

Financial Results for the Nine Months Ended December 31, 2022

Fukoku Mutual Life Insurance Company (President: Yoshiteru Yoneyama) announces financial results for the nine months ended December 31, 2022.

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1. Business Highlights

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

(i) Policies in Force

		As of March 31, 2022		As of December 31, 2022			
		Number of policies (Thousands)	Amount (100 millions of yen)	Number of policies		Amount	
				(Thousands)	Changes (%, Pre-FYE)	(100 millions of yen)	Changes (%, Pre-FYE)
	Individual insurance	3,165	223,809	3,173	100.2	223,006	99.6
	Individual annuities	583	22,692	568	97.3	21,999	96.9
	Subtotal	3,749	246,501	3,741	99.8	245,006	99.4
	Group insurance	—	173,407	—	—	174,647	100.7
	Group annuities	—	22,898	—	—	23,034	100.6

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

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

(ii) New Policies

Nine months ended December 31, 2021		Total		New business	Net increase by conversion
		Number of policies (Thousands)	Amount (100 millions of yen)	Amount (100 millions of yen)	Amount (100 millions of yen)
	Individual insurance	260	12,587	9,444	3,142
	Individual annuities	6	173	180	(6)
	Subtotal	266	12,760	9,624	3,136
	Group insurance	—	144	144	—
	Group annuities	—	9	9	—

Nine months ended December 31, 2022		Total				New business		Net increase by conversion	
		Number of policies		Amount		Amount		Amount	
		(Thousands)	Changes (%, YoY)	(100 millions of yen)	Changes (%, YoY)	(100 millions of yen)	Changes (%, YoY)	(100 millions of yen)	Changes (%, YoY)
	Individual insurance	256	98.4	11,030	87.6	8,681	91.9	2,349	74.8
	Individual annuities	5	83.7	148	85.5	154	85.8	(6)	—
	Subtotal	261	98.1	11,178	87.6	8,835	91.8	2,342	74.7
	Group insurance	—	—	92	64.2	92	64.2	—	—
	Group annuities	—	—	164	1,659.4	164	1,659.4	—	—

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

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

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

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

	Nine months ended December 31, 2021	Nine months ended December 31, 2022	
			Changes (%, YoY)
Amount of surrender and lapse (100 millions of yen)	8,538	8,057	94.4
Surrender and lapse ratio (%)	3.45	3.27	(0.18)

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

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

(2) Annualized Premiums

(i) Policies in Force

(100 millions of yen, %)

	As of March 31, 2022	As of December 31, 2022	
			Changes (% , Pre-FYE)
Individual insurance	2,638	2,632	99.8
Individual annuities	1,093	1,072	98.1
Total	3,731	3,705	99.3
Medical coverage and living benefits	1,154	1,166	101.1

(ii) New Policies

(100 millions of yen, %)

	Nine months ended December 31, 2021	Nine months ended December 31, 2022	
			Changes (% , YoY)
Individual insurance	96	99	103.0
Individual annuities	4	4	84.9
Total	101	104	102.1
Medical coverage and living benefits	53	55	105.3

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

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

3. New policies include net increase by conversion.

2. Investment Results of General Account Assets

(1) Asset Composition

(Millions of yen, %)

	As of March 31, 2022		As of December 31, 2022	
	Amount	% of total	Amount	% of total
Cash, deposits, and call loans	202,459	2.8 %	206,384	2.9 %
Monetary claims bought	80	0.0	—	—
Money held in trust	26,070	0.4	25,732	0.4
Securities	6,173,529	84.8	5,897,923	83.4
Domestic bonds	2,884,480	39.6	3,015,754	42.6
Domestic stocks	768,954	10.6	757,252	10.7
Foreign securities	2,335,951	32.1	1,942,077	27.5
Foreign bonds	1,823,435	25.1	1,452,700	20.5
Foreign stocks and other securities	512,516	7.0	489,377	6.9
Other securities	184,143	2.5	182,838	2.6
Loans	553,305	7.6	536,456	7.6
Policy loans	48,629	0.7	47,153	0.7
Ordinary loans	504,675	6.9	489,303	6.9
Real estate	241,164	3.3	240,553	3.4
Deferred tax assets	—	—	61,824	0.9
Others	82,725	1.1	104,516	1.5
Allowance for possible loan losses	(2,515)	(0.0)	(1,128)	(0.0)
Total	7,276,821	100.0	7,072,262	100.0
Foreign currency denominated assets	2,629,067	36.1	2,080,567	29.4

