

Financial Results for the Six Months Ended September 30, 2024

Fukoku Mutual Life Insurance Company (President: Yoshiteru Yoneyama) announces financial results for the six months ended September 30, 2024.

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Attached: Supplementary Materials for the Six Months Ended September 30, 2024

1. Business Highlights

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

(i) Policies in Force

	As of March 31, 2024		As of September 30, 2024			
	Number of policies (Thousands)	Amount (100 millions of yen)	Number of policies (Thousands)	Amount		Changes (%, Pre-FYE)
				(100 millions of yen)	Changes (%, Pre-FYE)	
Individual insurance	3,130	216,885	3,114	99.5	214,803	99.0
Individual annuities	539	20,698	543	100.9	20,935	101.1
Subtotal	3,669	237,583	3,658	99.7	235,739	99.2
Group insurance	—	173,972	—	—	174,499	100.3
Group annuities	—	23,306	—	—	23,400	100.4

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

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

(ii) New Policies

Six months ended September 30, 2023	Total		New business	Net increase by conversion
	Number of policies (Thousands)	Amount (100 millions of yen)	Amount (100 millions of yen)	Amount (100 millions of yen)
Individual insurance	173	5,875	5,385	489
Individual annuities	3	89	93	(3)
Subtotal	176	5,965	5,478	486
Group insurance	—	32	32	—
Group annuities	—	0	0	—

Six months ended September 30, 2024	Total				New business		Net increase by conversion	
	Number of policies (Thousands)	Amount		Amount (100 millions of yen)	Changes (%, YoY)	Amount (100 millions of yen)	Changes (%, YoY)	
		(100 millions of yen)	Changes (%, YoY)					
Individual insurance	160	92.6	5,619	95.6	5,461	101.4	158	32.4
Individual annuities	22	735.0	869	971.5	875	941.1	(6)	—
Subtotal	183	103.8	6,489	108.8	6,336	115.7	152	31.4
Group insurance	—	—	60	186.8	60	186.8	—	—
Group annuities	—	—	0	134.6	0	134.6	—	—

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

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

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

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

	Six months ended September 30, 2023	Six months ended September 30, 2024	
			Changes (%, YoY)
Amount of surrender and lapse (100 millions of yen)	5,719	5,729	100.2
Surrender and lapse ratio (%)	2.35	2.41	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, 2024	As of September 30, 2024	
			Changes (% Pre-FYE)
Individual insurance	2,609	2,592	99.3
Individual annuities	1,038	1,035	99.7
Total	3,648	3,628	99.5
Medical coverage and living benefits	1,167	1,169	100.2

(ii) New Policies

(100 millions of yen, %)

	Six months ended September 30, 2023	Six months ended September 30, 2024	
			Changes (% YoY)
Individual insurance	71	61	85.6
Individual annuities	2	23	930.1
Total	73	84	114.3
Medical coverage and living benefits	33	32	98.6

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

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

3. New policies include net increase by conversion.

2. Investment Results of General Account Assets

(1) Asset Composition

(Millions of yen, %)

	As of March 31, 2024		As of September 30, 2024	
	Amount	% of total	Amount	% of total
Cash, deposits, and call loans	435,624	5.8 %	476,370	6.4 %
Money held in trust	23,502	0.3	23,320	0.3
Securities	6,219,323	82.8	6,084,799	82.1
Domestic bonds	2,933,981	39.1	2,801,312	37.8
Domestic stocks	997,497	13.3	980,033	13.2
Foreign securities	2,070,200	27.6	2,081,035	28.1
Foreign bonds	1,445,869	19.3	1,446,391	19.5
Foreign stocks and other securities	624,331	8.3	634,643	8.6
Other securities	217,644	2.9	222,418	3.0
Loans	499,793	6.7	481,327	6.5
Policy loans	45,991	0.6	45,054	0.6
Ordinary loans	453,802	6.0	436,272	5.9
Real estate	251,508	3.3	256,024	3.5
Others	81,036	1.1	85,956	1.2
Allowance for possible loan losses	(703)	(0.0)	(642)	(0.0)
Total	7,510,086	100.0	7,407,157	100.0
Foreign currency denominated assets	2,065,852	27.5	2,051,276	27.7

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

(2) Changes (Increase/Decrease) in Assets

(Millions of yen)

	Six months ended September 30, 2023	Six months ended September 30, 2024
Cash, deposits, and call loans	(302,593)	40,745
Money held in trust	(3,391)	(181)
Securities	356,247	(134,524)
Domestic bonds	113,675	(132,668)
Domestic stocks	92,850	(17,464)
Foreign securities	129,876	10,834
Foreign bonds	105,324	522
Foreign stocks and other securities	24,552	10,312
Other securities	19,845	4,773
Loans	103	(18,466)
Policy loans	(345)	(936)
Ordinary loans	448	(17,530)
Real estate	(159)	4,515
Deferred tax assets	(13,829)	—
Others	(6,314)	4,920
Allowance for possible loan losses	29	61
Total	30,092	(102,928)
Foreign currency denominated assets	86,099	(14,575)

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

(3) Investment Income

(Millions of yen)

	Six months ended September 30, 2023	Six months ended September 30, 2024
Interest, dividends and other income	78,817	90,285
Interest on deposits	1	14
Interest and dividends on securities	64,403	75,358
Interest on loans	4,449	4,282
Income from real estate for rent	9,850	10,379
Other interest and dividends	112	250
Gains on money held in trust, net	200	—
Gains on trading securities, net	652	0
Gains on sales of securities	34,539	48,569
Gains on sales of domestic bonds	982	1,903
Gains on sales of domestic stocks	19,004	19,505
Gains on sales of foreign securities	14,552	27,159
Gains on redemption of securities	1,954	3,011
Foreign exchange gains, net	2,600	—
Reversal of allowance for possible loan losses	23	51
Other investment income	219	76
Total	119,008	141,993

(4) Investment Expenses

(Millions of yen)

	Six months ended September 30, 2023	Six months ended September 30, 2024
Interest expenses	2,154	2,312
Losses on money held in trust, net	—	137
Losses on sales of securities	17,149	32,515
Losses on sales of domestic bonds	4,376	31,822
Losses on sales of domestic stocks	729	198
Losses on sales of foreign securities	12,042	494
Losses on valuation of securities	185	752
Losses on valuation of domestic stocks	185	83
Losses on valuation of foreign securities	—	668
Losses on redemption of securities, net	137	—
Losses on derivative instruments, net	5,712	745
Foreign exchange losses, net	—	628
Depreciation of real estate for rent and other assets	2,516	2,869
Other investment expenses	6,906	6,551
Total	34,762	46,512

(5) Net Investment Income

(Millions of yen)

	Six months ended September 30, 2023	Six months ended September 30, 2024
Net investment income	84,246	95,481

(6) Net Valuation Gains/Losses on Trading Securities

(Millions of yen)

	As of March 31, 2024		As of September 30, 2024	
	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	22,502	1,135	22,320	(39)

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

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

(Millions of yen)

	As of March 31, 2024					As of September 30, 2024				
	Book value	Fair value	Gains/Losses			Book value	Fair value	Gains/Losses		
			Gains	Losses				Gains	Losses	
Held-to-maturity debt securities	708,320	759,424	51,104	51,104	—	695,993	738,531	42,538	42,538	—
Domestic bonds	708,320	759,424	51,104	51,104	—	695,993	738,531	42,538	42,538	—
Foreign bonds	—	—	—	—	—	—	—	—	—	—
Policy-reserve-matching bonds	290,573	283,026	(7,546)	331	7,877	375,133	352,537	(22,596)	98	22,694
Domestic bonds	290,573	283,026	(7,546)	331	7,877	375,133	352,537	(22,596)	98	22,694
Foreign bonds	—	—	—	—	—	—	—	—	—	—
Investments in subsidiaries and affiliates	—	—	—	—	—	—	—	—	—	—
Available-for-sale securities	4,195,706	5,103,160	907,454	1,055,739	148,285	4,114,967	4,892,949	777,981	943,721	165,740
Domestic bonds	1,987,603	1,935,087	(52,516)	82,679	135,195	1,812,139	1,730,184	(81,954)	66,380	148,334
Domestic stocks	346,904	928,443	581,539	582,045	506	381,201	910,980	529,779	533,784	4,004
Foreign securities	1,717,017	2,045,310	328,292	339,444	11,152	1,769,613	2,054,827	285,213	296,601	11,387
Foreign bonds	1,292,421	1,445,869	153,447	161,326	7,879	1,341,405	1,446,391	104,985	112,857	7,871
Foreign stocks and other securities	424,596	599,440	174,844	178,117	3,273	428,208	608,436	180,228	183,743	3,515
Other securities	144,179	194,318	50,138	51,570	1,431	152,013	196,955	44,942	46,955	2,013
Money held in trust	—	—	—	—	—	—	—	—	—	—
Monetary claims bought	—	—	—	—	—	—	—	—	—	—
Negotiable certificate of deposits	—	—	—	—	—	—	—	—	—	—
Others	—	—	—	—	—	—	—	—	—	—
Total	5,194,599	6,145,611	951,012	1,107,175	156,163	5,186,095	5,984,018	797,923	986,358	188,434
Domestic bonds	2,986,497	2,977,539	(8,957)	134,115	143,073	2,883,266	2,821,254	(62,012)	109,016	171,029
Domestic stocks	346,904	928,443	581,539	582,045	506	381,201	910,980	529,779	533,784	4,004
Foreign securities	1,717,017	2,045,310	328,292	339,444	11,152	1,769,613	2,054,827	285,213	296,601	11,387
Foreign bonds	1,292,421	1,445,869	153,447	161,326	7,879	1,341,405	1,446,391	104,985	112,857	7,871
Foreign stocks and other securities	424,596	599,440	174,844	178,117	3,273	428,208	608,436	180,228	183,743	3,515
Other securities	144,179	194,318	50,138	51,570	1,431	152,013	196,955	44,942	46,955	2,013
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, 2024	As of September 30, 2024
Investments in subsidiaries and affiliates	64,787	64,787
Available-for-sale securities	45,922	49,945
Domestic stocks	5,824	5,822
Foreign stocks	—	—
Others	40,097	44,122
Total	110,709	114,732

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 (¥6,560 million as of March 31, 2024 and ¥5,989 million as of September 30, 2024) are included in their balance sheet carrying amounts.

