

ANNUAL REPORT

YEAR ENDED MARCH 31, 2021

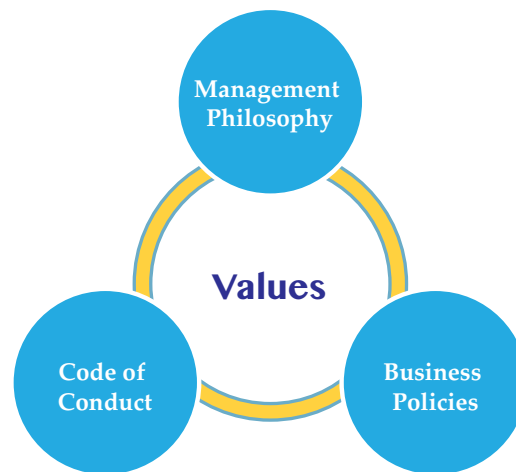
FUKOKU2021



Values

Our Customer-Centered Values

Possessing customer-centered values means creating and providing distinctive services and experiences that provide true peace of mind to customers based on the assumption that all employees treat customers as they themselves would like to be treated.



Management Philosophy

Fukoku Life will continue adhering to its original management philosophy of protecting the interests of policyholders and contributing to society. In addition, we will continue to help our employees achieve personal fulfillment.

To protect the interests of our policyholders

To contribute to society

To help our employees achieve personal fulfillment

Code of Conduct

A customer-centered code of conduct to be reflected in the attitudes of all executives and employees as they carry out their daily business.

We believe that having customer-centered values requires us to do the following:

- ❖ Remember the importance of teamwork
- ❖ Deserve the trust of each and every customer
- ❖ Work with enthusiastic and pride
- ❖ Apply common sense in our work
- ❖ Emphasize the importance of life insurance
- ❖ Overcome every difficulty
- ❖ Create a friendly work environment

Business Policies

1. Foster personnel with customer-centered values

To provide customers with peace of mind, foster confident and proud employees who have the ability to adopt a customer's perspective.

2. Reinforce how sales representatives structure activities

To ensure meticulous service to customers, reinforce the structure according to which sales personnel conduct face-to-face sales activities.

3. Attain a net increase in the number of policyholders

To earn the trust of a growing number of customers, strengthen insurance product presentation design, provision, and follow-up services to meet customer needs.

4. Enhance business efficiency

To achieve stable growth, improve the efficiency of the Company's wide range of business activities.

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Message from the President



I would like to express my deepest condolences to those who have lost loved ones as a result of the pandemic, and to extend my heartfelt thoughts to all who have been impacted by the coronavirus.

COVID-19 Response

We have set up a task force that will implement timely and appropriate measures in accordance with our basic policies of prioritizing the lives of customers, employees, and prevent the spread of infections resulting from our business activities. Following Japan's first declaration of a state of emergency in April last year, we started to limit in-person insurance solicitations and to focus on remote after-sales services. Since the lifting of this state of emergency in June, we gradually have resumed our sales activities and have begun responding to client demands through a combination of in-person and remote methods. We have introduced online consultations and an electronic transmission system for sending sales materials. In addition, we started offering "Infection Disease Support Plus" as part of our medical insurance plan, which pays twice the consolation money (paid in lump-sum) to patients hospitalized for particular infectious diseases including COVID-19. Further, we have strengthened our telephone and postal after-sales services, and are providing detailed information on special initiatives related to COVID-19.

As a mutual company, we work to ensure that our management and employees maintain "customer-centered values" in all aspects of business and operations. These ideals, on which we build new ideas and plan new activities, embody our philosophy of

putting ourselves in our customers' shoes and creating services and experiences that only we can offer. Based on our values, we are close to customers who have anxiety about COVID-19.

The Past Year in Review

Performance in terms of new policies dropped off substantially during the first quarter, due to restrictions on sales activities as a result of the pandemic. However, in the second quarter, performance recovered to a level higher than during the previous year. And it has remained so thanks to the launch of Hataraku Sasae Plus (a disability insurance rider [2020]) and the introduction of Infection Disease Support Plus.

Meanwhile, Surrendered and lapsed policies improved significantly due to better after-sale services and increased insurance needs.

Reflecting our policy of taking risks commensurate with our capital levels, we have endeavored to maintain stable profitability despite low long-term interest rates worldwide. This we have done by accumulating domestic and foreign stocks, projected to generate stable dividends, as well as foreign currency-denominated corporate bonds with relatively high yields.

Interest, dividends, and other income reached a record high for the third consecutive year due to, in part, both the increase in domestic and foreign stock prices that occurred toward the end of the fiscal year, and the shift to a weak yen.

Consequently, including the figure for Fukokushinrai Life Insurance Co., Ltd., we saw a 0.3% year-on-year rise to ¥82.8 billion in terms of fundamental profit—the standard measure of an insurance company's profitability.

Meanwhile, our consolidated solvency margin ratio, an indicator of soundness, declined to 1,303.9% (down 27.8 percentage points compared with the figure at the end of the previous fiscal year), but remained at a high level regardless.

In accordance with the expectations of our policyholders, we raised dividends for policy holders of both individual and group insurances. This marked the ninth consecutive year that we have increased the dividend paid to individual insurance policyholders. Life insurance involves a spirit of mutual assistance, in which policyholders comprise an insurance group and help each other, with insurance premiums received by policyholders provided as insurance payouts to customers who need them. In fiscal 2020, along with Fukuokushinrai Life, we paid out a total of ¥554.9 billion in insurance claims, annuities, and benefits. We will continue to provide reliable payment of insurance claims and other benefits.

Medium-term Management Plan

Our medium-term management plan (fiscal 2019 through fiscal 2021) is based on our vision of becoming the most valuable company by thorough differentiation. To bring us closer to achieving this vision, we have established the creation of a perpetually virtuous cycle for sustainable growth (put more simply, a cycle in which improvement in employee satisfaction leads to improvement in customer satisfaction) as one of the key themes of our plan.

Reflecting another theme of our plan, we are conducting initiatives aimed at achieving our long-term management goal: to become the number one company in terms of customer satisfaction within the next 10 years.

Centenary Project

As we approach 100 years in business in 2023, we are working on our centenary project based on a concept, called THE MUTUAL. The concept refers to the next generation of mutual aid that will evolve over the coming century, as well as our aim to become an enterprise representing real mutual aid, by deepening our connection to, and mutual support for, all our stakeholders. Currently, we are conducting committee activities called NEXT100, based on 12 themes, which will serve as an engine for helping to realize THE MUTUAL.

FIND THE MUTUAL, one of the 12 above-mentioned themes, requires our employees to find instances of connections and mutual support that characterize THE MUTUAL around Japan. In fiscal 2020, we conducted activities at our Hiroshima, Chiba, Maebashi, and Hakodate branch offices. In November, we launched THE MUTUAL Art for children to help children connect with society. The initiative uses works of art from the Smile Gallery in designs for eco bags and other products. At the gallery—in the second basement of our head office in Uchisaiwaicho, Tokyo—we display art created by students attending special needs schools throughout Japan.

Financial Soundness

We must continue to ensure sound management to achieve sustainable growth as social and economic environments undergo major changes.

To maintain financial soundness regardless of the operating environment, we are working to further strengthen our capital. Our basic policy for doing so is to accumulate internal reserves, which are funded by ordinary profits, and to combine these with external financing, which includes raising foundation funds and issuing subordinated bonds.