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

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

(Millions of yen)

	As of March 31, 2022					As of December 31, 2022				
	Book value	Fair value	Gains/Losses			Book value	Fair value	Gains/Losses		
				Gains	Losses				Gains	Losses
Held-to-maturity debt securities	760,097	847,316	87,218	87,218	—	760,903	824,660	63,757	63,899	142
Domestic bonds	737,795	824,774	86,979	86,979	—	738,366	802,162	63,795	63,899	103
Foreign bonds	22,302	22,541	238	238	—	22,536	22,498	(38)	—	38
Policy-reserve-matching bonds	—	—	—	—	—	—	—	—	—	—
Domestic bonds	—	—	—	—	—	—	—	—	—	—
Foreign bonds	—	—	—	—	—	—	—	—	—	—
Investments in subsidiaries and affiliates	—	—	—	—	—	—	—	—	—	—
Available-for-sale securities	4,625,982	5,288,571	662,589	733,325	70,736	4,656,676	5,016,016	359,340	618,528	259,188
Domestic bonds	2,038,626	2,146,685	108,059	138,789	30,730	2,329,626	2,277,388	(52,238)	89,245	141,483
Domestic stocks	347,574	699,525	351,951	354,992	3,041	343,084	687,826	344,741	347,495	2,754
Foreign securities	2,109,727	2,282,658	172,931	209,125	36,193	1,849,721	1,891,192	41,470	154,145	112,674
Foreign bonds	1,713,754	1,782,639	68,884	102,110	33,225	1,463,795	1,420,041	(43,754)	63,045	106,800
Foreign stocks and other securities	395,972	500,019	104,047	107,015	2,968	385,925	471,150	85,224	91,099	5,874
Other securities	130,053	159,700	29,647	30,417	770	134,243	159,610	25,366	27,641	2,275
Money held in trust	—	—	—	—	—	—	—	—	—	—
Monetary claims bought	—	—	—	—	—	—	—	—	—	—
Negotiable certificate of deposits	—	—	—	—	—	—	—	—	—	—
Others	—	—	—	—	—	—	—	—	—	—
Total	5,386,079	6,135,887	749,807	820,544	70,736	5,417,580	5,840,677	423,097	682,427	259,330
Domestic bonds	2,776,421	2,971,460	195,038	225,768	30,730	3,067,993	3,079,550	11,557	153,144	141,586
Domestic stocks	347,574	699,525	351,951	354,992	3,041	343,084	687,826	344,741	347,495	2,754
Foreign securities	2,132,029	2,305,200	173,170	209,364	36,193	1,872,258	1,913,690	41,431	154,145	112,713
Foreign bonds	1,736,056	1,805,180	69,123	102,349	33,225	1,486,332	1,442,539	(43,792)	63,045	106,838
Foreign stocks and other securities	395,972	500,019	104,047	107,015	2,968	385,925	471,150	85,224	91,099	5,874
Other securities	130,053	159,700	29,647	30,417	770	134,243	159,610	25,366	27,641	2,275
Money held in trust	—	—	—	—	—	—	—	—	—	—
Monetary claims bought	—	—	—	—	—	—	—	—	—	—
Negotiable certificate of deposits	—	—	—	—	—	—	—	—	—	—
Others	—	—	—	—	—	—	—	—	—	—

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

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

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

(Millions of yen)

	As of March 31, 2022	As of December 31, 2022
Investments in subsidiaries and affiliates	64,787	64,787
Available-for-sale securities	37,973	42,634
Domestic stocks	6,198	6,196
Foreign stocks	—	—
Others	31,774	36,437
Total	102,760	107,421

Note: In this table, domestic and overseas investment partnerships are included in “Others” within “Available-for-sale securities.” However, unrealized gains on available-for-sale securities corresponding to these holdings by domestic and overseas investment partnerships (¥3,606 million as of March 31, 2022 and ¥3,459 million as of December 31, 2022) are included in their balance sheet carrying amounts.

