

## **Financial Results for the Three Months Ended June 30, 2021**

Fukoku Mutual Life Insurance Company (President: Yoshiteru Yoneyama) announces financial results for the three months ended June 30, 2021.

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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, 2021		As of June 30, 2021			
		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	3,172	224,018	3,166	99.8	223,782	99.9
	Individual annuities	604	23,624	599	99.2	23,399	99.0
	Subtotal	3,776	247,643	3,766	99.7	247,181	99.8
	Group insurance	—	175,362	—	—	172,941	98.6
	Group annuities	—	22,610	—	—	22,767	100.7

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

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

### (ii) New Policies

Three months ended June 30, 2020		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	48	2,356	1,750	605
	Individual annuities	1	29	31	(2)
	Subtotal	49	2,385	1,781	603
	Group insurance	—	16	16	—
	Group annuities	—	0	0	—

Three months ended June 30, 2021		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	81	168.4	3,957	168.0	2,970	169.7	987	162.9
	Individual annuities	1	195.2	56	193.9	58	186.3	(1)	—
	Subtotal	83	168.9	4,014	168.3	3,029	170.0	985	163.2
	Group insurance	—	—	51	312.5	51	312.5	—	—
	Group annuities	—	—	9	22,184.9	9	22,184.9	—	—

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)

	Three months ended June 30, 2020	Three months ended June 30, 2021	
			Changes (%, YoY)
Amount of surrender and lapse (100 millions of yen)	2,358	3,063	129.9
Surrender and lapse ratio (%)	0.95	1.24	0.29

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, 2021	As of June 30, 2021	
			Changes (% , Pre-FYE)
Individual insurance	2,665	2,653	99.5
Individual annuities	1,120	1,114	99.5
Total	3,785	3,768	99.5
Medical coverage and living benefits	1,143	1,143	100.1

### (ii) New Policies

(100 millions of yen, %)

	Three months ended June 30, 2020	Three months ended June 30, 2021	
			Changes (% , YoY)
Individual insurance	19	31	163.5
Individual annuities	0	1	197.8
Total	19	32	164.9
Medical coverage and living benefits	9	16	168.2

- 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, 2021		As of June 30, 2021	
	Amount	% of total	Amount	% of total
Cash, deposits, and call loans	291,190	4.1 %	296,404	4.1 %
Monetary claims bought	239	0.0	232	0.0
Money held in trust	25,277	0.4	25,593	0.4
Securities	5,857,001	83.0	5,940,264	83.1
Domestic bonds	2,779,477	39.4	2,738,938	38.3
Domestic stocks	786,886	11.2	787,767	11.0
Foreign securities	2,128,047	30.2	2,220,023	31.1
Foreign bonds	1,710,567	24.3	1,744,604	24.4
Foreign stocks and other securities	417,479	5.9	475,419	6.7
Other securities	162,590	2.3	193,535	2.7
Loans	568,091	8.1	569,685	8.0
Policy loans	50,797	0.7	50,069	0.7
Ordinary loans	517,293	7.3	519,616	7.3
Real estate	239,545	3.4	238,470	3.3
Deferred tax assets	—	—	—	—
Others	76,000	1.1	80,245	1.1
Allowance for possible loan losses	(4,386)	(0.1)	(3,160)	(0.0)
Total	7,052,960	100.0	7,147,735	100.0
Foreign currency denominated assets	2,421,279	34.3	2,512,891	35.2