During fiscal 2020, we issued ¥50.0 billion in subordinated bonds in December and increased our price fluctuation reserves as internal reserves. We plan to continue our efforts to improve our financial soundness and provide our customers with security and peace of mind.



Our Mission as a Mutual Company

We believe that our most important responsibility as an insurance company is to ensure reliable payment of claims, no matter when. At the same time, we see our mission as a mutual company as being to provide customers with reductions in insurance premiums by striving to increase our dividend payouts. To fulfill our responsibilities as an insurance company and our mission as a mutual company, we have focused primarily on protecting the interests of our customers by pursuing an appropriate level of growth that will allow us to serve these interests. We believe that these moves will help customers develop trust in us and so feel secure. Life insurance is a covenant that extends beyond a single lifetime to include subsequent generations, making it a never-ending endeavor. In the spirit of mutual aid, we will fulfill the promises we have made to our customers in perpetuity, while being close to customers. We look forward to your continued support and cooperation.

Yoshiteru Yoneyama
President

Fiscal 2020 Topics

2020

April

■ Hataraku Sasae Plus Launched

We updated our special disability insurance rider—Hataraku Sasae Plus—which had been launched in 2011 in response to potential risks linked to disability-related unemployment. The rider allows policyholders to prepare for risks associated with short- and long-term unemployment resulting from disabilities.

July

■ The 98th AGM Votes to Increase Personal Insurance Dividends for the Eighth Consecutive Year

In fiscal 2019, we increased dividends for holders of medical insurance policies available since fiscal 2005 that provide no hospitalization benefit. At the same time, we set up long-term special dividends for holders of medical insurance policies that reach maturity with no hospitalization benefit. These dividends amounted to ¥3.6 billion, up ¥0.3 billion in this year.

■ Deal signed with Pental Group Limited (Australian Asset Management Firm)

We signed a memorandum of understanding concerning share management in Oceania. It allows us to outsource share management in Australia to Pental Group Limited, supply it with trainees, and share information on asset management.

December

■ Subordinated Bonds

We issued ¥50 billion in subordinated bonds to further strengthen our capital base.

■ Infection Disease Support Plus

In December 2020, we began offering Infection Disease Support Plus, which is available until January 31, 2022, and pays twice the consolation money (paid in lump-sum) to patients hospitalized for particular infectious diseases including COVID-19.

2021

March

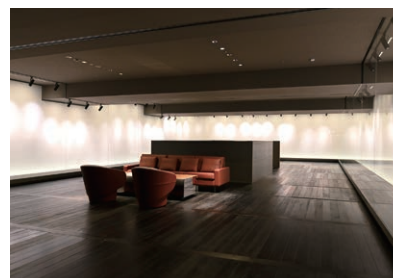
■ HQ Renovation

In March 2021, renovation of our Uchisaiwaicho headquarters (in the Fukoku Seimei Building) was completed. Since the Company promotes flexible and efficient in-office workstyles, the premises feature spaces designed to make it easier to work. The design is based on the idea of creating opportunities for face-to-face communication, changing workstyles, and introducing comfort while eliminating stress.

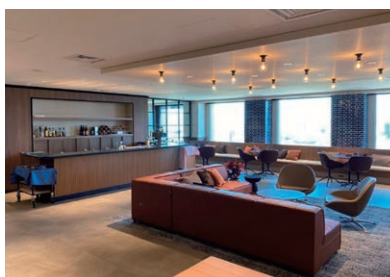
Last July, before renovation had been completed, we opened the lounge and conference area called Reiwart, that may be used by tenant companies, individuals, and enterprises that do business with us. Paintings and other artworks belonging to the Company decorate the area.



Reception



Art lounge



Clubhouse

Medium-term Management Plan (Fiscal 2019–2021)

Outline

Through our Medium-term Management Plan, we aim to improve the quality of our operational processes and increase employee engagement, rather than focus on revenue and profit targets alone. We believe that these efforts in turn will boost our financial results.

Background

We are currently conducting initiatives associated with our Medium-term Management Plan. As in our previous plan, achieving the highest possible level of customer acclaim

through thorough differentiation is the goal of our current plan. To this end, one of its core themes is to create perpetual positive cycle of sustainable growth, where improved employee satisfaction leads to an increase in customer satisfaction. At the same time, we are conducting initiatives aimed at achieving our long-term management vision to generate greater customer satisfaction than any other life insurance company. This is also both a theme of our current plan and an ideal we hope to achieve within 10 years. Through these initiatives, we will carry out major reforms aimed at making the channels used by our sales representatives more sophisticated.



Core Themes

Create a Perpetual Positive Cycle of Sustainable Growth

Improved employee satisfaction (ES) improves to an increase in customer satisfaction (CS)



Vision-related Initiatives

We aim to use the following initiatives to generate, within 10 years, greater customer satisfaction than any other life insurance company.

1. Building of a sustainable, domestic business model that responds to demographic shifts.
2. Providing products and services differentiated as a result of collaboration and cooperation with companies from other industries.
3. Maintaining face-to-face operations through investment in IT and the use of financial technology.

Facilitation System

• Initiatives Implemented at Headquarters, Branch Offices

In accordance with the philosophy and core themes behind our Medium-term Management Plan, we have formulated action plans to support the setting up of a perpetual positive cycle of sustainable growth, and are implementing them in all sections at headquarters.

At the same time, we are supporting initiatives targeting the achievement of our long-term management vision by creating and enforcing action plans with a central focus on the planning section of our corporate headquarters.

Meanwhile, our branch offices are striving to increase customer satisfaction through the efforts of the Branch Office Medium-term Management Plan Committee, comprising customer advisors and branch office staff.

• Customer-centered Activities

To encourage awareness and consciousness that will enable our staff to perform their duties in accordance with values that

prioritize our customers, we provide employees in all sections with primarily discussion-based training regarding customer-centered activities.

We have been conducting this training since fiscal 2013, based on the recognition that developing human resources who can adhere to customer-centered values leads to differentiation and, then, to greater customer satisfaction.

Progress

In the two years since the launch of our current Medium-term Management Plan, responses to surveys measuring staff satisfaction indicate that contentment is on the rise. This shows that efforts aimed at increasing employee satisfaction are bearing fruit.

Regarding initiatives targeting the achievement of our long-term management vision, several action plans have been more successful than initially expected. This is the result of effective COVID-19-related responses, including the setting up of IT-based means of communicating with customers.

Review of Operations in Fiscal 2020

Business Performance

Note. Consolidated: total for both Fuku Mutual Life Insurance Company and Fuku Shinrai Life Insurance Company;
non-consolidated: total for Fuku Mutual Life Insurance Company

New Policies (Individual Insurance and Individual Annuities, Consolidated)

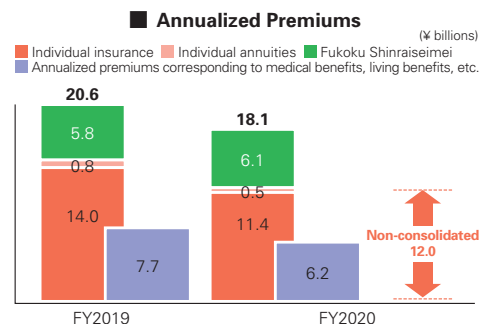
Annualized Premiums

¥18.1 billion (¥12.0 billion, non-consolidated)

Annualized premiums for new policies fell 12.3% year on year, to ¥18.1 billion primarily due to restrictions placed on sales activities by the COVID-19 pandemic.

■ What are annualized premiums?