(3) Fair Value Information on Money Held in Trust

(Millions of yen)

	As of March 31, 2022					As of December 31, 2022				
	Carrying value on the balance sheet	Fair value	Gains/Losses			Carrying value on the balance sheet	Fair value	Gains/Losses		
				Gains	Losses				Gains	Losses
Money held in trust	26,070	26,070	—	—	—	25,732	25,732	—	—	—

• Money held in trust for trading purpose

(Millions of yen)

	As of March 31, 2022		As of December 31, 2022	
	Carrying value on the balance sheet	Net valuation gains/losses included in the statements of operations	Carrying value on the balance sheet	Net valuation gains/losses included in the statements of operations
Money held in trust for trading purpose	25,070	0	24,732	(427)

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

(Millions of yen)

	As of March 31, 2022					As of December 31, 2022				
	Book value	Fair value	Gains/Losses			Book value	Fair value	Gains/Losses		
				Gains	Losses				Gains	Losses
Money held in trust for held-to-maturity	—	—	—	—	—	—	—	—	—	—
Money held in trust for policy-reserve-matching	—	—	—	—	—	—	—	—	—	—
Money held in trust for available-for-sale	—	—	—	—	—	—	—	—	—	—

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

(Millions of yen)

As of March 31, 2022			As of December 31, 2022		
Carrying value on the balance sheet	Fair value	Gains (Losses)	Carrying value on the balance sheet	Fair value	Gains (Losses)
150,197	297,512	147,314	149,935	299,809	149,873

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

3. Non-consolidated Balance Sheets

(Millions of yen)

	As of March 31, 2022	As of December 31, 2022
Assets:		
Cash and deposits	160,149	94,551
Call loans	48,000	119,000
Monetary claims bought	80	—
Money held in trust	26,070	25,732
Securities:	6,277,599	5,997,222
[Government bonds]	[2,102,521]	[2,390,174]
[Local government bonds]	[102,771]	[98,655]
[Corporate bonds]	[704,056]	[551,191]
[Stocks]	[795,801]	[783,944]
[Foreign securities]	[2,388,284]	[1,990,418]
Loans:	553,305	536,456
Policy loans	48,629	47,153
Ordinary loans	504,675	489,303
Tangible fixed assets	245,405	245,066
Intangible fixed assets	27,821	27,605
Agency receivables	15	54
Reinsurance receivables	135	24
Other assets	52,328	71,534
Prepaid pension cost	912	1,440
Deferred tax assets	—	61,824
Allowance for possible loan losses	(2,515)	(1,128)
Total assets	7,389,308	7,179,384
Liabilities:		
Policy reserves:	5,886,412	5,914,449
Reserve for outstanding claims	22,985	20,800
Policy reserve	5,800,015	5,818,849
Reserve for dividends to policyholders	63,411	74,799
Reinsurance payables	87	47
Subordinated bonds	241,935	241,935
Other liabilities:	276,328	290,024
Corporate income tax payable	2,767	52
Lease obligations	553	397
Asset retirement obligations	2,355	2,317
Rest of the other liabilities	270,652	287,255
Reserve for claims and other payments	3,400	—
Reserve for employees' retirement benefits	24,850	25,788
Reserve for price fluctuation	176,670	179,362
Deferred tax liabilities	25,061	—
Deferred tax liabilities for land revaluation	14,183	14,164
Total liabilities	6,648,929	6,665,770
Net assets:		
Foundation funds	12,000	12,000
Accumulated foundation funds redeemed	116,000	116,000
Reserve for revaluation	112	112
Surplus:	127,222	118,493
Legal reserve for future losses	3,370	3,463
Other surplus:	123,852	115,030
Reserve for redemption of foundation funds	4,800	7,200
Reserve for dividend allowances	20,000	20,000
Accumulated fund for price fluctuation	41,000	41,000
Reserve for advanced depreciation of real estate for tax purpose	206	205
Other reserves	767	767
Unappropriated surplus	57,078	45,858
Total foundation funds, surplus and others	255,334	246,606
Net unrealized gains (losses) on available-for-sale securities, net of tax	480,860	262,727
Revaluation reserve for land, net of tax	4,184	4,279
Total valuation and translation adjustments	485,044	267,007
Total net assets	740,379	513,613
Total liabilities and net assets	7,389,308	7,179,384

