ANNUAL REPORT

2022

YEAR ENDED MARCH 31, 2022

FUKOKU MUTUAL LIFE
INSURANCE COMPANY

Management Principles of Fukoku Life

Management Philosophy

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

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

Values

Customer-centered Values

First & Fast

Customer-centered Values

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

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

Code of Conduct

Between Fukoku Life and Its Customers

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

Between Fukoku Life and the Regions and Communities It Serves

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

Between Fukoku Life and Its Staff

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

Business Policies

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

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

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

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

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

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

Contents

Message from the President

I would like to express my deepest sympathies to all those affected by the COVID-19 pandemic.

COVID-19 Response

We are implementing timely and appropriate measures in accordance with our basic policies of prioritizing the lives of customers and employees, and preventing the spread of infection resulting from our business activities.

When selling insurance, we help prevent the spread of the pandemic through measures such as online consultations and the use of electronic systems for the delivery of sales materials. Furthermore, we are conducting sales activities that effectively combine both digital and conventional methods, while continuing to fulfill the needs of our customers during the pandemic.

In terms of customer service, we are striving to alleviate customer concerns by providing detailed information, including guidance regarding special initiatives related to COVID-19, primarily through after-sales services performed by telephone or mail.

The Past Year in Review

Despite the difficult environment stemming from the pandemic, the amounts of new policies, together with annualized premium income from new policies—for both Fukoku Mutual Life Insurance Company and Fukokushinrai Life Insurance Company—recovered to levels higher than in fiscal 2019 (April 1, 2019–March 31, 2020), prior to the pandemic. The premium income for the two companies increased 8.1% year on year to ¥632.0 billion, marking a return to the prepandemic level. With regard to asset management, interest, dividends and other income generated through Fukoku Mutual Life Insurance Company reached a record high for the fourth consecutive year.

As a result, the total fundamental profit (the standard measure of an insurance company's profitability) for Fukoku Mutual Life Insurance Company and Fukokushinrai Life Insurance Company increased 1.7% year on year to ¥84.3 billion. Meanwhile, our consolidated solvency margin ratio, an indicator of soundness, remained high at 1,274.3%. Further, in accordance with the expectations of our policyholders, we raised dividends for policyholders of individual insurance policies, achieving a 10th consecutive year of dividend increase for holders of such policies.

Life insurance involves a spirit of mutual assistance. Policyholders comprise a group of people who are insured and who help each other, in that insurance premiums received from policyholders are provided as insurance payouts to customers who need them.

In fiscal 2021, along with Fukokushinrai Life, we paid out a total of ¥517.7 billion in insurance claims, annuities, and benefits. We will continue to provide reliable payment of insurance claims and other benefits.

Customer-Centered Values

Founded as a policyholder-oriented mutual company, we strive to ensure that all of our ideas and actions are based on customer-centered values. Accordingly, all executives and employees consistently adopt customer perspectives in management, when conducting business, as well as when creating and providing services and experiences unique to the Fukoku Mutual Life Insurance Company.

In line with customer-centered values, we meet the needs of our clients by providing comprehensive consulting services regarding savings-related products and third-sector insurance products, such as death protection and medical and long-term care insurance.

Medium-term Management Plan

Our objective of becoming the best, rather than the biggest, is encoded in our DNA, and through our pursuit of targets associated with our medium-term management plan (fiscal 2019–2021), we have been working to realize our vision of attaining the highest possible level of customer acclaim through thorough differentiation. Although our vision has only partly been realized, since the beginning of fiscal 2019 we have generated positive results. These include an increase in customer satisfaction as demonstrated by policyholder survey results.

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

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

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. This refers to the next generation of mutual aid that will evolve over the coming century, as well as our aim to become an enterprise representing real mutual aid, by deepening our connection to, and mutual support for, all our stakeholders.

In fiscal 2021, as part of THE MUTUAL Art for children, a collection of initiatives through which we help children connect with their surrounding communities, we produced vegetable-based crayons featuring artwork from the Smile Gallery. At the gallery located in the second basement of our head office in Uchisaiwaicho, Tokyo, art created by students attending special needs schools throughout Japan is exhibited. Along with the sales division of our head office, our 33 branch offices located throughout Japan have donated approximately 46,000 boxes of the crayons to local nursery schools and other facilities.

We will continue to promote THE MUTUAL concept as an expression of the next generation of mutual support, while aiming to become a company that resonates with stakeholders and all other related parties by the centennial anniversary of our founding.

Financial Soundness

We must continue to ensure sound management to achieve sustainable growth as social and economic environments undergo major changes.

To maintain financial soundness regardless of the operating environment, we are working to further strengthen our capital. Our basic policy for doing so involves accumulating internal reserves, which are funded by ordinary profits, and combining these with funds raised through external financing methods, which include the raising of foundation funds and the issue of subordinated bonds.

In fiscal 2021, we expanded our internal reserves by increasing reserve funds such as our contingency reserve. We plan to continue our efforts to improve our financial soundness and provide our customers with security and peace of mind.

Our Mission As a Mutual Company

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

To fulfill our responsibilities as an insurance company and our mission as a mutual 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 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 being close to customers.

We look forward to your continued support and cooperation.

Yoshiteru Yoneyama

Yoshiteru Yoneyama
President

Fukoku Life's Value Creation Process

Sources of Value Creation

Our founding spirit

Commitment to a policyholder-oriented approach

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

Motto (company motto and company DNA)

Becoming the best rather than biggest

Management philosophy

Protecting the interests of our policyholders

Contributing to society

Helping our employees achieve personal fulfillment

Values

Customer-Centered Value

Human resource development

Spontaneity, creativity, and altruism

Management Base

Financial capital

Strong financial base
- Solvency margin ratio: 1,234.2%*
- Capital ratio: 13.31%*

Social capital

Stability and security for customers
- Number of policies in force: 3,749,000*
- Insurance claims, annuities, and benefits provided: ¥343.4 billion**

Human capital

Human resources who apply customer-centered values
- Number of sales representatives: 10,083*
- Number of office-based personnel: 2,904*

Intellectual capital

Distinctive, quality-driven management
- Industry-leading product development
- Dynamic asset management that draws on unique perspectives

Management under a Mutual Company System:

Business Policies

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

Long-term Management Vision

Management strategy Target differentiation in all business areas

Medium-term Management Plan (Fiscal 2022–2024)

Initiatives targeting the resolution of increasingly diverse social issues

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

Further strengthen our management base

* As of March 31, 2022
** For the fiscal year ended March 31, 2022

Pursuing Ultra-Long-Term Sustainability

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

Be the top life insurance company in terms of customer satisfaction

Building a virtuous cycle for sustainable growth

Value Created Jointly with Stakeholders

Partnerships with stakeholders

Customers

Sound management of our life insurance business

Offer coverage through our life insurance business

Community and Society

Promote ESG investment and financing

Address climate change and other environmental issues

Employees

Promote health management, work style reforms

Address human rights and diversity

Achievement of Steadfast and Sustainable Societies

Medium-term Management Plan (Fiscal 2022–2024)

Objectives

Our medium-term management plan targets improvement in customer satisfaction rather than revenue or profit. We believe that further improving our management base by enhancing the quality of our products and services, while improving productivity and profitability, is an effective way of increasing customer satisfaction.

Review of Previous Plan

Through our previous medium-term management plan (fiscal 2019–2021), we addressed the primary theme of building a virtuous cycle for sustainable growth, which achieves higher customer satisfaction by improving employee satisfaction and implementing initiatives targeting the achievement of our long-term management vision.

In terms of improving employee satisfaction, we received more favorable responses to many questions included in our surveys concerning staff attitudes. But employee satisfaction, an indicator of progress, remained at about the same level that had been observed when the plan was launched. With regard to customer satisfaction, internal policyholder surveys indicated an increase, but external surveys showed a slight decline in our customer satisfaction ranking within the industry as a whole.

Concerning initiatives targeting the achievement of our vision, we achieved more progress through some action plans than we had initially anticipated, thanks to such COVID-19 countermeasures as the adoption of digital communication with customers.

Role of Plan in Management Philosophy

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

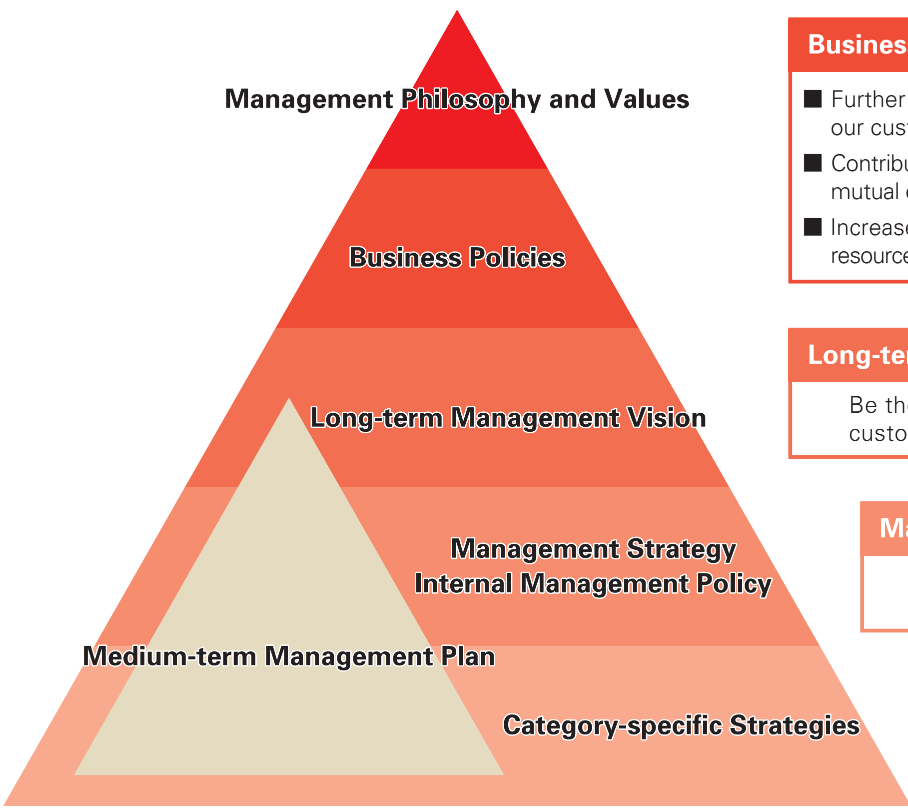
Management Philosophy

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

Values

Customer-centered Values

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



Business Policies

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

Long-term Management Vision

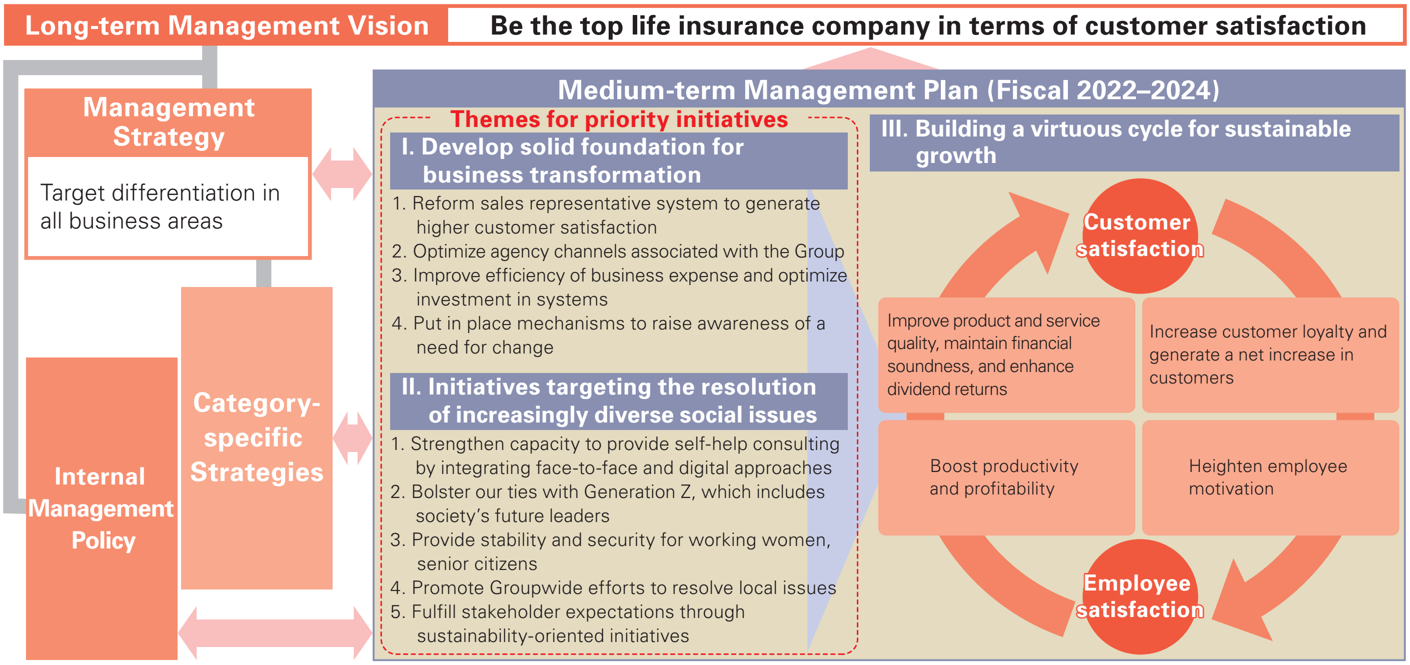
Be the top life insurance company in terms of customer satisfaction

Management Strategy

Target differentiation in all business areas

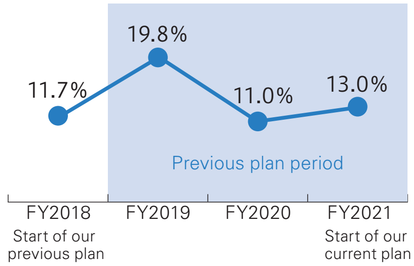
Overview of Current Plan

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



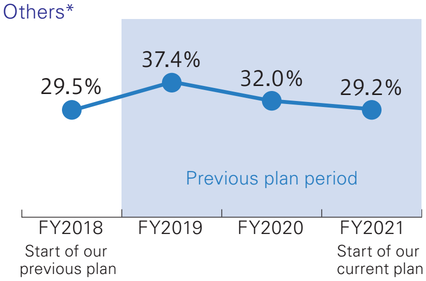
Indicators of Progress in Setting Up a Virtuous Cycle for Sustainable Growth

Indicator One: Customer Satisfaction*



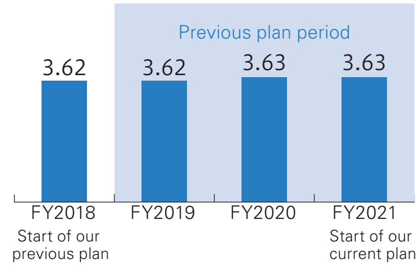
* Percentage of customers who responded "very satisfied" (the highest level of satisfaction out of a total of seven options) to the question, "How satisfied are you with Fukoku Life overall?" in our policyholder survey

Indicator Two: Plan to Recommend Coverage to Others*



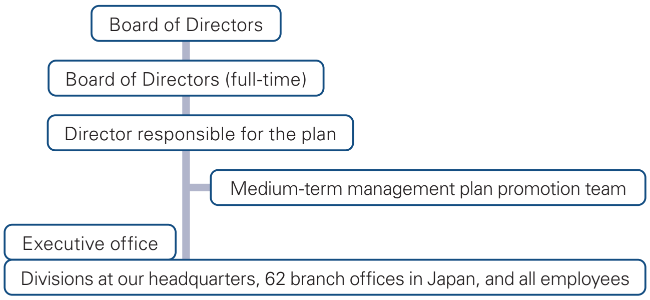
* Percentage of customers who answered "yes, I would strongly recommend" or "yes, I would recommend" (the top two choices out of a total of seven) in response to the policyholder survey question "Would you recommend insurance from Fukoku Life to others?"

Indicator Three: Employee Satisfaction*



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

Framework for Plan's Implementation



Medium-term Management Plan Promotion Team

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

Divisions at our headquarters

We will implement the action plans established for each department.

Sixty-two branch offices in Japan (Branch Office Medium-term Management Plan Committee)

Through monthly meetings of the Branch Office Medium-term Management Plan Committee, we will seek to enhance the quality of our services by attaining improved customer-centered indicators.

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

Approach to Sustainability

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

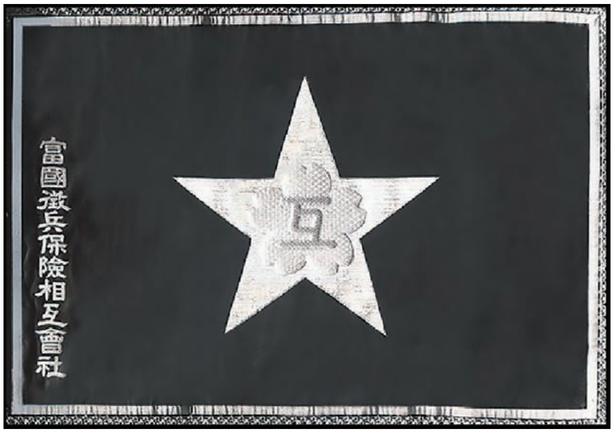
Based on a desire to build a policyholder-oriented company, Yoshiteru Yoshida, the second president and effectively the founder of Fukoku Life, insisted on that structure. He was committed to the idea in the belief that the ethos underlying insurance is based on mutual support provided by policyholders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

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

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

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

Yoshiteru Yoshida, Fukoku Life's second president



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

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

In 2021, we donated boxes of THE MUTUAL Oyasai Crayons* (vegetable-based crayons) to nursery schools and other facilities nationwide.

* For more information about Oyasai Crayons, please see the section "Centenary Project" on pages 10 and 11 of this report.