Annualized premiums are an indicator that demonstrates how much revenue a life insurance company earns from its policies in one year. They are calculated by adjusting for differences in payment methods and payment periods among various policies (monthly payments, yearly payments, single-premium payments, etc.) and determining the average amount of premiums paid over the entire durations of these policies.



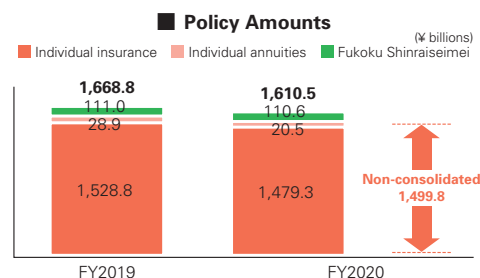
Policy Amounts

¥1,610.5 billion (¥1,499.8 billion, non-consolidated)

Policy amounts for new policies decreased 3.5% year on year, to ¥1,610.5 billion.

■ What are policy amounts?

Policies amounts indicate the total monetary guarantees for which a life insurance company is responsible.



Surrendered and Lapsed Policies (Individual Insurance and Individual Annuities, Consolidated)

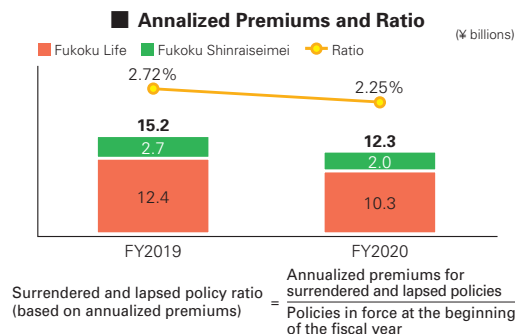
Annualized Premiums

¥12.3 billion (¥10.3 billion, non-consolidated)

Surrendered and Lapsed Ratio (based on annualized premiums)

2.25 % (2.68 %, non-consolidated)

Annualized premiums for surrendered and lapsed policies declined 18.8% year on year, to ¥12.3 billion. Meanwhile, the surrendered and lapsed ratio (based on corresponding annualized premiums) was 2.25%, an improvement of 0.47 percentage points year on year.



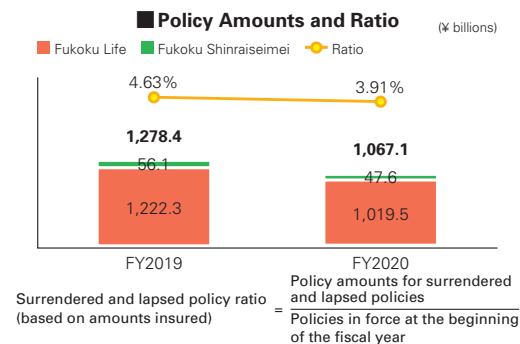
Policy Amounts

¥1,067.1 billion (¥1,019.5 billion, non-consolidated)

Surrendered and Lapsed Ratio (based on amounts insured)

3.91 % (4.10 %, non-consolidated)

Policy amounts for surrendered and lapsed policies fell 16.5% year on year, to ¥1,067.1 billion. Meanwhile, the surrendered and lapsed ratio (based on corresponding amounts insured) was 3.91%, an improvement of 0.72 percentage points year on year.

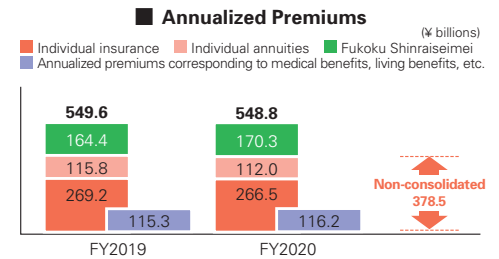


Policies in Force (Individual Insurance and Individual Annuities, Consolidated)

Annualized Premiums

¥548.8 billion (¥378.5 billion, non-consolidated)

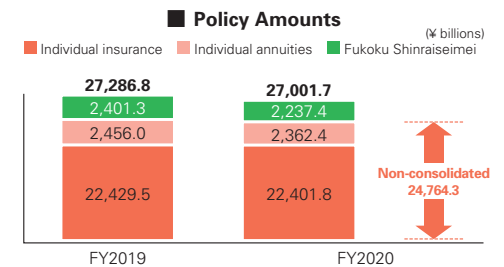
Annualized premiums for policies in force decreased 0.1% compared with the end of FY2019, to ¥548.8 billion. Medical coverage and living benefits included in this amount increased for the 17th consecutive year, dating back to the point at which the Company began disclosing statistics regarding these benefits.



Policy Amounts

¥27,001.7 billion (¥24,764.3 billion, non-consolidated)

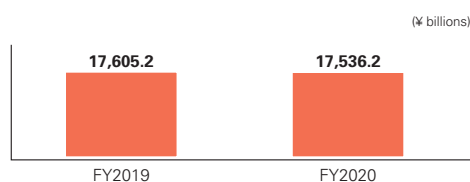
Policy amounts in force declined 1.0% at fiscal year-end, to ¥27,001.7 billion.



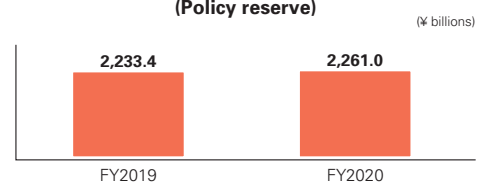
Corporate Insurance (Group Insurance and Group Annuities, Non-consolidated)

We provide comprehensive support to our corporate insurance customers by proposing various products and plans geared toward corporations. Policy amounts in force for group insurance fell 0.4% compared with the end of FY2019, to ¥17,536.2 billion. Meanwhile, policy amounts in force for group annuities increased 1.2% at fiscal year-end, to ¥2,261.0 billion.

Policy Amounts for Group Insurance



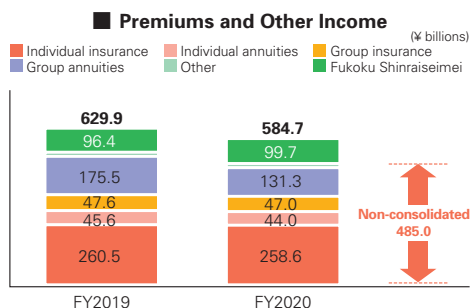
Policy Amounts for Group Annuities (Policy reserve)



Premiums and Other Income (Consolidated)

¥584.7 billion (¥485.0 billion, non-consolidated)

Premiums and other income decreased to ¥584.7 billion, down 7.2% year on year.



Financial Soundness and Profitability (Non-consolidated)

Fundamental Profit

¥84.3 billion

Fundamental profit rose to ¥84.3 billion, up 1.1% year on year.

■ What is fundamental profit?

Fundamental profit is an indicator that demonstrates the periodic fundamental profit or loss of a life insurance company. It includes impact from both insurance-related income and expenses (insurance premiums, payment of insurance claims, operating expenses, etc.) and investment income and expenses (primarily interest, dividends, and other income). It is similar to operating profit reported by general industrial companies and net operating profit recorded by banks.

■ What is cost differential?

Cost differential is the difference between projected operating expenditures based on the expenditure rate assumed when calculating insurance premiums and actual operating expense.

■ What is risk differential?

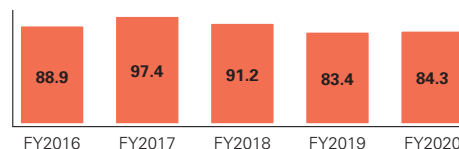
Risk differential is the difference between projected payments of claims and benefits based on the insured event occurrence rate assumed when calculating insurance premiums and actual payments of claims and benefits.