4. Non-consolidated Statements of Operations

(Millions of yen)

	Nine months ended December 31, 2021	Nine months ended December 31, 2022
Ordinary revenues:		
Premium and other income	365,968	405,555
[Premium income]	[365,935]	[405,452]
Investment income	137,722	153,590
[Interest, dividends and other income]	[117,254]	[116,437]
[Gains on money held in trust, net]	[1,176]	[—]
[Gains on trading securities, net]	[364]	[139]
[Gains on sales of securities]	[9,917]	[24,951]
[Gains on separate accounts, net]	[7,446]	[—]
Other ordinary revenues	8,272	11,636
[Reversal of reserve for outstanding claims]	[1,562]	[2,184]
[Reversal of reserve for claims and other payments]	[—]	[3,400]
Total ordinary revenues	511,963	570,783
Ordinary expenses:		
Claims and other payments	307,382	391,375
[Claims]	[63,559]	[112,316]
[Annuities]	[112,921]	[113,497]
[Benefits]	[77,759]	[112,466]
[Surrenders]	[36,155]	[35,499]
[Other payments]	[16,819]	[17,437]
Provision of policy reserve and others:	41,942	18,843
Provision of policy reserves	41,931	18,833
Provision of interest portion of reserve for dividends to policyholders	10	10
Investment expenses	23,833	49,893
[Interest expenses]	[3,305]	[3,369]
[Losses on money held in trust, net]	[—]	[311]
[Losses on sales of securities]	[1,715]	[14,519]
[Losses on valuation of securities]	[4,504]	[2,859]
[Losses on derivative instruments, net]	[2,134]	[8,709]
[Foreign exchange losses, net]	[760]	[4,340]
[Losses on separate accounts, net]	[—]	[3,514]
Operating expenses	66,853	67,107
Other ordinary expenses	17,678	18,515
Total ordinary expenses	457,690	545,735
Ordinary profits	54,272	25,047
Extraordinary gains:		
Gains on disposal of fixed assets	10	56
Total extraordinary gains	10	56
Extraordinary losses:		
Losses on disposal of fixed assets	310	140
Impairment losses	9	29
Provision of reserve for price fluctuation	2,871	2,692
Total extraordinary losses	3,191	2,862
Surplus before income taxes	51,091	22,241
Income taxes:		
Current	9,091	1,688
Deferred	(1,553)	(1,642)
Total income taxes	7,537	46
Net surplus for the period	43,554	22,195

Notes to the Non-consolidated Financial Statements

I. Presentation of the Non-consolidated Financial Statements

1. Basis of presentation

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

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

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

II. Notes to the Non-consolidated Balance Sheets

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

To fulfil our efforts to comply with these requirements, we have prepared financial statements for the nine months ended December 31, 2022 in accordance with the first- and third-quarter announcement format model created by The Life Insurance Association of Japan (the “Quarterly Reporting Model”) and generally accepted standards for preparation of quarterly financial statements in Japan. As the Quarterly Reporting Model is prepared for the purpose of fulfilling the obligation above to make an effort to disclose information, disclosures in the Quarterly Reporting Model differ from those prescribed by the regulations concerning terminology, formats, and preparation methods of quarterly financial statements and other reports.

