

Financial Results for the Fiscal Year Ended March 31, 2023

Fukoku Mutual Life Insurance Company (President: Yoshiteru Yoneyama) announces financial results for the fiscal year ended March 31, 2023.

[Contents]

1. Business Highlights	P. 1
2. Investment Results of General Account Assets	P. 3
3. Non-consolidated Balance Sheets	P.11
4. Non-consolidated Statements of Operations	P.12
5. Breakdown of Ordinary Profits (Fundamental Profit)	P.26
6. Non-consolidated Statements of Changes in Net Assets	P.27
7. Non-consolidated Statements of Surplus	P.29
8. Disclosed Claims Based on Insurance Business Act	P.30
9. Solvency Margin Ratio	P.31
10. Status of Separate Account	P.32
11. Status of the Company, Subsidiaries and Affiliates	P.39

Attached: Supplementary Materials for the Fiscal Year Ended March 31, 2023

Financial Summary for the Fiscal Year Ended March 31, 2023

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 March 31, 2023			
		Number of policies		Amount		Number of policies		Amount	
		(Thousands)	Changes (%, Pre-FYE)	(100 millions of yen)	Changes (%, Pre-FYE)	(Thousands)	Changes (%, Pre-FYE)	(100 millions of yen)	Changes (%, Pre-FYE)
	Individual insurance	3,165	99.8	223,809	99.9	3,159	99.8	221,734	99.1
	Individual annuities	583	96.6	22,692	96.1	562	96.3	21,722	95.7
	Subtotal	3,749	99.3	246,501	99.5	3,722	99.3	243,456	98.8
	Group insurance	—	—	173,407	98.9	—	—	172,790	99.6
	Group annuities	—	—	22,898	101.3	—	—	23,048	100.7

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

Year ended March 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	344	117.0	16,001	108.2	12,201	111.2	3,800	99.5
	Individual annuities	7	110.8	223	108.9	232	108.4	(8)	—
	Subtotal	351	116.9	16,224	108.2	12,433	111.1	3,791	99.5
	Group insurance	—	—	158	520.0	158	520.0	—	—
	Group annuities	—	—	9	8,980.1	9	8,980.1	—	—

Year ended March 31, 2023		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	323	94.1	13,899	86.9	11,023	90.4	2,875	75.7
	Individual annuities	6	87.5	198	88.6	206	88.8	(8)	—
	Subtotal	330	93.9	14,097	86.9	11,230	90.3	2,867	75.6
	Group insurance	—	—	116	73.5	116	73.5	—	—
	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)

	Year ended March 31, 2022		Year ended March 31, 2023	
		Changes (%, YoY)		Changes (%, YoY)
Amount of surrender and lapse (100 millions of yen)	11,256	110.4	11,064	98.3
Surrender and lapse ratio (%)	4.55	0.45	4.49	(0.06)

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

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

(2) Annualized Premiums

(i) Policies in Force

(100 millions of yen, %)

	As of March 31, 2022		As of March 31, 2023	
		Changes (%, Pre-FYE)		Changes (%, Pre-FYE)
Individual insurance	2,638	99.0	2,629	99.7
Individual annuities	1,093	97.6	1,066	97.5
Total	3,731	98.6	3,695	99.0
Medical coverage and living benefits	1,154	101.0	1,164	100.9

(ii) New Policies

(100 millions of yen, %)

	Year ended March 31, 2022		Year ended March 31, 2023	
		Changes (%, YoY)		Changes (%, YoY)
Individual insurance	128	112.4	136	105.7
Individual annuities	6	108.4	5	87.9
Total	135	112.2	141	104.9
Medical coverage and living benefits	70	115.4	70	99.9

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.

(3) Selected Items of Statements of Operations

(100 millions of yen, %)

	Year ended March 31, 2022		Year ended March 31, 2023	
		Changes (%, YoY)		Changes (%, YoY)
Premium and other income	4,864	100.3	5,260	108.1
Investment income	1,943	94.0	2,346	120.8
Claims and other payments	4,160	100.2	5,047	121.3
Investment expenses	433	87.6	910	210.2
Ordinary profits	387	44.0	325	83.9

(4) Statements of Surplus

(100 millions of yen, %)

	Year ended March 31, 2022		Year ended March 31, 2023	
		Changes (%, YoY)		Changes (%, YoY)
Unappropriated surplus	570	96.6	543	95.2
Reserve for dividends to policyholders	307	93.8	280	91.1
Net surplus	25	99.8	25	99.7
Unappropriated surplus carried forward	237	100.0	237	100.0

Note: Unappropriated surplus for the years ended March 31, 2022 and 2023 included reversal of voluntary surplus reserve of ¥1 million and ¥1 million, respectively.

(5) Total Assets

(100 millions of yen, %)

	As of March 31, 2022		As of March 31, 2023	
		Changes (%, Pre-FYE)		Changes (%, Pre-FYE)
Total assets	73,893	103.2	72,262	97.8

2. Investment Results of General Account Assets

(1) Asset Composition

(Millions of yen, %)

	As of March 31, 2022		As of March 31, 2023	
	Amount	% of total	Amount	% of total
Cash, deposits, and call loans	202,459	2.8 %	525,043	7.4 %
Monetary claims bought	80	0.0	—	—
Money held in trust	26,070	0.4	25,897	0.4
Securities	6,173,529	84.8	5,692,461	80.1
Domestic bonds	2,884,480	39.6	3,003,156	42.3
Domestic stocks	768,954	10.6	808,831	11.4
Foreign securities	2,335,951	32.1	1,705,027	24.0
Foreign bonds	1,823,435	25.1	1,194,387	16.8
Foreign stocks and other securities	512,516	7.0	510,639	7.2
Other securities	184,143	2.5	175,445	2.5
Loans	553,305	7.6	524,193	7.4
Policy loans	48,629	0.7	47,088	0.7
Ordinary loans	504,675	6.9	477,104	6.7
Real estate	241,164	3.3	242,980	3.4
Deferred tax assets	—	—	13,829	0.2
Others	82,725	1.1	83,918	1.2
Allowance for possible loan losses	(2,515)	(0.0)	(826)	(0.0)
Total	7,276,821	100.0	7,107,497	100.0
Foreign currency denominated assets	2,629,067	36.1	1,802,337	25.4

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

(2) Changes (Increase/Decrease) in Assets

(Millions of yen)

	Year ended March 31, 2022	Year ended March 31, 2023
Cash, deposits, and call loans	(88,730)	322,583
Monetary claims bought	(158)	(80)
Money held in trust	792	(172)
Securities	316,528	(481,068)
Domestic bonds	105,003	118,675
Domestic stocks	(17,932)	39,877
Foreign securities	207,904	(630,924)
Foreign bonds	112,867	(629,047)
Foreign stocks and other securities	95,036	(1,876)
Other securities	21,552	(8,697)
Loans	(14,785)	(29,112)
Policy loans	(2,167)	(1,541)
Ordinary loans	(12,617)	(27,571)
Real estate	1,618	1,815
Deferred tax assets	—	13,829
Others	6,724	1,193
Allowance for possible loan losses	1,870	1,689
Total	223,860	(169,323)
Foreign currency denominated assets	207,787	(826,729)

(3) Investment Income

(Millions of yen)

	Year ended March 31, 2022	Year ended March 31, 2023
Interest, dividends and other income	167,609	164,768
Interest on deposits	2	3
Interest and dividends on securities	140,247	136,893
Interest on loans	8,048	8,237
Income from real estate for rent	19,074	19,292
Other interest and dividends	237	343
Gains on money held in trust, net	817	—
Gains on trading securities, net	1,664	348
Gains on sales of securities	13,920	54,756
Gains on sales of domestic bonds	6,543	7,576
Gains on sales of domestic stocks	3,932	16,946
Gains on sales of foreign securities	3,444	30,203
Other gains on sales of securities	—	29
Gains on redemption of securities, net	65	11,702
Foreign exchange gains, net	1,617	—
Reversal of allowance for possible loan losses	1,867	624
Other investment income	381	322
Total	187,944	232,523

(4) Investment Expenses

(Millions of yen)

	Year ended March 31, 2022	Year ended March 31, 2023
Interest expenses	4,402	4,469
Losses on money held in trust, net	—	161
Losses on sales of securities	15,060	46,169
Losses on sales of domestic bonds	5,343	10,732
Losses on sales of domestic stocks	7,414	339
Losses on sales of foreign securities	2,302	34,777
Other losses on sales of securities	—	319
Losses on valuation of securities	344	3,608
Losses on valuation of domestic bonds	—	593
Losses on valuation of domestic stocks	302	610
Losses on valuation of foreign securities	42	2,403
Losses on redemption of securities, net	—	185
Losses on derivative instruments, net	7,746	11,221
Foreign exchange losses, net	—	8,231
Depreciation of real estate for rent and other assets	4,788	4,850
Other investment expenses	10,985	12,185
Total	43,328	91,083

(5) Net Investment Income

(Millions of yen)

	Year ended March 31, 2022	Year ended March 31, 2023
Net investment income	144,616	141,439

(6) Other Information on Investments

(i) Investment Yield by Asset Categories

(%)

	Year ended March 31, 2022	Year ended March 31, 2023
Cash, deposits, and call loans	0.00	0.00
Monetary claims bought	1.84	(4.02)
Money held in trust	3.24	(0.62)
Securities	2.50	2.46
Domestic bonds	1.73	1.43
Domestic stocks	3.18	8.48
Foreign securities	3.16	2.71
Foreign bonds	2.55	1.48
Foreign stocks and other securities	5.74	7.21
Loans	1.61	1.52
Ordinary loans	1.40	1.31
Real estate	2.91	2.53
Total	2.18	2.11
Overseas investments	3.13	2.51

Notes: 1. Investment yield above are calculated by dividing the net investment income by the average daily balance on a book value basis.

2. Overseas investments represent the total of foreign currency denominated assets and yen denominated assets.

(ii) Average Daily Balance

(Millions of yen)

	Year ended March 31, 2022	Year ended March 31, 2023
Cash, deposits, and call loans	259,525	236,914
Monetary claims bought	223	34
Money held in trust	25,278	26,069
Securities	5,309,118	5,394,128
Domestic bonds	2,722,369	2,964,735
Domestic stocks	418,905	413,423
Foreign securities	2,021,019	1,860,692
Foreign bonds	1,637,884	1,461,370
Foreign stocks and other securities	383,134	399,321
Loans	567,015	545,127
Ordinary loans	517,341	497,217
Real estate	242,645	242,567
Total	6,642,474	6,708,497
Overseas investments	2,381,764	2,141,945

(iii) Net Valuation Gains/Losses on Trading Securities

(Millions of yen)

	As of March 31, 2022		As of March 31, 2023	
	Carrying value on the balance sheet	Net valuation gains/losses included in the statement of operations	Carrying value on the balance sheet	Net valuation gains/losses included in the statement of operations
Trading securities	43,563	2,581	35,130	(653)

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

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

(Millions of yen)

	As of March 31, 2022					As of March 31, 2023				
	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	—	738,300	808,660	70,360	70,424	64
Domestic bonds	737,795	824,774	86,979	86,979	—	738,300	808,660	70,360	70,424	64
Foreign bonds	22,302	22,541	238	238	—	—	—	—	—	—
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	4,307,988	4,839,472	531,484	676,027	144,543
Domestic bonds	2,038,626	2,146,685	108,059	138,789	30,730	2,246,987	2,264,856	17,868	99,271	81,402
Domestic stocks	347,574	699,525	351,951	354,992	3,041	352,575	739,891	387,316	389,227	1,911
Foreign securities	2,109,727	2,282,658	172,931	209,125	36,193	1,574,356	1,675,753	101,396	160,374	58,977
Foreign bonds	1,713,754	1,782,639	68,884	102,110	33,225	1,169,512	1,184,154	14,642	68,369	53,727
Foreign stocks and other securities	395,972	500,019	104,047	107,015	2,968	404,844	491,598	86,754	92,004	5,250
Other securities	130,053	159,700	29,647	30,417	770	134,069	158,971	24,902	27,153	2,251
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	5,046,289	5,648,133	601,844	746,451	144,607
Domestic bonds	2,776,421	2,971,460	195,038	225,768	30,730	2,985,287	3,073,516	88,228	169,695	81,466
Domestic stocks	347,574	699,525	351,951	354,992	3,041	352,575	739,891	387,316	389,227	1,911
Foreign securities	2,132,029	2,305,200	173,170	209,364	36,193	1,574,356	1,675,753	101,396	160,374	58,977
Foreign bonds	1,736,056	1,805,180	69,123	102,349	33,225	1,169,512	1,184,154	14,642	68,369	53,727
Foreign stocks and other securities	395,972	500,019	104,047	107,015	2,968	404,844	491,598	86,754	92,004	5,250
Other securities	130,053	159,700	29,647	30,417	770	134,069	158,971	24,902	27,153	2,251
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 March 31, 2023
Investments in subsidiaries and affiliates	64,787	64,787
Available-for-sale securities	37,973	36,051
Domestic stocks	6,198	5,709
Foreign stocks	—	—
Others	31,774	30,341
Total	102,760	100,838

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 ¥3,616 million as of March 31, 2023) are included in their balance sheet carrying amounts.