(8) Fair Value Information on Money Held in Trust

(Millions of yen)

	As of March 31, 2024					As of September 30, 2024				
	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	23,502	23,502	—	—	23,320	23,320	—	—	—	

• Money held in trust for trading purpose

(Millions of yen)

	As of March 31, 2024		As of September 30, 2024	
	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	22,502	0	22,320	(39)

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

(Millions of yen)

	As of March 31, 2024					As of September 30, 2024				
	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, 2024	Interest-related	Currency-related	Stock-related	Bond-related	Others	Total
Hedge accounting applied	—	—	—	—	—	—
Hedge accounting not applied	—	(940)	(89)	—	—	(1,029)
Total	—	(940)	(89)	—	—	(1,029)
As of September 30, 2024	Interest-related	Currency-related	Stock-related	Bond-related	Others	Total
Hedge accounting applied	—	—	—	—	—	—
Hedge accounting not applied	—	690	—	—	—	690
Total	—	690	—	—	—	690

Note: Gains and losses with hedge accounting not applied are reported in the statements of operations.

(ii) Interest-related Transactions

No ending balance as of March 31, 2024 and September 30, 2024.

(iii) Currency-related Transactions

(Millions of yen)

	As of March 31, 2024				As of September 30, 2024			
	Notional amount/ contract value	Fair value	Gains (Losses)		Notional amount/ contract value	Fair value	Gains (Losses)	
Over-the-counter transactions								
Currency forward contracts								
Sold								
U.S. dollar	24,618	—	25,049	(431)	21,561	—	21,061	500
Australian dollar	15,513	—	15,788	(274)	12,059	—	11,813	245
Total	9,104	—	9,261	(156)	9,502	—	9,248	254
Bought	—	—	—	—	—	—	—	—
Currency options								
Sold								
Call	[—]	—	—	—	[—]	—	—	—
Put	[—]	—	—	—	[—]	—	—	—
Bought								
Call	[—]	—	—	—	[—]	—	—	—
Put	36,960	—	—	—	11,200	—	—	—
U.S. dollar	[536]	—	26	(509)	[96]	—	287	190
Australian dollar	[515]	—	25	(490)	[96]	—	287	190
Total	1,860	—	—	—	—	—	—	—
Total	[20]	—	1	(18)	[—]	—	—	—
Total				(940)				690

Notes: 1. Forward exchange rates are used for exchange rates as of September 30, 2024.

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, 2024				As of September 30, 2024			
	Notional amount/ contract value	Fair value	Gains (Losses)		Notional amount/ contract value	Fair value	Gains (Losses)	
Exchange-traded transactions								
Stock index option								
Sold								
Call	—	—	—	—	—	—	—	—
Put	[—]	—	—	—	[—]	—	—	—
Bought								
Call	[—]	—	—	—	[—]	—	—	—
Put	6,150	—	—	—	—	—	—	—
Total	[90]	—	0	(89)	[—]	—	—	—
Total				(89)				—

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

(v) Bond-related Transactions

No ending balance as of March 31, 2024 and September 30, 2024.

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

(Millions of yen)

As of March 31, 2024			As of September 30, 2024		
Carrying value on the balance sheet	Fair value	Gains (Losses)	Carrying value on the balance sheet	Fair value	Gains (Losses)
149,485	325,747	176,261	152,633	329,493	176,860

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, 2024	As of September 30, 2024
Assets:		
Cash and deposits	307,632	276,384
Call loans	128,000	200,000
Money held in trust	23,502	23,320
Securities:	6,349,312	6,215,807
[Government bonds]	[2,333,062]	[2,217,023]
[Local government bonds]	[97,504]	[95,292]
[Corporate bonds]	[533,321]	[522,051]
[Stocks]	[1,033,612]	[1,014,927]
[Foreign securities]	[2,134,166]	[2,144,093]
Loans:	499,793	481,327
Policy loans	45,991	45,054
Ordinary loans	453,802	436,272
Tangible fixed assets	255,788	260,823
Intangible fixed assets	24,879	24,352
Agency receivables	94	243
Reinsurance receivables	85	7
Other assets	51,188	54,420
Prepaid pension cost	2,313	3,147
Allowance for possible loan losses	(703)	(642)
Total assets	7,641,887	7,539,193
	As of March 31, 2024	As of September 30, 2024
Liabilities:		
Policy reserves:	5,971,022	5,998,082
Reserve for outstanding claims	23,334	22,959
Policy reserve	5,885,784	5,892,911
Reserve for dividends to policyholders	61,903	82,212
Reinsurance payables	41	59
Subordinated bonds	267,260	267,260
Other liabilities:	171,364	169,291
Corporate income tax payable	7,429	8,335
Lease obligations	138	34
Asset retirement obligations	2,355	2,414
Rest of the other liabilities	161,441	158,507
Reserve for employees' retirement benefits	26,701	26,923
Reserve for price fluctuation	180,566	182,302
Deferred tax liabilities	79,748	41,762
Deferred tax liabilities for land revaluation	14,132	14,132
Total liabilities	6,710,837	6,699,814
Net assets:		
Foundation funds	12,000	8,000
Accumulated foundation funds redeemed	116,000	128,000
Reserve for revaluation	112	112
Surplus:	138,628	132,708
Legal reserve for future losses	3,548	3,660
Other surplus:	135,080	129,048
Reserve for redemption of foundation funds	9,600	—
Reserve for dividend allowances	20,000	20,000
Accumulated fund for price fluctuation	41,000	41,000
Reserve for advanced depreciation of real estate for tax purpose	204	202
Other reserves	767	767
Unappropriated surplus	63,509	67,078
Total foundation funds, surplus and others	266,740	268,820
Net unrealized gains (losses) on available-for-sale securities, net of tax	659,808	566,057
Revaluation reserve for land, net of tax	4,500	4,500
Total valuation and translation adjustments	664,308	570,558
Total net assets	931,049	839,378
Total liabilities and net assets	7,641,887	7,539,193

4. Non-consolidated Statements of Operations

(Millions of yen)

	Six months ended September 30, 2023	Six months ended September 30, 2024
Ordinary revenues:		
Premium and other income	263,305	256,190
[Premium income]	[263,278]	[256,175]
Investment income	129,727	141,993
[Interest, dividends and other income]	[78,817]	[90,285]
[Gains on money held in trust, net]	[200]	[—]
[Gains on trading securities, net]	[652]	[0]
[Gains on sales of securities]	[34,539]	[48,569]
[Foreign exchange gains, net]	[2,600]	[—]
[Gains on separate accounts, net]	[10,718]	[—]
Other ordinary revenues	7,062	6,040
[Reversal of reserve for outstanding claims]	[1,302]	[375]
Total ordinary revenues	400,094	404,224
Ordinary expenses:		
Claims and other payments	233,953	234,203
[Claims]	[66,439]	[54,079]
[Annuities]	[72,201]	[74,245]
[Benefits]	[55,801]	[60,449]
[Surrenders]	[27,663]	[33,233]
[Other payments]	[11,741]	[12,093]
Provision of policy reserve and others:	23,737	7,133
Provision of policy reserves	23,731	7,127
Provision of interest portion of reserve for dividends to policyholders	6	6
Investment expenses	34,762	46,649
[Interest expenses]	[2,154]	[2,312]
[Losses on money held in trust, net]	[—]	[137]
[Losses on sales of securities]	[17,149]	[32,515]
[Losses on valuation of securities]	[185]	[752]
[Losses on derivative instruments, net]	[5,712]	[745]
[Foreign exchange losses, net]	[—]	[628]
[Losses on separate accounts, net]	[—]	[136]
Operating expenses	44,449	48,672
Other ordinary expenses	12,080	12,714
Total ordinary expenses	348,984	349,374
Ordinary profits	51,110	54,850
Extraordinary gains:		
Gains on disposal of fixed assets	0	0
Total extraordinary gains	0	0
Extraordinary losses:		
Losses on disposal of fixed assets	63	19
Impairment losses	593	2
Provision of reserve for price fluctuation	1,685	1,736
Total extraordinary losses	2,341	1,757
Surplus before income taxes	48,769	53,092
Income taxes:		
Current	10,274	11,465
Deferred	(434)	(1,693)
Total income taxes	9,840	9,772
Net surplus for the period	38,928	43,320

5. Non-consolidated Statements of Changes in Net Assets

[For the six months ended September 30, 2023]

(Millions of yen)

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

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

[For the six months ended September 30, 2024]

(Millions of yen)

	Foundation funds, surplus and others											Total foundation funds, surplus and others
	Foundation funds	Accumulated foundation funds redeemed	Reserve for revaluation	Surplus							Total surplus	
				Legal reserve for future losses	Reserve for redemption of foundation funds	Reserve for dividend allowances	Accumulated fund for price fluctuation	Other surplus				
								Reserve for advanced depreciation of real estate for tax purpose	Other reserves	Unappropriated surplus		
Balance at the beginning of the current period	12,000	116,000	112	3,548	9,600	20,000	41,000	204	767	63,509	138,628	266,740
Changes in the current period												
Financing of additional foundation funds	8,000											8,000
Additions to reserve for dividends to policyholders										(37,138)	(37,138)	(37,138)
Additions to legal reserve for future losses				112						(112)	—	—
Additions to accumulated foundation funds redeemed		12,000										12,000
Payment of interest on foundation funds										(102)	(102)	(102)
Net surplus for the current period										43,320	43,320	43,320
Redemption of foundation funds	(12,000)											(12,000)
Additions to reserve for redemption of foundation funds					2,400					(2,400)	—	—
Reversal of reserve for redemption of foundation funds					(12,000)						(12,000)	(12,000)
Reversal of reserve for advanced depreciation of real estate for tax purpose								(1)		1	—	—
Net changes, excluding foundation funds, surplus and others												
Total changes in the current period	(4,000)	12,000	—	112	(9,600)	—	—	(1)	—	3,569	(5,920)	2,079
Balance at the end of the current period	8,000	128,000	112	3,660	—	20,000	41,000	202	767	67,078	132,708	268,820

	Valuation and translation adjustments			Total net assets
	Net unrealized gains (losses) on available-for-sale securities, net of tax	Revaluation reserve for land, net of tax	Total valuation and translation adjustments	
Balance at the beginning of the current period	659,808	4,500	664,308	931,049
Changes in the current period				
Financing of additional foundation funds				8,000
Additions to reserve for dividends to policyholders				(37,138)
Additions to legal reserve for future losses				—
Additions to accumulated foundation funds redeemed				12,000
Payment of interest on foundation funds				(102)
Net surplus for the current period				43,320
Redemption of foundation funds				(12,000)
Additions to reserve for redemption of foundation funds				—
Reversal of reserve for redemption of foundation funds				(12,000)
Reversal of reserve for advanced depreciation of real estate for tax purpose				—
Net changes, excluding foundation funds, surplus and others	(93,750)	—	(93,750)	(93,750)
Total changes in the current period	(93,750)	—	(93,750)	(91,670)
Balance at the end of the current period	566,057	4,500	570,558	839,378

