

Financial Results for the Fiscal Year Ended March 31, 2021

Fukoku Mutual Life Insurance Company (President: Yoshiteru Yoneyama) announces financial results for the fiscal year ended March 31, 2021.

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Attached: Supplementary Materials for the Fiscal Year Ended March 31, 2021

Financial Summary for the Fiscal Year Ended March 31, 2021

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 March 31, 2021			
		Number of policies		Amount		Number of policies		Amount	
		(Thousands)	Changes (%, Pre-FYE)	(100 millions of yen)	Changes (%, Pre-FYE)	(Thousands)	Changes (%, Pre-FYE)	(100 millions of yen)	Changes (%, Pre-FYE)
	Individual insurance	3,184	100.1	224,295	99.2	3,172	99.6	224,018	99.9
	Individual annuities	627	95.4	24,560	96.2	604	96.4	23,624	96.2
	Subtotal	3,811	99.3	248,855	98.9	3,776	99.1	247,643	99.5
	Group insurance	—	—	176,052	101.7	—	—	175,362	99.6
	Group annuities	—	—	22,334	102.0	—	—	22,610	101.2

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

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

(ii) New Policies

Year ended March 31, 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	354	100.8	15,288	99.0	13,482	101.4	1,805	83.9
	Individual annuities	9	132.7	289	134.6	300	132.0	(11)	—
	Subtotal	364	101.5	15,577	99.5	13,783	101.9	1,793	83.9
	Group insurance	—	—	111	19.7	111	19.7	—	—
	Group annuities	—	—	0	10.2	0	10.2	—	—

Year ended March 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	294	83.0	14,793	96.8	10,974	81.4	3,819	211.6
	Individual annuities	7	73.2	205	70.9	214	71.1	(8)	—
	Subtotal	301	82.7	14,998	96.3	11,188	81.2	3,810	212.4
	Group insurance	—	—	30	27.4	30	27.4	—	—
	Group annuities	—	—	0	183.7	0	183.7	—	—

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

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

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

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

	Year ended March 31, 2020		Year ended March 31, 2021	
		Changes (%, YoY)		Changes (%, YoY)
Amount of surrender and lapse (100 millions of yen)	12,223	98.2	10,195	83.4
Surrender and lapse ratio (%)	4.86	(0.03)	4.10	(0.76)

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 March 31, 2021	
		Changes (%, Pre-FYE)		Changes (%, Pre-FYE)
Individual insurance	2,692	98.9	2,665	99.0
Individual annuities	1,158	93.4	1,120	96.7
Total	3,851	97.1	3,785	98.3
Medical coverage and living benefits	1,135	101.3	1,143	100.7

(ii) New Policies

(100 millions of yen, %)

	Year ended March 31, 2020		Year ended March 31, 2021	
		Changes (%, YoY)		Changes (%, YoY)
Individual insurance	140	95.6	114	81.7
Individual annuities	8	132.3	5	71.5
Total	148	97.1	120	81.1
Medical coverage and living benefits	75	101.4	60	80.3

- 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.

(3) Selected Items of Statements of Operations

(100 millions of yen, %)

	Year ended March 31, 2020		Year ended March 31, 2021	
		Changes (%, YoY)		Changes (%, YoY)
Premium and other income	5,335	101.5	4,850	90.9
Investment income	1,950	106.3	2,066	106.0
Claims and other payments	4,391	93.9	4,154	94.6
Investment expenses	588	121.1	494	84.0
Ordinary profits	488	91.7	881	180.2

(4) Statements of Surplus

(100 millions of yen, %)

	Year ended March 31, 2020		Year ended March 31, 2021	
		Changes (%, YoY)		Changes (%, YoY)
Unappropriated surplus	579	95.5	591	102.1
Reserve for dividends to policyholders	315	91.0	327	103.8
Net surplus	25	117.8	26	100.2
Unappropriated surplus carried forward	237	100.0	237	100.0

Note: Unappropriated surplus for the years ended March 31, 2020 and 2021 included reversal of voluntary surplus reserve of ¥1 million and ¥1 million, respectively.

(5) Total Assets

(100 millions of yen, %)

	As of March 31, 2020		As of March 31, 2021	
		Changes (%, Pre-FYE)		Changes (%, Pre-FYE)
Total assets	67,908	101.6	71,579	105.4

2. Investment Results of General Account Assets

(1) Asset Composition

(Millions of yen, %)

	As of March 31, 2020		As of March 31, 2021	
	Amount	% of total	Amount	% of total
Cash, deposits, and call loans	515,545	7.7 %	291,190	4.1 %
Monetary claims bought	269	0.0	239	0.0
Money held in trust	24,156	0.4	25,277	0.4
Securities	5,265,401	78.5	5,857,001	83.0
Domestic bonds	2,677,697	39.9	2,779,477	39.4
Domestic stocks	612,019	9.1	786,886	11.2
Foreign securities	1,857,920	27.7	2,128,047	30.2
Foreign bonds	1,580,829	23.6	1,710,567	24.3
Foreign stocks and other securities	277,091	4.1	417,479	5.9
Other securities	117,764	1.8	162,590	2.3
Loans	565,473	8.4	568,091	8.1
Policy loans	55,339	0.8	50,797	0.7
Ordinary loans	510,133	7.6	517,293	7.3
Real estate	215,305	3.2	239,545	3.4
Deferred tax assets	29,397	0.4	—	—
Others	92,688	1.4	76,000	1.1
Allowance for possible loan losses	(2,023)	(0.0)	(4,386)	(0.1)
Total	6,706,213	100.0	7,052,960	100.0
Foreign currency denominated assets	2,159,294	32.2	2,421,279	34.3

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

(2) Changes (Increase/Decrease) in Assets

(Millions of yen)

	Year ended March 31, 2020	Year ended March 31, 2021
Cash, deposits, and call loans	274,262	(224,354)
Monetary claims bought	(29)	(29)
Money held in trust	306	1,120
Securities	(234,121)	591,599
Domestic bonds	(104,315)	101,779
Domestic stocks	(60,509)	174,867
Foreign securities	(72,696)	270,126
Foreign bonds	(33,640)	129,738
Foreign stocks and other securities	(39,055)	140,388
Other securities	3,399	44,825
Loans	4,335	2,617
Policy loans	(992)	(4,541)
Ordinary loans	5,327	7,159
Real estate	2,749	24,240
Deferred tax assets	29,397	(29,397)
Others	16,249	(16,687)
Allowance for possible loan losses	72	(2,362)
Total	93,222	346,747
Foreign currency denominated assets	(60,903)	261,984

(3) Investment Income

(Millions of yen)

	Year ended March 31, 2020	Year ended March 31, 2021
Interest, dividends and other income	153,374	155,559
Interest on deposits	36	5
Interest and dividends on securities	129,290	131,735
Interest on loans	8,766	8,137
Income from real estate for rent	15,267	15,534
Other interest and dividends	13	146
Gains on money held in trust, net	314	1,127
Gains on trading securities, net	—	6,523
Gains on sales of securities	35,410	23,959
Gains on sales of domestic bonds	20,386	7,447
Gains on sales of domestic stocks	11,143	14,974
Gains on sales of foreign securities	2,987	1,400
Other gains on sales of securities	892	137
Gains on derivative instruments, net	5,577	—
Reversal of allowance for possible loan losses	70	—
Other investment income	289	170
Total	195,037	187,341

(4) Investment Expenses

(Millions of yen)

	Year ended March 31, 2020	Year ended March 31, 2021
Interest expenses	3,860	4,093
Losses on trading securities, net	4,979	—
Losses on sales of securities	1,935	11,809
Losses on sales of domestic bonds	47	735
Losses on sales of domestic stocks	643	7,592
Losses on sales of foreign securities	1,244	3,451
Other losses on sales of securities	—	29
Losses on valuation of securities	13,342	404
Losses on valuation of domestic bonds	—	65
Losses on valuation of domestic stocks	6,689	281
Losses on valuation of foreign securities	5,876	57
Other losses on valuation of securities	776	—
Losses on derivative instruments, net	—	12,967
Foreign exchange losses, net	17,543	4,602
Provision of allowance for possible loan losses	—	2,369
Write-offs of loans	262	—
Depreciation of real estate for rent and other assets	4,288	4,427
Other investment expenses	8,698	8,767
Total	54,912	49,443

(5) Net Investment Income

(Millions of yen)

	Year ended March 31, 2020	Year ended March 31, 2021
Net investment income	140,125	137,898

(6) Other Information on Investments

(i) Investment Yield by Asset Categories

(%)

	Year ended March 31, 2020	Year ended March 31, 2021
Cash, deposits, and call loans	0.00	0.00
Monetary claims bought	1.13	1.11
Money held in trust	1.32	4.67
Securities	2.59	2.54
Domestic bonds	2.37	1.81
Domestic stocks	5.34	3.91
Foreign securities	2.30	3.06
Foreign bonds	2.26	2.65
Foreign stocks and other securities	2.57	4.96
Loans	1.50	1.08
Ordinary loans	1.24	0.83
Real estate	2.42	2.39
Total	2.20	2.11
Overseas investments	2.28	2.87

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

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

(ii) Average Daily Balance

(Millions of yen)

	Year ended March 31, 2020	Year ended March 31, 2021
Cash, deposits, and call loans	302,901	357,256
Monetary claims bought	284	254
Money held in trust	23,851	24,159
Securities	5,036,435	5,118,459
Domestic bonds	2,675,971	2,685,341
Domestic stocks	387,301	416,990
Foreign securities	1,870,874	1,890,731
Foreign bonds	1,580,558	1,557,603
Foreign stocks and other securities	290,316	333,128
Loans	565,592	565,568
Ordinary loans	509,800	512,224
Real estate	216,066	230,765
Total	6,361,344	6,524,287
Overseas investments	2,244,447	2,261,370

(iii) Net Valuation Gains/Losses on Trading Securities

(Millions of yen)

	As of March 31, 2020		As of March 31, 2021	
	Carrying value on the balance sheet	Net valuation gains/losses included in the statement of operations	Carrying value on the balance sheet	Net valuation gains/losses included in the statement of operations
Trading securities	89,514	(9,658)	53,703	8,310

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

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

(Millions of yen)

	As of March 31, 2020					As of March 31, 2021				
	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	—	757,339	863,820	106,481	106,481	—
Domestic bonds	737,664	858,750	121,085	121,085	—	737,240	842,721	105,480	105,480	—
Foreign bonds	19,514	20,962	1,448	1,448	—	20,098	21,098	1,000	1,000	—
Monetary claims bought	—	—	—	—	—	—	—	—	—	—
Negotiable certificate of deposits	—	—	—	—	—	—	—	—	—	—
Others	—	—	—	—	—	—	—	—	—	—
Policy-reserve-matching bonds	892,940	1,035,765	142,825	144,107	1,281	873,677	989,433	115,755	120,379	4,623
Domestic bonds	892,940	1,035,765	142,825	144,107	1,281	873,677	989,433	115,755	120,379	4,623
Foreign bonds	—	—	—	—	—	—	—	—	—	—
Investments in subsidiaries and affiliates	—	—	—	—	—	—	—	—	—	—
Available-for-sale securities	3,056,561	3,450,284	393,722	477,836	84,113	3,462,146	4,095,801	633,654	656,049	22,394
Domestic bonds	955,552	1,038,974	83,421	83,947	525	1,106,729	1,168,558	61,829	67,376	5,547
Domestic stocks	333,313	543,104	209,791	232,868	23,077	347,152	717,432	370,279	377,140	6,860
Foreign securities	1,675,248	1,770,514	95,265	148,498	53,233	1,898,343	2,068,561	170,217	179,442	9,225
Foreign bonds	1,389,520	1,503,075	113,555	138,270	24,715	1,557,529	1,661,043	103,513	111,905	8,391
Foreign stocks and other securities	285,728	267,438	(18,289)	10,227	28,517	340,813	407,518	66,704	67,537	833
Other securities	92,446	97,690	5,244	12,521	7,277	109,921	141,249	31,327	32,089	761
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	5,093,163	5,949,055	855,891	882,909	27,017
Domestic bonds	2,586,157	2,933,490	347,333	349,140	1,807	2,717,647	3,000,714	283,066	293,236	10,170
Domestic stocks	333,313	543,104	209,791	232,868	23,077	347,152	717,432	370,279	377,140	6,860
Foreign securities	1,694,762	1,791,476	96,713	149,946	53,233	1,918,441	2,089,659	171,218	180,443	9,225
Foreign bonds	1,409,034	1,524,038	115,003	139,719	24,715	1,577,627	1,682,141	104,513	112,905	8,391
Foreign stocks and other securities	285,728	267,438	(18,289)	10,227	28,517	340,813	407,518	66,704	67,537	833
Other securities	92,446	97,690	5,244	12,521	7,277	109,921	141,249	31,327	32,089	761
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 March 31, 2021
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	34,607
Unlisted domestic stocks (except over-the-counter stocks)	5,684	6,224
Unlisted foreign stocks (except over-the-counter stocks)	—	—
Unlisted foreign bonds	—	—
Others	26,725	28,382
Total	97,197	99,394

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

(v) Fair Value Information on Money Held in Trust

(Millions of yen)

	As of March 31, 2020					As of March 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	24,156	24,156	—	—	—	25,277	25,277	—	—	—

• Money held in trust for trading purpose

(Millions of yen)

	As of March 31, 2020		As of March 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	23,156	0	24,277	0

• 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 March 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 Information on Derivative Instruments (General Account)

(i) Gains and Losses on Derivatives

(Millions of yen)

As of March 31, 2020	Interest-related	Currency- related	Stock- related	Bond- related	Others	Total
Hedge accounting applied	—	10,206	—	—	—	10,206
Hedge accounting not applied	(240)	2,988	841	—	—	3,589
Total	(240)	13,194	841	—	—	13,795
As of March 31, 2021	Interest- related	Currency- related	Stock- related	Bond- related	Others	Total
Hedge accounting applied	—	(37,644)	—	—	—	(37,644)
Hedge accounting not applied	(280)	(2,956)	(157)	—	—	(3,394)
Total	(280)	(40,600)	(157)	—	—	(41,039)

Note: Gains and losses from applying fair value hedge accounting (currency-related gains of ¥10,206 million as of March 31, 2020, and currency-related losses of ¥37,644 million as of March 31, 2021) included in gains and losses with hedge accounting applied, and gains and losses with hedge accounting not applied are reported in the statements of operations.