(v) Fair Value Information on Money Held in Trust

(Millions of yen)

	As of March 31, 2022					As of March 31, 2023				
	Carrying value on the balance sheet	Fair value	Gains/Losses			Carrying value on the balance sheet	Fair value	Gains/Losses		
				Gains	Losses				Gains	Losses
Money held in trust	26,070	26,070	—	—	—	25,897	25,897	—	—	—

• Money held in trust for trading purpose

(Millions of yen)

	As of March 31, 2022		As of March 31, 2023	
	Carrying value on the balance sheet	Net valuation gains/losses included in the statements of operations	Carrying value on the balance sheet	Net valuation gains/losses included in the statements of operations
Money held in trust for trading purpose	25,070	0	24,897	(0)

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

Reference: Fair Value Information on Derivative Instruments (General Account)

(i) Gains and Losses on Derivatives

(Millions of yen)

As of March 31, 2022	Interest-related	Currency- related	Stock- related	Bond- related	Others	Total
Hedge accounting applied	—	(63,528)	—	—	—	(63,528)
Hedge accounting not applied	20	(4,632)	(202)	—	—	(4,814)
Total	20	(68,160)	(202)	—	—	(68,342)
As of March 31, 2023	Interest- related	Currency- related	Stock- related	Bond- related	Others	Total
Hedge accounting applied	—	(840)	—	—	—	(840)
Hedge accounting not applied	47	(561)	(31)	(137)	—	(683)
Total	47	(1,402)	(31)	(137)	—	(1,524)

Note: Gains and losses from applying fair value hedge accounting (currency-related losses of ¥63,528 million as of March 31, 2022, and currency-related losses of ¥840 million as of March 31, 2023) included in gains and losses with hedge accounting applied, and gains and losses with hedge accounting not applied are reported in the statements of operations.

(ii) Interest-related Transactions

(Millions of yen)

(millions of yen)								
	As of March 31, 2022				As of March 31, 2023			
	Notional amount/ contract value		Fair value	Gains (Losses)	Notional amount/ contract value		Fair value	Gains (Losses)
		Over 1 year				Over 1 year		
Over-the-counter transactions								
Yen interest rate swaption contracts								
Sold								
Receipt fixed, payment floating	—	—			—	—		
	[—]		—	—	[—]		—	—
Payment fixed, receipt floating	—	—			—	—		
	[—]		—	—	[—]		—	—
Bought								
Receipt fixed, payment floating	—	—			—	—		
	[—]		—	—	[—]		—	—
Payment fixed, receipt floating	150,000	30,000			30,000	—		
	[133]		154	20	[63]		110	47
Total				20				47

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

(iii) Currency-related Transactions

(Millions of yen)

	As of March 31, 2022				As of March 31, 2023			
	Notional amount/ contract value	Fair value	Gains (Losses)		Notional amount/ contract value	Fair value	Gains (Losses)	
	Over 1 year				Over 1 year			
Over-the-counter transactions								
Currency forward contracts								
Sold	1,005,205	—	1,072,835	(67,629)	237,141	—	238,186	(1,044)
U.S. dollar	630,531	—	668,660	(38,129)	140,574	—	141,687	(1,112)
Australian dollar	151,512	—	167,031	(15,518)	64,856	—	63,991	865
Euro	110,689	—	116,852	(6,163)	14,743	—	15,102	(359)
Swedish krona	33,588	—	35,719	(2,130)	8,758	—	9,020	(262)
Canadian dollar	76,539	—	82,160	(5,621)	5,829	—	5,906	(77)
British pound	2,343	—	2,410	(66)	2,379	—	2,477	(98)
Bought	—	—	—	—	—	—	—	—
Currency options								
Sold								
Call	24,257	—	—	—	—	—	—	—
U.S. dollar	[17]	356	(339)		[—]	—	—	—
Put	24,257	—	—	—	—	—	—	—
U.S. dollar	[17]	356	(339)		[—]	—	—	—
Bought	—	—	—	—	—	—	—	—
Call	[—]	—	—	—	[—]	—	—	—
Put	138,259	—	6	(191)	30,650	—	118	(357)
U.S. dollar	[198]	6	(191)		[475]	118	(357)	
Total	[198]	6	(191)		[475]	118	(357)	

Notes: 1. Forward exchange rates are used for exchange rates as of March 31, 2023.

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

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

(iv) Stock-related Transactions

(Millions of yen)

	As of March 31, 2022				As of March 31, 2023			
	Notional amount/ contract value	Fair value	Gains (Losses)		Notional amount/ contract value	Fair value	Gains (Losses)	
	Over 1 year				Over 1 year			
Exchange-traded transactions								
Stock index option								
Sold								
Call	—	—	—	—	—	—	—	—
Put	[—]	—	—	—	[—]	—	—	—
Bought	—	—	—	—	—	—	—	—
Call	[—]	—	—	—	[—]	—	—	—
Put	35,100	—	9	(202)	8,800	—	8	(31)
Total	[210]	9	(202)		[39]	8	(31)	

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

(v) Bond-related Transactions

(Millions of yen)

	As of March 31, 2022				As of March 31, 2023			
	Notional amount/ contract value	Fair value	Gains (Losses)		Notional amount/ contract value	Fair value	Gains (Losses)	
	Over 1 year				Over 1 year			
Exchange-traded transactions								
Yen-denominated bond futures								
Sold	—	—	—	—	7,268	—	7,406	(137)
Bought	—	—	—	—	—	—	—	—
Foreign currency-denominated bond futures								
Sold	—	—	—	—	—	—	—	—
Bought	—	—	—	—	—	—	—	—
Total								(137)

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

(Millions of yen)

As of March 31, 2022			As of March 31, 2023		
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	149,749	314,057	164,307

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 March 31, 2023		As of March 31, 2022	As of March 31, 2023
Assets:			Liabilities:		
Cash and deposits:	160,149	402,472	Policy reserves:	5,886,412	5,916,509
Cash	166	156	Reserve for outstanding claims	22,985	21,523
Bank deposits	159,983	402,315	Policy reserve	5,800,015	5,830,565
Call loans	48,000	130,000	Reserve for dividends to policyholders	63,411	64,420
Monetary claims bought	80	—	Reinsurance payables	87	46
Money held in trust	26,070	25,897	Subordinated bonds	241,935	241,935
Securities:	6,277,599	5,799,182	Other liabilities:	276,328	204,041
Government bonds	2,102,521	2,395,965	Cash received as collateral under securities lending transactions	160,928	155,483
Local government bonds	102,771	92,958	Corporate income tax payable	2,767	101
Corporate bonds	704,056	542,134	Accounts payable	7,282	6,324
Stocks	795,801	836,501	Accrued expenses	11,438	10,580
Foreign securities	2,388,284	1,756,176	Unearned income	419	437
Other securities	184,163	175,445	Deposits received	6,523	6,592
Loans:	553,305	524,193	Guarantee deposits received	13,970	13,700
Policy loans	48,629	47,088	Derivatives	68,377	3,005
Ordinary loans	504,675	477,104	Cash collateral received for financial instruments	—	3,822
Tangible fixed assets:	245,405	247,321	Lease obligations	553	345
Land	150,195	149,747	Asset retirement obligations	2,355	2,328
Buildings	89,202	89,583	Suspense receipts	1,711	1,319
Lease assets	265	928	Reserve for claims and other payments	3,400	—
Construction in progress	1,767	3,649	Reserve for employees' retirement benefits	24,850	25,951
Other tangible fixed assets	3,974	3,412	Reserve for price fluctuation	176,670	177,188
Intangible fixed assets:	27,821	26,917	Deferred tax liabilities	25,061	—
Software	19,914	24,148	Deferred tax liabilities for land revaluation	14,183	14,164
Lease assets	498	311	Total liabilities	6,648,929	6,579,836
Other intangible fixed assets	7,407	2,456	Net assets:		
Agency receivables	15	100	Foundation funds	12,000	12,000
Reinsurance receivables	135	62	Accumulated foundation funds redeemed	116,000	116,000
Other assets:	52,328	55,516	Reserve for revaluation	112	112
Accounts receivable	5,392	13,940	Surplus:	127,222	126,981
Prepaid expenses	3,202	4,281	Legal reserve for future losses	3,370	3,463
Accrued income	31,840	29,089	Other surplus:	123,852	123,518
Deposits	1,834	1,801	Reserve for redemption of foundation funds	4,800	7,200
Differential account for futures trading	—	147	Reserve for dividend allowances	20,000	20,000
Derivatives	35	1,481	Accumulated fund for price fluctuation	41,000	41,000
Cash collateral paid for financial instruments	4,499	—	Reserve for advanced depreciation of real estate for tax purpose	206	205
Suspense payments	1,871	1,621	Other reserves	767	767
Rest of the other asset	3,653	3,153	Unappropriated surplus	57,078	54,346
Prepaid pension cost	912	1,614	Total foundation funds, surplus and others	255,334	255,093
Deferred tax assets	—	13,829	Net unrealized gains (losses) on available-for-sale securities, net of tax	480,860	386,882
Allowance for possible loan losses	(2,515)	(826)	Revaluation reserve for land, net of tax	4,184	4,468
			Total valuation and translation adjustments	485,044	391,350
			Total net assets	740,379	646,444
Total assets	7,389,308	7,226,280	Total liabilities and net assets	7,389,308	7,226,280

4. Non-consolidated Statements of Operations

(Millions of yen)

	Year ended March 31, 2022	Year ended March 31, 2023
Ordinary revenues:		
Premium and other income:	486,461	526,037
Premium income	486,302	525,871
Reinsurance income	158	166
Investment income:	194,336	234,698
Interest, dividends and other income:	167,609	164,768
Interest on deposits	2	3
Interest and dividends on securities	140,247	136,893
Interest on loans	8,048	8,237
Income from real estate for rent	19,074	19,292
Other interest and dividends	237	343
Gains on money held in trust, net	817	—
Gains on trading securities, net	1,664	348
Gains on sales of securities	13,920	54,756
Gains on redemption of securities, net	65	11,702
Foreign exchange gains, net	1,617	—
Reversal of allowance for possible loan losses	1,867	624
Other investment income	381	322
Gains on separate accounts, net	6,391	2,174
Other ordinary revenues:	8,922	13,072
Fund receipt from annuity rider	2,704	1,270
Proceeds from deferred insurance	2,938	3,122
Reversal of reserve for outstanding claims	—	1,461
Reversal of reserve for claims and other payments	—	3,400
Others	3,279	3,817
Total ordinary revenues	689,719	773,808
Ordinary expenses:		
Claims and other payments:	416,061	504,790
Claims	81,426	131,371
Annuities	152,290	153,869
Benefits	109,711	144,757
Surrenders	48,261	49,579
Other payments	24,152	25,008
Reinsurance premiums	218	204
Provision of policy reserve and others:	73,952	30,563
Provision of reserve for outstanding claims	3,434	—
Provision of policy reserves	70,504	30,549
Provision of interest portion of reserve for dividends to policyholders	13	13
Investment expenses:	43,328	91,083
Interest expenses	4,402	4,469
Losses on money held in trust, net	—	161
Losses on sales of securities	15,060	46,169
Losses on valuation of securities	344	3,608
Losses on redemption of securities, net	—	185
Losses on derivative instruments, net	7,746	11,221
Foreign exchange losses, net	—	8,231
Depreciation of real estate for rent and other assets	4,788	4,850
Other investment expenses	10,985	12,185
Operating expenses	90,779	90,478
Other ordinary expenses:	26,845	24,380
Deferred annuity payments	3,353	3,618
Taxes	7,472	7,546
Depreciation	10,657	11,388
Provision of reserve for claims and other payments	3,400	—
Provision of reserve for employees' retirement benefits	750	399
Others	1,212	1,426
Total ordinary expenses	650,967	741,296
Ordinary profits	38,752	32,512
Extraordinary gains:		
Gains on disposal of fixed assets	10	393
Total extraordinary gains	10	393
Extraordinary losses:		
Losses on disposal of fixed assets	430	178
Impairment losses	46	32
Provision of reserve for price fluctuation	3,873	518
Total extraordinary losses	4,349	730
Surplus before income taxes	34,412	32,175
Income taxes:		
Current	11,069	3,096
Deferred	(9,975)	(1,793)
Total income taxes	1,093	1,303
Net surplus for the year	33,319	30,872

Notes to the Non-consolidated Financial Statements

I. Presentation of the Non-consolidated Financial Statements

1. Basis of presentation

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

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

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

II. Notes to the Non-consolidated Balance Sheets

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

- i) Trading securities are stated at fair market value. Costs of their sales are determined by the moving average method.
- ii) Held-to-maturity debt securities are stated at amortized cost under the straight-line method, cost being determined by the moving average method.
- iii) Investments in subsidiaries and affiliates are stated at cost, cost being determined by the moving average method.
- iv) 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, 2023 was ¥0 million.

(7) 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 |

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

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

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

(10) Accounting of unrecognized actuarial differences and unrecognized prior service costs related to employees' retirement benefits is different to the methods used for these items in the consolidated financial statements.

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

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

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

Of premium incomes that have been received, the portion corresponding to the period that has yet to pass as of 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.

