

Financial Results for the Nine Months Ended December 31, 2021

Fukoku Mutual Life Insurance Company (President: Yoshiteru Yoneyama) announces financial results for the nine months ended December 31, 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 December 31, 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	3,167	99.8	224,199	100.1
	Individual annuities	604	23,624	590	97.6	22,950	97.1
	Subtotal	3,776	247,643	3,757	99.5	247,150	99.8
	Group insurance	—	175,362	—	—	174,176	99.3
	Group annuities	—	22,610	—	—	22,951	101.5

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, 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	213	11,054	8,227	2,826
	Individual annuities	5	150	157	(6)
	Subtotal	218	11,204	8,384	2,820
	Group insurance	—	26	26	—
	Group annuities	—	0	0	—

Nine months ended December 31, 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	260	122.1	12,587	113.9	9,444	114.8	3,142	111.2
	Individual annuities	6	116.6	173	115.1	180	114.6	(6)	—
	Subtotal	266	122.0	12,760	113.9	9,624	114.8	3,136	111.2
	Group insurance	—	—	144	551.1	144	551.1	—	—
	Group annuities	—	—	9	8,982.0	9	8,982.0	—	—

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, 2020	Nine months ended December 31, 2021	
			Changes (%, YoY)
Amount of surrender and lapse (100 millions of yen)	7,279	8,538	117.3
Surrender and lapse ratio (%)	2.93	3.45	0.52

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 December 31, 2021	
			Changes (% , Pre-FYE)
Individual insurance	2,665	2,643	99.2
Individual annuities	1,120	1,100	98.3
Total	3,785	3,744	98.9
Medical coverage and living benefits	1,143	1,151	100.8

(ii) New Policies

(100 millions of yen, %)

	Nine months ended December 31, 2020	Nine months ended December 31, 2021	
			Changes (% , YoY)
Individual insurance	84	96	114.3
Individual annuities	4	4	114.4
Total	89	101	114.3
Medical coverage and living benefits	44	53	119.3

- Notes: 1. Annualized premiums are calculated by using coefficients based on the premium payment method. (For single premium contracts, the amount is calculated by dividing the premium by the coverage period.)
2. Figures for medical coverage and living benefits represent portion of annualized premium corresponding to the medical benefits (hospitalization benefits and surgery benefits, etc.), living benefits (nursing care benefits, etc.) and premium waiver benefits, in which disability cause is excluded but causes such as specific illness are included.
3. New policies include net increase by conversion.

2. Investment Results of General Account Assets

(1) Asset Composition

(Millions of yen, %)

	As of March 31, 2021		As of December 31, 2021	
	Amount	% of total	Amount	% of total
Cash, deposits, and call loans	291,190	4.1 %	229,632	3.2 %
Monetary claims bought	239	0.0	217	0.0
Money held in trust	25,277	0.4	26,428	0.4
Securities	5,857,001	83.0	6,076,109	84.3
Domestic bonds	2,779,477	39.4	2,817,343	39.1
Domestic stocks	786,886	11.2	772,907	10.7
Foreign securities	2,128,047	30.2	2,305,235	32.0
Foreign bonds	1,710,567	24.3	1,802,232	25.0
Foreign stocks and other securities	417,479	5.9	503,002	7.0
Other securities	162,590	2.3	180,622	2.5
Loans	568,091	8.1	564,850	7.8
Policy loans	50,797	0.7	48,856	0.7
Ordinary loans	517,293	7.3	515,994	7.2
Real estate	239,545	3.4	240,008	3.3
Others	76,000	1.1	76,670	1.1
Allowance for possible loan losses	(4,386)	(0.1)	(3,067)	(0.0)
Total	7,052,960	100.0	7,210,849	100.0
Foreign currency denominated assets	2,421,279	34.3	2,589,945	35.9

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

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

(Millions of yen)

