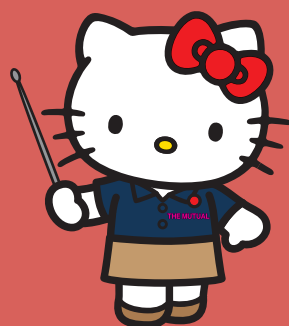


ANNUAL REPORT

FUKOKU 2020



YEAR ENDED MARCH 31, 2020

FUKOKU MUTUAL LIFE INSURANCE COMPANY

Contents	
Financial Highlights (Non-consolidated)	1
Message from the President	2
Management Principles of Fukoku Life	4
Review of Operations (Non-consolidated)	
Overview	5
Business Performance in Fiscal 2019	6
Investment Performance in Fiscal 2019 (General Account)	8
Investment Policies for Fiscal 2020	9
Business Management System	10
Achieving Sustainable Development Goals (SDGs)	11
Corporate Social Responsibility (CSR)	12
Non-consolidated Financial Statements	14
Consolidated Financial Statements	36
Corporate Organization	62
Corporate Information	63

Financial Highlights (Non-consolidated)

	2019	2020	2020
As of March 31,	Millions of yen		Millions of U.S. dollars
Life insurance in force	¥42,466,826	¥42,490,790	\$390,432
Total assets	6,684,576	6,790,871	62,398
Securities	5,567,876	5,344,665	49,110
Loans	561,138	565,473	5,195
Tangible fixed assets	216,974	219,475	2,016
Total liabilities	6,087,901	6,250,849	57,436
Policy reserves	5,692,082	5,775,716	53,070
Subordinated bonds	191,935	191,935	1,763
Total net assets	596,674	540,021	4,962
For the years ended March 31,			
Total ordinary revenues	718,300	741,870	6,816
Premium and other income	525,605	533,527	4,902
Investment income	183,473	195,037	1,792
Total ordinary expenses	664,984	692,970	6,367
Net surplus for the year	36,834	34,113	313
Solvency margin ratio (%)	1,189.7	1,290.8	—
Employees	12,689	13,184	—

Notes 1. U.S. dollar amounts are converted from yen, for convenience only, at the rate of U.S.\$1=¥108.83, the rate of exchange on March 31, 2020.

2. Yen and U.S. dollar amounts are rounded down to the nearest million yen or million dollars.

Message from the President



I would like to express my deepest sympathy to all those affected by COVID-19, as well as to the families and friends of those who regrettably have passed away due to the disease.

The challenge of responding to new and unfamiliar diseases such as COVID-19 is long and painful, but it is not one that must be faced alone. Fukoku Mutual Life Insurance Company will continue to closely support its customers.

Reviewing the Past Year

During the first half of fiscal 2019 (ended March 2020), the Japanese economy stagnated somewhat, due to sluggish external demand associated with trade friction between the United States and China.

The situation became worse during the second half. This was due primarily to the larger burden placed on household budgets by the consumption tax hike, as well as decreased inbound tourist demand resulting from COVID-19 and subsequent shelter-in-place trend among consumers. Financial and capital markets continued to be influenced both by trade negotiations between the US and China, and speculation regarding the monetary policies of central banks in a number of countries. Since February, volatility has increased due to caution concerning the spread of COVID-19. However, the trend to provide insurance products and services, such as medical and long-term care, continued in the life insurance industry, as insurance needs changed due to increased longevity and lifestyle adjustments.

In this environment, we made an effort to meet the increasingly diverse customer needs through launching Zutto Anshin Care Double, a new rider which provides better coverage for nursing care and dementia.

The combined fundamental profit of Fukoku Mutual Life Insurance Company and its subsidiary Fukokushinrai Life Insurance Co., Ltd. reached ¥82.6 billion. At the same time, our consolidated solvency margin ratio—an indicator of financial soundness—has remained high at 1,331.7%.

Life insurance involves a spirit of mutual assistance, in which policyholders comprise an insurance group and help each other, with insurance premiums received by policyholders provided as insurance payouts to customers who need them. In fiscal 2019, along with Fukokushinrai Life, we paid out a total of ¥484.2 billion in insurance claims, pensions, and benefits. Whenever required, we will continue to provide reliable payment of insurance claims and other benefits.

Customer-centered Values

As a mutual company, we work to ensure that our management and employees maintain customer-centered values in all aspects of business and operations. These ideals, on which we build new ideas and plan new activities, embody our philosophy of putting ourselves in our customers' shoes and creating services and experiences that only we can offer.

According to our basic policy for human resource development, which is at the core of our personnel development philosophy, we strive to ensure that our staff are able to put our customer-centered approach into practice.

With regard to initiatives based on our customer-centered business management policy that was made for customer entrustment, we are engaged in ongoing improvements and disclose the results of these efforts each fiscal year.

Medium-term Management Plan

Our medium-term management plan (fiscal 2019 through fiscal 2021) is based on a vision of becoming the most valuable company by thorough differentiation. To bring us closer to achieving this vision, we have established the creation of a perpetually virtuous cycle for sustainable growth (put more simply, a cycle in which improvement in employee satisfaction leads to improvement in customer satisfaction) as one of the key themes of our medium-term management plan. In accordance with another theme of our plan, we are conducting initiatives aimed at achieving our long-term management vision of becoming the number one company in terms of customer satisfaction within next 10 years.

Centenary Project

As we approach 100 years in business in 2023, we are working on our centenary project based on a concept, called THE MUTUAL.

The concept refers to the next generation of mutual aid that will evolve over the coming 100 years, as well as our aim to be an organization embodying real mutual aid by deepening our connection to, and mutual support for, each and every person involved with Fukoku Life.

In fiscal 2019, we launched sectional committee activities called NEXT100, based on 11 themes, which will serve as an engine for the embodiment of THE MUTUAL. One of the themes involves an activity called FIND THE MUTUAL, which requires our employees to search for instances of THE MUTUAL throughout Japan and to disseminate relevant information.

During fiscal 2019, we conducted interviews at five branch offices (the Nara, Kumamoto, Tokyo, Kyoto, and Ikebukuro offices) and later published these interviews through media, including a special website of centenary project and newspaper advertisements.

Now, as we liaise with our 62 branch offices in 47 prefectures, we will expand the degree to which Fukoku Life is known and understood by considering and exploring what the next generation of mutual aid and sharing our findings.

We will continue disseminating information about THE MUTUAL as a concept of our centenary project approaches, so that by the time it is here, we will be a company that is able to empathize with everyone involved with Fukoku Life.

Improving Financial Soundness, Dividend Payouts

To maintain financial soundness regardless of the operating environment, we are working to further strengthen our capital. Our basic policy for strengthening capital is to accumulate internal reserves, which are the source of net surplus, in combination with external financing, including the raising of foundation funds and the issuing of subordinated bonds.

In fiscal 2019, we fully amortized ¥10.0 billion in foundation funds that had been procured in fiscal 2014, thereby procuring an additional ¥12.0 billion in foundation funds. Further, we built up additional reserves as well as increased both our contingency and price-fluctuation reserves.

In terms of policyholder dividends, we strive to increase them in line with the expectations of our policyholders. Anticipating an increase in health-mindedness, since fiscal 2005 we have offered a dividend (healthy dividend) to medical insurance policyholders with no hospitalization benefit payouts, and decided to increase this dividend for fiscal 2019.

We also decided to pay special dividends, which were reinstated in fiscal 2014. In these special dividends, we add

new medical insurance policies that reach maturity with no hospitalization benefits payouts, as well as for death security policies that are already eligible. With these moves, we have raised personal insurance dividends for the eighth consecutive year.



Our Mission as a Mutual Company

Since our establishment in 1923, we have taken the form of a mutual company. Our mission as a mutual company is to provide customers with effective reductions in insurance premiums through dividend payouts. Moreover, providing reliable payment of insurance claims is most important responsibilities as an insurance company.

To fulfill our mission as a mutual company and our responsibilities as an insurance company, we have focused primarily on protecting the interests of our customers by pursuing an appropriate level of growth that will allow us to serve these interests. We believe that these moves will help customers develop trust in us and so feel secure.

Life insurance is a covenant that extends beyond a single lifetime to include subsequent generations, making it a never-ending endeavor. In the spirit of mutual aid, we will fulfill the promises we have made to our customers in perpetuity while providing confidential customer support.

We look forward to your continued support and cooperation.

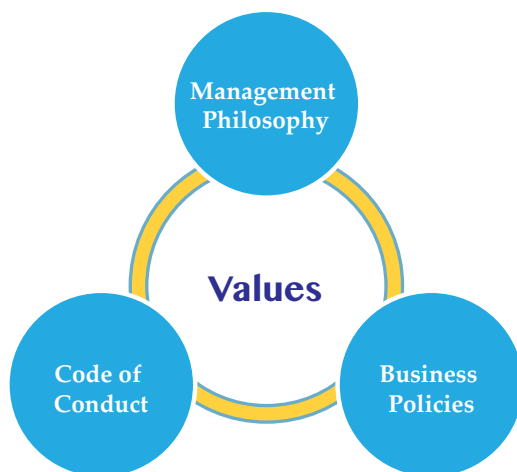
A handwritten signature in black ink, reading "Yoshiteru Yoneyama".

Yoshiteru Yoneyama
President

Values

Our Customer-Centered Values

Possessing customer-centered values means creating and providing distinctive services and experiences that provide true peace of mind to customers based on the assumption that all employees treat customers as they themselves would like to be treated.



Management Philosophy

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

To protect the interests of our policyholders

To contribute to society

To help our employees achieve personal fulfillment

Code of Conduct

A customer-centered code of conduct to be reflected in the attitudes of all executives and employees as they carry out their daily business.

We believe that having customer-centered values requires us to do the following:

- ❖ Remember the importance of teamwork
- ❖ Deserve the trust of each and every customer
- ❖ Work with enthusiastic and pride
- ❖ Apply common sense in our work
- ❖ Emphasize the importance of life insurance
- ❖ Overcome every difficulty
- ❖ Create a friendly work environment

Business Policies

1. Foster personnel with customer-centered values

To provide customers with peace of mind, foster confident and proud employees who have the ability to adopt a customer's perspective.

2. Reinforce how sales representatives structure activities

To ensure meticulous service to customers, reinforce the structure according to which sales personnel conduct face-to-face sales activities.

3. Attain a net increase in the number of policyholders

To earn the trust of a growing number of customers, strengthen insurance product presentation design, provision, and follow-up services to meet customer needs.

4. Enhance business efficiency

To achieve stable growth, improve the efficiency of the Company's wide range of business activities.

Overview

Based on our management philosophy, which aims to protect the interests of our policyholders, contribute to society and help our employees achieve personal fulfillment, all Fukoku Life executives and employees strove to manage and conduct business with customer-centered values as the starting point for all our ideas and actions, creating and providing distinctive services and experiences while always treating customers the way they themselves would like to be treated.

Additionally, in accordance with our basic human resources policy, we focused on developing human resources that meet our three requirements of self-motivation, creativity and altruism in an effort to train personnel capable of implementing our customer-centered values.

In addition, operating in a low-interest-rate environment that appears likely to continue, we have continued striving to develop and sell products that meet customers' changing needs, offer increasingly sophisticated asset investment and promote enterprise risk management (ERM).

Centenary Project

We celebrated the 95th year since our founding in November 2018. We launched our centenary project based on THE MUTUAL, a conceptual image of Fukoku Life as it welcomes its 100th anniversary in four years. THE MUTUAL represents mutual aid that has been developed to meet the standards and requirements of the next 100 years. Additionally, it represents our determination to establish organizations that embody real mutual aid, which involves deepening the support-based relationships we have with all individuals that share a connection with us.

In fiscal 2019, we launched sectional committee activities called NEXT100, based on 11 themes, which will serve as an engine for the embodiment of THE MUTUAL. One of the themes involves an activity called FIND THE MUTUAL, which requires our employees to search for instances of THE MUTUAL throughout Japan and to disseminate relevant information.

During fiscal 2019, we conducted interviews at five branch offices (the Nara, Kumamoto, Tokyo, Kyoto, and Ikebukuro offices) and later published these interviews through media, including a special website of centenary project and newspaper advertisements.

Now, as we liaise with our 62 branch offices in 47 prefectures, we will expand the degree to which Fukoku Life is known and understood by considering and exploring what the next generation of mutual aid and sharing our findings.

Medium-term Management Plan

We are currently implementing a medium-term management plan that began in fiscal 2019 and will end at the conclusion of fiscal 2021. The vision of this plan is the same as the vision that defined our previous medium-term management plan; "to become the most valuable company through differentiation." To bring us closer to achieving this vision, we have established the creation of a perpetually virtuous cycle for sustainable growth (put more simply, a cycle valuable company through in which improvement in employee satisfaction leads to improvement in customer satisfaction) as one of the key themes of our medium-term management plan. In accordance with another theme of our plan, we are conducting initiatives aimed at achieving our long-term management vision of becoming the life insurance company with the highest degree of customer satisfaction, a position we intend to reach within ten years. As we strive to reach these goals, we are promoting drastic reforms aimed at enhancing channels for sales staff.

Spreading and Implementing Customer-Centered Values

We are working to spread and implement customer-centered values based on "Our Customer-Centered Values," principles of action that express the attitudes and approaches of our executives and employees as they engage in daily business operations.

We are implementing customer-centered value training activities targeting all employees in an effort to encourage awareness and consciousness that enables them to ground their efforts in customer-centered values. We have reaffirmed that these activities will function as a starting point for a wide variety of corporate activities that require all contributing participants to place utmost importance on customer-centered values.

Offering Responsible and Optimal Insurance Products and Services that Meet Customer Needs

We are promoting the construction of a highly flexible product scheme that allows customers to secure just the amount of coverage that is necessary to meet their individual needs. At the center of these efforts is "Mirai no Tobira," a core product that enables customers to establish coverage, without agreeing to base policies, through the free combination of special riders.

In October, we launched Zutto Anshin Care Double (a single-policy special lifetime annuity rider that supplements costs associated with long-term nursing care for patients of dementia through annuities) as a new rider for our core product, Mirai no Tobira. This special rider will pay lifelong annuities to individuals who qualify under categories two in the public nursing care insurance system (are aged 40 years or higher). Furthermore, this special rider will increase annuity payments by 50% for individuals who, in accordance with predetermined requirements, are determined to be sufferers of severe dementia. Through this special rider, we reliably cover the cost of long-term nursing care, even over especially long care periods, and have established a means of providing gracious support for sufferers of dementia.

Enhancing the Information We Provide to Customers

We work to ensure that customers can select insurance products based on correct information by releasing a variety of appropriate booklets and brochures in addition to our product pamphlet, including "The Perfect Way to Think about Security" and serial publications that share morbidity and disease information that is relevant to our insurance products.

Developing Human Resources That Can Implement Customer-Centered Values

By further spreading our founding philosophy, we are working to develop human resources that are capable of implementing customer-centered values. Additionally, our president continued to hold regular round-table meetings through which he directly communicated his ideas regarding customer-centered values. These meetings provided an environment in which participants could once again consider what customer-centered value-based activities they were capable of performing.

In an effort to further implement consulting based on customer inclinations, we also worked to develop customer advisors that could take charge of face-to-face sales by encouraging them to become qualified financial planners or acquire other certifications.

Furthermore, we conducted human resource development based on an awareness of diversity to create a working environment that allows active contribution from female employees while also accommodating a diverse range of other human resources.

Overseas Business

We have three asset management subsidiaries, Fukoku Life International (U.K.) Ltd., Fukoku Life International (America) Inc. and Fukoku Life Investments Singapore Pte. Ltd. The subsidiary in Singapore also has a research function for financial markets and insurance markets in Asian countries. By enhancing our global asset management system, we will be able to maintain sufficient investment returns well into the future. At the same time, we will raise our level of sophistication in asset management through the cultivation of human resources well-versed in global financial markets and asset management business.

Business Performance in Fiscal 2019

Life Insurance in Force

At fiscal year-end, life insurance in force, which comprises individual life insurance, individual annuities, and group insurance, amounted to ¥42,490.7 billion, up 0.1% compared with the previous fiscal year-end. Within this amount, life insurance for individuals declined 0.8%, to ¥22,429.5 billion, individual annuities decreased 3.8%, to ¥2,456.0 billion. The year-end balance of life insurance in force for groups increased 1.7%, to ¥17,605.2 billion.

Group annuities in force (policy reserve) rose 2.0%, to ¥2,233.4 billion.

Annualized Premiums for New Policies and Policies in Force

In the year under review, annualized premiums for new policies decreased 2.9% compared with the previous fiscal year, to ¥14.8 billion. Within this amount, individual insurance was down 4.4%, to ¥14.0 billion, and individual annuities up 32.3%, to ¥0.8 billion. Annualized premiums from medical insurance and living benefit insurance increased 1.4%, to ¥7.5 billion.

Annualized premiums for policies in force fell 2.9%, ¥385.1 billion. Within this amount, individual insurance decreased 1.1%, to ¥269.2 billion, and individual annuities declined 6.6%, ¥115.8 billion. Annualized premiums from medical insurance and living benefit insurance increased 1.3%, to ¥113.5 billion.

Premium Income and Payments

In the year under review, premium and other income increased 1.5% compared with the previous fiscal year, to ¥533.5 billion.

Meanwhile, claims and other payments, which represent the total of payments under insurance policies, declined 6.1%, to ¥439.1 billion.

Performance of Fukoku Life Group (Fukoku Life and Fukokushinrai Life Insurance)

Annualized premiums for new policies of the Fukoku Life Group, including Fukokushinrai Life Insurance, rose 15.6% year on year, to ¥20.6 billion. This increase was due to favorable sales of Fukokushinrai Life Insurance "Interest Rate

Renewal Type Single Premium Whole Life" launched in October 2018. Within this amount, annualized premiums from medical insurance and living benefit insurance increased 1.6%, or ¥0.1 billion, to ¥7.7 billion.

At fiscal year-end, annualized premiums for policies in force decreased 1.7%, or ¥9.3 billion, to ¥549.6 billion. Annualized premiums from medical insurance and living benefit insurance were up 1.4%, or ¥1.5 billion, to ¥115.3 billion.