Relationship between Fukoku Life and Its Stakeholders

Corporate activities in the spirit of mutual aid

17 PARTNERSHIPS FOR THE GOALS

Protect policyholder interests

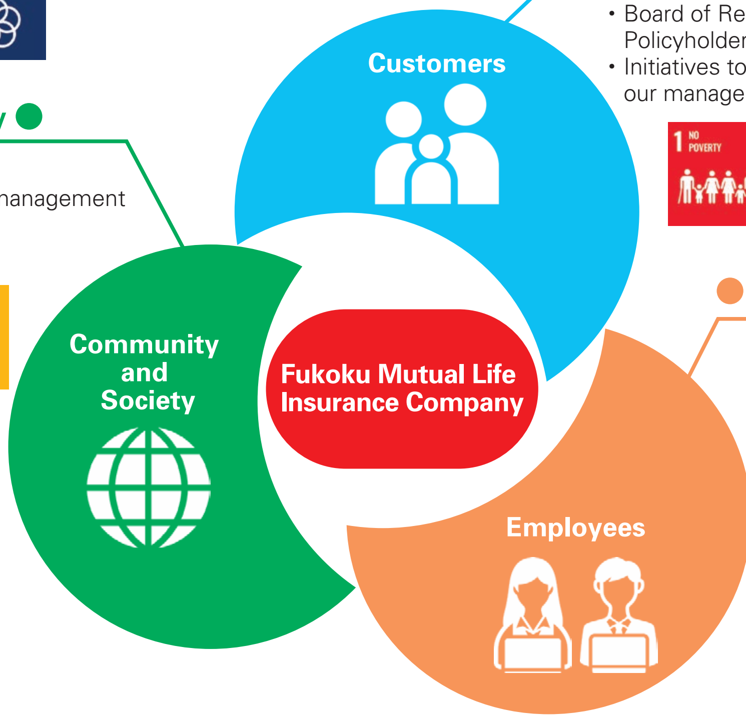
- Offer coverage through our insurance business
- Board of Representative Members of Policyholders
- Initiatives to reflect the voice of customers in our management (Conferences of Policyholders)

1 NO POVERTY · 3 GOOD HEALTH AND WELL-BEING · 16 PEACE, JUSTICE AND STRONG INSTITUTIONS

Contributing to society

- Environmental protection
- Initiatives through asset management (ESG investment)
- Stewardship activities

13 CLIMATE ACTION · 7 AFFORDABLE AND CLEAN ENERGY



Personal fulfillment

- Promote health management initiatives and work style reform
- Address human rights and diversity
- Provide opportunities for employees' self-actualization

3 GOOD HEALTH AND WELL-BEING · 5 GENDER EQUALITY · 8 DECENT WORK AND ECONOMIC GROWTH · 10 REDUCED INEQUALITIES

Priority Initiatives

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

SUSTAINABLE DEVELOPMENT GOALS

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

THE MUTUAL

Next generation of mutual aid

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

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

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

Founding

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

Launch of Centenary Project

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

1923 Founding

2018 The 95th Anniversary

2019 The 96th Anniversary

Find the MUTUAL

Find THE MUTUAL

As we collaborate with our 62 branch offices nationwide, we are implementing a program called FIND THE MUTUAL. This involves considering and exploring what the next generation of mutual aid might be, as we turn our attention to connections between people and the ideas they generate. To date, we have publicly disclosed corresponding initiatives implemented by 19 of our branch offices.

The Oita Branch Office participates in the Cervical Cancer Prevention awareness project, Hellosmile, at the Sanrio character park, Harmonyland, in Oita Prefecture. We continue to inform women regarding the importance of cancer screening in the hope of encouraging them to pay close attention to their bodies and stay healthy.

Located in the city of Ogaki, Gifu Prefecture, Ohashi Ryoki Ltd. is Japan's largest producer of *masu* (square wooden boxes traditionally used to measure rice). We are currently conducting initiatives aimed at creating connections between local communities and ourselves through manufacturing.

Note: Protective masks were worn, and removed only when photographs were taken.

Primary Initiatives in 2021

We launched THE MUTUAL Centenary Project to foster opportunities to contemplate the future of mutual aid together with a wide range of individuals. To facilitate this goal, we have revamped our special centenary website.

Under the banner of encouraging deep thought concerning the future of mutual aid, we will thoroughly ponder THE MUTUAL as a concept, and aim to communicate our thoughts to a wide range of people primarily through this special centenary website.

To make it more accessible, the website has been relaunched featuring the familiar faces of both famous actor Takumi Saitoh and the Hello Kitty character, which serves as our brand mascot. The website offers a variety of content, and we invite you to have a look.

Special centenary website

100th Anniversary

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

2020 The 97th Anniversary

2021 The 98th Anniversary

2023 The 100th Anniversary

The MUTUAL Art for children

THE MUTUAL
Art for children

THE MUTUAL Art for Children is a project that makes use of artwork displayed at our Smile Gallery, which exhibits the art created by students at special-needs schools around Japan on the walls of the B2 floor of our head office building in Tokyo. Since fiscal 2020, we have used some of the art in designs crafted to communicate the messages with which the students imbue their compositions. Through the art associated with the project, we help connect children with society.

Driven by the hope that as many children as possible will experience the joy of drawing, we have donated approximately 46,000 vegetable-based crayons to nursery schools, preschools, and other local facilities through both our head office and 33 of our branch offices. Our donations of the crayons, which are made primarily from the parts of vegetables destined for disposal, are just one of the many ways in which we help reduce food waste and facilitate the achievement of Sustainable Development Goals.

Our first donation of vegetable-based crayons

Our second donation of vegetable-based crayons

A representative of the branch office in Obihiro, Hokkaido, presents vegetable-based crayons to children.

Review of Operations in Fiscal 2021

Business Performance

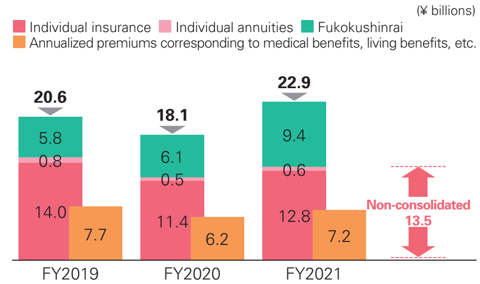
Note. Consolidated: total for both Fukoku Mutual Life Insurance Company and Fukokushinrai Life Insurance Company;
non-consolidated: total for Fukoku Mutual Life Insurance Company

New Policies (Individual Insurance and Individual Annuities, Consolidated)

Annualized Premiums

¥22.9 billion (¥13.5 billion, non-consolidated)

Annualized premiums for new policies increased 26.7% year on year, to ¥22.9 billion and exceeding their pre-COVID-19 level in fiscal 2019.



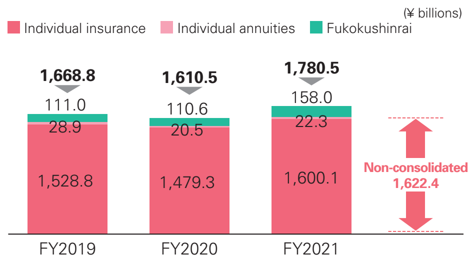
■ What are annualized premiums?

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

Policy Amounts

¥1,780.5 billion (¥1,622.4 billion, non-consolidated)

Policy amounts for new policies rose 10.6% year on year, amounting to ¥1,780.5 billion and exceeding their pre-COVID-19 level.



■ What are policy amounts?

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

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

Annualized Premiums

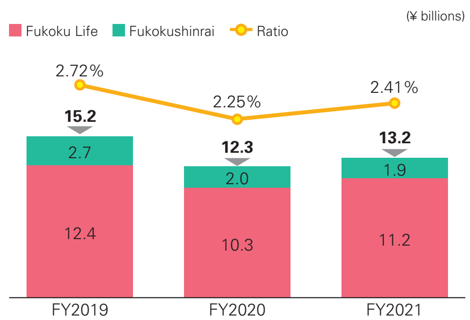
¥13.2 billion (¥11.2 billion, non-consolidated)

Surrendered and Lapsed Ratio (based on annualized premiums)

2.41 % (2.98 %, non-consolidated)

Annualized premiums for surrendered and lapsed policies grew 7.0% year on year, to ¥13.2 billion. Meanwhile, the surrendered and lapsed ratio (based on corresponding annualized premiums) increased to 2.41% but improved compared with its pre-COVID-19 level.

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



Policy Amounts

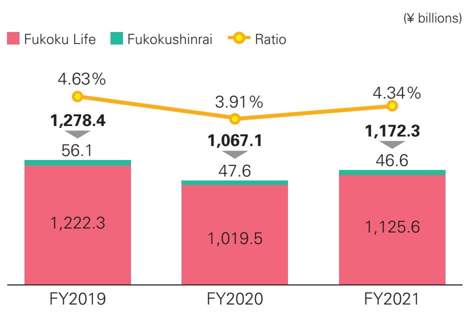
¥1,172.3 billion (¥1,125.6 billion, non-consolidated)

Surrendered and Lapsed Ratio (based on amounts insured)

4.34 % (4.55 %, non-consolidated)

Policy amounts for surrendered and lapsed policies rose 9.9% year on year, to ¥1,172.3 billion. Meanwhile, the surrendered and lapsed ratio (based on corresponding amounts insured) grew to 4.34% but improved compared with its pre-COVID-19 level.

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

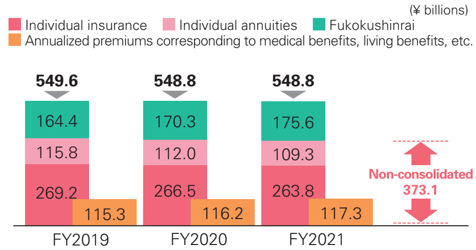


Policies in Force (Individual Insurance and Individual Annuities, Consolidated)

Annualized Premiums

¥548.8 billion (¥373.1 billion, non-consolidated)

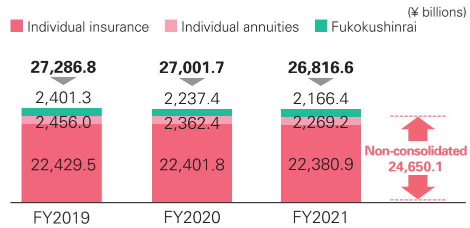
Annualized premiums for policies in force amounted to ¥548.8 billion, remaining unchanged from their level at the end of FY2020. Medical coverage and living benefits included in this amount have continued to grow since the Company began disclosing statistics regarding these benefits in FY2003.



Policy Amounts

¥26,816.6 billion (¥24,650.1 billion, non-consolidated)

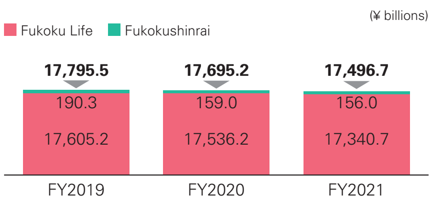
Policy amounts in force declined 0.7% at fiscal year-end, to ¥26,816.6 billion.



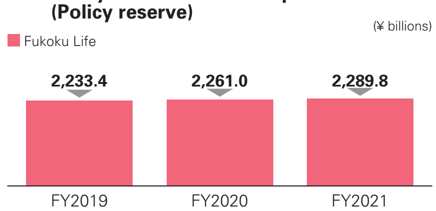
Corporate Insurance (Group Insurance and Group Annuities, Non-consolidated)

We provide comprehensive support to our corporate insurance customers by proposing various products and plans geared toward corporations. Policy amounts in force for group insurance fell 1.1% compared with the end of FY2020, to ¥17,496.7 billion. Meanwhile, policy amounts in force for group annuities increased 1.3% at fiscal year-end, to ¥2,289.8 billion.

Policy Amounts for Group Insurance



Policy Amounts for Group Annuities (Policy reserve)



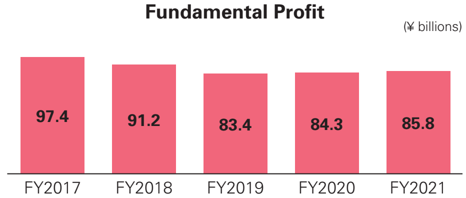
Financial Soundness and Profitability (Non-consolidated)

Fundamental Profit

¥85.8 billion

Fundamental profit rose to ¥85.8 billion, up 1.7% year on year.

Fundamental Profit



■ What is fundamental profit?

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

■ What is expense gain/loss?

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

■ What is mortality and morbidity gain/loss?

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

■ What is interest gain/loss?

Interest gain/loss is the difference between projected investment income based on interest rates assumed when calculating insurance premiums and actual investment income.

Breakdown of Fundamental Profit

(¥ billions)

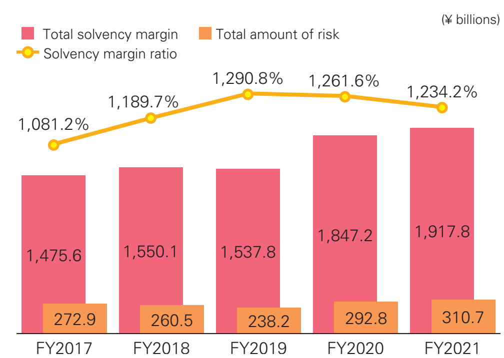
	FY2020	FY2021
Fundamental profit	**84.3**	**85.8**
Insurance-related profit/loss	47.2	37.4
Expense gains/losses	(21.0)	(23.0)
Mortality and morbidity gains/losses	68.3	60.4
Interest gains/losses	37.0	48.4

Solvency Margin Ratio

1,234.2%

The solvency margin ratio declined to 1,234.2%, down 27.4 percentage points year on year. This ratio greatly exceeds the level of 200%, which is widely considered to be a standard indicating financial soundness.

$$\text{Solvency margin ratio} = \frac{\text{Total solvency margin}}{\text{Total amount of risk}} \times 100$$



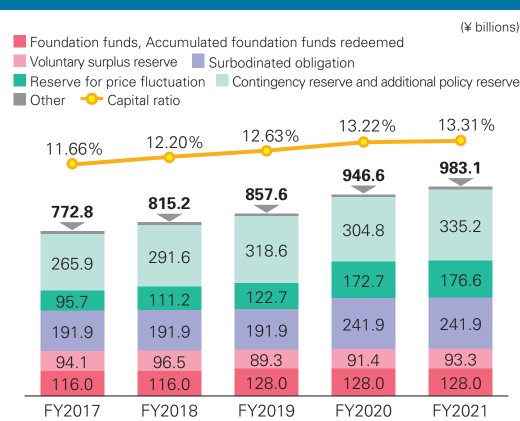
■ What is solvency margin ratio?

Life insurance companies maintain policy reserves primarily in preparation for the future payment of claims. These policy reserves enable them to respond to predictable risks. However, unexpected events such as major disasters or stock market crashes can occur at any time. Solvency margin ratio is an indicator used by regulatory authorities that measures an insurance company's ability to respond to unexpected risks.

Capital

¥983.1 billion

The capital increased to ¥983.1 billion, up ¥36.5 billion year on year. Our capital ratio (capital ÷ total assets) was 13.31%. The capital alone accounted for 632.6% of the total solvency margin.



■ What Is capital?

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

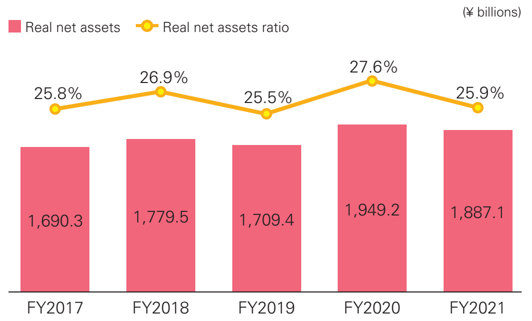
Real Net Assets

¥1,887.1 billion

Real net assets decreased to ¥1,887.1 billion, down 3.2% year on year. Meanwhile, our real net assets ratio (real net assets÷general account assets) came to 25.9%.

■ What are real net assets?

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



Unrealized Gains on Securities and Real Estate

¥897.1 billion

Unrealized gains on securities and real estate decreased to ¥897.1 billion, down ¥106.8 billion year on year. Unrealized gains on securities decreased to ¥749.8 billion, down ¥106.0 billion, and unrealized gains on real estate decreased to ¥147.3 billion, down ¥0.8 billion year on year, respectively.

■ What are unrealized gains/losses?

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

(¥ billions)

	As of March 31, 2021	As of March 31, 2022
Securities	**855.8**	**749.8**
Domestic bonds	283.0	195.0
Domestic stocks	370.2	351.9
Foreign secutities	171.2	173.1
Real estate (land, leasehold right)	**148.1**	**147.3**
Total	**1,004.0**	**897.1**

Ratings

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

■ What are life insurance company ratings?

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

Rating and Investment Information, Inc. (Insurance Claims Paying Ability)	S&P Global Ratings (Insurer Financial Strength Rating)	Moody's (Insurance Financial Strength Rating)
AA-	**A**	**A2**
Very high claims paying ability supported by some excellent factors.	The Company has a high capacity for fulfilling its insurance policy obligations, but is slightly too susceptible to potential impact from business environment deterioration to achieve either of our highest two ratings (AAA and AA).	The Company is in the upper-middle range of rated organizations and has low credit risk.

AAA | AA | A | BBB | BB | B | CCC | CC | C

Notes:

1. The ratings indicated are current as of July 1, 2022.
2. The ratings indicated were provided upon request from the Company by Rating and Investment Information, Inc., S&P Global Ratings, and Moody's Investors Service.
3. The ratings indicated are the opinions of their respective rating agencies and do not indicate guarantees regarding the payment of insurance claims. These ratings are also continuously monitored by their respective agencies and are subject to change.
4. Rating and Investment Information, Inc., S&P Global Ratings, and Moody's Investors Service are credit rating agencies as defined in Japan's Financial Instruments and Exchange Act.

Investment Performance (General Account)

Overview Result

In fiscal 2021, driven primarily by economic performance in the United States, the global economy continued to recover from previous downturns caused by the COVID-19 pandemic. At the same time, inflation intensified due to soaring commodity prices and supply chain disruption by the escalating situation in the Ukraine and supply constraints stemming from factors such as logistical disruptions caused by sharp recovery in demand.

Incurring ongoing impact from fiscal spending launched during fiscal 2020 as a means of combatting the COVID-19 pandemic, the economy in the United States began to achieve strong growth toward the end of 2021 thanks in part to efforts commenced in late 2021 in pursuit of recovery in inventory levels. The European economy was generally strong as progressive vaccination reduced death tolls and performance in the service sector picked up following the easing of restrictions implemented in response to the pandemic. In the second half of fiscal 2021, the pace of growth in the Chinese economy slowed down as strict lockdown implemented to sustain the nation's zero-COVID policy slowed consumer spending and issues associated with real estate debt weighed down construction demand. The Japanese economy continued to pick up thanks to an increase in exports fueled by solid overseas demand and growth in capital expenditure, particularly in the manufacturing sector. However, recovery was limited in part because the global shortage of semiconductors and supply chain disruption adversely affected production of manufacturing industry such as automobile; in part because states of emergency and semi-emergency measures declared and implemented in response to the pandemic remained in effect during most of the year, and in part due to ongoing sluggishness in terms of personal consumption.