	As of March 31, 2021					As of December 31, 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	—	758,156	856,988	98,832	98,832	—
Domestic bonds	737,240	842,721	105,480	105,480	—	737,210	835,494	98,284	98,284	—
Foreign bonds	20,098	21,098	1,000	1,000	—	20,945	21,493	547	547	—
Policy-reserve-matching bonds	873,677	989,433	115,755	120,379	4,623	838,013	942,890	104,877	109,144	4,266
Domestic bonds	873,677	989,433	115,755	120,379	4,623	838,013	942,890	104,877	109,144	4,266
Foreign bonds	—	—	—	—	—	—	—	—	—	—
Investments in subsidiaries and affiliates	—	—	—	—	—	—	—	—	—	—
Available-for-sale securities	3,462,146	4,095,801	633,654	656,049	22,394	3,686,577	4,358,267	671,690	692,373	20,683
Domestic bonds	1,106,729	1,168,558	61,829	67,376	5,547	1,184,717	1,242,119	57,402	63,071	5,669
Domestic stocks	347,152	717,432	370,279	377,140	6,860	347,280	703,479	356,198	361,365	5,167
Foreign securities	1,898,343	2,068,561	170,217	179,442	9,225	2,029,584	2,255,041	225,456	234,793	9,337
Foreign bonds	1,557,529	1,661,043	103,513	111,905	8,391	1,648,246	1,763,933	115,687	123,981	8,293
Foreign stocks and other securities	340,813	407,518	66,704	67,537	833	381,338	491,107	109,769	110,812	1,043
Other securities	109,921	141,249	31,327	32,089	761	124,993	157,626	32,632	33,142	510
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	5,282,746	6,158,146	875,399	900,349	24,950
Domestic bonds	2,717,647	3,000,714	283,066	293,236	10,170	2,759,941	3,020,505	260,563	270,499	9,936
Domestic stocks	347,152	717,432	370,279	377,140	6,860	347,280	703,479	356,198	361,365	5,167
Foreign securities	1,918,441	2,089,659	171,218	180,443	9,225	2,050,530	2,276,535	226,004	235,341	9,337
Foreign bonds	1,577,627	1,682,141	104,513	112,905	8,391	1,669,192	1,785,427	116,234	124,528	8,293
Foreign stocks and other securities	340,813	407,518	66,704	67,537	833	381,338	491,107	109,769	110,812	1,043
Other securities	109,921	141,249	31,327	32,089	761	124,993	157,626	32,632	33,142	510
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, 2021	As of December 31, 2021
Investments in subsidiaries and affiliates	64,787	64,787
Available-for-sale securities	34,607	35,867
Domestic stocks	6,224	6,199
Foreign stocks	—	—
Others	28,382	29,668
Total	99,394	100,654

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 ¥3,665 million as of December 31, 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 December 31, 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	—	—	—	26,428	26,428	—	—	—

• Money held in trust for trading purpose

(Millions of yen)

	As of March 31, 2021		As of December 31, 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	25,428	159

• 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 December 31, 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 December 31, 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	149,732	296,946	147,213

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 December 31, 2021
Assets:		
Cash and deposits	159,431	128,854
Call loans	136,000	106,000
Monetary claims bought	239	217
Money held in trust	25,277	26,428
Securities:	5,954,789	6,181,512
[Government bonds]	[2,005,536]	[2,056,850]
[Local government bonds]	[99,212]	[96,941]
[Corporate bonds]	[699,187]	[687,877]
[Stocks]	[813,227]	[800,859]
[Foreign securities]	[2,175,012]	[2,358,338]
Loans:	568,091	564,850
Policy loans	50,797	48,856
Ordinary loans	517,293	515,994
Tangible fixed assets	244,487	244,386
Intangible fixed assets	24,256	26,597
Agency receivables	10	11
Reinsurance receivables	124	12
Other assets	49,072	45,615
Prepaid pension cost	547	827
Allowance for possible loan losses	(4,386)	(3,067)
Total assets	7,157,940	7,322,246
	As of March 31, 2021	As of December 31, 2021
Liabilities:		
Policy reserves:	5,812,295	5,863,532
Reserve for outstanding claims	19,551	17,989
Policy reserve	5,729,511	5,771,443
Reserve for dividends to policyholders	63,232	74,099
Reinsurance payables	87	53
Subordinated bonds	241,935	241,935
Other liabilities:	149,141	208,902
Corporate income tax payable	2,764	1,634
Lease obligations	761	605
Asset retirement obligations	2,603	2,344
Rest of the other liabilities	143,012	204,318
Reserve for employees' retirement benefits	23,735	24,715
Reserve for price fluctuation	172,797	175,668
Deferred tax liabilities	26,430	36,179
Deferred tax liabilities for land revaluation	14,184	14,183
Total liabilities	6,440,606	6,565,170
Net assets:		
Foundation funds	12,000	12,000
Accumulated foundation funds redeemed	116,000	116,000
Reserve for revaluation	112	112
Surplus:	126,748	137,456
Legal reserve for future losses	3,271	3,370
Other surplus:	123,477	134,086
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	67,313
Total foundation funds, surplus and others	254,860	265,569
Net unrealized gains (losses) on available-for-sale securities, net of tax	458,287	487,323
Revaluation reserve for land, net of tax	4,185	4,184
Total valuation and translation adjustments	462,473	491,507
Total net assets	717,333	757,076
Total liabilities and net assets	7,157,940	7,322,246