Regarding claims for which the occurrence of cause for payment has not been reported but the Company recognizes that insured payment has already occurred (“IBNR reserves”), the scope of payment of hospitalization benefits was changed in the fiscal year ended March 31, 2023, with respect to those diagnosed with COVID-19 and were under the care of a doctor or the like at an lodging facility or at home (“deemed hospitalization”). As a result of this change, an appropriate amount of reserves cannot be obtained with the calculation method set forth in the main rules in Article 1, Paragraph 1 of the Notification of the Minister of Finance No.234, 1998 (“IBNR Notification”). The Company therefore records the amount that was calculated using the following method, pursuant to provisions in the proviso of Article 1, Paragraph 1 of IBNR Notification (the “Proviso”).

(Overview of the calculation method)

The Company first deducts an amount pertaining to deemed hospitalization of policy holders other than those with high risk of severity (“4 categories”) from a required amount of IBNR reserves and the amount of claim payments for all the fiscal years, as set forth in the main rules in Article 1, Paragraph 1 of IBNR Notification, and then calculates in the same manner as in the main rules in Article 1, Paragraph 1 of IBNR Notification.

In addition, the amount pertaining to deemed hospitalization of the 4 categories which date of diagnosis required for the above calculation is before September 25, 2022 is estimated by multiplying the amount for deemed hospitalization for those 65 years of age or older whose diagnosis date is before September 25, 2022 by the ratio of the amount for the four categories whose diagnosis date is on or after September 26, 2022 and the amount for the deemed hospitalization for persons 65 years of age or older. However, the amount related to 4 categories deemed hospitalizations for co-insurance follower policies is estimated based on the amount of payments for leader policies.

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 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 has reduced the assumed interest rate to 1.00% and funded additional policy reserves. As of March 31, 2023, the balance of these policy reserves was ¥71,649 million.
- Among whole life insurance policies with assumed interest rates of 5.00% or higher following the fiscal year ended March 31, 2023, the Company has reduced assumed interest rates for policies with premiums that have been paid in full (excluding policies that have been converted into paid-up or extended policies, single premium policies, and policies for which premiums have been waived) to 1.00% and funded additional policy reserves. As of March 31, 2023, the balance of these policy reserves was ¥106,590 million.
- The Company has also funded additional policy reserves for certain whole life insurance policies that include distribution of surplus every five years, new cancer riders, highly advanced medical riders and transplant medical riders. As of March 31, 2023, the balance of these policy reserves was ¥105 million.

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.

2. The Company began applying the “Implementation Guidance on Accounting Standard for Fair Value Measurement” (ASBJ Statement No. 31, June 17, 2021; hereinafter called “Implementation Guidance on Accounting Standard for Fair Value Measurement”) from the beginning of the fiscal year. In accordance with the transitional treatments prescribed in Paragraph 27-2 of the Implementation Guidance on Accounting Standard for Fair Value Measurement, new accounting policies set forth by the Implementation Guidance on Accounting Standard for Fair Value Measurement will be applied prospectively. As a result, certain investment trusts that had previously been carried on the balance sheet at acquisition cost are stated at fair value on the balance sheet from the fiscal year ended March 31, 2023. The Company has observed no material impact from this application of the Implementation Guidance on Accounting Standard for Fair Value Measurement.

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 as of March 31, 2023 were as follows:

	Carrying amount	Fair value	(Millions of yen) Difference
Money held in trust:			
Trading securities.....	¥24,897	¥24,897	¥—
Total money held in trust.....	24,897	24,897	—
Securities:			
Trading securities.....	10,232	10,232	—
Held-to-maturity debt securities.....	738,300	808,660	70,360
Available-for-sale securities.....	4,839,472	4,839,472	—
Total securities.....	5,588,005	5,658,365	70,360
Loans:			
Policy loans.....	47,088	47,088	(0)
Ordinary loans.....	477,104	487,443	10,339
Total loans.....	524,193	534,532	10,339
Assets total.....	6,137,096	6,217,795	80,699
Subordinated bonds*1.....	241,935	238,498	(3,436)
Liabilities total.....	241,935	238,498	(3,436)
Derivative instruments*2:			
Hedge accounting not applied.....	(683)	(683)	—
Hedge accounting applied.....	(840)	(840)	—
Total derivative instruments.....	¥(1,524)	¥(1,524)	¥—

*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, 2023 was ¥73,497 million.

2. In accordance with Paragraph 24-16 of the Implementation Guidance on Accounting Standard for Fair Value Measurement, investments in partnerships are not included in Securities of the above table.

The amount of investments in partnerships included on the balance sheet as of March 31, 2023, was ¥30,957 million.

3. Investment trusts with real estate as investment trust properties which have applied Paragraph 24-9 of the Implementation Guidance on Accounting Standard for Fair Value Measurement are included in Securities.

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, 2023

Classification	(Millions of yen)			
	Fair value			Total
	Level 1	Level 2	Level 3	
Money held in trust:				
Trading securities.....	¥—	¥24,897	¥—	¥24,897
Total money held in trust.....	—	24,897	—	24,897
Securities:				
Trading securities:				
Foreign securities.....	—	10,232	—	10,232
Total trading securities.....	—	10,232	—	10,232
Available-for-sale securities:				
Government bonds.....	1,665,641	—	—	1,665,641
Local government bonds.....	—	86,960	—	86,960
Corporate bonds.....	—	512,254	—	512,254
Stocks.....	739,891	—	—	739,891
Foreign securities.....	595,331	1,053,931	26,490	1,675,753
Other securities.....	40,683	112,692	—	153,375
Total available-for-sale securities.....	3,041,547	1,765,839	26,490	4,833,876
Total securities.....	3,041,547	1,776,071	26,490	4,844,109
Assets total.....	3,041,547	1,800,969	26,490	4,869,007
Derivative instruments*:				
Currency-related.....	—	(1,402)	—	(1,402)
Interest-related.....	—	47	—	47
Stock-related.....	(31)	—	—	(31)
Bond-related.....	(137)	—	—	(137)
Total derivative instruments.....	¥(169)	¥(1,355)	¥—	¥(1,524)

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

Note: Investment trusts with real estate as investment trust properties that have applied Paragraph 24-9 of the Implementation Guidance on Accounting Standard for Fair Value Measurement are not included in the figures above. The amount of the investment trusts on the balance sheet as of March 31, 2023 was ¥5,596 million. Reconciliation of balances from the beginning of the current fiscal year to balances as of March 31, 2023 for the investment trusts were as follows:

	(Millions of yen)
Balance at the beginning of the fiscal year.....	¥3,654
Changes in net unrealized gains or losses.....	441
Purchase, sales, and redemption.....	1,500
Purchase.....	1,500
Balance at the end of the fiscal year.....	¥5,596

(2) Financial assets and liabilities with fair values not recorded on the balance sheet as of March 31, 2023

Classification	Fair value			
	Level 1	Level 2	Level 3	Total
Securities:				
Held-to-maturity debt securities:				
Government bonds.....	780,191	—	—	780,191
Local government bonds.....	—	7,357	—	7,357
Corporate bonds.....	—	21,110	—	21,110
Total held-to-maturity debt securities...	780,191	28,468	—	808,660
Total securities.....	780,191	28,468	—	808,660
Loans:				
Policy loans.....	—	—	47,088	47,088
Ordinary loans.....	—	—	487,443	487,443
Total loans.....	—	—	534,532	534,532
Assets total.....	780,191	28,468	534,532	1,343,192
Subordinated bonds	—	238,498	—	238,498
Liabilities total.....	¥—	¥238,498	¥—	¥238,498

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

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

The fair values of securities for which unadjusted quoted market prices in active markets are available (primarily listed stocks and government bonds [including some foreign securities]) are classified as Fair Value Level 1.

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

- ii) Money held in trust

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

- iii) Loans

The fair values of policy loans are deemed to approximate book values, considering estimated repayment period and interest rate conditions since their repayment deadlines have not been set up due to the characteristics that the loans are limited to the amount of cash surrender values. Therefore, the book values are used as the fair values of policy loans.

The fair values of floating interest rate loans among the ordinary loans approximate the book values because the market interest rates are reflected in future cash flows in a short period. Therefore, the fair values of floating interest rate loans are based on their book values. The fair values of fixed interest rate loans are primarily measured by discounting the future cash flows to the present values.

The fair values of loans from legally bankrupt borrowers, substantially bankrupt borrowers and not currently bankrupt borrowers are computed by deducting the amount of the allowance for possible loan losses from the book values before direct write-offs.

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

- iv) Subordinated bonds

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

v) Derivative instruments

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

(4) Information concerning fair values of financial assets and liabilities that have been recorded on the balance sheet as of March 31, 2023 and classified as Fair Value Level 3

i) Quantitative information regarding material unobservable inputs

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

ii) Reconciliation of balances at the beginning of the current fiscal year and balances as of March 31, 2023, and valuation gains or losses recognized in the statements of operations for the fiscal year ended March 31, 2023.

	(Millions of yen)	
	Securities, Available-for-sale securities, Foreign securities	Total
Balance at the beginning of the current fiscal year.....	¥28,139	¥28,139
Gains or losses during the fiscal year.....	(10)	(10)
Values recognized as gains or losses*.....	(10)	(10)
Changes in net unrealized gains or losses.....	(1,638)	(1,638)
Balance at the end of the current fiscal year.....	¥26,490	¥26,490

* These amounts are included in investment income and investment expenses in the non-consolidated statements of operations for the fiscal year ended March 31, 2023.

iii) Explanation of the valuation process for fair value

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

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

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

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

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 ¥199,666 million and ¥351,564 million as of March 31, 2023, 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 was ¥327 million as of March 31, 2023.

6. The amount of securities lent under lending agreements was ¥504,760 million as of March 31, 2023.

7. The total amount of claims against bankrupt and quasi-bankrupt obligors, claims with collection risk, delinquent loans past three months or more, and restructured loans was ¥1,236 million as March 31, 2023. The details are as follows.

i) The balance of claims against bankrupt and quasi-bankrupt obligors was ¥130 million as of March 31, 2023.

Of which, the estimated uncollectible amount written-off was ¥0 million as of March 31, 2023.

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

ii) The balance of claims with collection risk was ¥544 million as of March 31, 2023.

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, 2023.

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

iv) The balance of restructured loans was ¥561 million as of March 31, 2023.

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

8. Accumulated depreciation of tangible fixed assets were ¥182,618 million as of March 31, 2023.

9. Total assets in separate accounts provided for in Article 118 of the Insurance Business Act were ¥118,783 million as of March 31, 2023. The amounts of separate account liabilities were the same as separate account assets.

10. The total amounts of receivables from/payables to subsidiaries were ¥2,405 million and ¥1,891 million as of March 31, 2023, respectively.

11. Deferred tax assets and deferred tax liabilities as of March 31, 2023 were ¥172,319 million and ¥153,674 million, respectively. Valuation allowance for deferred tax assets was ¥4,815 million.

Major components of deferred tax assets were ¥101,887 million of policy reserves, ¥49,612 million of reserve for price fluctuation and ¥12,959 million of reserve for employees' retirement benefits as of March 31, 2023.

Major component of deferred tax liabilities was ¥148,218 million of net unrealized gains on available-for-sale securities as of March 31, 2023.

The statutory tax rate and the actual effective tax rate for the year ended March 31, 2023 were 28.0% and 4.1%, 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.

12. Changes in reserve for dividends to policyholders for the year ended March 31, 2023 were as follows:

	(Millions of yen)
Balance at the beginning of the fiscal year.....	¥63,411
Transfer from surplus in the previous fiscal year.....	30,726
Dividend payments to policyholders during the fiscal year.....	(29,731)
Increase in interest.....	13
Balance at the end of the fiscal year.....	<u>¥64,420</u>

13. The amount of stocks of subsidiaries was ¥64,787 million as of March 31, 2023.

14. Assets pledged as collateral as of March 31, 2023 were ¥175,557 million of securities.

Secured debts as of March 31, 2023, were ¥161,480 million.

These amounts include ¥147,552 million of investments in securities deposited and ¥155,483 million of cash received as collateral under securities lending transactions secured by cash as of March 31, 2023.

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”) was ¥0 million as of March 31, 2023.

Policy reserve for the reinsurance contracts provided in accordance with Article 71 Paragraph 1 of the Enforcement Regulation of the Insurance Business Act (hereinafter called “policy reserve for ceded reinsurance”) was ¥21 million as of March 31, 2023.

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 was ¥391,462 million as of March 31, 2023.

17. There were unused commitment line agreements under which the Company is the lender of ¥8,604 million as of March 31, 2023.