The Federal Reserve Board (FRB) and central banks in Europe have begun to tighten their monetary policies as inflation intensifies throughout the world. The European Central Bank (ECB) has indicated that it will begin gradually slowing down the pace of asset purchase plan in October and maintains that it will raise interest rates only after it has completed its asset purchase plan. Upon discontinuing its quantitative easing policy in March, the FRB raised interest rates by 0.25% and has indicated that it intends to continue raising them going forward. In contrast, under its ongoing yield curve control policy, the Bank of Japan (BOJ) has clearly stated that it will contain to rise interest rates by capping the 10-year JGB yield at around 0% (allowing movement of 25 basis points on either size of zero) as it continues to maintain its strategy of monetary easing.

To maintain stable profitability in spite of low interest rate environment persists, we accumulated foreign stocks and foreign-currency denominated corporate bonds with strong risk-adjusted return, in accordance with our policy to take more investment risk based on our ample capital. Additionally, we allocated cash on-hand into super-long JGBs to increase investment income, which are stable investments and highly liquid. Meanwhile, we strived to maintain risks associated with FX and stocks at appropriate levels by utilizing derivative transactions.

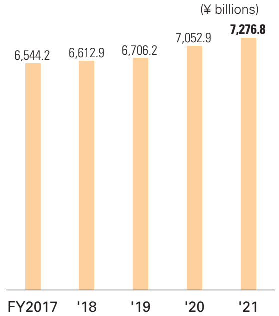
Along with these measures, we also conducted efforts aimed at executing our Management Philosophy of contributing to society through asset management while performing our fiduciary duty of ensuring profitability. In terms of specific initiatives, we invested in bonds that support climate change measures in developing countries and corporate bond fund that engages with issuers in "purpose-driven dialogue" aimed at encouraging issuers to make improvements in accordance with Sustainable Development Goals (SDGs). In addition to these projects, we actively engaged in ESG investment and financing to support the achievement of a sustainable society.

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

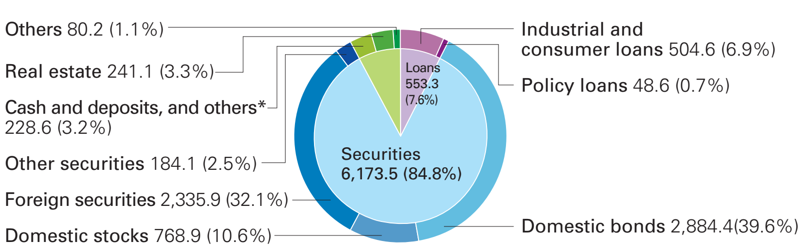
Additionally, to further differentiate our asset management activities, we strove to enhance our investment diversification on a global scale by diversifying the asset classes managed by our asset management subsidiaries in London, New York, and Singapore and by strengthening our relationships with three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

Investment income increased ¥0.6 billion (0.3%) year on year to ¥187.9 billion. As interest, dividends and other income reached a record high for the fourth consecutive year, mainly due to increased dividends from domestic/foreign equities and mutual funds, while a decrease in gains on sales of securities mainly from domestic stocks.

General account assets



Breakdown of general account assets (as of March 31, 2022)



Total: ¥7,276.8 billion

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

Investment expenses decreased ¥6.1 billion (12.4%) year on year to ¥43.3 billion. This decline occurred primarily because, foreign exchange losses which is accounted in the previous fiscal year turned to foreign exchange gain in this fiscal year that were mainly due to weak yen, while an increase in losses on sales of securities, mainly domestic bonds.

Consequently, net investment income amounted to ¥144.6 billion, up ¥6.7 billion (4.9%) year on year.

Domestic Bonds

Domestic bonds amounted to ¥2,884.4 billion, up ¥105.0 billion (3.8%) year on year. This increase was primarily because, allocated funds on deposit into super-long JGBs to increase investment income, which are stable investments and highly liquid.

Domestic Stocks

Domestic stocks amounted to ¥768.9 billion, down ¥17.9 billion (2.3%) year on year. This was due mainly to a decrease in unrealized gains by declines in stock prices, while invested in stocks with stable dividend yield.

Foreign Securities

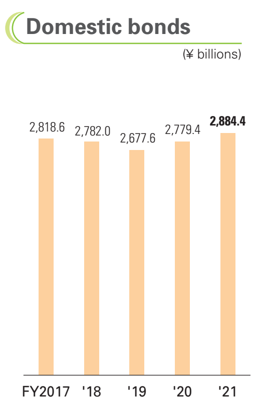
Foreign securities amounted to ¥2,335.9 billion, up ¥207.9 billion (9.8%) year on year. This was due primarily to our accumulation of foreign stocks with stable dividend yield and corporate bonds issued by the companies mainly in the US and Europe, with relatively attractive yield.

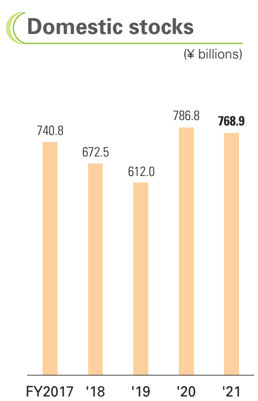
Industrial and Consumer Loans

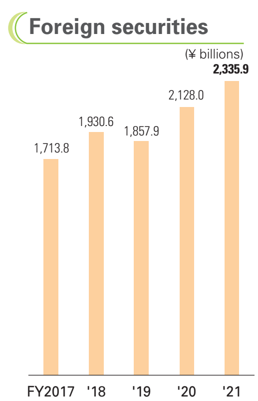
Loans amounted to ¥504.6 billion, down ¥12.6 billion (2.4%) year on year, because repayments outpaced new loans as we carefully selected deal expected to generate superior profitability.

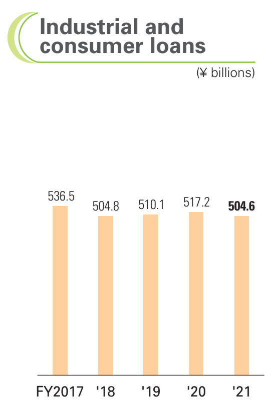
Real Estate

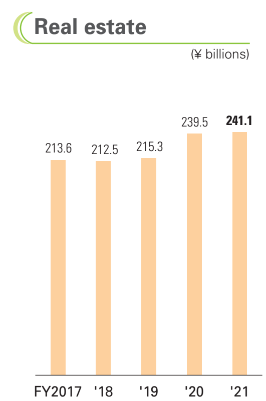
Real estate amounted to ¥241.1 billion, up ¥1.6 billion (0.7%) year on year. This was primarily due to investment in properties with stable rent income over the medium to long term.











Investment Policies for Fiscal 2022

Investment Environment

In fiscal 2022, the global economy is generally expected to continue its current recovery as it continues pent-up demand regarding COVID-19 pandemic while abating disruptions affecting production and logistics. Under this economic climate, long-term interest rates in the United States are projected to rise due to the FRB's monetary tightening involving interest rate hikes and balance sheet reduction. Japanese long-term interest rates will have limited room to rise because the BOJ is undertaking strong measures aimed at preventing 10-year JGB interest rates from rising above 0.25%. Domestic and international stock prices are expected to remain unstable due mainly to concerns of economic slowdown resulting from monetary tightening policies implemented by major central banks in the world. The Japanese yen is expected to remain weak as it further depreciates against the US dollar due to the FRB's ongoing execution of monetary tightening policies.

Domestic Bonds

We will allocate funds from selling our poorly performing FX-hedged foreign bonds to super-long JGBs which are stable investments and highly liquid and corporate bonds with relatively attractive yield.

Domestic Stocks

We will aim to improve the profitability of our portfolio by reconstituting the stocks that it comprises.

Foreign Securities

While rising FX-hedging costs are expected, we will refrain from investing in foreign currency-denominated bonds and replace them with yen-denominated bonds. On the other hand, we will accumulate foreign stocks with strong risk-adjusted return.

Industrial and Consumer Loans

We will make loans while carefully selecting investment projects expected to generate superior profitability.

Real Estate

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

ESG Investment and Financing

Basic Approach to ESG Investment and Financing

In addition to practicing asset management with the policyholders' interests at the utmost priority, 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 Mar 2016, we've incorporated ESG factors into not only our investment decision without compromising our fiduciary duty, but our constructive dialogue with the investee companies in stewardship activities as well. Also, we became a supporter of TCFD recommendations in June 2020. Going forward, we aim to contribute to a more sustainable society by promoting ESG investments and stewardship activities while fulfilling our fiduciary duty to secure profitability.

Endorsement of PRI

The Company became a signatory of the UN's PRI on March 21, 2016, thus indicating its approval of the intent behind the principles. We believe that investing and financing, according to these concepts, will help improve the profitability we can generate using the funds entrusted to us by our customers. We also expect that such activity will further increase our ability to fulfill our responsibilities as an institutional investor.

Signatory of:
PRI Principles for Responsible Investment

ESG Investment and Financing Initiative

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

• Supporting developing countries' low-carbon shift

In September 2021, we invested in green bonds issued by the World Bank. Funds raised through these bonds will be used to support projects in developing countries that facilitate the transition to low-carbon societies and solution for climate change. These include the introduction of renewable energy, improved energy efficiency, and new technologies for waste disposal and agriculture.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• Climate change-related initiatives

In February 2021, we invested in sustainable development bonds issued by the Inter-American Development Bank. Funds procured through investment in these bonds are partly used to support proper forest management in Honduras, as well as agroforestry. This system of land use combines agriculture and forestry by maintaining livestock and cultivated crops in the areas among trees that have been planted and are being raised.


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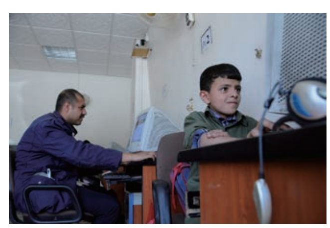
• High-yield bond investments for sustainable societies

In December 2021, we invested in a fund focused on global high-yield corporate bonds, which covers both developed and emerging markets. The fund engages with issuers based on its own ESG-related assessments to create positive change, which will facilitate the realization of sustainable society and generate favorable returns.

• Support for children's education

In September 2020, we invested in sustainable development bonds issued by the World Bank. Investment in these bonds constitutes the first global project through which both issuing entities and investors invoke the importance of providing support for education during the COVID-19 pandemic. Funds raised through investment in these bonds will be used to support a swift response to the pandemic-related impact on education in Turkey.*

* Funds raised by investment in sustainable development bonds will finance this and all other projects conducted by the World Bank.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• Incorporating ESG in research

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

Environmental Protection Initiatives

Environment-friendly Real Estate Development

Opened in 2010, the Osaka Fukoku Seimei Building was awarded a commendation during the Fifth Award Ceremony for Buildings in Osaka, held in 2020. The structure received the year's highest Comprehensive Assessment System for Built Environment Efficiency evaluation.

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

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

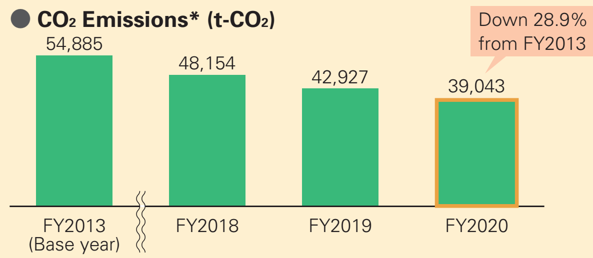
Due primarily to its green walls and highly efficient facilities, the Koiwa Fukoku Seimei Building (completed in fiscal 2019) became the first building maintained by Fukoku Life to receive a top ranking and ZEB Ready certification under the Building-Housing Energy-efficiency Labeling System promoted by the Japanese government.

Conserving Energy, Reducing CO_2 Emissions

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

As a result, our CO_2 emissions in fiscal 2020 dropped 28.9% from the fiscal 2013 level.

● CO_2 Emissions* (t-CO_2)



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

Endorsement of Recommendations from the Task Force on Climate-related Financial Disclosures (TCFD)

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

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

Contribution to Society

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

Building Connections through Art and Culture

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

• Fukoku Life visiting and charity concerts

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

Communities benefit from the concerts we organize. These comprise visiting concerts, featuring professional musicians performing classical music for schools and institutions for individuals with disabilities, as well as charity concerts at which audiences are asked to donate to local charities that support community welfare efforts.

• Online visiting concerts

In fiscal 2021, the spread of the COVID-19 pandemic made holding concerts in their conventional format prohibitively difficult. Thus, to continue our concert-based social contributions despite the circumstances, we held an online concert that made possible interactive communication with special-needs schools throughout Japan.

We also held a visiting concert at one school and, in lieu of official visiting concerts, we donated DVDs featuring concert footage to a number of special-needs schools.

An online concert

Children enjoy a visiting concert

Other Social Contributions

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

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

In fiscal 2021, we canceled external sales in a bid to thwart the spread of the pandemic and resumed face-to-face and pre-order sales on an exclusively internal basis. In Fukushima Prefecture, we cancelled face-to-face sales events that fell within the period during which semi-emergency measures were implemented in response to the pandemic.

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

Sales event featuring specialty products from Miyagi Prefecture

Shorthorn Beef Hamburger Steak, a special menu item offered at the basement cafeteria of our Chiba New Town headquarters

Local bento lunch packages

Communication

• Brand mascot

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

Business Management System

Corporate Governance Enhancement Initiatives

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

Basic Approach to Corporate Governance

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

Establishment of Management Control Measures

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

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

Enhancement of Internal Control System

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

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

Fukoku Life believes that proper handling of personal information is one of the elements most vital toward maintenance of its status as an insurance company that is trusted by its customers. Accordingly, we have formulated our own privacy policy and a basic policy on the handling of specific personal information to ensure appropriate treatment and safeguarding of personal data.

Moving forward, we will continue to comply with Japan's Act on the Protection of Personal Information and other related laws and ordinances while maintaining proper handling and protection of personal data.

Non-consolidated Financial Statements

Non-consolidated Balance Sheets

Fukoku Mutual Life Insurance Company
As of March 31, 2021 and 2022

	As of March 31,		
	2021	2022	2022
	Millions of yen		Millions of U.S. dollars
Assets:			
Cash and deposits:			
Cash	¥155	¥166	$1
Bank deposits	159,276	159,983	1,307
	159,431	160,149	1,308
Call loans	136,000	48,000	392
Monetary claims bought	239	80	0
Money held in trust	25,277	26,070	213
Securities:			
Government bonds	2,005,536	2,102,521	17,178
Local government bonds	99,212	102,771	839
Corporate bonds	699,187	704,056	5,752
Stocks	813,227	795,801	6,502
Foreign securities	2,175,012	2,388,284	19,513
Other securities	162,612	184,163	1,504
	5,954,789	6,277,599	51,291
Loans:			
Policy loans	50,797	48,629	397
Ordinary loans	517,293	504,675	4,123
	568,091	553,305	4,520
Tangible fixed assets:			
Land	146,816	150,195	1,227
Buildings	92,635	89,202	728
Lease assets	578	265	2
Construction in progress	93	1,767	14
Other tangible fixed assets	4,362	3,974	32
	244,487	245,405	2,005
Intangible fixed assets:			
Software	19,181	19,914	162
Lease assets	686	498	4
Other intangible fixed assets	4,388	7,407	60
	24,256	27,821	227
Agency receivables	10	15	0
Reinsurance receivables	124	135	1
Other assets:			
Accounts receivable	6,974	5,392	44
Prepaid expenses	3,339	3,202	26
Accrued income	28,168	31,840	260
Deposits	2,250	1,834	14
Derivatives	352	35	0
Cash collateral paid for financial instruments	1,747	4,499	36
Suspense payments	3,005	1,871	15
Rest of the other asset	3,234	3,653	29
	49,072	52,328	427
Prepaid pension cost	547	912	7
Allowance for possible loan losses	(4,386)	(2,515)	(20)
Total assets	¥7,157,940	¥7,389,308	$60,375

	As of March 31,		
	2021	2022	2022
	Millions of yen		Millions of U.S. dollars
Liabilities:			
Policy reserves:			
Reserve for outstanding claims	¥19,551	¥22,985	$187
Policy reserve	5,729,511	5,800,015	47,389
Reserve for dividends to policyholders	63,232	63,411	518
	5,812,295	5,886,412	48,095
Reinsurance payables	87	87	0
Subordinated bonds	241,935	241,935	1,976
Other liabilities:			
Cash received as collateral under securities lending transactions	61,819	160,928	1,314
Corporate income tax payable	2,764	2,767	22
Accounts payable	7,272	7,282	59
Accrued expenses	10,280	11,438	93
Unearned income	367	419	3
Deposits received	6,303	6,523	53
Guarantee deposits received	13,887	13,970	114
Derivatives	41,391	68,377	558
Cash collateral received for financial instruments	10	—	—
Lease obligations	761	553	4
Asset retirement obligations	2,603	2,355	19
Suspense receipts	1,679	1,711	13
	149,141	276,328	2,257
Reserve for claims and other payments	—	3,400	27
Reserve for employees' retirement benefits	23,735	24,850	203
Reserve for price fluctuation	172,797	176,670	1,443
Deferred tax liabilities	26,430	25,061	204
Deferred tax liabilities for land revaluation	14,184	14,183	115
Total liabilities	6,440,606	6,648,929	54,325
Net assets:			
Foundation funds	12,000	12,000	98
Accumulated foundation funds redeemed	116,000	116,000	947
Reserve for revaluation	112	112	0
Surplus:			
Legal reserve for future losses	3,271	3,370	27
Other surplus:			
Reserve for redemption of foundation funds	2,400	4,800	39
Reserve for dividend allowances	20,000	20,000	163
Accumulated fund for price fluctuation	41,000	41,000	334
Reserve for advanced depreciation of real estate for tax purpose	207	206	1
Other reserves	767	767	6
Unappropriated surplus	59,102	57,078	466
	123,477	123,852	1,011
	126,748	127,222	1,039
Total foundation funds, surplus and others	254,860	255,334	2,086
Net unrealized gains (losses) on available-for-sale securities, net of tax	458,287	480,860	3,928
Revaluation reserve for land, net of tax	4,185	4,184	34
Total valuation and translation adjustments	462,473	485,044	3,963
Total net assets	717,333	740,379	6,049
Total liabilities and net assets	¥7,157,940	¥7,389,308	$60,375

See notes to the non-consolidated financial statements.

