities	141,851	(3,015)	143,183	9,820

Note: The table above includes money held in trust for trading purpose.

Fair Value Information on Securities (other than trading securities)

(Millions of yen)

	As of March 31, 2023					As of September 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	724,638	778,741	54,102	54,102	—
Domestic bonds	738,300	808,660	70,360	70,424	64	724,638	778,741	54,102	54,102	—
Foreign bonds	—	—	—	—	—	—	—	—	—	—
Policy-reserve-matching bonds	—	—	—	—	—	108,389	102,026	(6,362)	—	6,362
Domestic bonds	—	—	—	—	—	108,389	102,026	(6,362)	—	6,362
Foreign bonds	—	—	—	—	—	—	—	—	—	—
Investments in subsidiaries and affiliates	—	—	—	—	—	—	—	—	—	—
Available-for-sale securities	4,307,988	4,839,472	531,484	676,027	144,543	4,473,355	5,097,910	624,554	824,770	200,215
Domestic bonds	2,246,987	2,264,856	17,868	99,271	81,402	2,354,212	2,283,803	(70,408)	82,431	152,840
Domestic stocks	352,575	739,891	387,316	389,227	1,911	355,871	832,811	476,940	479,034	2,094
Foreign securities	1,574,356	1,675,753	101,396	160,374	58,977	1,627,090	1,805,936	178,845	222,654	43,808
Foreign bonds	1,169,512	1,184,154	14,642	68,369	53,727	1,224,120	1,293,452	69,331	107,657	38,326
Foreign stocks and other securities	404,844	491,598	86,754	92,004	5,250	402,970	512,484	109,514	114,996	5,482
Other securities	134,069	158,971	24,902	27,153	2,251	136,180	175,357	39,177	40,649	1,472
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	5,306,383	5,978,678	672,294	878,872	206,578
Domestic bonds	2,985,287	3,073,516	88,228	169,695	81,466	3,187,240	3,164,571	(22,668)	136,534	159,203
Domestic stocks	352,575	739,891	387,316	389,227	1,911	355,871	832,811	476,940	479,034	2,094
Foreign securities	1,574,356	1,675,753	101,396	160,374	58,977	1,627,090	1,805,936	178,845	222,654	43,808
Foreign bonds	1,169,512	1,184,154	14,642	68,369	53,727	1,224,120	1,293,452	69,331	107,657	38,326
Foreign stocks and other securities	404,844	491,598	86,754	92,004	5,250	402,970	512,484	109,514	114,996	5,482
Other securities	134,069	158,971	24,902	27,153	2,251	136,180	175,357	39,177	40,649	1,472
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.

[Held-to-maturity Debt Securities]

(Millions of yen)

	As of March 31, 2023			As of September 30, 2023		
	Carrying value on the balance sheet	Fair value	Differences	Carrying value on the balance sheet	Fair value	Differences
Securities whose fair value exceeds the carrying value on the balance sheet	724,956	795,381	70,424	724,638	778,741	54,102
Domestic bonds	724,956	795,381	70,424	724,638	778,741	54,102
Foreign bonds	—	—	—	—	—	—
Securities whose fair value does not exceed the carrying value on the balance sheet	13,343	13,279	(64)	—	—	—
Domestic bonds	13,343	13,279	(64)	—	—	—
Foreign bonds	—	—	—	—	—	—

[Policy-reserve-matching Bonds]

(Millions of yen)

	As of March 31, 2023			As of September 30, 2023		
	Carrying value on the balance sheet	Fair value	Differences	Carrying value on the balance sheet	Fair value	Differences
Bonds whose fair value exceeds the carrying value on the balance sheet	—	—	—	—	—	—
Domestic bonds	—	—	—	—	—	—
Foreign bonds	—	—	—	—	—	—
Bonds whose fair value does not exceed the carrying value on the balance sheet	—	—	—	108,389	102,026	(6,362)
Domestic bonds	—	—	—	108,389	102,026	(6,362)
Foreign bonds	—	—	—	—	—	—

[Available-for-sale Securities]

(Millions of yen)