The total value of premium and other income increase 9.1%, or ¥52.5 billion, to ¥629.9 billion.

Assets, Liabilities, and Net Assets

The outstanding balance of non-consolidated total assets, including separate accounts, increased 1.6%, or ¥106.2 billion, to ¥6,790.8 billion. Within this amount, general account assets rose 1.4%, to ¥6,706.2 billion.

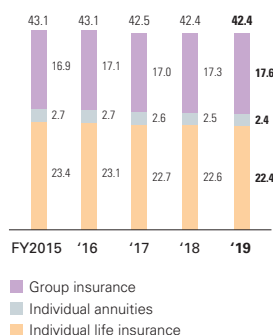
The year-end balance of securities stood at ¥5,344.6 billion, a decrease of ¥223.2 billion, or 4.0%, compared with the previous fiscal year-end.

Total liabilities increased 2.7%, or ¥162.9 billion, to ¥6,250.8 billion.

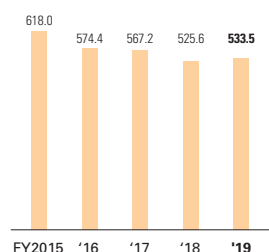
Net assets amounted to ¥540.0 billion, down 9.5% compared with the previous fiscal year-end.

On a consolidated basis, total assets rose 0.7%, to ¥8,574.4 billion, and net assets decreased 9.8%, to ¥552.8 billion.

Life insurance in force
(¥ trillions)



Premium and other income
(¥ billions)



Strengthening Our Capital Base

The basic policy we apply when strengthening our capital base entails timely external procurement and places paramount importance on maintaining an adequate balance between the payment of dividends and the accumulation of net surplus.

Solvency Margin

Fukoku Life's solvency margin ratio at fiscal year-end rose 101.1 percentage points to 1,290.8%, far above 200%, which is one standard for measuring soundness.

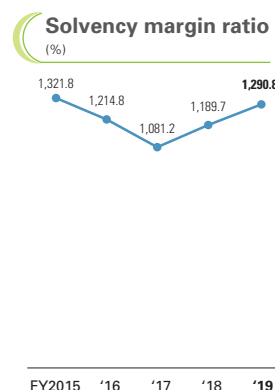
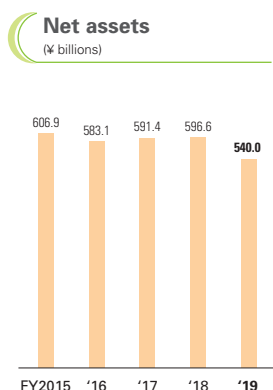
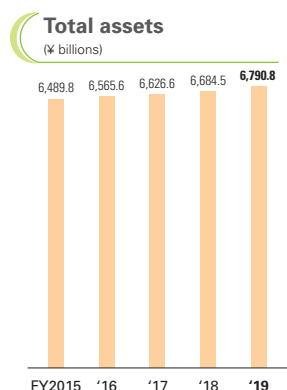
Dividends

Fukoku Life is working to provide dividends based on customer expectations. When settling accounts for the fiscal year ended March 31, 2020, we raised dividends issued to medical insurance policyholders who have not received hospitalization benefits (healthy dividends). Moreover, in addition to the death benefit policyholders who had previously been eligible, we made medical insurance policyholders who have not received hospitalization

benefits eligible for special settlement dividends paid at maturity. Thanks to these actions, we were able to raise personal insurance dividends for the eighth consecutive year. As the spread of the novel coronavirus pandemic impacts the household budgets of policyholders, the Company is striving to effectively reduce the burden of insurance premiums by increasing dividends.

Ratings

Fukoku Life relies on three neutral and unbiased rating organizations to provide an objective assessment of the Company's ability to meet insurance payments. As of July 1, 2020, we have received ratings of AA- from Rating and Investment Information, A from Standard & Poor's and A2 from Moody's. These ratings represent strong evaluations of the Company's soundness and profitability. Going forward, we will continue striving to maintain and further improve our high financial ratings.



Investment Performance in Fiscal 2019 (General Account)

Overview

Recovery in the Japanese economy came to a standstill in the first half of fiscal 2019 due in part to sluggish external demand resulting from trade friction between the US and China. The economic situation deteriorated in the latter half of fiscal 2019 due primarily to increasing strain on household budgets caused by the consumption tax hike in late 2019, lower inbound tourist demand associated with the COVID-19 pandemic and a growing mood of self-restraint that encouraged consumers to stay indoors. Growth in global economies, which was already slowing down due to factors such as trade friction between the US and China, was further hindered by stagnating economic activity in many countries that implemented immigration and emigration restrictions or issued stay-at-home orders to help prevent the spread of the COVID-19 pandemic. In terms of monetary policies, in July 2019, the Federal Reserve Board (FRB) cut interest rates for the first time in ten and a half years in response to growing uncertainty caused primarily by the intensifying trade friction between the US and China and the United Kingdom's decision to withdraw from the EU. Later, in September, the European Central Bank (ECB) also decided to lower interest rates and reinstate quantitative easing policies. Afterward, the FRB responded to the COVID-19 pandemic by introducing a zero-interest policy and quantitative easing measures that allowed for the unlimited purchasing of treasury securities and agency mortgage-backed securities. Meanwhile, the ECB substantially expanded its quantitative easing policy. The Bank of Japan (BOJ) enhanced monetary easing by increasing at annual paces with the upper limit of which ETFs and J-REITs can be purchased. At the same time, with regard to yield curve control, the BOJ has left its interest rate targets unchanged.

In terms of asset management, we curtailed our investment in domestic and overseas bonds as global long-term interest rates trended low due primarily to monetary easing policies implemented by major central banks in the world. To maintain profitability, we accumulated domestic stocks selectively that are expected to generate stable dividends during a period in which domestic stock prices were decreasing while appropriately controlling for price fluctuation risk. At the end of fiscal 2019, the volatility of financial and capital markets increased as a result of the spread of the COVID-19 pandemic. At this time, we sold a portion of domestic and foreign government bonds associated with substantial increases in unrealized gains and allocated a portion of the funds received through these sales to domestic and foreign corporate bonds as we deemed a good entry point to ensure profitability of our portfolio.

As a signatory to the U.N. Principles for Responsible Investment (PRI), we actively conduct ESG investment and

financing aimed at establishing sustainable societies while ensuring profitability. These activities included investment in a fund that donates a portion of performance fees received to cancer research institutions and investment in a bond that provides support to people with disabilities.

As part of our stewardship activities, we held purpose-driven engagement dialogue with major investee companies. During these engagement dialogues, we aimed to achieve understanding regarding strategies from a medium- to long-term perspective while making proposals aimed at improving corporate value. To further enhance the effectiveness of these dialogues, we asked major investee companies to get feedback such as the helpfulness of our proposals, after visiting. Within the Stewardship Committee, which is chaired by a member from outside of the company, we discussed issues such as the status concerning the implementation of these engagement dialogues and the exercising of voting rights. At the same time, we worked to further improve the effectiveness of stewardship activities through discussions covering all of our activities.

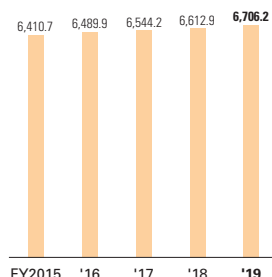
In addition to these activities, we concluded a memorandum of understanding regarding European corporate bond management with asset management company Muzinich & Co. (headquarters in New York City, U.S.A.) in May 2019 to strengthen the medium- to long-term competitiveness of our asset management. We are aiming not only to enhance our investment capabilities as global institutional investor but to develop human resources with global perspectives that enable them asset management enhancement as well by promoting collaboration with Muzinich & Co. and Payden & Rygel (headquarters in Los Angeles, U.S.A.), which have formed a partnership concerning U.S. corporate bond management with us in September 2017. The collaboration includes dispatching trainees to both companies and exchanging views regarding foreign corporate bond management with them.

Investment income increased ¥12.5 billion (6.9%) year on year to ¥195.0 billion, due primarily to higher gains on sales of securities (mainly domestic and foreign bonds). The total interest, dividends and other income (including that from trading securities) within this figure increased ¥0.9 billion (0.6%) year on year to ¥156.3 billion, reaching a record-high for the second consecutive year, thanks in part to higher dividends from domestic stocks.

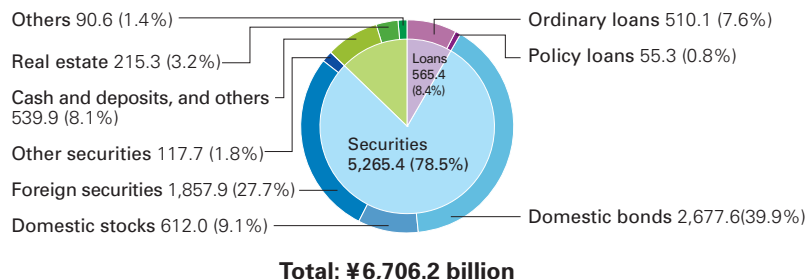
Investment expenses rose ¥6.3 billion (13.0%) year on year to ¥54.9 billion due primarily to higher loss on valuation of securities associated with a sharp decline in domestic and foreign stock prices caused by the COVID-19 pandemic.

As a result, net investment income rose ¥6.2 billion (4.6%) year on year to ¥140.1 billion.

General account assets
(¥ billions)



Breakdown of general account assets (Fiscal year ended March 31, 2020)
(¥ billions)



Note: This total includes cash and deposits, call loans, monetary claims bought and money held in trust.

Domestic Bonds

We curtailed investment as domestic long-term interest rates trended low. Under these circumstances, domestic bonds fell ¥104.3 billion (3.7%) year on year to ¥2,677.6 billion due primarily to our partial sale of government bonds associated with substantial increases in unrealized gains at the end of fiscal 2019, when the volatility of financial and capital markets increased due to the spread of the COVID-19 pandemic.

Foreign Securities

Foreign bonds fell ¥33.6 billion (2.1%) year on year to ¥1,580.8 billion due to our curtailment of investment in foreign bonds in response to low long-term interest rates globally and our partial sale of government bonds associated with substantial increases in unrealized gains at the end of fiscal 2019. Although we invested in a fund that supports cancer treatment research, which we acquired as part of our ESG investment and financing

efforts, and accumulated European and American stocks that are expected to generate high dividend yields, foreign stocks and other securities declined ¥39.0 billion (12.4%) year on year to ¥277.0 billion due primarily to a decline in unrealized gain that occurred due to a drop in stock prices.

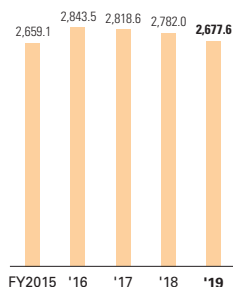
Domestic Stocks

Despite accumulating stocks that are expected to generate stable dividends while appropriately controlling for risks, domestic stocks fell ¥60.5 billion (9.0%) year on year to ¥612.0 billion due to a decrease in unrealized gain that occurred due to a drop in stock prices.

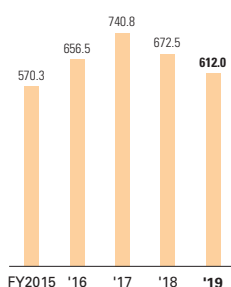
Ordinary Loans

Loans rose ¥5.3 billion (1.1%) year on year to ¥510.1 billion due in part to our efforts to diversify our borrowers, which added loans for renewable energy projects and non-resident borrowers.

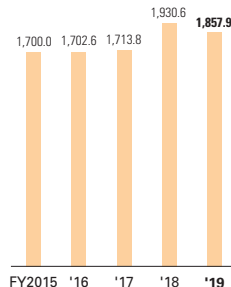
Domestic bonds
(¥ billions)



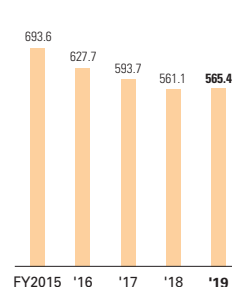
Domestic stocks
(¥ billions)



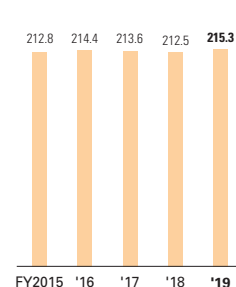
Foreign securities
(¥ billions)



Loans
(¥ billions)



Real estate
(¥ billions)



◆ Investment Policies for Fiscal 2020

Investment Environment

In fiscal 2020, ending March 31, 2021, we project that the global economy will slowly recover despite severe impact from the COVID-19 pandemic thanks to large-scale fiscal policies and strong monetary easing measures, implemented in all applicable countries. Under these economic conditions, we forecast that both domestic and foreign long-term interest rates will remain extremely low as major central banks in the world continue to deploy strong monetary easing policies to provide

support for households and corporations. Although growth in stock price will be limited by economic uncertainty, we project that domestic and foreign stock market will be steady thanks primarily to large-scale fiscal policies and strong monetary easing measures implemented in all applicable countries. We do not anticipate that the difference in interest rates between the U.S. and Japan will change substantially and therefore project that the exchange rate between the U.S. dollar and the yen will remain in a range bound.

Domestic Bonds

While closely monitoring interest rates situation, we will accumulate corporate bonds with relatively high yields and strive to amass interest income by allocating part of cash position for the purchase of government bonds.

Domestic Stocks

Keeping a tight watch on stock market, we will accumulate stocks selectively that are expected to generate stable dividends.

Foreign Securities

With regard to foreign currency denominated bonds, we will reinvest a portion of proceeds from foreign government bonds

into foreign corporate bonds and strive to increase interest income by allocating part of cash position for the purchase of foreign corporate bonds. As for foreign stocks and other securities, we will invest in funds that are higher risk-adjusted-return to improve the yields of our portfolio.

Ordinary Loans

We will strive to increase our loan balance by discovering new lending projects.

Real Estate

We will invest in new project to enhance our real estate portfolio from a medium-to long-term perspective.

Business Management System

Corporate Governance Enhancement Initiatives

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

Basic Approach to Corporate Governance

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

Establishment of Management Control Measures

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

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

Enhancement of Internal Control System

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

Enterprise risk management (ERM)

Life insurance is a "promise" to pay insurance claims and benefits in the event of an unforeseen emergency, a lifetime commitment to customers that can even span generations.

Events may occur, such as drastic changes in the economic environment or other catastrophes, during the many months and years in which we accompany customers on their life journey. When this happens, the role of life insurance companies becomes even more important.

Only after keeping this promise with unwavering reliability regardless of the circumstances can customers enjoy peace of mind. To maintain this reliability into the future, Fukoku Life promotes enterprise risk management (ERM) for overall management of a diverse range of complicated risks from a strategic perspective based on the recognition that each executive officer and employee is responsible for risk management commensurate with their position.

At Fukoku Life, the Board of Directors has established the Risk Management Committee to perform enterprise risk management (ERM). Several subcommittees have been established under the Risk Management Committee to manage

the various risks that arise in business operations, and to conduct asset and liability management (ALM). The Risk Management Committee consolidates and evaluates these risks at the corporate level, and considers the appropriate level of acceptable risk and risk response. Furthermore, the Risk Management Committee has established a specialized risk management committee to help enhance enterprise risk management.

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

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

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

Compliance System

As members of the community, all executives and employees undergo ongoing training in compliance-related matters so that they not only observe laws and regulations, but also comply with protocols and social conventions. This training is also aimed at enhancing the spirit of compliance. To this end, as well as improving and reinforcing the compliance system, we hold hands-on compliance training on an ongoing basis.

However, we recognize that even the most robust of systems cannot guarantee the complete elimination of improper conduct. We believe that it is important to detect any improper conduct early, deal with it swiftly and appropriately, and make constant improvements and work to rectify the situation in order to prevent a recurrence. Accordingly, we believe that continuous improvement and correction are important.

The Compliance Committee, comprising full-time directors and other executives and chaired by the president, has the Board of Directors' mandate to deliberate matters related to compliance promotion and to promote compliance. The Compliance Control Department serves as secretariat for this committee. Furthermore, the chief compliance officer and compliance officers are stationed at headquarters to perform regular compliance checks.

Protection of Personal Information

As an insurance company that is trusted by its customers, Fukoku Life recognizes the handling of personal information as a topmost priority. Accordingly, we take great care in handling personal information. We comply with the Act on the Protection of Personal Information, which came into force in September 2015, as well as other related legislation and guidelines, and we will continue endeavoring to appropriately handle and protect personal information going forward. The Company has also formulated its own privacy policy, which describes its policy on the protection of personal information, and a basic policy on the handling of specific personal information. In these ways, we work to appropriately manage the important personal information entrusted to us by our customers. We also strive to respond swiftly and appropriately to any questions, consultations or requests from customers with regard to personal information.

As rules for managing personal information appropriately, we have formulated Regulations on the Handling of Personal Information and Regulations on the Handling of Corporate Customers' Information. In addition, we appropriately manage information by conducting spot checks on the status of personal information and other safety management measures by subcontractors.

Achieving Sustainable Development Goals (SDGs)

We operate under a Customer-Centered Business Management Policy to share common values with our stakeholders, customers, employees, and society.

Fukoku Life's Approach toward SDGs

- Fukoku Life has always adhered to its management philosophy ("Contributing to Society"), which has not changed since the Company's foundation.
- Given the highly public nature of a life insurance business, a life insurance company's commitment to its customers must be perpetual.
- Accordingly, it is only natural for us to maintain our sustainable development and growth in tandem with society in order to uphold our perpetual commitment to customers.

As we believe that all our business activities as a mutual life insurer will contribute to the achievement of SDGs, Fukoku Life has always maintained the such vision and initiatives.

ESG Investment Concept

- In addition to practicing asset management while prioritizing policyholder interests, we are striving to fulfill our social responsibility through asset management by taking into account the public nature of the life insurance business.
- Since becoming a PRI signatory in March 2016, we have incorporated ESG factors into both our investment decision process (provided that they do not violate fiduciary duty) and the constructive dialogues we hold with investee companies as part of our stewardship activities.
- As a PRI signatory, we will continue to fulfill our fiduciary duty to secure profitability while aiming to contribute to a more sustainable society.