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

19. Matters Related to Employees’ Retirement Benefits as of March 31, 2023

(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

(Millions of yen)

Retirement benefit obligation at the beginning of the fiscal year.....	¥90,644
Service cost.....	3,639
Interest cost.....	542
Actuarial differences occurred during the fiscal year.....	(12)
Retirement benefit payments.....	(4,386)
Retirement benefit obligation at the end of the fiscal year.....	<u>¥90,426</u>

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

(Millions of yen)

Pension plan assets at the beginning of the fiscal year.....	¥63,886
Expected return on pension plan assets.....	1,232
Actuarial differences occurred during the fiscal year.....	2,410
Contributions by the employer.....	1,075
Retirement benefit payments.....	(2,134)
Pension plan assets at the end of the fiscal year.....	<u>¥66,470</u>

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

(Millions of yen)

a. Funded plan retirement benefit obligation.....	¥78,820
b. Pension plan assets.....	(66,470)
c. (a + b).....	12,349
d. Unfunded plan retirement benefit obligation.....	11,606
e. Unrecognized actuarial differences.....	421
f. Unrecognized prior service cost.....	(40)
g. Net amount of liabilities and assets presented on the non-consolidated balance sheet.....	<u>24,337</u>
h. Reserve for employees' retirement benefits.....	25,951
i. Prepaid pension cost.....	(1,614)
j. Net amount of liabilities and assets presented on the non-consolidated balance sheet.....	<u>¥24,337</u>

iv) Breakdown of retirement benefit gains and losses

(Millions of yen)

Service cost.....	¥3,639
Interest cost.....	542
Expected return on pension plan assets.....	(1,232)
Amortization of actuarial differences.....	772
Amortization of prior service costs.....	5
Retirement benefit expenses related to defined benefit plan.....	<u>¥3,726</u>

v) Breakdown of pension plan assets

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

Domestic stocks.....	45.1%
Life insurance general account.....	30.0%
Domestic bonds.....	9.4%
Foreign stocks.....	8.3%
Assets under joint management.....	3.7%
Foreign bonds.....	3.5%
Total.....	100.0%

Within the total of pension assets, 38.3% of this amount is accounted for by the retirement benefit trust established in relation to the retirement lump-sum payments plan for sales employees.

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

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

vii) Underlying actuarial assumptions

Main underlying actuarial assumptions as of March 31, 2023, were as follows:

Discount rate.....	0.6%
Expected long-term rate of return on pension plan assets	
Defined Benefit Plan.....	3.0%
Retirement benefit trust.....	0.0%

(3) Defined Contribution Plan

The required contribution amount by the Company to the defined contribution plan was ¥219 million as of March 31, 2023.

III. Notes to the Non-consolidated Statements of Operations

1. The total amounts of revenues and expenses in connection with subsidiaries were ¥1,804 million and ¥9,116 million for the year ended March 31, 2023.

2. The details of gains on sales of securities for the year ended March 31, 2023 were as follows:

	(Millions of yen)
Domestic bonds.....	¥7,576
Domestic stocks and others.....	16,946
Foreign securities.....	30,203
Other securities.....	¥29

3. The details of losses on sales of securities for the year ended March 31, 2023 were as follows:

	(Millions of yen)
Domestic bonds.....	¥10,732
Domestic stocks and others.....	339
Foreign securities.....	34,777
Other securities.....	¥319

4. The details of losses on valuation of securities for the year ended March 31, 2023 were as follows:

	(Millions of yen)
Domestic bonds.....	¥593
Domestic stocks and others.....	610
Foreign securities.....	¥2,403

5. For the year ended March 31, 2023, in calculating the reversal of reserve for outstanding claims, a reversal of reserve for outstanding claims for ceded reinsurance of ¥0 million was deducted. In calculating the provision of policy reserves, a reversal of policy reserve for ceded reinsurance of ¥1 million was added.

6. The details of gains on trading securities for the year ended March 31, 2023 were as follows:

	(Millions of yen)
Interest, dividends and other income.....	¥455
Losses on sales of trading securities.....	2
Gains on redemption of trading securities.....	549
Losses on valuation of trading securities.....	¥653

7. Losses on money held in trust for the year ended March 31, 2023 included valuation losses of ¥0 million.

8. Losses on derivative instruments for the year ended March 31, 2023 included valuation gains of ¥4,130 million.

5. Breakdown of Ordinary Profits (Fundamental Profit)

(Millions of yen)		
	Year ended March 31, 2022	Year ended March 31, 2023
Fundamental profit	76,369	47,297
Capital gains	24,143	76,986
Gains on money held in trust, net	664	—
Gains on trading securities, net	910	—
Gains on sales of securities	13,920	54,756
Gains on derivative instruments, net	—	—
Foreign exchange gains, net	1,617	—
Other capital gains	7,030	22,230
Capital losses	20,734	70,157
Losses on money held in trust, net	—	299
Losses on trading securities, net	—	106
Losses on sales of securities	15,060	46,169
Losses on valuation of securities	344	3,608
Losses on derivative instruments, net	7,746	11,221
Foreign exchange losses, net	—	8,231
Other capital losses	(2,417)	521
Net capital gains (losses)	3,409	6,829
Fundamental profit plus net capital gains (losses)	79,778	54,126
Non-recurring gains	76,780	3,608
Reinsurance income	—	—
Reversal of contingency reserve	74,413	—
Reversal of specific allowance for possible loan losses	777	208
Others	1,589	3,400
Non-recurring losses	117,807	25,223
Reinsurance premiums	—	—
Provision for contingency reserve	—	12,430
Provision of specific allowance for possible loan losses	—	—
Provision of allowance for specified overseas loans	—	—
Write-off of loans	—	—
Others	117,807	12,792
Non-recurring gains (losses)	(41,026)	(21,614)
Ordinary profits	38,752	32,512

Notes: 1. Fundamental profit and capital gains/losses for both the year ended March 31, 2022 and the year ended March 31, 2023 are calculated based on revised standards.
2. Other items break down as follows.

(Millions of yen)		
	Year ended March 31, 2022	Year ended March 31, 2023
Fundamental profit	(8,540)	(21,116)
Interest, dividends, and other income from gains/losses on money held in trust	153	137
Interest, dividends, and other income from gains/losses on trading securities	753	455
Foreign exchange-related hedging costs categorized under foreign exchange gains	(2,417)	(10,712)
Interest, dividends, and other investment expenses from gains/losses on cancellation of investment trusts	(2,773)	521
Portion of gains/losses on redemption of securities attributable to foreign exchange fluctuations	(4,256)	(11,517)
Other capital gains	7,030	22,230
Foreign exchange-related hedging costs categorized under foreign exchange losses	—	10,712
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	4,256	—
Portion of gains/losses on redemption of securities attributable to foreign exchange fluctuations	—	11,517
Other capital losses	(2,417)	521
Foreign exchange-related hedging costs categorized under foreign exchange gains	(2,417)	—
Interest, dividends, and other investment expenses from gains/losses on cancellation of investment trusts	—	521
Other non-recurring gains	1,589	3,400
Reversal of policy reserves in accordance with Article 69, Paragraph 5 of the Enforcement Regulations of the Insurance Business Act	1,589	—
Reversal of reserve for claims and other payments	—	3,400
Other non-recurring losses	117,807	12,792
Provision of policy reserves in accordance with Article 69, Paragraph 5 of the Enforcement Regulations of the Insurance Business Act	114,407	12,792
Provision of reserve for claims and other payments	3,400	—

6. Non-consolidated Statements of Changes in Net Assets

[For the year ended March 31, 2022]

(Millions of yen)

(Millions of yen)

	Foundation funds, surplus and others											
	Foundation funds	Accumulated foundation funds redeemed	Reserve for revaluation	Surplus								Total foundation funds, surplus and others
				Legal reserve for future losses	Other surplus						Total surplus	
					Reserve for redemption of foundation funds	Reserve for dividend allowances	Accumulated fund for price fluctuation	Reserve for advanced depreciation of real estate for tax purpose	Other reserves	Unappropriated surplus		
Balance at the beginning of the 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

	Valuation and translation adjustments			Total net assets
	Net unrealized gains (losses) on available-for-sale securities, net of tax	Revaluation reserve for land, net of tax	Total valuation and translation adjustments	
Balance at the beginning of the 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, 2023]

(Millions of yen)

	Foundation funds, surplus and others											
	Foundation funds	Accumulated foundation funds redeemed	Reserve for revaluation	Surplus								Total foundation funds, surplus and others
				Legal reserve for future losses	Other surplus						Total surplus	
					Reserve for redemption of foundation funds	Reserve for dividend allowances	Accumulated fund for price fluctuation	Reserve for advanced depreciation of real estate for tax purpose	Other reserves	Unappropriated surplus		
Balance at the beginning of the fiscal year	12,000	116,000	112	3,370	4,800	20,000	41,000	206	767	57,078	127,222	255,334
Changes in the fiscal year												
Additions to reserve for dividends to policyholders										(30,726)	(30,726)	(30,726)
Additions to legal reserve for future losses				93						(93)	—	—
Payment of interest on foundation funds										(102)	(102)	(102)
Net surplus for the fiscal year										30,872	30,872	30,872
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										(284)	(284)	(284)
Net changes, excluding foundation funds, surplus and others												
Total changes in the fiscal year	—	—	—	93	2,400	—	—	(1)	—	(2,732)	(240)	(240)
Balance at the end of the fiscal year	12,000	116,000	112	3,463	7,200	20,000	41,000	205	767	54,346	126,981	255,093

	Valuation and translation adjustments			Total net sets
	Net unrealized gains (losses) on available-for-sale securities, net of tax	Revaluation reserve for land, net of tax	Total valuation and translation adjustments	
Balance at the beginning of the fiscal year	480,860	4,184	485,044	740,379
Changes in the fiscal year				
Additions to reserve for dividends to policyholders				(30,726)
Additions to legal reserve for future losses				—
Payment of interest on foundation funds				(102)
Net surplus for the fiscal year				30,872
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				(284)
Net changes, excluding foundation funds, surplus and others	(93,978)	284	(93,694)	(93,694)
Total changes in the fiscal year	(93,978)	284	(93,694)	(93,935)
Balance at the end of the fiscal year	386,882	4,468	391,350	646,444

7. Non-consolidated Statements of Surplus

(Millions of yen)

	Year ended March 31, 2022	Year ended March 31, 2023
Unappropriated surplus	57,078	54,346
Reversal of voluntary surplus reserve	1	1
Reversal of reserve for advanced depreciation of real estate for tax purpose	1	1
Total	57,079	54,347
Appropriation of surplus	33,321	30,589
Reserve for dividends to policyholders	30,726	28,002
Net surplus	2,595	2,587
Legal reserve for future losses	93	85
Interest payment for foundation funds	102	102
Voluntary surplus reserve	2,400	2,400
Reserve for redemption of foundation funds	2,400	2,400
Unappropriated surplus carried forward	23,758	23,758

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

8. Disclosed Claims Based on Insurance Business Act

(Millions of yen)

	As of March 31, 2022	As of March 31, 2023
Claims against bankrupt and quasi-bankrupt obligors	143	130
Claims with collection risk	1,999	544
Delinquent loans past three months or more	—	—
Restructured loans	1,616	561
Subtotal [Percentage of total]	3,759 [0.32%]	1,236 [0.12%]
Claims against normal obligors	1,175,569	1,032,163
Total	1,179,328	1,033,399

- Notes: 1. Claims against bankrupt and quasi-bankrupt obligors are loans to borrowers who are subject to bankruptcy, corporate reorganization or rehabilitation or other similar proceedings and other borrowers in serious financial difficulties.
2. Claims with collection risk are loans to obligors (other than claims against bankrupt and quasi-bankrupt obligors) with deteriorated financial condition and results of operations from which it is unlikely that the principal and interest on the loans will be recovered.
3. Delinquent loans past three months or more are loans for which interest payments or repayments of principal are delinquent for three months or more from the due date under the terms of the related loan agreements, excluding those loans classified as claims against bankrupt and quasi-bankrupt obligors, claims with collection risk.
4. Restructured loans are loans for which certain concessions favorable to borrowers, such as interest reduction or exemption, rescheduling of due date for repayments of principal or interest payment, waiver of claim or other terms, have been negotiated for the purpose of assisting and supporting the borrowers in the restructuring of their business. This category excludes loans classified as claims against bankrupt and quasi-bankrupt obligors, claims with collection risk, and delinquent loans past three months or more.
5. Claims against normal obligors are all other loans.

9. Solvency Margin Ratio

(Millions of yen)

	As of March 31, 2022	As of March 31, 2023
Total solvency margin (A)	1,917,896	1,836,582
Foundation funds and surplus	221,320	224,172
Reserve for price fluctuation	176,670	177,188
Contingency reserve	155,458	167,888
General allowance for possible loan losses	820	404
(Net unrealized gains (losses) on securities (before tax) and deferred hedge gains (losses) (before tax)) × 90%	599,576	481,590
Net unrealized gains on real estate × 85%	140,830	155,499
Excess amount of policy reserve based on full-time Zillmer method	386,741	393,521
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	41,164
Total amount of risk $\sqrt{(R_1 + R_8)^2 + (R_2 + R_3 + R_7)^2} + R_4$ (B)	310,783	323,968
Insurance risk R_1	21,810	21,405
3rd sector insurance risk R_8	9,963	10,092
Assumed investment yield risk R_2	22,182	21,074
Minimum guarantee risk R_7	—	—
Investment risk R_3	280,252	294,386
Business risk R_4	6,684	6,939
Solvency margin ratio $\frac{(A)}{(1/2) \times (B)} \times 100$	1,234.2%	1,133.8%

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 March 31, 2023
Economic Solvency Ratio	228.9%	233.8%

Note: Economic solvency ratio (ESR) is an indicator of an insurance company's soundness and indicates whether or not a company has sufficient capital to cover its risks based on market-value assessment of its assets and liabilities. The Company calculates its ESR according to European methodology. Figures for some insurance liabilities and risks current as of March 31, 2023 have been calculated using simplified methods.