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, 2021					As of June 30, 2021				
	Book value	Fair value	Gains/Losses			Book value	Fair value	Gains/Losses		
				Gains	Losses				Gains	Losses
Held-to-maturity debt securities	757,339	863,820	106,481	106,481	—	757,210	863,129	105,918	105,918	—
Domestic bonds	737,240	842,721	105,480	105,480	—	737,075	842,140	105,064	105,064	—
Foreign bonds	20,098	21,098	1,000	1,000	—	20,135	20,988	853	853	—
Policy-reserve-matching bonds	873,677	989,433	115,755	120,379	4,623	828,276	940,343	112,067	116,624	4,556
Domestic bonds	873,677	989,433	115,755	120,379	4,623	828,276	940,343	112,067	116,624	4,556
Foreign bonds	—	—	—	—	—	—	—	—	—	—
Investments in subsidiaries and affiliates	—	—	—	—	—	—	—	—	—	—
Available-for-sale securities	3,462,146	4,095,801	633,654	656,049	22,394	3,559,046	4,226,773	667,727	687,449	19,722
Domestic bonds	1,106,729	1,168,558	61,829	67,376	5,547	1,109,014	1,173,586	64,572	69,394	4,821
Domestic stocks	347,152	717,432	370,279	377,140	6,860	351,049	718,335	367,286	375,814	8,527
Foreign securities	1,898,343	2,068,561	170,217	179,442	9,225	1,961,300	2,162,795	201,494	207,280	5,785
Foreign bonds	1,557,529	1,661,043	103,513	111,905	8,391	1,579,827	1,697,692	117,864	122,532	4,667
Foreign stocks and other securities	340,813	407,518	66,704	67,537	833	381,473	465,103	83,629	84,747	1,117
Other securities	109,921	141,249	31,327	32,089	761	137,682	172,055	34,373	34,960	587
Money held in trust	—	—	—	—	—	—	—	—	—	—
Monetary claims bought	—	—	—	—	—	—	—	—	—	—
Negotiable certificate of deposits	—	—	—	—	—	—	—	—	—	—
Others	—	—	—	—	—	—	—	—	—	—
Total	5,093,163	5,949,055	855,891	882,909	27,017	5,144,533	6,030,245	885,712	909,991	24,279
Domestic bonds	2,717,647	3,000,714	283,066	293,236	10,170	2,674,366	2,956,070	281,704	291,083	9,378
Domestic stocks	347,152	717,432	370,279	377,140	6,860	351,049	718,335	367,286	375,814	8,527
Foreign securities	1,918,441	2,089,659	171,218	180,443	9,225	1,981,435	2,183,784	202,348	208,133	5,785
Foreign bonds	1,577,627	1,682,141	104,513	112,905	8,391	1,599,962	1,718,680	118,718	123,386	4,667
Foreign stocks and other securities	340,813	407,518	66,704	67,537	833	381,473	465,103	83,629	84,747	1,117
Other securities	109,921	141,249	31,327	32,089	761	137,682	172,055	34,373	34,960	587
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, 2021	As of June 30, 2021
Investments in subsidiaries and affiliates	64,787	64,787
Available-for-sale securities	34,607	34,677
Domestic stocks	6,224	6,201
Foreign stocks	—	—
Others	28,382	28,475
Total	99,394	99,464

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 (¥1,362 million as of March 31, 2021 and ¥1,763 million as of June 30, 2021) are included in their balance sheet carrying amounts.

### (3) Fair Value Information on Money Held in Trust

(Millions of yen)

	As of March 31, 2021					As of June 30, 2021				
	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	25,277	25,277	—	—	—	25,593	25,593	—	—	—

#### • Money held in trust for trading purpose

(Millions of yen)

	As of March 31, 2021		As of June 30, 2021	
	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	24,277	0	24,593	270

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

(Millions of yen)

	As of March 31, 2021					As of June 30, 2021				
	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, 2021			As of June 30, 2021		
Carrying value on the balance sheet	Fair value	Gains (Losses)	Carrying value on the balance sheet	Fair value	Gains (Losses)
146,819	294,946	148,127	146,739	294,840	148,100