Major ESG Investment Initiatives during FY2019

- Invest ¥5.4billion into a fund that invests in companies engaged in R&D targeting breakthroughs in cancer treatment and donate a portion of management fees to cancer research institutes.
- Invest ¥7.7 billion into a bond that provides support to people with disabilities in collaboration with the World Bank.

Fukoku Life's Stakeholders



Contribution to Society

In accordance with the highly public nature of the life insurance business, Fukuoku Life believes that the sound management of its business is its first priority in terms of fulfilling its corporate social responsibility (CSR). Furthermore, we believe that the Company should engage proactively in a range of social contribution activities aimed at helping to build a better society.

Fukuoku Life Concerts

This activity began in fiscal 1989 with a Fukuoku Salon Concert, held in the lobby of our headquarters building in Uchisaiwaicho.

Fukuoku Life holds Visiting Concerts, which are held at schools and institutions for people with disabilities, enabling them to enjoy genuine classical music performed by professional musicians. We also hold Charity Concerts, which are held as a community benefit event and on which Fukuoku Life executives collaborate in fund-raising. These concerts are held in cooperation with the regions where they are held.

• Visiting Concerts

Begun in fiscal 2002, Visiting Concerts are performed by Charity Concert musicians who visit schools and institutions for people with disabilities in communities where Charity Concerts are also being held.



Visiting Concert

• Charity Concerts

In fiscal 1993, we began holding free-admission Charity Concerts, which also raise funds through the cooperation of charity donations by customers at concert venues. The funds raised in this manner are contributed to social welfare councils and other community organizations, thereby assisting communities' social welfare.

From their start in fiscal 2002 through March 31, 2020, Visiting Concerts had been held in 251 locations, while Charity Concerts had been held 299 times from their beginning in 1993 through the end of the fiscal year.

Smile Gallery

To support the creation of art by children with disabilities, in the shopping mall located in the second-floor basement of our head office building in Uchisaiwaicho, we operate the Smile Gallery. In this gallery, we display artworks by students of special-education schools from around Japan. This activity began in fiscal 2002 as an offshoot of the Visiting Concerts, which visit special-education schools.

We also use the artworks provided to create calendars, which we distribute to employees and customers.



Smile Gallery

Hello Kitty Hospital Visit Program

Under this program, Fukuoku Life's brand mascot Hello Kitty—which is a popular character worldwide—makes visits to children's hospitals and pediatric wards to support hospitalized children and their families. Commemorative photos with Hello Kitty are taken, placed in frames that are handmade at Fukuoku Life and given to children as presents.

Activities to Support Reconstruction in Disaster-Affected Areas

• Disaster-Area Visits and Support Concerts, Visiting Concerts in Disaster-Affected Areas

It will still be some time before recovery following the Great East Japan Earthquake is complete. To cheer on the recovery, Fukuoku Life continues to hold disaster-area events and Support Concerts, as well as Visiting Concerts in disaster-affected areas. We are conducting these activities in the three prefectures affected by the earthquake: Fukushima, Miyagi and Iwate.

A portion of the donations received from Charity Concerts are donated to areas affected by the Great East Japan Earthquake and the Kumamoto earthquakes.

In fiscal 2019, Visiting Concerts in disaster-affected areas were held at eight schools and Support Concerts were held at Sendai branch office and Fukushima branch office.

• Events to Sell Specialty Products from Disaster-Affected Regions

At an open space in the first basement floor of our headquarters in Uchisaiwaicho and in the first-floor entrance lobby at our Chiba New Town headquarters, we hold events to sell specialty products from the three prefectures affected by the Great East Japan Earthquake: Fukushima, Miyagi and Iwate, as well as Kumamoto, which was damaged in the Kumamoto Earthquake.

We receive substantial cooperation for events to sell specialty products from disaster-affected regions from people outside the Company, as well as from within the organization.

Environmental Protection Initiatives

• Flora Preservation

Since fiscal 2006, we have been conducting the Fukoku Life (Inochi) Forest project, mainly as a measure to counter damage from bamboo. This forest provides a venue for participation in and hands-on experience of environmental preservation activities.

Currently, a growing number of forests in Japan are being left to grow unchecked due to the lack of people willing to take over forestry businesses. One particular problem is uncontrolled groves of Moso bamboo, which invades the forests needed to absorb CO₂—a greenhouse gas—as well as farmland. Due to the shallowness of its roots, bamboo can make ground slippery and contribute to topsoil erosion. It can also devastate mountainous forests and cause landslides. Measures are therefore needed to counter this “bamboo damage,” to protect the environment and respond to disaster.

In the Fukoku Life (Inochi) Forest project, Company executives and employees take part in cutting away bamboo forests in order to protect mountainous forest land owned by the Company. In addition to forest regeneration, this thinning also aims to restore the bamboo forests themselves to health. These activities are mainly carried out by Company



Flora Preservation

volunteers organized as the Usami Club. In fiscal 2019, these activities were conducted seven times, with 81 executives and employees and their family members participating as volunteers.

Other Activities

• Art Promotion

Fukoku Life is a sponsor of the MET: Live in High Definition series of screenings by the New York Metropolitan Opera (MET), which are distributed by Shochiku Co., Ltd. By giving members of the general public the opportunity to see some of the finest opera performances in the world, we help promote the arts and culture.

• Lobby Sales Events

The lobby sales events at Visit & Charity Concerts sponsored by our Uchisaiwaicho and Chiba New Town headquarters have led to regular bakery shop sales events operated by institutions for people with disabilities. The Company's employees participate as sales staff at these traveling events. Thus we provide a sales location and cooperate in institutions' activities. At the same time, through this participation we promote better understanding within the Company of people with disabilities.



MET Live Viewing 2019-2020
Turandot-Puccini
© Marty sohl/Metropolitan Opera

Communication with Society

Our Customer Advisors gather feedback directly from customers and strive to offer better services, which we believe to be most the most effective means of advertising and communication. We also provide information through various advertising and public relations activities to deepen communication between customers and Customer Advisors and encourage a better understanding of the Company.

• Alliance with Sanrio

The Hello Kitty character, owned by Sanrio Co., Ltd., has attained worldwide popularity. Fukoku Life has adopted this widely loved character as its brand mascot, and features Hello Kitty in many communications media, including Fukoku Life posters and brochures, and in video on our website.

In fiscal 2014, we created an original Gotochi Kitty character (“Gotochi” referring to a specific region), which we use in numerous situations to evoke an even greater sense of closeness with customers.

We also provide the Sanrio Character Boat Ride as a friendly-company attraction at Sanrio Puroland and Harmonyland.



©'13,'19 SANRIO S/D-G
©'76,'90,'96,'99,'01,'10,'19 SANRIO APPROVAL No.P11092415



• Providing Information

Fukoku Life publishes a variety of materials for its stakeholders. Publications that provide information on the Company's business activities include the Japanese-language annual disclosure report. “Disclosure” (and abridged versions thereof), booklets written for policyholders, and this English-language annual report. Our diverse lineup of public relations and advertising activities include the production of a variety of publications as needed, in order to strengthen the channels of communication between the Company, its policyholders, and its many other customers.

Non-consolidated Financial Statements

Non-consolidated Balance Sheets

Fukoku Mutual Life Insurance Company
As of March 31, 2019 and 2020

	As of March 31,		
	2019	2020	2020
	Millions of yen		Millions of U.S. dollars
Assets:			
Cash and deposits:			
Cash	¥ 172	¥ 168	\$ 1
Bank deposits	66,599	288,500	2,650
	66,771	288,668	2,652
Call loans	176,000	230,000	2,113
Monetary claims bought	299	269	2
Money held in trust	23,850	24,156	221
Securities:			
Government bonds	2,030,510	1,932,731	17,759
Local government bonds	102,277	102,704	943
Corporate bonds	670,914	664,875	6,109
Stocks	696,181	631,989	5,807
Foreign securities	1,953,608	1,894,581	17,408
Other securities	114,384	117,783	1,082
	5,567,876	5,344,665	49,110
Loans:			
Policy loans	56,332	55,339	508
Ordinary loans	504,806	510,133	4,687
	561,138	565,473	5,195
Tangible fixed assets:			
Land	125,180	125,118	1,149
Buildings	84,441	87,320	802
Lease assets	1,241	909	8
Construction in progress	2,933	2,866	26
Other tangible fixed assets	3,177	3,260	29
	216,974	219,475	2,016
Intangible fixed assets:			
Software	20,891	18,155	166
Lease assets	—	873	8
Other intangible fixed assets	1,410	4,762	43
	22,301	23,791	218
Agency receivables	—	4	0
Reinsurance receivables	119	111	1
Other assets:			
Accounts receivable	5,558	5,973	54
Prepaid expenses	1,987	2,508	23
Accrued income	29,898	28,268	259
Deposits	2,195	2,239	20
Derivatives	4,302	21,360	196
Suspense payments	3,145	3,381	31
Lease investment assets	666	—	—
Rest of the other asset	3,585	3,148	28
	51,341	66,881	614
Deferred tax assets	—	29,397	270
Allowance for possible loan losses	(2,096)	(2,023)	(18)
Total assets	¥6,684,576	¥6,790,871	\$62,398

As of March 31,

	2019	2020	2020
	Millions of yen		Millions of U.S. dollars
Liabilities:			
Policy reserves:			
Reserve for outstanding claims	¥ 20,322	¥ 19,814	\$ 182
Policy reserve	5,613,583	5,694,979	52,329
Reserve for dividends to policyholders	58,176	60,922	559
	5,692,082	5,775,716	53,070
Reinsurance payables	55	86	0
Subordinated bonds	191,935	191,935	1,763
Other liabilities:			
Cash received as collateral under securities lending transactions	—	67,866	623
Corporate income tax payable	4,422	6,002	55
Accounts payable	2,561	2,783	25
Accrued expenses	10,802	10,689	98
Unearned income	381	361	3
Deposits received	5,987	6,079	55
Guarantee deposits received	14,041	13,941	128
Derivatives	7,641	7,564	69
Cash collateral received for financial instruments	1,051	1,694	15
Lease obligations	—	966	8
Asset retirement obligations	2,892	2,754	25
Suspense receipts	1,596	1,928	17
	51,377	122,632	1,126
Reserve for employees' retirement benefits	24,517	23,519	216
Reserve for price fluctuation	111,279	122,745	1,127
Deferred tax liabilities	2,429	—	—
Deferred tax liabilities for land revaluation	14,225	14,213	130
Total liabilities	6,087,901	6,250,849	57,436
Net assets:			
Foundation funds	10,000	12,000	110
Accumulated foundation funds redeemed	106,000	116,000	1,065
Reserve for revaluation	112	112	1
Surplus:			
Legal reserve for future losses	3,071	3,176	29
Other surplus:			
Reserve for redemption of foundation funds	8,000	—	—
Reserve for dividend allowances	20,000	20,000	183
Accumulated fund for price fluctuation	41,000	41,000	376
Reserve for advanced depreciation of real estate for tax purpose	210	209	1
Other reserves	767	767	7
Unappropriated surplus	60,633	57,901	532
	130,611	119,878	1,101
	133,682	123,054	1,130
Total foundation funds, surplus and others	249,794	251,166	2,307
Net unrealized gains (losses) on available-for-sale securities, net of tax	342,748	284,752	2,616
Revaluation reserve for land, net of tax	4,132	4,102	37
Total valuation and translation adjustments	346,880	288,855	2,654
Total net assets	596,674	540,021	4,962
Total liabilities and net assets	¥6,684,576	¥6,790,871	\$62,398

See notes to the non-consolidated financial statements.

Non-consolidated Statements of Operations

Fukoku Mutual Life Insurance Company
For the years ended March 31, 2019 and 2020

	Year ended March 31,		
	2019	2020	2020
	Millions of yen		Millions of U.S. dollars
Ordinary revenues:			
Premium and other income:			
Premium income	¥525,407	¥533,396	\$4,901
Reinsurance income	198	130	1
	525,605	533,527	4,902
Investment income:			
Interest, dividends and other income:			
Interest on deposits	35	36	0
Interest and dividends on securities	126,834	129,290	1,188
Interest on loans	9,329	8,766	80
Income from real estate for rent	14,876	15,267	140
Other interest and dividends	114	13	0
	151,190	153,374	1,409
Gains on money held in trust, net	—	314	2
Gains on trading securities, net	3,276	—	—
Gains on sales of securities	27,729	35,410	325
Gains on derivative instruments, net	—	5,577	51
Reversal of allowance for possible loan losses	—	70	0
Other investment income	315	289	2
Gains on separate accounts, net	962	—	—
	183,473	195,037	1,792
Other ordinary revenues:			
Fund receipt from annuity rider	730	5,397	49
Proceeds from deferred insurance	4,771	3,420	31
Reversal of reserve for outstanding claims	—	508	4
Reversal of reserve for employees' retirement benefits	898	996	9
Others	2,820	2,984	27
	9,220	13,306	122
Total ordinary revenues	718,300	741,870	6,816
Ordinary expenses:			
Claims and other payments:			
Claims	104,702	93,315	857
Annuities	160,900	157,816	1,450
Benefits	111,533	110,820	1,018
Surrenders	63,787	51,404	472
Other payments	26,754	25,588	235
Reinsurance premiums	239	230	2
	467,917	439,176	4,035
Provision of policy reserve and others:			
Provision of reserve for outstanding claims	1,026	—	—
Provision of policy reserves	35,395	81,396	747
Provision of interest portion of reserve for dividends to policyholders	12	13	0
	¥ 36,434	¥ 81,409	\$ 748

Year ended March 31,

	2019	2020	2020
	Millions of yen		Millions of U.S. dollars
Investment expenses:			
Interest expenses	¥ 3,864	¥ 3,860	\$ 35
Losses on money held in trust, net	371	—	—
Losses on trading securities, net	—	4,979	45
Losses on sales of securities	11,610	1,935	17
Losses on valuation of securities	39	13,342	122
Losses on derivative instruments, net	5,875	—	—
Foreign exchange losses, net	13,396	17,543	161
Provision of allowance for possible loan losses	88	—	—
Write-offs of loans	—	262	2
Depreciation of real estate for rent and other assets	4,165	4,288	39
Other investment expenses	9,186	8,698	79
Losses on separate accounts, net	—	3,955	36
	48,599	58,867	540
Operating expenses	90,655	92,072	846
Other ordinary expenses:			
Deferred annuity payments	5,595	4,669	42
Taxes	6,220	6,788	62
Depreciation	8,615	8,879	81
Others	945	1,106	10
	21,377	21,444	197
Total ordinary expenses	664,984	692,970	6,367
Ordinary profits	53,315	48,899	449
Extraordinary gains:			
Gains on disposal of fixed assets	3	5	0
Others	60	—	—
Total extraordinary gains	63	5	0
Extraordinary losses:			
Losses on disposal of fixed assets	142	181	1
Impairment losses	228	38	0
Provision of reserve for price fluctuation	15,481	11,466	105
Total extraordinary losses	15,851	11,685	107
Surplus before income taxes	37,527	37,219	341
Income taxes:			
Current	11,752	13,646	125
Deferred	(11,059)	(10,540)	(96)
Total income taxes	693	3,106	28
Net surplus for the year	¥ 36,834	¥ 34,113	\$ 313

See notes to the non-consolidated financial statements.

Non-consolidated Statements of Changes in Net Assets

Fukoku Mutual Life Insurance Company
For the years ended March 31, 2019 and 2020

For the year ended March 31, 2019	Millions of yen											
	Foundation funds, surplus and others											
	Surplus											
	Other surplus											
	Foundation funds	Accumulated foundation funds redeemed	Reserve for revaluation	Legal reserve for future losses	Reserve for redemption of foundation funds	Reserve for dividend allowances	Accumulated fund for price fluctuation	Reserve for advanced depreciation of real estate for tax purpose	Other reserves	Unappropriated surplus	Total surplus	Total foundation funds, surplus and others
Balance at the beginning of the fiscal year	¥10,000	¥106,000	¥112	¥2,954	¥6,000	¥20,000	¥41,000	¥255	¥767	¥64,561	¥135,538	¥251,650
Changes in the fiscal year												
Additions to reserve for dividends to policyholders										(38,630)	(38,630)	(38,630)
Additions to legal reserve for future losses				117						(117)	—	—
Payment of interest on foundation funds										(100)	(100)	(100)
Net surplus for the fiscal year										36,834	36,834	36,834
Additions to reserve for redemption of foundation funds					2,000					(2,000)	—	—
Reversal of reserve for advanced depreciation of real estate for tax purpose								(45)		45	—	—
Reversal of revaluation reserve for land, net of tax										41	41	41
Net changes, excluding foundation funds, surplus and others												
Total changes in the fiscal year	—	—	—	117	2,000	—	—	(45)	—	(3,927)	(1,855)	(1,855)
Balance at the end of the fiscal year	¥10,000	¥106,000	¥112	¥3,071	¥8,000	¥20,000	¥41,000	¥210	¥767	¥60,633	¥133,682	¥249,794

For the year ended March 31, 2019	Millions of yen			
	Valuation and translation adjustments			
	Net unrealized gains (losses) on available-for-sale securities, net of tax	Revaluation reserve for land, net of tax	Total valuation and translation adjustments	Total net assets
Balance at the beginning of the fiscal year	¥335,658	¥4,173	¥339,831	¥591,482
Changes in the fiscal year				
Additions to reserve for dividends to policyholders				(38,630)
Additions to legal reserve for future losses				—
Payment of interest on foundation funds				(100)
Net surplus for the fiscal year				36,834
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				41
Net changes, excluding foundation funds, surplus and others	7,089	(41)	7,048	7,048
Total changes in the fiscal year	7,089	(41)	7,048	5,192
Balance at the end of the fiscal year	¥342,748	¥4,132	¥346,880	¥596,674