	As of March 31, 2023			As of September 30, 2023		
	Book value	Carrying value on the balance sheet	Differences	Book value	Carrying value on the balance sheet	Differences
Securities whose carrying value on the balance sheet exceeds the book value	2,457,857	3,133,885	676,027	2,468,172	3,292,942	824,770
Domestic bonds	1,062,280	1,161,552	99,271	997,910	1,080,342	82,431
Domestic stocks	334,225	723,453	389,227	323,295	802,330	479,034
Foreign securities	962,168	1,122,543	160,374	1,042,819	1,265,473	222,654
Foreign bonds	635,502	703,872	68,369	689,489	797,147	107,657
Foreign stocks	326,665	418,670	92,004	353,330	468,326	114,996
Other securities	99,183	126,337	27,153	104,146	144,795	40,649
Money held in trust	—	—	—	—	—	—
Monetary claims bought	—	—	—	—	—	—
Negotiable certificate of deposits	—	—	—	—	—	—
Others	—	—	—	—	—	—
Securities whose carrying value on the balance sheet does not exceed the book value	1,850,130	1,705,587	(144,543)	2,005,183	1,804,967	(200,215)
Domestic bonds	1,184,706	1,103,304	(81,402)	1,356,302	1,203,461	(152,840)
Domestic stocks	18,349	16,438	(1,911)	32,576	30,481	(2,094)
Foreign securities	612,188	553,210	(58,977)	584,270	540,462	(43,808)
Foreign bonds	534,009	480,282	(53,727)	534,630	496,304	(38,326)
Foreign stocks	78,178	72,928	(5,250)	49,639	44,157	(5,482)
Other securities	34,885	32,634	(2,251)	32,034	30,562	(1,472)
Money held in trust	—	—	—	—	—	—
Monetary claims bought	—	—	—	—	—	—
Negotiable certificate of deposits	—	—	—	—	—	—
Others	—	—	—	—	—	—

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

(Millions of yen)

	As of March 31, 2023	As of September 30, 2023
Investments in subsidiaries and affiliates	64,787	64,787
Available-for-sale securities	36,051	40,727
Domestic stocks	5,709	5,639
Foreign stocks	—	—
Others	30,341	35,087
Total	100,838	105,514

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 ¥5,996 million as of September 30, 2023) are included in their balance sheet carrying amounts.

Reference: Fair Value Information on Derivative Instruments (Total of General Account and Separate Account)

(i) Gains and Losses on Derivatives

(Millions of yen)

As of March 31, 2023	Interest- related	Currency- related	Stock- related	Bond- related	Others	Total
Hedge accounting applied	—	(840)	—	—	—	(840)
Hedge accounting not applied	47	(561)	(31)	(137)	—	(683)
Total	47	(1,402)	(31)	(137)	—	(1,524)
As of September 30, 2023	Interest- related	Currency- related	Stock- related	Bond- related	Others	Total
Hedge accounting applied	—	—	—	—	—	—
Hedge accounting not applied	(2)	(1,309)	—	—	—	(1,312)
Total	(2)	(1,309)	—	—	—	(1,312)

Note: Gains and losses from applying fair value hedge accounting (currency-related losses of ¥840 million as of March 31, 2023) included in gains and losses with hedge accounting applied, and gains and losses with hedge accounting not applied are reported in the statements of operations.

(ii) Hedge Accounting not Applied

[Interest-related Transactions]

(Millions of yen)

	As of March 31, 2023				As of September 30, 2023			
	Notional amount/ contract value		Fair value	Gains (Losses)	Notional amount/ contract value		Fair value	Gains (Losses)
		Over 1 year				Over 1 year		
Over-the-counter transactions								
Yen interest rate swaption contracts								
Sold								
Receipt fixed, payment floating	—	—	—	—	—	—	—	—
[—]								
Payment fixed, receipt floating	—	—	—	—	—	—	—	—
[—]								
Bought								
Receipt fixed, payment floating	—	—	—	—	—	—	—	—
[—]								
Payment fixed, receipt floating	30,000	—	110	47	30,000	—	60	(2)
[63]								
Total				47				(2)

Note: Figures in [] are option premiums which are included in the balance sheet.

[Currency-related Transactions]

(Millions of yen)

	As of March 31, 2023				As of September 30, 2023			
	Notional amount/ contract value		Fair value	Gains (Losses)	Notional amount/ contract value		Fair value	Gains (Losses)
		Over 1 year				Over 1 year		
Over-the-counter transactions								
Currency forward contracts								
Sold	46,036	—	46,240	(204)	35,992	—	37,042	(1,050)
U.S. dollar	29,035	—	29,202	(166)	20,586	—	21,413	(827)
Australian dollar	11,171	—	11,131	40	8,834	—	9,011	(177)
Canadian dollar	5,829	—	5,906	(77)	6,571	—	6,616	(45)
Bought	—	—	—	—	—	—	—	—
Currency options								
Sold								
Call	—	—	—	—	—	—	—	—
	[—]	—	—	—	[—]	—	—	—
Put	—	—	—	—	—	—	—	—
	[—]	—	—	—	[—]	—	—	—
Bought								
Call	—	—	—	—	—	—	—	—
	[—]	—	—	—	[—]	—	—	—
Put	30,650	—	118	(357)	25,900	—	254	(259)
U.S. dollar	[475]	—	118	(357)	[513]	—	254	(259)
	[475]	—	118	(357)	[513]	—	254	(259)
Total				(561)				(1,309)