(ii) Interest-related Transactions

(Millions of yen)

(Millions of yen)								
	As of March 31, 2020				As of March 31, 2021			
	Notional amount/ contract value		Fair value	Gains (Losses)	Notional amount/ contract value		Fair value	Gains (Losses)
		Over 1 year				Over 1 year		
Over-the-counter transactions								
Yen interest rate swaption contracts								
Sold								
Receipt fixed, payment floating	—	—			—	—		
	[—]		—	—	[—]		—	—
Payment fixed, receipt floating	—	—			—	—		
	[—]		—	—	[—]		—	—
Bought								
Receipt fixed, payment floating	—	—			—	—		
	[—]		—	—	[—]		—	—
Payment fixed, receipt floating	460,000	460,000			460,000	120,000		
	[292]		52	(240)	[292]		12	(280)
Total				(240)				(280)

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

(iii) Currency-related Transactions

(Millions of yen)

	As of March 31, 2020				As of March 31, 2021			
	Notional amount/ contract value	Over 1 year	Fair value	Gains (Losses)	Notional amount/ contract value	Over 1 year	Fair value	Gains (Losses)
Over-the-counter transactions								
Currency forward contracts								
Sold	926,852	—	913,126	13,726	1,001,027	—	1,041,246	(40,219)
U.S. dollar	543,461	—	546,763	(3,301)	621,623	—	652,501	(30,878)
Australian dollar	122,875	—	111,146	11,728	155,825	—	159,088	(3,262)
Euro	118,449	—	118,725	(275)	106,584	—	108,704	(2,120)
Canadian dollar	68,375	—	64,171	4,203	64,900	—	68,428	(3,527)
Swedish krona	29,466	—	29,096	369	34,379	—	34,262	117
British pound	44,224	—	43,223	1,001	17,713	—	18,261	(548)
Bought	—	—	—	—	—	—	—	—
Currency options								
Sold								
Call	371,074	—			136,012	—		
[448]			1,197	(749)	[88]		303	(215)
U.S. dollar	345,340	—			136,012	—		
[440]			1,197	(756)	[88]		303	(215)
Canadian dollar	17,669	—			—	—		
[4]			0	4	[—]		—	—
Australian dollar	8,065	—			—	—		
[2]			0	2	[—]		—	—
Put	—	—			—	—		
[—]			—	—	[—]		—	—
Bought								
Call	—	—			—	—		
[—]			—	—	[—]		—	—
Put	288,760	—			203,072	—		
[449]			667	217	[172]		6	(165)
U.S. dollar	269,648	—			199,347	—		
[442]			617	175	[168]		6	(162)
Canadian dollar	13,000	—			3,725	—		
[4]			12	7	[3]		0	(3)
Australian dollar	6,112	—			—	—		
[2]			37	34	[—]		—	—
Total				13,194				(40,600)

Notes: 1. Forward exchange rates are used for exchange rates as of March 31, 2021.

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

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

(iv) Stock-related Transactions

(Millions of yen)

	As of March 31, 2020				As of March 31, 2021			
	Notional amount/ contract value	Over 1 year	Fair value	Gains (Losses)	Notional amount/ contract value	Over 1 year	Fair value	Gains (Losses)
Exchange-traded transactions								
Stock index option								
Sold								
Call	48,350	—			10,400	—		
[119]			7	112	[24]		17	7
Put	—	—			—	—		
[—]			—	—	[—]		—	—
Bought								
Call	—	—			—	—		
[—]			—	—	[—]		—	—
Put	30,200	—			45,000	—		
[91]			820	729	[180]		15	(164)
Total				841				(157)

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

(v) Bond-related Transactions

No ending balance as of March 31, 2020 and March 31, 2021.

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

(Millions of yen)

As of March 31, 2020			As of March 31, 2021		
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	146,819	294,946	148,127

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 March 31, 2021		As of March 31, 2020	As of March 31, 2021
Assets:			Liabilities:		
Cash and deposits:	288,668	159,431	Policy reserves:	5,775,716	5,812,295
Cash	168	155	Reserve for outstanding claims	19,814	19,551
Bank deposits	288,500	159,276	Policy reserve	5,694,979	5,729,511
Call loans	230,000	136,000	Reserve for dividends to policyholders	60,922	63,232
Monetary claims bought	269	239	Reinsurance payables	86	87
Money held in trust	24,156	25,277	Subordinated bonds	191,935	241,935
Securities:	5,344,665	5,954,789	Other liabilities:	122,632	149,141
Government bonds	1,932,731	2,005,536	Cash received as collateral under securities lending transactions	67,866	61,819
Local government bonds	102,704	99,212	Corporate income tax payable	6,002	2,764
Corporate bonds	664,875	699,187	Accounts payable	2,783	7,272
Stocks	631,989	813,227	Accrued expenses	10,689	10,280
Foreign securities	1,894,581	2,175,012	Unearned income	361	367
Other securities	117,783	162,612	Deposits received	6,079	6,303
Loans:	565,473	568,091	Guarantee deposits received	13,941	13,887
Policy loans	55,339	50,797	Derivatives	7,564	41,391
Ordinary loans	510,133	517,293	Cash collateral received for financial instruments	1,694	10
Tangible fixed assets:	219,475	244,487	Lease obligations	966	761
Land	125,118	146,816	Asset retirement obligations	2,754	2,603
Buildings	87,320	92,635	Suspense receipts	1,928	1,679
Lease assets	909	578	Reserve for employees' retirement benefits	23,519	23,735
Construction in progress	2,866	93	Reserve for price fluctuation	122,745	172,797
Other tangible fixed assets	3,260	4,362	Deferred tax liabilities	—	26,430
Intangible fixed assets:	23,791	24,256	Deferred tax liabilities for land revaluation	14,213	14,184
Software	18,155	19,181	Total liabilities	6,250,849	6,440,606
Lease assets	873	686	Net assets:		
Other intangible fixed assets	4,762	4,388	Foundation funds	12,000	12,000
Agency receivables	4	10	Accumulated foundation funds redeemed	116,000	116,000
Reinsurance receivables	111	124	Reserve for revaluation	112	112
Other assets:	66,881	49,072	Surplus:	123,054	126,748
Accounts receivable	5,973	6,974	Legal reserve for future losses	3,176	3,271
Prepaid expenses	2,508	3,339	Other surplus:	119,878	123,477
Accrued income	28,268	28,168	Reserve for redemption of foundation funds	—	2,400
Deposits	2,239	2,250	Reserve for dividend allowances	20,000	20,000
Derivatives	21,360	352	Accumulated fund for price fluctuation	41,000	41,000
Cash collateral paid for financial instruments	—	1,747	Reserve for advanced depreciation of real estate for tax purpose	209	207
Suspense payments	3,381	3,005	Other reserves	767	767
Rest of the other asset	3,148	3,234	Unappropriated surplus	57,901	59,102
Prepaid pension cost	—	547	Total foundation funds, surplus and others	251,166	254,860
Deferred tax assets	29,397	—	Net unrealized gains (losses) on available-for-sale securities, net of tax	284,752	458,287
Allowance for possible loan losses	(2,023)	(4,386)	Revaluation reserve for land, net of tax	4,102	4,185
			Total valuation and translation adjustments	288,855	462,473
			Total net assets	540,021	717,333
Total assets	6,790,871	7,157,940	Total liabilities and net assets	6,790,871	7,157,940

4. Non-consolidated Statements of Operations

(Millions of yen)

	Year ended March 31, 2020	Year ended March 31, 2021
Ordinary revenues:		
Premium and other income:	533,527	485,011
Premium income	533,396	484,868
Reinsurance income	130	143
Investment income:	195,037	206,657
Interest, dividends and other income:	153,374	155,559
Interest on deposits	36	5
Interest and dividends on securities	129,290	131,735
Interest on loans	8,766	8,137
Income from real estate for rent	15,267	15,534
Other interest and dividends	13	146
Gains on money held in trust, net	314	1,127
Gains on trading securities, net	—	6,523
Gains on sales of securities	35,410	23,959
Gains on derivative instruments, net	5,577	—
Reversal of allowance for possible loan losses	70	—
Other investment income	289	170
Gains on separate accounts, net	—	19,315
Other ordinary revenues:	13,306	9,529
Fund receipt from annuity rider	5,397	2,205
Proceeds from deferred insurance	3,420	3,618
Reversal of reserve for outstanding claims	508	262
Reversal of reserve for employees' retirement benefits	996	246
Others	2,984	3,196
Total ordinary revenues	741,870	701,198
Ordinary expenses:		
Claims and other payments:	439,176	415,436
Claims	93,315	77,539
Annuities	157,816	151,810
Benefits	110,820	106,884
Surrenders	51,404	52,888
Other payments	25,588	26,083
Reinsurance premiums	230	231
Provision of policy reserve and others:	81,409	34,545
Provision of policy reserves	81,396	34,532
Provision of interest portion of reserve for dividends to policyholders	13	13
Investment expenses:	58,867	49,443
Interest expenses	3,860	4,093
Losses on trading securities, net	4,979	—
Losses on sales of securities	1,935	11,809
Losses on valuation of securities	13,342	404
Losses on derivative instruments, net	—	12,967
Foreign exchange losses, net	17,543	4,602
Provision of allowance for possible loan losses	—	2,369
Write-offs of loans	262	—
Depreciation of real estate for rent and other assets	4,288	4,427
Other investment expenses	8,698	8,767
Losses on separate accounts, net	3,955	—
Operating expenses	92,072	91,599
Other ordinary expenses:	21,444	22,057
Deferred annuity payments	4,669	3,944
Taxes	6,788	7,304
Depreciation	8,879	9,739
Others	1,106	1,069
Total ordinary expenses	692,970	613,083
Ordinary profits	48,899	88,115
Extraordinary gains:		
Gains on disposal of fixed assets	5	133
Total extraordinary gains	5	133
Extraordinary losses:		
Losses on disposal of fixed assets	181	801
Impairment losses	38	198
Provision of reserve for price fluctuation	11,466	50,051
Others	—	1,059
Total extraordinary losses	11,685	52,110
Surplus before income taxes	37,219	36,137
Income taxes:		
Current	13,646	11,227
Deferred	(10,540)	(10,516)
Total income taxes	3,106	710
Net surplus for the year	34,113	35,427

Notes to the Non-consolidated Financial Statements

I. Presentation of the Non-consolidated Financial Statements

1. Basis of presentation

The accompanying non-consolidated financial statements have been prepared from the accounts maintained by Fukoku Mutual Life Insurance Company (the “Company”) in accordance with the provisions set forth in the Insurance Business Act of Japan and its related rules and regulations and in conformity with accounting principles generally accepted in Japan, which are different in certain respects from accounting principles generally accepted in countries and jurisdictions other than Japan. In addition, the notes to the non-consolidated financial statements include information which is not required under accounting principles generally accepted in Japan but is presented herein as additional information.

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

II. Notes to the Non-consolidated Balance Sheets

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

- i) Trading securities are stated at fair market value. Costs of their sales are determined by the moving average method.
- ii) Held-to-maturity debt securities are stated at amortized cost under the straight-line method, cost being determined by the moving average method.
- iii) Policy-reserve-matching bonds are stated at amortized cost under the straight-line method, cost being determined by the moving average method in accordance with “Temporary Treatment of Accounting and Auditing Concerning Policy-reserve-matching Bonds in the Insurance Industry” (Industry Audit Committee Report No.21 issued by the Japanese Institute of Certified Public Accountants on November 16, 2000).
- iv) Investments in subsidiaries and affiliates are stated at cost, cost being determined by the moving average method.
- v) Available-for-sale securities with fair market value are stated at fair market value based on the market prices at the end of the fiscal year. Costs of their sales are determined by the moving average method. Net unrealized gains or losses on these available-for-sale securities, net of taxes, are recorded as a separate component of net assets.

Available-for-sale securities whose market value are deemed extremely difficult to obtain are stated at cost, cost being determined by the moving average method, except for public and corporate bonds including foreign bonds, of which the difference between acquisition cost and face value is considered to be an adjustment of interest. Such bonds are stated at amortized cost under the straight-line method, cost being determined by the moving average method.

(2) Derivative instruments are stated at fair market value.

(3) The Company revalued the land used in the operations based on the Act for Revaluation of Land (Act No.34 promulgated on March 31, 1998). The difference between fair value and book value resulting from the revaluation, net of related taxes, is recorded as revaluation reserve for land as a separate component of net assets and the related tax is recorded as deferred tax liabilities for land revaluation.

- Date of revaluation: March 31, 2002
- Method of revaluation as prescribed for in Article 3 Paragraph 3 of the said Act:

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

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

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

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

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

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

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

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

For the credits of legally bankrupt borrowers and substantially bankrupt borrowers, the amounts remaining after deductions of collateral value or the amounts collectible through the execution of guarantees are written-off directly from the borrowers' balances as the estimated uncollectible amounts. The amount written-off as of March 31, 2021 was ¥0 million.

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

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

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

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

- (9) Hedge accounting is based on "Accounting Standards for Financial Instruments" (ASBJ Statement No. 10, March 10, 2008). The Company applies a fair value hedge accounting as a hedge against the risk of foreign exchange fluctuation in relation to bonds and others denominated in foreign currencies, and a designated hedge accounting ("Furiate shori") for foreign currency swaps as a hedge against the risk of foreign exchange fluctuation in relation to bonds denominated in foreign currencies issued by the Company.
- For assessing the effectiveness of hedge used, ratio analysis of comparing the fluctuations in the fair value or cash flows of hedged items and hedging instruments is mainly applied.
- (10) Accounting of unrecognized actuarial differences and unrecognized prior service costs related to employees' retirement benefits is different to the methods used for these items in the consolidated financial statements.
- (11) The Company accounts for consumption taxes by the tax-exclusion method. The consumption taxes on certain assets, which are not deductible from consumption taxes withheld and that are stipulated to be deferred under the Tax Act, are deferred as prepaid expenses and amortized equally over five years. Consumption taxes other than deferred consumption taxes are recognized as an expense when incurred.
- (12) Initial premium incomes are recorded by the relevant amounts received when the premium incomes have been received and the responsibilities on the insurance contract have been commenced, in principal.
- Subsequent premium incomes are also recorded as the amount of payments that have been received.
- Of premium incomes that have been received, the portion corresponding to the period that has yet to pass as of the end of the fiscal year is accumulated as policy reserve in accordance with Article 116 of the Insurance Business Act and Article 69 Paragraph 1 Item 2 of the Enforcement Regulation of the Insurance Business Act.
- Premium incomes associated with the acceptance of group annuities are recorded as amounts equivalent to the policy reserve received when accepting the transfers of these group annuities.
- (13) Claims and other payments (excluding reinsurance premiums) are recorded by the relevant amounts paid when the cause for payment under the policy conditions is occurred and the calculated amounts are paid based on the policy conditions.
- In accordance with Article 117 of the Insurance Business Act and Article 72 of the Enforcement Regulation of the Insurance Business Act, reserve for outstanding claims are accumulated as for claims for which the Company has a payment due but has not paid, or for which the occurrence of cause for payment has not been reported but the Company recognizes that insured payment has already occurred as of the end of the fiscal year.
- Claims and other payments associated with the outgoing transfer of group annuities are recorded as amounts equivalent to the policy reserve transferred when recognizing the transfers of these group annuities.
- (14) Policy reserve of the Company is accumulated in accordance with the methods stated in the statement of calculation procedures for Insurance Premiums and Policy Reserves (Article 4 Paragraph 2 Item 4 of the Insurance Business Act) pursuant to Article 116 Paragraph 1 of the Insurance Business Act to prepare for the future performance of obligations under the insurance contracts for which the insurer's responsibilities have started as of the end of the fiscal year.
- Premium reserves, one of the components of policy reserve, are calculated by the following method.
- i) In regard to the policies subject to the standard policy reserve, the method as prescribed by the Commissioner of Financial Services Agency (Ministry of Finance Ordinance No.48, 1996) is applied.
 - ii) In regard to the policies not subject to the standard policy reserve, the net level premium method is applied.
- Appointed actuary, for each fiscal year, verifies whether a portion of the policy reserve is reasonably accumulated in accordance with Article 121 Paragraph 1 of the Insurance Business Act and Article 80 of the Enforcement Regulation of the Insurance Business Act.