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, 2021	As of June 30, 2021
<b>Assets:</b>		
Cash and deposits	159,431	197,928
Call loans	136,000	103,000
Monetary claims bought	239	232
Money held in trust	25,277	25,593
Securities:	5,954,789	6,039,887
[Government bonds]	[2,005,536]	[1,972,377]
[Local government bonds]	[99,212]	[96,714]
[Corporate bonds]	[699,187]	[694,395]
[Stocks]	[813,227]	[813,910]
[Foreign securities]	[2,175,012]	[2,268,929]
Loans:	568,091	569,685
Policy loans	50,797	50,069
Ordinary loans	517,293	519,616
Tangible fixed assets	244,487	243,188
Intangible fixed assets	24,256	24,464
Agency receivables	10	14
Reinsurance receivables	124	11
Other assets	49,072	51,575
Prepaid pension cost	547	656
Allowance for possible loan losses	(4,386)	(3,160)
<b>Total assets</b>	<b>7,157,940</b>	<b>7,253,078</b>
	As of March 31, 2021	As of June 30, 2021
<b>Liabilities:</b>		
Policy reserves:	5,812,295	5,852,070
Reserve for outstanding claims	19,551	17,994
Policy reserve	5,729,511	5,748,809
Reserve for dividends to policyholders	63,232	85,265
Reinsurance payables	87	84
Subordinated bonds	241,935	241,935
Other liabilities:	149,141	183,885
Corporate income tax payable	2,764	3,293
Lease obligations	761	709
Asset retirement obligations	2,603	2,615
Rest of the other liabilities	143,012	177,267
Reserve for employees' retirement benefits	23,735	24,146
Reserve for price fluctuation	172,797	173,748
Deferred tax liabilities	26,430	35,096
Deferred tax liabilities for land revaluation	14,184	14,184
<b>Total liabilities</b>	<b>6,440,606</b>	<b>6,525,150</b>
<b>Net assets:</b>		
Foundation funds	12,000	12,000
Accumulated foundation funds redeemed	116,000	116,000
Reserve for revaluation	112	112
Surplus:	126,748	112,229
Legal reserve for future losses	3,271	3,370
Other surplus:	123,477	108,859
Reserve for redemption of foundation funds	2,400	4,800
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	207	206
Other reserves	767	767
Unappropriated surplus	59,102	42,086
Total foundation funds, surplus and others	254,860	240,342
Net unrealized gains (losses) on available-for-sale securities, net of tax	458,287	483,400
Revaluation reserve for land, net of tax	4,185	4,185
Total valuation and translation adjustments	462,473	487,585
<b>Total net assets</b>	<b>717,333</b>	<b>727,927</b>
<b>Total liabilities and net assets</b>	<b>7,157,940</b>	<b>7,253,078</b>

## 4. Non-consolidated Statements of Operations

(Millions of yen)

	Three months ended June 30, 2020	Three months ended June 30, 2021
<b>Ordinary revenues:</b>		
Premium and other income	130,194	134,799
[Premium income]	[130,190]	[134,788]
Investment income	42,253	48,932
[Interest, dividends and other income]	[32,267]	[37,824]
[Gains on money held in trust, net]	[224]	[339]
[Gains on trading securities, net]	[2,035]	[318]
[Gains on sales of securities]	[1,523]	[6,678]
[Gains on derivative instruments, net]	[—]	[35]
[Gains on separate accounts, net]	[6,148]	[2,372]
Other ordinary revenues	4,144	4,644
[Reversal of reserve for outstanding claims]	[1,602]	[1,556]
<b>Total ordinary revenues</b>	<b>176,593</b>	<b>188,376</b>
<b>Ordinary expenses:</b>		
Claims and other payments	108,292	110,557
[Claims]	[24,182]	[27,934]
[Annuities]	[38,152]	[38,216]
[Benefits]	[28,992]	[27,776]
[Surrenders]	[10,042]	[11,944]
[Other payments]	[6,870]	[4,631]
Provision of policy reserve and others:	20,317	19,301
Provision of policy reserves	20,313	19,298
Provision of interest portion of reserve for dividends to policyholders	3	3
Investment expenses	11,919	6,932
[Interest expenses]	[964]	[1,100]
[Losses on sales of securities]	[109]	[689]
[Losses on valuation of securities]	[118]	[34]
[Losses on derivative instruments, net]	[3,573]	[—]
[Foreign exchange losses, net]	[3,387]	[844]
Operating expenses	22,271	22,038
Other ordinary expenses	5,558	6,276
<b>Total ordinary expenses</b>	<b>168,358</b>	<b>165,106</b>
<b>Ordinary profits</b>	<b>8,234</b>	<b>23,270</b>
<b>Extraordinary gains:</b>		
Gains on disposal of fixed assets	0	9
<b>Total extraordinary gains</b>	<b>0</b>	<b>9</b>
<b>Extraordinary losses:</b>		
Losses on disposal of fixed assets	70	53
Provision of reserve for price fluctuation	902	951
Others	271	—
<b>Total extraordinary losses</b>	<b>1,244</b>	<b>1,004</b>
<b>Surplus before income taxes</b>	<b>6,990</b>	<b>22,275</b>
<b>Income taxes:</b>		
Current	64	4,642
Deferred	(585)	(695)
<b>Total income taxes</b>	<b>(520)</b>	<b>3,947</b>
<b>Net surplus for the period</b>	<b>7,511</b>	<b>18,328</b>



# 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 three months ended June 30, 2021 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. As the proposal for appropriation of unappropriated surplus for the fiscal year ended March 31, 2021 was approved by the Board of Representative Member of Policyholders on July 2, 2021, it is included in the non-consolidated balance sheet as of June 30, 2021.