Notes: 1. Forward exchange rates are used for exchange rates as of September 30, 2023.
2. Figures in [] are option premiums which are included in the balance sheet.

[Stock-related Transactions]

(Millions of yen)

	As of March 31, 2023				As of September 30, 2023			
	Notional amount/ contract value		Fair value	Gains (Losses)	Notional amount/ contract value		Fair value	Gains (Losses)
		Over 1 year				Over 1 year		
Exchange-traded transactions								
Stock index options								
Sold								
Call	—	—	—	—	—	—	—	—
	[—]	—	—	—	[—]	—	—	—
Put	—	—	—	—	—	—	—	—
	[—]	—	—	—	[—]	—	—	—
Bought								
Call	—	—	—	—	—	—	—	—
	[—]	—	—	—	[—]	—	—	—
Put	8,800	—	8	(31)	—	—	—	—
	[39]	—	8	(31)	[—]	—	—	—
Total				(31)				—

Note: Figures in [] are option premiums which are included in the balance sheet.

[Bond-related Transactions]

(Millions of yen)

	As of March 31, 2023				As of September 30, 2023			
	Notional amount/ contract value		Fair value	Gains (Losses)	Notional amount/ contract value		Fair value	Gains (Losses)
		Over 1 year				Over 1 year		
Exchange-traded transactions								
Yen-denominated bond futures								
Sold	7,268	—	7,406	(137)	—	—	—	—
Bought	—	—	—	—	—	—	—	—
Foreign currency-denominated bond futures								
Sold	—	—	—	—	—	—	—	—
Bought	—	—	—	—	—	—	—	—
Total				(137)				—

(iii) Hedge Accounting Applied

[Interest-related Transactions]

No ending balance as of March 31, 2023 and September 30, 2023.

[Currency-related Transactions]

(Millions of yen)

Method of hedge accounting	Hedging instruments	As of March 31, 2023			As of September 30, 2023				
		Hedged items	Notional amount/ contract value		Fair value	Hedged items	Notional amount/ contract value		Fair value
				Over 1 year				Over 1 year	
Fair value hedge method	Currency forward contracts	Foreign currency-denominated bonds							
	Sold								
	U.S. dollar		191,105	—	191,946	—	—	—	
	Australian dollar		111,539	—	112,485	—	—	—	
	Euro		53,684	—	52,860	—	—	—	
	Swedish krona		14,743	—	15,102	—	—	—	
	British pound		8,758	—	9,020	—	—	—	
	2,379		—	—	2,477	—	—	—	
Bought		—	—	—	—	—	—		
Total									

Notes: 1. Forward exchange rates are used for exchange rates as of September 30, 2023.

2. Regarding assets and liabilities which are denominated in foreign currencies but have fixed settlement in yen under currency forward contracts and are reported in yen amounts in the balance sheet, those currency forward contracts are excluded from the table above.

[Stock-related Transactions]

No ending balance as of March 31, 2023 and September 30, 2023.

[Bond-related Transactions]

No ending balance as of March 31, 2023 and September 30, 2023.

10. Status of the Company, Subsidiaries and Affiliates

(1) Selected Financial Data

(100 million of yen)

	Six months ended September 30, 2022	Six months ended September 30, 2023
Ordinary revenues	5,261	5,507
Ordinary profits	74	536
Net surplus attributable to the parent company	74	403
Comprehensive income	(1,049)	1,133

	As of March 31, 2023	As of September 30, 2023
Total assets	88,837	89,970
Solvency margin ratio	1,171.9%	1,093.5 %

(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 September 30, 2023
Assets:		
Cash and deposits	524,841	272,848
Call loans	130,000	61,000
Money held in trust	25,897	22,506
Securities	7,321,344	7,774,662
Loans	527,561	527,681
Tangible fixed assets	247,723	247,498
Intangible fixed assets	28,690	27,358
Agency receivables	0	0
Reinsurance receivables	83	21
Other assets	61,085	53,449
Net defined benefit assets	1,184	6,847
Deferred tax assets	16,131	3,951
Allowance for possible loan losses	(826)	(797)
Total assets	8,883,718	8,997,027