Contingency reserves, one of the components of policy reserve, are accumulated pursuant to Article 116 of the Insurance Business Act and Article 69 Paragraph 1 Item 3 of the Enforcement Regulation of the Insurance Business Act to cover risks that may accrue in the future in order to ensure performing future obligations under the insurance contracts. The balance of policy reserve as of the end of the fiscal year calculated indicated above includes policy reserve that was additionally accumulated as follows in accordance with Article 69 Paragraph 5 of the Enforcement Regulation of the Insurance Business Act.

Among individual annuity insurance policies with an assumed interest rate of 5.00% or higher, for policies that have begun paying annuities (excluding wife's annuity insurance additional rider), the Company reduced the assumed interest rate to 1.00% and funded additional policy reserves. As of March 31, 2021, the balance of these policy reserves was ¥73,354 million.

The Company also funded additional policy reserves for certain individual annuity insurance policies, whole life insurance policies that include distribution of surplus every five years and new cancer riders. As of March 31, 2021, the balance of these policy reserves was ¥1,654 million.

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

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

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

2. Primary accounting standards that have been issued by the end of the fiscal year ended March 31, 2021 but have not been applied are as follows.

Methods of calculating the fair value will be revised in response to the announcements of accounting standards such as “Accounting Standard for Fair Value Measurement” (ASBJ Statement No. 30, July 4, 2019), “Accounting Standard for Financial Instruments” (ASBJ Statement No. 10, July 4, 2019) and “Implementation Guidance on Accounting Standard for Fair Value Measurement” (ASBJ Guidance No. 31, July 4, 2019).

These accounting standards and this guidance must be applied at the beginning of the fiscal year starting on April 1, 2021 and the Company plans to apply these accounting standards and this guidance at the beginning of the fiscal year ending March 31, 2022.

The Company is currently in the process of evaluating the effects of applying these accounting standards and this guidance for the fiscal year ending March 31, 2022.

3. Asset management of the general accounts other than the separate accounts stipulated in Article 118 Paragraph 1 of the Insurance Business Act is conducted on the principle of prudent and profitable investments, considering public and social responsibilities of the insurance business. Based on this policy, the Company allocates the fund, securing its liquidity, from the medium-to-long term viewpoints. The Company is diversifying investments in assets such as foreign securities, stocks and real estates within the acceptable range of risks in order to enhance the profitability, although yen-denominated interest bearing assets including debt securities such as Japanese government bonds and loans are the cores of the portfolios under the asset liability management. Derivatives are mainly used to hedge the market risk regarding spot-priced assets and liabilities.

Major financial instruments including securities, loans and derivatives are exposed to market risk and credit risk.

The Company manages its asset management risk by establishing internal control systems including various rules pursuant to the “Three Basic Rules related to Enterprise Risk Management” established by the Board of Directors. Specifically, the Company eliminates excessive risk deviating from the basic principle and secures the safety of the assets by utilizing control functions of the Financial and Investment Risk Management Department towards the asset management sections, monitoring the status of market risk and credit risk periodically on a daily or monthly basis. In addition, the Company quantifies the market risk and credit risk using value-at-risk (VaR) method in order to control the possible maximum losses which may arise from the holding assets within a certain range of risk buffers.

The carrying amounts, fair values and their related differences of major financial assets and liabilities in the general account as of March 31, 2021 were as follows:

	Carrying amount	Fair value	(Millions of yen) Difference
Cash and deposits:			
Cash and deposits not treated as securities.....	¥ 155,190	¥ 155,190	¥ —
Total cash and deposits.....	155,190	155,190	—
Call loans.....	136,000	136,000	—
Monetary claims bought:			
Claims treated as loans.....	239	254	14
Total monetary claims bought.....	239	254	14
Money held in trust:			
Trading securities.....	24,277	24,277	—
Total money held in trust.....	24,277	24,277	—
Securities:			
Trading securities.....	29,426	29,426	—
Held-to-maturity debt securities.....	757,339	863,820	106,481
Policy-reserve-matching bonds.....	873,677	989,433	115,755
Available-for-sale securities.....	4,095,801	4,095,801	—
Total securities.....	5,756,244	5,978,481	222,237
Loans:			
Policy loans.....	50,797	50,797	(0)
Ordinary loans.....	517,293	537,281	19,987
Total loans.....	568,091	588,078	19,987
Assets total.....	6,640,043	6,882,283	242,239
Subordinated bonds ¹	241,935	246,577	4,642
Liabilities total.....	241,935	246,577	4,642
Derivative instruments ² :			
Hedge accounting not applied.....	(3,394)	(3,394)	—
Hedge accounting applied.....	(37,644)	(37,644)	—
Total derivative instruments.....	¥ (41,039)	¥ (41,039)	¥ —

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

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

(1) Cash, deposits (excluding financial instruments treated as securities based on “Accounting Standards for Financial Instruments” (ASBJ Statement No.10, March 10, 2008)) and call loans:

The fair values of cash, deposits and call loans are based on their book values since fair values approximate book values due to their short maturities.

(2) Securities including deposits and monetary claims bought which are treated as securities based on “Accounting Standards for Financial Instruments” (ASBJ Statement No.10, March 10, 2008) and securities managed as trust assets in money held in trust:

The fair values of marketable securities are measured at the quoted market prices at the balance sheet date. The fair values of other securities without the quoted market prices are based on the prices reasonably calculated such as the prices offered by the information vendors or counterparty financial institutions.

Investments in subsidiaries and affiliates, unlisted stocks and investments in partnerships whereby partnership assets consist of unlisted stocks whose fair values are deemed extremely difficult to obtain, are excluded from above securities. The carrying amounts of investments in subsidiaries and affiliates, unlisted stocks and investments in partnerships were ¥64,787 million, ¥6,224 million, and ¥29,744 million as of March 31, 2021, respectively.

(3) Loans and monetary claims bought treated as loans:

The fair values of policy loans are deemed to approximate book values, considering estimated repayment period and interest rate conditions since their repayment deadlines have not been set up due to the characteristics that the loans are limited to the amount of cash surrender values. Therefore, the book values are used as the fair values of policy loans. The fair values of floating interest rate loans among the ordinary loans and monetary claims bought treated as loans approximate the book values because the market interest rates are reflected in future cash flows in a short period. Therefore, the fair values of floating interest rate loans and monetary claims bought treated as loans are based on their book values. The fair values of fixed interest rate loans are measured by discounting the future cash flows to the present values.

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

(4) Subordinated bonds:

Subordinated bonds issued by the Company are stated at fair market values.

(5) Derivative instruments:

- i) The fair values of the futures and options traded at the exchange are measured at the settlement price of the exchange.
- ii) The fair values of forward contracts, options and swaps traded over the counter are based on the quoted prices offered by counterparty financial institutions.
- iii) The fair values of foreign currency forward contracts are determined based on the spot exchange rate and forward contract rate.

4. The Company holds investment and rental properties such as office buildings in Tokyo and other areas. The carrying amounts and the fair values of investment and rental properties were ¥193,459 million and ¥324,155 million as of March 31, 2021, respectively. The fair value is mainly based on the value calculated by the Company in accordance with real estate appraisal standards which includes some adjustments using the reference prices.

The amount corresponding to asset retirement obligations included in the carrying amount of investment and rental properties was ¥417 million as of March 31, 2021.

5. The amount of securities lent under lending agreements was ¥465,351 million as of March 31, 2021.

6. The total amounts of credits to bankrupt borrowers, delinquent loans, delinquent loans past 3 months or more and restructured loans, which were included in loans, was ¥3,199 million as of March 31, 2021;
- i) The balance of credits to bankrupt borrowers was ¥147 million as of March 31, 2021.
 - ii) The balance of delinquent loans was ¥2,522 million as of March 31, 2021.
 - iii) The balance of restructured loans was ¥529 million as of March 31, 2021.
 - iv) There was no balance of delinquent loans past 3 months or more as of March 31, 2021.

The direct write-offs related to loans decreased credits to bankrupt borrowers described above by ¥0 million as of March 31, 2021.

Credits to bankrupt borrowers represent loans, excluding the balances already written-off, which meet the conditions prescribed in Article 96 Paragraph 1 item 3 and 4 of the Enforcement Regulations of the Corporate Tax Act. Moreover, accrued interest on these loans is not recorded as income after determining that principal or interest on these loans is unlikely to be collected due to the significant delay in repayment of principal or interest payment or for some other reasons. Delinquent loans are credits which accrued interest is not recorded as income due to the same reasons as described above, and exclude credits to bankrupt borrowers and loans for which interest payments have been suspended and rescheduled to assist and support the borrowers in the restructuring of their business.

Delinquent loans past 3 months or more are loans for which interest payments or repayments of principal are delinquent for 3 months or more from the due date under the terms of the related loan agreements, excluding those loans classified as credits to bankrupt borrowers and delinquent loans.

Restructured loans are loans for which certain concessions favorable to borrowers, such as interest reduction or exemption, rescheduling of due date for repayments of principal or interest payment, waiver of claim or other terms, have been negotiated for the purpose of assisting and supporting the borrowers in the restructuring of their business. This category excludes loans classified as credits to bankrupt borrowers, delinquent loans and delinquent loans past 3 months or more.

7. Accumulated depreciation of tangible fixed assets were ¥173,746 million as of March 31, 2021.
8. Total assets in separate accounts provided for in Article 118 of the Insurance Business Act were ¥104,979 million as of March 31, 2021. The amounts of separate account liabilities were the same as separate account assets.
9. The total amounts of receivables from/payables to subsidiaries were ¥3,070 million and ¥2,167 million as of March 31, 2021, respectively.
10. Deferred tax assets and deferred tax liabilities as of March 31, 2021 were ¥159,775 million and ¥181,233 million, respectively. Valuation allowance for deferred tax assets was ¥4,972 million.
- Major components of deferred tax assets were ¥90,033 million of policy reserves, ¥48,383 million of reserve for price fluctuation and ¥11,872 million of reserve for employees' retirement benefits as of March 31, 2021.
- Major component of deferred tax liabilities was ¥176,729 million of net unrealized gains on available-for-sale securities as of March 31, 2021.
- The statutory tax rate and the actual effective tax rate for the year ended March 31, 2021 were 28.0% and 2.0%, respectively. The difference between the statutory tax rate and the actual effective tax rate was attributable mainly to -25.4% of reserve for dividends to policyholders.

11. Changes in reserve for dividends to policyholders for the year ended March 31, 2021 were as follows:

	(Millions of yen)
Balance at the beginning of the fiscal year.....	¥ 60,922
Transfer from surplus in the previous fiscal year.....	31,547
Dividend payments to policyholders during the fiscal year.....	(29,252)
Increase in interest.....	13
Balance at the end of the fiscal year.....	<u>¥ 63,232</u>

12. The amount of stocks of subsidiaries was ¥64,787 million as of March 31, 2021.

13. Assets pledged as collateral as of March 31, 2021 were ¥99,608 million of securities and ¥790 million of bank deposits.

Secured debts as of March 31, 2021, were ¥67,546 million.

These amounts include ¥60,241 million of investments in securities deposited and ¥61,819 million of cash received as collateral under securities lending transactions secured by cash as of March 31, 2021.

14. Reserve for outstanding claims for the reinsurance contracts provided in accordance with Article 71 Paragraph 1 of the Enforcement Regulation of the Insurance Business Act (hereinafter called “reserve for outstanding claims for ceded reinsurance”) was ¥4 million as of March 31, 2021.

Policy reserve for the reinsurance contracts provided in accordance with Article 71 Paragraph 1 of the Enforcement Regulation of the Insurance Business Act (hereinafter called “policy reserve for ceded reinsurance”) was ¥30 million as of March 31, 2021.

15. The total amounts of adjustment items for redemption of foundation funds and appropriation of net surplus defined in Article 30 Paragraph 2 of the Enforcement Regulation of the Insurance Business Act was ¥462,585 million as of March 31, 2021.

16. There were unused commitment line agreements under which the Company is the lender of ¥8,733 million as of March 31, 2021.

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

18. The future contribution to the Life Insurance Policyholders Protection Corporation of Japan under Article 259 of the Insurance Business Act was estimated at ¥7,946 million as of March 31, 2021.

The contribution is recognized as operating expenses when contributed.

19. Matters Related to Employees’ Retirement Benefits as of March 31, 2021

(1) Overview of Employees’ Retirement Benefit Plan

As for a defined benefit plan for office-based employees, the Company has a defined benefit corporate pension plan and retirement lump-sum payments. As for a defined contribution plan for these employees, the Company also has a defined contribution pension plan.

As for a defined benefit plan for sales employees, the Company has retirement lump-sum payments. The Company places a retirement benefit trust in relation to the retirement lump-sum grant plan for sales employees. The simplified method for calculating retirement benefit obligation is applied to a portion of the Company's retirement lump-sum grant plans.

(2) Defined Benefit Plan

i) Reconciliation of beginning and end of balance of retirement benefit obligation

	(Millions of yen)
Retirement benefit obligation at the beginning of the fiscal year.....	¥ 87,938
Service cost.....	3,455
Interest cost.....	526
Actuarial differences occurred during the fiscal year.....	2,881
Retirement benefit payments.....	(4,279)
Prior service costs occurred during the fiscal year.....	54
Retirement benefit obligation at the end of the fiscal year.....	<u>¥ 90,576</u>

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

	(Millions of yen)
Pension plan assets at the beginning of the fiscal year.....	¥ 53,704
Expected return on pension plan assets.....	867
Actuarial differences occurred during the fiscal year.....	6,673
Contributions by the employer.....	2,577
Retirement benefit payments.....	(1,578)
Pension plan assets at the end of the fiscal year.....	<u>¥ 62,244</u>

iii) Reconciliation of retirement benefit obligation and pension plan assets with reserve for employees' retirement benefits and prepaid pension cost presented on the non-consolidated balance sheet

	(Millions of yen)
a. Funded plan retirement benefit obligation.....	¥ 78,508
b. Pension plan assets.....	(62,244)
c. (a + b).....	16,263
d. Unfunded plan retirement benefit obligation.....	12,067
e. Unrecognized actuarial differences.....	(5,111)
f. Unrecognized prior service cost.....	(31)
g. Net amount of liabilities and assets presented on the non-consolidated balance sheet.....	<u>23,187</u>
h. Reserve for employees' retirement benefits.....	23,735
i. Prepaid pension cost.....	(547)
j. Net amount of liabilities and assets presented on the non-consolidated balance sheet.....	<u>¥ 23,187</u>

iv) Breakdown of retirement benefit gains and losses

	(Millions of yen)
Service cost.....	¥ 3,455
Interest cost.....	526
Expected return on pension plan assets.....	(867)
Amortization of actuarial differences.....	1,905
Amortization of prior service costs.....	(72)
Retirement benefit expenses related to defined benefit plan.....	<u>¥ 4,947</u>

v) Breakdown of pension plan assets

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

Domestic stocks.....	42.9%
Life insurance general account.....	31.8%
Domestic bonds.....	9.9%
Foreign stocks.....	8.9%
Assets under joint management.....	3.3%
Foreign bonds.....	3.2%
Total.....	<u>100.0%</u>

Within the total of pension assets, 35.6% of this amount is accounted for by the retirement benefit trust established in relation to the retirement lump-sum payments plan for sales employees.