4. Non-consolidated Statements of Operations

(Millions of yen)

	Nine months ended December 31, 2020	Nine months ended December 31, 2021
Ordinary revenues:		
Premium and other income	362,095	365,968
[Premium income]	[362,067]	[365,935]
Investment income	147,160	137,722
[Interest, dividends and other income]	[107,503]	[117,254]
[Gains on money held in trust, net]	[1,100]	[1,176]
[Gains on trading securities, net]	[4,332]	[364]
[Gains on sales of securities]	[19,804]	[9,917]
[Gains on separate accounts, net]	[14,312]	[7,446]
Other ordinary revenues	9,185	8,272
[Reversal of reserve for outstanding claims]	[2,406]	[1,562]
Total ordinary revenues	518,441	511,963
Ordinary expenses:		
Claims and other payments	308,388	307,382
[Claims]	[59,034]	[63,559]
[Annuities]	[113,583]	[112,921]
[Benefits]	[75,640]	[77,759]
[Surrenders]	[41,445]	[36,155]
[Other payments]	[18,504]	[16,819]
Provision of policy reserve and others:	41,670	41,942
Provision of policy reserves	41,660	41,931
Provision of interest portion of reserve for dividends to policyholders	10	10
Investment expenses	39,371	23,833
[Interest expenses]	[2,992]	[3,305]
[Losses on sales of securities]	[8,847]	[1,715]
[Losses on valuation of securities]	[4,756]	[4,504]
[Losses on derivative instruments, net]	[6,187]	[2,134]
[Foreign exchange losses, net]	[6,492]	[760]
Operating expenses	67,666	66,853
Other ordinary expenses	16,152	17,678
Total ordinary expenses	473,249	457,690
Ordinary profits	45,192	54,272
Extraordinary gains:		
Gains on disposal of fixed assets	0	10
Total extraordinary gains	0	10
Extraordinary losses:		
Losses on disposal of fixed assets	590	310
Impairment losses	62	9
Provision of reserve for price fluctuation	2,704	2,871
Others	965	—
Total extraordinary losses	4,322	3,191
Surplus before income taxes	40,870	51,091
Income taxes:		
Current	5,654	9,091
Deferred	(1,069)	(1,553)
Total income taxes	4,584	7,537
Net surplus for the period	36,285	43,554

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, 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. The amount of securities lent under lending agreements was ¥578,941 million as of December 31, 2021.
3. Changes in reserve for dividends to policyholders for the nine months ended December 31, 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.....	(21,888)
Increase in interest.....	10
Balance at the end of the current period.....	<u>¥74,099</u>

5. Breakdown of Ordinary Profits (Fundamental Profit)

(Millions of yen)

	Nine months ended December 31, 2020	Nine months ended December 31, 2021
Fundamental profit A	53,552	58,710
Capital gains	23,735	10,956
Gains on money held in trust, net	1,029	1,038
Gains on trading securities, net	2,901	—
Gains on sales of securities	19,804	9,917
Gains on derivative instruments, net	—	—
Foreign exchange gains, net	—	—
Other capital gains	—	—
Capital losses	26,284	9,344
Losses on money held in trust, net	—	—
Losses on trading securities, net	—	230
Losses on sales of securities	8,847	1,715
Losses on valuation of securities	4,756	4,504
Losses on derivative instruments, net	6,187	2,134
Foreign exchange losses, net	6,492	760
Other capital losses	—	—
Net capital gains (losses) B	(2,548)	1,611
Fundamental profit plus net capital gains (losses) A+B	51,003	60,321
Non-recurring gains	7	5
Reinsurance income	—	—
Reversal of contingency reserve	—	—
Reversal of specific allowance for possible loan losses	7	5
Others	—	—
Non-recurring losses	5,819	6,054
Reinsurance premiums	—	—
Provision for contingency reserve	376	728
Provision of specific allowance for possible loan losses	—	—
Provision of allowance for specified overseas loans	—	—
Write-offs of loans	—	—
Others	5,442	5,326
Non-recurring gains (losses) C	(5,811)	(6,048)
Ordinary profits A+B+C	45,192	54,272

