

Financial Results for the Nine Months Ended December 31, 2020

Fukoku Mutual Life Insurance Company (President: Yoshiteru Yoneyama) announces financial results for the nine months ended December 31, 2020.

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1. Business Highlights

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

(i) Policies in Force

| | | As of March 31, 2020 | | As of December 31, 2020 | | | |
|--|----------------------|-----------------------------------|---------------------------------|-------------------------|-------------------------|--------------------------|-------------------------|
| | | Number of policies (Thousands) | Amount (100 millions of yen) | Number of policies | | Amount | |
| | | | | (Thousands) | Changes (%, Pre-FYE) | (100 millions of yen) | Changes (%, Pre-FYE) |
| | Individual insurance | 3,184 | 224,295 | 3,178 | 99.8 | 224,330 | 100.0 |
| | Individual annuities | 627 | 24,560 | 610 | 97.3 | 23,874 | 97.2 |
| | Subtotal | 3,811 | 248,855 | 3,788 | 99.4 | 248,204 | 99.7 |
| | Group insurance | — | 176,052 | — | — | 175,136 | 99.5 |
| | Group annuities | — | 22,334 | — | — | 22,584 | 101.1 |

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

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

(ii) New Policies

| Nine months ended December 31, 2019 | | 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 | 271 | 11,787 | 10,327 | 1,460 |
| | Individual annuities | 7 | 214 | 223 | (9) |
| | Subtotal | 278 | 12,001 | 10,550 | 1,450 |
| | Group insurance | — | 104 | 104 | — |
| | Group annuities | — | 0 | 0 | — |

| Nine months ended December 31, 2020 | | Total | | | | New business | | Net increase by conversion | |
|----------------------------------------|----------------------|--------------------|---------------------|--------------------------|---------------------|--------------------------|---------------------|-------------------------------|---------------------|
| | | Number of policies | | Amount | | Amount | | Amount | |
| | | (Thousands) | Changes (%, YoY) | (100 millions of yen) | Changes (%, YoY) | (100 millions of yen) | Changes (%, YoY) | (100 millions of yen) | Changes (%, YoY) |
| | Individual insurance | 213 | 78.6 | 11,054 | 93.8 | 8,227 | 79.7 | 2,826 | 193.6 |
| | Individual annuities | 5 | 72.7 | 150 | 70.3 | 157 | 70.3 | (6) | — |
| | Subtotal | 218 | 78.4 | 11,204 | 93.4 | 8,384 | 79.5 | 2,820 | 194.4 |
| | Group insurance | — | — | 26 | 25.0 | 26 | 25.0 | — | — |
| | Group annuities | — | — | 0 | 714.8 | 0 | 714.8 | — | — |

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

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

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

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

| | Nine months ended December 31, 2019 | Nine months ended December 31, 2020 | |
|--------------------------------------------------------|----------------------------------------|----------------------------------------|---------------------|
| | | | Changes (%, YoY) |
| Amount of surrender and lapse (100 millions of yen) | 9,157 | 7,279 | 79.5 |
| Surrender and lapse ratio (%) | 3.64 | 2.93 | (0.71) |

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, 2020 | As of December 31, 2020 | |
|--------------------------------------|----------------------|-------------------------|-----------------------|
| | | | Changes (% , Pre-FYE) |
| Individual insurance | 2,692 | 2,676 | 99.4 |
| Individual annuities | 1,158 | 1,126 | 97.2 |
| Total | 3,851 | 3,802 | 98.7 |
| Medical coverage and living benefits | 1,135 | 1,142 | 100.6 |

(ii) New Policies

(100 millions of yen, %)

| | Nine months ended December 31, 2019 | Nine months ended December 31, 2020 | |
|--------------------------------------|-------------------------------------|-------------------------------------|-------------------|
| | | | Changes (% , YoY) |
| Individual insurance | 106 | 84 | 79.7 |
| Individual annuities | 6 | 4 | 70.9 |
| Total | 112 | 89 | 79.2 |
| Medical coverage and living benefits | 58 | 44 | 76.7 |