Notes to the Non-consolidated Financial Statements

I. Presentation of the Non-consolidated Financial Statements

1. Basis of presentation

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

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

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

II. Notes to the Non-consolidated Balance Sheets

1. (1) The valuation of securities, including cash and deposits and monetary claims bought which are equivalent to securities, and securities managed as trust assets in money held in trust, is as follows:
 - i) Trading securities are stated at fair market value. Costs of their sales are determined by the moving average method.
 - ii) Held-to-maturity debt securities are stated at amortized cost under the straight-line method, cost being determined by the moving average method.
 - iii) Policy-reserve-matching bonds are stated at amortized cost under the straight-line method, cost being determined by the moving average method in accordance with “Temporary Treatment of Accounting and Auditing Concerning Policy-Reserve-Matching Bonds in the Insurance Industry” (Industry Audit Committee Report No. 21, issued by the Japanese Institute of Certified Public Accountants (JICPA) on November 16, 2000).
 - iv) Investments in subsidiaries and affiliates are stated at cost, cost being determined by the moving average method.
 - v) Available-for-sale securities are stated at fair market value based on the market prices at the end of the current period. Costs of their sales are determined by the moving average method. Public and corporate bonds (including foreign bonds) with differences between their acquisition costs and fair values that are considered as adjustments of interest are stated at amortized cost (straight-line method) determined by the moving average method. However, stocks and other securities without quoted market prices are stated at cost, as determined using the moving average method. Net unrealized gains or losses on these available-for-sale securities, net of taxes, are recorded as a separate component of net assets.
- (2) Derivative instruments are stated at fair market value.
- (3) The Company revalued the land used in the operations based on the Act for Revaluation of Land (Act No.34 promulgated on March 31, 1998). The difference between fair value and book value resulting from the revaluation, net of related taxes, is recorded as revaluation reserve for land as a separate component of net assets and the related tax is recorded as deferred tax liabilities for land revaluation.
 - Date of revaluation: March 31, 2002
 - Method of revaluation as prescribed for in Article 3 Paragraph 3 of the said Act:

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

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

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

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

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

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

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

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

For the credits of legally bankrupt borrowers and substantially bankrupt borrowers, the amounts remaining after deductions of collateral value or the amounts collectible through the execution of guarantees are written-off directly from the borrowers' balances as the estimated uncollectible amounts. The amount written-off as of September 30, 2024 was ¥1 million.

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

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

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

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

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

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

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

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

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

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

Of premium incomes that have been received, the portion corresponding to the period that has yet to pass as of September 30, 2024 is accumulated as policy reserve in accordance with Article 116 of the Insurance Business Act and Article 69 Paragraph 1 Item 2 of the Enforcement Regulation of the Insurance Business Act.

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

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

In accordance with Article 117 of the Insurance Business Act and Article 72 of the Enforcement Regulation of the Insurance Business Act, reserve for outstanding claims are accumulated as for claims for which the Company has a payment due but has not paid, or for which the occurrence of cause for payment has not been reported but the Company recognizes that insured payment has already occurred as of September 30, 2024.

Regarding claims for which the occurrence of cause for payment has not been reported but the Company recognizes that insured payment has already occurred (“IBNR reserves”), the special treatment providing payment of hospitalization benefits with respect to those diagnosed with COVID-19 and were under the care of a doctor or the like at an lodging facility or at home (“deemed hospitalization”) was discontinued on May 8, 2023. As a result of this change, an appropriate amount of reserves cannot be obtained with the calculation method set forth in the main rules in Article 1, Paragraph 1 of the Notification of the Minister of Finance No.234, 1998 (“IBNR Notification”). The Company therefore records the amount that was calculated using the following method, pursuant to provisions in the proviso of Article 1, Paragraph 1 of IBNR Notification (the “Proviso”).

(Overview of the calculation method)

The Company first deducts an amount pertaining to deemed hospitalization of policy holders from a required amount of IBNR reserves and the amount of claim payments for all the fiscal years, as set forth in the main rules in Article 1, Paragraph 1 of IBNR Notification, and then calculates in the same manner as in the main rules in Article 1, Paragraph 1 of IBNR Notification.

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

- (14) Policy reserve of the Company is accumulated in accordance with the methods stated in the statement of calculation procedures for Insurance Premiums and Policy Reserves (Article 4 Paragraph 2 Item 4 of the Insurance Business Act) pursuant to Article 116 Paragraph 1 of the Insurance Business Act to prepare for the future performance of obligations under the insurance contracts for which the insurer's responsibilities have started as of September 30, 2024.

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

- i) In regard to the policies subject to the standard policy reserve, the method as prescribed by the Commissioner of Financial Services Agency (Ministry of Finance Ordinance No.48, 1996) is applied.
- ii) In regard to the policies not subject to the standard policy reserve, the net level premium method is applied.

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

- Among individual annuity insurance policies with an assumed interest rate of 5.00% or higher, for policies that have begun paying annuities (excluding wife's annuity insurance additional rider), the Company has reduced the assumed interest rate to 1.00% and funded additional policy reserves. As of September 30, 2024, the balance of these policy reserves was ¥68,730 million.
- Among whole life insurance policies with assumed interest rates of 5.00% or higher, the Company has reduced assumed interest rates for policies with premiums that have been paid in full (excluding policies that have been converted into paid-up or extended policies, single premium policies, and policies for which premiums have been waived) to 1.00% and funded additional policy reserves. As of September 30, 2024, the balance of these policy reserves was ¥105,214 million.
- The Company has also funded additional policy reserves for certain whole life insurance policies that include distribution of surplus every five years, new cancer riders, highly advanced medical riders and transplant medical riders. As of September 30, 2024, the balance of these policy reserves was ¥84 million.

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

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

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

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

2. The carrying amounts, fair values and their related differences of major financial assets and liabilities in the general account as of September 30, 2024 were as follows:

	(Millions of yen)		
	Carrying amount	Fair value	Difference
Money held in trust:			
Trading securities.....	¥22,320	¥22,320	¥—
Total money held in trust.....	22,320	22,320	—
Securities:			
Held-to-maturity debt bonds.....	695,993	738,531	42,538
Policy-reserve-matching bonds.....	375,133	352,537	(22,596)
Available-for-sale securities.....	4,892,949	4,892,949	—
Total securities.....	5,964,076	5,984,018	19,942
Loans:			
Policy loans.....	45,054	45,054	(0)
Ordinary loans.....	436,272	440,599	4,327
Total loans.....	481,327	485,654	4,327
Assets total.....	6,467,724	6,491,993	24,269
Subordinated bonds*1.....	267,260	264,254	(3,005)
Liabilities total.....	267,260	264,254	(3,005)
Derivative instruments*2:			
Hedge accounting not applied.....	690	690	—
Total derivative instruments.....	¥690	¥690	¥—

*1 The fair value of derivative instruments that are currency swaps under designated hedge accounting is included in the fair value of subordinated bonds because it is accounted for as an integral part of the subordinated bonds that are the hedge items.

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

Notes: 1. Stocks without market prices, such as unlisted stocks, are not included in Securities of the above table.

The amount of these stocks on the balance sheet as of September 30, 2024 was ¥73,610 million.

2. In accordance with Paragraph 24-16 of the "Implementation Guidance on Accounting Standard for Fair Value Measurement" (ASBJ Guidance No.31, June 17, 2021. Hereinafter called "Implementation Guidance on Accounting Standard for Fair Value Measurement"), investments in partnerships are not included in Securities of the above table. As of September 30, 2024, the amount of investments in partnerships included on the balance sheet was ¥47,112 million.

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

3. Matters concerning the breakdown of financial instruments by fair value level are as follows.

The fair values of financial instruments are classified into the following three levels according to the observability and materiality of inputs used to measure fair value.

Fair Value Level 1: Fair values measured using (unadjusted) quoted prices in active markets for identical assets or liabilities

Fair Value Level 2: Fair values measured using directly or indirectly observable inputs other than Level 1 inputs

Fair Value Level 3: Fair values measured using material unobservable inputs

When multiple inputs with material impact are used to measure fair value, the resulting fair value is classified into the lowest fair value level into which any of these inputs can be categorized.

(1) Financial assets and liabilities with fair values recorded on the balance sheet as of September 30, 2024

(Millions of yen)

Classification	Fair value			Total
	Level 1	Level 2	Level 3	
Money held in trust:				
Trading securities.....	¥—	¥22,320	¥—	¥22,320
Total money held in trust.....	—	22,320	—	22,320
Securities:				
Available-for-sale securities:				
Government bonds.....	1,156,541	—	—	1,156,541
Local government bonds.....	—	87,459	—	87,459
Corporate bonds.....	—	486,184	—	486,184
Stocks.....	910,980	—	—	910,980
Foreign securities.....	960,989	1,067,820	26,018	2,054,827
Other securities.....	51,429	135,328	—	186,758
Total available-for-sale securities.....	3,079,940	1,776,792	26,018	4,882,751
Total securities.....	3,079,940	1,776,792	26,018	4,882,751
Assets total.....	3,079,940	1,799,113	26,018	4,905,072
Derivative instruments*:				
Currency-related.....	(0)	690	—	690
Total derivative instruments.....	¥(0)	¥690	¥—	¥690

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

Note: Investment trusts with real estate as investment trust properties that have applied Paragraph 24-9 of the Implementation Guidance on Accounting Standard for Fair Value Measurement are not included in the figures above. The amount of the investment trusts on the balance sheet as of September 30, 2024 was ¥10,197 million. Reconciliation of balances from the beginning of the current fiscal year to balances as of September 30, 2024 for the investment trusts were as follows:

(Millions of yen)	
Balance at the beginning of the current period....	¥9,945
Changes in net unrealized gains or losses.....	251
Balance at the end of the current period	¥10,197

(2) Financial assets and liabilities with fair values not recorded on the balance sheet as of September 30, 2024

(Millions of yen)

Classification	Fair value			
	Level 1	Level 2	Level 3	Total
Securities:				
Held-to-maturity debt bonds:				
Government bonds.....	¥724,212	¥—	¥—	¥724,212
Local government bonds.....	—	6,870	—	6,870
Corporate bonds.....	—	7,449	—	7,449
Total held-to-maturity debt securities...	724,212	14,319	—	738,531
Policy-reserve-matching bonds:				
Government bonds.....	337,159	—	—	337,159
Local government bonds.....	—	1,720	—	1,720
Corporate bonds.....	—	13,658	—	13,658
Total policy-reserve-matching bonds...	337,159	15,378	—	352,537
Total securities.....	1,061,371	29,698	—	1,091,069
Loans:				
Policy loans.....	—	—	45,054	45,054
Ordinary loans.....	—	—	440,599	440,599
Total loans.....	—	—	485,654	485,654
Assets total.....	1,061,371	29,698	485,654	1,576,723
Subordinated bonds	—	264,254	—	264,254
Liabilities total.....	¥—	¥264,254	¥—	¥264,254

(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 used as their book values. The fair values of fixed interest rate loans are primarily calculated 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.