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

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

vii) Underlying actuarial assumptions

Main underlying actuarial assumptions as of March 31, 2021, were as follows:

Discount rate.....	0.6%
Expected long-term rate of return on pension plan assets	
Defined Benefit Plan.....	2.5%
Retirement benefit trust.....	0.0%

(3) Defined Contribution Plan

The required contribution amount by the Company to the defined contribution plan was ¥219 million as of March 31, 2021.

III. Notes to the Non-consolidated Statements of Operations

1. The total amounts of revenues and expenses in connection with subsidiaries were ¥869 million and ¥8,916 million for the year ended March 31, 2021.

2. The details of gains on sales of securities for the year ended March 31, 2021 were as follows:

	(Millions of yen)
Domestic bonds.....	¥ 7,447
Domestic stocks and others.....	14,974
Foreign securities.....	1,400
Others.....	137

3. The details of losses on sales of securities for the year ended March 31, 2021 were as follows:

	(Millions of yen)
Domestic bonds.....	¥ 735
Domestic stocks and others.....	7,592
Foreign securities.....	3,451
Others.....	29

4. The details of losses on valuation of securities for the year ended March 31, 2021 were as follows:

	(Millions of yen)
Domestic bonds.....	¥ 65
Domestic stocks and others.....	281
Foreign securities.....	57

5. For the year ended March 31, 2021, in calculating the reversal of reserve for outstanding claims, a provision of reserves for outstanding claims reinsured of ¥3 million was added. In calculating the provision of policy reserves, a provision of reserves for policy reserves reinsured of ¥0 million was deducted.

6. The details of gains on trading securities for the year ended March 31, 2021 were as follows:

	(Millions of yen)
Interest, dividends and other income.....	¥ 1,687
Gains on sales of trading securities.....	0
Losses on redemption of trading securities.....	(3,475)
Gains on valuation of trading securities.....	8,310

7. Gains on money held in trust for the year ended March 31, 2021 included valuation gains of ¥0 million.

8. Losses on derivative instruments for the year ended March 31, 2021 included valuation losses of ¥6,984 million.

9. "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)

	Year ended March 31, 2020	Year ended March 31, 2021
Fundamental profit A	83,473	84,351
Capital gains	41,183	29,844
Gains on money held in trust, net	196	1,049
Gains on trading securities, net	—	4,836
Gains on sales of securities	35,410	23,959
Gains on derivative instruments, net	5,577	—
Foreign exchange gains, net	—	—
Other capital gains	—	—
Capital losses	40,747	29,784
Losses on money held in trust, net	—	—
Losses on trading securities, net	7,926	—
Losses on sales of securities	1,935	11,809
Losses on valuation of securities	13,342	404
Losses on derivative instruments, net	—	12,967
Foreign exchange losses, net	17,543	4,602
Other capital losses	—	—
Net capital gains (losses) B	435	60
Fundamental profit plus net capital gains (losses) A+B	83,909	84,411
Non-recurring gains	0	27,887
Reinsurance income	—	—
Reversal of contingency reserve	—	—
Reversal of specific allowance for possible loan losses	0	—
Others	—	27,887
Non-recurring losses	35,009	24,183
Reinsurance premiums	—	—
Provision for contingency reserve	10,597	14,857
Provision of specific allowance for possible loan losses	—	1,997
Provision of allowance for specified overseas loans	—	—
Write-off of loans	262	—
Others	24,149	7,328
Non-recurring gains (losses) C	(35,009)	3,703
Ordinary profits A+B+C	48,899	88,115

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): ¥118 million in respect of the year ended March 31, 2020 and ¥78 million in respect of the year ended March 31, 2021.

2. The following amounts in respect of gains / losses 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): ¥2,946 million in respect of the year ended March 31, 2020 and ¥1,687 million in respect of the year ended March 31, 2021.

3. Other non-recurring losses in the fiscal year ended March 31, 2020 include the amounts of additional policy reserves established in connection with individual insurance policies for which annuity payments had begun and the amounts of additional policy reserves established in connection with individual insurance and third sector insurance following reviews conducted by valuation actuaries.

4. Other non-recurring gains in the fiscal year ended March 31, 2021 include reversals of additional policy reserves established in connection with individual insurance during the fiscal year ended March 31, 2020 or earlier in response to reviews conducted by valuation actuaries.

5. Other non-recurring losses in the fiscal year ended March 31, 2021 include the amounts of additional policy reserves established in connection with individual insurance policies for which annuity payments had begun and the amounts of additional policy reserves established in connection with third sector insurance following reviews conducted by valuation actuaries.

6. Non-consolidated Statements of Changes in Net Assets

[For the year ended March 31, 2020]

(Millions of yen)

	(millions of yen)											
	Foundation funds, surplus and others											
	Foundation funds	Accumulated foundation funds redeemed	Reserve for revaluation	Surplus								Total foundation funds, surplus and others
				Legal reserve for future losses	Other surplus						Total surplus	
Reserve for redemption of foundation funds	Reserve for dividend allowances	Accumulated fund for price fluctuation	Reserve for advanced depreciation of real estate for tax purpose		Other reserves	Unappropriated surplus						
Balance at the beginning of the fiscal year	10,000	106,000	112	3,071	8,000	20,000	41,000	210	767	60,633	133,682	249,794
Changes in the fiscal year												
Financing of additional foundation funds	12,000											12,000
Additions to reserve for dividends to policyholders										(34,671)	(34,671)	(34,671)
Additions to legal reserve for future losses				105						(105)	—	—
Additions to accumulated foundation funds redeemed		10,000										10,000
Payment of interest on foundation funds										(100)	(100)	(100)
Net surplus for the fiscal year										34,113	34,113	34,113
Redemption of foundation funds	(10,000)											(10,000)
Additions to reserve for redemption of foundation funds					2,000					(2,000)	—	—
Reversal of reserve for redemption of foundation funds					(10,000)						(10,000)	(10,000)
Reversal of reserve for advanced depreciation of real estate for tax purpose								(1)		1	—	—
Reversal of revaluation reserve for land, net of tax										29	29	29
Net changes, excluding foundation funds, surplus and others												
Total changes in the fiscal year	2,000	10,000	—	105	(8,000)	—	—	(1)	—	(2,731)	(10,628)	1,371
Balance at the end of the fiscal year	12,000	116,000	112	3,176	—	20,000	41,000	209	767	57,901	123,054	251,166

	Valuation and translation adjustments			Total net assets
	Net unrealized gains (losses) on available-for-sale securities, net of tax	Revaluation reserve for land, net of tax	Total valuation and translation adjustments	
Balance at the beginning of the fiscal year	342,748	4,132	346,880	596,674
Changes in the fiscal year				
Financing of additional foundation funds				12,000
Additions to reserve for dividends to policyholders				(34,671)
Additions to legal reserve for future losses				—
Additions to accumulated foundation funds redeemed				10,000
Payment of interest on foundation funds				(100)
Net surplus for the fiscal year				34,113
Redemption of foundation funds				(10,000)
Additions to reserve for redemption of foundation funds				—
Reversal of reserve for redemption of foundation funds				(10,000)
Reversal of reserve for advanced depreciation of real estate for tax purpose				—
Reversal of revaluation reserve for land, net of tax				29
Net changes, excluding foundation funds, surplus and others	(57,995)	(29)	(58,025)	(58,025)
Total changes in the fiscal year	(57,995)	(29)	(58,025)	(56,653)
Balance at the end of the fiscal year	284,752	4,102	288,855	540,021

[For the year ended March 31, 2021]

(Millions of yen)

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	Valuation and translation adjustments			Total net assets
	Net unrealized gains (losses) on available-for-sale securities, net of tax	Revaluation reserve for land, net of tax	Total valuation and translation adjustments	
Balance at the beginning of the fiscal year	284,752	4,102	288,855	540,021
Changes in the fiscal year				
Additions to reserve for dividends to policyholders				(31,547)
Additions to legal reserve for future losses				—
Payment of interest on foundation funds				(102)
Net surplus for the fiscal year				35,427
Additions to reserve for redemption of foundation funds				—
Reversal of reserve for advanced depreciation of real estate for tax purpose				—
Reversal of revaluation reserve for land, net of tax				(83)
Net changes, excluding foundation funds, surplus and others	173,534	83	173,617	173,617
Total changes in the fiscal year	173,534	83	173,617	177,312
Balance at the end of the fiscal year	458,287	4,185	462,473	717,333

7. Non-consolidated Statements of Surplus

(Millions of yen)

	Year ended March 31, 2020	Year ended March 31, 2021
Unappropriated surplus	57,901	59,102
Reversal of voluntary surplus reserve	1	1
Reversal of reserve for advanced depreciation of real estate for tax purpose	1	1
Total	57,903	59,103
Appropriation of surplus	34,144	35,345
Reserve for dividends to policyholders	31,547	32,744
Net surplus	2,597	2,601
Legal reserve for future losses	95	99
Interest payment for foundation funds	102	102
Voluntary surplus reserve	2,400	2,400
Reserve for redemption of foundation funds	2,400	2,400
Unappropriated surplus carried forward	23,758	23,758

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

8. Disclosed Claims Based on Categories of Obligors

(Millions of yen)

	As of March 31, 2020	As of March 31, 2021
Claims against bankrupt and quasi-bankrupt obligors	173	159
Claims with collection risk	684	2,515
Claims for special attention	227	529
Subtotal [Percentage of total]	1,085 [0.12%]	3,204 [0.31%]
Claims against normal obligors	913,829	1,034,137
Total	914,914	1,037,341

- Notes: 1. Claims against bankrupt and quasi-bankrupt obligors are loans to borrowers who are subject to bankruptcy, corporate reorganization or rehabilitation or other similar proceedings and other borrowers in serious financial difficulties.
2. Claims with collection risk are loans to obligors (other than bankrupt and quasi-bankrupt obligors) with deteriorated financial condition and results of operations from which it is unlikely that the principal and interest on the loans will be recovered.
3. Claims for special attention are loans on which principal and/or interest are past due for three months or more and loans with a concessionary interest rate, as well as loans with renegotiated conditions in favor of the borrower, including renegotiated schedule and/or waivers, in each case, other than the loans described in note 1 or 2 above.
4. Claims against normal obligors are all other loans.

9. Risk-monitored Loans

(Millions of yen)

	As of March 31, 2020	As of March 31, 2021
Credits to bankrupt borrowers	153	147
Delinquent loans	698	2,522
Delinquent loans past three months or more	—	—
Restructured loans	227	529
Total [Percentage of total loans]	1,079 [0.19%]	3,199 [0.56%]

Notes: 1. For the credits of legally bankrupt borrowers and substantially bankrupt borrowers, the amounts remaining after deductions of collateral value or the amounts collectible through the execution of guarantees is written-off directly from the borrower's balance as the estimated uncollectible amounts. The amounts written-off related to credits to bankrupt borrowers were ¥0 million as of March 31, 2020 and ¥0 million as of March 31, 2021.

2. Credits to bankrupt borrowers represent loans which are subject to bankruptcy, corporate reorganization or rehabilitation or other similar, including but not limited to foreign, proceedings. Accruing interest of these loans is not recorded as income after determining that principal or interest on these loans is unlikely to be collected due to the significant delay in repayment of principal or interest payment or for some other reasons.

3. Delinquent loans are credits whose accruing interest is not recorded as income due to the same reasons as described in note 2 above, and exclude credits to bankrupt borrowers and loans for which interest payments have been suspended and rescheduled to assist and support the borrowers in the restructuring of their business.

4. Delinquent loans past three months or more are loans for which interest payment or repayment of principal are delinquent for three months or more from the due date under the terms of the related loan agreements, excluding those loans classified as credits to bankrupt borrowers and delinquent loans.

5. Restructured loans are loans for which certain concessions favorable to borrowers, such as interest reduction or exemptions, rescheduling of due date of principal or interest payment, waiver of claim or other terms, have been negotiated for the purpose of assisting and supporting the borrowers in the restructuring of their business. This category excludes loans classified as credits to bankrupt borrowers, delinquent loans and delinquent loans past three months or more.

10. Solvency Margin Ratio

(Millions of yen)

	As of March 31, 2020	As of March 31, 2021
Total solvency margin (A)	1,537,878	1,847,290
Foundation funds and surplus	217,313	219,495
Reserve for price fluctuation	122,745	172,797
Contingency reserve	215,014	229,872
General allowance for possible loan losses	1,538	1,911
(Net unrealized gains (losses) on securities (before tax) and deferred hedge gains (losses) (before tax)) × 90%	355,650	571,515
Net unrealized gains on real estate × 85%	145,920	141,522
Excess amount of policy reserve based on full-time Zillmer method	294,153	274,189
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	40,836
Total amount of risk $\sqrt{(R_1 + R_8)^2 + (R_2 + R_3 + R_7)^2} + R_4$ (B)	238,265	292,826
Insurance risk R_1	22,732	22,339
3rd sector insurance risk R_8	9,911	9,892
Assumed investment yield risk R_2	30,568	29,804
Minimum guarantee risk R_7	—	—
Investment risk R_3	200,132	254,865
Business risk R_4	5,266	6,338
Solvency margin ratio $\frac{(A)}{(1/2) \times (B)} \times 100$	1,290.8%	1,261.6%

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.

11. Status of Separate Account

(1) Separate Account Assets by Products

(Millions of yen)

	As of March 31, 2020	As of March 31, 2021
	Amount	Amount
Individual variable insurance	—	—
Individual variable annuities	22	27
Group annuities	84,635	104,952
Total	84,658	104,979

(2) Individual Variable Insurance (Separate Account)

The Company has not sold the individual variable insurance.