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, 2020 | | As of December 31, 2020 | |
|-------------------------------------|----------------------|------------|-------------------------|------------|
| | Amount | % of total | Amount | % of total |
| Cash, deposits, and call loans | 515,545 | 7.7 % | 395,355 | 5.7 % |
| Monetary claims bought | 269 | 0.0 | 247 | 0.0 |
| Money held in trust | 24,156 | 0.4 | 25,245 | 0.4 |
| Securities | 5,265,401 | 78.5 | 5,643,284 | 81.4 |
| Domestic bonds | 2,677,697 | 39.9 | 2,745,351 | 39.6 |
| Domestic stocks | 612,019 | 9.1 | 733,102 | 10.6 |
| Foreign securities | 1,857,920 | 27.7 | 2,013,982 | 29.0 |
| Foreign bonds | 1,580,829 | 23.6 | 1,629,382 | 23.5 |
| Foreign stocks and other securities | 277,091 | 4.1 | 384,600 | 5.5 |
| Other securities | 117,764 | 1.8 | 150,847 | 2.2 |
| Loans | 565,473 | 8.4 | 560,797 | 8.1 |
| Policy loans | 55,339 | 0.8 | 51,468 | 0.7 |
| Ordinary loans | 510,133 | 7.6 | 509,329 | 7.3 |
| Real estate | 215,305 | 3.2 | 228,539 | 3.3 |
| Deferred tax assets | 29,397 | 0.4 | — | — |
| Others | 92,688 | 1.4 | 82,864 | 1.2 |
| Allowance for possible loan losses | (2,023) | (0.0) | (2,364) | (0.0) |
| Total | 6,706,213 | 100.0 | 6,933,969 | 100.0 |
| Foreign currency denominated assets | 2,159,294 | 32.2 | 2,289,208 | 33.0 |

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

(2) Fair Value Information on Securities (with fair value, other than trading securities)

(Millions of yen)

| | As of March 31, 2020 | | | | | As of December 31, 2020 | | | | |
|--------------------------------------------|----------------------|------------|--------------|---------|--------|-------------------------|------------|--------------|---------|--------|
| | Book value | Fair value | Gains/Losses | | | Book value | Fair value | Gains/Losses | | |
| | | | Gains | Losses | | | | Gains | Losses | |
| Held-to-maturity debt securities | 757,178 | 879,712 | 122,534 | 122,534 | — | 755,496 | 869,251 | 113,754 | 113,754 | — |
| Domestic bonds | 737,664 | 858,750 | 121,085 | 121,085 | — | 736,674 | 849,349 | 112,675 | 112,675 | — |
| Foreign bonds | 19,514 | 20,962 | 1,448 | 1,448 | — | 18,822 | 19,901 | 1,079 | 1,079 | — |
| Monetary claims bought | — | — | — | — | — | — | — | — | — | — |
| Negotiable certificate of deposits | — | — | — | — | — | — | — | — | — | — |
| Others | — | — | — | — | — | — | — | — | — | — |
| Policy-reserve-matching bonds | 892,940 | 1,035,765 | 142,825 | 144,107 | 1,281 | 879,640 | 1,005,623 | 125,983 | 129,833 | 3,850 |
| Domestic bonds | 892,940 | 1,035,765 | 142,825 | 144,107 | 1,281 | 879,640 | 1,005,623 | 125,983 | 129,833 | 3,850 |
| Foreign bonds | — | — | — | — | — | — | — | — | — | — |
| Investments in subsidiaries and affiliates | — | — | — | — | — | — | — | — | — | — |
| Available-for-sale securities | 3,056,561 | 3,450,284 | 393,722 | 477,836 | 84,113 | 3,316,280 | 3,883,029 | 566,749 | 596,644 | 29,894 |
| Domestic bonds | 955,552 | 1,038,974 | 83,421 | 83,947 | 525 | 1,058,828 | 1,129,036 | 70,207 | 73,821 | 3,613 |
| Domestic stocks | 333,313 | 543,104 | 209,791 | 232,868 | 23,077 | 345,448 | 664,196 | 318,747 | 329,405 | 10,657 |
| Foreign securities | 1,675,248 | 1,770,514 | 95,265 | 148,498 | 53,233 | 1,804,954 | 1,959,310 | 154,356 | 168,277 | 13,921 |
| Foreign bonds | 1,389,520 | 1,503,075 | 113,555 | 138,270 | 24,715 | 1,471,184 | 1,583,068 | 111,884 | 122,304 | 10,420 |
| Foreign stocks and other securities | 285,728 | 267,438 | (18,289) | 10,227 | 28,517 | 333,770 | 376,241 | 42,471 | 45,972 | 3,501 |
| Other securities | 92,446 | 97,690 | 5,244 | 12,521 | 7,277 | 107,048 | 130,486 | 23,438 | 25,140 | 1,702 |
| Money held in trust | — | — | — | — | — | — | — | — | — | — |
| Monetary claims bought | — | — | — | — | — | — | — | — | — | — |
| Negotiable certificate of deposits | — | — | — | — | — | — | — | — | — | — |
| Others | — | — | — | — | — | — | — | — | — | — |
| Total | 4,706,680 | 5,365,762 | 659,082 | 744,478 | 85,395 | 4,951,417 | 5,757,905 | 806,487 | 840,233 | 33,745 |
| Domestic bonds | 2,586,157 | 2,933,490 | 347,333 | 349,140 | 1,807 | 2,675,143 | 2,984,009 | 308,865 | 316,329 | 7,464 |
| Domestic stocks | 333,313 | 543,104 | 209,791 | 232,868 | 23,077 | 345,448 | 664,196 | 318,747 | 329,405 | 10,657 |
| Foreign securities | 1,694,762 | 1,791,476 | 96,713 | 149,946 | 53,233 | 1,823,776 | 1,979,212 | 155,435 | 169,357 | 13,921 |
| Foreign bonds | 1,409,034 | 1,524,038 | 115,003 | 139,719 | 24,715 | 1,490,006 | 1,602,970 | 112,964 | 123,384 | 10,420 |
| Foreign stocks and other securities | 285,728 | 267,438 | (18,289) | 10,227 | 28,517 | 333,770 | 376,241 | 42,471 | 45,972 | 3,501 |
| Other securities | 92,446 | 97,690 | 5,244 | 12,521 | 7,277 | 107,048 | 130,486 | 23,438 | 25,140 | 1,702 |
| Money held in trust | — | — | — | — | — | — | — | — | — | — |
| Monetary claims bought | — | — | — | — | — | — | — | — | — | — |
| Negotiable certificate of deposits | — | — | — | — | — | — | — | — | — | — |
| Others | — | — | — | — | — | — | — | — | — | — |