3. The amount of securities lent under lending agreements was ¥549,294 million as of June 30, 2021.

4. Changes in reserve for dividends to policyholders for the three months ended June 30, 2021 were as follows:

	(Millions of yen)
Balance at the beginning of the current period.....	¥ 63,232
Transfer from surplus in the previous fiscal year.....	32,744
Dividend payments to policyholders during the current period.....	(10,715)
Increase in interest.....	3
Balance at the end of the current period.....	<u>¥ 85,265</u>

## 5. Breakdown of Ordinary Profits (Fundamental Profit)

(Millions of yen)

	Three months ended June 30, 2020	Three months ended June 30, 2021
<b>Fundamental profit</b> A	<b>13,930</b>	<b>19,520</b>
Capital gains	3,199	7,090
Gains on money held in trust, net	210	303
Gains on trading securities, net	1,466	73
Gains on sales of securities	1,523	6,678
Gains on derivative instruments, net	—	35
Foreign exchange gains, net	—	—
Other capital gains	—	—
Capital losses	7,188	1,568
Losses on money held in trust, net	—	—
Losses on trading securities, net	—	—
Losses on sales of securities	109	689
Losses on valuation of securities	118	34
Losses on derivative instruments, net	3,573	—
Foreign exchange losses, net	3,387	844
Other capital losses	—	—
Net capital gains (losses) B	(3,989)	5,521
Fundamental profit plus net capital gains (losses) A+B	9,941	25,042
Non-recurring gains	1	—
Reinsurance income	—	—
Reversal of contingency reserve	—	—
Reversal of specific allowance for possible loan losses	1	—
Others	—	—
Non-recurring losses	1,707	1,771
Reinsurance premiums	—	—
Provision for contingency reserve	193	207
Provision of specific allowance for possible loan losses	—	1
Provision of allowance for specified overseas loans	—	—
Write-offs of loans	—	—
Others	1,513	1,562
Non-recurring gains (losses) C	(1,706)	(1,771)
Ordinary profits A+B+C	8,234	23,270

- 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): ¥14 million in respect of the three months ended June 30, 2020 and ¥35 million in respect of the three months ended June 30, 2021.
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): ¥569 million in respect of the three months ended June 30, 2020 and ¥245 million in respect of the three months ended June 30, 2021.
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, 2021	As of June 30, 2021
Total solvency margin (A)	1,847,290	1,893,398
Foundation funds and surplus	219,495	228,708
Reserve for price fluctuation	172,797	173,748
Contingency reserve	229,872	230,079
General allowance for possible loan losses	1,911	683
(Net unrealized gains (losses) on securities (before tax) and deferred hedge gains (losses) (before tax)) × 90%	571,515	602,541
Net unrealized gains on real estate × 85%	141,522	141,499
Excess amount of policy reserve based on full-time Zillmer method	274,189	276,382
Qualifying subordinated debt	241,935	241,935
The amount of "excess amount of policy reserve based on full-time Zillmer method" and "qualifying subordinated debt" excluded from the calculation of solvency margin	—	—
Deductible items	(46,783)	(46,783)
Others	40,836	44,604
Total amount of risk $\sqrt{(R_1 + R_8)^2 + (R_2 + R_3 + R_7)^2} + R_4$ (B)	292,826	306,062
Insurance risk $R_1$	22,339	22,114
3rd sector insurance risk $R_8$	9,892	9,862
Assumed investment yield risk $R_2$	29,804	29,598
Minimum guarantee risk $R_7$	—	—
Investment risk $R_3$	254,865	268,156
Business risk $R_4$	6,338	6,594
Solvency margin ratio $\frac{(A)}{(1/2) \times (B)} \times 100$	1,261.6%	1,237.2%

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, 2021	As of June 30, 2021
	Amount	Amount
Individual variable insurance	—	—
Individual variable annuities	27	27
Group annuities	104,952	105,315
Total	104,979	105,342

### (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, 2021		As of June 30, 2021	
	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)

	Three months ended June 30, 2020	Three months ended June 30, 2021
Ordinary revenues	2,109	2,296
Ordinary profits	84	235
Net surplus attributable to the parent company	74	182
Comprehensive income	786	441

	As of March 31, 2021	As of June 30, 2021
Total assets	88,034	88,962
Solvency margin ratio	1,303.9%	1,278.6%