- 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): ¥70 million in respect of the nine months ended December 31, 2020 and ¥137 million in respect of the nine months ended December 31, 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): ¥1,431 million in respect of the nine months ended December 31, 2020 and ¥594 million in respect of the nine months ended December 31, 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 December 31, 2021
Total solvency margin (A)	1,847,290	1,916,208
Foundation funds and surplus	219,495	237,710
Reserve for price fluctuation	172,797	175,668
Contingency reserve	229,872	230,600
General allowance for possible loan losses	1,911	600
(Net unrealized gains (losses) on securities (before tax) and deferred hedge gains (losses) (before tax)) × 90%	571,515	607,819
Net unrealized gains on real estate × 85%	141,522	140,744
Excess amount of policy reserve based on full-time Zillmer method	274,189	280,217
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	47,695
Total amount of risk $\sqrt{(R_1 + R_8)^2 + (R_2 + R_3 + R_7)^2} + R_4$ (B)	292,826	308,540
Insurance risk R_1	22,339	22,013
3rd sector insurance risk R_8	9,892	9,935
Assumed investment yield risk R_2	29,804	29,186
Minimum guarantee risk R_7	—	—
Investment risk R_3	254,865	271,015
Business risk R_4	6,338	6,643
Solvency margin ratio $\frac{(A)}{(1/2) \times (B)} \times 100$	1,261.6%	1,242.1%

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 December 31, 2021
	Amount	Amount
Individual variable insurance	—	—
Individual variable annuities	27	26
Group annuities	104,952	111,371
Total	104,979	111,397

(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 December 31, 2021	
	Number of policies	Amount	Number of policies	Amount
Individual variable annuities	8	20	7	18
Total	8	20	7	18

8. Status of the Company, Subsidiaries and Affiliates

(1) Selected Financial Data

(100 millions of yen)

	Nine months ended December 31, 2020	Nine months ended December 31, 2021
Ordinary revenues	6,783	6,402
Ordinary profits	462	556
Net surplus attributable to the parent company	365	439
Comprehensive income	1,614	737

	As of March 31, 2021	As of December 31, 2021
Total assets	88,034	89,269
Solvency margin ratio	1,303.9%	1,284.1%

(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, 2021	As of December 31, 2021
Assets:		
Cash and deposits	325,854	299,790
Call loans	136,000	106,000
Monetary claims bought	239	217
Money held in trust	25,277	26,428
Securities	7,417,165	7,601,702
Loans	571,420	568,144
Tangible fixed assets	244,823	244,661
Intangible fixed assets	30,355	30,271
Agency receivables	0	0
Reinsurance receivables	170	29
Other assets	55,447	51,707
Net defined benefit assets	339	358
Deferred tax assets	732	749
Allowance for possible loan losses	(4,386)	(3,067)
Total assets	8,803,440	8,926,992

	As of March 31, 2021	As of December 31, 2021
Liabilities:		
Policy reserves:	7,418,526	7,429,037
Reserve for outstanding claims	23,713	22,162
Policy reserve	7,331,271	7,332,467
Reserve for dividends to policyholders	63,232	74,099
Reserve for dividends to policyholders (subsidiary)	308	308
Agency payables	112	181
Reinsurance payables	103	61
Subordinated bonds	241,935	241,935
Other liabilities	156,292	215,690
Net defined benefit liabilities	28,762	28,431
Reserve for price fluctuation	183,520	186,615
Deferred tax liabilities	25,857	35,916
Deferred tax liabilities for land revaluation	14,184	14,183
Total liabilities	8,069,294	8,152,053
Net assets:		
Foundation funds	12,000	12,000
Accumulated foundation funds redeemed	116,000	116,000
Reserve for revaluation	112	112
Consolidated surplus	131,699	142,779
Total foundation funds, surplus and others	259,811	270,891
Net unrealized gains (losses) on available-for-sale securities, net of tax	465,855	494,748
Revaluation reserve for land, net of tax	4,185	4,184
Foreign currency translation adjustment	(571)	(391)
Accumulated remeasurements of defined benefit plans	(3,703)	(2,942)
Total accumulated other comprehensive income	465,765	495,597
Non-controlling interests	8,568	8,449
Total net assets	734,145	774,939
Total liabilities and net assets	8,803,440	8,926,992

(4) Consolidated Statements of Operations and Comprehensive Income

[Consolidated Statements of Operations]

(Millions of yen)