Millions of yen												
Foundation funds, surplus and others												
Surplus												
Other surplus												
For the year ended March 31, 2020	Foundation funds	Accumulated foundation funds redeemed	Reserve for revaluation	Legal reserve for future losses	Reserve for redemption of foundation funds	Reserve for dividend allowances	Accumulated fund for price fluctuation	Reserve for advanced depreciation of real estate for tax purpose	Other reserves	Unappropriated surplus	Total surplus	Total foundation funds, surplus and others
Balance at the beginning of the fiscal year	¥10,000	¥106,000	¥112	¥3,071	¥8,000	¥20,000	¥41,000	¥210	¥767	¥60,633	¥133,682	¥249,794
Changes in the fiscal year												
Financing of additional foundation funds	12,000											12,000
Additions to reserve for dividends to policyholders										(34,671)	(34,671)	(34,671)
Additions to legal reserve for future losses				105						(105)	—	—
Additions to accumulated foundation funds redeemed		10,000										10,000
Payment of interest on foundation funds										(100)	(100)	(100)
Net surplus for the fiscal year										34,113	34,113	34,113
Redemption of foundation funds	(10,000)											(10,000)
Additions to reserve for redemption of foundation funds					2,000					(2,000)	—	—
Reversal of reserve for redemption of foundation funds					(10,000)						(10,000)	(10,000)
Reversal of reserve for advanced depreciation of real estate for tax purpose								(1)		1	—	—
Reversal of revaluation reserve for land, net of tax										29	29	29
Net changes, excluding foundation funds, surplus and others												
Total changes in the fiscal year	2,000	10,000	—	105	(8,000)	—	—	(1)	—	(2,731)	(10,628)	1,371
Balance at the end of the fiscal year	¥12,000	¥116,000	¥112	¥3,176	—	¥20,000	¥41,000	¥209	¥767	¥57,901	¥123,054	¥251,166

Millions of yen				
Valuation and translation adjustments				
For the year ended March 31, 2020	Net unrealized gains (losses) on available-for-sale securities, net of tax	Revaluation reserve for land, net of tax	Total valuation and translation adjustments	Total net assets
Balance at the beginning of the fiscal year	¥342,748	¥4,132	¥346,880	¥596,674
Changes in the fiscal year				
Financing of additional foundation funds				12,000
Additions to reserve for dividends to policyholders				(34,671)
Additions to legal reserve for future losses				—
Additions to accumulated foundation funds redeemed				10,000
Payment of interest on foundation funds				(100)
Net surplus for the fiscal year				34,113
Redemption of foundation funds				(10,000)
Additions to reserve for redemption of foundation funds				—
Reversal of reserve for redemption of foundation funds				(10,000)
Reversal of reserve for advanced depreciation of real estate for tax purpose				—
Reversal of revaluation reserve for land, net of tax				29
Net changes, excluding foundation funds, surplus and others	(57,995)	(29)	(58,025)	(58,025)
Total changes in the fiscal year	(57,995)	(29)	(58,025)	(56,653)
Balance at the end of the fiscal year	¥284,752	¥4,102	¥288,855	¥540,021

Millions of U.S. dollars

For the year ended March 31, 2020	Foundation funds, surplus and others											
	Surplus											
	Other surplus											
	Foundation funds	Accumulated foundation funds redeemed	Reserve for revaluation	Legal reserve for future losses	Reserve for redemption of foundation funds	Reserve for dividend allowances	Accumulated fund for price fluctuation	Reserve for advanced depreciation of real estate for tax purpose	Other reserves	Unappropriated surplus	Total surplus	Total foundation funds, surplus and others
Balance at the beginning of the fiscal year	\$91	\$973	\$1	\$28	\$73	\$183	\$376	\$1	\$7	\$557	\$1,228	\$2,295
Changes in the fiscal year												
Financing of additional foundation funds	110											110
Additions to reserve for dividends to policyholders										(318)	(318)	(318)
Additions to legal reserve for future losses				0						(0)	—	—
Additions to accumulated foundation funds redeemed.....		91										91
Payment of interest on foundation funds										(0)	(0)	(0)
Net surplus for the fiscal year										313	313	313
Redemption of foundation funds ...	(91)											(91)
Additions to reserve for redemption of foundation funds.....					18					(18)	—	—
Reversal of reserve for redemption of foundation funds.....					(91)						(91)	(91)
Reversal of reserve for advanced depreciation of real estate for tax purpose								(0)		0	—	—
Reversal of revaluation reserve for land, net of tax										0	0	0
Net changes, excluding foundation funds, surplus and others												
Total changes in the fiscal year	18	91	—	0	(73)	—	—	(0)	—	(25)	(97)	12
Balance at the end of the fiscal year....	\$110	\$1,065	\$1	\$29	—	\$183	\$376	\$1	\$7	\$532	\$1,130	\$2,307

Millions of U.S. dollars

For the year ended March 31, 2020	Valuation and translation adjustments			
	Net unrealized gains (losses) on available-for-sale securities, net of tax	Revaluation reserve for land, net of tax	Total valuation and translation adjustments	Total net assets
Balance at the beginning of the fiscal year	\$3,149	\$37	\$3,187	\$5,482
Changes in the fiscal year				
Financing of additional foundation funds				110
Additions to reserve for dividends to policyholders				(318)
Additions to legal reserve for future losses				—
Additions to accumulated foundation funds redeemed.....				91
Payment of interest on foundation funds.....				(0)
Net surplus for the fiscal year				313
Redemption of foundation funds				(91)
Additions to reserve for redemption of foundation funds				—
Reversal of reserve for redemption of foundation funds				(91)
Reversal of reserve for advanced depreciation of real estate for tax purpose				—
Reversal of revaluation reserve for land, net of tax				0
Net changes, excluding foundation funds, surplus and others.....	(532)	(0)	(533)	(533)
Total changes in the fiscal year	(532)	(0)	(533)	(520)
Balance at the end of the fiscal year.....	\$2,616	\$37	\$2,654	\$4,962

Non-consolidated Statements of Surplus

Fukoku Mutual Life Insurance Company
For the years ended March 31, 2019 and 2020

	Year ended March 31,		
	2019	2020	2020
	Millions of yen		Millions of U.S. dollars
Unappropriated surplus	¥60,633	¥57,901	\$532
Reversal of voluntary surplus reserve:			
Reversal of reserve for advanced depreciation of real estate for tax purpose	1	1	0
	1	1	0
Total	60,635	57,903	532
Appropriation of surplus			
Reserve for dividends to policyholders	34,671	31,547	289
Net surplus:			
Legal reserve for future losses	105	95	0
Interest payment for foundation funds	100	102	0
Voluntary surplus reserve			
Reserve for redemption of foundation funds	2,000	2,400	22
	2,000	2,400	22
	2,205	2,597	23
Total appropriation of surplus.....	36,876	34,144	313
Unappropriated surplus carried forward	¥23,758	¥23,758	\$218

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

Notes to the Non-consolidated Financial Statements

I. Presentation of the Non-consolidated Financial Statements

1. Basis of presentation

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

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

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

The translations of yen amounts into U.S. dollar amounts are included solely for the convenience of the reader and have been made, as a matter of arithmetical computation only, at the rate of ¥108.83 = US\$1.00, the effective rate of exchange at the balance sheet date of March 31, 2020. The translations should not be construed as representations that such yen amounts have been or could in the future be, converted into U.S. dollars at that or any other rates.

II. Notes to the Non-consolidated Balance Sheets

1. (1) The valuation of securities, including cash and deposits

and monetary claims bought which are equivalent to securities, and securities managed as trust assets in money held in trust, is as follows:

- i) Trading securities are stated at fair market value. Costs of their sales are determined by the moving average method.
- ii) Held-to-maturity debt securities are stated at amortized cost under the straight-line method, cost being determined by the moving average method.
- iii) Policy-reserve-matching bonds are stated at amortized cost under the straight-line method, cost being determined by the moving average method in accordance with "Temporary Treatment of Accounting and Auditing Concerning Policy-reserve-matching Bonds in the Insurance Industry" (Industry Audit Committee Report No.21 issued by the Japanese Institute of Certified Public Accountants on November 16, 2000).
- iv) Investments in subsidiaries and affiliates are stated at cost, cost being determined by the moving average method.
- v) Available-for-sale securities with fair market value are stated at fair market value based on the market prices at the end of the fiscal year. Costs of their sales are determined by the moving average method. Net unrealized gains or losses on these available-for-sale securities, net of taxes, are recorded as a separate component of net assets.

Available-for-sale securities whose market value are deemed extremely difficult to obtain are stated at cost, cost being determined by the moving average method, except for public and corporate bonds including foreign bonds, of which the difference between acquisition cost and face value is considered to be an adjustment of interest. Such bonds are stated at amortized cost under the straight-line method, cost being determined by the moving average method.

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

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

- Date of revaluation: March 31, 2002
- Method of revaluation as prescribed for in Article 3 Paragraph 3 of the said Act:
Calculation is based on the appraisal value for property tax set forth in Article 2 item 3 of the Enforcement Ordinance of the Act for Revaluation of Land (Government Ordinance No.119 promulgated on March 31, 1998) and the road rate set forth in Article 2 item 4 of the said Ordinance with certain reasonable adjustments.

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

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

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

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

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

- i) For the credits of borrowers who are legally bankrupt

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

- ii) For the credits of borrowers who are not currently bankrupt but have a high possibility of bankruptcy (hereinafter called “not currently bankrupt borrowers”), the Company provides the amounts deemed as necessary considering the borrowers’ ability to pay, within the amounts after deductions of the amounts expected to be collected through the disposal of collateral or the execution of guarantees.
- iii) For the credits of borrowers other than the above, the Company provides the amounts calculated by multiplying the borrowers’ balance by the actual ratio of bad debt losses on defaults during a certain past period.

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

For the credits of legally bankrupt borrowers and substantially bankrupt borrowers, the amounts remaining after deductions of collateral value or the amounts collectible through the execution of guarantees are written-off directly from the borrowers’ balances as the estimated uncollectible amounts. The amount written-off as of March 31, 2019 and 2020 were ¥1 million and ¥0 million (US\$7 thousand), respectively.

- (7) Reserve for employees’ retirement benefits is 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 benefitsBenefit 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, March 10, 2008). 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) Policy reserve is based on Article 116 of the Insurance Business Act, and the premium reserve is 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.
 Based on the provision of Article 69, paragraph 5, of the Enforcement Regulation of the Insurance Business Act, the Company includes additional funded policy reserves as follows.

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 reduced the assumed interest rate to 1.00% and funded additional policy reserves. As of March 31, 2019, the balance of these policy reserves was ¥73,836 million.

The Company also funded additional policy reserves for certain individual annuity insurance policies, whole life insurance policies that include distribution of surplus every five years, new cancer riders and highly advanced medical riders. As of March 31, 2019, the balance of these policy reserves was ¥13,391 million.

Among individual annuity insurance policies with an assumed interest rate of 5.00% or higher, for policies that have begun paying annuities (excluding wife’s annuity insurance additional rider), the Company reduced the assumed interest rate to 1.00% and funded additional policy

reserves. As of March 31, 2020, the balance of these policy reserves was ¥74,007 million (US\$680 million).

The Company also funded additional policy reserves for certain individual annuity insurance policies, whole life insurance policies that include distribution of surplus every five years, new cancer riders and highly advanced medical riders. As of March 31, 2020, the balance of these policy reserves was ¥29,605 million (US\$272 million).

(13) 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.

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

2. Primary accounting standards that have been issued by the end of the fiscal year ended March 31, 2020 but have not been applied are as follows.

Methods of calculating the fair value will be revised in response to the announcements of accounting standards such as “Accounting Standard for Fair Value Measurement” (ASBJ Statement No. 30, July 4, 2019), “Accounting Standard for Financial Instruments” (ASBJ Statement No. 10, July 4, 2019) and “Implementation Guidance on Accounting Standard for Fair Value Measurement” (ASBJ Guidance No. 31, July 4, 2019).

These accounting standards and this guidance must be applied at the beginning of the fiscal year starting on April 1, 2021 and the Company plans to apply these accounting standards and this guidance at the beginning of the fiscal year ending March 31, 2022.

The Company is currently in the process of evaluating the effects of applying these accounting standards and this guidance for the fiscal year ending March 31, 2022.

3. Asset management of the general accounts other than the separate accounts stipulated in Article 118 Paragraph 1 of the Insurance Business Act is conducted on the principle of prudent and profitable investments, considering public and social responsibilities of the insurance business. Based on this policy, the Company allocates the fund, securing its liquidity, from the medium-to-long term viewpoints.

The Company is diversifying investments in assets such as foreign securities, stocks and real estates within the acceptable range of risks in order to enhance the profitability, although yen-denominated interest bearing assets including debt securities such as Japanese government bonds and loans are the cores of the portfolios under the asset liability management. Derivatives are mainly used to hedge the market risk regarding spot-priced assets and liabilities.

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

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

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

(1) Cash, deposits (excluding financial instruments treated as securities based on “Accounting Standards for Financial Instruments” (ASBJ Statement No.10, March 10, 2008)) and call loans:

The fair values of cash, deposits and call loans are based on their book values since fair values approximate book values due to their short maturities.

(2) Securities including deposits and monetary claims bought which are treated as securities based on “Accounting Standards for Financial Instruments” (ASBJ Statement No.10, March 10, 2008) and securities managed as trust assets in money held in trust:

The fair values of marketable securities are measured at the quoted market prices at the balance sheet date. The fair values of other securities without the quoted market prices are based on the prices reasonably calculated such as the prices offered by the information vendors or counterparty financial institutions.

Investments in subsidiaries and affiliates, unlisted stocks and investments in partnerships whereby partnership assets consist of unlisted stocks whose fair values are deemed extremely difficult to obtain, are excluded from above securities. The carrying amounts of investments in subsidiaries and affiliates, unlisted stocks and investments in partnerships were ¥64,787 million, ¥5,696 million, and ¥27,318 million as of March 31, 2019, and ¥64,787 million

As of March 31,			
2019			
Millions of yen			
	Carrying amount	Fair value	Difference
Cash and deposits:			
Cash and deposits not treated as securities	¥ 65,282	¥ 65,282	¥ —
Total cash and deposits	65,282	65,282	—
Call loans	176,000	176,000	—
Monetary claims bought:			
Claims treated as loans	299	319	20
Total monetary claims bought	299	319	20
Money held in trust:			
Trading securities	22,850	22,850	—
Total money held in trust	22,850	22,850	—
Securities:			
Trading securities	97,110	97,110	—
Held-to-maturity debt securities	759,519	899,819	140,300
Policy-reserve-matching bonds	938,273	1,111,124	172,850
Available-for-sale securities	3,606,817	3,606,817	—
Total securities	5,401,721	5,714,871	313,150
Loans:			
Policy loans	56,332	56,331	(0)
Ordinary loans	504,806	530,223	25,417
Total loans	561,138	586,555	25,416
Assets total	6,227,291	6,565,879	338,588
Subordinated bonds ¹	191,935	198,912	6,977
Liabilities total	191,935	198,912	6,977
Derivative instruments ² :			
Hedge accounting not applied	(107)	(107)	—
Hedge accounting applied	(3,230)	(3,230)	—
Total derivative instruments	¥ (3,338)	¥ (3,338)	¥ —

As of March 31,						
2020			2020			
Millions of yen			Millions of U.S. dollars			
	Carrying amount	Fair value	Difference	Carrying amount	Fair value	Difference
Cash and deposits:						
Cash and deposits not treated as securities	¥ 285,545	¥ 285,545	¥ —	\$ 2,623	\$ 2,623	\$ —
Total cash and deposits	285,545	285,545	—	2,623	2,623	—
Call loans	230,000	230,000	—	2,113	2,113	—
Monetary claims bought:						
Claims treated as loans	269	287	17	2	2	0
Total monetary claims bought	269	287	17	2	2	0
Money held in trust:						
Trading securities	23,156	23,156	—	212	212	—
Total money held in trust	23,156	23,156	—	212	212	—
Securities:						
Trading securities	66,357	66,357	—	609	609	—
Held-to-maturity debt securities	757,178	879,712	122,534	6,957	8,083	1,125
Policy-reserve-matching bonds	892,940	1,035,765	142,825	8,204	9,517	1,312
Available-for-sale securities	3,450,284	3,450,284	—	31,703	31,703	—
Total securities	5,166,760	5,432,119	265,359	47,475	49,913	2,438
Loans:						
Policy loans	55,339	55,339	(0)	508	508	(0)
Ordinary loans	510,133	536,915	26,781	4,687	4,933	246
Total loans	565,473	592,254	26,781	5,195	5,442	246
Assets total	6,271,205	6,563,363	292,158	57,623	60,308	2,684
Subordinated bonds ¹	191,935	186,062	(5,872)	1,763	1,709	(53)
Cash received as collateral under securities lending transactions	67,866	67,866	—	623	623	—
Liabilities total	259,801	253,929	(5,872)	2,387	2,333	(53)
Derivative instruments ² :						
Hedge accounting not applied	3,589	3,589	—	32	32	—
Hedge accounting applied	10,206	10,206	—	93	93	—
Total derivative instruments	¥ 13,795	¥ 13,795	¥ —	\$ 126	\$ 126	\$ —

Notes: 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 brackets.

(US\$595 million), ¥5,684 million (US\$52 million), and ¥28,169 million (US\$258 million) as of March 31, 2020, respectively.

(3) Loans and monetary claims bought treated as 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 and monetary claims bought treated as 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 and monetary claims bought treated as loans are based on their book values. The fair values of fixed interest rate loans are 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 and monetary claims bought treated as loans are computed by deducting the amount of the allowance for possible loan losses from the book values before direct write-offs.

(4) Subordinated bonds:

Subordinated bonds issued by the Company are stated at fair market values.

(5) Cash received as collateral under securities lending transactions:

The fair values of cash received as collateral under securities lending transactions are based on their book values since fair values approximate book values due to their short maturities.

(6) Derivative instruments:

- i) The fair values of the futures and options traded at the exchange are measured at the settlement price of the exchange.
- ii) The fair values of forward contracts, options and swaps traded over the counter are based on the quoted prices offered by counterparty financial institutions.
- iii) The fair values of foreign currency forward contracts are determined based on the spot exchange rate and forward contract rate.

4. The Company holds investment and rental properties such as office buildings in Tokyo and other areas. The carrying amounts and the fair values of investment and rental properties were ¥172,520 million and ¥314,115 million as of March 31, 2019, and ¥174,688 million (US\$1,605 million) and ¥321,383 million (US\$2,953 million) as of March 31, 2020, respectively. The fair value is mainly based on the value

calculated by the Company in accordance with real estate appraisal standards which includes some adjustments using the reference prices.