### (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, 2021	As of June 30, 2021
<b>Assets:</b>		
Cash and deposits	325,854	384,576
Call loans	136,000	103,000
Monetary claims bought	239	232
Money held in trust	25,277	25,593
Securities	7,417,165	7,481,146
Loans	571,420	572,971
Tangible fixed assets	244,823	243,499
Intangible fixed assets	30,355	29,613
Agency receivables	0	0
Reinsurance receivables	170	34
Other assets	55,447	57,842
Net defined benefit assets	339	345
Deferred tax assets	732	551
Allowance for possible loan losses	(4,386)	(3,160)
<b>Total assets</b>	<b>8,803,440</b>	<b>8,896,246</b>

	As of March 31, 2021	As of June 30, 2021
<b>Liabilities:</b>		
Policy reserves:	7,418,526	7,455,579
Reserve for outstanding claims	23,713	22,233
Policy reserve	7,331,271	7,347,797
Reserve for dividends to policyholders	63,232	85,265
Reserve for dividends to policyholders (subsidiary)	308	282
Agency payables	112	180
Reinsurance payables	103	99
Subordinated bonds	241,935	241,935
Other liabilities	156,292	191,195
Net defined benefit liabilities	28,762	28,741
Reserve for price fluctuation	183,520	184,546
Deferred tax liabilities	25,857	34,511
Deferred tax liabilities for land revaluation	14,184	14,184
<b>Total liabilities</b>	<b>8,069,294</b>	<b>8,150,974</b>
<b>Net assets:</b>		
Foundation funds	12,000	12,000
Accumulated foundation funds redeemed	116,000	116,000
Reserve for revaluation	112	112
Consolidated surplus	131,699	117,125
Total foundation funds, surplus and others	259,811	245,237
Net unrealized gains (losses) on available-for-sale securities, net of tax	465,855	491,237
Revaluation reserve for land, net of tax	4,185	4,185
Foreign currency translation adjustment	(571)	(385)
Accumulated remeasurements of defined benefit plans	(3,703)	(3,459)
Total accumulated other comprehensive income	465,765	491,578
Non-controlling interests	8,568	8,456
<b>Total net assets</b>	<b>734,145</b>	<b>745,272</b>
<b>Total liabilities and net assets</b>	<b>8,803,440</b>	<b>8,896,246</b>

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

[Consolidated Statements of Operations]

(Millions of yen)

	Three months ended June 30, 2020	Three months ended June 30, 2021
<b>Ordinary revenues:</b>		
Premium and other income	142,470	170,681
Investment income	47,920	54,072
[Interest, dividends and other income]	[37,322]	[41,953]
[Gains on money held in trust, net]	[224]	[339]
[Gains on trading securities, net]	[2,035]	[318]
[Gains on sales of securities]	[2,135]	[7,689]
[Gains on derivative instruments, net]	[—]	[35]
[Gains on separate accounts, net]	[6,148]	[2,372]
Other ordinary revenues	20,606	4,927
[Reversal of reserve for outstanding claims]	[1,784]	[1,479]
[Reversal of reserve for policy reserve]	[15,991]	[—]
<b>Total ordinary revenues</b>	<b>210,998</b>	<b>229,680</b>
<b>Ordinary expenses:</b>		
Claims and other payments	159,849	151,068
[Claims]	[26,041]	[30,253]
[Annuities]	[78,806]	[69,303]
[Benefits]	[31,579]	[29,593]
[Surrenders]	[16,424]	[17,190]
[Other payments]	[6,926]	[4,653]
Provision of policy reserve and others:	3	16,529
Provision of policy reserves	—	16,526
Provision of interest portion of reserve for dividends to policyholders	3	3
Provision of interest portion of reserve for dividends to policyholders (subsidiary)	0	0
Investment expenses	11,609	6,577
[Interest expenses]	[969]	[1,104]
[Losses on sales of securities]	[109]	[689]
[Losses on valuation of securities]	[118]	[34]
[Losses on derivative instruments, net]	[3,573]	[—]
[Foreign exchange losses, net]	[3,387]	[845]
Operating expenses	24,175	24,174
Other ordinary expenses	6,896	7,809
<b>Total ordinary expenses</b>	<b>202,534</b>	<b>206,159</b>
<b>Ordinary profits</b>	<b>8,463</b>	<b>23,520</b>
<b>Extraordinary gains:</b>		
Gains on disposal of fixed assets	0	9
<b>Total extraordinary gains</b>	<b>0</b>	<b>9</b>
<b>Extraordinary losses:</b>		
Losses on disposal of fixed assets	70	54
Provision of reserve for price fluctuation	983	1,026
Others	271	—
<b>Total extraordinary losses</b>	<b>1,326</b>	<b>1,080</b>
<b>Provision of reserve for dividends to policyholders (subsidiary)</b>	<b>49</b>	<b>47</b>
<b>Surplus before income taxes</b>	<b>7,088</b>	<b>22,401</b>
<b>Income taxes:</b>		
Current	171	4,850
Deferred	(576)	(738)
<b>Total income taxes</b>	<b>(404)</b>	<b>4,112</b>
<b>Net surplus for the period</b>	<b>7,493</b>	<b>18,289</b>
<b>Net surplus attributable to non-controlling interests</b>	<b>8</b>	<b>16</b>
<b>Net surplus attributable to the parent company</b>	<b>7,485</b>	<b>18,272</b>