	As of March 31, 2023	As of September 30, 2023
Liabilities:		
Policy reserves:	7,540,406	7,642,979
Reserve for outstanding claims	26,326	26,271
Policy reserve	7,449,355	7,538,739
Reserve for dividends to policyholders	64,420	77,676
Reserve for dividends to policyholders (subsidiary)	304	292
Agency payables	461	403
Reinsurance payables	60	75
Subordinated bonds	241,935	192,065
Other liabilities	208,704	168,224
Net defined benefit liabilities	25,220	23,932
Reserve for price fluctuation	188,538	190,397
Deferred tax liabilities	0	15,347
Deferred tax liabilities for land revaluation	14,164	14,159
Total liabilities	8,219,491	8,247,585
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	145,430
Total foundation funds, surplus and others	261,415	273,542
Net unrealized gains (losses) on available-for-sale securities, net of tax	390,148	457,586
Revaluation reserve for land, net of tax	4,468	4,569
Foreign currency translation adjustment	(58)	303
Accumulated remeasurements of defined benefit plans	274	5,475
Total accumulated other comprehensive income	394,833	467,935
Non-controlling interests	7,977	7,964
Total net assets	664,226	749,442
Total liabilities and net assets	8,883,718	8,997,027

(4) Consolidated Statements of Operations and Comprehensive Income

[Consolidated Statements of Operations]

(Millions of yen)

	Six months ended September 30, 2022	Six months ended September 30, 2023
Ordinary revenues:		
Premium and other income	397,512	404,734
Investment income	120,155	139,624
[Interest, dividends and other income]	[89,823]	[88,713]
[Gains on money held in trust, net]	[—]	[200]
[Gains on trading securities, net]	[756]	[652]
[Gains on sales of securities]	[19,034]	[34,539]
[Foreign exchange gains, net]	[4,621]	[2,602]
[Gains on separate accounts, net]	[—]	[10,718]
Other ordinary revenues	8,468	6,425
[Reversal of reserve for outstanding claims]	[—]	[54]
Total ordinary revenues	526,136	550,785
Ordinary expenses:		
Claims and other payments	363,375	308,810
[Claims]	[99,397]	[72,289]
[Annuities]	[146,216]	[127,121]
[Benefits]	[69,755]	[57,610]
[Surrenders]	[35,701]	[39,856]
[Other payments]	[12,139]	[11,780]
Provision of policy reserve and others:	44,776	89,390
Provision of reserve for outstanding claims	11,942	—
Provision of policy reserves	32,827	89,384
Provision of interest portion of reserve for dividends to policyholders	6	6
Provision of interest portion of reserve for dividends to policyholders (subsidiary)	0	0
Investment expenses	45,272	34,332
[Interest expenses]	[2,234]	[2,162]
[Losses on money held in trust, net]	[116]	[—]
[Losses on sales of securities]	[12,735]	[17,421]
[Losses on valuation of securities]	[3,373]	[185]
[Losses on derivative instruments, net]	[16,090]	[5,712]
[Losses on separate accounts, net]	[2,799]	[—]
Operating expenses	49,805	50,551
Other ordinary expenses	15,415	14,032
Total ordinary expenses	518,645	497,117
Ordinary profits	7,491	53,667
Extraordinary gains:		
Gains on disposal of fixed assets	1	0
Total extraordinary gains	1	0
Extraordinary losses:		
Losses on disposal of fixed assets	76	54
Impairment losses	0	593
Provision of reserve for price fluctuation	1,965	1,859
Total extraordinary losses	2,042	2,507
Provision of reserve for dividends to policyholders (subsidiary)	101	94
Surplus before income taxes	5,348	51,066
Income taxes:		
Current	428	11,110
Deferred	(2,533)	(539)
Total income taxes	(2,105)	10,570
Net surplus for the period	7,454	40,495
Net surplus attributable to non-controlling interests	4	162
Net surplus attributable to the parent company	7,449	40,333

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

[Consolidated Statements of Comprehensive Income]

(Millions of yen)

	Six months ended September 30, 2022	Six months ended September 30, 2023
Net surplus	7,454	40,495
Other comprehensive income:	(112,386)	72,839
Net unrealized gains (losses) on available-for-sale securities, net of tax	(113,044)	67,277
Revaluation reserve for land, net of tax	40	—
Foreign currency translation adjustments	336	361
Remeasurements of defined benefit plan, net of tax	280	5,200
Comprehensive income:	(104,932)	113,335
Comprehensive income attributable to the parent company	(104,635)	113,332
Comprehensive income attributable to non-controlling interests	(297)	2