The amount corresponding to asset retirement obligations included in the carrying amount of investment and rental properties were 697 million as of March 31, 2019, and ¥588 million (US\$5 million) as of March 31, 2020, respectively.

5. The amount of securities lent under lending agreements were ¥299,194 million and ¥345,897 million (US\$3,178 million) as of March 31, 2019 and 2020, respectively.
6. The total amounts of credits to bankrupt borrowers, delinquent loans, delinquent loans past 3 months or more and restructured loans, which were included in loans, were ¥940 million as of March 31, 2019, and ¥1,079 million (US\$9 million) as of March 31, 2020, respectively;
- i) The balances of credits to bankrupt borrowers were ¥157 million and ¥153 million (US\$1 million) as of March 31, 2019 and 2020, respectively.
 - ii) The balances of delinquent loans were ¥782 million and ¥698 million (US\$6 million) as of March 31, 2019 and 2020, respectively.
 - iii) The balances of restructured loans were nil and ¥227 million (US\$2 million) as of March 31, 2019 and 2020, respectively.
 - iv) There were no balances of delinquent loans past 3 months or more as of March 31, 2019 and 2020, respectively.

The direct write-offs related to loans decreased credits to bankrupt borrowers described above by ¥1 million as of March 31, 2019, and ¥0 million (US\$7 thousand) as of March 31, 2020, respectively.

Credits to bankrupt borrowers represent loans, excluding the balances already written-off, which meet the conditions prescribed in Article 96 Paragraph 1 item 3 and 4 of the Enforcement Regulations of the Corporate Tax Act. Moreover, accrued interest on these loans is not recorded as income after determining that principal or interest on these loans is unlikely to be collected due to the significant delay in repayment of principal or interest payment or for some other reasons.

Delinquent loans are credits which accrued interest is not recorded as income due to the same reasons as described above, and exclude credits to bankrupt borrowers and loans for which interest payments have been suspended and rescheduled to assist and support the borrowers in the restructuring of their business.

Delinquent loans past 3 months or more are loans for which interest payments or repayments of principal are delinquent for 3 months or more from the due date under the terms of the related loan agreements, excluding those loans

classified as credits to bankrupt borrowers and delinquent loans.

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 credits to bankrupt borrowers, delinquent loans and delinquent loans past 3 months or more.

7. Accumulated depreciation of tangible fixed assets were ¥167,181 million and ¥171,812 million (US\$1,578 million) as of March 31, 2019 and 2020, respectively.
8. Total assets in separate accounts provided for in Article 118 of the Insurance Business Act were ¥71,585 million and ¥84,658 million (US\$777 million) as of March 31, 2019 and 2020, respectively. The amounts of separate account liabilities were the same as separate account assets.
9. The total amounts of receivables from/payables to subsidiaries were ¥3,204 million and ¥1,837 million as of March 31, 2019, and ¥3,155 million (US\$28 million) and ¥1,834 million (US\$16 million) as of March 31, 2020, respectively.
10. Deferred tax assets and deferred tax liabilities as of March 31, 2019 were ¥137,650 million and ¥135,958 million, respectively. Valuation allowance for deferred tax assets

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

	Year ended March 31,		
	2019	2020	2020
	Millions of yen		Millions of U.S. dollars
Balance at the beginning of the fiscal year.....	¥53,395	¥58,176	\$534
Transfer from surplus in the previous fiscal year.....	38,630	34,671	318
Dividend payments to policyholders during the fiscal year.....	(33,862)	(31,938)	(293)
Increase in interest.....	12	13	0
Balance at the end of the fiscal year	¥58,176	¥60,922	\$559

12. The amount of stocks of subsidiaries were ¥64,787 million and ¥64,787 million (US\$595 million) as of March 31, 2019 and 2020, respectively.
13. Assets pledged as collateral as of March 31, 2019 were ¥17,839 million of securities and ¥744 million of bank deposits. Secured debts as of March 31, 2019, were ¥5,387 million.

was ¥4,121 million.

Major components of deferred tax assets were ¥86,377 million of policy reserves, ¥31,158 million of reserve for price fluctuation and ¥12,091 million of reserve for employees' retirement benefits as of March 31, 2019.

Major component of deferred tax liabilities was ¥131,712 million of net unrealized gains on available-for-sale securities as of March 31, 2019.

The statutory tax rate and the actual effective tax rate for the year ended March 31, 2019 were 28.0% and 1.8%, respectively. The difference between the statutory tax rate and the actual effective tax rate was attributable mainly to -25.9% of reserve for dividends to policyholders.

Deferred tax assets and deferred tax liabilities as of March 31, 2020 were ¥149,590 million (US\$1,374 million) and ¥114,839 million (US\$1,055 million), respectively. Valuation allowance for deferred tax assets was ¥5,353 million (US\$49 million).

Major components of deferred tax assets were ¥93,815 million (US\$862 million) of policy reserves, ¥34,368 million (US\$315 million) of reserve for price fluctuation and ¥11,812 million (US\$108 million) of reserve for employees' retirement benefits as of March 31, 2020.

Major component of deferred tax liabilities was ¥110,413 million (US\$1,014 million) of net unrealized gains on available-for-sale securities as of March 31, 2020.

The statutory tax rate and the actual effective tax rate for the year ended March 31, 2020 were 28.0% and 8.3%, respectively. The difference between the statutory tax rate and the actual effective tax rate was attributable mainly to -23.7% of reserve for dividends to policyholders.

Assets pledged as collateral as of March 31, 2020 were ¥78,124 million (US\$717 million) of securities and ¥690 million (US\$6 million) of bank deposits. Secured debts as of March 31, 2020, were ¥73,400 million (US\$674 million).

These amounts include ¥63,247 million (US\$581 million) of investments in securities deposited and ¥67,866 million (US\$623 million) of cash received as collateral under

securities lending transactions secured by cash as of March 31, 2020.

14. Reserve for outstanding claims for the reinsurance contracts provided in accordance with Article 71 Paragraph 1 of the Enforcement Regulation of the Insurance Business Act (hereinafter called "reserve for outstanding claims for ceded reinsurance") were ¥2 million and ¥0 million (US\$0 thousand) as of March 31, 2019 and 2020, respectively.

Policy reserve for the reinsurance contracts provided in accordance with Article 71 Paragraph 1 of the Enforcement Regulation of the Insurance Business Act (hereinafter called "policy reserve for ceded reinsurance") were ¥30 million and ¥29 million (US\$274 thousand) as of March 31, 2019 and 2020, respectively.

15. The total amounts of adjustment items for redemption of foundation funds and appropriation of net surplus defined in Article 30 Paragraph 2 of the Enforcement Regulation of the Insurance Business Act were ¥346,992 million and ¥288,967 million (US\$2,655 million) as of March 31, 2019 and 2020, respectively.

16. The Company raised additional foundation funds of ¥12,000 million (US\$110 million) during the fiscal year ended March 31, 2020 in accordance with Article 60 of the Insurance Business Act.

17. In the fiscal year ended March 31, 2020, in connection with the redemption of foundation funds of ¥10,000 million (US\$91 million), the Company reversed the reserve for redemption of foundation funds and provided the equivalent amount for accumulated foundation funds redeemed in accordance with Article 56 of the Insurance Business Act.

18. There were unused commitment line agreements under which the Company is the lender of ¥5,994 million and ¥9,407 million (US\$86 million) as of March 31, 2019 and 2020, respectively.

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

20. The future contribution to the Life Insurance Policyholders Protection Corporation of Japan under Article 259 of the Insurance Business Act was estimated at ¥8,506 million and ¥8,400 million (US\$77 million) as of March 31, 2019 and 2020, respectively.

The contribution is recognized as operating expenses when contributed.

21. Matters Related to Employees' Retirement Benefits

(1) Overview of Employees' Retirement Benefit Plan

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

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

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

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

(2) Defined Benefit Plan

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

	As of March 31,		
	2019	2020	2020
	Millions of yen		Millions of U.S. dollars
Retirement benefit obligation at the beginning of the fiscal year.....	¥86,201	¥87,060	\$799
Service cost.....	3,552	3,434	31
Interest cost.....	516	520	4
Actuarial differences occurred during the fiscal year.....	1,080	1,308	12
Retirement benefit payments.....	(4,289)	(4,386)	(40)
Retirement benefit obligation at the end of the fiscal year	¥87,060	¥87,938	\$808

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

As of March 31,

	2019	2020	2020
	Millions of yen		Millions of U.S. dollars
Pension plan assets at the beginning of the fiscal year.....	¥52,372	¥54,880	\$504
Expected return on pension plan assets	972	858	7
Actuarial differences occurred during the fiscal year.....	145	(3,071)	(28)
Contributions by the employer	2,693	2,711	24
Retirement benefit payments.....	(1,304)	(1,675)	(15)
Pension plan assets at the end of the fiscal year	¥54,880	¥53,704	\$493

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

As of March 31,

	2019	2020	2020
	Millions of yen		Millions of U.S. dollars
a. Funded plan retirement benefit obligation.....	¥75,659	¥76,625	\$704
b. Pension plan assets.....	(54,880)	(53,704)	(493)
c. (a + b).....	20,778	22,920	210
d. Unfunded plan retirement benefit obligation.....	11,401	11,313	103
e. Unrecognized actuarial differences	(7,833)	(10,809)	(99)
f. Unrecognized prior service cost.....	171	95	0
g. Reserve for employees' retirement benefits (c + d + e + f)	¥24,517	¥23,519	\$216

iv) Breakdown of retirement benefit gains and losses

As of March 31,

	2019	2020	2020
	Millions of yen		Millions of U.S. dollars
Service cost.....	¥3,552	¥3,434	\$31
Interest cost	516	520	4
Expected return on pension plan assets	(972)	(858)	(7)
Amortization of actuarial differences	1,759	1,404	12
Amortization of prior service cost.....	(76)	(76)	(0)
Retirement benefit expenses related to defined benefit plan	¥4,779	¥4,425	\$40

v) Breakdown of pension plan assets

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

As of March 31,

	2019	2020
Domestic stocks.....	44.3%	41.3%
Life insurance general account.....	33.3%	35.5%
Domestic bonds	9.6%	10.0%
Foreign stocks	7.7%	6.9%
Foreign bonds.....	3.0%	3.2%
Others.....	2.1%	3.1%
Total	100.0%	100.0%

Within the total of pension assets as of March 31, 2020, 35.4% of this amount is accounted for by the retirement benefit trust established in relation to the retirement lump-sum payments plan for sales employees.

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

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

vii) Underlying actuarial assumptions

Main underlying actuarial assumptions were as follows:

As of March 31,

	2019	2020
Discount rate	0.6%	0.6%
Expected long-term rate of return on pension plan assets		
Defined benefit corporate pension plan	3.0%	2.5%
Retirement benefit trust.....	0.0%	0.0%

(3) Defined Contribution Plan

The required contribution amounts by the Company to the defined contribution plan were ¥215 million and ¥216 million (US\$1 million) as of March 31, 2019 and 2020, respectively.

III. Notes to the Non-consolidated Statements of Operations

1. The total amounts of revenues and expenses in connection with subsidiaries were ¥871 million and ¥8,823 million for the year ended March 31, 2019, and ¥909 million (US\$8 million) and ¥8,331 million (US\$76 million) for the year ended March 31, 2020, respectively.

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

Year ended March 31,

	2019	2020	2020
			Millions of U.S. dollars
	Millions of yen		
Domestic bonds	¥ 1,424	¥20,386	\$187
Domestic stocks and others.....	24,393	11,143	102
Foreign securities	1,911	2,987	27
Others.....	¥ —	¥ 892	\$ 8

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

	Year ended March 31,		
	2019	2020	2020
	Millions of yen		Millions of U.S. dollars
Domestic bonds	¥1,582	¥ 47	\$ 0
Domestic stocks and others	2,563	643	5
Foreign securities	¥7,464	¥1,244	\$11

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

	Year ended March 31,		
	2019	2020	2020
	Millions of yen		Millions of U.S. dollars
Domestic stocks and others	¥39	¥6,689	\$61
Foreign securities	—	5,876	53
Others	¥—	¥ 776	\$ 7

5. For the year ended March 31, 2019, in calculating the provision of reserve for outstanding claims, a reversal of reserves for outstanding claims reinsured of ¥8 million was added. In calculating the provision of policy reserves, a reversal of reserves for policy reserves reinsured of ¥1 million was added.

For the year ended March 31, 2020, in calculating the reversal of reserve for outstanding claims, a reversal of reserves for outstanding claims reinsured of ¥2 million (US\$22 thousand) was deducted. In calculating the provision of policy reserves, a reversal of reserves for policy reserves reinsured of ¥0 million (US\$2 thousand) was added.

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

	Year ended March 31,		
	2019	2020	2020
	Millions of yen		Millions of U.S. dollars
Interest, dividends and other income	¥ 4,225	¥ 2,946	\$ 27
Gains on sales of trading securities	—	0	0
Gains on redemption of trading securities	3,400	1,731	15
Losses on valuation of trading securities	¥(4,530)	¥(9,658)	\$(88)

7. Losses on money held in trust for the year ended March 31, 2019 included valuation gains of ¥0 million.

Gains on money held in trust for the year ended March 31, 2020 included valuation gains of ¥0 million (US\$0 thousand).

8. Losses on derivative instruments for the year ended March 31, 2019 included valuation gains of ¥124 million.

Gains on derivative instruments for the year ended March 31, 2020 included valuation gains of ¥3,696 million (US\$33 million).

Independent Auditor's Report

May 19, 2020

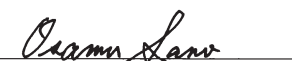
To the Board of Directors of
Fukoku Mutual Life Insurance Company:

Kisaragi Audit Corporation
Tokyo, Japan

Designated Engagement Partner
Certified Public Accountant


Yuichi Yasuda

Designated Engagement Partner
Certified Public Accountant


Osamu Sano

Opinion

We have audited the accompanying non-consolidated financial statements of Fukoku Mutual Life Insurance Company ("the Company"), which comprise the non-consolidated balance sheets as at March 31, 2020, the non-consolidated statements of operations, the non-consolidated statements of changes in net assets, and the non-consolidated proposed appropriations of surplus for the year then ended, and notes to the non-consolidated financial statements, all expressed in Japanese yen.

In our opinion, the accompanying non-consolidated financial statements present fairly, in all material respects, the financial position of the Company as at March 31, 2020, and its financial performance for the year then ended in accordance with accounting principles generally accepted in Japan.

Basis for Opinion

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

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

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

.....

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


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

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

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

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

- Identify and assess the risks of material misstatement of the non-consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, while the objective of the audit is not to express an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate whether the presentation and disclosures in the financial statements are in accordance with accounting principles generally accepted in Japan, the overall presentation, structure and content of the non-consolidated



financial statements, including the disclosures, and whether the non-consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

Convenience Translation

The amounts expressed in U.S. dollars, which are provided solely for the convenience of the reader, have been translated on the basis set forth in Note I.1 to the accompanying non-consolidated financial statements with respect to the year ended March 31, 2020.

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

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

Consolidated Financial Statements

Consolidated Balance Sheets

Fukoku Mutual Life Insurance Company and consolidated subsidiaries
As of March 31, 2019 and 2020

	As of March 31,		
	2019	2020	2020
	Millions of yen		Millions of U.S. dollars
Assets:			
Cash and deposits	¥ 153,017	¥ 415,816	\$ 3,820
Call loans	176,000	230,000	2,113
Monetary claims bought.....	299	269	2
Money held in trust	23,850	24,156	221
Securities.....	7,287,916	6,977,554	64,114
Loans	564,778	569,127	5,229
Tangible fixed assets:			
Land.....	125,180	125,118	1,149
Buildings	84,624	87,480	803
Lease assets.....	1,241	933	8
Construction in progress	2,933	2,866	26
Other tangible fixed assets.....	3,413	3,484	32
	217,393	219,883	2,020
Intangible fixed assets:			
Software	23,169	19,889	182
Lease assets.....	9,532	8,666	79
Other intangible fixed assets.....	1,553	4,803	44
	34,254	33,359	306
Agency receivables.....	1	0	0
Reinsurance receivables.....	173	124	1
Other assets	58,813	74,059	680
Net defined benefit assets	177	255	2
Deferred tax assets	185	31,885	292
Allowance for possible loan losses.....	(2,096)	(2,024)	(18)
Total assets.....	¥8,514,764	¥8,574,467	\$78,787

As of March 31,

	2019	2020	2020
	Millions of yen		Millions of U.S. dollars
Liabilities:			
Policy reserves:			
Reserve for outstanding claims	¥ 24,584	¥ 23,620	\$ 217
Policy reserve	7,393,634	7,430,271	68,274
Reserve for dividends to policyholders.....	58,176	60,922	559
Reserve for dividends to policyholders (subsidiary).....	465	328	3
	7,476,860	7,515,143	69,053
Agency payables.....	117	114	1
Reinsurance payables.....	88	103	0
Subordinated bonds.....	191,935	191,935	1,763
Other liabilities.....	62,838	132,340	1,216
Net defined benefit liabilities	32,470	34,614	318
Reserve for price fluctuation	121,357	133,162	1,223
Deferred tax liabilities	1,743	0	0
Deferred tax liabilities for land revaluation	14,225	14,213	130
Total liabilities	7,901,637	8,021,628	73,707
Net assets:			
Foundation funds.....	10,000	12,000	110
Accumulated foundation funds redeemed	106,000	116,000	1,065
Reserve for revaluation.....	112	112	1
Consolidated surplus	137,669	127,315	1,169
Total foundation funds, surplus and others.....	253,781	255,427	2,347
Net unrealized gains (losses) on available-for-sale securities, net of tax	352,453	292,980	2,692
Revaluation reserve for land, net of tax.....	4,132	4,102	37
Foreign currency translation adjustment	(496)	(480)	(4)
Accumulated remeasurements of defined benefit plans	(5,517)	(7,714)	(70)
Total accumulated other comprehensive income	350,571	288,888	2,654
Non-controlling interests	8,774	8,523	78
Total net assets	613,127	552,839	5,079
Total liabilities and net assets	¥8,514,764	¥8,574,467	\$78,787

Consolidated Statements of Operations

Fukoku Mutual Life Insurance Company and consolidated subsidiaries
For the years ended March 31, 2019 and 2020