(3) Individual Variable Annuities (Separate Account)

(i) Policies in Force

(Millions of yen except number of policies)

	As of March 31, 2020		As of March 31, 2021	
	Number of policies	Amount	Number of policies	Amount
Individual variable annuities	8	20	8	20
Total	8	20	8	20

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

(Millions of yen)

	As of March 31, 2020		As of March 31, 2021	
	Amount	Percentage	Amount	Percentage
Cash, deposits, call loans	3	17.7%	4	16.3%
Securities	18	82.3	22	83.7
Domestic bonds	—	—	—	—
Domestic stocks	—	—	—	—
Foreign securities	—	—	—	—
Foreign bonds	—	—	—	—
Foreign stocks and other securities	—	—	—	—
Other securities	18	82.3	22	83.7
Loans	—	—	—	—
Others	—	—	—	—
Allowance for possible loan losses	—	—	—	—
Total	22	100.0	27	100.0

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

(Millions of yen)

	Year ended March 31, 2020	Year ended March 31, 2021
	Amount	Amount
Interest, dividends and other income	0	0
Gains on sales of securities	—	—
Gains on redemption of securities	—	—
Gains on valuation of securities	5	9
Foreign exchange gains, net	—	—
Gains on derivative instruments	—	—
Other investment income	—	—
Losses on sales of securities	—	—
Losses on redemption of securities	—	—
Losses on valuation of securities	5	5
Foreign exchange losses, net	—	—
Losses on derivative instruments	—	—
Other investment expenses	—	—
Net investment income	(0)	4

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

• Net Valuation Gains/Losses on Trading Securities

(Millions of yen)

	As of March 31, 2020		As of March 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
Trading securities	18	(0)	22	4

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

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

(Millions of yen)

	As of March 31, 2020		As of March 31, 2021	
	Carrying value on the balance sheet	Net valuation gains/losses included in the statement of operations	Carrying value on the balance sheet	Net valuation gains/losses included in the statement of operations
Trading securities	168,778	(15,692)	151,491	23,542

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

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

(Millions of yen)

	As of March 31, 2020					As of March 31, 2021				
	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	—	757,339	863,820	106,481	106,481	—
Domestic bonds	737,664	858,750	121,085	121,085	—	737,240	842,721	105,480	105,480	—
Foreign bonds	19,514	20,962	1,448	1,448	—	20,098	21,098	1,000	1,000	—
Monetary claims bought	—	—	—	—	—	—	—	—	—	—
Negotiable certificate of deposits	—	—	—	—	—	—	—	—	—	—
Others	—	—	—	—	—	—	—	—	—	—
Policy-reserve-matching bonds	892,940	1,035,765	142,825	144,107	1,281	873,677	989,433	115,755	120,379	4,623
Domestic bonds	892,940	1,035,765	142,825	144,107	1,281	873,677	989,433	115,755	120,379	4,623
Foreign bonds	—	—	—	—	—	—	—	—	—	—
Investments in subsidiaries and affiliates	—	—	—	—	—	—	—	—	—	—
Available-for-sale securities	3,056,561	3,450,284	393,722	477,836	84,113	3,462,146	4,095,801	633,654	656,049	22,394
Domestic bonds	955,552	1,038,974	83,421	83,947	525	1,106,729	1,168,558	61,829	67,376	5,547
Domestic stocks	333,313	543,104	209,791	232,868	23,077	347,152	717,432	370,279	377,140	6,860
Foreign securities	1,675,248	1,770,514	95,265	148,498	53,233	1,898,343	2,068,561	170,217	179,442	9,225
Foreign bonds	1,389,520	1,503,075	113,555	138,270	24,715	1,557,529	1,661,043	103,513	111,905	8,391
Foreign stocks and other securities	285,728	267,438	(18,289)	10,227	28,517	340,813	407,518	66,704	67,537	833
Other securities	92,446	97,690	5,244	12,521	7,277	109,921	141,249	31,327	32,089	761
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	5,093,163	5,949,055	855,891	882,909	27,017
Domestic bonds	2,586,157	2,933,490	347,333	349,140	1,807	2,717,647	3,000,714	283,066	293,236	10,170
Domestic stocks	333,313	543,104	209,791	232,868	23,077	347,152	717,432	370,279	377,140	6,860
Foreign securities	1,694,762	1,791,476	96,713	149,946	53,233	1,918,441	2,089,659	171,218	180,443	9,225
Foreign bonds	1,409,034	1,524,038	115,003	139,719	24,715	1,577,627	1,682,141	104,513	112,905	8,391
Foreign stocks and other securities	285,728	267,438	(18,289)	10,227	28,517	340,813	407,518	66,704	67,537	833
Other securities	92,446	97,690	5,244	12,521	7,277	109,921	141,249	31,327	32,089	761
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.

[Held-to-maturity Debt Securities]

(Millions of yen)

	As of March 31, 2020			As of March 31, 2021		
	Carrying value on the balance sheet	Fair value	Differences	Carrying value on the balance sheet	Fair value	Differences
Securities whose fair value exceeds the carrying value on the balance sheet	757,178	879,712	122,534	757,339	863,820	106,481
Domestic bonds	737,664	858,750	121,085	737,240	842,721	105,480
Foreign bonds	19,514	20,962	1,448	20,098	21,098	1,000
Monetary claims bought	—	—	—	—	—	—
Negotiable certificate of deposits	—	—	—	—	—	—
Others	—	—	—	—	—	—
Securities whose fair value does not exceed the carrying value on the balance sheet	—	—	—	—	—	—
Domestic bonds	—	—	—	—	—	—
Foreign bonds	—	—	—	—	—	—
Monetary claims bought	—	—	—	—	—	—
Negotiable certificate of deposits	—	—	—	—	—	—
Others	—	—	—	—	—	—

[Policy-reserve-matching Bonds]

(Millions of yen)

	As of March 31, 2020			As of March 31, 2021		
	Carrying value on the balance sheet	Fair value	Differences	Carrying value on the balance sheet	Fair value	Differences
Bonds whose fair value exceeds the carrying value on the balance sheet	855,085	999,192	144,107	768,085	888,464	120,379
Domestic bonds	855,085	999,192	144,107	768,085	888,464	120,379
Foreign bonds	—	—	—	—	—	—
Others	—	—	—	—	—	—
Bonds whose fair value does not exceed the carrying value on the balance sheet	37,854	36,572	(1,281)	105,591	100,968	(4,623)
Domestic bonds	37,854	36,572	(1,281)	105,591	100,968	(4,623)
Foreign bonds	—	—	—	—	—	—
Others	—	—	—	—	—	—

[Available-for-sale Securities]

(Millions of yen)

	As of March 31, 2020			As of March 31, 2021		
	Book value	Carrying value on the balance sheet	Differences	Book value	Carrying value on the balance sheet	Differences
Securities whose carrying value on the balance sheet exceeds the book value	2,271,365	2,749,202	477,836	2,940,450	3,596,499	656,049
Domestic bonds	916,214	1,000,161	83,947	886,068	953,445	67,376
Domestic stocks	220,830	453,699	232,868	306,727	683,867	377,140
Foreign securities	1,105,570	1,254,068	148,498	1,662,254	1,841,697	179,442
Foreign bonds	1,039,135	1,177,405	138,270	1,334,993	1,446,899	111,905
Foreign stocks	66,434	76,662	10,227	327,260	394,798	67,537
Other securities	28,750	41,272	12,521	85,399	117,488	32,089
Money held in trust	—	—	—	—	—	—
Monetary claims bought	—	—	—	—	—	—
Negotiable certificate of deposits	—	—	—	—	—	—
Others	—	—	—	—	—	—
Securities whose carrying value on the balance sheet does not exceed the book value	785,195	701,081	(84,113)	521,696	499,301	(22,394)
Domestic bonds	39,338	38,812	(525)	220,660	215,113	(5,547)
Domestic stocks	112,483	89,405	(23,077)	40,424	33,564	(6,860)
Foreign securities	569,678	516,445	(53,233)	236,088	226,863	(9,225)
Foreign bonds	350,385	325,669	(24,715)	222,535	214,143	(8,391)
Foreign stocks	219,293	190,775	(28,517)	13,553	12,719	(833)
Other securities	63,695	56,417	(7,277)	24,522	23,760	(761)
Money held in trust	—	—	—	—	—	—
Monetary claims bought	—	—	—	—	—	—
Negotiable certificate of deposits	—	—	—	—	—	—
Others	—	—	—	—	—	—

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

(Millions of yen)

	As of March 31, 2020	As of March 31, 2021
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	34,607
Unlisted domestic stocks (except over-the-counter stocks)	5,684	6,224
Unlisted foreign stocks (except over-the-counter stocks)	—	—
Unlisted foreign bonds	—	—
Others	26,725	28,382
Total	97,197	99,394

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

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

(i) Gains and Losses on Derivatives

(Millions of yen)

As of March 31, 2020	Interest- related	Currency- related	Stock- related	Bond- related	Others	Total
Hedge accounting applied	—	10,206	—	—	—	10,206
Hedge accounting not applied	(240)	2,988	841	—	—	3,589
Total	(240)	13,194	841	—	—	13,795
As of March 31, 2021	Interest- related	Currency- related	Stock- related	Bond- related	Others	Total
Hedge accounting applied	—	(37,644)	—	—	—	(37,644)
Hedge accounting not applied	(280)	(2,956)	(157)	—	—	(3,394)
Total	(280)	(40,600)	(157)	—	—	(41,039)

Note: Gains and losses from applying fair value hedge accounting (currency-related gains of ¥10,206 million as of March 31, 2020, and currency-related losses of ¥37,644 million as of March 31, 2021) included in gains and losses with hedge accounting applied, and gains and losses with hedge accounting not applied are reported in the statements of operations.

(ii) Hedge Accounting not Applied

[Interest-related Transactions]

(Millions of yen)

	As of March 31, 2020				As of March 31, 2021			
	Notional amount/ contract value	Fair value	Gains (Losses)		Notional amount/ contract value	Fair value	Gains (Losses)	
		Over 1 year				Over 1 year		
Over-the-counter transactions								
Yen interest rate swaption contracts								
Sold								
Receipt fixed, payment floating	—	—			—	—		
[—]			—	—	[—]		—	—
Payment fixed, receipt floating	—	—			—	—		
[—]			—	—	[—]		—	—
Bought								
Receipt fixed, payment floating	—	—			—	—		
[—]			—	—	[—]		—	—
Payment fixed, receipt floating	460,000	460,000			460,000	120,000		
[292]			52	(240)	[292]		12	(280)
Total				(240)				(280)

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

[Currency-related Transactions]

(Millions of yen)

	As of March 31, 2020				As of March 31, 2021			
	Notional amount/ contract value	Fair value	Gains (Losses)		Notional amount/ contract value	Fair value	Gains (Losses)	
Over-the-counter transactions	Over 1 year				Over 1 year			
Currency forward contracts								
Sold								
U.S. dollar	108,353	—	104,832	3,521	68,787	—	71,362	(2,575)
Canadian dollar	39,465	—	39,663	(197)	38,778	—	40,228	(1,450)
British pound	22,746	—	21,396	1,349	13,975	—	14,913	(938)
Australian dollar	24,224	—	23,335	888	9,115	—	9,130	(15)
Euro	12,956	—	11,536	1,419	5,440	—	5,530	(90)
Other	8,882	—	8,821	61	1,477	—	1,558	(81)
	78	—	78	(0)	—	—	—	—
Bought								
Euro	233	—	232	(1)	—	—	—	—
U.S. dollar	153	—	152	(1)	—	—	—	—
	79	—	79	(0)	—	—	—	—
Currency options								
Sold								
Call	371,074	—			136,012	—		
U.S. dollar	[448]	—	1,197	(749)	[88]	—	303	(215)
Canadian dollar	345,340	—			136,012	—		
Australian dollar	[440]	—	1,197	(756)	[88]	—	303	(215)
	17,669	—			—	—		
	[4]	—	0	4	[—]	—	—	—
	8,065	—			—	—		
	[2]	—	0	2	[—]	—	—	—
Put	—	—			—	—		
	[—]	—	—	—	[—]	—	—	—
Bought								
Call	—	—			—	—		
	[—]	—	—	—	[—]	—	—	—
Put	288,760	—			203,072	—		
U.S. dollar	[449]	—	667	217	[172]	—	6	(165)
Canadian dollar	269,648	—			199,347	—		
Australian dollar	[442]	—	617	175	[168]	—	6	(162)
	13,000	—			3,725	—		
	[4]	—	12	7	[3]	—	0	(3)
	6,112	—			—	—		
	[2]	—	37	34	[—]	—	—	—
Total				2,988				(2,956)

Notes: 1. Forward exchange rates are used for exchange rates as of March 31, 2021.

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

[Stock-related Transactions]

(Millions of yen)

	As of March 31, 2020				As of March 31, 2021			
	Notional amount/ contract value	Fair value	Gains (Losses)		Notional amount/ contract value	Fair value	Gains (Losses)	
Exchange-traded transactions	Over 1 year				Over 1 year			
Stock index options								
Sold								
Call	48,350	—			10,400	—		
	[119]	—	7	112	[24]	—	17	7
Put	—	—			—	—		
	[—]	—	—	—	[—]	—	—	—
Bought								
Call	—	—			—	—		
	[—]	—	—	—	[—]	—	—	—
Put	30,200	—			45,000	—		
	[91]	—	820	729	[180]	—	15	(164)
Total				841				(157)

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

[Bond-related Transactions]

No ending balance as of March 31, 2020 and March 31, 2021.

(iii) Hedge Accounting Applied

[Interest-related Transactions]

No ending balance as of March 31, 2020 and March 31, 2021.

[Currency-related Transactions]

(Millions of yen)

Method of hedge accounting	Hedging instruments	As of March 31, 2020				As of March 31, 2021			
		Hedged items	Notional amount/ contract value		Fair value	Hedged items	Notional amount/ contract value		Fair value
				Over 1 year				Over 1 year	
Fair value hedge method	Currency forward contracts	Foreign currency- denominated bonds				Foreign currency- denominated bonds			
	Sold		819,040	—	808,834		932,239	—	969,884
	U.S. dollar		504,167	—	507,270		582,845	—	612,273
	Australian dollar		109,919	—	99,610		150,384	—	153,557
	Euro		109,789	—	110,124		105,106	—	107,145
	Canadian dollar		45,629	—	42,775		50,925	—	53,514
	Swedish krona		29,466	—	29,096		34,379	—	34,262
	British pound		20,069	—	19,956		8,598	—	9,131
	Bought		—	—	—		—	—	—
Total									

Notes: 1. Forward exchange rates are used for exchange rates as of March 31, 2021.

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

[Stock-related Transactions]

No ending balance as of March 31, 2020 and March 31, 2021.

[Bond-related Transactions]

No ending balance as of March 31, 2020 and March 31, 2021.