10. Status of Separate Account

(1) Separate Account Assets by Products

(Millions of yen)

	As of March 31, 2022	As of March 31, 2023
	Amount	Amount
Individual variable insurance	—	—
Individual variable annuities	25	—
Group annuities	112,462	118,783
Total	112,487	118,783

(2) Individual Variable Insurance (Separate Account)

The Company has not sold the individual variable insurance.

(3) Individual Variable Annuities (Separate Account)

(i) Policies in Force

(Millions of yen except number of policies)

	As of March 31, 2022		As of March 31, 2023	
	Number of policies	Amount	Number of policies	Amount
Individual variable annuities	7	18	—	—
Total	7	18	—	—

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

(Millions of yen)

	As of March 31, 2022		As of March 31, 2023	
	Amount	Percentage	Amount	Percentage
Cash, deposits, call loans	4	18.3%	—	—
Securities	20	81.7	—	—
Domestic bonds	—	—	—	—
Domestic stocks	—	—	—	—
Foreign securities	—	—	—	—
Foreign bonds	—	—	—	—
Foreign stocks and other securities	—	—	—	—
Other securities	20	81.7	—	—
Loans	—	—	—	—
Others	—	—	—	—
Allowance for possible loan losses	—	—	—	—
Total	25	100.0	—	—

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

(Millions of yen)

	Year ended March 31, 2022	Year ended March 31, 2023
	Amount	Amount
Interest, dividends and other income	0	8
Gains on sales of securities	—	—
Gains on redemption of securities	—	—
Gains on valuation of securities	8	—
Foreign exchange gains, net	—	—
Gains on derivative instruments	—	—
Other investment income	—	—
Losses on sales of securities	—	—
Losses on redemption of securities	—	—
Losses on valuation of securities	9	8
Foreign exchange losses, net	—	—
Losses on derivative instruments	—	—
Other investment expenses	—	—
Net investment income	0	(0)

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

• Net Valuation Gains/Losses on Trading Securities

(Millions of yen)

	As of March 31, 2022		As of March 31, 2023	
	Carrying value on the balance sheet	Net valuation gains/losses included in the statements of operations	Carrying value on the balance sheet	Net valuation gains/losses included in the statements of operations
Trading securities	20	(0)	—	(8)

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

Reference: Fair Value Information on Securities (Total of General Account and Separate Account)
Net Valuation Gains/Losses on Trading Securities

(Millions of yen)

	As of March 31, 2022		As of March 31, 2023	
	Carrying value on the balance sheet	Net valuation gains/losses included in the statement of operations	Carrying value on the balance sheet	Net valuation gains/losses included in the statement of operations
Trading securities	147,633	4,388	141,851	(3,015)

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

Fair Value Information on Securities (other than trading securities)

(Millions of yen)

	As of March 31, 2022					As of March 31, 2023				
	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	—	738,300	808,660	70,360	70,424	64
Domestic bonds	737,795	824,774	86,979	86,979	—	738,300	808,660	70,360	70,424	64
Foreign bonds	22,302	22,541	238	238	—	—	—	—	—	—
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	4,307,988	4,839,472	531,484	676,027	144,543
Domestic bonds	2,038,626	2,146,685	108,059	138,789	30,730	2,246,987	2,264,856	17,868	99,271	81,402
Domestic stocks	347,574	699,525	351,951	354,992	3,041	352,575	739,891	387,316	389,227	1,911
Foreign securities	2,109,727	2,282,658	172,931	209,125	36,193	1,574,356	1,675,753	101,396	160,374	58,977
Foreign bonds	1,713,754	1,782,639	68,884	102,110	33,225	1,169,512	1,184,154	14,642	68,369	53,727
Foreign stocks and other securities	395,972	500,019	104,047	107,015	2,968	404,844	491,598	86,754	92,004	5,250
Other securities	130,053	159,700	29,647	30,417	770	134,069	158,971	24,902	27,153	2,251
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	5,046,289	5,648,133	601,844	746,451	144,607
Domestic bonds	2,776,421	2,971,460	195,038	225,768	30,730	2,985,287	3,073,516	88,228	169,695	81,466
Domestic stocks	347,574	699,525	351,951	354,992	3,041	352,575	739,891	387,316	389,227	1,911
Foreign securities	2,132,029	2,305,200	173,170	209,364	36,193	1,574,356	1,675,753	101,396	160,374	58,977
Foreign bonds	1,736,056	1,805,180	69,123	102,349	33,225	1,169,512	1,184,154	14,642	68,369	53,727
Foreign stocks and other securities	395,972	500,019	104,047	107,015	2,968	404,844	491,598	86,754	92,004	5,250
Other securities	130,053	159,700	29,647	30,417	770	134,069	158,971	24,902	27,153	2,251
Money held in trust	—	—	—	—	—	—	—	—	—	—
Monetary claims bought	—	—	—	—	—	—	—	—	—	—
Negotiable certificate of deposits	—	—	—	—	—	—	—	—	—	—
Others	—	—	—	—	—	—	—	—	—	—

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

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

[Held-to-maturity Debt Securities]

(Millions of yen)

	As of March 31, 2022			As of March 31, 2023		
	Carrying value on the balance sheet	Fair value	Differences	Carrying value on the balance sheet	Fair value	Differences
Securities whose fair value exceeds the carrying value on the balance sheet	760,097	847,316	87,218	724,956	795,381	70,424
Domestic bonds	737,795	824,774	86,979	724,956	795,381	70,424
Foreign bonds	22,302	22,541	238	—	—	—
Securities whose fair value does not exceed the carrying value on the balance sheet	—	—	—	13,343	13,279	(64)
Domestic bonds	—	—	—	13,343	13,279	(64)
Foreign bonds	—	—	—	—	—	—

[Policy-reserve-matching Bonds]

(Millions of yen)

	As of March 31, 2022			As of March 31, 2023		
	Carrying value on the balance sheet	Fair value	Differences	Carrying value on the balance sheet	Fair value	Differences
Bonds whose fair value exceeds the carrying value on the balance sheet	—	—	—	—	—	—
Domestic bonds	—	—	—	—	—	—
Foreign bonds	—	—	—	—	—	—
Bonds whose fair value does not exceed the carrying value on the balance sheet	—	—	—	—	—	—
Domestic bonds	—	—	—	—	—	—
Foreign bonds	—	—	—	—	—	—

[Available-for-sale Securities]

(Millions of yen)

	As of March 31, 2022			As of March 31, 2023		
	Book value	Carrying value on the balance sheet	Differences	Book value	Carrying value on the balance sheet	Differences
Securities whose carrying value on the balance sheet exceeds the book value	3,271,278	4,004,603	733,325	2,457,857	3,133,885	676,027
Domestic bonds	1,411,343	1,550,132	138,789	1,062,280	1,161,552	99,271
Domestic stocks	310,630	665,623	354,992	334,225	723,453	389,227
Foreign securities	1,443,319	1,652,444	209,125	962,168	1,122,543	160,374
Foreign bonds	1,091,898	1,194,009	102,110	635,502	703,872	68,369
Foreign stocks	351,420	458,435	107,015	326,665	418,670	92,004
Other securities	105,985	136,402	30,417	99,183	126,337	27,153
Money held in trust	—	—	—	—	—	—
Monetary claims bought	—	—	—	—	—	—
Negotiable certificate of deposits	—	—	—	—	—	—
Others	—	—	—	—	—	—
Securities whose carrying value on the balance sheet does not exceed the book value	1,354,704	1,283,967	(70,736)	1,850,130	1,705,587	(144,543)
Domestic bonds	627,283	596,553	(30,730)	1,184,706	1,103,304	(81,402)
Domestic stocks	36,943	33,902	(3,041)	18,349	16,438	(1,911)
Foreign securities	666,408	630,214	(36,193)	612,188	553,210	(58,977)
Foreign bonds	621,855	588,629	(33,225)	534,009	480,282	(53,727)
Foreign stocks	44,552	41,584	(2,968)	78,178	72,928	(5,250)
Other securities	24,068	23,297	(770)	34,885	32,634	(2,251)
Money held in trust	—	—	—	—	—	—
Monetary claims bought	—	—	—	—	—	—
Negotiable certificate of deposits	—	—	—	—	—	—
Others	—	—	—	—	—	—

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

(Millions of yen)

	As of March 31, 2022	As of March 31, 2023
Investments in subsidiaries and affiliates	64,787	64,787
Available-for-sale securities	37,973	36,051
Domestic stocks	6,198	5,709
Foreign stocks	—	—
Others	31,774	30,341
Total	102,760	100,838

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 ¥3,616 million as of March 31, 2023) are included in their balance sheet carrying amounts.

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

(Millions of yen)

As of March 31, 2022	Interest- related	Currency- related	Stock- related	Bond- related	Others	Total
Hedge accounting applied	—	(63,528)	—	—	—	(63,528)
Hedge accounting not applied	20	(4,632)	(202)	—	—	(4,814)
Total	20	(68,160)	(202)	—	—	(68,342)
As of March 31, 2023	Interest- related	Currency- related	Stock- related	Bond- related	Others	Total
Hedge accounting applied	—	(840)	—	—	—	(840)
Hedge accounting not applied	47	(561)	(31)	(137)	—	(683)
Total	47	(1,402)	(31)	(137)	—	(1,524)

Note: Gains and losses from applying fair value hedge accounting (currency-related losses of ¥63,528 million as of March 31, 2022, and currency-related losses of ¥840 million as of March 31, 2023) included in gains and losses with hedge accounting applied, and gains and losses with hedge accounting not applied are reported in the statements of operations.

(ii) Hedge Accounting not Applied

[Interest-related Transactions]

(Millions of yen)

	As of March 31, 2022				As of March 31, 2023			
	Notional amount/ contract value		Fair value	Gains (Losses)	Notional amount/ contract value		Fair value	Gains (Losses)
		Over 1 year				Over 1 year		
Over-the-counter transactions								
Yen interest rate swaption contracts								
Sold								
Receipt fixed, payment floating	—	—			—	—		
[—]			—	—	[—]		—	—
Payment fixed, receipt floating	—	—			—	—		
[—]			—	—	[—]		—	—
Bought								
Receipt fixed, payment floating	—	—			—	—		
[—]			—	—	[—]		—	—
Payment fixed, receipt floating	150,000	30,000			30,000	—		
[133]			154	20	[63]		110	47
Total				20				47

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

[Currency-related Transactions]

(Millions of yen)

	As of March 31, 2022				As of March 31, 2023			
	Notional amount/ contract value	Fair value	Gains (Losses)		Notional amount/ contract value	Fair value	Gains (Losses)	
	Over 1 year				Over 1 year			
Over-the-counter transactions								
Currency forward contracts								
Sold	60,739	—	64,841	(4,101)	46,036	—	46,240	(204)
U.S. dollar	40,866	—	43,505	(2,639)	29,035	—	29,202	(166)
Australian dollar	5,530	—	5,993	(463)	11,171	—	11,131	40
Canadian dollar	12,759	—	13,700	(941)	5,829	—	5,906	(77)
Euro	1,583	—	1,642	(58)	—	—	—	—
Bought	—	—	—	—	—	—	—	—
Currency options								
Sold								
Call	24,257	—	356	(339)	—	—	—	—
U.S. dollar	[17]	—	356	(339)	[—]	—	—	—
Put	—	—	—	—	—	—	—	—
U.S. dollar	[—]	—	—	—	[—]	—	—	—
Bought								
Call	—	—	—	—	—	—	—	—
U.S. dollar	[—]	—	—	—	[—]	—	—	—
Put	138,259	—	6	(191)	30,650	—	118	(357)
U.S. dollar	[198]	—	6	(191)	[475]	—	118	(357)
Total				(4,632)				(561)

Notes: 1. Forward exchange rates are used for exchange rates as of March 31, 2023.

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

[Stock-related Transactions]

(Millions of yen)

	As of March 31, 2022				As of March 31, 2023			
	Notional amount/ contract value	Fair value	Gains (Losses)		Notional amount/ contract value	Fair value	Gains (Losses)	
	Over 1 year				Over 1 year			
Exchange-traded transactions								
Stock index options								
Sold								
Call	—	—	—	—	—	—	—	—
U.S. dollar	[—]	—	—	—	[—]	—	—	—
Put	—	—	—	—	—	—	—	—
U.S. dollar	[—]	—	—	—	[—]	—	—	—
Bought								
Call	—	—	—	—	—	—	—	—
U.S. dollar	[—]	—	—	—	[—]	—	—	—
Put	35,100	—	9	(202)	8,800	—	8	(31)
U.S. dollar	[210]	—	9	(202)	[39]	—	8	(31)
Total				(202)				(31)

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

[Bond-related Transactions]

(Millions of yen)

	As of March 31, 2022				As of March 31, 2023			
	Notional amount/ contract value	Fair value	Gains (Losses)		Notional amount/ contract value	Fair value	Gains (Losses)	
	Over 1 year				Over 1 year			
Exchange-traded transactions								
Yen-denominated bond futures								
Sold	—	—	—	—	7,268	—	7,406	(137)
Bought	—	—	—	—	—	—	—	—
Foreign currency-denominated bond futures								
Sold	—	—	—	—	—	—	—	—
Bought	—	—	—	—	—	—	—	—
Total				—				(137)

(iii) Hedge Accounting Applied

[Interest-related Transactions]

No ending balance as of March 31, 2022 and March 31, 2023.