	Year ended March 31,		
	2019	2020	2020
	Millions of yen		Millions of U.S. dollars
Ordinary revenues:			
Premium and other income	¥577,450	¥629,956	\$5,788
Investment income:			
Interest, dividends and other income	174,763	175,964	1,616
Gains on money held in trust, net	—	314	2
Gains on trading securities, net	3,276	—	—
Gains on sales of securities	29,281	37,162	341
Gains on derivative instruments, net	—	5,577	51
Reversal of allowance for possible loan losses	—	70	0
Other investment income	315	289	2
Gains on separate accounts, net	962	—	—
	208,598	219,379	2,015
Other ordinary revenues	10,685	15,067	138
Total ordinary revenues	796,734	864,402	7,942
Ordinary expenses:			
Claims and other payments:			
Claims	110,872	100,635	924
Annuities	200,064	260,181	2,390
Benefits	125,198	123,451	1,134
Surrenders	101,023	81,760	751
Other payments	27,231	26,116	239
	564,389	592,144	5,441
Provision of policy reserve and others:			
Provision of reserve for outstanding claims	2,418	—	—
Provision of policy reserves	1,860	36,637	336
Provision of interest portion of reserve for dividends to policyholders	12	13	0
Provision of interest portion of reserve for dividends to policyholders (subsidiary)	0	0	0
	4,291	36,650	336
Investment expenses:			
Interest expenses	3,892	3,885	35
Losses on money held in trust, net	371	—	—
Losses on trading securities, net	—	4,979	45
Losses on sales of securities	11,610	1,935	17
Losses on valuation of securities	39	13,342	122
Losses on derivative instruments, net	5,875	—	—
Foreign exchange losses, net	13,397	17,547	161
Provision of allowance for possible loan losses	88	—	—
Write-offs of loans	—	262	2
Depreciation of real estate for rent and other assets	4,165	4,288	39
Other investment expenses	7,829	7,389	67
Losses on separate accounts, net	—	3,955	36
	47,271	57,587	529
Operating expenses	99,232	100,850	926
Other ordinary expenses	26,362	27,141	249
Total ordinary expenses	741,547	814,374	7,482
Ordinary profits	¥ 55,187	¥ 50,028	\$ 459

	Year ended March 31,		
	2019	2020	2020
	Millions of yen		Millions of U.S. dollars
Extraordinary gains:			
Gains on disposal of fixed assets	¥ 3	¥ 5	\$ 0
Others.....	60	—	—
Total extraordinary gains	63	5	0
Extraordinary losses:			
Losses on disposal of fixed assets.....	213	183	1
Impairment losses	228	38	0
Provision of reserve for price fluctuation.....	15,836	11,804	108
Total extraordinary losses	16,278	12,026	110
Provision of reserve for dividends to policyholders (subsidiary)	337	172	1
Surplus before income taxes	38,635	37,834	347
Income taxes:			
Current.....	12,345	14,183	130
Deferred	(10,450)	(10,666)	(98)
Total income taxes	1,895	3,516	32
Net surplus	36,739	34,317	315
Net surplus (loss) attributable to non-controlling interests	1	(70)	(0)
Net surplus attributable to the parent company	¥36,738	¥34,388	\$315

Consolidated Statements of Comprehensive Income

Fukoku Mutual Life Insurance Company and consolidated subsidiaries
For the years ended March 31, 2019 and 2020

	Year ended March 31,		
	2019	2020	2020
	Millions of yen		Millions of U.S. dollars
Net surplus	¥36,739	¥34,317	\$315
Other comprehensive income:			
Net unrealized gains (losses) on available-for-sale securities, net of tax	7,957	(59,644)	(548)
Foreign currency translation adjustments	(119)	16	0
Remeasurements of defined benefit plan, net of tax.....	538	(2,197)	(20)
	8,376	(61,825)	(568)
Comprehensive income:			
Comprehensive income attributable to the parent company	45,024	(27,264)	(250)
Comprehensive income attributable to non-controlling interests.....	92	(242)	(2)
	¥45,116	¥(27,507)	\$(252)

Consolidated Statements of Cash Flows

Fukoku Mutual Life Insurance Company and consolidated subsidiaries
For the years ended March 31, 2019 and 2020

	Year ended March 31,		
	2019	2020	2020
	Millions of yen		Millions of U.S. dollars
Cash flows from operating activities:			
Surplus before income taxes.....	¥ 38,635	¥ 37,834	\$ 347
Depreciation of real estate for rent and other assets	4,165	4,288	39
Depreciation	12,147	12,559	115
Impairment losses	228	38	0
Amortization of goodwill.....	37	—	—
Increase (decrease) in reserve for outstanding claims	2,418	(963)	(8)
Increase (decrease) in policy reserve	1,860	36,637	336
Provision of interest portion of reserve for dividends to policyholders	12	13	0
Provision of interest portion of reserve for dividends to policyholders (subsidiary)	0	0	0
Provision of reserve for dividends to policyholders (subsidiary)	337	172	1
Increase (decrease) in allowance for possible loan losses	46	(72)	(0)
Increase (decrease) in net defined benefit liabilities.....	(870)	(985)	(9)
Increase (decrease) in reserve for price fluctuation.....	15,836	11,804	108
Interest, dividends and other income	(174,763)	(175,964)	(1,616)
Losses (gains) on securities, net	(15,622)	(18,840)	(173)
Interest expenses.....	3,892	3,885	35
Foreign exchange losses (gains), net	13,397	17,547	161
Losses (gains) on tangible fixed assets, net.....	145	144	1
Decrease (increase) in agency receivable.....	(1)	1	0
Decrease (increase) in reinsurance receivable	47	49	0
Decrease (increase) in other assets except from investing and financing activities	(878)	(181)	(1)
Increase (decrease) in agency payable	47	(3)	(0)
Increase (decrease) in reinsurance payable.....	13	14	0
Increase (decrease) in other liabilities except from investing and financing activities	915	(50)	(0)
Others.....	18,544	18,415	169
Subtotal	(79,406)	(53,655)	(493)
Interest, dividends and other income received	178,314	181,158	1,664
Interest expenses paid	(3,866)	(3,861)	(35)
Dividends to policyholders paid	(33,862)	(31,938)	(293)
Dividends to policyholders paid (subsidiary)	(412)	(309)	(2)
Corporate income tax (paid) refunded	(10,790)	(12,443)	(114)
Net cash provided by (used in) operating activities (a)	49,976	78,950	725
Cash flows from investing activities:			
Net decrease (increase) in deposits	138	(401)	(3)
Proceeds from sales and redemption of monetary claims bought	144	29	0
Increase in money held in trust	(2,000)	(1,000)	(9)
Decrease in money held in trust	9,263	1,000	9
Payments for purchase of securities	(644,228)	(547,377)	(5,029)
Proceeds from sales and redemption of securities	607,481	741,782	6,815
Payments for additions to loans	(89,212)	(92,007)	(845)
Proceeds from collections of loans	113,336	78,936	725
Proceeds from and payments for settlements of derivatives, net	(28,014)	14,231	130
Increase (decrease) in cash received as collateral under securities lending transactions	—	67,866	623
Others.....	(6,735)	(6,860)	(63)
Subtotal (b)	(39,825)	256,199	2,354
(a + b)	¥ 10,151	¥ 335,150	\$ 3,079

Year ended March 31,

	2019	2020	2020
	Millions of yen		Millions of U.S. dollars
Payments for purchase of tangible fixed assets.....	¥ (6,398)	¥ (9,644)	\$ (88)
Proceeds from sales of tangible fixed assets.....	95	148	1
Payments for purchase of intangible fixed assets.....	(5,119)	(7,423)	(68)
Net cash provided by (used in) investing activities.....	(51,247)	239,280	2,198
Cash flows from financing activities:			
Financing of additional foundation funds	—	12,000	110
Redemption of foundation funds.....	—	(10,000)	(91)
Payment of interest on foundation funds.....	(100)	(100)	(0)
Dividends paid to non-controlling interests	(7)	(9)	(0)
Payments for lease obligations.....	(2,915)	(3,223)	(29)
Net cash provided by (used in) financing activities.....	(3,023)	(1,333)	(12)
Effect of exchange rate changes on cash and cash equivalents	(180)	(514)	(4)
Net increase (decrease) in cash and cash equivalents	(4,475)	316,383	2,907
Cash and cash equivalents at the beginning of the fiscal year.....	332,599	328,124	3,015
Cash and cash equivalents at the end of the fiscal year	¥328,124	¥644,507	\$5,922

Consolidated Statements of Changes in Net Assets

Fukoku Mutual Life Insurance Company and consolidated subsidiaries
For the years ended March 31, 2019 and 2020

For the year ended March 31, 2019	Millions of yen				
	Foundation funds, surplus and others				
	Foundation funds	Accumulated foundation funds redeemed	Reserve for revaluation	Consolidated surplus	Total foundation funds, surplus and others
Balance at the beginning of the fiscal year.....	¥10,000	¥106,000	¥112	¥139,621	¥255,733
Changes in the fiscal year					
Additions to reserve for dividends to policyholders				(38,630)	(38,630)
Payment of interest on foundation funds				(100)	(100)
Net surplus attributable to the parent company for the fiscal year				36,738	36,738
Reversal of revaluation reserve for land, net of tax				41	41
Net changes, excluding foundation funds, surplus and others.....					
Total changes in the fiscal year.....	—	—	—	(1,951)	(1,951)
Balance at the end of the fiscal year	¥10,000	¥106,000	¥112	¥137,669	¥253,781

For the year ended March 31, 2019	Millions of yen						
	Accumulated other comprehensive income						
	Net unrealized gains (losses) on available-for-sale securities, net of tax	Revaluation reserve for land, net of tax	Foreign currency translation adjustments	Accumulated remeasurements of defined benefit plans	Total accumulated other comprehensive income	Non-controlling interests	Total net assets
Balance at the beginning of the fiscal year.....	¥344,585	¥4,173	¥(377)	¥(6,055)	¥342,326	¥8,690	¥606,750
Changes in the fiscal year							
Additions to reserve for dividends to policyholders.....							(38,630)
Payment of interest on foundation funds							(100)
Net surplus attributable to the parent company for the fiscal year.....							36,738
Reversal of revaluation reserve for land, net of tax.....							41
Net changes, excluding foundation funds, surplus and others	7,867	(41)	(119)	538	8,244	84	8,329
Total changes in the fiscal year.....	7,867	(41)	(119)	538	8,244	84	6,377
Balance at the end of the fiscal year	¥352,453	¥4,132	¥(496)	¥(5,517)	¥350,571	¥8,774	¥613,127

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
For the year ended March 31, 2020					
Balance at the beginning of the fiscal year.....	¥10,000	¥106,000	¥112	¥137,669	¥253,781
Changes in the fiscal year					
Financing of additional foundation funds	12,000				12,000
Additions to reserve for dividends to policyholders				(34,671)	(34,671)
Additions to accumulated foundation funds redeemed		10,000			10,000
Payment of interest on foundation funds				(100)	(100)
Net surplus attributable to the parent company for the fiscal year				34,388	34,388
Redemption of foundation funds	(10,000)				(10,000)
Reversal of reserve for redemption of foundation funds				(10,000)	(10,000)
Reversal of revaluation reserve for land, net of tax				29	29
Net changes, excluding foundation funds, surplus and others					
Total changes in the fiscal year	2,000	10,000	—	(10,353)	1,646
Balance at the end of the fiscal year	¥12,000	¥116,000	¥112	¥127,315	¥255,427

Millions of yen

	Accumulated other comprehensive income						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	Non-controlling interests	
For the year ended March 31, 2020							
Balance at the beginning of the fiscal year	¥352,453	¥4,132	¥(496)	¥ (5,517)	¥350,571	¥8,774	¥613,127
Changes in the fiscal year							
Financing of additional foundation funds							12,000
Additions to reserve for dividends to policyholders							(34,671)
Additions to accumulated foundation funds redeemed							10,000
Payment of interest on foundation funds							(100)
Net surplus attributable to the parent company for the fiscal year							34,388
Redemption of foundation funds							(10,000)
Reversal of reserve for redemption of foundation funds							(10,000)
Reversal of revaluation reserve for land, net of tax							29
Net changes, excluding foundation funds, surplus and others	(59,472)	(29)	16	(2,197)	(61,683)	(251)	(61,934)
Total changes in the fiscal year	(59,472)	(29)	16	(2,197)	(61,683)	(251)	(60,288)
Balance at the end of the fiscal year	¥292,980	¥4,102	¥(480)	¥ (7,714)	¥288,888	¥8,523	¥552,839

Millions of U.S. dollars

	Foundation funds, surplus and others				
	Foundation funds	Accumulated foundation funds redeemed	Reserve for revaluation	Consolidated surplus	Total foundation funds, surplus and others
For the year ended March 31, 2020					
Balance at the beginning of the fiscal year.....	\$91	\$973	\$1	\$1,264	\$2,331
Changes in the fiscal year					
Financing of additional foundation funds	110				110
Additions to reserve for dividends to policyholders				(318)	(318)
Additions to accumulated foundation funds redeemed		91			91
Payment of interest on foundation funds				(0)	(0)
Net surplus attributable to the parent company for the fiscal year				315	315
Redemption of foundation funds	(91)				(91)
Reversal of reserve for redemption of foundation funds				(91)	(91)
Reversal of revaluation reserve for land, net of tax				0	0
Net changes, excluding foundation funds, surplus and others					
Total changes in the fiscal year.....	18	91	—	(95)	15
Balance at the end of the fiscal year	\$110	\$1,065	\$1	\$1,169	\$2,347

Millions of U.S. dollars

	Accumulated other comprehensive income						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	Non-controlling interests	
For the year ended March 31, 2020							
Balance at the beginning of the fiscal year.....	\$3,238	\$37	\$(4)	\$(50)	\$3,221	\$80	\$5,633
Changes in the fiscal year							
Financing of additional foundation funds							110
Additions to reserve for dividends to policyholders							(318)
Additions to accumulated foundation funds redeemed							91
Payment of interest on foundation funds							(0)
Net surplus attributable to the parent company for the fiscal year.....							315
Redemption of foundation funds							(91)
Reversal of reserve for redemption of foundation funds.....							(91)
Reversal of revaluation reserve for land, net of tax.....							0
Net changes, excluding foundation funds, surplus and others	(546)	(0)	0	(20)	(566)	(2)	(569)
Total changes in the fiscal year.....	(546)	(0)	0	(20)	(566)	(2)	(553)
Balance at the end of the fiscal year	\$2,692	\$37	\$(4)	\$(70)	\$2,654	\$78	\$5,079

Notes to the Consolidated Financial Statements

I. Presentation of the Consolidated Financial Statements

1. Basis of Presentation

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

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

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

The translations of yen amounts into U.S. dollar amounts are included solely for the convenience of the reader and have been made, as a matter of arithmetical computation only, at the rate of ¥108.83 = US\$1.00, the effective rate of exchange at the balance sheet date of March 31, 2020. The translations should not be construed as representations that such yen amounts have been or could in the future be, converted into U.S. dollars at that or any other rates.

2. Principles of Consolidation

(1) Scope of Consolidation

Consolidated subsidiaries as of March 31, 2019 and 2020 are listed below:

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

Major unconsolidated subsidiary is Fukoku Business Service Company Limited.

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

(2) Application of Equity Method

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

There are no affiliates for the year ended March 31, 2019 and 2020.

(3) Fiscal Year of Consolidated Subsidiaries

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

II. Notes to the Consolidated Balance Sheets

1. (1) The valuation of securities, including cash and deposits and monetary claims bought which are equivalent to securities, and securities managed as trust assets in money held in trust, is as follows:
- i) Trading securities are stated at fair market value. Costs of their sales are determined by the moving average method.
 - ii) Held-to-maturity debt securities are stated at amortized cost under the straight-line method, cost being determined by the moving average method.
 - iii) Policy-reserve-matching bonds are stated at amortized cost under the straight-line method, cost being determined by the moving average method in accordance with "Temporary Treatment of Accounting and Auditing Concerning Policy-reserve-matching Bonds in the Insurance Industry" (Industry Audit Committee Report No.21 issued by the Japanese Institute of Certified Public Accountants on November 16, 2000).
 - iv) Investments in unconsolidated subsidiaries and affiliates which are not accounted for under the equity method are stated at cost, cost being determined by the moving average method.
 - v) Available-for-sale securities with fair market value are stated at fair market value based on the market prices at the end of the fiscal year. Costs of their sales are determined by the moving average method. Net unrealized gains or losses on these available-for-sale securities, net of taxes, are recorded as a separate component of net assets.
Available-for-sale securities whose market value are deemed extremely difficult to obtain are stated at cost, cost being determined by the moving average method, except for public and corporate bonds including foreign bonds, of which the difference between acquisition cost and face value is considered to be an adjustment of interest. Such bonds are stated at amortized cost under the straight-line method, cost being determined by the moving average method.
- (2) Derivative instruments are stated at fair market value.
- (3) The Company revalued the land used in the operations based on the Act for Revaluation of Land (Act No.34 promulgated on March 31, 1998). The difference between fair value and book value resulting from the revaluation, net of related taxes, is recorded as revaluation reserve for land as a separate component of net assets and the related tax is recorded as deferred tax liabilities for land revaluation.
- Date of revaluation: March 31, 2002
 - Method of revaluation as prescribed for in Article 3 Paragraph 3 of the said Act:
Calculation is based on the appraisal value for property tax set forth in Article 2 item 3 of the Enforcement Ordinance

of the Act for Revaluation of Land (Government Ordinance No.119 promulgated on March 31, 1998) and the road rate set forth in Article 2 item 4 of the said Ordinance with certain reasonable adjustments.