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

• Book value of securities without fair value are as follows:

(Millions of yen)

| | As of March 31, 2020 | As of December 31, 2020 |
|-----------------------------------------------------------|----------------------|-------------------------|
| Held-to-maturity debt securities | — | — |
| Unlisted foreign bonds | — | — |
| Others | — | — |
| Policy-reserve-matching bonds | — | — |
| Investments in subsidiaries and affiliates | 64,787 | 64,787 |
| Available-for-sale securities | 32,410 | 32,377 |
| Unlisted domestic stocks (except over-the-counter stocks) | 5,684 | 5,676 |
| Unlisted foreign stocks (except over-the-counter stocks) | — | — |
| Unlisted foreign bonds | — | — |
| Others | 26,725 | 26,700 |
| Total | 97,197 | 97,164 |

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 (¥1,443 million as of March 31, 2020 and ¥462 million as of December 31, 2020) are included in their balance sheet carrying amounts.

(3) Fair Value Information on Money Held in Trust

(Millions of yen)

| | As of March 31, 2020 | | | | | As of December 31, 2020 | | | | |
|---------------------|-------------------------------------------|------------|--------------|-------|--------|-------------------------------------------|------------|--------------|-------|--------|
| | 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 | 24,156 | 24,156 | — | — | — | 25,245 | 25,245 | — | — | — |

• Money held in trust for trading purpose

(Millions of yen)

| | As of March 31, 2020 | | As of December 31, 2020 | |
|--------------------------------------------|----------------------------------------|---------------------------------------------------------------------------|----------------------------------------|---------------------------------------------------------------------------|
| | 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 | 23,156 | 0 | 24,245 | 107 |

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

(Millions of yen)

| | As of March 31, 2020 | | | | | As of December 31, 2020 | | | | |
|--------------------------------------------------------|----------------------|------------|--------------|-------|--------|-------------------------|------------|--------------|-------|--------|
| | Book value | Fair value | Gains/Losses | | | Book value | Fair value | Gains/Losses | | |
| | | | | Gains | Losses | | | | Gains | Losses |
| Money held in trust for held-to-maturity | — | — | — | — | — | — | — | — | — | — |
| Money held in trust for policy-reserve- matching | — | — | — | — | — | — | — | — | — | — |
| Money held in trust for available-for-sale | — | — | — | — | — | — | — | — | — | — |

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

(Millions of yen)

| As of March 31, 2020 | | | As of December 31, 2020 | | |
|----------------------------------------|------------|----------------|----------------------------------------|------------|----------------|
| Carrying value on the balance sheet | Fair value | Gains (Losses) | Carrying value on the balance sheet | Fair value | Gains (Losses) |
| 125,121 | 278,475 | 153,354 | 137,344 | 291,964 | 154,619 |

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, 2020 | As of December 31, 2020 |
|------------------------------------|----------------------|-------------------------|
| Assets: | | |
| Cash and deposits | 288,668 | 199,062 |
| Call loans | 230,000 | 200,000 |
| Monetary claims bought | 269 | 247 |
| Money held in trust | 24,156 | 25,245 |
| Securities: | 5,344,665 | 5,736,417 |
| [Government bonds] | [1,932,731] | [1,994,801] |
| [Local government bonds] | [102,704] | [98,703] |
| [Corporate bonds] | [664,875] | [676,032] |
| [Stocks] | [631,989] | [757,949] |
| [Foreign securities] | [1,894,581] | [2,058,059] |
| Loans: | 565,473 | 560,797 |
| Policy loans | 55,339 | 51,468 |
| Ordinary loans | 510,133 | 509,329 |
| Tangible fixed assets | 219,475 | 233,013 |
| Intangible fixed assets | 23,791 | 23,320 |
| Agency receivables | 4 | 8 |
| Reinsurance receivables | 111 | 5 |
| Other assets | 66,881 | 55,072 |
| Prepaid pension costs | — | 356 |
| Deferred tax assets | 29,397 | — |
| Allowance for possible loan losses | (2,023) | (2,364) |
| Total assets | 6,790,871 | 7,031,182 |