[Currency-related Transactions]

(Millions of yen)

(millions of yen)

Method of hedge accounting	Hedging instruments	As of March 31, 2022				As of March 31, 2023			
		Hedged items	Notional amount/ contract value		Fair value	Hedged items	Notional amount/ contract value		Fair value
				Over 1 year				Over 1 year	
Fair value hedge method	Currency forward contracts	Foreign				Foreign			
	Sold	currency-	944,465	—	1,007,994	currency-	191,105	—	191,946
	U.S. dollar	denominated	589,665	—	625,155	denominated	111,539	—	112,485
	Australian dollar	bonds	145,982	—	161,038	bonds	53,684	—	52,860
	Euro		109,105	—	115,210		14,743	—	15,102
	Swedish krona		33,588	—	35,719		8,758	—	9,020
	British pound		2,343	—	2,410		2,379	—	2,477
	Canadian dollar		63,779	—	68,460		—	—	—
	Bought		—	—	—		—	—	—
Total									

Notes: 1. Forward exchange rates are used for exchange rates as of March 31, 2023.

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

[Stock-related Transactions]

No ending balance as of March 31, 2022 and March 31, 2023.

[Bond-related Transactions]

No ending balance as of March 31, 2022 and March 31, 2023.

11. Status of the Company, Subsidiaries and Affiliates

(1) Selected Financial Data

(100 million of yen)

	Year ended March 31, 2022	Year ended March 31, 2023
Ordinary revenues	8,578	10,286
Ordinary profits	405	344
Net surplus attributable to the parent company	339	316
Comprehensive income	565	(624)

	As of March 31, 2022	As of March 31, 2023
Total assets	89,869	88,837
Solvency margin ratio	1,274.3%	1,171.9%

(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 March 31, 2023		As of March 31, 2022	As of March 31, 2023
Assets:			Liabilities:		
Cash and deposits	323,128	524,841	Policy reserves:	7,447,853	7,540,406
Call loans	48,000	130,000	Reserve for outstanding claims	27,719	26,326
Monetary claims bought	80	—	Policy reserve	7,356,399	7,449,355
Money held in trust	26,070	25,897	Reserve for dividends to policyholders	63,411	64,420
Securities	7,697,988	7,321,344	Reserve for dividends to policyholders (subsidiary)	322	304
Loans	556,577	527,561	Agency payables	165	461
Tangible fixed assets:	245,765	247,723	Reinsurance payables	104	60
Land	150,195	149,747	Subordinated bonds	241,935	241,935
Buildings	89,379	89,751	Other liabilities	281,058	208,704
Lease assets	298	991	Reserve for claims and other payments	3,432	—
Construction in progress	1,767	3,649	Net defined benefit liabilities	27,677	25,220
Other tangible fixed assets	4,125	3,583	Reserve for price fluctuation	187,692	188,538
Intangible fixed assets:	30,609	28,690	Deferred tax liabilities	25,188	0
Software	19,657	23,558	Deferred tax liabilities for land revaluation	14,183	14,164
Lease assets	3,486	2,635	Total liabilities	8,229,290	8,219,491
Other intangible fixed assets	7,466	2,497	Net assets:		
Agency receivables	0	0	Foundation funds	12,000	12,000
Reinsurance receivables	175	83	Accumulated foundation funds redeemed	116,000	116,000
Other assets	58,397	61,085	Reserve for revaluation	112	112
Net defined benefit assets	822	1,184	Consolidated surplus	132,765	133,303
Deferred tax assets	1,831	16,131	Total foundation funds, surplus and others	260,877	261,415
Allowance for possible loan losses	(2,516)	(826)	Net unrealized gains (losses) on available-for-sale securities, net of tax	486,644	390,148
			Revaluation reserve for land, net of tax	4,184	4,468
			Foreign currency translation adjustment	(312)	(58)
			Accumulated remeasurements of defined benefit plans	(2,030)	274
			Total accumulated other comprehensive income	488,486	394,833
			Non-controlling interests	8,276	7,977
			Total net assets	757,640	664,226
Total assets	8,986,931	8,883,718	Total liabilities and net assets	8,986,931	8,883,718

(4) Consolidated Statements of Operations and Comprehensive Income

[Consolidated Statements of Operations]

	(Millions of yen)	
	Year ended March 31, 2022	Year ended March 31, 2023
Ordinary revenues:		
Premium and other income	632,055	760,603
Investment income	215,080	253,691
Interest, dividends and other income	185,514	182,754
Gains on money held in trust, net	817	—
Gains on trading securities, net	1,664	348
Gains on sales of securities	16,760	55,764
Gains on redemption of securities, net	65	11,702
Foreign exchange gains, net	1,616	—
Reversal of allowance for possible loan losses	1,867	624
Other investment income	381	322
Gains on separate accounts, net	6,391	2,174
Other ordinary revenues	10,762	14,327
Total ordinary revenues	857,898	1,028,622
Ordinary expenses:		
Claims and other payments	613,582	679,967
Claims	91,523	144,133
Annuities	309,762	288,512
Benefits	116,426	150,002
Surrenders	71,221	71,845
Other payments	24,648	25,473
Provision of policy reserve and others:	29,147	92,970
Provision of reserve for outstanding claims	4,006	—
Provision of policy reserves	25,127	92,956
Provision of interest portion of reserve for dividends to policyholders	13	13
Provision of interest portion of reserve for dividends to policyholders (subsidiary)	0	0
Investment expenses	41,910	90,607
Interest expenses	4,417	4,479
Losses on money held in trust, net	—	161
Losses on sales of securities	15,060	46,995
Losses on valuation of securities	344	3,608
Losses on redemption of securities, net	—	185
Losses on derivative instruments, net	7,746	11,221
Foreign exchange losses, net	—	8,235
Depreciation of real estate for rent and other assets	4,788	4,850
Other investment expenses	9,553	10,868
Operating expenses	99,607	101,175
Other ordinary expenses	33,132	29,486
Total ordinary expenses	817,379	994,207
Ordinary profits	40,519	34,415
Extraordinary gains:		
Gains on disposal of fixed assets	11	393
Total extraordinary gains	11	393
Extraordinary losses:		
Losses on disposal of fixed assets	431	182
Impairment losses	46	32
Provision of reserve for price fluctuation	4,171	845
Total extraordinary losses	4,650	1,060
Provision of reserve for dividends to policyholders (subsidiary)	195	173
Surplus before income taxes	35,685	33,574
Income taxes:		
Current	11,945	4,008
Deferred	(10,247)	(2,191)
Total income taxes	1,698	1,816
Net surplus	33,986	31,757
Net surplus (loss) attributable to non-controlling interests	74	106
Net surplus attributable to the parent company	33,911	31,650

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

[Consolidated Statements of Comprehensive Income]

(Millions of yen)

	Year ended March 31, 2022	Year ended March 31, 2023
Net surplus	33,986	31,757
Other comprehensive income:	22,514	(94,229)
Net unrealized gains (losses) on available-for-sale securities, net of tax	20,581	(96,789)
Foreign currency translation adjustments	259	254
Remeasurements of defined benefit plan, net of tax	1,673	2,305
Comprehensive income:	56,500	(62,472)
Comprehensive income attributable to the parent company	56,633	(62,286)
Comprehensive income attributable to non-controlling interests	(132)	(186)

(5) Consolidated Statements of Cash Flows

(Millions of yen)

	Year ended March 31, 2022	Year ended March 31, 2023
Cash flows from operating activities:		
Surplus before income taxes	35,685	33,574
Depreciation of real estate for rent and other assets	4,788	4,850
Depreciation	14,529	13,720
Impairment losses	46	32
Increase (decrease) in reserve for outstanding claims	4,006	(1,392)
Increase (decrease) in policy reserve	25,127	92,956
Provision of interest portion of reserve for dividends to policyholders	13	13
Provision of interest portion of reserve for dividends to policyholders (subsidiary)	0	0
Provision of reserve for dividends to policyholders (subsidiary)	195	173
Increase (decrease) in allowance for possible loan losses	(1,870)	(1,689)
Increase (decrease) in reserve for claims and other payments	3,432	(3,432)
Increase (decrease) in net defined benefit liabilities	755	382
Increase (decrease) in reserve for price fluctuation	4,171	845
Interest, dividends and other income	(185,514)	(182,754)
Losses (gains) on securities, net	(2,548)	(7,817)
Interest expenses	4,417	4,479
Foreign exchange losses (gains), net	(1,616)	8,235
Losses (gains) on tangible fixed assets, net	386	(218)
Decrease (increase) in agency receivable	0	(0)
Decrease (increase) in reinsurance receivable	(5)	92
Decrease (increase) in other assets except from investing and financing activities	2,589	(5,974)
Increase (decrease) in agency payable	53	295
Increase (decrease) in reinsurance payable	0	(43)
Increase (decrease) in other liabilities except from investing and financing activities	2,185	(1,548)
Others	17,933	20,590
Subtotal	(71,236)	(24,627)
Interest, dividends and other income received	182,614	185,806
Interest expenses paid	(4,388)	(4,450)
Dividends to policyholders paid	(32,580)	(29,731)
Dividends to policyholders paid (subsidiary)	(181)	(192)
Corporate income tax (paid) refunded	(11,931)	(6,640)
Net cash provided by (used in) operating activities [a]	62,296	120,164
Cash flows from investing activities:		
Net decrease (increase) in deposits	2,003	(9,767)
Proceeds from sales and redemption of monetary claims bought	158	77
Increase in money held in trust	(2,310)	—
Decrease in money held in trust	2,310	—
Payments for purchase of securities	(768,599)	(983,240)
Proceeds from sales and redemption of securities	618,119	1,307,916
Payments for additions to loans	(78,096)	(75,769)
Proceeds from collections of loans	86,729	96,953
Proceeds from and payments for settlements of derivatives, net	(76,466)	(146,423)
Increase (decrease) in cash received as collateral under securities lending transactions	99,108	(5,445)
Others	(8,672)	(9,853)
Subtotal [b]	(125,716)	174,447
[a + b]	(63,420)	294,611
Payments for purchase of tangible fixed assets	(9,512)	(8,976)
Proceeds from sales of tangible fixed assets	109	1,036
Payments for purchase of intangible fixed assets	(11,808)	(8,863)
Net cash provided by (used in) investing activities	(146,928)	157,643
Cash flows from financing activities:		
Payment of interest on foundation funds	(102)	(102)
Dividends paid to non-controlling interests	(159)	(112)
Payments for lease obligations	(3,710)	(2,467)
Net cash provided by (used in) financing activities	(3,972)	(2,681)
Effect of exchange rate changes on cash and cash equivalents	(219)	(1,226)
Net increase (decrease) in cash and cash equivalents	(88,823)	273,899
Cash and cash equivalents at the beginning of the fiscal year	455,823	366,999
Cash and cash equivalents at the end of the fiscal year	366,999	640,899

(6) Consolidated Statements of Changes in Net Assets

[For the year ended March 31, 2022]

(Millions of yen)

	Foundation funds, surplus and others				
	Foundation funds	Accumulated foundation funds redeemed	Reserve for revaluation	Consolidated surplus	Total foundation funds, surplus and others
Balance at the beginning of the 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

	Accumulated other comprehensive income					Non-controlling interests	Total net assets
	Net unrealized gains (losses) on available- for-sale securities, net of tax	Revaluation reserve for land, net of tax	Foreign currency translation adjustments	Accumulated remeasurements of defined benefit plans	Total accumulated other comprehensive income		
Balance at the beginning of the 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, 2023]

(Millions of yen)

	Foundation funds, surplus and others				
	Foundation funds	Accumulated foundation funds redeemed	Reserve for revaluation	Consolidated surplus	Total foundation funds, surplus and others
Balance at the beginning of the fiscal year	12,000	116,000	112	132,765	260,877
Changes in the fiscal year					
Additions to reserve for dividends to policyholders				(30,726)	(30,726)
Payment of interest on foundation funds				(102)	(102)
Net surplus attributable to the parent company for the fiscal year				31,650	31,650
Reversal of revaluation reserve for land, net of tax				(284)	(284)
Net changes, excluding foundation funds, surplus and others					
Total changes in the fiscal year	—	—	—	537	537
Balance at the end of the fiscal year	12,000	116,000	112	133,303	261,415

	Accumulated other comprehensive income					Non-controlling interests	Total net assets
	Net unrealized gains (losses) on available- for-sale securities, net of tax	Revaluation reserve for land, net of tax	Foreign currency translation adjustments	Accumulated remeasurements of defined benefit plans	Total accumulated other comprehensive income		
Balance at the beginning of the fiscal year	486,644	4,184	(312)	(2,030)	488,486	8,276	757,640
Changes in the fiscal year							
Additions to reserve for dividends to policyholders							(30,726)
Payment of interest on foundation funds							(102)
Net surplus attributable to the parent company for the fiscal year							31,650
Reversal of revaluation reserve for land, net of tax							(284)
Net changes, excluding foundation funds, surplus and others	(96,496)	284	254	2,305	(93,652)	(298)	(93,951)
Total changes in the fiscal year	(96,496)	284	254	2,305	(93,652)	(298)	(93,413)
Balance at the end of the fiscal year	390,148	4,468	(58)	274	394,833	7,977	664,226

Notes to the Consolidated Financial Statements

I. Presentation of the Consolidated Financial Statements

1. Basis of Presentation

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

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

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

2. Principles of Consolidation

(1) Scope of Consolidation

Consolidated subsidiaries as of March 31, 2023 are listed below:

Fukoku Capital Management, Inc.