(5) Consolidated Statements of Cash Flows

(Millions of yen)

	Six months ended September 30, 2022	Six months ended September 30, 2023
Cash flows from operating activities:		
Surplus before income taxes	5,348	51,066
Depreciation of real estate for rent and other assets	2,391	2,516
Depreciation	7,715	5,546
Impairment losses	0	593
Increase (decrease) in reserve for outstanding claims	11,942	(54)
Increase (decrease) in policy reserve	32,827	89,384
Provision of interest portion of reserve for dividends to policyholders	6	6
Provision of interest portion of reserve for dividends to policyholders (subsidiary)	0	0
Provision of reserve for dividends to policyholders (subsidiary)	101	94
Increase (decrease) in allowance for possible loan losses	(1,383)	(29)
Increase (decrease) in reserve for claims and other payments	(3,367)	—
Increase (decrease) in net defined benefit liabilities	133	271
Increase (decrease) in reserve for price fluctuation	1,965	1,859
Interest, dividends and other income	(89,823)	(88,713)
Losses (gains) on securities, net	9,843	(24,608)
Interest expenses	2,234	2,162
Foreign exchange losses (gains), net	(4,621)	(2,602)
Losses (gains) on tangible fixed assets, net	69	40
Others	8,403	8,819
Subtotal	(16,213)	46,353
Interest, dividends and other income received	92,354	89,315
Interest expenses paid	(2,217)	(2,194)
Dividends to policyholders paid	(14,102)	(14,753)
Dividends to policyholders paid (subsidiary)	(99)	(106)
Corporate income tax (paid) refunded	(3,344)	1,912
Net cash provided by (used in) operating activities [a]	56,376	120,525
Cash flows from investing activities:		
Net decrease (increase) in deposits	(11,043)	(3,379)
Proceeds from sales and redemption of monetary claims bought	77	—
Increase in money held in trust	—	(2,700)
Decrease in money held in trust	—	6,273
Payments for purchase of securities	(634,627)	(724,733)
Proceeds from sales and redemption of securities	634,315	397,088
Payments for additions to loans	(34,161)	(33,720)
Proceeds from collections of loans	45,036	32,616
Proceeds from and payments for settlements of derivatives, net	(156,964)	(12,642)
Increase (decrease) in cash received as collateral under securities lending transactions	85,407	(40,249)
Others	(5,438)	(5,841)
Subtotal [b]	(77,398)	(387,287)
[a + b]	(21,021)	(266,761)
Payments for purchase of tangible fixed assets	(2,496)	(4,064)
Proceeds from sales of tangible fixed assets	7	0
Payments for purchase of intangible fixed assets	(5,022)	(3,391)
Net cash provided by (used in) investing activities	(84,909)	(394,743)
Cash flows from financing activities:		
Redemption of subordinated bonds	—	(49,870)
Payment of interest on foundation funds	(102)	(102)
Dividends paid to non-controlling interests	(112)	(15)
Payments for lease obligations	(1,904)	(604)
Net cash provided by (used in) financing activities	(2,118)	(50,591)
Effect of exchange rate changes on cash and cash equivalents	56	324
Net increase (decrease) in cash and cash equivalents	(30,595)	(324,485)
Cash and cash equivalents at the beginning of the period	366,999	640,899
Cash and cash equivalents at the end of the period	336,403	316,413

(6) Consolidated Statements of Changes in Net Assets

[For the six months ended September 30, 2022]

(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 current period	12,000	116,000	112	132,765	260,877
Changes in the current period					
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 current period				7,449	7,449
Net changes, excluding foundation funds, surplus and others					
Total changes in the current period	—	—	—	(23,379)	(23,379)
Balance at the end of the current period	12,000	116,000	112	109,386	237,498

	Accumulated other comprehensive income					Non-controlling interests	Total net assets
	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		
Balance at the beginning of the current period	486,644	4,184	(312)	(2,030)	488,486	8,276	757,640
Changes in the current period							
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 current period							7,449
Net changes, excluding foundation funds, surplus and others	(112,742)	40	336	280	(112,084)	(409)	(112,494)
Total changes in the current period	(112,742)	40	336	280	(112,084)	(409)	(135,873)
Balance at the end of the current period	373,902	4,225	24	(1,750)	376,401	7,866	621,766