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

[Consolidated Statements of Comprehensive Income]

(Millions of yen)

	Three months ended June 30, 2020	Three months ended June 30, 2021
Net surplus	7,493	18,289
Other comprehensive income:	71,149	25,843
Net unrealized gains (losses) on available-for-sale securities, net of tax	70,933	25,413
Foreign currency translation adjustments	(113)	186
Remeasurements of defined benefit plan, net of tax	329	244
Comprehensive income:	78,642	44,132
Comprehensive income attributable to the parent company	78,680	44,085
Comprehensive income attributable to non-controlling interests	(37)	47



# 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 three months ended June 30, 2021 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. As the proposal for appropriation of unappropriated surplus for the fiscal year ended March 31, 2021 was approved by the Board of Representative Member of Policyholders on July 2, 2021, it is included in the consolidated balance sheet as of June 30, 2021.
3. The amount of securities lent under lending agreements was ¥549,294 million as of June 30, 2021.
4. Changes in reserve for dividends to policyholders for the three months ended June 30, 2021 were as follows:

	(Millions of yen)
Balance at the beginning of the current period.....	¥63,232
Transfer from surplus in the previous fiscal year.....	32,744
Dividend payments to policyholders during the current period.....	(10,715)
Increase in interest.....	3
Balance at the end of the current period.....	<u>¥85,265</u>

5. Changes in reserve for dividends to policyholders (Fukokushinrai Life Insurance Co., Ltd.) for the three months ended June 30, 2021 were as follows:

	(Millions of yen)
Balance at the beginning of the current period.....	¥308
Dividend payments to policyholders during the current period.....	(73)
Increase in interest.....	0
Provision of reserve for dividends to policyholders.....	47
Balance at the end of the current period.....	<u>¥282</u>

### **III. Notes to the Consolidated Statements of Operations**

1. For the three months ended June 30, 2021, the total amount of depreciation, including depreciation of real estate for rent, was ¥4,719 million.

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

(Millions of yen)

	As of March 31, 2021	As of June 30, 2021
Total solvency margin (A)	1,931,765	1,978,635
Foundation funds and surplus	233,072	242,194
Reserve for price fluctuation	183,520	184,546
Contingency reserve	232,253	232,478
Catastrophe loss reserve	—	—
General allowance for possible loan losses	1,911	683
(Net unrealized gains (losses) on securities (before tax) and deferred hedge gains (losses) (before tax)) × 90%	581,556	612,914
Net unrealized gains on real estate × 85%	141,522	141,499
Sum of unrecognized actuarial differences and unrecognized prior service cost	(5,143)	(4,804)
Excess amount of policy reserve based on full-time Zillmer method	276,537	278,715
Qualifying subordinated debt	241,935	241,935
The amount of "excess amount of policy reserve based on full-time Zillmer method" and "qualifying subordinated debt" excluded from the calculation of solvency margin	—	—
Deductible items	—	—
Others	44,599	48,472
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)	296,299	309,479
Insurance risk $R_1$	22,753	22,526
General insurance risk $R_5$	—	—
Catastrophe risk $R_6$	—	—
3rd sector insurance risk $R_8$	10,030	10,000
Small amount and short-term insurance risk $R_9$	—	—
Assumed investment yield risk $R_2$	30,145	29,937
Minimum guarantee risk $R_7$	—	—
Investment risk $R_3$	257,878	271,118
Business risk $R_4$	6,416	6,671
Solvency margin ratio $\frac{(A)}{(1/2) \times (B)} \times 100$	1,303.9%	1,278.6%

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.