Because significant unobservable inputs used to measure the fair values of loans, the resulting fair values are classified as Fair Value Level 3.

iv) Subordinated bonds

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

v) Derivative instruments

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

(4) Information concerning fair values of financial assets and liabilities that have been recorded on the balance sheet as of September 30, 2024 and classified as Fair Value Level 3

i) Quantitative information regarding material unobservable inputs

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

ii) Reconciliation of balances from the beginning of the current fiscal year to balances as of September 30, 2024, and valuation gains or losses recognized in the statements of operations for the six months ended September 30, 2024.

	(Millions of yen)	
	Securities, Available-for-sale securities, Foreign securities	Total
Balance at the beginning of the current period.....	¥26,352	¥26,352
Gains or losses during the current period.....	(5)	(5)
Values recognized as gains or losses*.....	(5)	(5)
Changes in net unrealized gains or losses.....	(329)	(329)
Balance at the end of the current period.....	¥26,018	¥26,018

* These amounts are included in investment income and investment expenses in the non-consolidated statements of operations for the six months ended September 30, 2024.

iii) Explanation of the valuation process for fair value

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

The Company verifies the appropriateness of the fair values it measures using a variety of suitable methods, which include comparing quoted market prices obtained from different third parties; confirming

techniques and inputs utilized for calculation; and further comparing measured fair values with the fair values of similar financial instruments.

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

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

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

5. The amount of securities lent under lending agreements was ¥439,457 million as of September 30, 2024.

6. The total amount of claims against bankrupt and quasi-bankrupt obligors, claims with collection risk, delinquent loans past three months or more, and restructured loans was ¥863 million as of September 30, 2024. The details are as follows.

i) The balance of claims against bankrupt and quasi-bankrupt obligors was ¥120 million as of September 30, 2024.

Of which, the estimated uncollectible amount written-off was ¥1 million as of September 30, 2024.

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 ¥498 million as of September 30, 2024.

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

iii) There was no balance of delinquent loans past three months or more as of September 30, 2024.

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 ¥244 million as of September 30, 2024.

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

7. Accumulated depreciation of tangible fixed assets were ¥185,403 million as of September 30, 2024.

8. Total assets in separate accounts provided for in Article 118 of the Insurance Business Act were ¥138,679 million as of September 30, 2024. The amounts of separate account liabilities were the same as separate account assets.

9. Changes in reserve for dividends to policyholders for the six months ended September 30, 2024 were as follows:

	(Millions of yen)
Balance at the beginning of the current period.....	¥61,903
Transfer from surplus in the previous fiscal year.....	37,138
Dividend payments to policyholders during the current period.....	(16,836)
Increase in interest.....	6
Balance at the end of the current period.....	<u>¥82,212</u>

10. The amount of stocks of subsidiaries was ¥64,787 million as of September 30, 2024.

11. Assets pledged as collateral as of September 30, 2024 were ¥133,289 million of securities.

Secured debts as of September 30, 2024, were ¥124,422 million.

These amounts include ¥110,901 million of investments in securities deposited and ¥118,468 million of cash received as collateral under securities lending transactions secured by cash as of September 30, 2024.

12. Reserve for outstanding claims for the reinsurance contracts provided in accordance with Article 71 Paragraph 1 of the Enforcement Regulation of the Insurance Business Act (hereinafter called “reserve for outstanding claims for ceded reinsurance”) was ¥1 million as of September 30, 2024.

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 ¥19 million as of September 30, 2024.

13. In accordance with Article 60 of the Insurance Business Law, the Company raised an additional ¥8,000 million in funds.

14. Accompanying with the redemption of ¥12,000 million in foundation funds, the Company transferred the same amount from reserve for redemption of foundation funds to accumulated foundation funds redeemed in accordance with Article 56 of the Insurance Business Act.

15. There were unused commitment line agreements under which the Company is the lender of ¥18,693 million as of September 30, 2024.

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

III. Notes to the Non-consolidated Statements of Operations

1. The details of gains on sales of securities for the six months ended September 30, 2024 were as follows:

	(Millions of yen)
Domestic bonds.....	¥1,903
Domestic stocks and others.....	19,505
Foreign securities.....	¥27,159

2. The details of losses on sales of securities for the six months ended September 30, 2024 were as follows:

	(Millions of yen)
Domestic bonds.....	¥31,822
Domestic stocks and others.....	198
Foreign securities.....	¥494

3. The details of losses on valuation of securities for the six months ended September 30, 2024 were as follows:

	(Millions of yen)
Domestic stocks and others.....	¥83
Foreign securities.....	¥668

4. For the six months ended September 30, 2024, in calculating the reversal of reserve for outstanding claims, a provision of reserve for outstanding claims for ceded reinsurance of ¥0 million was added. In calculating the provision of policy reserves, a provision of policy reserve for ceded reinsurance of ¥0 million was deducted.

5. Breakdown of interest, dividends and other income for the six months ended September 30, 2024 were as follows:

	(Millions of yen)
Interest on deposits.....	¥14
Interest and dividends on securities.....	75,358
Interest on loans.....	4,282
Income from real estate for rent.....	10,379
Other interest and dividends.....	250
Total.....	<u>¥90,285</u>

6. Breakdown of Ordinary Profits (Fundamental Profit)

(Millions of yen)

	Six months ended September 30, 2023	Six months ended September 30, 2024
Fundamental profit A	39,762	44,766
Capital gains	39,706	51,662
Gains on money held in trust, net	150	—
Gains on trading securities, net	551	0
Gains on sales of securities	34,539	48,569
Gains on derivative instruments, net	—	—
Foreign exchange gains, net	2,600	—
Other capital gains	1,864	3,093
Capital losses	22,047	34,861
Losses on money held in trust, net	—	220
Losses on trading securities, net	—	—
Losses on sales of securities	17,149	32,515
Losses on valuation of securities	185	752
Losses on derivative instruments, net	5,712	745
Foreign exchange losses, net	—	628
Other capital losses	(999)	—
Net capital gains (losses) B	17,658	16,801
Fundamental profit plus net capital gains (losses) A+B	57,421	61,567
Non-recurring gains	5	—
Reinsurance income	—	—
Reversal of contingency reserve	—	—
Reversal of specific allowance for possible loan losses	5	—
Others	—	—
Non-recurring losses	6,315	6,716
Reinsurance premiums	—	—
Provision for contingency reserve	489	1,364
Provision of specific allowance for possible loan losses	—	9
Provision of allowance for specified overseas loans	—	—
Write-offs of loans	—	—
Others	5,826	5,343
Non-recurring gains (losses) C	(6,310)	(6,716)
Ordinary profits A+B+C	51,110	54,850

Note: Other items break down as follows.

(Millions of yen)

	Six months ended September 30, 2023	Six months ended September 30, 2024
Fundamental profit	(2,712)	(3,010)
Interest, dividends, and other income from gains/losses on money held in trust	49	82
Interest, dividends, and other income from gains/losses on trading securities	100	—
Foreign exchange-related hedging costs categorized under foreign exchange gains/losses	(999)	—
Interest, dividends, and other investment expenses from gains/losses on cancellation of investment trusts	(47)	(82)
Portion of gains/losses on redemption of securities attributable to foreign exchange fluctuations	(1,817)	(3,011)
Other capital gains	1,864	3,093
Interest, dividends, and other investment expenses from gains/losses on cancellation of investment trusts	47	82
Portion of gains/losses on redemption of securities attributable to foreign exchange fluctuations	1,817	3,011
Other capital losses	(999)	—
Foreign exchange-related hedging costs categorized under foreign exchange gains	(999)	—
Non-recurring losses	5,826	5,343
Provision of policy reserves in accordance with Article 69, Paragraph 5 of the Enforcement Regulations of the Insurance Business Act.	5,826	5,343

7. Disclosed Claims Based on Insurance Business Act

(Millions of yen)

	As of March 31, 2024	As of September 30, 2024
Claims against bankrupt and quasi-bankrupt obligors	110	120
Claims with collection risk	508	498
Delinquent loans past three months or more	—	—
Restructured loans	518	244
Subtotal [Percentage of total]	1,137 [0.11%]	863 [0.09%]
Claims against normal obligors	1,021,712	923,975
Total	1,022,850	924,839

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

8. Solvency Margin Ratio

(Millions of yen)

		As of March 31, 2024	As of September 30, 2024
Total solvency margin	(A)	2,265,213	2,187,753
Foundation funds and surplus		226,042	246,993
Reserve for price fluctuation		180,566	182,302
Contingency reserve		208,899	210,264
General allowance for possible loan losses		330	268
(Net unrealized gains (losses) on securities (before tax) and deferred hedge gains (losses) (before tax)) × 90%		822,613	705,574
Net unrealized gains on real estate × 85%		165,661	166,169
Excess amount of policy reserve based on full-time Zillmer method		396,562	401,174
Qualifying subordinated debt		267,260	267,260
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		44,061	54,529
Total amount of risk $\sqrt{(R_1 + R_8)^2 + (R_2 + R_3 + R_7)^2} + R_4$	(B)	394,956	393,350
Insurance risk	R_1	21,022	20,851
3rd sector insurance risk	R_8	10,116	10,168
Assumed investment yield risk	R_2	20,037	19,582
Minimum guarantee risk	R_7	—	—
Investment risk	R_3	365,332	364,220
Business risk	R_4	8,330	8,296
Solvency margin ratio	$\frac{(A)}{(1/2) \times (B)} \times 100$	1,147.0%	1,112.3%

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

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

Reference: Economic Solvency Ratio

	As of March 31, 2024	As of September 30, 2024
Economic Solvency Ratio	248.9%	242.0%

Note: Economic solvency ratio (ESR) is an indicator of an insurance company’s soundness and indicates whether or not a company has sufficient capital to cover its risks based on market-value assessment of its assets and liabilities. The Company calculates its ESR according to European methodology. Figures for some insurance liabilities and risks current as of September 30, 2024 have been calculated using simplified methods.