2. The amount of securities lent under lending agreements was ¥670,814 million as of December 31, 2022.
3. Changes in reserve for dividends to policyholders for the nine months ended December 31, 2022 were as follows:

	(Millions of yen)
Balance at the beginning of the current period.....	¥63,411
Transfer from surplus in the previous fiscal year.....	30,726
Dividend payments to policyholders during the current period.....	(19,348)
Increase in interest.....	10
Balance at the end of the current period.....	<u>¥74,799</u>

5. Breakdown of Ordinary Profits (Fundamental Profit)

(Millions of yen)

	Nine months ended December 31, 2021	Nine months ended December 31, 2022
Fundamental profit A	49,722	19,604
Capital gains	19,943	44,202
Gains on money held in trust, net	1,038	—
Gains on trading securities, net	—	—
Gains on sales of securities	9,917	24,951
Gains on derivative instruments, net	—	—
Foreign exchange gains, net	—	—
Other capital gains	8,987	19,250
Capital losses	9,344	31,352
Losses on money held in trust, net	—	426
Losses on trading securities, net	230	217
Losses on sales of securities	1,715	14,519
Losses on valuation of securities	4,504	2,859
Losses on derivative instruments, net	2,134	8,709
Foreign exchange losses, net	760	4,340
Other capital losses	—	279
Net capital gains (losses) B	10,598	12,849
Fundamental profit plus net capital gains (losses) A+B	60,321	32,454
Non-recurring gains	5	3,604
Reinsurance income	—	—
Reversal of contingency reserve	—	—
Reversal of specific allowance for possible loan losses	5	204
Others	—	3,400
Non-recurring losses	6,054	11,011
Reinsurance premiums	—	—
Provision for contingency reserve	728	1,419
Provision of specific allowance for possible loan losses	—	—
Provision of allowance for specified overseas loans	—	—
Write-offs of loans	—	—
Others	5,326	9,592
Non-recurring gains (losses) C	(6,048)	(7,407)
Ordinary profits A+B+C	54,272	25,047

Notes: 1. Fundamental profit and capital gains/losses for both the nine months ended December 31, 2021 and the nine months ended December 31, 2022 are calculated based on revised standards.

2. Other items break down as follows.

(Millions of yen)

	Nine months ended December 31, 2021	Nine months ended December 31, 2022
Fundamental profit	(8,255)	(18,499)
Interest, dividends, and other income from gains/losses on money held in trust	137	114
Interest, dividends, and other income from gains/losses on trading securities	594	356
Foreign exchange-related hedging costs categorized under foreign exchange gains/losses	(2,049)	(7,664)
Interest, dividends, and other investment expenses from gains/losses on cancellation of investment trusts	(2,773)	279
Portion of gains/losses on redemption of securities attributable to foreign exchange fluctuations	(4,164)	(11,586)
Other capital gains	8,987	19,250
Foreign exchange-related hedging costs categorized under foreign exchange gains/losses	2,049	7,664
Interest, dividends, and other investment expenses from gains/losses on cancellation of investment trusts	2,773	—
Portion of interest, dividends, and other income attributable to foreign exchange fluctuations in gains/losses on redemption of securities	4,164	—
Portion of gains/losses on redemption of securities attributable to foreign exchange fluctuations	—	11,586
Other capital losses	—	279
Interest, dividends, and other investment expenses from gains/losses on cancellation of investment trusts	—	279
Other non-recurring gains	—	3,400
Reversal of reserve for claims and other payments	—	3,400
Other non-recurring losses	5,326	9,592
Provision of policy reserves in accordance with Article 69, Paragraph 5 of the Enforcement Regulations of the Insurance Business Act.	5,326	9,592

6. Solvency Margin Ratio

(Millions of yen)