■ What is profit differential?

Profit differential is the difference between projected investment income based on interest rates assumed when calculating insurance premiums and actual investment income.

■ Fundamental Profit

(¥ billions)



■ Breakdown of Fundamental Profit

(¥ billions)

	FY2019	FY2020
Fundamental profit	83.4	84.3
Insurance-related profit/loss	47.5	47.2
Cost differential	(18.0)	(21.0)
Risk differential	65.5	68.3
Profit differential	35.9	37.0

Solvency Margin Ratio

1,261.6%

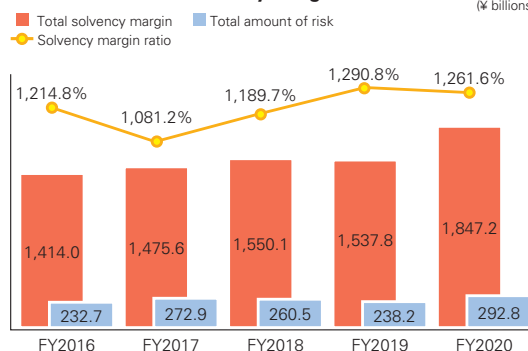
The solvency margin ratio declined to 1,261.6%, down 29.2 percentage points year on year. This ratio greatly exceeds the level of 200%, which is widely considered to be a standard indicating financial soundness.

■ What is solvency margin ratio?

Life insurance companies maintain policy reserves primarily in preparation for the future payment of claims. These policy reserves enable them to respond to predictable risks. However, unexpected events such as major disasters or stock market crashes can occur at any time. Solvency margin ratio is an indicator used by regulatory authorities that measures an insurance company's ability to respond to unexpected risks.

■ Solvency Margin Ratio

(¥ billions)



Capital

¥946.6 billion

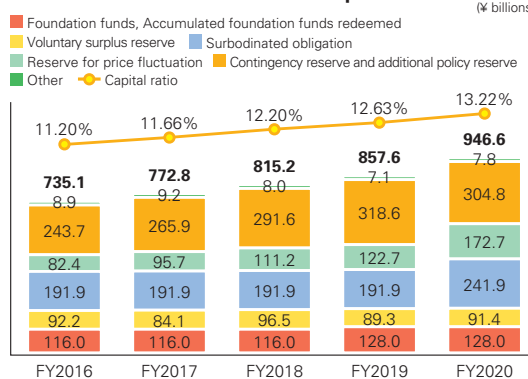
The capital increased to ¥946.6 billion, up ¥88.9 billion year on year. Our capital ratio (capital ÷ total assets) was 13.22%. The capital alone accounted for 646.5% of the total solvency margin.

■ What is capital?

We place a great deal of importance on the portion of our total solvency margin that constitutes capital base (excluding unrealized gains on securities and real estate, etc.). Accordingly, we routinely strive to strengthen our capital base, enhancing our internal reserves and obtaining financing from external sources.

■ Breakdown of Capital

(¥ billions)



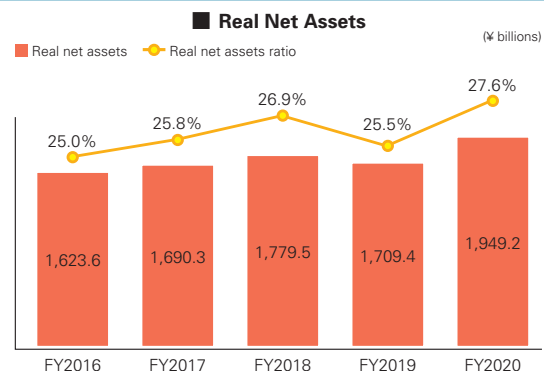
Real Net Assets

¥1,949.2 billion

Real net assets increased to ¥1,949.2 billion, up 14.0% year on year. Meanwhile, our real net assets ratio (real net assets ÷ general account assets) came to 27.6%, up 2.1 percentage points year on year.

■ What are real net assets?

In addition to solvency margin ratio, real net assets is a indicator used by supervisory authorities to measure the financial soundness of life insurance companies. It is calculated by subtracting liabilities (excluding liabilities with highly capitalistic characteristics, such as reserve for price fluctuation and contingency reserve) from the current market value of total assets. Negative real net assets values sometimes lead to judgments of effective insolvency, as well as business-suspension orders and other restrictions.



Unrealized Gains on Securities and Real Estate

¥1,004.0 billion

Unrealized gains on securities and real estate rose to ¥1,004.0 billion, up ¥191.5 billion year on year. Unrealized gains on securities increased to ¥855.8 billion, up ¥196.8 billion, and unrealized gains on real estate decreased to ¥148.1 billion, down ¥5.2 billion year on year, respectively.

■ What are unrealized gains/losses?

Unrealized gains/losses are calculated by subtracting the book values of assets from their corresponding market values. A positive value indicates an unrealized gain, while a negative value indicates an unrealized loss.

■ Breakdown of Fundamental Profit

	As of March 31, 2020	As of March 31, 2021
Securities	659.0	855.8
Domestic bonds	347.3	283.0
Domestic stocks	209.7	370.2
Foreign securities	96.7	171.2
Real Estate (land, leasehold right)	153.3	148.1
Total	812.4	1,004.0

Ratings

To help our customers objectively determine how capable we are of paying claims, Fukuoku Life obtain ratings from three neutral and unbiased rating organizations. Our current ratings can be found below.

■ What are life insurance company ratings?

Ratings of life insurance companies are determined by independent third-party rating agencies and demonstrate the degree of reliability at which life insurance companies are capable of paying insurance claims and benefits in accordance with policies (insurance claims paying ability).

Rating and Investment Information, Inc. (Insurance Claims Paying Ability)

AA-

Very high claims paying ability supported by some excellent factors.

S&P Global Ratings (Insurer Financial Strength Rating)

A

The Company has a high capacity for fulfilling its insurance policy obligations, but is slightly too susceptible to potential impact from business environment deterioration to achieve either of our highest two ratings (AAA and AA).

Moody's (Insurance Financial Strength Rating)

A2

The Company is in the upper-middle range of rated organizations and has low credit risk.



Notes:

- The ratings indicated are current as of July 1, 2021.
- The ratings indicated were provided upon request from the Company by Rating and Investment Information, Inc., S&P Global Ratings, and Moody's Investors Service.
- The ratings indicated are the opinions of their respective rating agencies and do not indicate guarantees regarding the payment of insurance claims. These ratings are also continuously monitored by their respective agencies and are subject to change.
- Rating and Investment Information, Inc., S&P Global Ratings, and Moody's Investors Service are credit rating agencies as defined in Japan's Financial Instruments and Exchange Act.

Investment Performance (General Account)

Overview

Thanks to large-scale fiscal policies and intensive monetary easing in countries around the world, the global economy generally improved in fiscal 2020 despite significant decline caused by the COVID-19 pandemic during the quarter from April through June 2020. Economic performance in China began to achieve growth ahead of other regions as strict restrictions curbed the spread of the pandemic at an early stage. The Japanese economy deteriorated significantly due primarily to orders issued by the Japanese government asking some businesses such as, restaurants, department stores, theaters, to close and requesting that individuals stay at home during the state of emergency it declared in April 2020. However, along with states of emergency were lifted and as economic activity gradually reopened, the Japanese economy began to recover thanks to a rise in the volume of exports to China, which bounced back before other regions, and measures aimed at stimulating demand, including the “Go To” campaign launched in the Summer of 2020. Domestic demand was impeded by a subsequent wave of the COVID-19 pandemic that occurred in winter 2020 and resulted in another state of emergency in January 2021. Despite this downward impact, recovery was maintained thanks to support from strong overseas demand.