Non-consolidated Statements of Operations

Fukoku Mutual Life Insurance Company
For the years ended March 31, 2021 and 2022

	Year ended March 31,		
	2021	2022	2022
	Millions of yen		Millions of U.S. dollars
Ordinary revenues:			
Premium and other income:			
Premium income	¥484,868	¥486,302	$3,973
Reinsurance income	143	158	1
	485,011	486,461	3,974
Investment income:			
Interest, dividends and other income:			
Interest on deposits	5	2	0
Interest and dividends on securities	131,735	140,247	1,145
Interest on loans	8,137	8,048	65
Income from real estate for rent	15,534	19,074	155
Other interest and dividends	146	237	1
	155,559	167,609	1,369
Gains on money held in trust, net	1,127	817	6
Gains on trading securities, net	6,523	1,664	13
Gains on sales of securities	23,959	13,920	113
Gains on redemption of securities, net	—	65	0
Foreign exchange gains, net	—	1,617	13
Reversal of allowance for possible loan losses	—	1,867	15
Other investment income	170	381	3
Gains on separate accounts, net	19,315	6,391	52
	206,657	194,336	1,587
Other ordinary revenues:			
Fund receipt from annuity rider	2,205	2,704	22
Proceeds from deferred insurance	3,618	2,938	24
Reversal of reserve for outstanding claims	262	—	—
Reversal of reserve for employees' retirement benefits	246	—	—
Others	3,196	3,279	26
	9,529	8,922	72
Total ordinary revenues	701,198	689,719	5,635
Ordinary expenses:			
Claims and other payments:			
Claims	77,539	81,426	665
Annuities	151,810	152,290	1,244
Benefits	106,884	109,711	896
Surrenders	52,888	48,261	394
Other payments	26,083	24,152	197
Reinsurance premiums	231	218	1
	415,436	416,061	3,399
Provision of policy reserve and others:			
Provision of reserve for outstanding claims	—	3,434	28
Provision of policy reserves	34,532	70,504	576
Provision of interest portion of reserve for dividends to policyholders	13	13	0
	¥34,545	¥73,952	$604

	Year ended March 31,		
	2021	2022	2022
	Millions of yen		Millions of U.S. dollars
Investment expenses:			
Interest expenses	¥4,093	¥4,402	$35
Losses on sales of securities	11,809	15,060	123
Losses on valuation of securities	404	344	2
Losses on derivative instruments, net	12,967	7,746	63
Foreign exchange losses, net	4,602	—	—
Provision of allowance for possible loan losses	2,369	—	—
Depreciation of real estate for rent and other assets	4,427	4,788	39
Other investment expenses	8,767	10,985	89
	49,443	43,328	354
Operating expenses	91,599	90,779	741
Other ordinary expenses:			
Deferred annuity payments	3,944	3,353	27
Taxes	7,304	7,472	61
Depreciation	9,739	10,657	87
Provision of reserve for claims and other payments	—	3,400	27
Provision of reserve for employees' retirement benefits	—	750	6
Others	1,069	1,212	9
	22,057	26,845	219
Total ordinary expenses	613,083	650,967	5,318
Ordinary profits	88,115	38,752	316
Extraordinary gains:			
Gains on disposal of fixed assets	133	10	0
Total extraordinary gains	133	10	0
Extraordinary losses:			
Losses on disposal of fixed assets	801	430	3
Impairment losses	198	46	0
Provision of reserve for price fluctuation	50,051	3,873	31
Others	1,059	—	—
Total extraordinary losses	52,110	4,349	35
Surplus before income taxes	36,137	34,412	281
Income taxes:			
Current	11,227	11,069	90
Deferred	(10,516)	(9,975)	(81)
Total income taxes	710	1,093	8
Net surplus for the year	¥35,427	¥33,319	$272

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, 2021 and 2022

	Millions of yen											
	Foundation funds, surplus and others											
				Surplus								
					Other surplus							
For the year ended March 31, 2021	Foundation funds	Accumulated foundation funds redeemed	Reserve for revaluation	Legal reserve for future losses	Reserve for redemption of foundation funds	Reserve for dividend allowances	Accumulated fund for price fluctuation	Reserve for advanced depreciation of real estate for tax purpose	Other reserves	Unappropri-ated surplus	Total surplus	Total foundation funds, surplus and others
Balance at the beginning of the fiscal year	¥12,000	¥116,000	¥112	¥3,176	—	¥20,000	¥41,000	¥209	¥767	¥57,901	¥123,054	¥251,166
Changes in the fiscal year												
Additions to reserve for dividends to policyholders										(31,547)	(31,547)	(31,547)
Additions to legal reserve for future losses				95						(95)	—	—
Payment of interest on foundation funds										(102)	(102)	(102)
Net surplus for the fiscal year										35,427	35,427	35,427
Additions to reserve for redemption of foundation funds					2,400					(2,400)	—	—
Reversal of reserve for advanced depreciation of real estate for tax purpose								(1)		1	—	—
Reversal of revaluation reserve for land, net of tax										(83)	(83)	(83)
Net changes, excluding foundation funds, surplus and others												
Total changes in the fiscal year	—	—	—	95	2,400	—	—	(1)	—	1,200	3,694	3,694
Balance at the end of the fiscal year	¥12,000	¥116,000	¥112	¥3,271	¥2,400	¥20,000	¥41,000	¥207	¥767	¥59,102	¥126,748	¥254,860

	Millions of yen			
	Valuation and translation adjustments			
For the year ended March 31, 2021	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	¥284,752	¥4,102	¥288,855	¥540,021
Changes in the fiscal year				
Additions to reserve for dividends to policyholders				(31,547)
Additions to legal reserve for future losses				—
Payment of interest on foundation funds				(102)
Net surplus for the fiscal year				35,427
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				(83)
Net changes, excluding foundation funds, surplus and others	173,534	83	173,617	173,617
Total changes in the fiscal year	173,534	83	173,617	177,312
Balance at the end of the fiscal year	¥458,287	¥4,185	¥462,473	¥717,333

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

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

For the year ended March 31, 2022	Foundation funds	Accumulated foundation funds redeemed	Reserve for revaluation	Legal reserve for future losses	Reserve for redemption of foundation funds	Reserve for dividend allowances	Accumulated fund for price fluctuation	Reserve for advanced depreciation of real estate for tax purpose	Other reserves	Unappropri-ated surplus	Total surplus	Total foundation funds, surplus and others
	Millions of U.S. dollars											
	Foundation funds, surplus and others											
				Surplus								
					Other surplus							
Balance at the beginning of the fiscal year	$98	$947	$0	$26	$19	$163	$334	$1	$6	$482	$1,035	$2,082
Changes in the fiscal year												
Additions to reserve for dividends to policyholders										(267)	(267)	(267)
Additions to legal reserve for future losses				0						(0)	—	—
Payment of interest on foundation funds										(0)	(0)	(0)
Net surplus for the fiscal year										272	272	272
Additions to reserve for redemption of foundation funds					19					(19)	—	—
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	—	—	—	0	19	—	—	(0)	—	(16)	3	3
Balance at the end of the fiscal year	$98	$947	$0	$27	$39	$163	$334	$1	$6	$466	$1,039	$2,086

For the year ended March 31, 2022	Net unrealized gains (losses) on available- for-sale securities, net of tax	Revaluation reserve for land, net of tax	Total valuation and translation adjustments	Total net assets
	Millions of U.S. dollars			
	Valuation and translation adjustments			
Balance at the beginning of the fiscal year	$3,744	$34	$3,778	$5,861
Changes in the fiscal year				
Additions to reserve for dividends to policyholders				(267)
Additions to legal reserve for future losses				—
Payment of interest on foundation funds				(0)
Net surplus for the fiscal year				272
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				0
Net changes, excluding foundation funds, surplus and others	184	(0)	184	184
Total changes in the fiscal year	184	(0)	184	188
Balance at the end of the fiscal year	$3,928	$34	$3,963	$6,049

Non-consolidated Statements of Surplus

Fukoku Mutual Life Insurance Company
For the years ended March 31, 2021 and 2022

	Year ended March 31,		
	2021	2022	2022
	Millions of yen		Millions of U.S. dollars
Unappropriated surplus	¥59,102	¥57,078	$466
Reversal of voluntary surplus reserve:			
Reversal of reserve for advanced depreciation of real estate for tax purpose	1	1	0
	1	1	0
Total	59,103	57,079	466
Appropriation of surplus			
Reserve for dividends to policyholders	32,744	30,726	251
Net surplus:			
Legal reserve for future losses	99	93	0
Interest payment for foundation funds	102	102	0
Voluntary surplus reserve:			
Reserve for redemption of foundation funds	2,400	2,400	19
	2,400	2,400	19
	2,601	2,595	21
Total of appropriation of surplus	35,345	33,321	272
Unappropriated surplus carried forward	¥23,758	¥23,758	$194

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

Notes to the Non-consolidated Financial Statements

I. Presentation of the Non-consolidated Financial Statements

1. Basis of presentation

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

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

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

The translations of yen amounts into U.S. dollar amounts are included solely for the convenience of the reader and have been made, as a matter of arithmetical computation only, at the rate of ¥122.39 = US$1.00, the effective rate of exchange at the balance sheet date of March 31, 2022. 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 are stated at fair market value based on the market prices at the end of the fiscal year. Costs of their sales are determined by the moving average method. Public and corporate bonds (including foreign bonds) with differences between their acquisition costs and fair values that are considered as adjustments of interest are stated at amortized cost (straight-line method) determined by the moving average method. However, stocks and other securities without quoted market prices are stated at cost, as determined using the moving average method. Net unrealized gains or losses on these available-for-sale securities, net of taxes, are recorded as a separate component of net assets.

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

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

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

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

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

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

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

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

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

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

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

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

For the credits of legally bankrupt borrowers and substantially bankrupt borrowers, the amounts remaining after deductions of collateral value or the amounts collectible through the execution of guarantees are written-off directly from the borrowers' balances as the estimated uncollectible amounts. The amount written-off as of March 31, 2021 and 2022 were ¥0 million and ¥0 million (US$6 thousand), respectively.

(7) To ensure that benefits associated with COVID-19 infections contracted during the fiscal year ended March 31, 2022 can be paid during the fiscal year ending March 31, 2023, the Company sets aside as a reserve for claims and other payments that exceeds the reserve for outstanding claims included under the Company's estimated payments for the latter fiscal year (calculated based on previous payment amounts).

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

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

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

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

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

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

(11) 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.

(12) 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.

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

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

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

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

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

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

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

(15) Policy reserve of the Company is accumulated in accordance with the methods stated in the statement of calculation procedures for Insurance Premiums and Policy Reserves (Article 4 Paragraph 2 Item 4 of the Insurance Business Act) pursuant to Article 116 Paragraph 1 of the Insurance Business Act to prepare for the future performance of obligations under

the insurance contracts for which the insurer's responsibilities have started as of the end of the fiscal year.

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

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

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

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

Among individual annuity insurance policies with an assumed interest rate of 5.00% or higher, for policies that have begun paying annuities (excluding wife's annuity insurance additional rider), the Company reduced the assumed interest rate to 1.00% and funded additional policy reserves. As of March 31, 2021, the balance of these policy reserves was ¥73,354 million.

The Company has also funded additional policy reserves for certain individual annuity insurance policies, whole life insurance policies that include distribution of surplus every five years and new cancer riders. As of March 31, 2021, the balance of these policy reserves was ¥1,654 million.

Among individual annuity insurance policies with an assumed interest rate of 5.00% or higher, for policies that have begun paying annuities (excluding wife's annuity insurance additional rider), the Company has reduced the assumed interest rate to 1.00% and funded additional policy reserves. As of March 31, 2022, the balance of these policy reserves was ¥72,419 million (US$591 million).

Among whole life insurance policies with assumed interest rates of 5.00% or higher following the fiscal year ended March 31, 2022, the Company has reduced assumed interest rates for policies with premiums that have been paid in full (excluding policies that have been converted into paid-up or extended policies, single premium policies, and policies for which premiums have been waived) to 1.00% and funded additional policy reserves of ¥107,284 million (US$876 million). The establishment of these reserves rendered ¥1,589 million (US$12 million) of additional policy reserves set aside at the conclusion of the fiscal year ended March 31, 2021 unnecessary. Accordingly, the Company reversed this amount and transferred ¥105,695 million (US$863 million) (a higher amount) from contingency reserves to additional policy reserves. Consequently, the establishment of these policy reserves has had no impact on provision of policy reserves, ordinary profits, and surplus before income taxes.

The Company has also funded additional policy reserves for certain whole life insurance policies that include distribution of surplus every five years, new cancer riders, highly advanced medical riders and advanced medical riders. As of March 31, 2022, the balance of these policy reserves was ¥77 million (US$629 thousand).

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

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

(16) 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.

(17) 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).

At the end of the fiscal year ended March 31, 2022, the Company eliminated all sub-groups, and policy-reserve-matching bonds categorized for holding purposes were reclassified as available-for-sale securities. The Company made this change following a review of its interest-rate risk management (conducted through strategic asset and liability matching) that was conducted due to the Company's realization that under the prevailing environment of low interest rates in Japan, continuing to hold bonds for the purpose of matching the duration of liabilities while securing investment income commensurate with assumed interest rates would be prohibitively difficult.

Due to this change, government bonds increased by ¥69,841 million (US$570 million), while local government bonds rose by ¥5,994 million (US$48 million), corporate bonds by ¥6,132 million (US$50 million), deferred tax liabilities by ¥22,951 million (US$187 million), and net unrealized gains (losses) on available-for-sale securities, net of tax by ¥59,016 million (US$482 million). These changes had no impact in terms of profit and loss.

2. The Company began applying the "Accounting Standard for Fair Value Measurement" (ASBJ Statement No. 30, July 4, 2019; hereinafter called "Accounting Standard for Fair Value Measurement") from the beginning of the fiscal year. In accordance with the transitional treatments prescribed in Paragraph 19 of the Accounting Standard for Fair Value Measurement and Paragraph 44-2 of the "Accounting Standard for Financial Instruments" (ASBJ Statement No. 10, July 4, 2019), new accounting policies set forth by the Accounting Standard for Fair Value Measurement will be applied prospectively. The Company has observed no material impact from this application of the Accounting Standard for Fair Value Measurement.

   In addition, the Company has decided to provide notes regarding matters such as the breakdown of financial instruments by fair value level in the financial instruments sections of notes to the non-consolidated balance sheets.

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

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

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

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

	As of March 31,		
	2021		
	Millions of yen		
	Carrying amount	Fair value	Difference
Cash and deposits:			
Cash and deposits not treated as securities	¥155,190	¥155,190	¥—
Total cash and deposits	155,190	155,190	—
Call loans	136,000	136,000	—
Monetary claims bought:			
Claims treated as loans	239	254	14
Total monetary claims bought	239	254	14
Money held in trust:			
Trading securities	24,277	24,277	—
Total money held in trust	24,277	24,277	—
Securities:			
Trading securities	29,426	29,426	—
Held-to-maturity debt securities	757,339	863,820	106,481
Policy-reserve-matching bonds	873,677	989,433	115,755
Available-for-sale securities	4,095,801	4,095,801	—
Total securities	5,756,244	5,978,481	222,237
Loans:			
Policy loans	50,797	50,797	(0)
Ordinary loans	517,293	537,281	19,987
Total loans	568,091	588,078	19,987
Assets total	6,640,043	6,882,283	242,239
Subordinated bonds*1	241,935	246,577	4,642
Liabilities total	241,935	246,577	4,642
Derivative instruments*2:			
Hedge accounting not applied	(3,394)	(3,394)	—
Hedge accounting applied	(37,644)	(37,644)	—
Total derivative instruments	¥(41,039)	¥(41,039)	¥—

*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.

Notes: 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, ¥6,224 million, and ¥29,744 million as of March 31, 2021, 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. 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.

	As of March 31,					
	2022			2022		
	Millions of yen			Millions of U.S. dollars		
	Carrying amount	Fair value	Difference	Carrying amount	Fair value	Difference
Monetary claims bought:						
Claims treated as loans	¥80	¥81	¥0	$0	$0	$0
Total monetary claims bought	80	81	0	0	0	0
Money held in trust:						
Trading securities	25,070	25,070	—	204	204	—
Total money held in trust	25,070	25,070	—	204	204	—
Securities:						
Trading securities	18,493	18,493	—	151	151	—
Held-to-maturity debt securities	760,097	847,316	87,218	6,210	6,923	712
Available-for-sale securities	5,288,571	5,288,571	—	43,210	43,210	—
Total securities	6,067,162	6,154,381	87,218	49,572	50,284	712
Loans:						
Policy loans	48,629	48,629	(0)	397	397	(0)
Ordinary loans	504,675	521,484	16,809	4,123	4,260	137
Total loans	553,305	570,114	16,809	4,520	4,658	137
Assets total	6,645,619	6,749,647	104,028	54,298	55,148	849
Subordinated bonds*1	241,935	245,074	3,139	1,976	2,002	25
Liabilities total	241,935	245,074	3,139	1,976	2,002	25
Derivative instruments*2:						
Hedge accounting not applied	(4,814)	(4,814)	—	(39)	(39)	—
Hedge accounting applied	(63,528)	(63,528)	—	(519)	(519)	—
Total derivative instruments	¥(68,342)	¥(68,342)	¥—	$(558)	$(558)	$—

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

Notes: 1. Stocks without market prices, such as unlisted stocks, are not included in Securities of the above table. The amount of these stocks on the balance sheet as of March 31, 2022 was ¥73,986 million (US$604 million).
2. In accordance with the transitional treatments prescribed in Paragraph 27 of the "Implementation Guidance on Accounting Standard for Fair Value Measurement" (ASBJ Guidance No. 31, July 4, 2019), investments in partnerships have not been included in Securities of the above table. As of March 31, 2022, the amount of investments in partnerships included on the balance sheet was ¥32,380 million (US$264 million).