12. Status of the Company, Subsidiaries and Affiliates

(1) Selected Financial Data

(100 million of yen)

	Year ended March 31, 2020	Year ended March 31, 2021
Ordinary revenues	8,644	9,241
Ordinary profits	500	900
Net surplus attributable to the parent company	343	361
Comprehensive income	(275)	2,129

	As of March 31, 2020	As of March 31, 2021
Total assets	85,744	88,034
Solvency margin ratio	1,331.7%	1,303.9%

(2) Scope of Consolidation and Application of Equity Method

Number of consolidated subsidiaries: 6

Number of unconsolidated subsidiaries accounted for under the equity method: 0

Number of affiliates accounted for under the equity method: 0

(3) Consolidated Balance Sheets

(Millions of yen)

	As of March 31, 2020	As of March 31, 2021		As of March 31, 2020	As of March 31, 2021
Assets:			Liabilities:		
Cash and deposits	415,816	325,854	Policy reserves:	7,515,143	7,418,526
Call loans	230,000	136,000	Reserve for outstanding claims	23,620	23,713
Monetary claims bought	269	239	Policy reserve	7,430,271	7,331,271
Money held in trust	24,156	25,277	Reserve for dividends to policyholders	60,922	63,232
Securities	6,977,554	7,417,165	Reserve for dividends to policyholders (subsidiary)	328	308
Loans	569,127	571,420	Agency payables	114	112
Tangible fixed assets:	219,883	244,823	Reinsurance payables	103	103
Land	125,118	146,816	Subordinated bonds	191,935	241,935
Buildings	87,480	92,773	Other liabilities	132,340	156,292
Lease assets	933	618	Net defined benefit liabilities	34,614	28,762
Construction in progress	2,866	93	Reserve for price fluctuation	133,162	183,520
Other tangible fixed assets	3,484	4,521	Deferred tax liabilities	0	25,857
Intangible fixed assets:	33,359	30,355	Deferred tax liabilities for land revaluation	14,213	14,184
Software	19,889	19,877	Total liabilities	8,021,628	8,069,294
Lease assets	8,666	6,015	Net assets:		
Other intangible fixed assets	4,803	4,462	Foundation funds	12,000	12,000
Agency receivables	0	0	Accumulated foundation funds redeemed	116,000	116,000
Reinsurance receivables	124	170	Reserve for revaluation	112	112
Other assets	74,059	55,447	Consolidated surplus	127,315	131,699
Net defined benefit assets	255	339	Total foundation funds, surplus and others	255,427	259,811
Deferred tax assets	31,885	732	Net unrealized gains (losses) on available- for-sale securities, net of tax	292,980	465,855
Allowance for possible loan losses	(2,024)	(4,386)	Revaluation reserve for land, net of tax	4,102	4,185
			Foreign currency translation adjustment	(480)	(571)
			Accumulated remeasurements of defined benefit plans	(7,714)	(3,703)
			Total accumulated other comprehensive income	288,888	465,765
			Non-controlling interests	8,523	8,568
			Total net assets	552,839	734,145
Total assets	8,574,467	8,803,440	Total liabilities and net assets	8,574,467	8,803,440

(4) Consolidated Statements of Operations and Comprehensive Income

[Consolidated Statements of Operations]

(Millions of yen)

	Year ended March 31, 2020	Year ended March 31, 2021
Ordinary revenues:		
Premium and other income	629,956	584,794
Investment income	219,379	229,442
Interest, dividends and other income	175,964	175,540
Gains on money held in trust, net	314	1,127
Gains on trading securities, net	—	6,523
Gains on sales of securities	37,162	26,764
Gains on derivative instruments, net	5,577	—
Reversal of allowance for possible loan losses	70	—
Other investment income	289	170
Gains on separate accounts, net	—	19,315
Other ordinary revenues	15,067	109,905
Total ordinary revenues	864,402	924,142
Ordinary expenses:		
Claims and other payments	592,144	657,932
Claims	100,635	85,657
Annuities	260,181	352,581
Benefits	123,451	116,736
Surrenders	81,760	76,283
Other payments	26,116	26,673
Provision of policy reserve and others:	36,650	106
Provision of reserve for outstanding claims	—	92
Provision of policy reserves	36,637	—
Provision of interest portion of reserve for dividends to policyholders	13	13
Provision of interest portion of reserve for dividends to policyholders (subsidiary)	0	0
Investment expenses	57,587	48,142
Interest expenses	3,885	4,113
Losses on trading securities, net	4,979	—
Losses on sales of securities	1,935	11,809
Losses on valuation of securities	13,342	404
Losses on derivative instruments, net	—	12,967
Foreign exchange losses, net	17,547	4,604
Provision of allowance for possible loan losses	—	2,369
Write-offs of loans	262	—
Depreciation of real estate for rent and other assets	4,288	4,427
Other investment expenses	7,389	7,444
Losses on separate accounts, net	3,955	—
Operating expenses	100,850	99,997
Other ordinary expenses	27,141	27,923
Total ordinary expenses	814,374	834,101
Ordinary profits	50,028	90,040
Extraordinary gains:		
Gains on disposal of fixed assets	5	133
Total extraordinary gains	5	133
Extraordinary losses:		
Losses on disposal of fixed assets	183	801
Impairment losses	38	198
Provision of reserve for price fluctuation	11,804	50,357
Others	—	1,059
Total extraordinary losses	12,026	52,417
Provision of reserve for dividends to policyholders (subsidiary)	172	168
Surplus before income taxes	37,834	37,588
Income taxes:		
Current	14,183	11,950
Deferred	(10,666)	(10,603)
Total income taxes	3,516	1,346
Net surplus	34,317	36,241
Net surplus (loss) attributable to non-controlling interests	(70)	125
Net surplus attributable to the parent company	34,388	36,116

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

[Consolidated Statements of Comprehensive Income]

(Millions of yen)

	Year ended March 31, 2020	Year ended March 31, 2021
Net surplus	34,317	36,241
Other comprehensive income:	(61,825)	176,717
Net unrealized gains (losses) on available-for-sale securities, net of tax	(59,644)	172,797
Foreign currency translation adjustments	16	(91)
Remeasurements of defined benefit plan, net of tax	(2,197)	4,011
Comprehensive income:	(27,507)	212,959
Comprehensive income attributable to the parent company	(27,264)	212,910
Comprehensive income attributable to non-controlling interests	(242)	48

(5) Consolidated Statements of Cash Flows

(Millions of yen)

	Year ended March 31, 2020	Year ended March 31, 2021
Cash flows from operating activities:		
Surplus before income taxes	37,834	37,588
Depreciation of real estate for rent and other assets	4,288	4,427
Depreciation	12,559	13,542
Impairment losses	38	198
Increase (decrease) in reserve for outstanding claims	(963)	92
Increase (decrease) in policy reserve	36,637	(98,999)
Provision of interest portion of reserve for dividends to policyholders	13	13
Provision of interest portion of reserve for dividends to policyholders (subsidiary)	0	0
Provision of reserve for dividends to policyholders (subsidiary)	172	168
Increase (decrease) in allowance for possible loan losses	(72)	2,362
Increase (decrease) in net defined benefit liabilities	(985)	(365)
Increase (decrease) in reserve for price fluctuation	11,804	50,357
Interest, dividends and other income	(175,964)	(175,540)
Losses (gains) on securities, net	(18,840)	(28,549)
Interest expenses	3,885	4,113
Foreign exchange losses (gains), net	17,547	4,604
Losses (gains) on tangible fixed assets, net	144	590
Decrease (increase) in agency receivable	1	(0)
Decrease (increase) in reinsurance receivable	49	(45)
Decrease (increase) in other assets except from investing and financing activities	(181)	(540)
Increase (decrease) in agency payable	(3)	(2)
Increase (decrease) in reinsurance payable	14	0
Increase (decrease) in other liabilities except from investing and financing activities	(50)	82
Others	18,415	17,629
Subtotal	(53,655)	(168,270)
Interest, dividends and other income received	181,158	178,058
Interest expenses paid	(3,861)	(3,933)
Dividends to policyholders paid	(31,938)	(29,252)
Dividends to policyholders paid (subsidiary)	(309)	(188)
Corporate income tax (paid) refunded	(12,443)	(14,932)
Net cash provided by (used in) operating activities [a]	78,950	(38,518)
Cash flows from investing activities:		
Net decrease (increase) in deposits	(401)	(4,753)
Proceeds from sales and redemption of monetary claims bought	29	29
Increase in money held in trust	(1,000)	(1,500)
Decrease in money held in trust	1,000	1,500
Payments for purchase of securities	(547,377)	(839,487)
Proceeds from sales and redemption of securities	741,782	742,811
Payments for additions to loans	(92,007)	(96,899)
Proceeds from collections of loans	78,936	87,839
Proceeds from and payments for settlements of derivatives, net	14,231	(31,354)
Increase (decrease) in cash received as collateral under securities lending transactions	67,866	(6,047)
Others	(6,860)	(7,463)
Subtotal [b]	256,199	(155,325)
[a + b]	335,150	(193,844)
Payments for purchase of tangible fixed assets	(9,644)	(33,165)
Proceeds from sales of tangible fixed assets	148	387
Payments for purchase of intangible fixed assets	(7,423)	(8,218)
Net cash provided by (used in) investing activities	239,280	(196,321)
Cash flows from financing activities:		
Proceeds from issuance of subordinated bonds	—	50,000
Financing of additional foundation funds	12,000	—
Redemption of foundation funds	(10,000)	—
Payment of interest on foundation funds	(100)	(102)
Dividends paid to non-controlling interests	(9)	(3)
Payments for lease obligations	(3,223)	(3,533)
Net cash provided by (used in) financing activities	(1,333)	46,361
Effect of exchange rate changes on cash and cash equivalents	(514)	(205)
Net increase (decrease) in cash and cash equivalents	316,383	(188,684)
Cash and cash equivalents at the beginning of the fiscal year	328,124	644,507
Cash and cash equivalents at the end of the fiscal year	644,507	455,823

(6) Consolidated Statements of Changes in Net Assets

[For the year ended March 31, 2020]

(Millions of yen)

	Foundation funds, surplus and others				
	Foundation funds	Accumulated foundation funds redeemed	Reserve for revaluation	Consolidated surplus	Total foundation funds, surplus and others
Balance at the beginning of the fiscal year	10,000	106,000	112	137,669	253,781
Changes in the fiscal year					
Financing of additional foundation funds	12,000				12,000
Additions to reserve for dividends to policyholders				(34,671)	(34,671)
Additions to accumulated foundation funds redeemed		10,000			10,000
Payment of interest on foundation funds				(100)	(100)
Net surplus attributable to the parent company for the fiscal year				34,388	34,388
Redemption of foundation funds	(10,000)				(10,000)
Reversal of reserve for redemption of foundation funds				(10,000)	(10,000)
Reversal of revaluation reserve for land, net of tax				29	29
Net changes, excluding foundation funds, surplus and others					
Total changes in the fiscal year	2,000	10,000	—	(10,353)	1,646
Balance at the end of the fiscal year	12,000	116,000	112	127,315	255,427

	Accumulated other comprehensive income					Non-controlling interests	Total net assets
	Net unrealized gains (losses) on available-for-sale securities, net of tax	Revaluation reserve for land, net of tax	Foreign currency translation adjustments	Accumulated remeasurements of defined benefit plans	Total accumulated other comprehensive income		
Balance at the beginning of the fiscal year	352,453	4,132	(496)	(5,517)	350,571	8,774	613,127
Changes in the fiscal year							
Financing of additional foundation funds							12,000
Additions to reserve for dividends to policyholders							(34,671)
Additions to accumulated foundation funds redeemed							10,000
Payment of interest on foundation funds							(100)
Net surplus attributable to the parent company for the fiscal year							34,388
Redemption of foundation funds							(10,000)
Reversal of reserve for redemption of foundation funds							(10,000)
Reversal of revaluation reserve for land, net of tax							29
Net changes, excluding foundation funds, surplus and others	(59,472)	(29)	16	(2,197)	(61,683)	(251)	(61,934)
Total changes in the fiscal year	(59,472)	(29)	16	(2,197)	(61,683)	(251)	(60,288)
Balance at the end of the fiscal year	292,980	4,102	(480)	(7,714)	288,888	8,523	552,839

[For the year ended March 31, 2021]

(Millions of yen)

	Foundation funds, surplus and others				
	Foundation funds	Accumulated foundation funds redeemed	Reserve for revaluation	Consolidated surplus	Total foundation funds, surplus and others
Balance at the beginning of the fiscal year	12,000	116,000	112	127,315	255,427
Changes in the fiscal year					
Additions to reserve for dividends to policyholders				(31,547)	(31,547)
Payment of interest on foundation funds				(102)	(102)
Net surplus attributable to the parent company for the fiscal year				36,116	36,116
Reversal of revaluation reserve for land, net of tax				(83)	(83)
Net changes, excluding foundation funds, surplus and others					
Total changes in the fiscal year	—	—	—	4,383	4,383
Balance at the end of the fiscal year	12,000	116,000	112	131,699	259,811

	Accumulated other comprehensive income					Non-controlling interests	Total net assets
	Net unrealized gains (losses) on available-for-sale securities, net of tax	Revaluation reserve for land, net of tax	Foreign currency translation adjustments	Accumulated remeasurements of defined benefit plans	Total accumulated other comprehensive income		
Balance at the beginning of the fiscal year	292,980	4,102	(480)	(7,714)	288,888	8,523	552,839
Changes in the fiscal year							
Additions to reserve for dividends to policyholders							(31,547)
Payment of interest on foundation funds							(102)
Net surplus attributable to the parent company for the fiscal year							36,116
Reversal of revaluation reserve for land, net of tax							(83)
Net changes, excluding foundation funds, surplus and others	172,874	83	(91)	4,011	176,877	45	176,923
Total changes in the fiscal year	172,874	83	(91)	4,011	176,877	45	181,306
Balance at the end of the fiscal year	465,855	4,185	(571)	(3,703)	465,765	8,568	734,145

Notes to the Consolidated Financial Statements

I. Presentation of the Consolidated Financial Statements

1. Basis of Presentation

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

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

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

2. Principles of Consolidation

(1) Scope of Consolidation

Consolidated subsidiaries as of March 31, 2021 are listed below:

Fukoku Capital Management, Inc.

Fukokushinrai Life Insurance Co., Ltd.

Fukoku Information Systems Co., Ltd.

Fukoku Life International (U.K.) Ltd.

Fukoku Life International (America) Inc.

Fukoku Life Investments Singapore Pte. Ltd.

Major unconsolidated subsidiary is Fukoku Business Service Company Limited.

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

(2) Application of Equity Method

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

There are no affiliates for the year ended March 31, 2021.

(3) Fiscal Year of Consolidated Subsidiaries

Among the subsidiaries to be consolidated, fiscal year-end of overseas subsidiaries are December 31. For the preparation of consolidated financial statements, financial statements as of that date are used and concerning any important transaction taking place in between December 31 and the consolidated closing date, necessary adjustments for consolidation are made.