In terms of monetary policies, major central banks implemented intensive monetary easing initiatives such as emergency funding measures and expansion of quantitative easing to facilitate corporate financing. Additionally, Federal Reserve Board indicated that it would continue to maintain a general approach of monetary easing as it adopted average inflation targeting in August 2020 and implied that it would extend its zero interest-rate policy.

With regard to financial and stock markets, stock prices rose sharply, driven primarily by large-scale fiscal policies, as long-term interest rates remained low around the globe due to intensive monetary easing from major central banks.

To maintain stable profitability while long-term interest rates remain low worldwide, we accumulated domestic and foreign stocks expected to stable dividends, as well as foreign currency-denominated corporate bonds, in accordance with our policy of taking risks that take advantage of our ample capital. At the same time, we endeavored risk hedging appropriately associated with fluctuations in stock prices and exchange rates through derivatives trading. We also purchased super-long-term government bonds by reducing cash position in an effort to raise our earnings while maintaining a predetermined level of liquidity.

Along with these measures, we also conducted efforts aimed at executing our management philosophy of contributing to society through asset management while performing our fiduciary duty of ensuring profitability. In terms of specific initiatives, we took part in the world's first project through which issuers of corporate bonds and investors united to assert the

importance of supporting the education of children in developing countries through bond investment and invested in impact funds that target private companies capable of contributing to SDGs achievement. In addition to these efforts, we actively conducted ESG-related investment and financing to contribute to the achievement of sustainable societies.

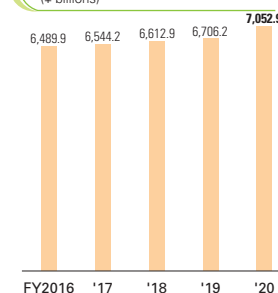
As part of our stewardship activities, we held purpose-driven engagement dialogues with major investee companies. During these dialogues, we aimed to achieve understanding regarding strategies from a medium- to long-term perspective while making proposals aimed at improving corporate value. In response to revisions to Japan's Stewardship Code, we prepared for efforts aimed at further intensifying our stewardship activities and increasing transparency by amending our Stewardship Responsibility Fulfillment Policy, which serves in part to clarify our views concerning sustainability, and expanding disclosure of information related to these activities.

In addition to these activities, we strove to further differentiate our asset management with initiatives targeting expansion of our global diversified investment operations through the strengthening of our three overseas subsidiary in London, New York, and Singapore and enhancement of our relationships with asset management companies which we have business relationship. In July 2020, we endorsed a memorandum of understanding along with asset management company Pandal Group Limited (headquartered in Sydney), outsourcing management of our Australian stock portfolio to the latter. Meanwhile, we are enhancing our assessment capabilities as an institutional investor and acquiring valuable management expertise by dispatching trainees to, and regularly exchanging views with, Pandal Group; Payden & Rygel (headquartered in Los Angeles), which have formed a business relationship concerning US corporate bond management and Muzinich & Co. (headquartered in New York), with whom we have previously endorsed a memorandum of understanding regarding the management of corporate bonds in Europe. At the same time, we are developing human resources who are equipped with global perspectives and are capable of performing optimal asset management.

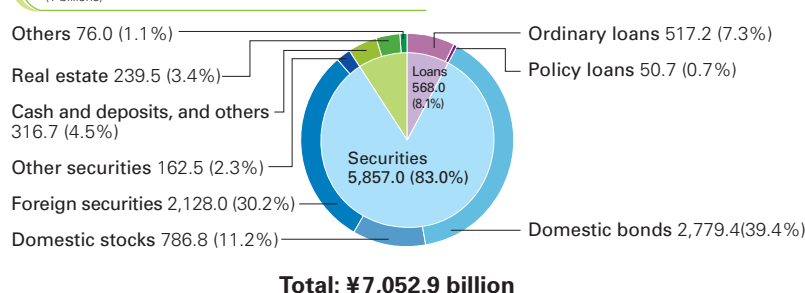
Investment income decreased ¥7.6 billion (3.9%) year on year to ¥187.3 billion due primarily to a decline in gains on sales of securities generated from the trading of domestic and foreign bonds. Of this amount, total interest, dividends and other income (after accounting for impact from trading securities) reached a record high for the third consecutive year at ¥157.2 billion, up ¥0.9 billion (0.6%) year on year despite declines in both interest from public and corporate bonds and share dividends. This increase occurred primarily thanks to a rise in dividends generated by equity funds that stemmed from growth in stock prices in Japan and abroad, as well as an uptick in interest and dividends from foreign-currency denominated assets that was driven by depreciation of the Japanese yen.

Investment expenses amounted to ¥49.4 billion, down ¥5.4 billion (10.0%) year on year due to losses on valuation of

General account assets
(¥ billions)



Breakdown of general account assets (Fiscal year ended March 31, 2021)
(¥ billions)



Note: This total includes cash and deposits, call loans, monetary claims bought and money held in trust.

securities, mainly domestic stocks.

Consequently, net investment income was ¥137.8 billion, down ¥2.2billion (1.6%) year on year.

Domestic Bonds

Domestic bonds amounted to ¥2,779.4 billion, up ¥101.7 billion (3.8%) year on year. This increase was primarily due to our accumulation of corporate bonds and efforts aimed at raising our earnings while maintaining a predetermined level of liquidity by purchasing super-long-term government bonds using short term money.

Domestic Stocks

In total, domestic stocks were ¥786.8 billion, up ¥174.8 billion (28.6%) year on year thanks primarily to our strategy of selectively acquiring stocks that we expect to stable dividends while appropriately controlling for associated risks and a unrealized gain increase stemming from a rise in stock prices.

Foreign Securities

Foreign bonds amounted to ¥1,710.5 billion, up ¥129.7 billion (8.2%) year on year due primarily to our focus on purchasing corporate bonds issued by Western companies during the first half of the year, when they were available at the prices we determined undervalued, and unrealized gain growth stemming

from depreciation of the Japanese yen. Meanwhile, foreign stocks and other securities came to ¥417.4 billion, up ¥140.3 billion (50.7%) year on year. This increase occurred mainly due to the outsourcing of management of our Australian stock portfolio to Australian asset management company Pandal Group, with whom we endorsed a memorandum of understanding concerning the management of our shares in the Oceania region in July 2020; an increase in the total value of Western bonds managed by asset management companies we have a business relationship; our accumulation of shares in Western companies and other corporate organizations that are expected stable dividends; and unrealized gain growth stemming from a rise in stock prices.

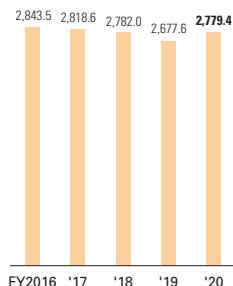
Ordinary Loans

Loans amounted to ¥517.2 billion, up ¥7.1 billion (1.4%) year on year as we strove to diversify our portfolio of borrowers, adding organizers of renewable energy projects and overseas borrowers.

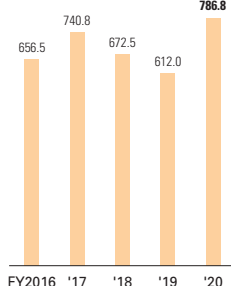
Real estate

Real estate came to ¥239.5 billion, up ¥24.2 billion (11.3%) year on year due primarily to our investment in properties expected to generate stable rent income over the medium to long term.