Fukokushinrai Life Insurance Co., Ltd.

Fukoku Information Systems Co., Ltd.

Fukoku Life International (U.K.) Ltd.

Fukoku Life International (America) Inc.

Fukoku Life Investments Singapore Pte. Ltd.

Major unconsolidated subsidiary is Fukoku Business Service Company Limited.

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

(2) Application of Equity Method

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

There are no affiliates for the year ended March 31, 2023.

(3) Fiscal Year of Consolidated Subsidiaries

Among the subsidiaries to be consolidated, fiscal year-end of overseas subsidiaries is 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, 2023 was ¥0 million.

(7) Net defined benefit liabilities and assets, which are provided for employees’ retirement benefits, are calculated by deducting the amount of pension assets from the amount of retirement benefit obligations incurred as of the balance sheet date based on the projected retirement benefits as of the current fiscal year end.

The Company uses the following methods of accounting in relation to retirement benefits:

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

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

(9) Hedge accounting is based on "Accounting Standards for Financial Instruments" (ASBJ Statement No. 10, July 4, 2019).

The Company applies a fair value hedge accounting as a hedge against the risk of foreign exchange fluctuation in relation to bonds and others denominated in foreign currencies, and a designated hedge accounting (“Furiate shori”) for foreign currency swaps as a hedge against the risk of foreign exchange fluctuation in relation to bonds denominated in foreign currencies issued by the Company.

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

(10) The Company accounts for consumption taxes by the tax-exclusion method. The consumption taxes on certain assets, which are not deductible from consumption taxes withheld and that are stipulated to be deferred under the Tax Act, are deferred as prepaid expenses and amortized equally over five years. Consumption taxes other than deferred consumption taxes are recognized as an expense when incurred.

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

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

Of premium incomes that have been received, the portion corresponding to the period that has yet to pass as of 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.

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

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

Regarding claims for which the occurrence of cause for payment has not been reported but the Company recognizes that insured payment has already occurred (“IBNR reserves”), the scope of payment of hospitalization benefits was changed in the fiscal year ended March 31, 2023, with respect to those diagnosed with COVID-19 and were under the care of a doctor or the like at an lodging facility or at home (“deemed hospitalization”). As a result of this change, an appropriate amount of reserves cannot be obtained with the calculation method set forth in the main rules in Article 1, Paragraph 1 of the Notification of the Minister of Finance No.234, 1998 (“IBNR Notification”). The Company therefore records the amount that was calculated using the following method, pursuant to provisions in the proviso of Article 1, Paragraph 1 of IBNR Notification (the “Proviso”).

(Overview of the calculation method)

The Company first deducts an amount pertaining to deemed hospitalization of policy holders other than those with high risk of severity (“4 categories”) from a required amount of IBNR reserves and the amount of claim payments for all the fiscal years, as set forth in the main rules in Article 1, Paragraph 1 of IBNR Notification, and then calculates in the same manner as in the main rules in Article 1, Paragraph 1 of IBNR Notification.

In addition, the amount pertaining to deemed hospitalization of the 4 categories which date of diagnosis required for the above calculation is before September 25, 2022 is estimated by multiplying the amount for deemed hospitalization for those 65 years of age or older whose diagnosis date is before September 25, 2022 by the ratio of the amount for the four categories whose diagnosis date is on or after September 26, 2022 and the amount for the deemed hospitalization for persons 65 years of age or older. However, the amount related to 4 categories deemed hospitalizations for co-insurance follower policies is estimated based on the amount of payments for leader policies.

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

- (13) Policy reserve of the Company is accumulated in accordance with the methods stated in the statement of calculation procedures for Insurance Premiums and Policy Reserves (Article 4 Paragraph 2 Item 4 of the Insurance Business Act) pursuant to Article 116 Paragraph 1 of the Insurance Business Act to prepare for the future performance of obligations under the insurance contracts for which the insurer’s responsibilities have started as of 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 has reduced the assumed interest rate to 1.00% and funded additional policy reserves. As of March 31, 2023, the balance of these policy reserves was ¥71,469 million.
- Among whole life insurance policies with assumed interest rates of 5.00% or higher following the fiscal year ended March 31, 2023, the Company has reduced assumed interest rates for policies with premiums that have been paid in full (excluding policies that have been converted into paid-up or extended policies, single premium policies, and policies for which premiums have been waived) to 1.00% and funded additional policy reserves. As of March 31, 2023, the balance of these policy reserves was ¥106,590 million.
- The Company has also funded additional policy reserves for certain whole life insurance policies that include distribution of surplus every five years, new cancer riders, highly advanced medical riders and transplant medical riders. As of March 31, 2023, the balance of these policy reserves was ¥105 million.

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.

(14) Depreciation of intangible fixed assets is calculated by the following methods.

- Software: Straight-line method over the estimated useful lives.
- Lease assets related to finance lease transactions that do not transfer ownership: Straight-line method over the lease term with no residual value.

(15) Of the bonds 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).

2. The Company began applying the “Implementation Guidance on Accounting Standard for Fair Value Measurement” (ASBJ Statement No. 31, June 17, 2021; hereinafter called “Implementation Guidance on Accounting Standard for Fair Value Measurement”) from the beginning of the consolidated fiscal year. In accordance with the transitional treatments prescribed in Paragraph 27-2 of the Implementation Guidance on Accounting Standard for Fair Value Measurement, new accounting policies set forth by the Implementation Guidance on Accounting Standard for Fair Value Measurement will be applied prospectively. As a result, certain investment trusts that had previously been carried on the consolidated balance sheet at acquisition cost are stated at fair value on the consolidated balance sheet from the consolidated fiscal year ended March 31, 2023. The Company has observed no material impact from this application of the Implementation Guidance on Accounting Standard for Fair Value Measurement.

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 as of March 31, 2023 were as follows:

	Carrying amount	Fair value	(Millions of yen) Difference
Money held in trust:			
Trading securities.....	¥24,897	¥24,897	¥—
Total money held in trust.....	24,897	24,897	—
Securities:			
Trading securities.....	10,232	10,232	—
Held-to-maturity debt securities.....	1,252,237	1,368,169	115,931
Policy-reserve-matching bonds.....	835,657	844,467	8,810
Available-for-sale securities.....	5,076,422	5,076,422	—
Total securities.....	7,174,550	7,299,292	124,741
Loans:			
Policy loans.....	50,456	50,456	(0)
Ordinary loans.....	477,104	487,443	10,339
Total loans.....	527,561	537,900	10,339
Assets total.....	7,727,009	7,862,089	135,080
Subordinated bonds*1.....	241,935	238,498	(3,436)
Liabilities total.....	241,935	238,498	(3,436)
Derivative instruments*2:			
Hedge accounting not applied.....	(683)	(683)	—
Hedge accounting applied.....	(840)	(840)	—
Total derivative instruments.....	¥(1,524)	¥(1,524)	¥—

*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, 2023 was ¥9,114 million.

2. In accordance with Paragraph 24-16 of the Implementation Guidance on Accounting Standard for Fair Value Measurement, investments in partnerships are not included in Securities of the above table.

The amount of investments in partnerships included on the balance sheet as of March 31, 2023, was ¥30,957 million.

3. Investment trusts with real estate as investment trust properties which have applied Paragraph 24-9 of the Implementation Guidance on Accounting Standard for Fair Value Measurement are included in Securities.

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, 2023

Classification	Fair value			
	Level 1	Level 2	Level 3	Total
(Millions of yen)				
Money held in trust:				
Trading securities.....	¥—	¥24,897	¥—	¥24,897
Total money held in trust.....	—	24,897	—	24,897
Securities:				
Trading securities:				
Foreign securities.....	—	10,232	—	10,232
Total trading securities.....	—	10,232	—	10,232
Available-for-sale securities:				
Government bonds.....	1,724,721	—	—	1,724,721
Local government bonds.....	—	124,909	—	124,909
Corporate bonds.....	—	642,457	—	642,457
Stocks.....	740,041	—	—	740,041
Foreign securities.....	595,331	1,053,931	26,490	1,675,753
Other securities.....	47,246	115,697	—	162,943
Total available-for-sale securities.....	3,107,340	1,936,996	26,490	5,070,826
Total securities.....	3,107,340	1,947,228	26,490	5,081,059
Assets total.....	3,107,340	1,972,126	26,490	5,105,957
Derivative instruments*:				
Currency-related.....	—	(1,402)	—	(1,402)
Interest-related.....	—	47	—	47
Stock-related.....	(31)	—	—	(31)
Bond-related.....	(137)	—	—	(137)
Total derivative instruments.....	¥(169)	¥(1,355)	¥—	¥(1,524)

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

Note: Investment trusts with real estate as investment trust properties that have applied Paragraph 24-9 of the Implementation Guidance on Accounting Standard for Fair Value Measurement are not included in the figures above. The amount of the investment trusts on the balance sheet as of March 31, 2023 was ¥5,596 million. Reconciliation of balances from the beginning of the current fiscal year to balances as of March 31, 2023 for the investment trusts were as follows:

(Millions of yen)	
Balance at the beginning of the fiscal year.....	¥3,654
Gains or losses and other comprehensive income during the fiscal year...	441
Values recognized as other comprehensive income*.....	441
Purchase, sales, and redemption.....	1,500
Purchase.....	1,500
Balance at the end of the fiscal year.....	¥5,596

* 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, 2023.

(2) Financial assets and liabilities with fair values not recorded on the balance sheet as of March 31, 2023

(Millions of yen)				
Classification	Fair value			
	Level 1	Level 2	Level 3	Total
Securities:				
Held-to-maturity debt securities:				
Government bonds.....	¥1,171,314	¥—	¥—	¥1,171,314
Local government bonds.....	—	93,825	—	93,825
Corporate bonds.....	—	103,028	—	103,028
Total held-to-maturity debt securities...	1,171,314	196,854	—	1,368,169
Policy-reserve-matching bonds:				
Government bonds.....	404,527	—	—	404,527
Local government bonds.....	—	126,664	—	126,664
Corporate bonds.....	—	313,275	—	313,275
Total policy-reserve-matching bonds...	404,527	439,940	—	844,467
Total securities.....	1,575,842	636,794	—	2,212,636
Loans:				
Policy loans.....	—	—	50,456	50,456
Ordinary loans.....	—	—	487,443	487,443
Total loans.....	—	—	537,900	537,900
Assets total.....	1,575,842	636,794	537,900	2,750,536
Subordinated bonds.....	—	238,498	—	238,498
Liabilities total.....	¥—	¥238,498	¥—	¥238,498

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

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

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

- ii) Money held in trust

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

- iii) Loans

The fair values of policy loans are deemed to approximate book values, considering estimated repayment period and interest rate conditions since their repayment deadlines have not been set up due to the characteristics that the loans are limited to the amount of cash surrender values. Therefore, the book values are used as the fair values of policy loans.

The fair values of floating interest rate loans among the ordinary loans approximate the book values because the market interest rates are reflected in future cash flows in a short period. Therefore, the fair values of floating interest rate loans are based on their book values. The fair values of fixed interest rate loans are primarily measured by discounting the future cash flows to the present values.

The fair values of loans from legally bankrupt borrowers, substantially bankrupt borrowers and not currently bankrupt borrowers are computed by deducting the amount of the allowance for possible loan losses from the book values before direct write-offs.

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

iv) Subordinated bonds

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

v) Derivative instruments

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

(4) Information concerning fair values of financial assets and liabilities that have been recorded on the balance sheet as of March 31, 2023 and classified as Fair Value Level 3

i) Quantitative information regarding material unobservable inputs

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

ii) Reconciliation of balances at the beginning of the current fiscal year and balances as of March 31, 2023, and valuation gains or losses recognized in the statements of operations for the consolidated fiscal year ended March 31, 2023.

	(Millions of yen)	
	Securities, Available-for-sale securities, Foreign securities	Total
Balance at the beginning of the fiscal year.....	¥28,139	¥28,139
Gains or losses and other comprehensive income during the fiscal year.....	(1,648)	(1,648)
Values recognized as gains or losses*1.....	(10)	(10)
Values recognized as other comprehensive income*2.....	(1,638)	(1,638)
Balance at the end of the fiscal year.....	¥26,490	¥26,490

*1 These amounts are included in investment income and investment expenses in the consolidated statements of operations for the fiscal year ended March 31, 2023.