| | As of March 31, 2020 | As of December 31, 2020 |
|----------------------------------------------------------------------------|----------------------|-------------------------|
| Liabilities: | | |
| Policy reserves: | 5,775,716 | 5,827,565 |
| Reserve for outstanding claims | 19,814 | 17,407 |
| Policy reserve | 5,694,979 | 5,736,640 |
| Reserve for dividends to policyholders | 60,922 | 73,517 |
| Reinsurance payables | 86 | 63 |
| Subordinated bonds | 191,935 | 241,935 |
| Other liabilities: | 122,632 | 112,052 |
| Corporate income tax payable | 6,002 | 295 |
| Lease obligations | 966 | 812 |
| Asset retirement obligations | 2,754 | 2,792 |
| Rest of the other liabilities | 112,908 | 108,151 |
| Reserve for employees' retirement benefits | 23,519 | 23,668 |
| Reserve for price fluctuation | 122,745 | 125,449 |
| Deferred tax liabilities | — | 17,407 |
| Deferred tax liabilities for land revaluation | 14,213 | 14,209 |
| Total liabilities | 6,250,849 | 6,362,351 |
| Net assets: | | |
| Foundation funds | 12,000 | 12,000 |
| Accumulated foundation funds redeemed | 116,000 | 116,000 |
| Reserve for revaluation | 112 | 112 |
| Surplus: | 123,054 | 127,546 |
| Legal reserve for future losses | 3,176 | 3,271 |
| Other surplus: | 119,878 | 124,275 |
| Reserve for redemption of foundation funds | — | 2,400 |
| 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 | 209 | 207 |
| Other reserves | 767 | 767 |
| Unappropriated surplus | 57,901 | 59,900 |
| Total foundation funds, surplus and others | 251,166 | 255,658 |
| Net unrealized gains (losses) on available-for-sale securities, net of tax | 284,752 | 408,927 |
| Revaluation reserve for land, net of tax | 4,102 | 4,245 |
| Total valuation and translation adjustments | 288,855 | 413,172 |
| Total net assets | 540,021 | 668,831 |
| Total liabilities and net assets | 6,790,871 | 7,031,182 |

4. Non-consolidated Statements of Operations

(Millions of yen)

| | Nine months ended December 31, 2019 | Nine months ended December 31, 2020 |
|-------------------------------------------------------------------------|----------------------------------------|----------------------------------------|
| Ordinary revenues: | | |
| Premium and other income | 411,216 | 362,095 |
| [Premium income] | [411,188] | [362,067] |
| Investment income | 138,754 | 147,160 |
| [Interest, dividends and other income] | [109,475] | [107,503] |
| [Gains on money held in trust, net] | [110] | [1,100] |
| [Gains on trading securities, net] | [90] | [4,332] |
| [Gains on sales of securities] | [24,221] | [19,804] |
| [Gains on separate accounts, net] | [4,544] | [14,312] |
| Other ordinary revenues | 11,914 | 9,185 |
| [Reversal of reserve for outstanding claims] | [3,073] | [2,406] |
| Total ordinary revenues | 561,885 | 518,441 |
| Ordinary expenses: | | |
| Claims and other payments | 328,949 | 308,388 |
| [Claims] | [73,949] | [59,034] |
| [Annuities] | [119,545] | [113,583] |
| [Benefits] | [79,699] | [75,640] |
| [Surrenders] | [37,815] | [41,445] |
| [Other payments] | [17,761] | [18,504] |
| Provision of policy reserve and others: | 63,760 | 41,670 |
| Provision of policy reserves | 63,750 | 41,660 |
| Provision of interest portion of reserve for dividends to policyholders | 9 | 10 |
| Investment expenses | 28,087 | 39,371 |
| [Interest expenses] | [2,895] | [2,992] |
| [Losses on sales of securities] | [894] | [8,847] |
| [Losses on valuation of securities] | [1,130] | [4,756] |
| [Losses on derivative instruments, net] | [583] | [6,187] |
| [Foreign exchange losses, net] | [13,047] | [6,492] |
| Operating expenses | 68,410 | 67,666 |
| Other ordinary expenses | 16,156 | 16,152 |
| Total ordinary expenses | 505,364 | 473,249 |
| Ordinary profits | 56,521 | 45,192 |
| Extraordinary gains: | | |
| Gains on disposal of fixed assets | 0 | 0 |
| Total extraordinary gains | 0 | 0 |
| Extraordinary losses: | | |
| Losses on disposal of fixed assets | 87 | 590 |
| Impairment losses | 15 | 62 |
| Provision of reserve for price fluctuation | 2,649 | 2,704 |
| Others | — | 965 |
| Total extraordinary losses | 2,752 | 4,322 |
| Surplus before income taxes | 53,769 | 40,870 |
| Income taxes: | | |
| Current | 9,455 | 5,654 |
| Deferred | (1,505) | (1,069) |
| Total income taxes | 7,949 | 4,584 |
| Net surplus for the period | 45,819 | 36,285 |