- (4) Depreciation of the Company's tangible fixed assets is calculated by the following methods.
- Tangible fixed assets (excluding lease assets): Declining-balance method
However, buildings (excluding building attachments and structures acquired on or before March 31, 2016) acquired on or after April 1, 1998 are depreciated using Straight-line method.
 - Lease assets related to finance lease transactions that do not transfer ownership: Straight-line method over the lease term with no residual value.
- Other tangible fixed assets acquired for ¥100,000 or more but less than ¥200,000 are depreciated equally over three years.
- (5) Assets and liabilities denominated in foreign currencies, except for investments in unconsolidated subsidiaries and affiliates, are translated into Japanese yen at the effective exchange rate prevailing at the balance sheet date. Investments in unconsolidated subsidiaries and affiliates are translated into Japanese yen at the exchange rate on the date of acquisition.
- (6) Allowance for possible loan losses for the Company is provided in accordance with the standards of self-assessment and write-offs and reserves on credit quality:
- i) For the credits of borrowers who are legally bankrupt such as being in the proceedings of bankruptcy or civil rehabilitation (hereinafter called "legally bankrupt borrowers") and who are substantially bankrupt (hereinafter called "substantially bankrupt borrowers"), the Company provides the remaining amounts of credits after the direct write-off described below and the deductions of the amount expected to be collected through the disposal of collateral or the execution of guarantees.
 - ii) For the credits of borrowers who are not currently bankrupt but have a high possibility of bankruptcy (hereinafter called "not currently bankrupt borrowers"), the Company provides the amounts deemed as necessary considering the borrowers' ability to pay, within the amounts after deductions of the amounts expected to be collected through the disposal of collateral or the execution of guarantees.
 - iii) For the credits of borrowers other than the above, the Company provides the amounts calculated by multiplying the borrowers' balance by the actual ratio of bad debt losses on defaults during a certain past period.
- All credits are assessed by the relevant departments in accordance with the Company's standards of self-

assessment on credit quality. The results of the assessment are reviewed by the audit department, which is independent of business-related divisions. Subsequently, the allowance for possible loan losses is provided based on the results of these assessments.

For the credits of legally bankrupt borrowers and substantially bankrupt borrowers, the amounts remaining after deductions of collateral value or the amounts collectible through the execution of guarantees are written-off directly from the borrowers' balances as the estimated uncollectible amounts. The amount written-off as of March 31, 2019 and 2020 were ¥1 million and ¥0 million (US\$7 thousand), respectively.

- (7) Net defined benefit liabilities, which is provided for employees' retirement benefits, is 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, March 10, 2008). 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) Policy reserve is based on Article 116 of the Insurance

Business Act, and the premium reserve is 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.

Based on the provision of Article 69, paragraph 5, of the Enforcement Regulation of the Insurance Business Act, the Company includes additional funded policy reserves as follows.

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 reduced the assumed interest rate to 1.00% and funded additional policy reserves. As of March 31, 2019, the balance of these policy reserves was ¥73,836 million.

The Company also funded additional policy reserves for certain individual annuity insurance policies, whole life insurance policies that include distribution of surplus every five years, new cancer riders and highly advanced medical riders. As of March 31, 2019, the balance of these policy reserves was ¥13,391 million.

Among individual annuity insurance policies with an assumed interest rate of 5.00% or higher, for policies that have begun paying annuities (excluding wife's annuity insurance additional rider), the Company reduced the assumed interest rate to 1.00% and funded additional policy reserves. As of March 31, 2020, the balance of these policy reserves was ¥74,007 million (US\$680 million).

The Company also funded additional policy reserves for certain individual annuity insurance policies, whole life insurance policies that include distribution of surplus every five years, new cancer riders and highly advanced medical riders. As of March 31, 2020, the balance of these policy reserves was ¥29,605 million (US\$272 million).

- (12) 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.

- (13) Of the bonds corresponding to the sub-groups of individual insurance and annuities which are set by insurance types and investment policies, the bonds that are held to match the duration of liabilities are classified as policy-reserve-matching bonds by the Company in accordance with "Temporary Treatment of Accounting and Auditing Concerning Policy-reserve-matching Bonds in Insurance

Industry” (Industry Audit Committee Report No. 21 issued by the Japanese Institute of Certified Public Accountants on November 16, 2000).

2. Primary accounting standards that have been issued by the end of the consolidated fiscal year ended March 31, 2020 but have not been applied are as follows.

Methods of calculating the fair value will be revised in response to the announcements of accounting standards such as “Accounting Standard for Fair Value Measurement” (ASBJ Statement No. 30, July 4, 2019), “Accounting Standard for Financial Instruments” (ASBJ Statement No. 10, July 4, 2019) and “Implementation Guidance on Accounting Standard for Fair Value Measurement” (ASBJ Guidance No. 31, July 4, 2019).

These accounting standards and this guidance must be applied at the beginning of the fiscal year starting on April 1, 2021 and the Company plans to apply these accounting standards and this guidance at the beginning of the fiscal year ending March 31, 2022.

The Company is currently in the process of evaluating the effects of applying these accounting standards and this guidance for the consolidated fiscal year ending March 31, 2022.

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

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

The Company manages its asset management risk by establishing internal control systems including various rules pursuant to the “Three Basic Rules related to Enterprise Risk Management” established by the Board of Directors. Specifically, the Company eliminates excessive risk deviating from the basic principle and secures the safety of the assets by utilizing control functions of the Financial and Investment Risk Management Department towards the asset management sections, monitoring the status of market risk and credit risk periodically on a daily or monthly basis. In addition, the Company quantifies the market risk and credit

risk using value-at-risk (VaR) method in order to control the possible maximum losses which may arise from the holding assets within a certain range of risk buffers.

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

As of March 31,			
2019			
	Millions of yen		
	Carrying amount	Fair value	Difference
Cash and deposits:			
Cash and deposits not treated as securities.....	¥ 151,527	¥ 151,527	¥ —
Total cash and deposits	151,527	151,527	—
Call loans	176,000	176,000	—
Monetary claims bought:			
Claims treated as loans	299	319	20
Total monetary claims bought.....	299	319	20
Money held in trust:			
Trading securities.....	22,850	22,850	—
Total money held in trust.....	22,850	22,850	—
Securities:			
Trading securities.....	97,110	97,110	—
Held-to-maturity debt securities	1,256,418	1,505,773	249,355
Policy-reserve-matching bonds.....	1,923,187	2,174,682	251,494
Available-for-sale securities	3,909,427	3,909,427	—
Total securities.....	7,186,144	7,686,993	500,849
Loans:			
Policy loans.....	59,972	59,971	(0)
Ordinary loans.....	504,806	530,223	25,417
Total loans.....	564,778	590,195	25,416
Assets total.....	8,101,599	8,627,886	526,286
Subordinated bonds ¹	191,935	198,912	6,977
Liabilities total.....	191,935	198,912	6,977
Derivative instruments ² :			
Hedge accounting not applied.....	(107)	(107)	—
Hedge accounting applied	(3,230)	(3,230)	—
Total derivative instruments.....	¥ (3,338)	¥ (3,338)	¥ —

As of March 31,						
	2020			2020		
	Millions of yen			Millions of U.S. dollars		
	Carrying amount	Fair value	Difference	Carrying amount	Fair value	Difference
Cash and deposits:						
Cash and deposits not treated as securities.....	¥ 412,693	¥ 412,693	¥ —	\$ 3,792	\$ 3,792	\$ —
Total cash and deposits	412,693	412,693	—	3,792	3,792	—
Call loans	230,000	230,000	—	2,113	2,113	—
Monetary claims bought:						
Claims treated as loans	269	287	17	2	2	0
Total monetary claims bought.....	269	287	17	2	2	0
Money held in trust:						
Trading securities.....	23,156	23,156	—	212	212	—
Total money held in trust.....	23,156	23,156	—	212	212	—
Securities:						
Trading securities.....	66,357	66,357	—	609	609	—
Held-to-maturity debt securities	1,274,337	1,498,490	224,153	11,709	13,769	2,059
Policy-reserve-matching bonds.....	1,750,094	1,954,843	204,748	16,080	17,962	1,881
Available-for-sale securities	3,773,242	3,773,242	—	34,670	34,670	—
Total securities.....	6,864,032	7,292,934	428,902	63,071	67,012	3,941
Loans:						
Policy loans.....	58,993	58,993	(0)	542	542	(0)
Ordinary loans.....	510,133	536,915	26,781	4,687	4,933	246
Total loans.....	569,127	595,908	26,781	5,229	5,475	246
Assets total.....	8,099,279	8,554,980	455,701	74,421	78,608	4,187
Subordinated bonds ¹	191,935	186,062	(5,872)	1,763	1,709	(53)
Cash received as collateral under securities						
lending transactions.....	67,866	67,866	—	623	623	—
Liabilities total.....	259,801	253,929	(5,872)	2,387	2,333	(53)
Derivative instruments ² :						
Hedge accounting not applied.....	3,589	3,589	—	32	32	—
Hedge accounting applied	10,206	10,206	—	93	93	—
Total derivative instruments.....	¥ 13,795	¥ 13,795	¥ —	\$ 126	\$ 126	\$ —

Notes: 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 brackets.

- (1) Cash, deposits (excluding financial instruments treated as securities based on "Accounting Standards for Financial Instruments" (ASBJ Statement No.10, March 10, 2008)) and call loans:

The fair values of cash, deposits and call loans are based on their book values since fair values approximate book values due to their short maturities.

- (2) Securities including deposits and monetary claims bought which are treated as securities based on "Accounting Standards for Financial Instruments" (ASBJ Statement No.10, March 10, 2008) and securities managed as trust assets in money held in trust:

The fair values of marketable securities are measured at the quoted market prices at the balance sheet date. The fair values of other securities without the quoted market prices are based on the prices reasonably calculated such as the prices offered by the information vendors or counterparty financial institutions.

Investments in unconsolidated subsidiaries and affiliates, unlisted stocks and investments in partnerships whereby partnership assets consist of unlisted stocks whose fair values are deemed extremely difficult to obtain, are excluded from above securities. The carrying amounts of investments in unconsolidated subsidiaries and affiliates, unlisted stocks and investments in partnerships were ¥404 million, ¥5,696 million, and ¥27,318 million as of March 31, 2019 and ¥404 million (US\$3 million), ¥5,684 million (US\$52 million), and ¥28,169 million (US\$258 million) as of March 31, 2020, respectively.

- (3) Loans and monetary claims bought treated as 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 and monetary claims bought treated as 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 and monetary claims bought treated as loans are based on their book values. The fair values of fixed interest rate loans are 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 and monetary claims bought treated as loans are computed by deducting the amount of the allowance for possible loan losses from the book values before direct write-offs.

- (4) Subordinated bonds:

Subordinated bonds issued by the Company are stated at fair market values.

- (5) Cash received as collateral under securities lending transactions:

The fair values of cash received as collateral under securities lending transactions are based on their book values since fair values approximate book values due to their short maturities.

- (6) Derivative instruments:

- i) The fair values of the futures and options traded at the exchange are measured at the settlement price of the exchange.
- ii) The fair values of forward contracts, options and swaps traded over the counter are based on the quoted prices offered by counterparty financial institutions.
- iii) The fair values of foreign currency forward contracts are determined based on the spot exchange rate and forward contract rate.

4. The Company holds investment and rental properties such as office buildings in Tokyo and other areas. The carrying amounts and the fair values of investment and rental properties were ¥171,231 million and ¥312,797 million as of March 31, 2019 and ¥173,454 million (US\$1,593 million) and ¥320,155 million (US\$2,941 million) as of March 31, 2020, respectively. The fair value is mainly based on the value calculated by the Company in accordance with real estate appraisal standards which includes some adjustments using the reference prices.

The amount corresponding to asset retirement obligations included in the carrying amount of investment and rental properties were ¥695 million and ¥587 million (US\$5 million) as of March 31, 2019 and 2020, respectively.

5. The amount of securities lent under lending agreements were ¥299,194 million and ¥345,897 million (US\$3,178 million) as of March 31, 2019 and 2020, respectively.

6. The total amounts of credits to bankrupt borrowers, delinquent loans, delinquent loans past 3 months or more and restructured loans, which were included in loans, were ¥954 million and ¥1,099 million (US\$10 million) as of March 31, 2019 and 2020, respectively:

- i) The balances of credits to bankrupt borrowers were ¥172 million and ¥173 million (US\$1 million) as of March 31, 2019 and 2020, respectively.
- ii) The balances of delinquent loans were ¥782 million and ¥698 million (US\$6 million) as of March 31, 2019 and 2020, respectively.
- iii) The balances of restructured loans were nil and ¥227 million (US\$2 million) as of March 31, 2019 and 2020, respectively.
- iv) There were no balances of delinquent loans past 3 months or more as of March 31, 2019 and 2020, respectively.

The direct write-offs related to loans decreased credits to

bankrupt borrowers described above by ¥1 million and ¥0 million (US\$7 thousand) as of March 31, 2019 and 2020, respectively.

Credits to bankrupt borrowers represent loans, excluding the balances already written-off, which meet the conditions prescribed in Article 96 Paragraph 1 item 3 and 4 of the Enforcement Regulations of the Corporate Tax Act. Moreover, accrued interest on these loans is not recorded as income after determining that principal of or interest on these loans is unlikely to be collected due to the significant delay in repayment of principal or interest payment or for some other reasons.

Delinquent loans are credits which accrued interest is not recorded as income due to the same reasons as described above, and exclude credits to bankrupt borrowers and loans for which interest payments have been suspended and rescheduled to assist and support the borrowers in the restructuring of their business.

Delinquent loans past 3 months or more are loans for which interest payments or repayments of principal are delinquent for 3 months or more from the due date under the terms of the related loan agreements, excluding those loans classified as credits to bankrupt borrowers and delinquent loans.

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 credits to bankrupt borrowers, delinquent loans and delinquent loans past 3 months or more.

7. Accumulated depreciation of tangible fixed assets were ¥167,799 million and ¥172,539 million (US\$1,585 million) as of March 31, 2019 and 2020, respectively.

8. Total assets in separate accounts provided for in Article 118 of the Insurance Business Act were ¥71,585 million and ¥84,658 million (US\$777 million) as of March 31, 2019 and 2020, respectively. The amounts of separate account liabilities were the same as separate account assets.

9. The total amounts of receivables from/payables to unconsolidated subsidiaries were ¥3,093 million and ¥36 million as of March 31, 2019 and ¥3,065 million (US\$28 million) and ¥40 million (US\$368 thousand) as of March 31, 2020, respectively.

10. Deferred tax assets and deferred tax liabilities as of March 31, 2019 were ¥143,826 million and ¥141,111 million, respectively. Valuation allowance for deferred tax assets was ¥4,274 million.

Major components of deferred tax assets were ¥87,060 million of policy reserves, ¥33,980 million of reserve for price fluctuation and ¥14,325 million of net defined benefit liability as of March 31, 2019.

Major component of deferred tax liabilities was ¥136,073 million of net unrealized gains on available-for-sale securities as of March 31, 2019.

The statutory tax rate and the actual effective tax rate for the year ended March 31, 2019 were 28.0% and 4.9%, respectively. The difference between the statutory tax rate and the actual effective tax rate was attributable mainly to -25.1% of reserve for dividends to policyholders.

Deferred tax assets and deferred tax liabilities as of March 31, 2020 were ¥156,847 million (US\$1,441 million) and ¥119,398 million (US\$1,097 million), respectively. Valuation allowance for deferred tax assets was ¥5,563 million (US\$51 million).

Major components of deferred tax assets were ¥94,544 million (US\$868 million) of policy reserves, ¥37,285 million (US\$342 million) of reserve for price fluctuation and ¥14,928 million (US\$137 million) of net defined benefit liability as of March 31, 2020.

Major component of deferred tax liabilities was ¥114,139 million (US\$1,048 million) of net unrealized gains on available-for-sale securities as of March 31, 2020.

The statutory tax rate and the actual effective tax rate for the year ended March 31, 2020 were 28.0% and 9.3%, respectively. The difference between the statutory tax rate and the actual effective tax rate was attributable mainly to -23.3% of reserve for dividends to policyholders.

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

	Year ended March 31,		
	2019	2020	2020
	Millions of yen		Millions of U.S. dollars
Balance at the beginning of the fiscal year.....	¥53,395	¥58,176	\$534
Transfer from surplus in the previous fiscal year.....	38,630	34,671	318
Dividend payments to policyholders during the fiscal year	(33,862)	(31,938)	(293)
Increase in interest.....	12	13	0
Balance at the end of the fiscal year	¥58,176	¥60,922	\$559

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

	Year ended March 31,		
	2019	2020	2020
	Millions of yen		Millions of U.S. dollars
Balance at the beginning of the fiscal year.....	¥539	¥465	\$4
Dividend payments to policyholders during the fiscal year	(412)	(309)	(2)
Increase in interest.....	0	0	0
Provision for reserve for dividends to policyholders.....	337	172	1
Balance at the end of the fiscal year	¥465	¥328	\$3

13. The amount of stocks of unconsolidated subsidiaries were ¥404 million and ¥404 million (US\$3 million) as of March 31, 2019 and 2020, respectively.

14. Assets pledged as collateral as of March 31, 2019 were ¥17,839 million of securities and ¥744 million of bank deposits. Secured debts as of March 31, 2019, were ¥5,387 million.

Assets pledged as collateral as of March 31, 2020 were ¥78,124 million (US\$717 million) of securities and ¥690 million (US\$6 million) of bank deposits. Secured debts as of March 31, 2020, were ¥73,400 million (US\$674 million).

These amounts include ¥63,247 million (US\$581 million) of investments in securities deposited and ¥67,866 million (US\$623 million) of cash received as collateral under securities lending transactions secured by cash as of March 31, 2020.

15. Reserve for outstanding claims for the reinsurance contracts provided in accordance with Article 71 Paragraph 1 of the Enforcement Regulation of the Insurance Business Act (hereinafter called "reserve for outstanding claims for ceded reinsurance") were ¥70 million and ¥1 million (US\$15 thousand) as of March 31, 2019 and 2020, respectively.

Policy reserve for the reinsurance contracts provided in accordance with Article 71 Paragraph 1 of the Enforcement Regulation of the Insurance Business Act (hereinafter called "policy reserve for ceded reinsurance") were ¥54 million and ¥48 million (US\$447 thousand) as of March 31, 2019 and 2020, respectively.

16. The Company raised additional foundation funds of ¥12,000 million (US\$110 million) during the fiscal year ended March 31, 2020 in accordance with Article 60 of the Insurance Business Act.