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

(1) Financial assets and liabilities with fair values recorded on the balance sheet as of March 31, 2022

Classification	As of March 31,							
	2022				2022			
	Millions of yen				Millions of U.S. dollars			
	Fair value				Fair value			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Money held in trust:								
Trading securities	¥—	¥25,070	¥—	¥25,070	$—	$204	$—	$204
Total money held in trust	—	25,070	—	25,070	—	204	—	204
Securities:								
Trading securities:								
Foreign securities	7,859	10,634	—	18,493	64	86	—	151
Total trading securities	7,859	10,634	—	18,493	64	86	—	151
Available-for-sale securities:								
Government bonds	1,374,059	—	—	1,374,059	11,226	—	—	11,226
Local government bonds	—	96,671	—	96,671	—	789	—	789
Corporate bonds	—	675,954	—	675,954	—	5,522	—	5,522
Stocks	699,525	—	—	699,525	5,715	—	—	5,715
Foreign securities	744,812	1,129,151	28,139	1,902,104	6,085	9,225	229	15,541
Other securities	3,372	—	—	3,372	27	—	—	27
Total available-for-sale securities	2,821,770	1,901,778	28,139	4,751,688	23,055	15,538	229	38,824
Total securities	2,829,629	1,912,412	28,139	4,770,181	23,119	15,625	229	38,975
Assets total	2,829,629	1,937,482	28,139	4,795,251	23,119	15,830	229	39,180
Derivative instruments*:								
Currency-related	—	(68,160)	—	(68,160)	—	(556)	—	(556)
Interest-related	—	20	—	20	—	0	—	0
Stock-related	(202)	—	—	(202)	(1)	—	—	(1)
Total derivative instruments	¥(202)	¥(68,140)	¥—	¥(68,342)	$(1)	$(556)	$—	$(558)

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

Note: In accordance with the transitional treatments prescribed in Paragraph 26 of the "Implementation Guidance on Accounting Standard for Fair Value Measurement" (ASBJ Guidance No.31, July 4, 2019), investment trusts have not been included in the figures above.
As of March 31, 2022, the amount of investment trusts included on the balance sheet was ¥536,883 million (US$4,386 million).

(2) Financial assets and liabilities with fair values not recorded on the balance sheet as of March 31, 2022

Classification	As of March 31, 2022 Millions of yen Fair value Level 1	Level 2	Level 3	Total	2022 Millions of U.S. dollars Fair value Level 1	Level 2	Level 3	Total
Monetary claims bought:								
Claims treated as loans.	¥—	¥—	¥81	¥81	$—	$—	$0	$0
Total monetary claims bought..........	—	—	81	81	—	—	0	0
Securities:								
Held-to-maturity debt securities:								
Government bonds......................	796,339	—	—	796,339	6,506	—	—	6,506
Local government bonds	—	7,824	—	7,824	—	63	—	63
Corporate bonds	—	20,610	—	20,610	—	168	—	168
Foreign securities	20,878	1,663	—	22,541	170	13	—	184
Total held-to-maturity debt securities..	817,218	30,098	—	847,316	6,677	245	—	6,923
Total securities	817,218	30,098	—	847,316	6,677	245	—	6,923
Loans:								
Policy loans......................................	—	—	48,629	48,629	—	—	397	397
Ordinary loans..................................	—	—	521,484	521,484	—	—	4,260	4,260
Total loans..	—	—	570,114	570,114	—	—	4,658	4,658
Assets total...	817,218	30,098	570,196	1,417,512	6,677	245	4,658	11,581
Subordinated bonds............................	—	245,074	—	245,074	—	2,002	—	2,002
Liabilities total..	¥—	¥245,074	¥—	¥245,074	$—	$2,002	$—	$2,002

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

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

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

ii) Money held in trust

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

iii) Loans 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 primarily measured by discounting the future cash flows to the present values.

The fair values of loans from legally bankrupt borrowers, substantially bankrupt borrowers and not currently bankrupt borrowers 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.

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

iv) Subordinated bonds

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

v) Derivative instruments

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

(4) Information concerning fair values of financial assets and liabilities that have been recorded on the balance sheet as of March 31, 2022 and classified as Fair Value Level 3

i) Quantitative information regarding material unobservable inputs

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

ii) Reconciliation of balances at the beginning of the current fiscal year and balances as of March 31, 2022, and valuation gains or losses recognized in the statements of operations for the fiscal year ended March 31, 2022.

	Year ended March 31,			
	2022		2022	
	Millions of yen		Millions of U.S. dollars	
	Securities, Available-for-sale securities, Foreign securities	Total	Securities, Available-for-sale securities, Foreign securities	Total
Balance at the beginning of the current fiscal year	¥29,312	¥29,312	$239	$239
Gains or losses during the fiscal year	(10)	(10)	(0)	(0)
Values recognized as gains or loses*	(10)	(10)	(0)	(0)
Changes in net unrealized gains or losses	(1,162)	(1,162)	(9)	(9)
Balance at the end of the current fiscal year	¥28,139	¥28,139	$229	$229

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

iii) Explanation of the valuation process for fair value

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

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

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

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

5. The Company holds investment and rental properties such as office buildings in Tokyo and other areas. The carrying amounts and the fair values of investment and rental properties were ¥193,459 million and ¥324,155 million as of March 31, 2021, and ¥196,610 million (US$1,606 million) and ¥328,744 million (US$2,686 million) as of March 31, 2022, 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 ¥417 million as of March 31, 2021, and ¥372 million (US$3 million) as of March 31, 2022, respectively.

6. The amount of securities lent under lending agreements were ¥465,351 million and ¥621,280 million (US$5,076 million) as of March 31, 2021 and 2022, respectively.

7. The total amount of credits to bankrupt borrowers, delinquent loans, delinquent loans past 3 months or more and restructured loans, which were included in loans, was ¥3,199 million as of March 31, 2021. The details are as follows.

i) The balance of credits to bankrupt borrowers was ¥147 million as of March 31, 2021.

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.

ii) The balance of delinquent loans was ¥2,522 million as of March 31, 2021.

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.

iii) The balance of restructured loans was ¥529 million as of March 31, 2021.

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.

iv) There were no balance of delinquent loans past 3 months or more as of March 31, 2021.

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.

The direct write-offs related to loans decreased credits to bankrupt borrowers described above by ¥0 million as of March 31, 2021.

The total amount of claims against bankrupt and quasi-bankrupt obligors, claims with collection risk, delinquent loans past three months or more, and restructured loans was ¥3,759 million (US$30 million) as March 31, 2022. The details are as follows.

i) The balance of claims against bankrupt and quasi-bankrupt obligors was ¥143 million (US$1 million) as of March 31, 2022.

Of which, the estimated uncollectible amount written-off was ¥0 million (US$6 thousand) as of March 31, 2022.

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

ii) The balance of claims with collection risk was ¥1,999 million (US$16 million) as of March 31, 2022.

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

iii) There was no balance of delinquent loans past 3 months or more as of March 31, 2022.

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 claims against bankrupt and quasi-bankrupt obligors, claims with collection risk.

iv) The balance of restructured loans was ¥1,616 million (US$13 million) as of March 31, 2022.

Restructured loans are loans for which certain concessions favorable to borrowers, such as interest reduction or exemption, rescheduling of due date for repayments of principal or interest payment, waiver of claim or other terms, have been negotiated for the purpose of assisting and supporting the borrowers in the restructuring of their business. This category excludes loans classified as claims against bankrupt and quasi-bankrupt obligors, claims with collection risk, and delinquent loans past 3 months or more.

8. Accumulated depreciation of tangible fixed assets were ¥173,746 million and ¥178,381 million (US$1,457 million) as of March 31, 2021 and 2022, respectively.

9. Total assets in separate accounts provided for in Article 118 of the Insurance Business Act were ¥104,979 million and ¥112,487 million (US$919 million) as of March 31, 2021 and 2022, respectively. The amounts of separate account liabilities were the same as separate account assets.

10. The total amounts of receivables from/payables to subsidiaries were ¥3,070 million and ¥2,167 million as of March 31, 2021, and ¥2,334 million (US$19 million) and ¥2,714 million (US$22 million) as of March 31, 2022, respectively.

11. Deferred tax assets and deferred tax liabilities as of March 31, 2021 were ¥159,775 million and ¥181,233 million, respectively. Valuation allowance for deferred tax assets was ¥4,972 million. Major components of deferred tax assets were ¥90,033 million of policy reserves, ¥48,383 million of reserve for price fluctuation and ¥11,872 million of reserve for employees' retirement benefits as of March 31, 2021.

Major component of deferred tax liabilities was ¥176,729 million of net unrealized gains on available-for-sale securities as of March 31, 2021.

The statutory tax rate and the actual effective tax rate for the year ended March 31, 2021 were 28.0% and 2.0%, respectively. The difference between the statutory tax rate and the actual effective tax rate was attributable mainly to -25.4% of reserve for dividends to policyholders.

Deferred tax assets and deferred tax liabilities as of March 31, 2022 were ¥170,333 million (US$1,391 million) and ¥190,417 million (US$1,555 million), respectively. Valuation allowance for deferred tax assets was ¥4,976 million (US$40 million).

Major components of deferred tax assets were ¥98,854 million (US$807 million) of policy reserves, ¥49,467 million (US$404 million) of reserve for price fluctuation and ¥12,184 million (US$99 million) of reserve for employees' retirement benefits as of March 31, 2022.

Major component of deferred tax liabilities was ¥185,335 million (US$1,514 million) of net unrealized gains on available-for-sale securities as of March 31, 2022.

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

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

	Year ended March 31,		
	2021	2022	2022
	Millions of yen		Millions of U.S. dollars
Balance at the beginning of the fiscal year	¥60,922	¥63,232	$516
Transfer from surplus in the previous fiscal year	31,547	32,744	267
Dividend payments to policyholders during the fiscal year	(29,252)	(32,580)	(266)
Increase in interest	13	13	0
Balance at the end of the fiscal year	¥63,232	¥63,411	$518

13. The amounts of stocks of subsidiaries were ¥64,787 million and ¥64,787 million (US$529 million) as of March 31, 2021 and 2022, respectively.

14. Assets pledged as collateral as of March 31, 2021 were ¥99,608 million of securities and ¥790 million of bank deposits.

Secured debts as of March 31, 2021, were ¥67,546 million.

These amounts include ¥60,241 million of investments in securities deposited and ¥61,819 million of cash received as collateral under securities lending transactions secured by cash as of March 31, 2021.

Assets pledged as collateral as of March 31, 2022 were ¥225,740 million (US$1,844 million) of securities.

Secured debts as of March 31, 2022, were ¥166,881 million (US$1,363 million).

These amounts include ¥150,826 million (US$1,232 million) of investments in securities deposited and ¥160,928 million (US$1,314 million) of cash received as collateral under securities lending transactions secured by cash as of March 31, 2022.

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 ¥4 million and ¥0 million (US$5 thousand) as of March 31, 2021 and 2022, 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 ¥23 million (US$188 thousand) as of March 31, 2021 and 2022, respectively.

16. The total amounts of adjustment items for redemption of foundation funds and appropriation of net surplus defined in Article 30 Paragraph 2 of the Enforcement Regulation of the Insurance Business Act were ¥462,585 million and ¥485,157 million (US$3,964 million) as of March 31, 2021 and 2022, respectively.

17. There were unused commitment line agreements under which the Company is the lender of ¥8,733 million and ¥11,492 million (US$93 million) as of March 31, 2021 and 2022, respectively.

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

19. The future contribution to the Life Insurance Policyholders Protection Corporation of Japan under Article 259 of the Insurance Business Act was estimated at ¥7,946 million and ¥8,181 million (US$66 million) as of March 31, 2021 and 2022, respectively.

The contribution is recognized as operating expenses when contributed.

20. Matters Related to Employees' Retirement Benefits

(1) Overview of Employees' Retirement Benefit Plan

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

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

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

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

(2) Defined Benefit Plan

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

	As of March 31,		
	2021	2022	2022
	Millions of yen		Millions of U.S. dollars
Retirement benefit obligation at the beginning of the fiscal year	¥87,938	¥90,576	$740
Service cost	3,455	3,657	29
Interest cost	526	541	4
Actuarial differences occurred during the fiscal year	2,881	47	0
Retirement benefit payments	(4,279)	(4,178)	(34)
Prior service costs occurred during the fiscal year	54	—	—
Retirement benefit obligation at the end of the fiscal year	¥90,576	¥90,644	$740

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

	As of March 31,		
	2021	2022	2022
	Millions of yen		Millions of U.S. dollars
Pension plan assets at the beginning of the fiscal year	¥53,704	¥62,244	$508
Expected return on pension plan assets	867	1,202	9
Actuarial differences occurred during the fiscal year	6,673	956	7
Contributions by the employer	2,577	1,088	8
Retirement benefit payments	(1,578)	(1,605)	(13)
Pension plan assets at the end of the fiscal year	¥62,244	¥63,886	$521

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

	As of March 31,		
	2021	2022	2022
	Millions of yen		Millions of U.S. dollars
a. Funded plan retirement benefit obligation	¥78,508	¥78,793	$643
b. Pension plan assets	(62,244)	(63,886)	(521)
c. (a + b)	16,263	14,906	121
d. Unfunded plan retirement benefit obligation	12,067	11,850	96
e. Unrecognized actuarial differences	(5,111)	(2,774)	(22)
f. Unrecognized prior service cost	(31)	(45)	(0)
g. Net amount of liabilities and assets presented on the non-consolidated balance sheet	23,187	23,937	195
h. Reserve for employees' retirement benefits	23,735	24,850	203
i. Prepaid pension cost	(547)	(912)	(7)
j. Net amount of liabilities and assets presented on the non-consolidated balance sheet	¥23,187	¥23,937	$195

iv) Breakdown of retirement benefit gains and losses

	2021	2022	2022
	As of March 31,		
	Millions of yen		Millions of U.S. dollars
Service cost	¥3,455	¥3,657	$29
Interest cost	526	541	4
Expected return on pension plan assets	(867)	(1,202)	(9)
Amortization of actuarial differences	1,905	1,428	11
Amortization of prior service cost	(72)	(13)	(0)
Retirement benefit expenses related to defined benefit plan	¥4,947	¥4,410	$36

v) Breakdown of pension plan assets

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

	2021	2022
	As of March 31,	
Domestic stocks	42.9%	42.2%
Life insurance general account	31.8%	31.1%
Foreign stocks	8.9%	10.3%
Domestic bonds	9.9%	9.6%
Assets under joint management	3.3%	3.7%
Foreign bonds	3.2%	3.1%
Total	100.0%	100.0%

Within the total plan assets as of March 2021 and March 2022, retirement benefit trusts established in relation to the retirement lump-sum payments plan for sales employees accounted for 35.6% and 35.7%, respectively.

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

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

vii) Underlying actuarial assumptions

Main underlying actuarial assumptions were as follows:

	2021	2022
	As of March 31,	
Discount rate	0.6%	0.6%
Expected long-term rate of return on pension plan assets		
Defined Benefit Plan	2.5%	3.0%
Retirement benefit trust	0.0%	0.0%

(3) Defined Contribution Plan

The required contribution amount by the Company to the defined contribution plan were ¥219 million and ¥222 million (US$1 million) as of March 31, 2021 and 2022, respectively.

III. Notes to the Non-consolidated Statements of Operations

1. The total amounts of revenues and expenses in connection with subsidiaries were ¥869 million and ¥8,916 million for the year ended March 31, 2021, and ¥1,326 million (US$10 million) and ¥8,687 million (US$70 million) for the year ended March 31, 2022, respectively.

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

	Year ended March 31, 2021	2022	2022
	Millions of yen		Millions of U.S. dollars
Domestic bonds	¥7,447	¥6,543	$53
Domestic stocks and others	14,974	3,932	32
Foreign securities	1,400	3,444	28
Others	¥137	¥—	$—

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

	Year ended March 31, 2021	2022	2022
	Millions of yen		Millions of U.S. dollars
Domestic bonds	¥735	¥5,343	$43
Domestic stocks and others	7,592	7,414	60
Foreign securities	3,451	2,302	18
Others	¥29	¥—	$—

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

	Year ended March 31, 2021	2022	2022
	Millions of yen		Millions of U.S. dollars
Domestic bonds	¥65	¥—	$—
Domestic stocks and others	281	302	2
Foreign securities	¥57	¥42	$0

5. For the year ended March 31, 2021, in calculating the reversal of reserve for outstanding claims, a provision of reserves for outstanding claims reinsured of ¥3 million was added. 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, 2022, in calculating the provision of reserve for outstanding claims, a reversal of reserves for outstanding claims reinsured of ¥3 million (US$27 thousand) was added. In calculating the provision of policy reserves, a reversal of reserves for policy reserves reinsured of ¥7 million (US$58 thousand) was added.

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

	Year ended March 31, 2021	2022	2022
	Millions of yen		Millions of U.S. dollars
Interest, dividends and other income	¥1,687	¥753	$6
Gains on sales of trading securities	0	0	0
Losses on redemption of trading securities	(3,475)	(1,671)	(13)
Gains on valuation of trading securities	¥8,310	¥2,581	$21

7. Gains on money held in trust included valuation gains of ¥0 million and ¥0 million (US$0 thousand) for the year ended March 31, 2021 and 2022, respectively.

8. Losses on derivative instruments included valuation losses of ¥6,984 million and ¥1,419 million (US$11 million) for the year ended March 31, 2021 and 2022, respectively.

9. “Others” within “Extraordinary losses” for the year ended March 31, 2021 consists of expenses associated with salary guaranties provided to sales representatives as a countermeasure aimed at preventing the spread of COVID-19.

Independent Auditor's Report

September 28, 2022

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

Moore Mirai & Co.
Tokyo, Japan

Designated Engagement Partner
Certified Public Accountant
Shinnosuke Tsuruta
Shinnosuke Tsuruta

Designated Engagement Partner
Certified Public Accountant
Yuichi Yasuda
Yuichi Yasuda

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, 2022, the non-consolidated statements of operations, the non-consolidated statements of changes in net assets, and the non-consolidated statements of surplus for the year then ended, and notes to the non-consolidated financial statements, all expressed in Japanese yen.

In our opinion, the accompanying non-consolidated financial statements present fairly, in all material respects, the financial position of the Company as at March 31, 2022, and its financial performance for the year then ended in accordance with accounting principles generally accepted in Japan.

Basis for Opinion

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

Other Information

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

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

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

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

We have nothing to report in this regard.

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

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

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

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

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

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

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

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

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

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

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

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

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

Convenience Translation

The amounts expressed in U.S. dollars, which are provided solely for the convenience of the reader, have been translated on the basis set forth in Note I.1 to the accompanying non-consolidated financial statements with respect to the year ended March 31, 2022.