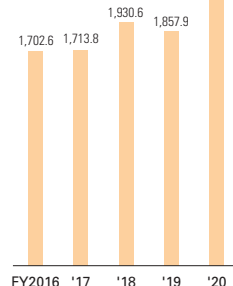
Domestic bonds
(¥ billions)



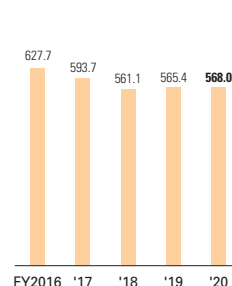
Domestic stocks
(¥ billions)



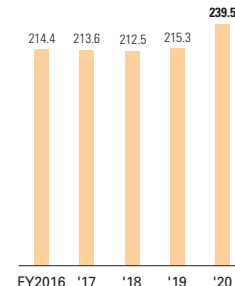
Foreign securities
(¥ billions)



Loans
(¥ billions)



Real estate
(¥ billions)



Investment Policies for Fiscal 2021

Investment Environment

Despite ongoing risk associated with the spread of COVID-19 variants, projections indicate that the global economy will likely continue to recover in fiscal 2021 as an increasingly large share of the population becomes vaccinated, resulting in relaxed restrictions. Under these economic conditions, long-term interest rates in the United States will presumptively be subjected to upward pressure stemming mainly from expectations of economic recovery achieved through large-scale economic measures. However, any increase in interest rates is likely to be limited due to intensive monetary easing policies that are projected to remain in effect. Long-term interest rates in Japan are expected to remain low due to the Bank of Japan's ongoing yield curve control policy. In defiance of existing concerns regarding potential long-term interest rate increases in the United States, domestic and foreign stock prices are projected to remain stable as the financial environment remains accommodative, fostering expectations of recovery both economic and corporate performance. Meanwhile, the rate of exchange between the US dollar and the Japanese yen will likely remain in its narrow range because the present difference in interest rates between the US and Japan is not expected change significantly.

Domestic Bonds

We will accumulate corporate bonds while closely monitoring interest rates and utilize cash position to purchase super-long-term government bonds.

Domestic Stocks

We target increase in the profitability of our stock portfolio by routinely adjusting the domestic stocks contained therein, ensuring that they generate appraisal gains.

Foreign Securities

We will focus on the accumulation of foreign currency-denominated corporate bonds issued by Western companies. Meanwhile, we will also invest in foreign stocks and other securities to improve our portfolio in terms of risk-adjusted return.

Ordinary Loans

We plan to increase our loan balance as we seek new investment projects.

Real Estate

We will implement a policy of selecting and investing in properties expected to generate stable rent income over the medium to long term.

Business Management System

Corporate Governance Enhancement Initiatives

We have formulated a Basic Policy on Corporate Governance to foster an understanding of our perspective to enhance corporate governance. We publicize this policy, along with our Corporate Governance Report.

Basic Approach to Corporate Governance

Our mutual company's insurance business is a business of our policyholders that have entrusted the management of this business to us. No matter the circumstances, we must survive as a life insurance company to continue fulfilling our responsibility of reliably paying insurance claims and benefits. To this end, we will establish a corporate governance system based on this fundamental policy in an effort to stabilize and ensure the stability of our business while providing policyholders with peace of mind.

Establishment of Management Control Measures

The Board of Directors makes important business decisions and monitors business execution. The two external directors bring an outside perspective to the deliberations of the board. In April 2009, Fukoku Life introduced an executive officer system. Under this system, we have separated and strengthened decision-making and business execution functions, with the Board of Directors fulfilling decision-making and supervisory functions. The Board of Full-Time Directors, comprising the president and executive officer and other titled executive officers, deliberates important business execution policy for the Company. Meanwhile, various committees have been established beneath the Board of Directors in an effort to strengthen internal controls.

Members of the Audit & Supervisory Board attend meetings of the Board of Directors, the Board of Full-Time Directors and other important boards, auditing the execution of operations by directors. The internal audit department performs internal audits, verifies the appropriateness of corporate operations and strives to ensure the soundness of business operations.

Enhancement of Internal Control System

We are a mutual company that operates a highly public life insurance business with the goal of protecting the livelihoods of policyholders. As such, we have established a "Basic Internal Control System Policy" aimed at ensuring the suitability of our operations, with the ultimate goal of achieving sound and appropriate management. Based on this policy, we are working to enhance our internal control systems, which include our risk management and compliance systems.

Enterprise risk management (ERM)

Life insurance is a "promise" to pay insurance claims and benefits in the event of an unforeseen emergency, a lifetime commitment to customers that can even span generations. Events may occur, such as drastic changes in the economic environment or other catastrophes, during the many months and years in which we accompany customers on their life journey. When this happens, the role of life insurance companies becomes even more important. Only after keeping this promise with unwavering reliability regardless of the circumstances can customers enjoy peace of mind. To maintain this reliability into the future, Fukoku Life promotes enterprise risk management (ERM) for overall management of a diverse range of complicated risks from a strategic perspective based on the recognition that

each executive officer and employee is responsible for risk management commensurate with their position.

At Fukoku Life, the Board of Directors has established the Risk Management Committee to perform enterprise risk management (ERM). Several subcommittees have been established under the Risk Management Committee to manage the various risks that arise in business operations, and to conduct asset and liability management (ALM). The Risk Management Committee consolidates and evaluates these risks at the corporate level, and considers the appropriate level of acceptable risk and risk response. Furthermore, the Risk Management Committee has established a specialized risk management committee to help enhance enterprise risk management. Full-time directors are members of the Risk Management Committee, which is chaired by the president. Other directors chair subcommittees, creating a risk management structure that is led by top management.

The specialized risk management committee is central to understanding the Group's overall risk management situation. At Fukokushinrai Life Insurance, the Company's Risk Management Committee secretariat and the secretariats of various subcommittees directly monitor the management status of risks under their jurisdiction.

Furthermore, the audit department verifies that the risk management system is functioning effectively.

Compliance System

As members of the community, all executives and employees undergo ongoing training in compliance-related matters so that they not only observe laws and regulations, but also comply with protocols and social conventions. This training is also aimed at enhancing the spirit of compliance. To this end, as well as improving and reinforcing the compliance system, we hold hands-on compliance training on an ongoing basis. However, we recognize that even the most robust of systems cannot guarantee the complete elimination of improper conduct. We believe that it is important to detect any improper conduct early, deal with it swiftly and appropriately, and make constant improvements and work to rectify the situation in order to prevent a recurrence. Accordingly, we believe that continuous improvement and correction are important.

The Compliance Committee, comprising full-time directors and other executives and chaired by the president, has the Board of Directors' mandate to deliberate matters related to compliance promotion and to promote compliance. The Compliance Control Department serves as secretariat for this committee. Furthermore, the chief compliance officer and compliance officers are stationed at headquarters to perform regular compliance checks.

Protection of Personal Information

Fukoku Life believes that proper handling of personal information is one of the elements most vital toward maintenance of its status as an insurance company that is trusted by its customers. Accordingly, we have formulated our own privacy policy and a basic policy on the handling of specific personal information to ensure appropriate treatment and safeguarding of personal data.

Moving forward, we will continue to comply with Japan's Act on the Protection of Personal Information and other related laws and ordinances while maintaining proper handling and protection of personal data.