9. Status of Separate Account

(1) Separate Account Assets by Products

(Millions of yen)

	As of March 31, 2024	As of September 30, 2024
	Amount	Amount
Individual variable insurance	—	—
Individual variable annuities	—	—
Group annuities	141,452	138,679
Total	141,452	138,679

(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, 2024		As of September 30, 2024	
	Number of policies	Amount	Number of policies	Amount
Individual variable annuities	—	—	—	—
Total	—	—	—	—

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

(Millions of yen)

	As of March 31, 2024		As of September 30, 2024	
	Amount	Percentage	Amount	Percentage
Cash, deposits, call loans	—	—%	—	—%
Securities	—	—	—	—
Domestic bonds	—	—	—	—
Domestic stocks	—	—	—	—
Foreign securities	—	—	—	—
Foreign bonds	—	—	—	—
Foreign stocks and other securities	—	—	—	—
Other securities	—	—	—	—
Loans	—	—	—	—
Others	—	—	—	—
Allowance for possible loan losses	—	—	—	—
Total	—	—	—	—

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

(Millions of yen)

	Six months ended September 30, 2023	Six months ended September 30, 2024
	Amount	Amount
Interest, dividends and other income	—	—
Gains on sales of securities	—	—
Gains on valuation of securities	—	—
Gains on redemption of securities	—	—
Gains on derivative instruments	—	—
Foreign exchange gains, net	—	—
Other investment income	—	—
Losses on sales of securities	—	—
Losses on valuation of securities	—	—
Losses on redemption of securities	—	—
Losses on derivative instruments	—	—
Foreign exchange losses, net	—	—
Other investment expenses	—	—
Net investment income	—	—

(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, 2024		As of September 30, 2024	
	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	—	—	—	—

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, 2024		As of September 30, 2024	
	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	152,490	19,935	153,328	(4,992)

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, 2024					As of September 30, 2024				
	Book value	Fair value	Gains/Losses			Book value	Fair value	Gains/Losses		
			Gains	Losses				Gains	Losses	
Held-to-maturity debt securities	708,320	759,424	51,104	51,104	—	695,993	738,531	42,538	42,538	—
Domestic bonds	708,320	759,424	51,104	51,104	—	695,993	738,531	42,538	42,538	—
Foreign bonds	—	—	—	—	—	—	—	—	—	—
Policy-reserve-matching bonds	290,573	283,026	(7,546)	331	7,877	375,133	352,537	(22,596)	98	22,694
Domestic bonds	290,573	283,026	(7,546)	331	7,877	375,133	352,537	(22,596)	98	22,694
Foreign bonds	—	—	—	—	—	—	—	—	—	—
Investments in subsidiaries and affiliates	—	—	—	—	—	—	—	—	—	—
Available-for-sale securities	4,195,706	5,103,160	907,454	1,055,739	148,285	4,114,967	4,892,949	777,981	943,721	165,740
Domestic bonds	1,987,603	1,935,087	(52,516)	82,679	135,195	1,812,139	1,730,184	(81,954)	66,380	148,334
Domestic stocks	346,904	928,443	581,539	582,045	506	381,201	910,980	529,779	533,784	4,004
Foreign securities	1,717,017	2,045,310	328,292	339,444	11,152	1,769,613	2,054,827	285,213	296,601	11,387
Foreign bonds	1,292,421	1,445,869	153,447	161,326	7,879	1,341,405	1,446,391	104,985	112,857	7,871
Foreign stocks and other securities	424,596	599,440	174,844	178,117	3,273	428,208	608,436	180,228	183,743	3,515
Other securities	144,179	194,318	50,138	51,570	1,431	152,013	196,955	44,942	46,955	2,013
Money held in trust	—	—	—	—	—	—	—	—	—	—
Monetary claims bought	—	—	—	—	—	—	—	—	—	—
Negotiable certificate of deposits	—	—	—	—	—	—	—	—	—	—
Others	—	—	—	—	—	—	—	—	—	—
Total	5,194,599	6,145,611	951,012	1,107,175	156,163	5,186,095	5,984,018	797,923	986,358	188,434
Domestic bonds	2,986,497	2,977,539	(8,957)	134,115	143,073	2,883,266	2,821,254	(62,012)	109,016	171,029
Domestic stocks	346,904	928,443	581,539	582,045	506	381,201	910,980	529,779	533,784	4,004
Foreign securities	1,717,017	2,045,310	328,292	339,444	11,152	1,769,613	2,054,827	285,213	296,601	11,387
Foreign bonds	1,292,421	1,445,869	153,447	161,326	7,879	1,341,405	1,446,391	104,985	112,857	7,871
Foreign stocks and other securities	424,596	599,440	174,844	178,117	3,273	428,208	608,436	180,228	183,743	3,515
Other securities	144,179	194,318	50,138	51,570	1,431	152,013	196,955	44,942	46,955	2,013
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, 2024			As of September 30, 2024		
	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	708,320	759,424	51,104	695,993	738,531	42,538
Domestic bonds	708,320	759,424	51,104	695,993	738,531	42,538
Foreign bonds	—	—	—	—	—	—
Securities whose fair value does not exceed the carrying value on the balance sheet	—	—	—	—	—	—
Domestic bonds	—	—	—	—	—	—
Foreign bonds	—	—	—	—	—	—

[Policy-reserve-matching Bonds]

(Millions of yen)

	As of March 31, 2024			As of September 30, 2024		
	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	71,118	71,449	331	14,842	14,941	98
Domestic bonds	71,118	71,449	331	14,842	14,941	98
Foreign bonds	—	—	—	—	—	—
Bonds whose fair value does not exceed the carrying value on the balance sheet	219,454	211,577	(7,877)	360,291	337,596	(22,694)
Domestic bonds	219,454	211,577	(7,877)	360,291	337,596	(22,694)
Foreign bonds	—	—	—	—	—	—

[Available-for-sale Securities]

(Millions of yen)

	As of March 31, 2024			As of September 30, 2024		
	Book value	Carrying value on the balance sheet	Differences	Book value	Carrying value on the balance sheet	Differences
Securities whose carrying value on the balance sheet exceeds the book value	2,931,246	3,986,986	1,055,739	2,815,926	3,759,647	943,721
Domestic bonds	971,195	1,053,875	82,679	924,987	991,367	66,380
Domestic stocks	340,155	922,201	582,045	345,006	878,790	533,784
Foreign securities	1,504,184	1,843,628	339,444	1,427,633	1,724,234	296,601
Foreign bonds	1,112,825	1,274,151	161,326	1,041,335	1,154,193	112,857
Foreign stocks	391,359	569,476	178,117	386,297	570,041	183,743
Other securities	115,711	167,281	51,570	118,299	165,255	46,955
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	1,264,459	1,116,173	(148,285)	1,299,041	1,133,301	(165,740)
Domestic bonds	1,016,408	881,212	(135,195)	887,152	738,817	(148,334)
Domestic stocks	6,748	6,242	(506)	36,194	32,190	(4,004)
Foreign securities	212,833	201,681	(11,152)	341,980	330,593	(11,387)
Foreign bonds	179,596	171,717	(7,879)	300,069	292,198	(7,871)
Foreign stocks	33,237	29,964	(3,273)	41,910	38,395	(3,515)
Other securities	28,468	27,037	(1,431)	33,713	31,699	(2,013)
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, 2024	As of September 30, 2024
Investments in subsidiaries and affiliates	64,787	64,787
Available-for-sale securities	45,922	49,945
Domestic stocks	5,824	5,822
Foreign stocks	—	—
Others	40,097	44,122
Total	110,709	114,732

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 (¥6,560 million as of March 31, 2024 and ¥5,989 million as of September 30, 2024) 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, 2024	Interest- related	Currency- related	Stock- related	Bond- related	Others	Total
Hedge accounting applied	—	—	—	—	—	—
Hedge accounting not applied	—	(940)	(89)	—	—	(1,029)
Total	—	(940)	(89)	—	—	(1,029)
As of September 30, 2024	Interest- related	Currency- related	Stock- related	Bond- related	Others	Total
Hedge accounting applied	—	—	—	—	—	—
Hedge accounting not applied	—	690	—	—	—	690
Total	—	690	—	—	—	690

Note: Gains and losses with hedge accounting not applied are reported in the statements of operations.

(ii) Hedge Accounting not Applied

[Interest-related Transactions]

No ending balance as of March 31, 2024 and September 30, 2024.

[Currency-related Transactions]

(Millions of yen)

	As of March 31, 2024				As of September 30, 2024			
	Notional amount/ contract value	Fair value	Gains (Losses)	Notional amount/ contract value	Fair value	Gains (Losses)		
								Over 1 year
Over-the-counter transactions								
Currency forward contracts								
Sold	25,337	—	25,768	(430)	21,561	—	21,061	500
U.S. dollar	15,972	—	16,247	(274)	12,059	—	11,813	245
Australian dollar	9,104	—	9,261	(156)	9,502	—	9,248	254
Euro	94	—	94	0	—	—	—	—
British pound	89	—	89	(0)	—	—	—	—
Others	76	—	76	0	—	—	—	—
Bought	722	—	721	(0)	—	—	—	—
U.S. dollar	461	—	461	(0)	—	—	—	—
Euro	96	—	96	(0)	—	—	—	—
British pound	87	—	87	0	—	—	—	—
Others	77	—	77	(0)	—	—	—	—
Currency options								
Sold								
Call	—	—	—	—	—	—	—	—
	[—]	—	—	—	[—]	—	—	—
Put	—	—	—	—	—	—	—	—
	[—]	—	—	—	[—]	—	—	—
Bought								
Call	—	—	—	—	—	—	—	—
	[—]	—	—	—	[—]	—	—	—
Put	36,960	—	26	(509)	11,200	—	287	190
U.S. dollar	[536]	—	26	(509)	[96]	—	287	190
Australian dollar	[35,100]	—	25	(490)	[96]	—	287	190
	[515]	—	25	(490)	[96]	—	287	190
	[1,860]	—	1	(18)	[—]	—	—	—
	[20]	—	1	(18)	[—]	—	—	—
Total				(940)				690

Notes: 1. Forward exchange rates are used for exchange rates as of September 30, 2024.

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

[Stock-related Transactions]

(Millions of yen)

	As of March 31, 2024			As of September 30, 2024		
	Notional amount/ contract value	Fair value	Gains (Losses)	Notional amount/ contract value	Fair value	Gains (Losses)
Exchange-traded transactions						
Stock index options						
Sold						
Call	—	—	—	—	—	—
Put	[—]	—	—	[—]	—	—
Bought						
Call	—	—	—	—	—	—
Put	[6,150]	—	—	[—]	—	—
Put	[90]	—	0	[—]	—	—
Total			(89)			—

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

[Bond-related Transactions]

No ending balance as of March 31, 2024 and September 30, 2024.