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, 2021 and 2022

	As of March 31,		
	2021	2022	2022
	Millions of yen		Millions of U.S. dollars
Assets:			
Cash and deposits	¥325,854	¥323,128	$2,640
Call loans	136,000	48,000	392
Monetary claims bought	239	80	0
Money held in trust	25,277	26,070	213
Securities	7,417,165	7,697,988	62,897
Loans	571,420	556,577	4,547
Tangible fixed assets:			
Land	146,816	150,195	1,227
Buildings	92,773	89,379	730
Lease assets	618	298	2
Construction in progress	93	1,767	14
Other tangible fixed assets	4,521	4,125	33
	244,823	245,765	2,008
Intangible fixed assets:			
Software	19,877	19,657	160
Lease assets	6,015	3,486	28
Other intangible fixed assets	4,462	7,466	61
	30,355	30,609	250
Agency receivables	0	0	0
Reinsurance receivables	170	175	1
Other assets	55,447	58,397	477
Net defined benefit assets	339	822	6
Deferred tax assets	732	1,831	14
Allowance for possible loan losses	(4,386)	(2,516)	(20)
Total assets	¥8,803,440	¥8,986,931	$73,428

	As of March 31,		
	2021	2022	2022
	Millions of yen		Millions of U.S. dollars
Liabilities:			
Policy reserves:			
Reserve for outstanding claims	¥23,713	¥27,719	$226
Policy reserve	7,331,271	7,356,399	60,106
Reserve for dividends to policyholders	63,232	63,411	518
Reserve for dividends to policyholders (subsidiary)	308	322	2
	7,418,526	7,447,853	60,853
Agency payables	112	165	1
Reinsurance payables	103	104	0
Subordinated bonds	241,935	241,935	1,976
Other liabilities	156,292	281,058	2,296
Reserve for claims and other payments	—	3,432	28
Net defined benefit liabilities	28,762	27,677	226
Reserve for price fluctuation	183,520	187,692	1,533
Deferred tax liabilities	25,857	25,188	205
Deferred tax liabilities for land revaluation	14,184	14,183	115
Total liabilities	8,069,294	8,229,290	67,238
Net assets:			
Foundation funds	12,000	12,000	98
Accumulated foundation funds redeemed	116,000	116,000	947
Reserve for revaluation	112	112	0
Consolidated surplus	131,699	132,765	1,084
Total foundation funds, surplus and others	259,811	260,877	2,131
Net unrealized gains (losses) on available-for-sale securities, net of tax	465,855	486,644	3,976
Revaluation reserve for land, net of tax	4,185	4,184	34
Foreign currency translation adjustment	(571)	(312)	(2)
Accumulated remeasurements of defined benefit plans	(3,703)	(2,030)	(16)
Total accumulated other comprehensive income	465,765	488,486	3,991
Non-controlling interests	8,568	8,276	67
Total net assets	734,145	757,640	6,190
Total liabilities and net assets	¥8,803,440	¥8,986,931	$73,428

See notes to the consolidated financial statements.

Consolidated Statements of Operations

Fukoku Mutual Life Insurance Company and consolidated subsidiaries
For the years ended March 31, 2021 and 2022

	Year ended March 31,		
	2021	2022	2022
	Millions of yen		Millions of U.S. dollars
Ordinary revenues:			
Premium and other income	¥584,794	¥632,055	$5,164
Investment income:			
Interest, dividends and other income	175,540	185,514	1,515
Gains on money held in trust, net	1,127	817	6
Gains on trading securities, net	6,523	1,664	13
Gains on sales of securities	26,764	16,760	136
Gains on redemption of securities, net	—	65	0
Foreign exchange gains, net	—	1,616	13
Reversal of allowance for possible loan losses	—	1,867	15
Other investment income	170	381	3
Gains on separate accounts, net	19,315	6,391	52
	229,442	215,080	1,757
Other ordinary revenues	109,905	10,762	87
Total ordinary revenues	924,142	857,898	7,009
Ordinary expenses:			
Claims and other payments:			
Claims	85,657	91,523	747
Annuities	352,581	309,762	2,530
Benefits	116,736	116,426	951
Surrenders	76,283	71,221	581
Other payments	26,673	24,648	201
	657,932	613,582	5,013
Provision of policy reserve and others:			
Provision of reserve for outstanding claims	92	4,006	32
Provision of policy reserves	—	25,127	205
Provision of interest portion of reserve for dividends to policyholders	13	13	0
Provision of interest portion of reserve for dividends to policyholders (subsidiary)	0	0	0
	106	29,147	238
Investment expenses:			
Interest expenses	4,113	4,417	36
Losses on sales of securities	11,809	15,060	123
Losses on valuation of securities	404	344	2
Losses on derivative instruments, net	12,967	7,746	63
Foreign exchange losses, net	4,604	—	—
Provision of allowance for possible loan losses	2,369	—	—
Depreciation of real estate for rent and other assets	4,427	4,788	39
Other investment expenses	7,444	9,553	78
	48,142	41,910	342
Operating expenses	99,997	99,607	813
Other ordinary expenses	27,923	33,132	270
Total ordinary expenses	834,101	817,379	6,678
Ordinary profits	¥90,040	¥40,519	$331

	Year ended March 31,		
	2021	2022	2022
	Millions of yen		Millions of U.S. dollars
Extraordinary gains:			
Gains on disposal of fixed assets	¥133	¥11	$0
Total extraordinary gains	133	11	0
Extraordinary losses:			
Losses on disposal of fixed assets	801	431	3
Impairment losses	198	46	0
Provision of reserve for price fluctuation	50,357	4,171	34
Others	1,059	—	—
Total extraordinary losses	52,417	4,650	37
Provision of reserve for dividends to policyholders (subsidiary)	168	195	1
Surplus before income taxes	37,588	35,685	291
Income taxes:			
Current	11,950	11,945	97
Deferred	(10,603)	(10,247)	(83)
Total income taxes	1,346	1,698	13
Net surplus	36,241	33,986	277
Net surplus attributable to non-controlling interests	125	74	0
Net surplus attributable to the parent company	¥36,116	¥33,911	$277

See notes to the consolidated financial statements.

Consolidated Statements of Comprehensive Income

Fukoku Mutual Life Insurance Company and consolidated subsidiaries
For the years ended March 31, 2021 and 2022

	Year ended March 31,		
	2021	2022	2022
	Millions of yen		Millions of U.S. dollars
Net surplus	¥36,241	¥33,986	$277
Other comprehensive income:			
Net unrealized gains (losses) on available-for-sale securities, net of tax	172,797	20,581	168
Foreign currency translation adjustments	(91)	259	2
Remeasurements of defined benefit plan, net of tax	4,011	1,673	13
	176,717	22,514	183
Comprehensive income:			
Comprehensive income attributable to the parent company	212,910	56,633	462
Comprehensive income attributable to non-controlling interests	48	(132)	(1)
	¥212,959	¥56,500	$461

See notes to the consolidated financial statements.

Consolidated Statements of Cash Flows

Fukoku Mutual Life Insurance Company and consolidated subsidiaries
For the years ended March 31, 2021 and 2022

	Year ended March 31,		
	2021	2022	2022
	Millions of yen		Millions of U.S. dollars
Cash flows from operating activities:			
Surplus before income taxes	¥37,588	¥35,685	$291
Depreciation of real estate for rent and other assets	4,427	4,788	39
Depreciation	13,542	14,529	118
Impairment losses	198	46	0
Increase (decrease) in reserve for outstanding claims	92	4,006	32
Increase (decrease) in policy reserve	(98,999)	25,127	205
Provision of interest portion of reserve for dividends to policyholders	13	13	0
Provision of interest portion of reserve for dividends to policyholders (subsidiary)	0	0	0
Provision of reserve for dividends to policyholders (subsidiary)	168	195	1
Increase (decrease) in allowance for possible loan losses	2,362	(1,870)	(15)
Increase (decrease) in reserve for claims and other payments	—	3,432	28
Increase (decrease) in net defined benefit liabilities	(365)	755	6
Increase (decrease) in reserve for price fluctuation	50,357	4,171	34
Interest, dividends and other income	(175,540)	(185,514)	(1,515)
Losses (gains) on securities, net	(28,549)	(2,548)	(20)
Interest expenses	4,113	4,417	36
Foreign exchange losses (gains), net	4,604	(1,616)	(13)
Losses (gains) on tangible fixed assets, net	590	386	3
Decrease (increase) in agency receivable	(0)	0	0
Decrease (increase) in reinsurance receivable	(45)	(5)	(0)
Decrease (increase) in other assets except from investing and financing activities	(540)	2,589	21
Increase (decrease) in agency payable	(2)	53	0
Increase (decrease) in reinsurance payable	0	0	0
Increase (decrease) in other liabilities except from investing and financing activities	82	2,185	17
Others	17,629	17,933	146
Subtotal	(168,270)	(71,236)	(582)
Interest, dividends and other income received	178,058	182,614	1,492
Interest expenses paid	(3,933)	(4,388)	(35)
Dividends to policyholders paid	(29,252)	(32,580)	(266)
Dividends to policyholders paid (subsidiary)	(188)	(181)	(1)
Corporate income tax (paid) refunded	(14,932)	(11,931)	(97)
Net cash provided by (used in) operating activities (a)	(38,518)	62,296	508
Cash flows from investing activities:			
Net decrease (increase) in deposits	(4,753)	2,003	16
Proceeds from sales and redemption of monetary claims bought	29	158	1
Increase in money held in trust	(1,500)	(2,310)	(18)
Decrease in money held in trust	1,500	2,310	18
Payments for purchase of securities	(839,487)	(768,599)	(6,279)
Proceeds from sales and redemption of securities	742,811	618,119	5,050
Payments for additions to loans	(96,899)	(78,096)	(638)
Proceeds from collections of loans	87,839	86,729	708
Proceeds from and payments for settlements of derivatives, net	(31,354)	(76,466)	(624)
Increase (decrease) in cash received as collateral under securities lending transactions	(6,047)	99,108	809
Others	(7,463)	(8,672)	(70)
Subtotal (b)	(155,325)	(125,716)	(1,027)
(a + b)	¥(193,844)	¥(63,420)	$(518)

	2021	2022	2022
	Year ended March 31,		
	Millions of yen		Millions of U.S. dollars
Payments for purchase of tangible fixed assets	¥(33,165)	¥(9,512)	$(77)
Proceeds from sales of tangible fixed assets	387	109	0
Payments for purchase of intangible fixed assets	(8,218)	(11,808)	(96)
Net cash provided by (used in) investing activities	(196,321)	(146,928)	(1,200)
Cash flows from financing activities:			
Proceeds from issuance of subordinated bonds	50,000	—	—
Payment of interest on foundation funds	(102)	(102)	(0)
Dividends paid to non-controlling interests	(3)	(159)	(1)
Payments for lease obligations	(3,533)	(3,710)	(30)
Net cash provided by (used in) financing activities	46,361	(3,972)	(32)
Effect of exchange rate changes on cash and cash equivalents	(205)	(219)	(1)
Net increase (decrease) in cash and cash equivalents	(188,684)	(88,823)	(725)
Cash and cash equivalents at the beginning of the fiscal year	644,507	455,823	3,724
Cash and cash equivalents at the end of the fiscal year	¥455,823	¥366,999	$2,998

See notes to the consolidated financial statements.

Consolidated Statements of Changes in Net Assets

Fukoku Mutual Life Insurance Company and consolidated subsidiaries
For the years ended March 31, 2021 and 2022

	Millions of yen				
	Foundation funds, surplus and others				
For the year ended March 31, 2021	Foundation funds	Accumulated foundation funds redeemed	Reserve for revaluation	Consolidated surplus	Total foundation funds, surplus and others
Balance at the beginning of the fiscal year	¥12,000	¥116,000	¥112	¥127,315	¥255,427
Changes in the fiscal year					
Additions to reserve for dividends to policyholders				(31,547)	(31,547)
Payment of interest on foundation funds				(102)	(102)
Net surplus attributable to the parent company for the fiscal year				36,116	36,116
Reversal of revaluation reserve for land, net of tax				(83)	(83)
Net changes, excluding foundation funds, surplus and others					
Total changes in the fiscal year	—	—	—	4,383	4,383
Balance at the end of the fiscal year	¥12,000	¥116,000	¥112	¥131,699	¥259,811

	Millions of yen						
	Accumulated other comprehensive income						
For the year ended March 31, 2021	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	¥292,980	¥4,102	¥(480)	¥ (7,714)	¥288,888	¥8,523	¥552,839
Changes in the fiscal year							
Additions to reserve for dividends to policyholders							(31,547)
Payment of interest on foundation funds							(102)
Net surplus attributable to the parent company for the fiscal year							36,116
Reversal of revaluation reserve for land, net of tax							(83)
Net changes, excluding foundation funds, surplus and others	172,874	83	(91)	4,011	176,877	45	176,923
Total changes in the fiscal year	172,874	83	(91)	4,011	176,877	45	181,306
Balance at the end of the fiscal year	¥465,855	¥4,185	¥(571)	¥ (3,703)	¥465,765	¥8,568	¥734,145

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

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

For the year ended March 31, 2022	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
Balance at the beginning of the fiscal year	$98	$947	$0	$1,076	$2,122
Changes in the fiscal year					
Additions to reserve for dividends to policyholders				(267)	(267)
Payment of interest on foundation funds				(0)	(0)
Net surplus attributable to the parent company for the fiscal year				277	277
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	—	—	—	8	8
Balance at the end of the fiscal year	$98	$947	$0	$1,084	$2,131

For the year ended March 31, 2022	Millions of U.S. dollars						
	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	$3,806	$34	$(4)	$(30)	$3,805	$70	$5,998
Changes in the fiscal year							
Additions to reserve for dividends to policyholders							(267)
Payment of interest on foundation funds							(0)
Net surplus attributable to the parent company for the fiscal year							277
Reversal of revaluation reserve for land, net of tax							0
Net changes, excluding foundation funds, surplus and others	169	(0)	2	13	185	(2)	183
Total changes in the fiscal year	169	(0)	2	13	185	(2)	191
Balance at the end of the fiscal year	$3,976	$34	$(2)	$(16)	$3,991	$67	$6,190

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 ¥122.39 = US$1.00, the effective rate of exchange at the balance sheet date of March 31, 2022. 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, 2021 and 2022 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, 2021 and 2022.

(3) Fiscal Year of Consolidated Subsidiaries

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

II. Notes to the Consolidated Balance Sheets

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

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

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

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

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

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

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

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

- Date of revaluation: March 31, 2002

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

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

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

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

(6) Allowance for possible loan losses for the Company is provided in accordance with the standards of self-assessment and write-offs and reserves on credit quality:
 i) For the credits of borrowers who are legally bankrupt such as being in the proceedings of bankruptcy or civil rehabilitation (hereinafter called "legally bankrupt borrowers") and who are substantially bankrupt (hereinafter called "substantially bankrupt borrowers"), the Company provides the remaining amounts of credits after the direct write-off described below and the deductions of the amount expected to be collected through the disposal of collateral or the execution of guarantees.
 ii) For the credits of borrowers who are not currently bankrupt but have a high possibility of bankruptcy (hereinafter called "not currently bankrupt borrowers"), the Company provides the amounts deemed as necessary considering the borrowers' ability to pay, within the amounts after deductions of the amounts expected to be collected through the disposal of collateral or the execution of guarantees.
 iii) For the credits of borrowers other than the above, the Company provides the amounts calculated by multiplying the borrowers' balance by the actual ratio of bad debt losses on defaults during a certain past period.

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

For the credits of legally bankrupt borrowers and substantially bankrupt borrowers, the amounts remaining after deductions of collateral value or the amounts collectible through the execution of guarantees are written-off directly from the borrowers' balances as the estimated uncollectible amounts. The amount written-off as of March 31, 2021 and 2022 were ¥0 million and ¥0 million (US$6 thousand), respectively.

(7) To ensure that benefits associated with COVID-19 infections contracted during the fiscal year ended March 31, 2022 can be paid during the fiscal year ending March 31, 2023, the Company sets aside as a reserve for claims and other payments that exceeds the reserve for outstanding claims included under the Company's estimated payments for the latter fiscal year (calculated based on previous payment amounts).

(8) Net defined benefit liabilities and assets, which are provided for employees' retirement benefits, are calculated by deducting the amount of pension assets from the amount of retirement benefit obligations incurred as of the balance sheet date based on the projected retirement benefits as of the current fiscal year end.
The Company uses the following methods of accounting in relation to retirement benefits:
- Method for allocation of projected retirement benefits ....Benefit formula basis
- Amortization period of actuarial gains and losses...10 years
- Amortization period of prior service cost ....10 years

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

(10) Hedge accounting is based on "Accounting Standards for Financial Instruments" (ASBJ Statement No. 10, July 4, 2019). The Company applies a fair value hedge accounting as a hedge against the risk of foreign exchange fluctuation in relation to bonds and others denominated in foreign currencies, and a designated hedge accounting ("Furiate shori") for foreign currency swaps as a hedge against the risk of foreign exchange fluctuation in relation to bonds denominated in foreign currencies issued by the Company.
For assessing the effectiveness of hedge used, ratio analysis of comparing the fluctuations in the fair value or cash flows of hedged items and hedging instruments is mainly applied.

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

years. Consumption taxes other than deferred consumption taxes are recognized as an expense when incurred.

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

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

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

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

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

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

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

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

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

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

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

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

Among individual annuity insurance policies with an assumed interest rate of 5.00% or higher, for policies that have begun paying annuities (excluding wife's annuity insurance additional rider), the Company reduced the assumed interest rate to 1.00% and funded additional policy reserves. As of March 31, 2021, the balance of these policy reserves was ¥73,354 million.

The Company has also funded additional policy reserves for certain individual annuity insurance policies, whole life insurance policies that include distribution of surplus every five years and new cancer riders. As of March 31, 2021, the balance of these policy reserves was ¥1,654 million.

Among individual annuity insurance policies with an assumed interest rate of 5.00% or higher, for policies that have begun paying annuities (excluding wife's annuity insurance additional rider), the Company has reduced the assumed interest rate to 1.00% and funded additional policy reserves. As of March 31, 2022, the balance of these policy reserves was ¥72,419 million(US$591 million).

Among whole life insurance policies with assumed interest rates of 5.00% or higher following the fiscal year ended March 31, 2022, the Company has reduced assumed interest rates for policies with premiums that have been paid in full (excluding policies that have been converted into paid-up or extended policies, single premium policies, and policies for which premiums have been waived) to 1.00% and funded additional policy reserves of ¥107,284 million (US$876 million). The establishment of these reserves rendered ¥1,589 million (US$12 million) of additional policy reserves set aside at the conclusion of the fiscal year ended March 31, 2021 unnecessary. Accordingly, the Company reversed this amount and transferred ¥105,695 million (US$863 million) (a higher amount) from contingency reserves to additional policy reserves. Consequently, the establishment of these policy reserves has had no impact on provision of policy reserves, ordinary profits, and surplus before income taxes.

The Company has also funded additional policy reserves for certain whole life insurance policies that include distribution of surplus every five years, new cancer riders, highly advanced medical riders and advanced medical riders. As of March 31, 2022, the balance of these policy reserves was ¥77 million (US$629 thousands).