Notes to the Non-consolidated Financial Statements

I. Presentation of the Non-consolidated Financial Statements

1. Basis of presentation

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

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

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

II. Notes to the Non-consolidated Balance Sheets

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

To fulfil our efforts to comply with these requirements, we have prepared financial statements for the nine months ended December 31, 2020 in accordance with the first- and third-quarter announcement format model created by The Life Insurance Association of Japan (the “Quarterly Reporting Model”) and generally accepted standards for preparation of quarterly financial statements in Japan. As the Quarterly Reporting Model is prepared for the purpose of fulfilling the obligation above to make an effort to disclose information, disclosures in the Quarterly Reporting Model differ from those prescribed by the regulations concerning terminology, formats, and preparation methods of quarterly financial statements and other reports.

2. The amount of securities lent under lending agreements was ¥467,066 million as of December 31, 2020.
3. Changes in reserve for dividends to policyholders for the nine months ended December 31, 2020 were as follows:

| | (Millions of yen) |
|-------------------------------------------------------------------|-------------------|
| Balance at the beginning of the current period..... | ¥ 60,922 |
| Transfer from surplus in the previous fiscal year..... | 31,547 |
| Dividend payments to policyholders during the current period..... | (18,963) |
| Increase in interest..... | 10 |
| Balance at the end of the current period..... | <u>¥ 73,517</u> |

III. Note to the Non-consolidated Statements of Operations

1. “Others” within “Extraordinary losses” consists of expenses associated with salary guaranties provided to sales representatives as a countermeasure aimed at preventing the spread of COVID-19.

5. Breakdown of Ordinary Profits (Fundamental Profit)

(Millions of yen)

| | Nine months ended December 31, 2019 | Nine months ended December 31, 2020 |
|----------------------------------------------------------|----------------------------------------|----------------------------------------|
| Fundamental profit A | 57,089 | 53,552 |
| Capital gains | 24,231 | 23,735 |
| Gains on money held in trust, net | 9 | 1,029 |
| Gains on trading securities, net | — | 2,901 |
| Gains on sales of securities | 24,221 | 19,804 |
| Gains on derivative instruments, net | — | — |
| Foreign exchange gains, net | — | — |
| Other capital gains | — | — |
| Capital losses | 17,928 | 26,284 |
| Losses on money held in trust, net | — | — |
| Losses on trading securities, net | 2,272 | — |
| Losses on sales of securities | 894 | 8,847 |
| Losses on valuation of securities | 1,130 | 4,756 |
| Losses on derivative instruments, net | 583 | 6,187 |
| Foreign exchange losses, net | 13,047 | 6,492 |
| Other capital losses | — | — |
| Net capital gains (losses) B | 6,302 | (2,548) |
| Fundamental profit plus net capital gains (losses) A+B | 63,392 | 51,003 |
| Non-recurring gains | 4 | 7 |
| Reinsurance income | — | — |
| Reversal of contingency reserve | — | — |
| Reversal of specific allowance for possible loan losses | 4 | 7 |
| Others | — | — |
| Non-recurring losses | 6,875 | 5,819 |
| Reinsurance premiums | — | — |
| Provision for contingency reserve | 661 | 376 |
| Provision of specific allowance for possible loan losses | — | — |
| Provision of allowance for specified overseas loans | — | — |
| Write-offs of loans | 262 | — |
| Others | 5,951 | 5,442 |
| Non-recurring gains (losses) C | (6,870) | (5,811) |
| Ordinary profits A+B+C | 56,521 | 45,192 |

- Notes: 1. The following amounts in respect of gains on money held in trust have been excluded from capital gains / losses and included in fundamental profit due to their income nature (being interest and dividend income): ¥101 million in respect of the nine months ended December 31, 2019 and ¥70 million in respect of the nine months ended December 31, 2020.
2. The following amounts in respect of gains on trading securities have been excluded from capital gains / losses and included in fundamental profit due to their income nature (being interest and dividend income): ¥2,362 million in respect of the nine months ended December 31, 2019 and ¥1,431 million in respect of the nine months ended December 31, 2020.
3. Other non-recurring losses represent the losses relating to provision of the additional policy reserves in accordance with Article 69, Paragraph 5 of the Enforcement Regulations of the Insurance Business Act.