(iii) Hedge Accounting Applied

[Interest-related Transactions]

No ending balance as of March 31, 2024 and September 30, 2024.

[Currency-related Transactions]

No ending balance as of March 31, 2024 and September 30, 2024.

[Stock-related Transactions]

No ending balance as of March 31, 2024 and September 30, 2024.

[Bond-related Transactions]

No ending balance as of March 31, 2024 and September 30, 2024.

10. Status of the Company, Subsidiaries and Affiliates

(1) Selected Financial Data

(100 million of yen)

	Six months ended September 30, 2023	Six months ended September 30, 2024
Ordinary revenues	5,507	5,667
Ordinary profits	536	577
Net surplus attributable to the parent company	403	443
Comprehensive income	1,133	(513)

	As of March 31, 2024	As of September 30, 2024
Total assets	94,265	93,904
Solvency margin ratio	1,189.7%	1,154.1 %

(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, 2024	As of September 30, 2024
Assets:		
Cash and deposits	396,782	345,491
Call loans	128,000	200,000
Money held in trust	23,502	23,320
Securities	8,015,906	7,968,222
Loans	503,151	484,609
Tangible fixed assets	256,185	261,630
Intangible fixed assets	26,339	25,867
Agency receivables	0	0
Reinsurance receivables	121	9
Other assets	57,951	61,378
Net defined benefit assets	15,696	16,074
Deferred tax assets	3,634	4,495
Allowance for possible loan losses	(703)	(642)
Total assets	9,426,567	9,390,457

	As of March 31, 2024	As of September 30, 2024
Liabilities:		
Policy reserves:	7,704,135	7,792,720
Reserve for outstanding claims	28,805	28,001
Policy reserve	7,613,135	7,682,240
Reserve for dividends to policyholders	61,903	82,212
Reserve for dividends to policyholders (subsidiary)	290	265
Agency payables	449	708
Reinsurance payables	53	75
Subordinated bonds	267,260	267,260
Other liabilities	175,739	178,607
Net defined benefit liabilities	10,914	11,768
Reserve for price fluctuation	193,279	195,207
Deferred tax liabilities	91,924	53,973
Deferred tax liabilities for land revaluation	14,132	14,132
Total liabilities	8,457,889	8,514,454
Net assets:		
Foundation funds	12,000	8,000
Accumulated foundation funds redeemed	116,000	128,000
Reserve for revaluation	112	112
Consolidated surplus	143,344	138,475
Total foundation funds, surplus and others	271,456	274,587
Net unrealized gains (losses) on available-for-sale securities, net of tax	663,271	567,841
Revaluation reserve for land, net of tax	4,500	4,500
Foreign currency translation adjustment	257	711
Accumulated remeasurements of defined benefit plans	21,087	20,308
Total accumulated other comprehensive income	689,116	593,362
Non-controlling interests	8,104	8,053
Total net assets	968,677	876,003
Total liabilities and net assets	9,426,567	9,390,457

(4) Consolidated Statements of Operations and Comprehensive Income

[Consolidated Statements of Operations]

(Millions of yen)

	Six months ended September 30, 2023	Six months ended September 30, 2024
Ordinary revenues:		
Premium and other income	404,734	407,002
Investment income	139,624	153,155
[Interest, dividends and other income]	[88,713]	[101,236]
[Gains on money held in trust, net]	[200]	[—]
[Gains on trading securities, net]	[652]	[0]
[Gains on sales of securities]	[34,539]	[48,783]
[Foreign exchange gains, net]	[2,602]	[—]
[Gains on separate accounts, net]	[10,718]	[—]
Other ordinary revenues	6,425	6,595
[Reversal of reserve for outstanding claims]	[54]	[803]
Total ordinary revenues	550,785	566,753
Ordinary expenses:		
Claims and other payments	308,810	321,646
[Claims]	[72,289]	[61,609]
[Annuities]	[127,121]	[133,534]
[Benefits]	[57,610]	[62,208]
[Surrenders]	[39,856]	[51,974]
[Other payments]	[11,780]	[12,177]
Provision of policy reserve and others:	89,390	69,111
Provision of policy reserves	89,384	69,104
Provision of interest portion of reserve for dividends to policyholders	6	6
Provision of interest portion of reserve for dividends to policyholders (subsidiary)	0	0
Investment expenses	34,332	47,500
[Interest expenses]	[2,162]	[2,323]
[Losses on money held in trust, net]	[—]	[137]
[Losses on sales of securities]	[17,421]	[34,016]
[Losses on valuation of securities]	[185]	[752]
[Losses on derivative instruments, net]	[5,712]	[745]
[Foreign exchange losses, net]	[—]	[627]
[Losses on separate accounts, net]	[—]	[136]
Operating expenses	50,551	55,979
Other ordinary expenses	14,032	14,773
Total ordinary expenses	497,117	509,010
Ordinary profits	53,667	57,742
Extraordinary gains:		
Gains on disposal of fixed assets	0	0
Total extraordinary gains	0	0
Extraordinary losses:		
Losses on disposal of fixed assets	54	27
Impairment losses	593	2
Provision of reserve for price fluctuation	1,859	1,928
Total extraordinary losses	2,507	1,958
Provision of reserve for dividends to policyholders (subsidiary)	94	86
Surplus before income taxes	51,066	55,698
Income taxes:		
Current	11,110	12,611
Deferred	(539)	(1,495)
Total income taxes	10,570	11,116
Net surplus (loss) for the period	40,495	44,581
Net surplus attributable to non-controlling interests	162	210
Net surplus attributable to the parent company	40,333	44,371

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

[Consolidated Statements of Comprehensive Income]

(Millions of yen)

	Six months ended September 30, 2023	Six months ended September 30, 2024
Net surplus	40,495	44,581
Other comprehensive income:	72,839	(95,949)
Net unrealized gains (losses) on available-for-sale securities, net of tax	67,277	(95,625)
Foreign currency translation adjustments	361	454
Remeasurements of defined benefit plan, net of tax	5,200	(778)
Comprehensive income:	113,335	(51,367)
Comprehensive income attributable to the parent company	113,332	(51,382)
Comprehensive income attributable to non-controlling interests	2	15

(5) Consolidated Statements of Cash Flows

(Millions of yen)

	Six months ended September 30, 2023	Six months ended September 30, 2024
Cash flows from operating activities:		
Surplus before income taxes	51,066	55,698
Depreciation of real estate for rent and other assets	2,516	2,869
Depreciation	5,546	5,426
Impairment losses	593	2
Increase (decrease) in reserve for outstanding claims	(54)	(803)
Increase (decrease) in policy reserve	89,384	69,104
Provision of interest portion of reserve for dividends to policyholders	6	6
Provision of interest portion of reserve for dividends to policyholders (subsidiary)	0	0
Provision of reserve for dividends to policyholders (subsidiary)	94	86
Increase (decrease) in allowance for possible loan losses	(29)	(61)
Increase (decrease) in net defined benefit liabilities	271	(605)
Increase (decrease) in reserve for price fluctuation	1,859	1,928
Interest, dividends and other income	(88,713)	(101,236)
Losses (gains) on securities, net	(24,608)	(16,005)
Interest expenses	2,162	2,323
Foreign exchange losses (gains), net	(2,602)	627
Losses (gains) on tangible fixed assets, net	40	22
Others	8,819	13,933
Subtotal	46,353	33,317
Interest, dividends and other income received	89,315	99,572
Interest expenses paid	(2,194)	(2,309)
Dividends to policyholders paid	(14,753)	(16,836)
Dividends to policyholders paid (subsidiary)	(106)	(111)
Corporate income tax (paid) refunded	1,912	(11,414)
Net cash provided by (used in) operating activities [a]	120,525	102,218
Cash flows from investing activities:		
Net decrease (increase) in deposits	(3,379)	(3,193)
Increase in money held in trust	(2,700)	(1,396)
Decrease in money held in trust	6,273	1,396
Payments for purchase of securities	(724,733)	(569,749)
Proceeds from sales and redemption of securities	397,088	503,990
Payments for additions to loans	(33,720)	(24,276)
Proceeds from collections of loans	32,616	37,239
Proceeds from and payments for settlements of derivatives, net	(12,642)	(1,493)
Increase (decrease) in cash received as collateral under securities lending transactions	(40,249)	(2,830)
Others	(5,841)	(5,151)
Subtotal [b]	(387,287)	(65,465)
[a + b]	(266,761)	36,753
Payments for purchase of tangible fixed assets	(4,064)	(10,242)
Proceeds from sales of tangible fixed assets	0	0
Payments for purchase of intangible fixed assets	(3,391)	(4,910)
Net cash provided by (used in) investing activities	(394,743)	(80,618)
Cash flows from financing activities:		
Redemption of subordinated bonds	(49,870)	—
Financing of additional foundation funds	—	8,000
Redemption of foundation funds	—	(12,000)
Payment of interest on foundation funds	(102)	(102)
Dividends paid to non-controlling interests	(15)	(66)
Payments for lease obligations	(604)	(589)
Net cash provided by (used in) financing activities	(50,591)	(4,757)
Effect of exchange rate changes on cash and cash equivalents	324	469
Net increase (decrease) in cash and cash equivalents	(324,485)	17,312
Cash and cash equivalents at the beginning of the period	640,899	506,141
Cash and cash equivalents at the end of the period	316,413	523,453

(6) Consolidated Statements of Changes in Net Assets

[For the six months ended September 30, 2023]

(Millions of yen)

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

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

[For the six months ended September 30, 2024]

(Millions of yen)

	Foundation funds, surplus and others				
	Foundation funds	Accumulated foundation funds redeemed	Reserve for revaluation	Consolidated surplus	Total foundation funds, surplus and others
Balance at the beginning of the current period	12,000	116,000	112	143,344	271,456
Changes in the current period					
Financing of additional foundation funds	8,000				8,000
Additions to reserve for dividends to policyholders				(37,138)	(37,138)
Additions to accumulated foundation funds redeemed		12,000			12,000
Payment of interest on foundation funds				(102)	(102)
Net surplus attributable to the parent company for the current period				44,371	44,371
Redemption of foundation funds	(12,000)				(12,000)
Reversal of reserve for redemption of foundation funds				(12,000)	(12,000)
Net changes, excluding foundation funds, surplus and others					
Total changes in the current period	(4,000)	12,000	—	(4,869)	3,130
Balance at the end of the current period	8,000	128,000	112	138,475	274,587

	Accumulated other comprehensive income					Non-controlling interests	Total net assets
	Net unrealized gains (losses) on available-for-sale securities, net of tax	Revaluation reserve for land, net of tax	Foreign currency translation adjustments	Accumulated remeasurements of defined benefit plans	Total accumulated other comprehensive income		
Balance at the beginning of the current period	663,271	4,500	257	21,087	689,116	8,104	968,677
Changes in the current period							
Financing of additional foundation funds							8,000
Additions to reserve for dividends to policyholders							(37,138)
Additions to accumulated foundation funds redeemed							12,000
Payment of interest on foundation funds							(102)
Net surplus attributable to the parent company for the current period							44,371
Redemption of foundation funds							(12,000)
Reversal of reserve for redemption of foundation funds							(12,000)
Net changes, excluding foundation funds, surplus and others	(95,430)	—	454	(778)	(95,754)	(51)	(95,805)
Total changes in the current period	(95,430)	—	454	(778)	(95,754)	(51)	(92,674)
Balance at the end of the current period	567,841	4,500	711	20,308	593,362	8,053	876,003

Notes to the Consolidated Financial Statements

I. Presentation of the Consolidated Financial Statements

1. Basis of Presentation

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

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

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

2. Principles of Consolidation

(1) Scope of Consolidation

Consolidated subsidiaries as of September 30, 2024 are listed below:

Fukoku Capital Management, Inc.