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

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

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

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

At the end of the consolidated fiscal year ended March 31, 2022, the Company eliminated all sub-groups, and policy-reserve-matching bonds categorized for holding purposes were reclassified as available-for-sale securities. The Company made this change following a review of its interest-rate risk management (conducted through strategic asset and liability matching) that was conducted due to the Company's realization that under the prevailing environment of low interest rates in Japan, continuing to hold bonds for the purpose of matching the duration of liabilities while securing investment income commensurate with assumed interest rates would be prohibitively difficult.

Due to this change, securities increased by ¥81,967 million (US$669 million), while deferred tax liabilities rose by ¥22,951 million (US$187 million), and net unrealized gains (losses) on available-for-sale securities, net of tax by ¥59,016 million (US$482 million). These changes had no impact in terms of profit and loss.

2. The Company began applying the "Accounting Standard for Fair Value Measurement" (ASBJ Statement No. 30, July 4, 2019; hereinafter called "Accounting Standard for Fair Value Measurement") from the beginning of the fiscal year. In accordance with the transitional treatments prescribed in Paragraph 19 of the Accounting Standard for Fair Value Measurement and Paragraph 44-2 of the "Accounting Standard for Financial Instruments" (ASBJ Statement No. 10, July 4, 2019), new accounting policies set forth by the Accounting Standard for Fair Value Measurement will be applied prospectively. The Company has observed no material impact from this application of the Accounting Standard for Fair Value Measurement.

In addition, the Company has decided to provide notes regarding matters such as the breakdown of financial instruments by fair value level in the financial instruments sections of notes to the consolidated balance sheets.

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,		
	2021		
	Millions of yen		
	Carrying amount	Fair value	Difference
Cash and deposits:			
Cash and deposits not treated as securities	¥321,613	¥321,613	¥—
Total cash and deposits	321,613	321,613	—
Call loans	136,000	136,000	—
Monetary claims bought:			
Claims treated as loans	239	254	14
Total monetary claims bought	239	254	14
Money held in trust:			
Trading securities	24,277	24,277	—
Total money held in trust	24,277	24,277	—
Securities:			
Trading securities	29,426	29,426	—
Held-to-maturity debt securities	1,277,057	1,470,397	193,340
Policy-reserve-matching bonds	1,591,559	1,756,290	164,730
Available-for-sale securities	4,384,960	4,384,960	—
Total securities	7,283,003	7,641,074	358,071
Loans:			
Policy loans	54,126	54,126	(0)
Ordinary loans	517,293	537,281	19,987
Total loans	571,420	591,407	19,987
Assets total	8,336,553	8,714,627	378,073
Subordinated bonds*1	241,935	246,577	4,642
Liabilities total	241,935	246,577	4,642
Derivative instruments*2 :			
Hedge accounting not applied	(3,394)	(3,394)	—
Hedge accounting applied	(37,644)	(37,644)	—
Total derivative instruments	¥(41,039)	¥(41,039)	¥—

*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.

Notes: 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, ¥6,224 million, and ¥29,744 million as of March 31, 2021, 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. 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.

	As of March 31,					
	2022			2022		
	Millions of yen			Millions of U.S. dollars		
	Carrying amount	Fair value	Difference	Carrying amount	Fair value	Difference
Monetary claims bought:						
Claims treated as loans	¥80	¥81	¥0	$0	$0	$0
Total monetary claims bought	80	81	0	0	0	0
Money held in trust:						
Trading securities	25,070	25,070	—	204	204	—
Total money held in trust	25,070	25,070	—	204	204	—
Securities:						
Trading securities	18,493	18,493	—	151	151	—
Held-to-maturity debt securities	1,277,683	1,434,476	156,792	10,439	11,720	1,281
Policy-reserve-matching bonds	704,016	734,244	30,227	5,752	5,999	246
Available-for-sale securities	5,551,740	5,551,740	—	45,361	45,361	—
Total securities	7,551,934	7,738,954	187,020	61,703	63,231	1,528
Loans:						
Policy loans	51,901	51,901	(0)	424	424	(0)
Ordinary loans	504,675	521,484	16,809	4,123	4,260	137
Total loans	556,577	573,386	16,809	4,547	4,684	137
Assets total	8,133,662	8,337,492	203,830	66,456	68,122	1,665
Subordinated bonds*1	241,935	245,074	3,139	1,976	2,002	25
Liabilities total	241,935	245,074	3,139	1,976	2,002	25
Derivative instruments*2 :						
Hedge accounting not applied	(4,814)	(4,814)	—	(39)	(39)	—
Hedge accounting applied	(63,528)	(63,528)	—	(519)	(519)	—
Total derivative instruments	¥(68,342)	¥(68,342)	¥—	$(558)	$ (558)	$—

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

Notes: 1. Stocks without market prices, such as unlisted stocks, are not included in Securities of the above table. The amount of these stocks on the balance sheet as of March 31, 2022 was ¥9,603 million (US$78 million).
2. In accordance with the transitional treatments prescribed in Paragraph 27 of the "Implementation Guidance on Accounting Standard for Fair Value Measurement" (ASBJ Guidance No. 31, July 4, 2019), investments in partnerships have not been included in Securities of the above table. As of March 31, 2022, the amount of investments in partnerships included on the balance sheet was ¥32,380 million (US$264 million).

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

(1) Financial assets and liabilities with fair values recorded on the balance sheet

As of March 31,

Classification	2022 Millions of yen Fair value Level 1	Level 2	Level 3	Total	2022 Millions of U.S. dollars Fair value Level 1	Level 2	Level 3	Total
Money held in trust:								
Trading securities	¥—	¥25,070	¥—	¥25,070	$—	$204	$—	$204
Total money held in trust	—	25,070	—	25,070	—	204	—	204
Securities:								
Trading securities:								
Foreign securities	7,859	10,634	—	18,493	64	86	—	151
Total trading securities	7,859	10,634	—	18,493	64	86	—	151
Available-for-sale securities:								
Government bonds	1,436,730	—	—	1,436,730	11,738	—	—	11,738
Local government bonds	—	156,768	—	156,768	—	1,280	—	1,280
Corporate bonds	—	812,361	—	812,361	—	6,637	—	6,637
Stocks	699,672	—	—	699,672	5,716	—	—	5,716
Foreign securities	744,812	1,129,151	28,139	1,902,104	6,085	9,225	229	15,541
Other securities	3,667	—	—	3,667	29	—	—	29
Total available-for-sale securities	2,884,883	2,098,282	28,139	5,011,305	23,571	17,144	229	40,945
Total securities	2,892,742	2,108,916	28,139	5,029,798	23,635	17,231	229	41,096
Assets total	2,892,742	2,133,986	28,139	5,054,868	23,635	17,435	229	41,301
Derivative instruments*:								
Currency-related	—	(68,160)	—	(68,160)	—	(556)	—	(556)
Interest-related	—	20	—	20	—	0	—	0
Stock-related	(202)	—	—	(202)	(1)	—	—	(1)
Total derivative instruments	¥(202)	¥(68,140)	¥—	¥(68,342)	$(1)	$(556)	$—	$(558)

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

Note: In accordance with the transitional treatments prescribed in Paragraph 26 of the "Implementation Guidance on Accounting Standard for Fair Value Measurement" (ASBJ Guidance No.31, July 4, 2019), investment trusts have not been included in the figures above.
As of March 31, 2022, the amount of investment trusts included on the balance sheet was ¥540,435 million (US$ 4,415 million).

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

AS of March 31,

Classification	2022 Millions of yen Fair value Level 1	Level 2	Level 3	Total	2022 Millions of U.S. dollars Fair value Level 1	Level 2	Level 3	Total
Monetary claims bought:								
Claims treated as loans	¥—	¥—	¥81	¥81	$—	$—	$0	$0
Total monetary claims bought	—	—	81	81	—	—	0	0
Securities:								
Held-to-maturity debt securities:								
Government bonds	1,205,133	—	—	1,205,133	9,846	—	—	9,846
Local government bonds	—	98,778	—	98,778	—	807	—	807
Corporate bonds	—	108,022	—	108,022	—	882	—	882
Foreign securities	20,878	1,663	—	22,541	170	13	—	184
Total held-to-maturity debt securities	1,226,012	208,463	—	1,434,476	10,017	1,703	—	11,720
Policy-reserve-matching bonds:								
Government bonds	290,940	—	—	290,940	2,377	—	—	2,377
Local government bonds	—	137,159	—	137,159	—	1,120	—	1,120
Corporate bonds	—	306,143	—	306,143	—	2,501	—	2,501
Total policy-reserve-matching bonds	290,940	443,303	—	734,244	2,377	3,622	—	5,999
Total securities	1,516,953	651,767	—	2,168,720	12,394	5,325	—	17,719
Loans:								
Policy loans	—	—	51,901	51,901	—	—	424	424
Ordinary loans	—	—	521,484	521,484	—	—	4,260	4,260
Total loans	—	—	573,386	573,386	—	—	4,684	4,684
Assets total	1,516,953	651,767	573,467	2,742,188	12,394	5,325	4,685	22,405
Subordinated bonds	—	245,074	—	245,074	—	2,002	—	2,002
Liabilities total	¥—	¥245,074	¥—	¥245,074	$—	$2,002	$—	$2,002

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

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

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

ii) Money held in trust

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

iii) Loans 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 primarily measured by discounting the future cash flows to the present values.

The fair values of loans from legally bankrupt borrowers, substantially bankrupt borrowers and not currently bankrupt borrowers 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.

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

iv) Subordinated bonds

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

v) Derivative instruments

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

(4) Information concerning fair values of financial assets and liabilities that have been recorded on the balance sheet as of March 31, 2022 and classified as Fair Value Level 3

i) Quantitative information regarding material unobservable inputs

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

ii) Reconciliation of balances at the beginning of the current fiscal year and balances as of March 31, 2022, and valuation gains or losses recognized in the statements of operations for the consolidated fiscal year ended March 31, 2022.

	Year ended March 31,			
	2022		2022	
	Millions of yen		Millions of U.S. dollars	
	Securities, Available-for-sale securities, Foreign securities	Total	Securities, Available-for-sale securities, Foreign securities	Total
Balance at the beginning of the current fiscal year	¥29,312	¥29,312	$239	$239
Gains or losses and other comprehensive income during the fiscal year	(1,172)	(1,172)	(9)	(9)
Values recognized as gains or losses*1	(10)	(10)	(0)	(0)
Values recognized as other comprehensive income*2	(1,162)	(1,162)	(9)	(9)
Balance at the end of the current fiscal year	¥28,139	¥28,139	$229	$229

*1 These amounts are included in investment income and investment expenses in the consolidated statements of operations for the fiscal year ended March 31, 2022.
*2 These amounts are included in net unrealized gains (losses) on available-for-sale securities, net of tax under other comprehensive income in the consolidated statements of comprehensive income for the fiscal year ended March 31, 2022.

iii) Explanation of the valuation process for fair value
The Company's asset management division is responsible for the formulation of policies and procedures related to the measurement of fair value and the actual measurement of fair value. These fair values are subsequently checked by the risk management department to ensure their appropriateness and compliance with relevant policies and procedures.
The Company verifies the appropriateness of the fair values it measures using a variety of suitable methods, which include comparing quoted market prices obtained from different third parties; confirming techniques and inputs utilized for calculation; and further comparing measured fair values with the fair values of similar financial instruments.

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

5. The Company holds investment and rental properties such as office buildings in Tokyo and other areas. The carrying amounts and the fair values of investment and rental properties were ¥192,277 million and ¥323,000 million as of March 31, 2021, and ¥194,813 million (US$1,591 million) and ¥326,189 million (US$2,665 million) as of March 31, 2022, 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 ¥417 million and ¥367 million (US$2 million) as of March 31, 2021 and 2022, respectively.

6. The amount of securities lent under lending agreements were ¥465,351 million and ¥621,280 million (US$5,076 million) as of March 31, 2021 and 2022, respectively.

7. The total amount of credits to bankrupt borrowers, delinquent loans, delinquent loans past 3 months or more and restructured loans, which were included in loans, was ¥3,216 million as of March 31, 2021. The details are as follows.

i) The balance of credits to bankrupt borrowers was ¥164 million as of March 31, 2021.

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.

ii) The balance of delinquent loans was ¥2,522 million as of March 31, 2021.

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.

iii) The balance of restructured loans was ¥529 million as of March 31, 2021.

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

iv) There were no balance of delinquent loans past 3 months or more as of March 31, 2021.

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.

The direct write-offs related to loans decreased credits to bankrupt borrowers described above by ¥0 million as of March 31, 2021.

The total amount of claims against bankrupt and quasi-bankrupt obligors, claims with collection risk, delinquent loans past three months or more, and restructured loans was ¥3,776 million (US$30 million) as March 31, 2022. The details are as follows.

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

Of which, the estimated uncollectible amount written-off was ¥0 million (US$6 thousand)as of March 31, 2022.

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

ii) The balance of claims with collection risk was ¥1,999 million (US$16 million) as of March 31, 2022.

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

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

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

iv) The balance of restructured loans was ¥1,616 million (US$13 million) as of March 31, 2022.

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

8. Accumulated depreciation of tangible fixed assets were ¥174,603 million and ¥179,324 million (US$1,465 million) as of March 31, 2021 and 2022, respectively.

9. Total assets in separate accounts provided for in Article 118 of the Insurance Business Act were ¥104,979 million and ¥112,487 million (US$919 million) as of March 31, 2021 and 2022, respectively. The amounts of separate account liabilities were the same as separate account assets.

10. The total amounts of receivables from/payables to unconsolidated subsidiaries were ¥2,980 million and ¥37 million as of March 31, 2021, and ¥2,245 million (US$18 million) and ¥39 million (US$320 thousand) as of March 31, 2022, respectively.

11. Deferred tax assets and deferred tax liabilities as of March 31, 2021 were ¥165,511 million and ¥185,492 million, respectively. Valuation allowance for deferred tax assets was ¥5,144 million.

Major components of deferred tax assets were ¥90,790 million of policy reserves, ¥51,385 million of reserve for price fluctuation and ¥13,291 million of net defined benefit liabilities as of March 31, 2021.

Major component of deferred tax liabilities was ¥180,162 million of net unrealized gains on available-for-sale securities as of March 31, 2021.

The statutory tax rate and the actual effective tax rate for the year ended March 31, 2021 were 28.0% and 3.6%, respectively. The difference between the statutory tax rate and the actual effective tax rate was attributable mainly to -24.4% of reserve for dividends to policyholders.

Deferred tax assets and deferred tax liabilities as of March 31, 2022 were ¥175,093 million (US$1,430 million) and ¥193,317 million (US$1,579 million), respectively. Valuation allowance for deferred tax assets was ¥5,133 million (US$41 million).

Major components of deferred tax assets were ¥99,652 million (US$814 million) of policy reserves, ¥52,554 million (US$429 million) of reserve for price fluctuation and ¥13,115 million (US$107 million) of net defined benefit liabilities as of March 31, 2022.

Major component of deferred tax liabilities was ¥187,990 million (US$1,535 million) of net unrealized gains on available-for-sale securities as of March 31, 2022.

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

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

	Year ended March 31,		
	2021	2022	2022
	Millions of yen		Millions of U.S. dollars
Balance at the beginning of the fiscal year	¥60,922	¥63,232	$516
Transfer from surplus in the previous fiscal year	31,547	32,744	267
Dividend payments to policyholders during the fiscal year	(29,252)	(32,580)	(266)
Increase in interest	13	13	0
Balance at the end of the fiscal year	¥63,232	¥63,411	$518

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

	Year ended March 31,		
	2021	2022	2022
	Millions of yen		Millions of U.S. dollars
Balance at the beginning of the fiscal year	¥328	¥308	$2
Dividend payments to policyholders during the fiscal year	(188)	(181)	(1)
Increase in interest	0	0	0
Provision of reserve for dividends to policyholders	168	195	1
Balance at the end of the fiscal year	¥308	¥322	$2

14. The amount of stocks of unconsolidated subsidiaries were ¥404 million and ¥404 million (US$3 million) as of March 31, 2021 and 2022, respectively.

15. Assets pledged as collateral as of March 31, 2021 were ¥99,608 million of securities and ¥790 million of bank deposits.

Secured debts as of March 31, 2021, were ¥67,546 million. These amounts include ¥60,241 million of investments in securities deposited and ¥61,819 million of cash received as collateral under securities lending transactions secured by cash as of March 31, 2021.

Assets pledged as collateral as of March 31, 2022 were ¥225,740 million (US$1,844 million) of securities.

Secured debts as of March 31, 2022, were ¥166,881 million (US$1,363 million).

These amounts include ¥150,826 million (US$1,232 million) of investments in securities deposited and ¥160,928 million (US$1,314 million) of cash received as collateral under securities lending transactions secured by cash as of March 31, 2022.

16. Reserve for outstanding claims for the reinsurance contracts provided in accordance with Article 71 Paragraph 1 of the Enforcement Regulation of the Insurance Business Act (hereinafter called "reserve for outstanding claims for ceded reinsurance") were ¥26 million and ¥2 million (US$16 thousand) as of March 31, 2021 and 2022, 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 ¥49 million and ¥42 million (US$350 thousand) as of March 31, 2021 and 2022, respectively.

17. There were unused commitment line agreements under which the Company is the lender of ¥8,733 million and ¥11,492 million (US$93 million) as of March 31, 2021 and 2022, respectively.

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

19. The future contribution to the Life Insurance Policyholders Protection Corporation of Japan under Article 259 of the Insurance Business Act were estimated at ¥9,833 million and ¥9,995 million (US$81 million) as of March 31, 2021 and 2022, respectively.

The contribution is recognized as operating expenses when contributed.