II. Notes to the Consolidated Balance Sheets

1. (1) The valuation of securities, including cash and deposits and monetary claims bought which are equivalent to securities, and securities managed as trust assets in money held in trust, is as follows:
 - i) Trading securities are stated at fair market value. Costs of their sales are determined by the moving average method.
 - ii) Held-to-maturity debt securities are stated at amortized cost under the straight-line method, cost being determined by the moving average method.
 - iii) Policy-reserve-matching bonds are stated at amortized cost under the straight-line method, cost being determined by the moving average method in accordance with “Temporary Treatment of Accounting and Auditing Concerning Policy-reserve-matching Bonds in the Insurance Industry” (Industry Audit Committee Report No.21 issued by the Japanese Institute of Certified Public Accountants on November 16, 2000).
 - iv) Investments in unconsolidated subsidiaries and affiliates which are not accounted for under the equity method are stated at cost, cost being determined by the moving average method.
 - v) Available-for-sale securities with fair market value are stated at fair market value based on the market prices at the end of the fiscal year. Costs of their sales are determined by the moving average method. Net unrealized gains or losses on these available-for-sale securities, net of taxes, are recorded as a separate component of net assets.

Available-for-sale securities whose market value are deemed extremely difficult to obtain are stated at cost, cost being determined by the moving average method, except for public and corporate bonds including foreign bonds, of which the difference between acquisition cost and face value is considered to be an adjustment of interest. Such bonds are stated at amortized cost under the straight-line method, cost being determined by the moving average method.
- (2) Derivative instruments are stated at fair market value.
- (3) The Company revalued the land used in the operations based on the Act for Revaluation of Land (Act No.34 promulgated on March 31, 1998). The difference between fair value and book value resulting from the revaluation, net of related taxes, is recorded as revaluation reserve for land as a separate component of net assets and the related tax is recorded as deferred tax liabilities for land revaluation.
 - Date of revaluation: March 31, 2002
 - Method of revaluation as prescribed for in Article 3 Paragraph 3 of the said Act:

Calculation is based on the appraisal value for property tax set forth in Article 2 item 3 of the Enforcement Ordinance of the Act for Revaluation of Land (Government Ordinance No.119 promulgated on March 31, 1998) and the road rate set forth in Article 2 item 4 of the said Ordinance with certain reasonable adjustments.
- (4) Depreciation of the Company’s tangible fixed assets is calculated by the following methods.
 - Tangible fixed assets (excluding lease assets): Declining-balance method

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

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

- (5) Assets and liabilities denominated in foreign currencies, except for investments in unconsolidated subsidiaries and affiliates, are translated into Japanese yen at the effective exchange rate prevailing at the balance sheet date. Investments in unconsolidated subsidiaries and affiliates are translated into Japanese yen at the exchange rate on the date of acquisition.
- (6) Allowance for possible loan losses for the Company is provided in accordance with the standards of self-assessment and write-offs and reserves on credit quality:
- i) For the credits of borrowers who are legally bankrupt such as being in the proceedings of bankruptcy or civil rehabilitation (hereinafter called “legally bankrupt borrowers”) and who are substantially bankrupt (hereinafter called “substantially bankrupt borrowers”), the Company provides the remaining amounts of credits after the direct write-off described below and the deductions of the amount expected to be collected through the disposal of collateral or the execution of guarantees.
 - ii) For the credits of borrowers who are not currently bankrupt but have a high possibility of bankruptcy (hereinafter called “not currently bankrupt borrowers”), the Company provides the amounts deemed as necessary considering the borrowers’ ability to pay, within the amounts after deductions of the amounts expected to be collected through the disposal of collateral or the execution of guarantees.
 - iii) For the credits of borrowers other than the above, the Company provides the amounts calculated by multiplying the borrowers’ balance by the actual ratio of bad debt losses on defaults during a certain past period.

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

For the credits of legally bankrupt borrowers and substantially bankrupt borrowers, the amounts remaining after deductions of collateral value or the amounts collectible through the execution of guarantees are written-off directly from the borrowers’ balances as the estimated uncollectible amounts. The amount written-off as of March 31, 2021 was ¥0 million.

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

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

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

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

- (9) Hedge accounting is based on "Accounting Standards for Financial Instruments" (ASBJ Statement No. 10, March 10, 2008). The Company applies a fair value hedge accounting as a hedge against the risk of foreign exchange fluctuation in relation to bonds and others denominated in foreign currencies, and a designated hedge accounting (“Furiate shori”) for foreign currency swaps as a hedge against the risk of foreign exchange fluctuation in relation to bonds denominated in foreign currencies issued by the Company.

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

- (10) The Company accounts for consumption taxes by the tax-exclusion method. The consumption taxes on certain assets, which are not deductible from consumption taxes withheld and that are stipulated to be deferred under the Tax Act, are deferred as prepaid expenses and amortized equally over five years. Consumption taxes other than deferred consumption taxes are recognized as an expense when incurred.
- (11) Initial premium incomes are recorded by the relevant amounts received when the premium incomes have been received and the responsibilities on the insurance contract have been commenced, in principal.
Subsequent premium incomes are also recorded as the amount of payments that have been received.
Of premium incomes that have been received, the portion corresponding to the period that has yet to pass as of the end of the fiscal year is accumulated as policy reserve in accordance with Article 116 of the Insurance Business Act and Article 69 Paragraph 1 Item 2 of the Enforcement Regulation of the Insurance Business Act.
Premium incomes associated with the acceptance of group annuities are recorded as amounts equivalent to the policy reserve received when accepting the transfers of these group annuities.
- (12) Claims and other payments (excluding reinsurance premiums) are recorded by the relevant amounts paid when the cause for payment under the policy conditions is occurred and the calculated amounts are paid based on the policy conditions.
In accordance with Article 117 of the Insurance Business Act and Article 72 of the Enforcement Regulation of the Insurance Business Act, reserve for outstanding claims are accumulated as for claims for which the Company has a payment due but has not paid, or for which the occurrence of cause for payment has not been reported but the Company recognizes that insured payment has already occurred as of the end of the fiscal year.
Claims and other payments associated with the outgoing transfer of group annuities are recorded as amounts equivalent to the policy reserve transferred when recognizing the transfers of these group annuities.
- (13) Policy reserve of the Company is accumulated in accordance with the methods stated in the statement of calculation procedures for Insurance Premiums and Policy Reserves (Article 4 Paragraph 2 Item 4 of the Insurance Business Act) pursuant to Article 116 Paragraph 1 of the Insurance Business Act to prepare for the future performance of obligations under the insurance contracts for which the insurer's responsibilities have started as of the end of the fiscal year.
Premium reserves, one of the components of policy reserve, are calculated by the following method.
- i) In regard to the policies subject to the standard policy reserve, the method as prescribed by the Commissioner of Financial Services Agency (Ministry of Finance Ordinance No.48, 1996) is applied.
 - ii) In regard to the policies not subject to the standard policy reserve, the net level premium method is applied.
- Appointed actuaries, for each fiscal year, verify whether a portion of the policy reserve is reasonably accumulated in accordance with Article 121 Paragraph 1 of the Insurance Business Act and Article 80 of the Enforcement Regulation of the Insurance Business Act.
Contingency reserves, one of the components of policy reserve, are accumulated pursuant to Article 116 of the Insurance Business Act and Article 69 Paragraph 1 Item 3 of the Enforcement Regulation of the Insurance Business Act to cover risks that may accrue in the future in order to ensure performing future obligations under the insurance contracts.
The balance of policy reserve as of the end of the fiscal year calculated indicated above includes policy reserve that was additionally accumulated as follows in accordance with Article 69 Paragraph 5 of the Enforcement Regulation of the Insurance Business Act.
Among individual annuity insurance policies with an assumed interest rate of 5.00% or higher, for policies that have begun paying annuities (excluding wife's annuity insurance additional rider), the Company reduced the assumed interest rate to 1.00% and funded additional policy reserves. As of March 31, 2021, the balance of these policy reserves was ¥73,354 million.

The Company also funded additional policy reserves for certain individual annuity insurance policies, whole life insurance policies that include distribution of surplus every five years and new cancer riders. As of March 31, 2021, the balance of these policy reserves was ¥1,654 million.

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

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

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

2. Primary accounting standards that have been issued by the end of the consolidated fiscal year ended March 31, 2021 but have not been applied are as follows.

Methods of calculating the fair value will be revised in response to the announcements of accounting standards such as “Accounting Standard for Fair Value Measurement” (ASBJ Statement No. 30, July 4, 2019), “Accounting Standard for Financial Instruments” (ASBJ Statement No. 10, July 4, 2019) and “Implementation Guidance on Accounting Standard for Fair Value Measurement” (ASBJ Guidance No. 31, July 4, 2019).

These accounting standards and this guidance must be applied at the beginning of the fiscal year starting on April 1, 2021 and the Company plans to apply these accounting standards and this guidance at the beginning of the fiscal year ending March 31, 2022.

The Company is currently in the process of evaluating the effects of applying these accounting standards and this guidance for the consolidated fiscal year ending March 31, 2022.

3. Asset management of the general accounts other than the separate accounts stipulated in Article 118 Paragraph 1 of the Insurance Business Act is conducted on the principle of prudent and profitable investments by the Company, considering public and social responsibilities of the insurance business. Based on this policy, the Company allocates the fund, securing its liquidity, from the medium-to-long term viewpoints. The Company is diversifying investments in assets such as foreign securities, stocks and real estates within the acceptable range of risk in order to enhance the profitability, although yen-denominated interest bearing assets including debt securities such as Japanese government bonds and loans are the cores of the portfolios under the asset liability management. Derivatives are mainly used to hedge the market risk regarding spot-priced assets and liabilities.

Major financial instruments including securities, loans and derivatives are exposed to market risk and credit risk.

The Company manages its asset management risk by establishing internal control systems including various rules pursuant to the “Three Basic Rules related to Enterprise Risk Management” established by the Board of Directors.

Specifically, the Company eliminates excessive risk deviating from the basic principle and secures the safety of the assets by utilizing control functions of the Financial and Investment Risk Management Department towards the asset management sections, monitoring the status of market risk and credit risk periodically on a daily or monthly basis. In addition, the Company quantifies the market risk and credit risk using value-at-risk (VaR) method in order to control the possible maximum losses which may arise from the holding assets within a certain range of risk buffers.

The carrying amounts, fair values and their related differences of major financial assets and liabilities in the general account as of March 31, 2021 were as follows:

	(Millions of yen)		
	Carrying amount	Fair value	Difference
Cash and deposits:			
Cash and deposits not treated as securities.....	¥ 321,613	¥ 321,613	¥ —
Total cash and deposits.....	321,613	321,613	—
Call loans.....	136,000	136,000	—
Monetary claims bought:			
Claims treated as loans.....	239	254	14
Total monetary claims bought.....	239	254	14
Money held in trust:			
Trading securities.....	24,277	24,277	—
Total money held in trust.....	24,277	24,277	—
Securities:			
Trading securities.....	29,426	29,426	—
Held-to-maturity debt securities.....	1,277,057	1,470,397	193,340
Policy-reserve-matching bonds.....	1,591,559	1,756,290	164,730
Available-for-sale securities.....	4,384,960	4,384,960	—
Total securities.....	7,283,003	7,641,074	358,071
Loans:			
Policy loans.....	54,126	54,126	(0)
Ordinary loans.....	517,293	537,281	19,987
Total loans.....	571,420	591,407	19,987
Assets total.....	8,336,553	8,714,627	378,073
Subordinated bonds ¹	241,935	246,577	4,642
Liabilities total.....	241,935	246,577	4,642
Derivative instruments ² :			
Hedge accounting not applied.....	(3,394)	(3,394)	—
Hedge accounting applied.....	(37,644)	(37,644)	—
Total derivative instruments.....	¥ (41,039)	¥ (41,039)	¥ —

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

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

(1) Cash, deposits (excluding financial instruments treated as securities based on “Accounting Standards for Financial Instruments” (ASBJ Statement No.10, March 10, 2008)) and call loans:

The fair values of cash, deposits and call loans are based on their book values since fair values approximate book values due to their short maturities.

(2) Securities including deposits and monetary claims bought which are treated as securities based on “Accounting Standards for Financial Instruments” (ASBJ Statement No.10, March 10, 2008) and securities managed as trust assets in money held in trust:

The fair values of marketable securities are measured at the quoted market prices at the balance sheet date. The fair values of other securities without the quoted market prices are based on the prices reasonably calculated such as the prices offered by the information vendors or counterparty financial institutions.

Investments in unconsolidated subsidiaries and affiliates, unlisted stocks and investments in partnerships whereby partnership assets consist of unlisted stocks whose fair values are deemed extremely difficult to obtain, are excluded from above securities. The carrying amounts of investments in unconsolidated subsidiaries and affiliates, unlisted stocks and investments in partnerships were ¥404 million, ¥6,224 million, and ¥29,744 million as of March 31, 2021, respectively.

(3) Loans and monetary claims bought treated as loans:

The fair values of policy loans are deemed to approximate book values, considering estimated repayment period and interest rate conditions since their repayment deadlines have not been set up due to the characteristics that the loans are limited to the amount of cash surrender values. Therefore, the book values are used as the fair values of policy loans. The fair values of floating interest rate loans among the ordinary loans and monetary claims bought treated as loans approximate the book values because the market interest rates are reflected in future cash flows in a short period. Therefore, the fair values of floating interest rate loans and monetary claims bought treated as loans are based on their book values. The fair values of fixed interest rate loans are measured by discounting the future cash flows to the present values.

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

(4) Subordinated bonds:

Subordinated bonds issued by the Company are stated at fair market values.

(5) Derivative instruments:

- i) The fair values of the futures and options traded at the exchange are measured at the settlement price of the exchange.
- ii) The fair values of forward contracts, options and swaps traded over the counter are based on the quoted prices offered by counterparty financial institutions.
- iii) The fair values of foreign currency forward contracts are determined based on the spot exchange rate and forward contract rate.

4. The Company holds investment and rental properties such as office buildings in Tokyo and other areas. The carrying amounts and the fair values of investment and rental properties were ¥192,277 million and ¥323,000 million as of March 31, 2021, respectively. The fair value is mainly based on the value calculated by the Company in accordance with real estate appraisal standards which includes some adjustments using the reference prices.

The amount corresponding to asset retirement obligations included in the carrying amount of investment and rental properties was ¥417 million as of March 31, 2021.

5. The amount of securities lent under lending agreements was ¥465,351 million as of March 31, 2021.

6. The total amounts of credits to bankrupt borrowers, delinquent loans, delinquent loans past 3 months or more and restructured loans, which were included in loans, was ¥3,216 million as of March 31, 2021:

- i) The balance of credits to bankrupt borrowers was ¥164 million as of March 31, 2021.
- ii) The balance of delinquent loans was ¥2,522 million as of March 31, 2021.
- iii) The balance of restructured loans was ¥529 million as of March 31, 2021.
- iv) There was no balance of delinquent loans past 3 months or more as of March 31, 2021.

The direct write-offs related to loans decreased credits to bankrupt borrowers described above by ¥0 million as of March 31, 2021.

Credits to bankrupt borrowers represent loans, excluding the balances already written-off, which meet the conditions prescribed in Article 96 Paragraph 1 item 3 and 4 of the Enforcement Regulations of the Corporate Tax Act. Moreover,

accrued interest on these loans is not recorded as income after determining that principal of or interest on these loans is unlikely to be collected due to the significant delay in repayment of principal or interest payment or for some other reasons.