17. In the fiscal year ended March 31, 2020, in connection with the redemption of foundation funds of ¥10,000 million

(US\$91 million), the Company reversed the reserve for redemption of foundation funds and provided the equivalent amount for accumulated foundation funds redeemed in accordance with Article 56 of the Insurance Business Act.

18. There were unused commitment line agreements under which the Company is the lender of ¥5,994 million and ¥9,407 million (US\$86 million) as of March 31, 2019 and 2020, respectively.

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

20. The future contribution to the Life Insurance Policyholders Protection Corporation of Japan under Article 259 of the Insurance Business Act was estimated at ¥10,530 million and ¥10,385 million (US\$95 million) as of March 31, 2019 and 2020, respectively.

The contribution is recognized as operating expenses when contributed.

21. Matters Related to Employees' Retirement Benefits

(1) Overview of Employees' Retirement Benefit Plan

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

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

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

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

(2) Defined Benefit Plan

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

	As of March 31,		
	2019	2020	2020
	Millions of yen		Millions of U.S. dollars
Retirement benefit obligation at the beginning of the fiscal year.....	¥86,420	¥87,382	\$802
Service cost.....	3,667	3,535	32
Interest cost	516	520	4
Actuarial differences occurred during the fiscal year.....	1,080	1,308	12
Retirement benefit payments.....	(4,301)	(4,391)	(40)
Retirement benefit obligation at the end of the fiscal year	¥87,382	¥88,356	\$811

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

	As of March 31,		
	2019	2020	2020
	Millions of yen		Millions of U.S. dollars
Pension plan assets at the beginning of the fiscal year.....	¥52,509	¥55,090	\$506
Expected return on pension plan assets	972	858	7
Actuarial differences occurred during the fiscal year.....	145	(3,071)	(28)
Contributions by the employer	2,768	2,794	25
Retirement benefit payments.....	(1,306)	(1,677)	(15)
Others.....	1	2	0
Pension plan assets at the end of the fiscal year	¥55,090	¥53,996	\$496

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

	As of March 31,		
	2019	2020	2020
	Millions of yen		Millions of U.S. dollars
a. Funded plan retirement benefit obligation.....	¥75,691	¥76,662	\$704
b. Pension plan assets.....	(55,090)	(53,996)	(496)
c. (a + b)	20,601	22,665	208
d. Unfunded plan retirement benefit obligation.....	11,691	11,693	107
e. Net amount of liabilities and assets presented on the consolidated balance sheet	32,292	34,359	315
f. Net defined benefit liabilities	32,470	34,614	318
g. Net defined benefit assets	(177)	(255)	(2)
h. Net amount of liabilities and assets presented on the consolidated balance sheet	¥32,292	¥34,359	\$315

iv) Breakdown of retirement benefit gains and losses

	As of March 31,		
	2019	2020	2020
	Millions of yen		Millions of U.S. dollars
Service cost	¥3,667	¥3,535	\$32
Interest cost	516	520	4
Expected return on pension plan assets	(972)	(858)	(7)
Amortization of actuarial differences	1,759	1,404	12
Amortization of prior service cost	(76)	(76)	(0)
Others	(1)	(2)	(0)
Retirement benefit expenses related to defined benefit plan	¥4,892	¥4,523	\$41

v) Remeasurements of defined benefit plan

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

	As of March 31,		
	2019	2020	2020
	Millions of yen		Millions of U.S. dollars
Amortization of actuarial differences	¥823	¥(2,975)	\$(27)
Amortization of prior service cost	(76)	(76)	(0)
Total	¥747	¥(3,051)	\$(28)

vi) Accumulated remeasurements of defined benefit plan

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

	As of March 31,		
	2019	2020	2020
	Millions of yen		Millions of U.S. dollars
Unrecognized actuarial differences	¥(7,833)	¥(10,809)	\$(99)
Unrecognized prior service cost	171	95	0
Total	¥(7,662)	¥(10,714)	\$(98)

vii) Breakdown of pension plan assets

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

	As of March 31,	
	2019	2020
Domestic stocks	44.1%	41.1%
Life insurance general account	33.5%	35.8%
Domestic bonds	9.6%	9.9%
Foreign stocks	7.7%	6.9%
Foreign bonds	3.0%	3.2%
Others	2.1%	3.1%
Total	100.0%	100.0%

Within the total of pension assets as of March 31, 2020, 35.2% of this amount is accounted for by the retirement benefit trust established in relation to the retirement lump-sum payments plan for sales employees.

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

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

ix) Underlying actuarial assumptions

Main underlying actuarial assumptions were as follows:

	As of March 31,	
	2019	2020
Discount rate	0.6%	0.6%
Expected long-term rate of return on pension plan assets		
Defined Benefit Plan	3.0%	2.5%
Retirement benefit trust.....	0.0%	0.0%

(3) Defined Contribution Plan

The required contribution amounts by the Company and its consolidated subsidiaries to the defined contribution plan were ¥324 million and ¥331 million (US\$3 million) as of March 31, 2019 and 2020, respectively.

III. Notes to the Consolidated Statements of Operations

1. The total amounts of revenues and expenses in connection with unconsolidated subsidiaries were ¥83 million and ¥1,806 million for the year ended March 31, 2019 and ¥75 million (US\$695 thousand) and ¥1,201 million (US\$11 million) for the year ended March 31, 2020, respectively.

2. For the year ended March 31, 2019, in calculating the provision of reserve for outstanding claims, a provision of reserves for outstanding claims reinsured of ¥59 million was deducted. In calculating the provision of policy reserves, a provision of reserves for policy reserves reinsured of ¥0 million was deducted.

For the year ended March 31, 2020, in calculating the reversal of reserve for outstanding claims, a reversal of reserves for outstanding claims reinsured of ¥68 million (US\$629 thousand) was deducted. In calculating the provision of policy reserves, a reversal of reserves for policy reserves reinsured of ¥5 million (US\$51 thousand) was added.

IV. Notes to the Consolidated Statements of Comprehensive Income

1. Other Comprehensive Income

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

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

	Year ended March 31,		
	2019	2020	2020
	Millions of yen		Millions of U.S. dollars
Amount incurred during the fiscal year.....	¥34,935	¥(63,412)	\$(582)
Reclassification adjustments	(23,903)	(18,165)	(166)
Before tax adjustments	11,032	(81,578)	(749)
Tax effects	(3,074)	21,934	201
Net unrealized gains (losses) on available-for-sale securities, net of tax	¥ 7,957	¥(59,644)	\$(548)

ii) Foreign currency translation adjustments

	Year ended March 31,		
	2019	2020	2020
	Millions of yen		Millions of U.S. dollars
Amount incurred during the fiscal year.....	¥ (119)	¥16	\$0
Reclassification adjustments	—	—	—
Before tax adjustments	(119)	16	0
Tax effects	—	—	—
Foreign currency translation adjustments	¥ (119)	¥16	\$0

iii) Remeasurements of defined benefit plans, net of tax

	Year ended March 31,		
	2019	2020	2020
	Millions of yen		Millions of U.S. dollars
Amount incurred during the fiscal year.....	¥ (935)	¥ (4,380)	\$ (40)
Reclassification adjustments	1,683	1,328	12
Before tax adjustments	747	(3,051)	(28)
Tax effects	(209)	854	7
Remeasurements of defined benefit plans, net of tax.....	538	(2,197)	(20)
Total other comprehensive income	¥8,376	¥(61,825)	\$(568)

V. Notes to the Consolidated Statements of Cash Flows

- Cash and cash equivalents as of March 31, 2019 and 2020 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."
- Reconciliations of cash and cash equivalents in the consolidated statements of cash flows to the consolidated balance sheet accounts were as follows:

	Year ended March 31,		
	2019	2020	2020
	Millions of yen		Millions of U.S. dollars
Cash and deposits	¥153,017	¥415,816	\$3,820
Call loans	176,000	230,000	2,113
Monetary claims bought.....	299	269	2
Time deposits maturing over 3 months of the date of acquisition	(100)	(100)	(0)
Foreign currency deposits maturing over 3 months of the date of acquisition.....	(792)	(1,209)	(11)
Monetary claims bought maturing over 3 months of the date of acquisition.....	(299)	(269)	(2)
Cash and cash equivalents	¥328,124	¥644,507	\$5,922

Management's Report on Internal Control over Financial Reporting

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

Yoshiteru Yoneyama, President of Fukoku Mutual Life Insurance Company (the Company), is responsible for the design and operation of internal control over financial reporting for the Company's financial statements, namely, consolidated balance sheet and the related consolidated statements of operations, comprehensive income, cash flows, changes in net assets and a summary of significant accounting policies and other explanatory information for the year ended March 31, 2020, prepared in accordance with Article 110 Paragraph 2 of the Insurance Business Act. The Company designs and operates its internal control over financial reporting in accordance with the basic framework of internal control set forth in the Standards and Practice Standards for Management Assessment and Audit concerning Internal Control Over Financial Reporting (Council Opinions) issued by the Business Accounting Council of the Financial Service Agency of Japan.

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

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

The Company performed an assessment of internal control over financial reporting for its consolidated financial statements as of the end of the fiscal year, March 31, 2020 in accordance with generally accepted assessment standards in Japan for internal control over financial reporting.

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

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

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

3. Matters relating to the results of the assessment

As a result of performing the assessment, the Company concluded that the design and operation of internal control over financial reporting for the Company were effective as of March 31, 2020.

4. Supplementary information

Not applicable

5. Other special information

Not applicable

May 18, 2020
Yoshiteru Yoneyama
President
Fukoku Mutual Life Insurance Company

Independent Auditor's Report

May 19, 2020

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

Kisaragi Audit Corporation
Tokyo, Japan

Designated Engagement Partner
Certified Public Accountant


Yuichi Yasuda

Designated Engagement Partner
Certified Public Accountant


Osamu Sano

< Financial Statements Audit >

Opinion

We have audited the accompanying consolidated financial statements of Fukoku Mutual Life Insurance Company (“the Company”) and its consolidated subsidiaries (collectively referred to as “the Group”), which comprise the consolidated balance sheets as at March 31, 2020, the consolidated statements of operations, the consolidated statements of comprehensive income, the consolidated statements of cash flows, and the consolidated statements of changes in net assets for the year then ended, and notes to the consolidated financial statements, all expressed in Japanese yen.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at March 31, 2020, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with accounting principles generally accepted in Japan.

Basis for Opinion

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

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

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

consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

Convenience Translation

The amounts expressed in U.S. dollars, which are provided solely for the convenience of the reader, have been translated on the basis set forth in Note I.1 to the accompanying consolidated financial statements with respect to the year ended March 31, 2020.

< Internal Control Audit >

We also have audited the accompanying management's report on internal control over financial reporting of the Company, which comprise the consolidated balance sheets as at March 31, 2020, the consolidated statements of operations, the consolidated statements of comprehensive income, the consolidated statements of cash flows, and the consolidated statements of changes in net assets for the year then ended, and notes to the consolidated financial statements.

Responsibilities of Management for the Report on Internal Control


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

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

Auditor's Responsibilities

Our responsibility is to express an opinion on management's report on internal control based on our internal control audit. We conducted our internal control audits in accordance with auditing standards for internal control over financial reporting generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether management's report on internal control is free from material misstatement.

An internal control audit involves performing procedures to obtain audit evidence about the results of the assessment of internal control over financial reporting in management's report on internal control. The procedures selected depend on our judgment, including the significance of effects on reliability of financial reporting. An internal control audit includes examining representations on the scope, procedures and results of the assessment of internal control



over financial reporting made by management, as well as evaluating the overall presentation of management's report on internal control.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion, management's report on internal control referred to above, which represents that the internal control over financial reporting of the consolidated financial statements of the Company as at March 31, 2020 is effectively maintained, presents fairly, in all material respects, the results of the assessment of internal control over financial reporting in conformity with assessment standards for internal control over financial reporting generally accepted in Japan.

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

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

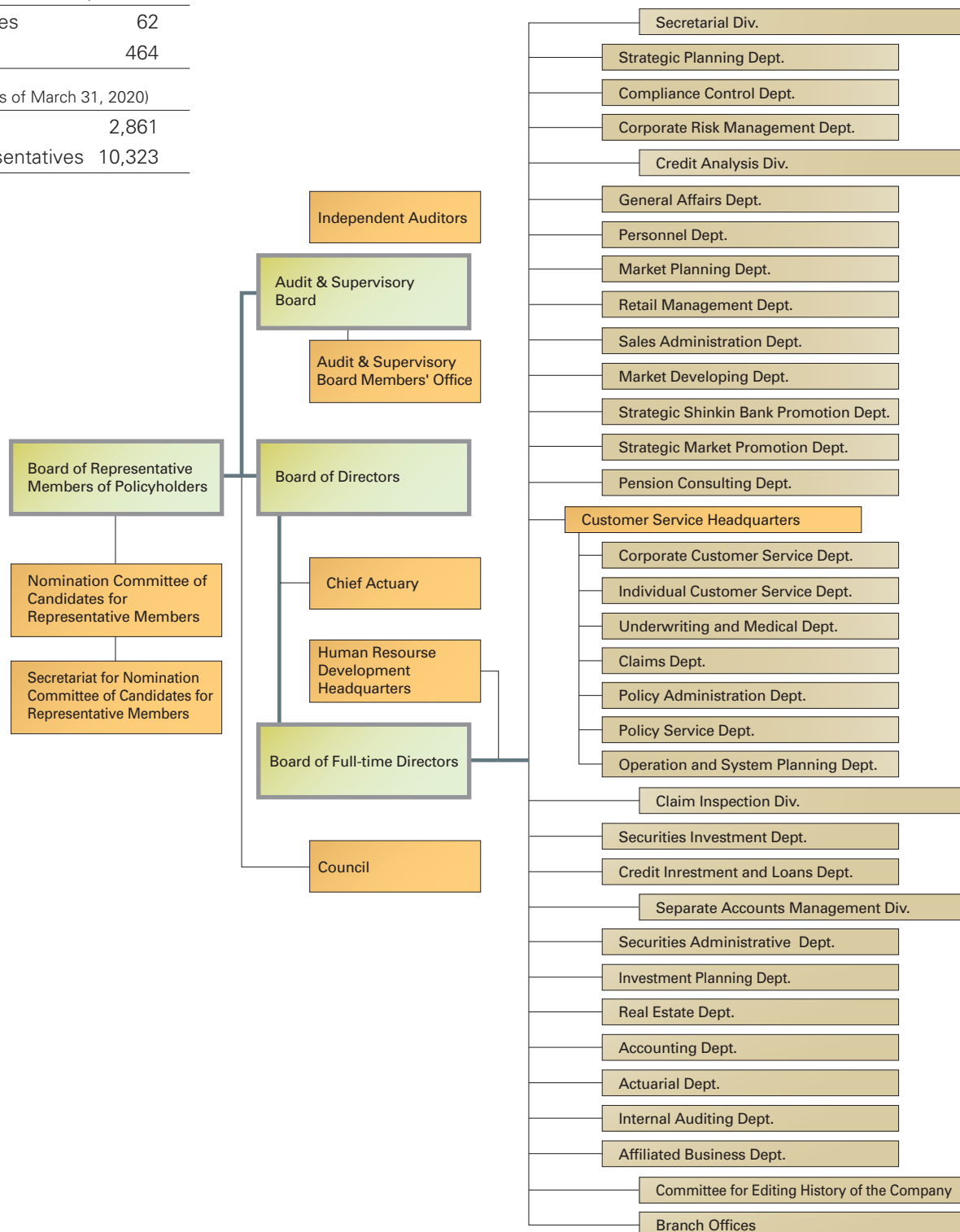
Corporate Organization

Domestic Offices (As of April 1, 2020)

Branch Offices	62
Field Offices	464

Employees (As of March 31, 2020)

Office Staff	2,861
Sales Representatives	10,323



Directors, Audit & Supervisory Board Members and Executive Officers

President and Chief Executive Officer
Yoshiteru Yoneyama*

Deputy President and Executive Officer
Toshihide Fujiwara

Director and Senior Managing Executive Officer
Yuuki Sakurai

Director and Senior Managing Executive Officer
Toshikatsu Hayashi

Director and Managing Executive Officer
Takehiko Watabe

Director
Hiroto Yoshimura**

Director
Masanori Yanagi**

Director and Executive Officer
Yasuyuki Kitamura

Director and Executive Officer
Keiichi Kurota

Director and Executive Officer
Naoyuki Torii

Director and Executive Officer
Naoki Sunamoto

Audit & Supervisory Board Member
Yoshizumi Nezu***

Audit & Supervisory Board Member
Kyohei Takahashi***

Audit & Supervisory Board Member
Kunio Otani

Audit & Supervisory Board Member (Standing)
Kei Yoshizawa

Audit & Supervisory Board Member (Standing)
Shinji Nakao

Managing Executive Officer
Osamu Suzuki

Executive Officer
Chikashi Ichikawa

Executive Officer
Takeshi Oomori

Executive Officer
Ichiro Yamada

Executive Officer
Takeshi Kondou

Executive Officer
Naoyuki Asami

Executive Officer
Hideaki Shigematsu

Executive Officer
Mitsuhiro Hoshino

Executive Officer
Toshihiko Morishita

*Representative Director

**External Directors

***External Audit & Supervisory Board Member

(As of July 2, 2020)

Directory

Fukoku Mutual Life Insurance Company (head office)

2-2, Uchisaiwaicho 2-chome, Chiyoda-ku, Tokyo 100-0011, Japan

Phone: 81-3-3508-1101

Facsimile: 81-3-3591-6446

Fukoku Life International (U.K.) Ltd.

3rd Floor, Baltic Exchange, 38 St. Mary Axe, London, EC3A 8EX, U.K.

Phone: 44-20-7283-1331

Facsimile: 44-20-7626-7096

Fukoku Life International (America) Inc.

Times Square Tower, 7 Times Square, 35th Floor, New York, NY 10036, U.S.A.

Phone: 1-212-221-7760

Facsimile: 1-212-221-7794

Fukoku Life Investments Singapore Pte. Ltd.

80 Robinson Road #16-04 Singapore 068898

Phone: 65-6220-8308

Facsimile: 65-6220-8736



▲ Tokyo Head Office



▲ Osaka Fukoku Mutual Life Insurance Building



▲ Sapporo Fukokuseimei Koshiyama Building