	As of March 31, 2022	As of December 31, 2022
Total solvency margin (A)	1,917,896	1,656,025
Foundation funds and surplus	221,320	220,562
Reserve for price fluctuation	176,670	179,362
Contingency reserve	155,458	156,877
General allowance for possible loan losses	820	700
(Net unrealized gains (losses) on securities (before tax) and deferred hedge gains (losses) (before tax)) × 90%	599,576	326,520
Net unrealized gains on real estate × 85%	140,830	143,070
Excess amount of policy reserve based on full-time Zillmer method	386,741	392,832
Qualifying subordinated debt	241,935	241,935
The amount of “excess amount of policy reserve based on full-time Zillmer method” and “qualifying subordinated debt” excluded from the calculation of solvency margin	—	—
Deductible items	(46,783)	(46,783)
Others	41,327	40,949
Total amount of risk $\sqrt{(R_1 + R_8)^2 + (R_2 + R_3 + R_7)^2} + R_4$ (B)	310,783	319,273
Insurance risk R_1	21,810	21,619
3rd sector insurance risk R_8	9,963	10,187
Assumed investment yield risk R_2	22,182	21,405
Minimum guarantee risk R_7	—	—
Investment risk R_3	280,252	289,392
Business risk R_4	6,684	6,852
Solvency margin ratio $\frac{(A)}{(1/2) \times (B)} \times 100$	1,234.2%	1,037.3%

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

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

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

Reference: Economic Solvency Ratio

	As of March 31, 2022	As of December 31, 2022
Economic Solvency Ratio	228.9%	215.1%

Note: Economic solvency ratio (ESR) is an indicator of an insurance company’s soundness and indicates whether or not a company has sufficient capital to cover its risks based on market-value assessment of its assets and liabilities. The Company calculates its ESR according to European methodology. Figures for some insurance liabilities and risks current as of December 31, 2022 have been calculated using simplified methods.

7. Status of Separate Account

(1) Separate Account Assets by Products

(Millions of yen)

	As of March 31, 2022	As of December 31, 2022
	Amount	Amount
Individual variable insurance	—	—
Individual variable annuities	25	3
Group annuities	112,462	107,117
Total	112,487	107,121

(2) Policies in Force

(i) Individual Variable Insurance

The Company has not sold the individual variable insurance.

(ii) Individual Variable Annuities

(Millions of yen except number of policies)

	As of March 31, 2022		As of December 31, 2022	
	Number of policies	Amount	Number of policies	Amount
Individual variable annuities	7	18	2	3
Total	7	18	2	3

8. Status of the Company, Subsidiaries and Affiliates

(1) Selected Financial Data

(100 millions of yen)

	Nine months ended December 31, 2021	Nine months ended December 31, 2022
Ordinary revenues	6,402	7,504
Ordinary profits	556	265
Net surplus attributable to the parent company	439	226
Comprehensive income	737	(2,001)

	As of March 31, 2022	As of December 31, 2022
Total assets	89,869	88,073
Solvency margin ratio	1,274.3%	1,073.4%

(2) Scope of Consolidation and Application of Equity Method

Number of consolidated subsidiaries: 6

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

Number of affiliates accounted for under the equity method: 0

(3) Consolidated Balance Sheets

(Millions of yen)

	As of March 31, 2022	As of December 31, 2022
Assets:		
Cash and deposits	323,128	218,859
Call loans	48,000	119,000
Monetary claims bought	80	—
Money held in trust	26,070	25,732
Securities	7,697,988	7,486,505
Loans	556,577	539,835
Tangible fixed assets	245,765	245,395
Intangible fixed assets	30,609	28,654
Agency receivables	0	0
Reinsurance receivables	175	28
Other assets	58,397	77,573
Net defined benefit assets	822	1,463
Deferred tax assets	1,831	65,403
Allowance for possible loan losses	(2,516)	(1,128)
Total assets	8,986,931	8,807,323