20. Matters Related to Employees' Retirement Benefits

(1) Overview of Employees' Retirement Benefit Plan

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

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

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

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

(2) Defined Benefit Plan

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

	As of March 31, 2021	2022	2022
	Millions of yen		Millions of U.S. dollars
Retirement benefit obligation at the beginning of the fiscal year	¥88,356	¥91,051	$743
Service cost	3,551	3,701	30
Interest cost	526	541	4
Actuarial differences occurred during the fiscal year	2,881	47	0
Retirement benefit payments	(4,317)	(4,185)	(34)
Prior service costs occurred during the fiscal year	54	—	—
Retirement benefit obligation at the end of the fiscal year	¥91,051	¥91,156	$744

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

	As of March 31, 2021	2022	2022
	Millions of yen		Millions of U.S. dollars
Pension plan assets at the beginning of the fiscal year	¥53,996	¥62,627	$511
Expected return on pension plan assets	867	1,202	9
Actuarial differences occurred during the fiscal year	6,673	956	7
Contributions by the employer	2,666	1,117	9
Retirement benefit payments	(1,579)	(1,608)	(13)
Others	2	4	0
Pension plan assets at the end of the fiscal year	¥62,627	¥64,301	$525

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, 2021	2022	2022
	Millions of yen		Millions of U.S. dollars
a. Funded plan retirement benefit obligation	¥78,551	¥78,843	$644
b. Pension plan assets	(62,627)	(64,301)	(525)
c. (a + b)	15,924	14,542	118
d. Unfunded plan retirement benefit obligation	12,499	12,312	100
e. Net amount of liabilities and assets presented on the consolidated balance sheet	28,423	26,855	219
f. Net defined benefit liabilities	28,762	27,677	226
g. Net defined benefit assets	(339)	(822)	(6)
h. Net amount of liabilities and assets presented on the consolidated balance sheet	¥28,423	¥26,855	$219

iv) Breakdown of retirement benefit gains and losses

	As of March 31, 2021	2022	2022
	Millions of yen		Millions of U.S. dollars
Service cost	¥3,551	¥3,701	$30
Interest cost	526	541	4
Expected return on pension plan assets	(867)	(1,202)	(9)
Amortization of actuarial differences	1,905	1,428	11
Amortization of prior service costs	(72)	(13)	(0)
Others	(2)	(4)	(0)
Retirement benefit expenses related to defined benefit plan	¥5,039	¥4,450	$36

v) Remeasurements of defined benefit plan

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

	As of March 31, 2021	2022	2022
	Millions of yen		Millions of U.S. dollars
Amortization of actuarial differences	¥5,698	¥2,337	$19
Amortization of prior service cost	(126)	(13)	(0)
Total	¥5,571	¥2,323	$18

vi) Accumulated remeasurements of defined benefit plan

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

	As of March 31,		
	2021	2022	2022
	Millions of yen		Millions of U.S. dollars
Unrecognized actuarial differences	¥(5,111)	¥(2,774)	$(22)
Unrecognized prior service cost	(31)	(45)	(0)
Total	¥(5,143)	¥(2,819)	$(23)

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,	
	2021	2022
Domestic stocks	42.6%	41.9%
Life insurance general account	32.3%	31.6%
Foreign stocks	8.8%	10.2%
Domestic bonds	9.8%	9.5%
Assets under joint management	3.3%	3.6%
Foreign bonds	3.2%	3.1%
Total	100.0%	100.0%

Within the total plan assets as of March 2021 and March 2022, retirement benefit trusts established in relation to the retirement lump-sum payments plan for sales employees accounted for 35.4% and 35.5%, respectively.

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

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

ix) Underlying actuarial assumptions

Main underlying actuarial assumptions were as follows:

	As of March 31,	
	2021	2022
Discount rate	0.6%	0.6%
Expected long-term rate of return on pension plan assets		
Defined benefit plan	2.5%	3.0%
Retirement benefit trust	0.0%	0.0%

(3) Defined Contribution Plan

The required contribution amount by the Company and its consolidated subsidiaries to the defined contribution plan were ¥334 million and ¥339 million (US$2 million) as of March 31, 2021 and 2022, respectively.

III. Notes to the Consolidated Statements of Operations

1. The total amounts of revenues and expenses in connection with unconsolidated subsidiaries were ¥93 million and ¥1,355 million for the year ended March 31, 2021 and ¥128 million (US$1 million) and ¥1,197 million (US$9 million) for the year ended March 31, 2022, respectively.

2. For the year ended March 31, 2021, in calculating the provision of reserve for outstanding claims, a provision of reserves for outstanding claims reinsured of ¥24 million was deducted. In calculating the reversal of policy reserves, a provision of reserves for policy reserves reinsured of ¥0 million was added.

   For the year ended March 31, 2022, in calculating the provision of reserve for outstanding claims, a reversal of reserves for outstanding claims reinsured of ¥24 million (US$200 thousand) was added. In calculating the provision of policy reserves, a reversal of reserves for policy reserves reinsured of ¥6 million (US$52 thousand) was added.

3. "Others" within "Extraordinary losses" for the year ended March 31, 2021 consists of expenses associated with salary guaranties provided to sales representatives as a countermeasure aimed at preventing the spread of COVID-19.

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, 2021	2022	2022
	Millions of yen		Millions of U.S. dollars
Amount incurred during the fiscal year	¥256,428	¥27,373	$223
Reclassification adjustments	(17,606)	1,036	8
Before tax adjustments	238,821	28,409	232
Tax effects	(66,023)	(7,827)	(63)
Net unrealized gains (losses) on available-for-sale securities, net of tax	¥172,797	¥20,581	$168

ii) Foreign currency translation adjustments

	Year ended March 31, 2021	2022	2022
	Millions of yen		Millions of U.S. dollars
Amount incurred during the fiscal year	¥(91)	¥259	$2
Reclassification adjustments	—	—	—
Before tax adjustments	(91)	259	2
Tax effects	—	—	—
Foreign currency translation adjustments	¥(91)	¥259	$2

iii) Remeasurements of defined benefit plans, net of tax

	Year ended March 31, 2021	2022	2022
	Millions of yen		Millions of U.S. dollars
Amount incurred during the fiscal year	¥3,738	¥909	$7
Reclassification adjustments	1,833	1,414	11
Before tax adjustments	5,571	2,323	18
Tax effects	(1,559)	(650)	(5)
Remeasurements of defined benefit plans, net of tax	4,011	1,673	13
Total other comprehensive income	¥176,717	¥22,514	$183

V. Notes to the Consolidated Statements of Cash Flows

1. Cash and cash equivalents as of March 31, 2021 and 2022 consist of "Cash," "Deposits in transfer account," "Current deposits," "Ordinary deposits," "Notice deposits," "Time deposits maturing within 3 months of the date of acquisition," "Foreign currency deposits maturing within three months of the date of acquisition," "Negotiable certificate of deposits maturing within three months of the date of acquisition," "Call loans" and "Monetary claims bought maturing within three months of the date of acquisition."

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

	Year ended March 31, 2021	2022	2022
	Millions of yen		Millions of U.S. dollars
Cash and deposits	¥325,854	¥323,128	$2,640
Call loans	136,000	48,000	392
Monetary claims bought	239	80	0
Time deposits maturing over 3 months of the date of acquisition	(5,100)	(3,100)	(25)
Foreign currency deposits maturing over 3 months of the date of acquisition	(931)	(1,029)	(8)
Monetary claims bought maturing over 3 months of the date of acquisition	(239)	(80)	(0)
Cash and cash equivalents	¥455,823	¥366,999	$2,998

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, 2022, prepared in accordance with Article 110 Paragraph 2 of the Insurance Business Act. The Company designs and operates its internal control over financial reporting in accordance with the basic framework for internal control set forth in the Revision of Standards and Practice Standards for Management Assessment and Audit Concerning Internal Control Over Financial Reporting (Council Opinions) issued by the Business Accounting Council of the Financial Service Agency of Japan.

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

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

The Company performed an assessment of internal control over financial reporting for its consolidated financial statements as of the end of the fiscal year, March 31, 2022 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, 2022.

4. Supplementary information

Not applicable

5. Other special information

Not applicable

May 18, 2022
Yoshiteru Yoneyama
President
Fukoku Mutual Life Insurance Company

Independent Auditor's Report

September 28, 2022

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

Moore Mirai & Co.
Tokyo, Japan

Designated Engagement Partner
Certified Public Accountant
Shinnosuke Tsuruta
Shinnosuke Tsuruta

Designated Engagement Partner
Certified Public Accountant
Yuichi Yasuda
Yuichi Yasuda

< Financial Statements Audit>

Opinion

We have audited the accompanying consolidated financial statements of Fukoku Mutual Life Insurance Company ("the Company") and its consolidated subsidiaries (collectively referred to as "the Group"), which comprise the consolidated balance sheets as at March 31, 2022, 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, 2022, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with accounting principles generally accepted in Japan.

Basis for Opinion

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

Key Audit Matter

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

Appropriateness of the amount of policy reserve
(The key audit matter) In the consolidated financial statements of the Group, the value of policy reserve is amounted to ¥7,356,399 million which is 89.4% of the total liabilities. As described in the Notes to the Consolidated Balance Sheets 1.(14), policy reserve is accumulated in accordance with the methods stated in the "statement of calculation procedures for Insurance Premiums and Policy Reserves" (Article 4 Paragraph 2 Item 4 of the Insurance Business Act) pursuant to Article 116 Paragraph 1 of the Insurance Business Act to prepare for the future performance of obligations under the insurance contracts for which the insurer's responsibilities have started. In addition, when the actual assumptions for long-term future cash flows (such as assumed incidence rate and assumed interest rate) deviate from those assumptions set in the "statement of calculation procedures for Insurance Premiums and Policy Reserves" and policy reserve is considered to be possibly insufficient to cover the future performance of obligations, additional policy reserve is required to accumulate in accordance with Article 69 Paragraph 5 of the Enforcement Regulation of the Insurance Business Act. The following reserve is included in the additional policy reserve. Among whole life insurance policies with assumed interest rates of 5.00% or higher following the fiscal year ended March 31, 2022, the Company has reduced assumed interest rates for policies with premiums that have been paid in full (excluding such as single premium policies) to 1.00% and funded additional policy reserves of ¥107,284 million (including transferred ¥105,695 million from contingency reserves). The appointed actuary verifies the sufficiency of policy reserve based on the future cash flow analysis in accordance with Article 121 Paragraph 1 of the Insurance Business Act and Article 80 of the Enforcement Regulation of the Insurance Business Act. The policy reserve is significant in terms of amount, and the insurance amount to be paid in the future are calculated based on long-term insurance policy in accordance with the actuarial science. Accordingly, the process of the policy reserve calculation is complex and specialized. We, therefore, determined that the appropriateness of the amount of policy reserve was a key audit matter.
(How the key audit matter was addressed in our audit) In order to assess whether the amount of policy reserve was appropriate, we tested the design and operating effectiveness of certain of the Group's internal controls relevant to the amount of policy reserve and primarily performed the following audit procedures. It should be noted that actuarial specialists and IT specialists were involved in those audit procedures since the policy reserve is automatically calculated by IT system under the actuarial science. (1) Accuracy of the calculation of the amount of policy reserve We independently recalculated the policy reserve on a sample basis to ensure whether those policy reserve

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

(2) Completeness of the amount of policy reserve

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

(3) Sufficiency of the amount of policy reserve

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

Other Information

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

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

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

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

We have nothing to report in this regard.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Convenience Translation

The amounts expressed in U.S. dollars, which are provided solely for the convenience of the reader, have been translated on the basis set forth in Note I.1 to the accompanying consolidated financial statements with respect to the year ended March 31, 2022.

< Internal Control Audit>

Opinion

We also have audited the accompanying management's report on internal control over financial reporting of the Company, which comprise the consolidated balance sheets as at March 31, 2022, the consolidated statements of operations, the consolidated statements of comprehensive income, the consolidated statements of cash flows, and the consolidated statements of changes in net assets for the year then ended, and notes to the consolidated financial statements.

In our opinion, the management's report on internal control over financial reporting referred to above, which represents that the internal control over financial reporting of the consolidated financial statements of the Company as at March 31, 2022 is effectively maintained, presents fairly, in all material respects, the results of management's assessment of internal control over financial reporting in conformity with standards for assessment of internal control over financial reporting generally accepted in Japan.

Basis for Opinion

We conducted our internal control audit in accordance with auditing standards for internal control over financial reporting generally accepted in Japan. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Internal Control Audit* section of our report. We are independent of the Group in accordance with the ethical requirements in Japan, and we have fulfilled our other ethical responsibilities as auditors. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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

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

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

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

Auditor's Responsibilities for the Internal Control Audit

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

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

- Perform audit procedures to obtain audit evidence for the assessment results for internal control over financial reporting in management's report on internal control. Internal control audit procedures selected and applied depend on the auditor's judgment, taking into account the significance of effects on the reliability of financial reporting.

- Examine representations on the scope, procedures, and results of assessment of internal control over financial reporting made by management, as well as evaluating the overall presentation of management's report on internal control.

- Obtain sufficient appropriate audit evidence regarding the results of assessment of internal control over financial reporting in the management's report on internal control. We are responsible for direction, supervision and performance of the audit of management's report on internal control. We remain solely responsible for our audit opinion.

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

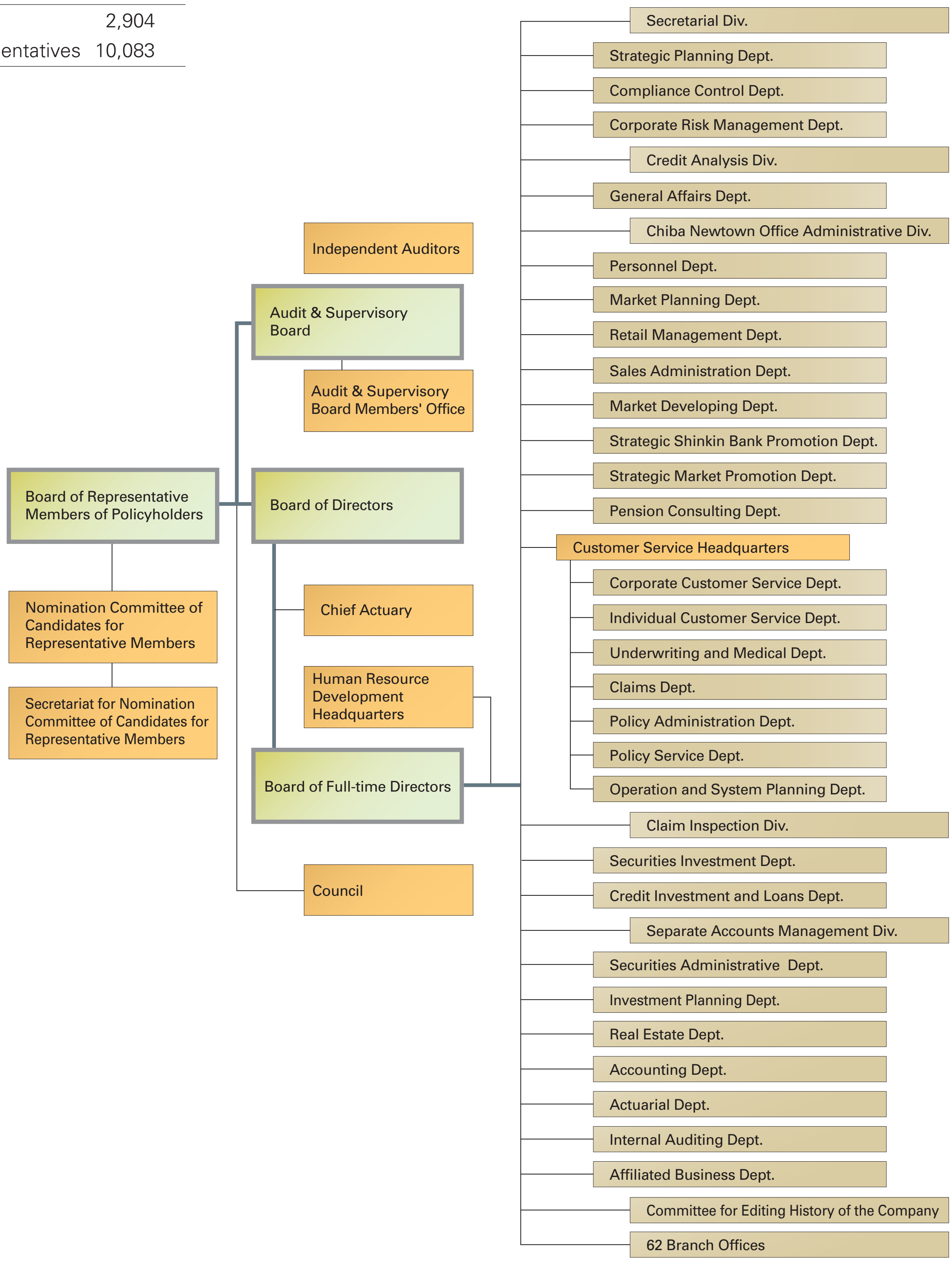
Interest required to be disclosed by the Certified Public Accountants Act of Japan

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

Corporate Organization

Employees (As of March 31, 2022)

Office Staff	2,904
Sales Representatives	10,083



(As of July 5, 2022)

Directors, Audit & Supervisory Board Members, and Executive Officers

President and Chief Executive Officer
Yoshiteru Yoneyama*

Deputy President and Executive Officer
Yuuki Sakurai

Director and Senior Managing Executive Officer
Toshikatsu Hayashi

Director and Managing Executive Officer
Takehiko Watabe

Director and Managing Executive Officer
Yasuyuki Kitamura

Director
Masanori Yanagi**

Director
Hiroshi Sato**

Director and Executive Officer
Keiichi Kurota

Director and Executive Officer
Naoyuki Torii

Director and Executive Officer
Naoki Sunamoto

Director and Executive Officer
Takeshi Kondou

Audit & Supervisory Board Member
Yoshizumi Nezu***

Audit & Supervisory Board Member
Kyohei Takahashi***

Audit & Supervisory Board Member
Kunio Otani***

Audit & Supervisory Board Member (Standing)
Shinji Nakao

Audit & Supervisory Board Member (Standing)
Hideaki Shigematsu

Managing Executive Officer
Takeshi Oomori

Managing Executive Officer
Ichiro Yamada

Executive Officer
Naoyuki Asami

Executive Officer
Mitsuhiro Hoshino

Executive Officer
Kenichi Yoshioka

Executive Officer
Yuuji Yoshida

Executive Officer
Yoshiyuki Suzuki

Executive Officer
Hirotaka Kurihara

Executive Officer
Hideki Matsushiro

Executive Officer
Osamu Eguchi

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

(As of July 5, 2022)

Directory

Fukoku Mutual Life Insurance Company
(Uchisaiwaicho head office)
2-2, Uchisaiwaicho 2-chome, Chiyoda-ku, Tokyo 100-0011, Japan
Phone: +81-3-3508-1101

(Chiba Newtown head office)
10, Otsuka 2-chome, Inzai City, Chiba 270-1352, Japan
Phone: +81-476-47-5111

Fukoku Life International (U.K.) Ltd.
1st Floor, 19 Great Winchester Street, London, EC2N 2JA, U.K.
Phone: +44-20-7283-1331

(From left: J. Doran, K. Sato, E. Noma, T. Keevil, T. Taguchi and Y. Suzuki)

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

(From left: A. Chang, T. Takano, A. Hashimoto, T. Yamamoto, S. Lester and M. Xu)

Fukoku Life Investments Singapore Pte. Ltd.
80 Robinson Road #16-04 Singapore 068898
Phone: +65-6220-8308

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

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