Centenary Project

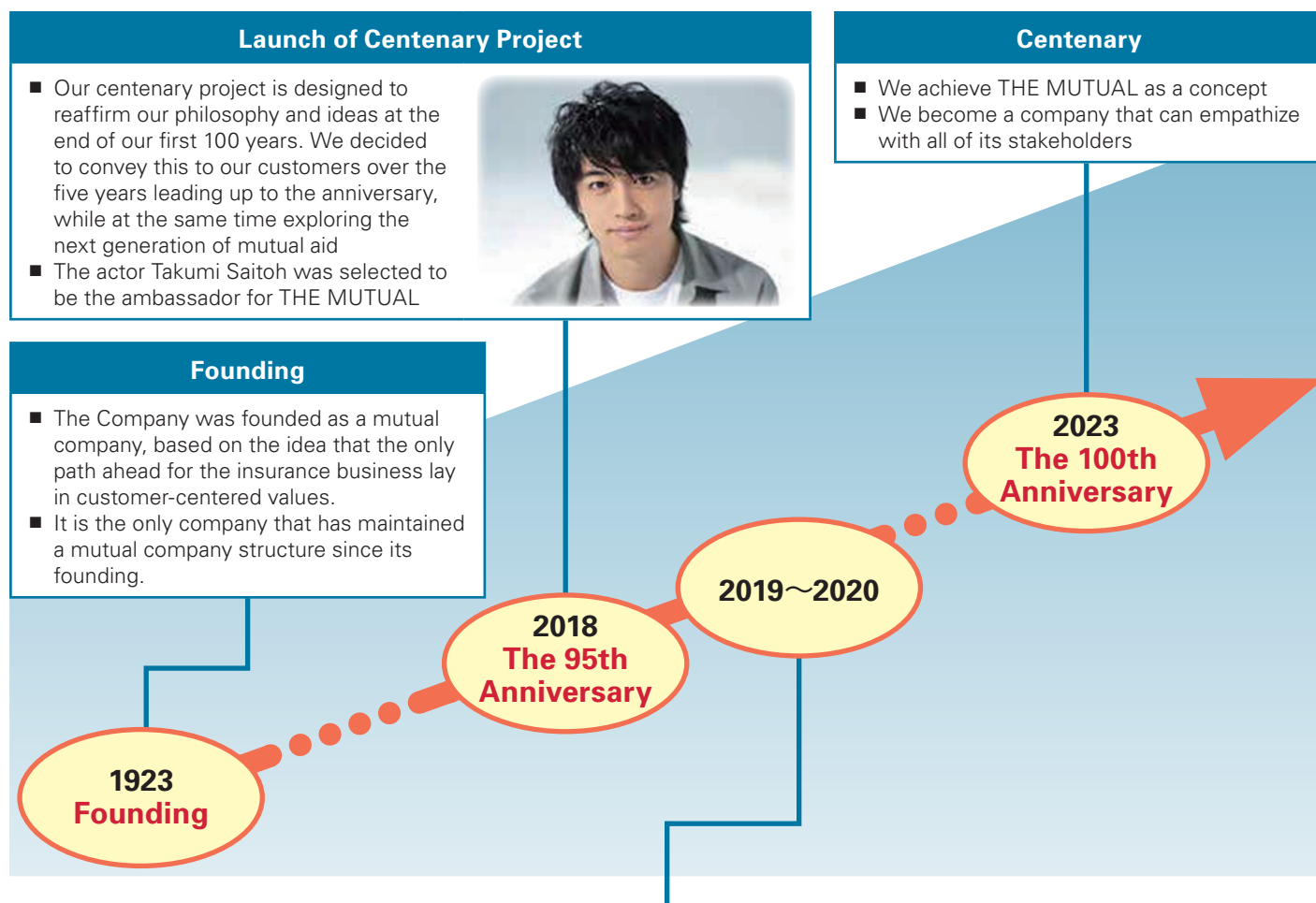
Launch of Centenary Project

Looking ahead to its centenary in November 2023, the Company has already set in train a centenary project based on the concept of THE MUTUAL.

THE MUTUAL refers to the next generation of mutual aid that will evolve over the coming century, as well as our aim to become an enterprise representing true mutual aid, by deepening

our connection to, and mutual support for, all our stakeholders.

Through our centenary project, we will ensure that we share affinity with a greatly expanded circle of individuals and organizations by conveying the message of mutual aid associated with THE MUTUAL. These efforts will support our goal of becoming a company that can empathize with all of its stakeholders.



Sectional Committee Activities Launched

These activities function as a propulsion engine that will drive our efforts to achieve THE MUTUAL. Under the moniker NEXT100, the sectional committee will introduce activities aimed at preparing for our next 100 years. Activities based on 12 themes including FIND THE MUTUAL and external PR are currently underway.

FIND THE MUTUAL

As we liaise with our 62 branch offices nationwide, we are implementing a program called FIND THE MUTUAL. This entails considering and exploring what the next generation of mutual aid might be, as we turn our attention to connections between people and the ideas they generate. In fiscal 2019, five branch offices (Nara, Kumamoto, Tokyo, Kyoto, and Ikebukuro) and in fiscal 2020, four (Hiroshima, Chiba, Maebashi, and Hakodate) were implementing the program respectively.