6. Solvency Margin Ratio

(Millions of yen)

| | As of March 31, 2020 | As of December 31, 2020 |
|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------|----------------------------|
| Total solvency margin (A) | 1,537,878 | 1,771,038 |
| Foundation funds and surplus | 217,313 | 229,419 |
| Reserve for price fluctuation | 122,745 | 125,449 |
| Contingency reserve | 215,014 | 215,390 |
| General allowance for possible loan losses | 1,538 | 1,893 |
| (Net unrealized gains (losses) on securities (before tax) and deferred hedge gains (losses) (before tax)) × 90% | 355,650 | 510,490 |
| Net unrealized gains on real estate × 85% | 145,920 | 147,113 |
| Excess amount of policy reserve based on full-time Zillmer method | 294,153 | 301,540 |
| Qualifying subordinated debt | 191,935 | 241,935 |
| The amount of "excess amount of policy reserve based on full-time Zillmer method" and "qualifying subordinated debt" excluded from the calculation of solvency margin | — | — |
| Deductible items | (46,783) | (46,783) |
| Others | 40,391 | 44,590 |
| Total amount of risk $\sqrt{(R_1 + R_8)^2 + (R_2 + R_3 + R_7)^2} + R_4$ (B) | 238,265 | 276,666 |
| Insurance risk R_1 | 22,732 | 22,434 |
| 3rd sector insurance risk R_8 | 9,911 | 9,898 |
| Assumed investment yield risk R_2 | 30,568 | 30,029 |
| Minimum guarantee risk R_7 | — | — |
| Investment risk R_3 | 200,132 | 238,677 |
| Business risk R_4 | 5,266 | 6,020 |
| Solvency margin ratio $\frac{(A)}{(1/2) \times (B)} \times 100$ | 1,290.8 % | 1,280.2 % |

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

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

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

7. Status of Separate Account

(1) Separate Account Assets by Products

(Millions of yen)

| | As of March 31, 2020 | As of December 31, 2020 |
|-------------------------------|----------------------|-------------------------|
| | Amount | Amount |
| Individual variable insurance | — | — |
| Individual variable annuities | 22 | 26 |
| Group annuities | 84,635 | 97,186 |
| Total | 84,658 | 97,212 |

(2) Policies in Force

(i) Individual Variable Insurance

The Company has not sold the individual variable insurance.

(ii) Individual Variable Annuities

(Millions of yen except number of policies)

| | As of March 31, 2020 | | As of December 31, 2020 | |
|-------------------------------|----------------------|--------|-------------------------|--------|
| | Number of policies | Amount | Number of policies | Amount |
| Individual variable annuities | 8 | 20 | 8 | 20 |
| Total | 8 | 20 | 8 | 20 |

8. Status of the Company, Subsidiaries and Affiliates

(1) Selected Financial Data

(100 millions of yen)

| | Nine months ended December 31, 2019 | Nine months ended December 31, 2020 |
|------------------------------------------------|----------------------------------------|----------------------------------------|
| Ordinary revenues | 6,593 | 6,783 |
| Ordinary profits | 572 | 462 |
| Net surplus attributable to the parent company | 458 | 365 |
| Comprehensive income | 969 | 1,614 |

| | As of March 31, 2020 | As of December 31, 2020 |
|-----------------------|----------------------|-------------------------|
| Total assets | 85,744 | 86,995 |
| Solvency margin ratio | 1,331.7 % | 1,321.1 % |

(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, 2020 | As of December 31, 2020 |
|------------------------------------|----------------------|-------------------------|
| Assets: | | |
| Cash and deposits | 415,816 | 354,636 |
| Call loans | 230,000 | 200,000 |
| Monetary claims bought | 269 | 247 |
| Money held in trust | 24,156 | 25,245 |
| Securities | 6,977,554 | 7,231,222 |
| Loans | 569,127 | 564,188 |
| Tangible fixed assets | 219,883 | 233,376 |
| Intangible fixed assets | 33,359 | 30,401 |
| Agency receivables | 0 | 0 |
| Reinsurance receivables | 124 | 5 |
| Other assets | 74,059 | 61,640 |
| Net defined benefit assets | 255 | 675 |
| Deferred tax assets | 31,885 | 242 |
| Allowance for possible loan losses | (2,024) | (2,364) |
| Total assets | 8,574,467 | 8,699,518 |