[For the six months ended September 30, 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 current period	12,000	116,000	112	133,303	261,415
Changes in the current period					
Additions to reserve for dividends to policyholders				(28,002)	(28,002)
Payment of interest on foundation funds				(102)	(102)
Net surplus attributable to the parent company for the current period				40,333	40,333
Reversal of revaluation reserve for land, net of tax				(101)	(101)
Net changes, excluding foundation funds, surplus and others					
Total changes in the current period	—	—	—	12,127	12,127
Balance at the end of the current period	12,000	116,000	112	145,430	273,542

	Accumulated other comprehensive income					Non-controlling interests	Total net assets
	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		
Balance at the beginning of the current period	390,148	4,468	(58)	274	394,833	7,977	664,226
Changes in the current period							
Additions to reserve for dividends to policyholders							(28,002)
Payment of interest on foundation funds							(102)
Net surplus attributable to the parent company for the current period							40,333
Reversal of revaluation reserve for land, net of tax							(101)
Net changes, excluding foundation funds, surplus and others	67,437	101	361	5,200	73,101	(13)	73,088
Total changes in the current period	67,437	101	361	5,200	73,101	(13)	85,215
Balance at the end of the current period	457,586	4,569	303	5,475	467,935	7,964	749,442

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.

2. Principles of Consolidation

(1) Scope of Consolidation

Consolidated subsidiaries as of September 30, 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 six months ended September 30, 2023.

(3) Interim Closing Dates of Consolidated Subsidiaries

Among the subsidiaries to be consolidated, interim closing dates of overseas subsidiaries are June 30. For the preparation of consolidated financial statements, financial statements as of that date are used and concerning any important transaction taking place in between June 30 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 (JICPA) 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 current period. 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 September 30, 2023 was ¥0 million.

(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 September 30, 2023 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 September 30, 2023.

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 special treatment providing payment of hospitalization benefits with respect to those diagnosed with COVID-19 and were under the care of a doctor or the like at a lodging facility or at home (“deemed hospitalization”) was discontinued on May 8, 2023. 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 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.

Furthermore, at the end of the previous fiscal year, instead of the amount related to the deemed hospitalization, the amount related to the deemed hospitalization other than those with a high risk of severity was deducted, but due to the termination of treatment of hospitalization benefits for deemed hospitalizations during the current interim period, we have revised the calculation method to deduct the amount related to such deemed hospitalizations.

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 September 30, 2023.

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 September 30, 2023, the balance of these policy reserves was ¥70,859 million.
- Among whole life insurance policies with assumed interest rates of 5.00% or higher, 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 September 30, 2023, the balance of these policy reserves was ¥106,290 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 advanced medical riders. As of September 30, 2023, the balance of these policy reserves was ¥105 million.

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 corresponding to the sub-groups of individual insurance, individual annuities, and group 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 JICPA on November 16, 2000).

2. The carrying amounts, fair values and their related differences of major financial assets and liabilities in the general account as of September 30, 2023 were as follows:

	(Millions of yen)		
	Carrying amount	Fair value	Difference
Money held in trust:			
Trading securities.....	¥21,506	¥21,506	¥—
Total money held in trust.....	21,506	21,506	—
Securities:			
Trading securities.....	6,259	6,259	—
Held-to-maturity debt securities.....	1,236,577	1,315,037	78,459
Policy-reserve-matching bonds.....	1,020,928	989,618	(31,310)
Available-for-sale securities.....	5,348,350	5,348,350	—
Total securities.....	7,612,116	7,659,265	47,149
Loans:			
Policy loans.....	50,128	50,127	(0)
Ordinary loans.....	477,553	479,645	2,092
Total loans.....	527,681	529,773	2,092
Assets total.....	8,161,304	8,210,545	49,241
Subordinated bonds*1.....	192,065	187,752	(4,312)
Liabilities total.....	192,065	187,752	(4,312)
Derivative instruments*2:			
Hedge accounting not applied.....	(1,312)	(1,312)	—
Total derivative instruments.....	¥(1,312)	¥(1,312)	¥—

*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 September 30, 2023 was ¥9,044 million.

2. In accordance with Paragraph 24-16 of the "Implementation Guidance on Accounting Standard for Fair Value Measurement" (ASBJ Guidance No.31, June 17, 2021. Hereinafter called "Implementation Guidance on Accounting Standard for Fair Value Measurement"), investments in partnerships are not included in Securities of the above table. As of September 30, 2023, the amount of investments in partnerships included on the balance sheet was ¥38,083 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.