*2 These amounts are included in net unrealized gains (losses) on available-for-sale securities, net of tax under other comprehensive income in the consolidated statements of comprehensive income for the fiscal year ended March 31, 2023.

iii) Explanation of the valuation process for fair value

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

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

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

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

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 ¥197,979 million and ¥349,089 million as of March 31, 2023, 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 was ¥321 million as of March 31, 2023.

6. The amount of securities lent under lending agreements was ¥504,760 million as of March 31, 2023.

7. The total amount of claims against bankrupt and quasi-bankrupt obligors, claims with collection risk, delinquent loans past three months or more, and restructured loans was ¥1,246 million as March 31, 2023. The details are as follows.

i) The balance of claims against bankrupt and quasi-bankrupt obligors was ¥140 million as of March 31, 2023.

Of which, the estimated uncollectible amount written-off was ¥0 million as of March 31, 2023.

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

ii) The balance of claims with collection risk was ¥544 million as of March 31, 2023.

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, 2023.

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

iv) The balance of restructured loans was ¥561 million as of March 31, 2023.

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

8. Accumulated depreciation of tangible fixed assets were ¥183,559 million as of March 31, 2023.

9. Total assets in separate accounts provided for in Article 118 of the Insurance Business Act were ¥118,783 million as of March 31, 2023. 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 ¥2,229 million and ¥42 million as of March 31, 2023, respectively.

11. Deferred tax assets and deferred tax liabilities as of March 31, 2023 were ¥177,047 million and ¥156,019 million, respectively. Valuation allowance for deferred tax assets was ¥4,896 million.

Major components of deferred tax assets were ¥102,788 million of policy reserves, ¥52,790 million of reserve for price fluctuation and ¥12,766 million of net defined benefit liabilities as of March 31, 2023.

Major component of deferred tax liabilities was ¥149,777 million of net unrealized gains on available-for-sale securities as of March 31, 2023.

The statutory tax rate and the actual effective tax rate for the year ended March 31, 2023 were 28.0% and 5.4%, respectively. The difference between the statutory tax rate and the actual effective tax rate was attributable mainly to -23.4% of reserve for dividends to policyholders.

12. Changes in reserve for dividends to policyholders for the year ended March 31, 2023 were as follows:

	(Millions of yen)
Balance at the beginning of the fiscal year.....	¥ 63,411
Transfer from surplus in the previous fiscal year.....	30,726
Dividend payments to policyholders during the fiscal year.....	(29,731)
Increase in interest.....	13
Balance at the end of the fiscal year.....	<u>¥ 64,420</u>

13. Changes in reserve for dividends to policyholders (Fukokushinrai Life Insurance Co., Ltd.) for the year ended March 31, 2023 were as follows:

	(Millions of yen)
Balance at the beginning of the fiscal year.....	¥ 322
Dividend payments to policyholders during the fiscal year.....	(192)
Increase in interest.....	0
Provision of reserve for dividends to policyholders.....	173
Balance at the end of the fiscal year.....	<u>¥ 304</u>

14. The amount of stocks of unconsolidated subsidiaries was ¥404 million as of March 31, 2023.

15. Assets pledged as collateral as of March 31, 2023 were ¥175,557 million of securities.

Secured debts as of March 31, 2023, were ¥161,480 million.

These amounts include ¥147,552 million of investments in securities deposited and ¥155,483 million of cash received as collateral under securities lending transactions secured by cash as of March 31, 2023.

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”) was ¥0 million as of March 31, 2023.

Policy reserve for the reinsurance contracts provided in accordance with Article 71 Paragraph 1 of the Enforcement Regulation of the Insurance Business Act (hereinafter called “policy reserve for ceded reinsurance”) was ¥40 million as of March 31, 2023.

17. There were unused commitment line agreements under which the Company is the lender of ¥8,604 million as of March 31, 2023.

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

19. Matters Related to Employees’ Retirement Benefits as of March 31, 2023

(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

	(Millions of yen)
Retirement benefit obligation at the beginning of the fiscal year.....	¥91,156
Service cost.....	3,718
Interest cost.....	542
Actuarial differences occurred during the fiscal year.....	(12)
Retirement benefit payments.....	(4,450)
Retirement benefit obligation at the end of the fiscal year.....	<u>¥90,953</u>

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

	(Millions of yen)
Pension plan assets at the beginning of the fiscal year.....	¥64,301
Expected return on pension plan assets.....	1,232
Actuarial differences occurred during the fiscal year.....	2,410
Contributions by the employer.....	1,105
Retirement benefit payments.....	(2,135)
Others.....	3
Pension plan assets at the end of the fiscal year.....	<u>¥66,918</u>

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

	(Millions of yen)
a. Funded plan retirement benefit obligation.....	¥78,877
b. Pension plan assets.....	(66,918)
c. (a + b).....	11,959
d. Unfunded plan retirement benefit obligation.....	12,076
e. Net amount of liabilities and assets presented on the consolidated balance sheet.....	24,035
f. Net defined benefit liabilities.....	25,220
g. Net defined benefit assets.....	(1,184)
h. Net amount of liabilities and assets presented on the consolidated balance sheet.....	¥24,035

iv) Breakdown of retirement benefit gains and losses

	(Millions of yen)
Service cost.....	¥3,718
Interest cost.....	542
Expected return on pension plan assets.....	(1,232)
Amortization of actuarial differences.....	772
Amortization of prior service costs.....	5
Others.....	(3)
Retirement benefit expenses related to defined benefit plan.....	¥3,802

v) Remeasurements of defined benefit plan

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

	(Millions of yen)
Amortization of actuarial differences.....	¥3,196
Amortization of prior service cost.....	5
Total.....	¥3,201

vi) Accumulated remeasurements of defined benefit plan

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

	(Millions of yen)
Unrecognized actuarial differences.....	¥421
Unrecognized prior service cost.....	(40)
Total.....	¥381

vii) Breakdown of pension plan assets

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

Domestic stocks.....	44.8%
Life insurance general account.....	30.4%
Domestic bonds.....	9.3%
Foreign stocks.....	8.2%
Assets under joint management.....	3.7%
Foreign bonds.....	3.5%
Total.....	100.0%

Within the total of pension assets, 38.1% of this amount is accounted for by the retirement benefit trust established in relation to the retirement lump-sum payments plan for sales employees.

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

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

ix) Underlying actuarial assumptions

Main underlying actuarial assumptions as of March 31, 2023, were as follows:

Discount rate.....	0.6%
Expected long-term rate of return on pension plan assets	
Defined Benefit Plan.....	3.0%
Retirement benefit trust.....	0.0%

(3) Defined Contribution Plan

The required contribution amount by the Company and its consolidated subsidiaries to the defined contribution plan was ¥339 million as of March 31, 2023.

III. Notes to the Consolidated Statements of Operations

1. The total amounts of revenues and expenses in connection with unconsolidated subsidiaries were ¥120 million and ¥1,184 million for the year ended March 31, 2023.
2. For the year ended March 31, 2023, in calculating the provision of reserve for outstanding claims, a reversal of reserve for outstanding claims for ceded reinsurance of ¥1 million was deducted. In calculating the provision of policy reserves, a reversal of policy reserve for ceded reinsurance of ¥2 million was added.

IV. Notes to the Consolidated Statements of Comprehensive Income

1. Other Comprehensive Income

The reclassification adjustments and tax effect amounts related to other comprehensive income for the year ended March 31, 2023 were as follows:

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

	(Millions of yen)
Amount incurred during the fiscal year.....	¥(117,506)
Reclassification adjustments.....	(17,496)
Before tax adjustments.....	(135,002)
Tax effects.....	38,212
Net unrealized gains (losses) on available-for-sale securities, net of tax....	¥(96,789)

ii) Foreign currency translation adjustments

	(Millions of yen)
Amount incurred during the fiscal year.....	¥254
Reclassification adjustments.....	—
Before tax adjustments.....	254
Tax effects.....	—
Foreign currency translation adjustments.....	¥254

iii) Remeasurements of defined benefit plans, net of tax

	(Millions of yen)
Amount incurred during the fiscal year.....	¥2,423
Reclassification adjustments.....	777
Before tax adjustments.....	3,201
Tax effects.....	(896)
Remeasurements of defined benefit plans, net of tax.....	2,305
Total other comprehensive income.....	¥(94,229)

V. Notes to the Consolidated Statements of Cash Flows

1. Cash and cash equivalents as of March 31, 2023 consist of "Cash," "Deposits in transfer account," "Current deposits," "Ordinary deposits," "Notice deposits," "Time deposits maturing within 3 months of the date of acquisition," "Foreign currency deposits maturing within 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 as of March 31, 2023 were as follows:

	(Millions of yen)
Cash and deposits.....	¥524,841
Call loans.....	130,000
Time deposits maturing over 3 months of the date of acquisition.....	(13,100)
Foreign currency deposits maturing over 3 months of the date of acquisition.....	(842)
Cash and cash equivalents.....	¥640,899

(7) Disclosed Claims Based on Insurance Business Act

(Millions of yen)

	As of March 31, 2022	As of March 31, 2023
Claims against bankrupt and quasi-bankrupt obligors	160	140
Claims with collection risk	1,999	544
Delinquent loans past three months or more	—	—
Restructured loans	1,616	561
Subtotal [Percentage of total]	3,776 [0.32%]	1,246 [0.12%]
Claims against normal obligors	1,178,872	1,035,561
Total	1,182,649	1,036,808

- Notes: 1. Claims against bankrupt and quasi-bankrupt obligors are loans to borrowers who are subject to bankruptcy, corporate reorganization or rehabilitation or other similar proceedings and other borrowers in serious financial difficulties.
2. Claims with collection risk are loans to obligors (other than claims against bankrupt and quasi-bankrupt obligors) with deteriorated financial condition and results of operations from which it is unlikely that the principal and interest on the loans will be recovered.
3. Delinquent loans past three months or more are loans for which interest payments or repayments of principal are delinquent for three months or more from the due date under the terms of the related loan agreements, excluding those loans classified as claims against bankrupt and quasi-bankrupt obligors, claims with collection risk.
4. Restructured loans are loans for which certain concessions favorable to borrowers, such as interest reduction or exemption, rescheduling of due date for repayments of principal or interest payment, waiver of claim or other terms, have been negotiated for the purpose of assisting and supporting the borrowers in the restructuring of their business. This category excludes loans classified as claims against bankrupt and quasi-bankrupt obligors, claims with collection risk, and delinquent loans past three months or more.
5. Claims against normal obligors are all other loans.

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

		(Millions of yen)	
		As of March 31, 2022	As of March 31, 2023
Total solvency margin	(A)	2,003,378	1,923,471
Foundation funds and surplus		235,245	238,663
Reserve for price fluctuation		187,692	188,538
Contingency reserve		157,929	170,512
Catastrophe loss reserve		—	—
General allowance for possible loan losses		820	404
(Net unrealized gains (losses) on securities (before tax) and deferred hedge gains (losses) (before tax)) × 90%		607,419	486,289
Net unrealized gains on real estate × 85%		140,830	155,499
Sum of unrecognized actuarial differences and unrecognized prior service cost		(2,819)	381
Excess amount of policy reserve based on full-time Zillmer method		389,036	395,807
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	45,439
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	328,259
Insurance risk R_1		22,215	21,801
General insurance risk R_5		—	—
Catastrophe risk R_6		—	—
3rd sector insurance risk R_8		10,108	10,241
Small amount and short-term insurance risk R_9		—	—
Assumed investment yield risk R_2		22,508	21,398
Minimum guarantee risk R_7		—	—
Investment risk R_3		283,438	298,225
Business risk R_4		6,765	7,033
Solvency margin ratio $\frac{(A)}{(1/2) \times (B)} \times 100$		1,274.3%	1,171.9%

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.

(9) Status of Insurance Claims Paying Ability of Insurance Subsidiaries
(Solvency Margin Ratio)

[Fukokushinrai Life Insurance Company]

(Millions of yen)

	As of March 31, 2022	As of March 31, 2023
Total solvency margin (A)	99,581	97,656
Foundation funds and surplus	71,158	71,966
Reserve for price fluctuation	11,022	11,349
Contingency reserve	2,471	2,623
General allowance for possible loan losses	0	0
(Net unrealized gains (losses) on securities (before tax) and deferred hedge gains (losses) (before tax)) × 90%	8,672	5,156
Net unrealized gains on real estate × 85%	—	—
Excess amount of policy reserve based on full-time Zillmer method	2,295	2,285
Qualifying subordinated debt	—	—
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	3,960	4,274
Total amount of risk $\sqrt{(R_1 + R_8)^2 + (R_2 + R_3 + R_7)^2} + R_4$ (B)	17,828	18,271
Insurance risk R_1	410	400
3rd sector insurance risk R_8	144	149
Assumed investment yield risk R_2	326	324
Minimum guarantee risk R_7	—	—
Investment risk R_3	17,132	17,569
Business risk R_4	360	368
Solvency margin ratio $\frac{(A)}{(1/2) \times (B)} \times 100$	1,117.1%	1,068.9%

Note: 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.