| | As of March 31, 2020 | As of December 31, 2020 |
|----------------------------------------------------------------------------|----------------------|-------------------------|
| Liabilities: | | |
| Policy reserves: | 7,515,143 | 7,454,668 |
| Reserve for outstanding claims | 23,620 | 20,934 |
| Policy reserve | 7,430,271 | 7,359,919 |
| Reserve for dividends to policyholders | 60,922 | 73,517 |
| Reserve for dividends to policyholders (subsidiary) | 328 | 297 |
| Agency payables | 114 | 144 |
| Reinsurance payables | 103 | 79 |
| Subordinated bonds | 191,935 | 241,935 |
| Other liabilities | 132,340 | 120,678 |
| Net defined benefit liabilities | 34,614 | 33,488 |
| Reserve for price fluctuation | 133,162 | 136,100 |
| Deferred tax liabilities | 0 | 15,607 |
| Deferred tax liabilities for land revaluation | 14,213 | 14,209 |
| Total liabilities | 8,021,628 | 8,016,912 |
| Net assets: | | |
| Foundation funds | 12,000 | 12,000 |
| Accumulated foundation funds redeemed | 116,000 | 116,000 |
| Reserve for revaluation | 112 | 112 |
| Consolidated surplus | 127,315 | 132,057 |
| Total foundation funds, surplus and others | 255,427 | 260,169 |
| Net unrealized gains (losses) on available-for-sale securities, net of tax | 292,980 | 416,994 |
| Revaluation reserve for land, net of tax | 4,102 | 4,245 |
| Foreign currency translation adjustment | (480) | (589) |
| Accumulated remeasurements of defined benefit plans | (7,714) | (6,764) |
| Total accumulated other comprehensive income | 288,888 | 413,886 |
| Non-controlling interests | 8,523 | 8,549 |
| Total net assets | 552,839 | 682,605 |
| Total liabilities and net assets | 8,574,467 | 8,699,518 |

(4) Consolidated Statements of Operations and Comprehensive Income

[Consolidated Statements of Operations]

(Millions of yen)

| | Nine months ended December 31, 2019 | Nine months ended December 31, 2020 |
|--------------------------------------------------------------------------------------|----------------------------------------|----------------------------------------|
| Ordinary revenues: | | |
| Premium and other income | 488,358 | 433,301 |
| Investment income | 156,892 | 164,099 |
| [Interest, dividends and other income] | [126,549] | [122,728] |
| [Gains on money held in trust, net] | [110] | [1,100] |
| [Gains on trading securities, net] | [90] | [4,332] |
| [Gains on sales of securities] | [25,284] | [21,518] |
| [Gains on separate accounts, net] | [4,544] | [14,312] |
| Other ordinary revenues | 14,104 | 80,985 |
| [Reversal of reserve for outstanding claims] | [4,448] | [2,686] |
| [Reversal of policy reserve] | [—] | [70,351] |
| Total ordinary revenues | 659,354 | 678,386 |
| Ordinary expenses: | | |
| Claims and other payments | 429,831 | 499,325 |
| [Claims] | [79,317] | [64,807] |
| [Annuities] | [181,849] | [272,787] |
| [Benefits] | [89,163] | [83,164] |
| [Surrenders] | [61,340] | [59,605] |
| [Other payments] | [17,894] | [18,692] |
| Provision of policy reserve and others: | 49,938 | 10 |
| Provision of policy reserves | 49,928 | — |
| Provision of interest portion of reserve for dividends to policyholders | 9 | 10 |
| Provision of interest portion of reserve for dividends to policyholders (subsidiary) | 0 | 0 |
| Investment expenses | 27,128 | 38,414 |
| [Interest expenses] | [2,913] | [3,007] |
| [Losses on sales of securities] | [894] | [8,847] |
| [Losses on valuation of securities] | [1,130] | [4,756] |
| [Losses on derivative instruments, net] | [583] | [6,187] |
| [Foreign exchange losses, net] | [13,051] | [6,494] |
| Operating expenses | 74,906 | 73,894 |
| Other ordinary expenses | 20,344 | 20,450 |
| Total ordinary expenses | 602,149 | 632,095 |
| Ordinary profits | 57,205 | 46,291 |
| Extraordinary gains: | | |
| Gains on disposal of fixed assets | 0 | 0 |
| Total extraordinary gains | 0 | 0 |
| Extraordinary losses: | | |
| Losses on disposal of fixed assets | 88 | 590 |
| Impairment losses | 15 | 62 |
| Provision of reserve for price fluctuation | 2,908 | 2,938 |
| Others | — | 965 |
| Total extraordinary losses | 3,012 | 4,557 |
| Provision of reserve for dividends to policyholders (subsidiary) | 167 | 131 |
| Surplus before income taxes | 54,024 | 41,603 |
| Income taxes: | | |
| Current | 9,765 | 5,941 |
| Deferred | (1,531) | (920) |
| Total income taxes | 8,234 | 5,020 |
| Net surplus for the period | 45,790 | 36,582 |
| Net surplus (loss) attributable to non-controlling interests | (54) | 47 |
| Net surplus attributable to the parent company | 45,844 | 36,534 |

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

[Consolidated Statements of Comprehensive Income]