3. 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 as of September 30, 2023

(Millions of yen)

Classification	Fair value			Total
	Level 1	Level 2	Level 3	
Money held in trust:				
Trading securities.....	¥—	¥21,506	¥—	¥21,506
Total money held in trust.....	—	21,506	—	21,506
Securities:				
Trading securities:				
Foreign securities.....	—	6,259	—	6,259
Total trading securities.....	—	6,259	—	6,259
Available-for-sale securities:				
Government bonds.....	1,754,846	—	—	1,754,846
Local government bonds.....	—	120,290	—	120,290
Corporate bonds.....	—	645,091	—	645,091
Stocks.....	832,975	—	—	832,975
Foreign securities.....	690,000	1,090,089	25,846	1,805,936
Other securities.....	60,295	119,099	—	179,395
Total available-for-sale securities.....	3,338,118	1,974,570	25,846	5,338,535
Total securities.....	3,338,118	1,980,830	25,846	5,344,795
Assets total.....	3,338,118	2,002,336	25,846	5,366,301
Derivative instruments*:				
Currency-related.....	—	(1,309)	—	(1,309)
Interest-related.....	—	(2)	—	(2)
Total derivative instruments.....	¥—	¥(1,312)	¥—	¥(1,312)

* 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 September 30, 2023 was ¥9,815 million. Reconciliation of balances from the beginning of the current fiscal year to balances as of September 30, 2023 for the investment trusts were as follows:

	(Millions of yen)
Balance at the beginning of the current period.....	¥5,596
Gains or losses and other comprehensive income during the current period.....	72
Values recognized as other comprehensive income*.....	72
Purchase, sales, and redemption.....	4,146
Purchase.....	4,146
Balance at the end of the current period.....	¥9,815

* 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 six months ended September 30, 2023.

(2) Financial assets and liabilities with fair values not recorded on the balance sheet as of September 30, 2023

(Millions of yen)

Classification	Fair value			Total
	Level 1	Level 2	Level 3	
Securities:				
Held-to-maturity debt securities:				
Government bonds.....	¥1,139,010	¥—	¥—	¥1,139,010
Local government bonds.....	—	90,785	—	90,785
Corporate bonds.....	—	85,241	—	85,241
Foreign securities.....	—	—	—	—
Total held-to-maturity debt securities...	1,139,010	176,026	—	1,315,037
Policy-reserve-matching bonds:				
Government bonds.....	541,698	—	—	541,698
Local government bonds.....	—	124,324	—	124,324
Corporate bonds.....	—	323,595	—	323,595
Total policy-reserve-matching bonds...	541,698	447,919	—	989,618
Total securities.....	1,680,708	623,946	—	2,304,655
Loans:				
Policy loans.....	—	—	50,127	50,127
Ordinary loans.....	—	—	479,645	479,645
Total loans.....	—	—	529,773	529,773
Assets total.....	1,680,708	623,946	529,773	2,834,428
Subordinated bonds.....	—	187,752	—	187,752
Liabilities total.....	¥—	¥187,752	¥—	¥187,752

(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 classified 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 as of September 30, 2023 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 balances from the beginning of the current fiscal year to balances as of September 30, 2023, and valuation gains or losses recognized in the statements of operations for the six months ended September 30, 2023.

	(Millions of yen)	
	Securities, Available-for-sale securities, Foreign securities	Total
Balance at the beginning of the current period.....	¥26,490	¥26,490
Gains or losses and other comprehensive income during the current period.....	(644)	(644)
Values recognized as gains or losses ^{*1}	(5)	(5)
Values recognized as other comprehensive income ^{*2}	(638)	(638)
Balance at the end of the current period.....	¥25,846	¥25,846

*1 These amounts are included in investment income and investment expenses in the consolidated statements of operations for the six months ended September 30, 2023.

*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 for the six months ended September 30, 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.

4. Notes related to the fair value of investment and rental properties are omitted as no significant change has occurred since the previous fiscal year-end.

5. The amount of securities lent under lending agreements was ¥521,148 million as of September 30, 2023.

6. 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 was ¥1,179 million as September 30, 2023. The details are as follows.

i) The balance of claims against bankrupt and quasi-bankrupt obligors was ¥115 million as of September 30, 2023.

Of which, the estimated uncollectible amount written-off was ¥0 million as of September 30, 2023.

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 was ¥509 million as of September 30, 2023.

Claims with collection risk are loans to obligors (other than claims against 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 September 30, 2023.

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 was ¥555 million as of September 30, 2023.