Fukokushinrai Life Insurance Co., Ltd.

Fukoku Information Systems Co., Ltd.

Fukoku Life International (U.K.) Ltd.

Fukoku Life International (America) Inc.

Fukoku Life Investments Singapore Pte. Ltd.

Major unconsolidated subsidiary is Fukoku Business Service Company Limited.

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

(2) Application of Equity Method

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

There are no affiliates for the six months ended September 30, 2024.

(3) Interim Closing Dates of Consolidated Subsidiaries

Among the subsidiaries to be consolidated, interim closing dates of overseas subsidiaries are June 30. For the preparation of consolidated financial statements, financial statements as of that date are used and concerning any important transaction taking place in between June 30 and the consolidated closing date, necessary adjustments for consolidation are made.

II. Notes to the Consolidated Balance Sheets

1. (1) The valuation of securities, including cash and deposits and monetary claims bought which are equivalent to securities, and securities managed as trust assets in money held in trust, is as follows:
 - i) Trading securities are stated at fair market value. Costs of their sales are determined by the moving average method.
 - ii) Held-to-maturity debt securities are stated at amortized cost under the straight-line method, cost being determined by the moving average method.
 - iii) Policy-reserve-matching bonds are stated at amortized cost under the straight-line method, cost being determined by the moving average method in accordance with “Temporary Treatment of Accounting and Auditing Concerning Policy-Reserve-Matching Bonds in the Insurance Industry” (Industry Audit Committee Report No. 21, issued by the Japanese Institute of Certified Public Accountants (JICPA) on November 16, 2000).
 - iv) Investments in unconsolidated subsidiaries and affiliates which are not accounted for under the equity method are stated at cost, cost being determined by the moving average method.
 - v) Available-for-sale securities are stated at fair market value based on the market prices at the end of the current period. Costs of their sales are determined by the moving average method. Public and corporate bonds (including foreign bonds) with differences between their acquisition costs and fair values that are considered as adjustments of interest are stated at amortized cost (straight-line method) determined by the moving average method. However, stocks and other securities without quoted market prices are stated at cost, as determined using the moving average method. Net unrealized gains or losses on these available-for-sale securities, net of taxes, are recorded as a separate component of net assets.
- (2) Derivative instruments are stated at fair market value.
- (3) The Company revalued the land used in the operations based on the Act for Revaluation of Land (Act No.34 promulgated on March 31, 1998). The difference between fair value and book value resulting from the revaluation, net of related taxes, is recorded as revaluation reserve for land as a separate component of net assets and the related tax is recorded as deferred tax liabilities for land revaluation.
 - Date of revaluation: March 31, 2002
 - Method of revaluation as prescribed for in Article 3 Paragraph 3 of the said Act:
Calculation is based on the appraisal value for property tax set forth in Article 2 item 3 of the Enforcement Ordinance of the Act for Revaluation of Land (Government Ordinance No.119 promulgated on March 31, 1998) and the road rate set forth in Article 2 item 4 of the said Ordinance with certain reasonable adjustments.
- (4) Depreciation of the Company’s tangible fixed assets is calculated by the following methods.
 - Tangible fixed assets (excluding lease assets): Declining-balance method
However, buildings (excluding building attachments and structures acquired on or before March 31, 2016) acquired on or after April 1, 1998 are depreciated using Straight-line method.
 - Lease assets related to finance lease transactions that do not transfer ownership: Straight-line method over the lease term with no residual value.

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

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

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

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

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

For the credits of legally bankrupt borrowers and substantially bankrupt borrowers, the amounts remaining after deductions of collateral value or the amounts collectible through the execution of guarantees are written-off directly from the borrowers’ balances as the estimated uncollectible amounts. The amount written-off as of September 30, 2024 was ¥1 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 designated hedge accounting (“Furiate shori”) for foreign currency swaps as a hedge against the risk of foreign exchange fluctuation in relation to bonds denominated in foreign currencies issued by the Company.

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

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

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

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

Of premium incomes that have been received, the portion corresponding to the period that has yet to pass as of September 30, 2024 is accumulated as policy reserve in accordance with Article 116 of the Insurance Business Act and Article 69 Paragraph 1 Item 2 of the Enforcement Regulation of the Insurance Business Act.

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

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

In accordance with Article 117 of the Insurance Business Act and Article 72 of the Enforcement Regulation of the Insurance Business Act, reserve for outstanding claims are accumulated as for claims for which the Company has a payment due but has not paid, or for which the occurrence of cause for payment has not been reported but the Company recognizes that insured payment has already occurred as of September 30, 2024.

Regarding claims for which the occurrence of cause for payment has not been reported but the Company recognizes that insured payment has already occurred (“IBNR reserves”), the special treatment providing payment of hospitalization benefits with respect to those diagnosed with COVID-19 and were under the care of a doctor or the like at an lodging facility or at home (“deemed hospitalization”) was discontinued on May 8, 2023. As a result of this change, an appropriate amount of reserves cannot be obtained with the calculation method set forth in the main rules in Article 1, Paragraph 1 of the Notification of the Minister of Finance No.234, 1998 (“IBNR Notification”). The Company therefore records the amount that was calculated using the following method, pursuant to provisions in the proviso of Article 1, Paragraph 1 of IBNR Notification (the “Proviso”).

(Overview of the calculation method)

The Company first deducts an amount pertaining to deemed hospitalization of policy holders from a required amount of IBNR reserves and the amount of claim payments for all the consolidated 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.

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

(13) Policy reserve of the Company is accumulated in accordance with the methods stated in the statement of calculation procedures for Insurance Premiums and Policy Reserves (Article 4 Paragraph 2 Item 4 of the Insurance Business Act) pursuant to Article 116 Paragraph 1 of the Insurance Business Act to prepare for the future performance of obligations under the insurance contracts for which the insurer’s responsibilities have started as of September 30, 2024.

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

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

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

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

- Among individual annuity insurance policies with an assumed interest rate of 5.00% or higher, for policies that have begun paying annuities (excluding wife’s annuity insurance additional rider), the Company has reduced the assumed interest rate to 1.00% and funded additional policy reserves. As of September 30, 2024, the balance of these policy reserves was ¥68,730 million.
- Among whole life insurance policies with assumed interest rates of 5.00% or higher, the Company has reduced assumed interest rates for policies with premiums that have been paid in full (excluding policies that have been converted into paid-up or extended policies, single premium policies, and policies for which premiums have been waived) to 1.00% and funded additional policy reserves. As of September 30, 2024, the balance of these policy reserves was ¥105,214 million.
- The Company has also funded additional policy reserves for certain whole life insurance policies that include distribution of surplus every five years, new cancer riders, highly advanced medical riders and transplant medical riders. As of September 30, 2024, the balance of these policy reserves was ¥84 million.

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

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

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

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

2. The carrying amounts, fair values and their related differences of major financial assets and liabilities in the general account as of September 30, 2024 were as follows:

	(Millions of yen)		
	Carrying amount	Fair value	Difference
Money held in trust:			
Trading securities.....	¥22,320	¥22,320	¥—
Total money held in trust.....	22,320	22,320	—
Securities:			
Held-to-maturity debt securities.....	1,200,224	1,256,195	55,971
Policy-reserve-matching bonds.....	1,438,760	1,371,411	(67,348)
Available-for-sale securities.....	5,141,889	5,141,889	—
Total securities.....	7,780,874	7,769,497	(11,376)
Loans:			
Policy loans.....	48,337	48,337	(0)
Ordinary loans.....	436,272	440,599	4,327
Total loans.....	484,609	488,936	4,326
Assets total.....	8,287,804	8,280,754	(7,049)
Subordinated bonds*1.....	267,260	264,254	(3,005)
Liabilities total.....	267,260	264,254	(3,005)
Derivative instruments*2:			
Hedge accounting not applied.....	690	690	—
Total derivative instruments.....	¥690	¥690	¥—

*1. The fair value of derivative instruments that are currency swaps under designated hedge accounting is included in the fair value of subordinated bonds because it is accounted for as an integral part of the subordinated bonds that are the hedge items.

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

Notes: 1. Stocks without market prices, such as unlisted stocks, are not included in Securities of the above table.

The amount of these stocks on the balance sheet as of September 30, 2024 was ¥9,277 million.

2. In accordance with Paragraph 24-16 of the "Implementation Guidance on Accounting Standard for Fair Value Measurement" (ASBJ Guidance No.31, June 17, 2021. Hereinafter called "Implementation Guidance on Accounting Standard for Fair Value Measurement"), investments in partnerships are not included in Securities of the above table. As of September 30, 2024, the amount of investments in partnerships included on the balance sheet was ¥47,112 million.

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

3. Matters concerning the breakdown of financial instruments by fair value level are as follows.

The fair values of financial instruments are classified into the following three levels according to the observability and materiality of inputs used to measure fair value.

Fair Value Level 1: Fair values measured using (unadjusted) quoted prices in active markets for identical assets or liabilities

Fair Value Level 2: Fair values measured using directly or indirectly observable inputs other than Level 1 inputs

Fair Value Level 3: Fair values measured using material unobservable inputs

When multiple inputs with material impact are used to measure fair value, the resulting fair value is classified into the lowest fair value level into which any of these inputs can be categorized.