(Millions of yen)

| | Nine months ended December 31, 2019 | Nine months ended December 31, 2020 |
|----------------------------------------------------------------------------|----------------------------------------|----------------------------------------|
| Net surplus | 45,790 | 36,582 |
| Other comprehensive income: | 51,118 | 124,836 |
| Net unrealized gains (losses) on available-for-sale securities, net of tax | 50,501 | 123,995 |
| Foreign currency translation adjustments | (100) | (109) |
| Remeasurements of defined benefit plan, net of tax | 717 | 950 |
| Comprehensive income: | 96,909 | 161,419 |
| Comprehensive income attributable to the parent company | 97,010 | 161,389 |
| Comprehensive income attributable to non-controlling interests | (100) | 29 |

Notes to the Consolidated Financial Statements

I. Presentation of the Consolidated Financial Statements

1. Basis of Presentation

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

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

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

II. Notes to the Consolidated Balance Sheets

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

To fulfil our efforts to comply with these requirements, we have prepared consolidated financial statements for the nine months ended December 31, 2020 in accordance with the first- and third-quarter announcement format model created by The Life Insurance Association of Japan (the “Quarterly Reporting Model”) and generally accepted standards for preparation of quarterly consolidated financial statements in Japan. As the Quarterly Reporting Model is prepared for the purpose of fulfilling the obligation above to make an effort to disclose information, disclosures in the Quarterly Reporting Model differ from those prescribed by the regulations concerning terminology, formats, and preparation methods of quarterly consolidated financial statements and other reports.

2. The amount of securities lent under lending agreements was ¥467,066 million as of December 31, 2020.
3. Changes in reserve for dividends to policyholders for the nine months ended December 31, 2020 were as follows:

| | (Millions of yen) |
|-------------------------------------------------------------------|-------------------|
| Balance at the beginning of the current period..... | ¥60,922 |
| Transfer from surplus in the previous fiscal year..... | 31,547 |
| Dividend payments to policyholders during the current period..... | (18,963) |
| Increase in interest..... | 10 |
| Balance at the end of the current period..... | <u>¥73,517</u> |

4. Changes in reserve for dividends to policyholders (Fukokushinrai Life Insurance Co., Ltd.) for the nine months ended December 31, 2020 were as follows:

| | (Millions of yen) |
|-------------------------------------------------------------------|-------------------|
| Balance at the beginning of the current period..... | ¥328 |
| Dividend payments to policyholders during the current period..... | (162) |
| Increase in interest..... | 0 |
| Provision of reserve for dividends to policyholders..... | 131 |
| Balance at the end of the current period..... | <u>¥297</u> |

III. Notes to the Consolidated Statements of Operations

1. For the nine months ended December 31, 2020, the total amount of depreciation, including depreciation of real estate for rent, was ¥13,254 million.
2. “Others” within “Extraordinary losses” consists of expenses associated with salary guaranties provided to sales representatives as a countermeasure aimed at preventing the spread of COVID-19.

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

(Millions of yen)

| | As of March 31, 2020 | As of December 31, 2020 |
|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------|----------------------------|
| Total solvency margin (A) | 1,616,409 | 1,851,341 |
| Foundation funds and surplus | 230,289 | 242,681 |
| Reserve for price fluctuation | 133,162 | 136,100 |
| Contingency reserve | 217,331 | 217,754 |
| Catastrophe loss reserve | — | — |
| General allowance for possible loan losses | 1,538 | 1,893 |
| (Net unrealized gains (losses) on securities (before tax) and deferred hedge gains (losses) (before tax)) × 90% | 366,504 | 521,155 |
| Net unrealized gains on real estate × 85% | 145,920 | 147,113 |
| Sum of unrecognized actuarial differences and unrecognized prior service cost | (10,714) | (9,394) |
| Excess amount of policy reserve based on full-time Zillmer method | 296,497 | 303,901 |
| Qualifying subordinated debt | 191,935 | 241,935 |
| The amount of "excess amount of policy reserve based on full-time Zillmer method" and "qualifying subordinated debt" excluded from the calculation of solvency margin | — | — |
| Deductible items | — | — |
| Others | 43,944 | 48,201 |
| 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) | 242,753 | 280,260 |
| Insurance risk R_1 | 23,169 | 22,849 |
| General insurance risk R_5 | — | — |
| Catastrophe risk R_6 | — | — |
| 3rd sector insurance risk R_8 | 10,033 | 10,035 |
| Small amount and short-term insurance risk R_9 | — | — |
| Assumed investment yield risk R_2 | 30,934 | 30,375 |
| Minimum guarantee risk R_7 | — | — |
| Investment risk R_3 | 204,120 | 241,803 |
| Business risk R_4 | 5,365 | 6,101 |
| Solvency margin ratio $\frac{(A)}{(1/2) \times (B)} \times 100$ | 1,331.7 % | 1,321.1 % |

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

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