	As of March 31, 2022	As of December 31, 2022
Liabilities:		
Policy reserves:	7,447,853	7,509,853
Reserve for outstanding claims	27,719	25,272
Policy reserve	7,356,399	7,409,462
Reserve for dividends to policyholders	63,411	74,799
Reserve for dividends to policyholders (subsidiary)	322	319
Agency payables	165	407
Reinsurance payables	104	69
Subordinated bonds	241,935	241,935
Other liabilities	281,058	295,520
Reserve for claims and other payments	3,432	—
Net defined benefit liabilities	27,677	28,187
Reserve for price fluctuation	187,692	190,624
Deferred tax liabilities	25,188	0
Deferred tax liabilities for land revaluation	14,183	14,164
Total liabilities	8,229,290	8,280,761
Net assets:		
Foundation funds	12,000	12,000
Accumulated foundation funds redeemed	116,000	116,000
Reserve for revaluation	112	112
Consolidated surplus	132,765	124,457
Total foundation funds, surplus and others	260,877	252,569
Net unrealized gains (losses) on available-for-sale securities, net of tax	486,644	263,604
Revaluation reserve for land, net of tax	4,184	4,279
Foreign currency translation adjustment	(312)	69
Accumulated remeasurements of defined benefit plans	(2,030)	(1,610)
Total accumulated other comprehensive income	488,486	266,343
Non-controlling interests	8,276	7,648
Total net assets	757,640	526,561
Total liabilities and net assets	8,986,931	8,807,323

(4) Consolidated Statements of Operations and Comprehensive Income

[Consolidated Statements of Operations]

(Millions of yen)

	Nine months ended December 31, 2021	Nine months ended December 31, 2022
Ordinary revenues:		
Premium and other income	477,352	569,546
Investment income	153,337	167,819
[Interest, dividends and other income]	[130,713]	[129,657]
[Gains on money held in trust, net]	[1,176]	[—]
[Gains on trading securities, net]	[364]	[139]
[Gains on sales of securities]	[12,073]	[25,960]
[Gains on separate accounts, net]	[7,446]	[—]
Other ordinary revenues	9,578	13,059
[Reversal of reserve for outstanding claims]	[1,550]	[2,447]
Total ordinary revenues	640,269	750,425
Ordinary expenses:		
Claims and other payments	464,882	524,565
[Claims]	[71,009]	[120,990]
[Annuities]	[239,413]	[216,751]
[Benefits]	[82,899]	[116,440]
[Surrenders]	[54,366]	[52,607]
[Other payments]	[16,945]	[17,533]
Provision of policy reserve and others:	1,207	53,073
Provision of policy reserves	1,196	53,062
Provision of interest portion of reserve for dividends to policyholders	10	10
Provision of interest portion of reserve for dividends to policyholders (subsidiary)	0	0
Investment expenses	22,767	48,917
[Interest expenses]	[3,316]	[3,376]
[Losses on money held in trust, net]	[—]	[311]
[Losses on sales of securities]	[1,715]	[14,519]
[Losses on valuation of securities]	[4,504]	[2,859]
[Losses on derivative instruments, net]	[2,134]	[8,709]
[Foreign exchange losses, net]	[760]	[4,341]
[Losses on separate accounts, net]	[—]	[3,514]
Operating expenses	73,381	74,739
Other ordinary expenses	22,337	22,618
Total ordinary expenses	584,576	723,915
Ordinary profits	55,693	26,510
Extraordinary gains:		
Gains on disposal of fixed assets	11	56
Total extraordinary gains	11	56
Extraordinary losses:		
Losses on disposal of fixed assets	311	144
Impairment losses	9	29
Provision of reserve for price fluctuation	3,094	2,931
Total extraordinary losses	3,416	3,105
Provision of reserve for dividends to policyholders (subsidiary)	144	148
Surplus before income taxes	52,144	23,312
Income taxes:		
Current	9,651	2,186
Deferred	(1,491)	(1,546)
Total income taxes	8,160	640
Net surplus for the period	43,983	22,672
Net surplus attributable to non-controlling interests	57	56
Net surplus attributable to the parent company	43,926	22,616

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

[Consolidated Statements of Comprehensive Income]

(Millions of yen)