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.

7. Accumulated depreciation of tangible fixed assets were ¥180,755 million as of September 30, 2023.

8. Total assets in separate accounts provided for in Article 118 of the Insurance Business Act were ¥125,365 million as of September 30, 2023. The amounts of separate account liabilities were the same as separate account assets.

9. Changes in reserve for dividends to policyholders for the six months ended September 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.....	(14,753)
Increase in interest.....	6
Balance at the end of the current period.....	<u>¥77,676</u>

10. Changes in reserve for dividends to policyholders (Fukokushinrai Life Insurance Co., Ltd.) for the six months ended September 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.....	(106)
Increase in interest.....	0
Provision of reserve for dividends to policyholders.....	94
Balance at the end of the current period.....	<u>¥292</u>

11. The amount of stocks of unconsolidated subsidiaries was ¥404 million as of September 30, 2023.

12. Assets pledged as collateral as of September 30, 2023 were ¥141,233 million of securities.

Secured debts as of September 30, 2023, were ¥121,219 million.

These amounts include ¥110,827 million of investments in securities deposited and ¥115,233 million of cash received as collateral under securities lending transactions secured by cash as of September 30, 2023.

13. 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”) was ¥0 million as of September 30, 2023.

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”) was ¥35 million as of September 30, 2023.

14. There were unused commitment line agreements under which the Company is the lender of ¥8,055 million as of September 30, 2023.

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

Based on the resolution of the Board of Directors meeting held on June 29, 2023, the Company issued US\$500 million in new subordinated bonds on November 14, 2023.

III. Notes to the Consolidated Statements of Operations

1. Items related to impairment losses for the six months ended September 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.....	¥107
Buildings.....	485
Total.....	<u>¥593</u>

(iii) Total (i + ii)

(Millions of yen)

Land.....	¥107
Buildings.....	485
Total.....	<u>¥593</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 six months ended September 30, 2023, in calculating the reversal of reserve for outstanding claims, a reversal of reserve for outstanding claims for ceded reinsurance of ¥0 million was deducted. In calculating the provision of policy reserves, a reversal of policy reserve for ceded reinsurance of ¥5 million was added.

IV. Notes to the Consolidated Statements of Cash Flows

1. Cash and cash equivalents as of September 30, 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 3 months of the date of acquisition,” “Negotiable certificate of deposits maturing within 3 months of the date of acquisition,” “Call loans” and “Monetary claims bought maturing within 3 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 as of September 30, 2023 were as follows:

	(Millions of yen)
Cash and deposits.....	¥272,848
Call loans.....	61,000
Time deposits maturing over 3 months of the date of acquisition.....	(15,100)
Foreign currency deposits maturing over 3 months of the date of acquisition.....	(2,334)
<u>Cash and cash equivalents.....</u>	<u>¥316,413</u>

(7) Status of Insurance Claims Paying Ability of the Company and Insurance Subsidiaries
(Consolidated Solvency Margin Ratio)

(Millions of yen)

	As of March 31, 2023	As of September 30, 2023
Total solvency margin (A)	1,923,471	2,006,563
Foundation funds and surplus	238,663	265,005
Reserve for price fluctuation	188,538	190,397
Contingency reserve	170,512	171,120
Catastrophe loss reserve	—	—
General allowance for possible loan losses	404	386
(Net unrealized gains (losses) on securities (before tax) and deferred hedge gains (losses) (before tax)) × 90%	486,289	570,522
Net unrealized gains on real estate × 85%	155,499	156,209
Sum of unrecognized actuarial differences and unrecognized prior service cost	381	7,604
Excess amount of policy reserve based on full-time Zillmer method	395,807	398,450
Qualifying subordinated debt	241,935	192,065
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	54,802
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	366,994
Insurance risk R_1	21,801	21,632
General insurance risk R_5	—	—
Catastrophe risk R_6	—	—
3rd sector insurance risk R_8	10,241	10,262
Small amount and short-term insurance risk R_9	—	—
Assumed investment yield risk R_2	21,398	20,931
Minimum guarantee risk R_7	—	—
Investment risk R_3	298,225	336,850
Business risk R_4	7,033	7,793
Solvency margin ratio $\frac{(A)}{(1/2) \times (B)} \times 100$	1,171.9%	1,093.5%

Note: 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.

Reference: Consolidated Economic Solvency Ratio

	As of March 31, 2023	As of September 30, 2023
Economic Solvency Ratio	245.2%	241.8%

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 September 30, 2023 have been calculated using simplified methods.