(1) Financial assets and liabilities with fair values recorded on the balance sheet as of September 30, 2024

Classification	Fair value			
	Level 1	Level 2	Level 3	Total
(Millions of yen)				
Money held in trust:				
Trading securities.....	¥—	¥22,320	¥—	¥22,320
Total money held in trust.....	—	22,320	—	22,320
Securities:				
Available-for-sale securities:				
Government bonds.....	1,205,724	—	—	1,205,724
Local government bonds.....	—	107,786	—	107,786
Corporate bonds.....	—	644,186	—	644,186
Stocks.....	911,060	—	—	911,060
Foreign securities.....	960,989	1,068,820	26,018	2,055,828
Other securities.....	68,486	138,620	—	207,106
Total available-for-sale securities.....	3,146,260	1,959,413	26,018	5,131,692
Total securities.....	3,146,260	1,959,413	26,018	5,131,692
Assets total.....	3,146,260	1,981,734	26,018	5,154,013
Derivative instruments*:				
Currency-related.....	(0)	690	—	690
Total derivative instruments.....	¥(0)	¥690	¥—	¥690

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

Note: Investment trusts with real estate as investment trust properties that have applied Paragraph 24-9 of the Implementation Guidance on Accounting Standard for Fair Value Measurement are not included in the figures above. The amount of the investment trusts on the balance sheet as of September 30, 2024 was ¥10,197 million. Reconciliation of balances from the beginning of the current fiscal year to balances as of September 30, 2024 for the investment trusts were as follows:

	(Millions of yen)
Balance at the beginning of the current period.....	¥9,945
Gains or losses and other comprehensive income during the current period.....	251
Values recognized as other comprehensive income*.....	251
Balance at the end of the current period.....	¥10,197

* These amounts are included in net unrealized gains (losses) on available-for-sale securities, net of tax under other comprehensive income in the consolidated statements of comprehensive income for the six months ended September 30, 2024.

(2) Financial assets and liabilities with fair values not recorded on the balance sheet as of September 30, 2024

(Millions of yen)

Classification	Fair value			Total
	Level 1	Level 2	Level 3	
Securities:				
Held-to-maturity debt securities:				
Government bonds.....	¥1,084,460	¥—	¥—	¥1,084,460
Local government bonds.....	—	88,946	—	88,946
Corporate bonds.....	—	82,788	—	82,788
Total held-to-maturity debt securities...	1,084,460	171,734	—	1,256,195
Policy-reserve-matching bonds:				
Government bonds.....	917,964	—	—	917,964
Local government bonds.....	—	116,333	—	116,333
Corporate bonds.....	—	337,114	—	337,114
Total policy-reserve-matching bonds...	917,964	453,447	—	1,371,411
Total securities.....	2,002,425	625,182	—	2,627,607
Loans:				
Policy loans.....	—	—	48,337	48,337
Ordinary loans.....	—	—	440,599	440,599
Total loans.....	—	—	488,936	488,936
Assets total.....	2,002,425	625,182	488,936	3,116,544
Subordinated bonds.....	—	264,254	—	264,254
Liabilities total.....	¥—	¥264,254	¥—	¥264,254

(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 used as their book values. The fair values of fixed interest rate loans

are primarily calculated 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.

Because significant unobservable inputs used to measure the fair values of loans, the resulting fair values are classified as Fair Value Level 3.

iv) Subordinated bonds

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

v) Derivative instruments

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

(4) Information concerning fair values of financial assets and liabilities that have been recorded on the balance sheet as of September 30, 2024 and classified as Fair Value Level 3

i) Quantitative information regarding material unobservable inputs

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

ii) Reconciliation of balances from the beginning of the current fiscal year to balances as of September 30, 2024, and valuation gains or losses recognized in the statements of operations for the six months ended September 30, 2024.

	(Millions of yen)	
	Securities, Available-for-sale securities, Foreign securities	Total
Balance at the beginning of the current period.....	¥26,352	¥26,352
Gains or losses and other comprehensive income during the current period.....	(334)	(334)
Values recognized as gains or losses*1.....	(5)	(5)
Values recognized as other comprehensive income*2.....	(329)	(329)
Balance at the end of the current period.....	¥26,018	¥26,018

*1. These amounts are included in investment income and investment expenses in the consolidated statements of operations for the six months ended September 30, 2024.

*2. These amounts are included in net unrealized gains (losses) on available-for-sale securities, net of tax under other comprehensive income in the consolidated statements of comprehensive income for the six months ended September 30, 2024.

iii) Explanation of the valuation process for fair value

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

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

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

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

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

5. The amount of securities lent under lending agreements was ¥439,457 million as of September 30, 2024.

6. The total amount of claims against bankrupt and quasi-bankrupt obligors, claims with collection risk, delinquent loans past three months or more, and restructured loans was ¥886 million as of September 30, 2024. The details are as follows.

i) The balance of claims against bankrupt and quasi-bankrupt obligors was ¥143 million as of September 30, 2024.

Of which, the estimated uncollectible amount written-off was ¥1 million as of September 30, 2024.

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 ¥498 million as of September 30, 2024.

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

iii) There was no balance of delinquent loans past three months or more as of September 30, 2024.

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 ¥244 million as of September 30, 2024.

Restructured loans are loans for which certain concessions favorable to borrowers, such as interest reduction or exemption, rescheduling of due date for repayments of principal or interest payment, waiver of claim or other terms, have been negotiated for the purpose of assisting and supporting the borrowers in the

restructuring of their business. This category excludes loans classified as claims against bankrupt and quasi-bankrupt obligors, claims with collection risk, and delinquent loans past three months or more.

7. Accumulated depreciation of tangible fixed assets were ¥186,184 million as of September 30, 2024.

8. Total assets in separate accounts provided for in Article 118 of the Insurance Business Act were ¥138,679 million as of September 30, 2024. The amounts of separate account liabilities were the same as separate account assets.

9. Changes in reserve for dividends to policyholders for the six months ended September 30, 2024 were as follows:

	(Millions of yen)
Balance at the beginning of the current period.....	¥61,903
Transfer from surplus in the previous fiscal year.....	37,138
Dividend payments to policyholders during the current period.....	(16,836)
Increase in interest.....	6
Balance at the end of the current period.....	<u>¥82,212</u>

10. Changes in reserve for dividends to policyholders (Fukokushinrai Life Insurance Co., Ltd.) for the six months ended September 30, 2024 were as follows:

	(Millions of yen)
Balance at the beginning of the current period.....	¥290
Dividend payments to policyholders during the current period.....	(111)
Increase in interest.....	0
Provision of reserve for dividends to policyholders.....	86
Balance at the end of the current period.....	<u>¥265</u>

11. The amount of stocks of unconsolidated subsidiaries was ¥404 million as of September 30, 2024.

12. Assets pledged as collateral as of September 30, 2024 were ¥133,289 million of securities.

Secured debts as of September 30, 2024, were ¥124,422 million.

These amounts include ¥110,901 million of investments in securities deposited and ¥118,468 million of cash received as collateral under securities lending transactions secured by cash as of September 30, 2024.

13. Reserve for outstanding claims for the reinsurance contracts provided in accordance with Article 71 Paragraph 1 of the Enforcement Regulation of the Insurance Business Act (hereinafter called “reserve for outstanding claims for ceded reinsurance”) was ¥9 million as of September 30, 2024.

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 ¥30 million as of September 30, 2024.

14. In accordance with Article 60 of the Insurance Business Law, the Company raised an additional ¥8,000 million in funds.
15. Accompanying with the redemption of ¥12,000 million in foundation funds, the Company transferred the same amount from reserve for redemption of foundation funds to accumulated foundation funds redeemed in accordance with Article 56 of the Insurance Business Act.
16. There were unused commitment line agreements under which the Company is the lender of ¥8,693 million as of September 30, 2024.
17. Repayments of subordinated bonds are subordinated to other obligations.

III. Notes to the Consolidated Statements of Operations

1. For the six months ended September 30, 2024, in calculating the reversal of reserve for outstanding claims, a provision of reserve for outstanding claims for ceded reinsurance of ¥8 million was added. 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 Cash Flows

1. Cash and cash equivalents as of September 30, 2024 consist of “Cash,” “Deposits in transfer account,” “Current deposits,” “Ordinary deposits,” “Notice deposits,” “Time deposits maturing within 3 months of the date of acquisition,” “Foreign currency deposits maturing within 3 months of the date of acquisition,” “Negotiable certificate of deposits maturing within 3 months of the date of acquisition,” “Call loans” and “Monetary claims bought maturing within 3 months of the date of acquisition.”
2. Reconciliations of cash and cash equivalents in the consolidated statements of cash flows to the consolidated balance sheet accounts as of September 30, 2024 were as follows:

	(Millions of yen)
Cash and deposits.....	¥345,491
Call loans.....	200,000
Time deposits maturing over 3 months of the date of acquisition.....	(20,000)
Foreign currency deposits maturing over 3 months of the date of acquisition.....	(2,037)
Cash and cash equivalents.....	<u>¥523,453</u>

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

(Millions of yen)

		As of March 31, 2024	As of September 30, 2024
Total solvency margin (A)		2,381,877	2,303,520
Foundation funds and surplus		239,002	260,976
Reserve for price fluctuation		193,279	195,207
Contingency reserve		211,786	213,315
Catastrophe loss reserve		—	—
General allowance for possible loan losses		330	268
(Net unrealized gains (losses) on securities (before tax) and deferred hedge gains (losses) (before tax)) × 90%		827,687	708,571
Net unrealized gains on real estate × 85%		165,661	166,169
Sum of unrecognized actuarial differences and unrecognized prior service cost		29,288	28,206
Excess amount of policy reserve based on full-time Zillmer method		398,926	403,630
Qualifying subordinated debt		267,260	267,260
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		48,655	59,914
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)		400,408	399,163
Insurance risk R_1		21,411	21,234
General insurance risk R_5		—	—
Catastrophe risk R_6		—	—
3rd sector insurance risk R_8		10,268	10,318
Small amount and short-term insurance risk R_9		—	—
Assumed investment yield risk R_2		20,369	19,924
Minimum guarantee risk R_7		—	—
Investment risk R_3		370,309	369,543
Business risk R_4		8,447	8,420
Solvency margin ratio $\frac{(A)}{(1/2) \times (B)} \times 100$		1,189.7%	1,154.1%

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

Reference: Consolidated Economic Solvency Ratio

	As of March 31, 2024	As of September 30, 2024
Economic Solvency Ratio	258.2%	250.5%

Note: Economic solvency ratio (ESR) is an indicator of an insurance company’s soundness and indicates whether or not a company has sufficient capital to cover its risks based on market-value assessment of its assets and liabilities. The Company calculates its ESR according to European methodology. Figures for some insurance liabilities and risks current as of September 30, 2024 have been calculated using simplified methods.