	Nine months ended December 31, 2021	Nine months ended December 31, 2022
Net surplus	43,983	22,672
Other comprehensive income:	29,816	(222,809)
Net unrealized gains (losses) on available-for-sale securities, net of tax	28,876	(223,611)
Foreign currency translation adjustments	179	382
Remeasurements of defined benefit plan, net of tax	760	420
Comprehensive income:	73,799	(200,137)
Comprehensive income attributable to the parent company	73,759	(199,622)
Comprehensive income attributable to non-controlling interests	40	(515)

Notes to the Consolidated Financial Statements

I. Presentation of the Consolidated Financial Statements

1. Basis of Presentation

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

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

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

II. Notes to the Consolidated Balance Sheets

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

To fulfil our efforts to comply with these requirements, we have prepared consolidated financial statements for the nine months ended December 31, 2022 in accordance with the first- and third-quarter announcement format model created by The Life Insurance Association of Japan (the “Quarterly Reporting Model”) and generally accepted standards for preparation of quarterly consolidated financial statements in Japan. As the Quarterly Reporting Model is prepared for the purpose of fulfilling the obligation above to make an effort to disclose information, disclosures in the Quarterly Reporting Model differ from those prescribed by the regulations concerning terminology, formats, and preparation methods of quarterly consolidated financial statements and other reports.

- The amount of securities lent under lending agreements was ¥670,814 million as of December 31, 2022.
- Changes in reserve for dividends to policyholders for the nine months ended December 31, 2022 were as follows:

	(Millions of yen)
Balance at the beginning of the current period.....	¥63,411
Transfer from surplus in the previous fiscal year.....	30,726
Dividend payments to policyholders during the current period.....	(19,348)
Increase in interest.....	10
Balance at the end of the current period.....	<u>¥74,799</u>

- Changes in reserve for dividends to policyholders (Fukokushinrai Life Insurance Co., Ltd.) for the nine months ended December 31, 2022 were as follows:

	(Millions of yen)
Balance at the beginning of the current period.....	¥322
Dividend payments to policyholders during the current period.....	(152)
Increase in interest.....	0
Provision of reserve for dividends to policyholders.....	148
Balance at the end of the current period.....	<u>¥319</u>

III. Notes to the Consolidated Statements of Operations

1. For the nine months ended December 31, 2022, the total amount of depreciation, including depreciation of real estate for rent, was ¥14,492 million.

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

(Millions of yen)

	As of March 31, 2022	As of December 31, 2022
Total solvency margin (A)	2,003,378	1,736,313
Foundation funds and surplus	235,245	234,284
Reserve for price fluctuation	187,692	190,624
Contingency reserve	157,929	159,454
Catastrophe loss reserve	—	—
General allowance for possible loan losses	820	700
(Net unrealized gains (losses) on securities (before tax) and deferred hedge gains (losses) (before tax)) × 90%	607,419	328,248
Net unrealized gains on real estate × 85%	140,830	143,070
Sum of unrecognized actuarial differences and unrecognized prior service cost	(2,819)	(2,236)
Excess amount of policy reserve based on full-time Zillmer method	389,036	395,107
Qualifying subordinated debt	241,935	241,935
The amount of “excess amount of policy reserve based on full-time Zillmer method” and “qualifying subordinated debt” excluded from the calculation of solvency margin	—	—
Deductible items	—	—
Others	45,288	45,126
Total amount of risk $\sqrt{(\sqrt{R_1^2 + R_5^2 + R_8 + R_9})^2 + (R_2 + R_3 + R_7)^2 + R_4 + R_6}$ (B)	314,415	323,487
Insurance risk R_1	22,215	22,018
General insurance risk R_5	—	—
Catastrophe risk R_6	—	—
3rd sector insurance risk R_8	10,108	10,336
Small amount and short-term insurance risk R_9	—	—
Assumed investment yield risk R_2	22,508	21,728
Minimum guarantee risk R_7	—	—
Investment risk R_3	283,438	293,156
Business risk R_4	6,765	6,944
Solvency margin ratio $\frac{(A)}{(1/2) \times (B)} \times 100$	1,274.3%	1,073.4%

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

2. "Minimum guarantee risk" is calculated by standard method.