Delinquent loans are credits which accrued interest is not recorded as income due to the same reasons as described above, and exclude credits to bankrupt borrowers and loans for which interest payments have been suspended and rescheduled to assist and support the borrowers in the restructuring of their business.

Delinquent loans past 3 months or more are loans for which interest payments or repayments of principal are delinquent for 3 months or more from the due date under the terms of the related loan agreements, excluding those loans classified as credits to bankrupt borrowers and delinquent loans.

Restructured loans are loans for which certain concessions favorable to borrowers, such as interest reduction or exemption, rescheduling of due date for repayments of principal or interest payment, waiver of claim or other terms, have been negotiated for the purpose of assisting and supporting the borrowers in the restructuring of their business. This category excludes loans classified as credits to bankrupt borrowers, delinquent loans and delinquent loans past 3 months or more.

7. Accumulated depreciation of tangible fixed assets were ¥174,603 million as of March 31, 2021.

8. Total assets in separate accounts provided for in Article 118 of the Insurance Business Act were ¥104,979 million as of March 31, 2021. The amounts of separate account liabilities were the same as separate account assets.

9. The total amounts of receivables from/payables to unconsolidated subsidiaries were ¥2,980 million and ¥37 million as of March 31, 2021, respectively.

10. Deferred tax assets and deferred tax liabilities as of March 31, 2021 were ¥165,511 million and ¥185,492 million, respectively. Valuation allowance for deferred tax assets was ¥5,144 million.

Major components of deferred tax assets were ¥90,790 million of policy reserves, ¥51,385 million of reserve for price fluctuation and ¥13,291 million of net defined benefit liabilities as of March 31, 2021.

Major component of deferred tax liabilities was ¥180,162 million of net unrealized gains on available-for-sale securities as of March 31, 2021.

The statutory tax rate and the actual effective tax rate for the year ended March 31, 2021 were 28.0% and 3.6%, respectively. The difference between the statutory tax rate and the actual effective tax rate was attributable mainly to -24.4% of reserve for dividends to policyholders.

11. Changes in reserve for dividends to policyholders for the year ended March 31, 2021 were as follows:

	(Millions of yen)
Balance at the beginning of the fiscal year.....	¥ 60,922
Transfer from surplus in the previous fiscal year.....	31,547
Dividend payments to policyholders during the fiscal year.....	(29,252)
Increase in interest.....	13
Balance at the end of the fiscal year.....	<u>¥ 63,232</u>

12. Changes in reserve for dividends to policyholders (Fukokushinrai Life Insurance Co., Ltd.) for the year ended March 31, 2021 were as follows:

	(Millions of yen)
Balance at the beginning of the fiscal year.....	¥ 328
Dividend payments to policyholders during the fiscal year.....	(188)
Increase in interest.....	0
Provision of reserve for dividends to policyholders.....	168
Balance at the end of the fiscal year.....	<u>¥ 308</u>

13. The amount of stocks of unconsolidated subsidiaries was ¥404 million as of March 31, 2021.

14. Assets pledged as collateral as of March 31, 2021 were ¥99,608 million of securities and ¥790 million of bank deposits. Secured debts as of March 31, 2021, were ¥67,546 million. These amounts include ¥60,241 million of investments in securities deposited and ¥61,819 million of cash received as collateral under securities lending transactions secured by cash as of March 31, 2021.

15. Reserve for outstanding claims for the reinsurance contracts provided in accordance with Article 71 Paragraph 1 of the Enforcement Regulation of the Insurance Business Act (hereinafter called “reserve for outstanding claims for ceded reinsurance”) was ¥26 million as of March 31, 2021. Policy reserve for the reinsurance contracts provided in accordance with Article 71 Paragraph 1 of the Enforcement Regulation of the Insurance Business Act (hereinafter called “policy reserve for ceded reinsurance”) was ¥49 million as of March 31, 2021.

16. There were unused commitment line agreements under which the Company is the lender of ¥8,733 million as of March 31, 2021.

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

18. The future contribution to the Life Insurance Policyholders Protection Corporation of Japan under Article 259 of the Insurance Business Act was estimated at ¥9,833 million as of March 31, 2021. The contribution is recognized as operating expenses when contributed.

19. Matters Related to Employees’ Retirement Benefits as of March 31, 2021

(1) Overview of Employees’ Retirement Benefit Plan

As for a defined benefit plan for office-based employees, the Company and its consolidated subsidiaries have a defined benefit corporate pension plan and retirement lump-sum payments. As for a defined contribution plan for these employees, the Company also has a defined contribution pension plan.

As for a defined benefit plan for sales employees, the Company has retirement lump-sum payments.

The Company places a retirement benefit trust in relation to the retirement lump-sum grant plan for sales employees. The simplified method for calculating retirement benefit obligation is applied to a portion of the Company and some consolidated subsidiaries' retirement lump-sum grant plans.

(2) Defined Benefit Plan

i) Reconciliation of beginning and end of balance of retirement benefit obligation

	(Millions of yen)
Retirement benefit obligation at the beginning of the fiscal year.....	¥ 88,356
Service cost.....	3,551
Interest cost.....	526
Actuarial differences occurred during the fiscal year.....	2,881
Retirement benefit payments.....	(4,317)
Prior service costs occurred during the fiscal year.....	54
Retirement benefit obligation at the end of the fiscal year.....	<u>¥ 91,051</u>

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

	(Millions of yen)
Pension plan assets at the beginning of the fiscal year.....	¥ 53,996
Expected return on pension plan assets.....	867
Actuarial differences occurred during the fiscal year.....	6,673
Contributions by the employer.....	2,666
Retirement benefit payments.....	(1,579)
Others.....	2
Pension plan assets at the end of the fiscal year.....	<u>¥ 62,627</u>

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

	(Millions of yen)
a. Funded plan retirement benefit obligation.....	¥ 78,551
b. Pension plan assets.....	(62,627)
c. (a + b).....	15,924
d. Unfunded plan retirement benefit obligation.....	12,499
e. Net amount of liabilities and assets presented on the consolidated balance sheet.....	<u>28,423</u>
f. Net defined benefit liabilities.....	28,762
g. Net defined benefit assets.....	(339)
h. Net amount of liabilities and assets presented on the consolidated balance sheet.....	<u>¥ 28,423</u>

iv) Breakdown of retirement benefit gains and losses

	(Millions of yen)
Service cost.....	¥ 3,551
Interest cost.....	526
Expected return on pension plan assets.....	(867)
Amortization of actuarial differences.....	1,905
Amortization of prior service costs.....	(72)
Others.....	(2)
Retirement benefit expenses related to defined benefit plan.....	<u>¥ 5,039</u>

v) Remeasurements of defined benefit plan

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

	(Millions of yen)
Amortization of actuarial differences.....	¥ 5,698
Amortization of prior service cost.....	(126)
Total.....	<u>¥ 5,571</u>

vi) Accumulated remeasurements of defined benefit plan

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

	(Millions of yen)
Unrecognized actuarial differences.....	¥ (5,111)
Unrecognized prior service cost.....	(31)
Total.....	<u>¥ (5,143)</u>

vii) Breakdown of pension plan assets

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

Domestic stocks.....	42.6%
Life insurance general account.....	32.3%
Domestic bonds.....	9.8%
Foreign stocks.....	8.8%
Assets under joint management.....	3.3%
Foreign bonds.....	3.2%
Total.....	<u>100.0%</u>

Within the total of pension assets, 35.4% of this amount is accounted for by the retirement benefit trust established in relation to the retirement lump-sum payments plan for sales employees.

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

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

ix) Underlying actuarial assumptions

Main underlying actuarial assumptions as of March 31, 2021, were as follows:

Discount rate.....	0.6%
Expected long-term rate of return on pension plan assets	
Defined Benefit Plan.....	2.5%
Retirement benefit trust.....	0.0%

(3) Defined Contribution Plan

The required contribution amount by the Company and its consolidated subsidiaries to the defined contribution plan was ¥334 million as of March 31, 2021.

III. Notes to the Consolidated Statements of Operations

1. The total amounts of revenues and expenses in connection with unconsolidated subsidiaries were ¥93 million and ¥1,355 million for the year ended March 31, 2021.
2. For the year ended March 31, 2021, in calculating the provision of reserve for outstanding claims, a provision of reserves for outstanding claims reinsured of ¥24 million was deducted. In calculating the reversal of policy reserves, a provision of reserves for policy reserves reinsured of ¥0 million was added.
3. “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.

IV. Notes to the Consolidated Statements of Comprehensive Income

1. Other Comprehensive Income

The reclassification adjustments and tax effect amounts related to other comprehensive income for the year ended March 31, 2021 were as follows:

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

	(Millions of yen)
Amount incurred during the fiscal year.....	¥ 256,428
Reclassification adjustments.....	(17,606)
Before tax adjustments.....	238,821
Tax effects.....	(66,023)
Net unrealized gains (losses) on available-for-sale securities, net of tax....	¥ 172,797

ii) Foreign currency translation adjustments

	(Millions of yen)
Amount incurred during the fiscal year.....	¥ (91)
Reclassification adjustments.....	—
Before tax adjustments.....	(91)
Tax effects.....	—
Foreign currency translation adjustments.....	¥ (91)

iii) Remeasurements of defined benefit plans, net of tax

	(Millions of yen)
Amount incurred during the fiscal year.....	¥ 3,738
Reclassification adjustments.....	1,833
Before tax adjustments.....	5,571
Tax effects.....	(1,559)
Remeasurements of defined benefit plans, net of tax.....	4,011
Total other comprehensive income.....	¥ 176,717

V. Notes to the Consolidated Statements of Cash Flows

1. Cash and cash equivalents as of March 31, 2021 consist of "Cash," "Deposits in transfer account," "Current deposits," "Ordinary deposits," "Notice deposits," "Time deposits maturing within 3 months of the date of acquisition," "Foreign currency deposits maturing within 3 months of the date of acquisition," "Negotiable certificate of deposits maturing within 3 months of the date of acquisition," "Call loans" and "Monetary claims bought maturing within 3 months of the date of acquisition."

2. Reconciliations of cash and cash equivalents in the consolidated statements of cash flows to the consolidated balance sheet accounts as of March 31, 2021 were as follows:

	(Millions of yen)
Cash and deposits.....	¥ 325,854
Call loans.....	136,000
Monetary claims bought.....	239
Time deposits maturing over 3 months of the date of acquisition.....	(5,100)
Foreign currency deposits maturing over 3 months of the date of acquisition.....	(931)
Monetary claims bought maturing over 3 months of the date of acquisition.....	(239)
Cash and cash equivalents.....	¥ 455,823

(7) Risk-monitored Loans

(Millions of yen)

	As of March 31, 2020	As of March 31, 2021
Credits to bankrupt borrowers	173	164
Delinquent loans	698	2,522
Delinquent loans past three months or more	—	—
Restructured loans	227	529
Total [Percentage of total loans]	1,099 [0.19%]	3,216 [0.56%]

- Notes: 1. For the credits of legally bankrupt borrowers and substantially bankrupt borrowers, the amounts remaining after deductions of collateral value or the amounts collectible through the execution of guarantees is written-off directly from the borrower's balance as the estimated uncollectible amounts. The amounts written-off related to credits to bankrupt borrowers were ¥0 million as of March 31, 2020 and ¥0 million as of March 31, 2021.
2. Credits to bankrupt borrowers represent loans which are subject to bankruptcy, corporate reorganization or rehabilitation or other similar, including but not limited to foreign, proceedings. Accruing interest of these loans is not recorded as income after determining that principal or interest on these loans is unlikely to be collected due to the significant delay in repayment of principal or interest payment or for some other reasons.
3. Delinquent loans are credits whose accruing interest is not recorded as income due to the same reasons as described in note 2 above, and exclude credits to bankrupt borrowers and loans for which interest payments have been suspended and rescheduled to assist and support the borrowers in the restructuring of their business.
4. Delinquent loans past three months or more are loans for which interest payment or repayment of principal are delinquent for three months or more from the due date under the terms of the related loan agreements, excluding those loans classified as credits to bankrupt borrowers and delinquent loans.
5. Restructured loans are loans for which certain concessions favorable to borrowers, such as interest reduction or exemptions, rescheduling of due date of principal or interest payment, waiver of claim or other terms, have been negotiated for the purpose of assisting and supporting the borrowers in the restructuring of their business. This category excludes loans classified as credits to bankrupt borrowers, delinquent loans and delinquent loans past three months or more.

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

(Millions of yen)		
	As of March 31, 2020	As of March 31, 2021
Total solvency margin (A)	1,616,409	1,931,765
Foundation funds and surplus	230,289	233,072
Reserve for price fluctuation	133,162	183,520
Contingency reserve	217,331	232,253
Catastrophe loss reserve	—	—
General allowance for possible loan losses	1,538	1,911
(Net unrealized gains (losses) on securities (before tax) and deferred hedge gains (losses) (before tax)) × 90%	366,504	581,556
Net unrealized gains on real estate × 85%	145,920	141,522
Sum of unrecognized actuarial differences and unrecognized prior service cost	(10,714)	(5,143)
Excess amount of policy reserve based on full-time Zillmer method	296,497	276,537
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	44,599
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	296,299
Insurance risk R_1	23,169	22,753
General insurance risk R_5	—	—
Catastrophe risk R_6	—	—
3rd sector insurance risk R_8	10,033	10,030
Small amount and short-term insurance risk R_9	—	—
Assumed investment yield risk R_2	30,934	30,145
Minimum guarantee risk R_7	—	—
Investment risk R_3	204,120	257,878
Business risk R_4	5,365	6,416
Solvency margin ratio $\frac{(A)}{(1/2) \times (B)} \times 100$	1,331.7%	1,303.9%

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

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

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

[Fukokushinrai Life Insurance Company]

(Millions of yen)

	As of March 31, 2020	As of March 31, 2021
Total solvency margin (A)	100,841	101,033
Foundation funds and surplus	70,119	70,652
Reserve for price fluctuation	10,417	10,723
Contingency reserve	2,316	2,380
General allowance for possible loan losses	0	0
(Net unrealized gains (losses) on securities (before tax) and deferred hedge gains (losses) (before tax)) × 90%	12,090	11,165
Net unrealized gains on real estate × 85%	—	—
Excess amount of policy reserve based on full-time Zillmer method	2,344	2,347
Qualifying subordinated debt	—	—
The amount of "excess amount of policy reserve based on full-time Zillmer method" and "qualifying subordinated debt" excluded from the calculation of solvency margin	—	—
Deductible items	—	—
Others	3,553	3,763
Total amount of risk $\sqrt{(R_1 + R_8)^2 + (R_2 + R_3 + R_7)^2} + R_4$ (B)	20,831	18,623
Insurance risk R_1	444	419
3rd sector insurance risk R_8	122	137
Assumed investment yield risk R_2	365	341
Minimum guarantee risk R_7	—	—
Investment risk R_3	20,038	17,898
Business risk R_4	419	375
Solvency margin ratio $\frac{(A)}{(1/2) \times (B)} \times 100$	968.1%	1,084.9%

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