	Nine months ended December 31, 2020	Nine months ended December 31, 2021
Ordinary revenues:		
Premium and other income	433,301	477,352
Investment income	164,099	153,337
[Interest, dividends and other income]	[122,728]	[130,713]
[Gains on money held in trust, net]	[1,100]	[1,176]
[Gains on trading securities, net]	[4,332]	[364]
[Gains on sales of securities]	[21,518]	[12,073]
[Gains on separate accounts, net]	[14,312]	[7,446]
Other ordinary revenues	80,985	9,578
[Reversal of reserve for outstanding claims]	[2,686]	[1,550]
[Reversal of policy reserve]	[70,351]	[—]
Total ordinary revenues	678,386	640,269
Ordinary expenses:		
Claims and other payments	499,325	464,882
[Claims]	[64,807]	[71,009]
[Annuities]	[272,787]	[239,413]
[Benefits]	[83,164]	[82,899]
[Surrenders]	[59,605]	[54,366]
[Other payments]	[18,692]	[16,945]
Provision of policy reserve and others:	10	1,207
Provision of policy reserves	—	1,196
Provision of interest portion of reserve for dividends to policyholders	10	10
Provision of interest portion of reserve for dividends to policyholders (subsidiary)	0	0
Investment expenses	38,414	22,767
[Interest expenses]	[3,007]	[3,316]
[Losses on sales of securities]	[8,847]	[1,715]
[Losses on valuation of securities]	[4,756]	[4,504]
[Losses on derivative instruments, net]	[6,187]	[2,134]
[Foreign exchange losses, net]	[6,494]	[760]
Operating expenses	73,894	73,381
Other ordinary expenses	20,450	22,337
Total ordinary expenses	632,095	584,576
Ordinary profits	46,291	55,693
Extraordinary gains:		
Gains on disposal of fixed assets	0	11
Total extraordinary gains	0	11
Extraordinary losses:		
Losses on disposal of fixed assets	590	311
Impairment losses	62	9
Provision of reserve for price fluctuation	2,938	3,094
Others	965	—
Total extraordinary losses	4,557	3,416
Provision of reserve for dividends to policyholders (subsidiary)	131	144
Surplus before income taxes	41,603	52,144
Income taxes:		
Current	5,941	9,651
Deferred	(920)	(1,491)
Total income taxes	5,020	8,160
Net surplus for the period	36,582	43,983
Net surplus attributable to non-controlling interests	47	57
Net surplus attributable to the parent company	36,534	43,926

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

[Consolidated Statements of Comprehensive Income]

(Millions of yen)

	Nine months ended December 31, 2020	Nine months ended December 31, 2021
Net surplus	36,582	43,983
Other comprehensive income:	124,836	29,816
Net unrealized gains (losses) on available-for-sale securities, net of tax	123,995	28,876
Foreign currency translation adjustments	(109)	179
Remeasurements of defined benefit plan, net of tax	950	760
Comprehensive income:	161,419	73,799
Comprehensive income attributable to the parent company	161,389	73,759
Comprehensive income attributable to non-controlling interests	29	40

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, 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. The amount of securities lent under lending agreements was ¥578,941 million as of December 31, 2021.
3. Changes in reserve for dividends to policyholders for the nine months ended December 31, 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.....	(21,888)
Increase in interest.....	10
Balance at the end of the current period.....	<u>¥74,099</u>

4. Changes in reserve for dividends to policyholders (Fukokushinrai Life Insurance Co., Ltd.) for the nine months ended December 31, 2021 were as follows:

	(Millions of yen)
Balance at the beginning of the current period.....	¥308
Dividend payments to policyholders during the current period.....	(144)
Increase in interest.....	0
Provision of reserve for dividends to policyholders.....	144
Balance at the end of the current period.....	<u>¥308</u>

III. Notes to the Consolidated Statements of Operations

1. For the nine months ended December 31, 2021, the total amount of depreciation, including depreciation of real estate for rent, was ¥14,331 million.

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

(Millions of yen)

	As of March 31, 2021	As of December 31, 2021
Total solvency margin (A)	1,931,765	2,002,279
Foundation funds and surplus	233,072	251,582
Reserve for price fluctuation	183,520	186,615
Contingency reserve	232,253	233,047
Catastrophe loss reserve	—	—
General allowance for possible loan losses	1,911	600
(Net unrealized gains (losses) on securities (before tax) and deferred hedge gains (losses) (before tax)) × 90%	581,556	617,696
Net unrealized gains on real estate × 85%	141,522	140,744
Sum of unrecognized actuarial differences and unrecognized prior service cost	(5,143)	(4,087)
Excess amount of policy reserve based on full-time Zillmer method	276,537	282,536
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	51,607
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	311,849
Insurance risk R_1	22,753	22,420
General insurance risk R_5	—	—
Catastrophe risk R_6	—	—
3rd sector insurance risk R_8	10,030	10,077
Small amount and short-term insurance risk R_9	—	—
Assumed investment yield risk R_2	30,145	29,515
Minimum guarantee risk R_7	—	—
Investment risk R_3	257,878	273,880
Business risk R_4	6,416	6,717
Solvency margin ratio $\frac{(A)}{(1/2) \times (B)} \times 100$	1,303.9%	1,284.1%

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.