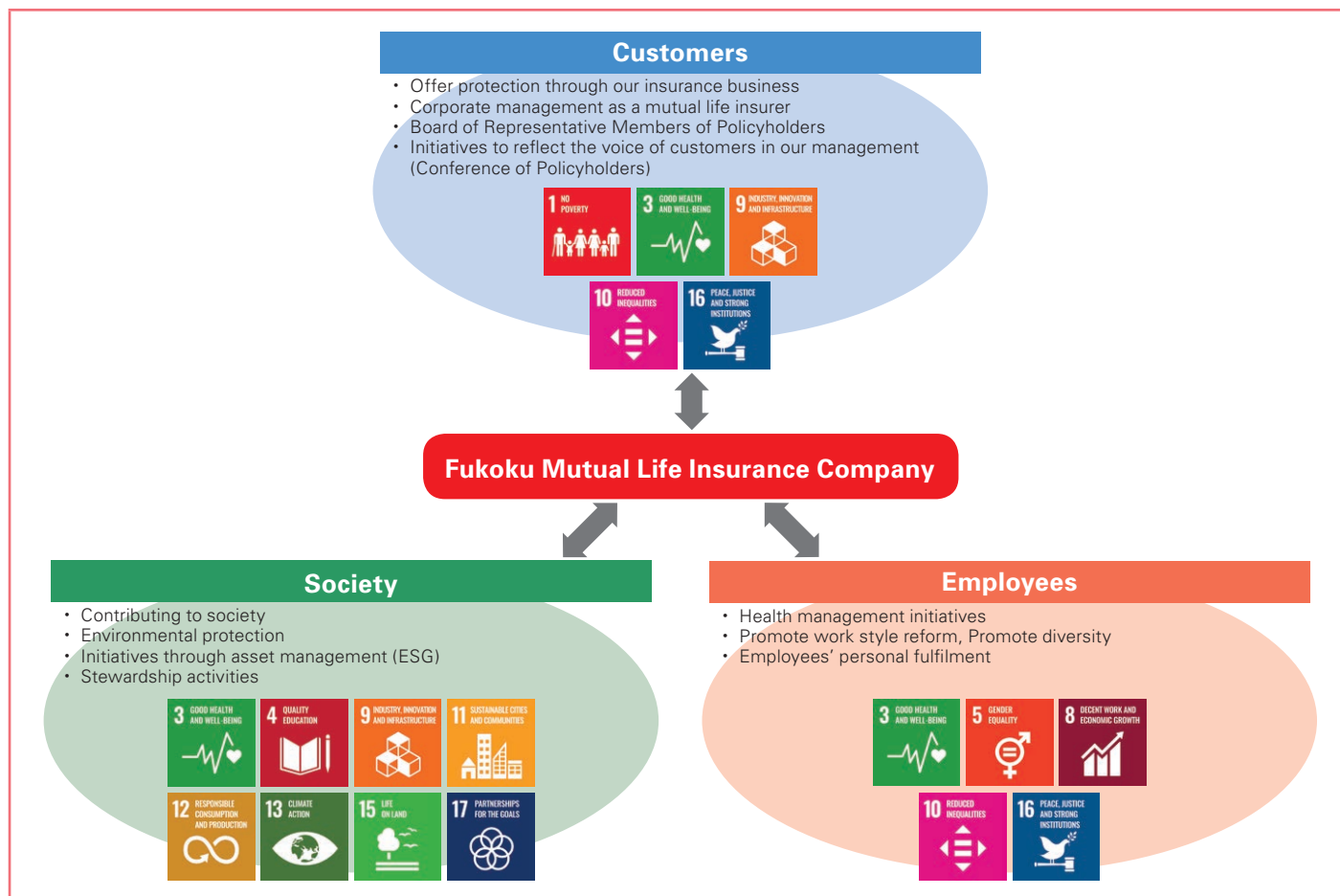


Kumamoto Branch Office staff who participated in the Romantic Furumachi Festival on November 10, 2019.

Sustainability — Corporate Activities Leading to Sustainability

Achieving Sustainable Development Goals (SDGs)

Given the highly public nature of the life insurance business, a life insurance company's commitment to customers is perpetual. Hence, it is only natural for us to maintain our sustainable development and growth in tandem with society in order to uphold our timeless commitment to customers. As we believe that all of our business activities as a mutual life insurer will contribute to the achievement of SDGs, Fukoku Life has always maintained such vision and initiatives.



Operate under the “Customer-Centered Business Management Policy” to share common values with our stakeholders; customers, society and employees.

Next-Generation Mutual Aid

We are the only company that has maintained a mutual company structure since its founding in Japan. As we approach our centenary, we are working on our Centenary Project¹ aimed at achieving next-generation mutual aid based on our concept of THE MUTUAL, while ensuring that this new mutual aid remains inspired by past and current forms.

The initiatives associated with the project are directly related to Sustainable Development Goal 17 (Partnership for the Goals) and will help sustain ongoing efforts to deepen our ties with stakeholders and contribute to the achievement of a sustainable society.

Notes:

1. Please refer to page 13 for more information on the Centenary Project.

Principles for Responsible Investment (PRI)

Endorsement

The Company became a signatory of the UN's PRI on March 21, 2016, indicating its approval of the intent behind the PRI. We believe that investing and financing, according to these principles, improve the profitability we can generate using the important funds entrusted to us by our customers and further increase our ability to fulfill our responsibilities as an institutional investor.

Signatory of:



ESG Investment, Financing

As it prioritizes the interests of its customers, the Company is well aware of the public nature of the life insurance industry and strives to ensure that its asset management fulfills social responsibilities. In March 2016, we endorsed the UN's PRI, and are currently taking into account ESG issues when making investment decisions, while ensuring that these considerations do not interfere with our fiduciary duty.

At the same time, we have made ESG issues one of the themes of our stewardship activities and are focusing on primarily on communicating with investee companies.

In June 2020, we also became a supporter of the Financial Stability Board's Task Force on Climate-related Financial Disclosures. In future, we will continue with our investment, financing, and stewardship activities, at the same time maintaining an awareness of climate change and the wide variety of other issues that affect societal sustainability.

Meanwhile, we also will strive to contribute to achieving a sustainable society, while fulfilling our fiduciary duty to secure profitability.

Examples

We are conducting investment and financing activities primarily associated with assets that are thematically linked to solutions for environmental challenges and other societal issues.

• Supporting Children's Education

In September 2020, we invested in sustainable development bonds issued by the World Bank. Investment in these bonds constitutes the first global project through which both issuing entities and investors invoke the importance of providing support for education during the COVID-19 pandemic. Funds raised through investment in these bonds will be used to

support a swift response to the pandemic-related impact on education in Turkey.*

* Funds raised by investment in sustainable development bonds will finance this and all other projects conducted by the World Bank.



• Climate Change

In February 2021, we invested in sustainable development bonds issued by the Inter-American Development Bank. Funds procured through investment in these bonds are partly used to support proper forest management in Honduras, as well as agroforestry, which combines agriculture and forestry by maintaining livestock and cultivated crops in the spaces between trees that are being planted and raised.



• Private Equity Impact Investment

In December 2020, we invested in a private equity impact fund. It supports the achievement of a society that consistently aims to fulfill the UN's Sustainable Development Goals by investing in unlisted companies that contribute to this end through the promotion of sustainable growth and employment, efforts targeting improved healthcare, support for gender equality, climate change initiatives and responses to energy demands, as well as environmental conservation. Through this type of investment, the fund aims to generate both economic and social returns.

Contribution to Society

Fukoku Life Concerts

This activity began in fiscal 1989 with a Fukoku Salon Concert, held in the lobby of our headquarters building in Uchisaiwaicho. Fukoku Life holds Visiting Concerts, which are held at schools and institutions for people with disabilities, enabling them to enjoy genuine classical music performed by professional musicians. We also hold Charity Concerts, which are held as a community benefit event and on which Fukoku Life executives collaborate in fund-raising. These concerts are held in cooperation with the regions where they are held.

• Visiting and Charity Concerts

Fukoku Life holds Visiting Concerts at schools and institutions

for people with disabilities, enabling the audiences to enjoy classical music performed by professional musicians. To assist communities in the areas in which these Visiting Concerts are held, we also hold charity concerts at which Company executives help to raise funds that are earmarked to support the community's welfare.

• 2020 Benefit Concert

Since the spread of the pandemic made giving concerts in the usual format difficult in fiscal 2020, we held and filmed a concert in an empty concert hall, uploaded the video on the Company's official YouTube channel, and have made it accessible through December 24, 2021.

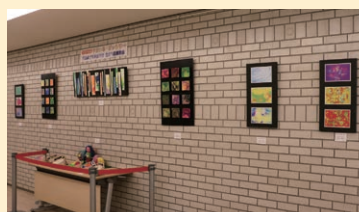


Musicians at 2020 Benefit Concert

Smile Gallery

To support the creation of art by children with disabilities, we run the Smile Gallery in a shopping mall located on the second-floor basement of our head office building in Uchisaiwaicho.

In this gallery, we display artworks created by students of special education schools nationwide. Began in fiscal 2003, the exhibitions are an offshoot of the Visiting Concert program, which goes to special education schools. In fiscal 2020, we displayed submissions from nine schools.



Works on display



Smile Gallery works on Company calendar.

Reconstruction Support through Marketing Events

The COVID-19 pandemic forced us to cancel external marketing events at which we had planned to sell specialty products from Fukushima, Miyagi, and Iwate Prefectures, which had been adversely impacted by the Great East Japan Earthquake and Tsunami of 2011.

Moreover, the Fukushima-related event had to be cancelled because it overlapped with a government-imposed state of emergency.

Nevertheless, we were able to accept and fill advance orders our Company received from members of the public.



Bake Sales Help People with Disabilities

Inspired by the success of sales held in the lobbies of our headquarters in Uchisaiwaicho and Chiba New Town when Visiting and Charity Concerts have been held, we opened the lobbies to regular bake sales run by institutions for people with disabilities.

In addition, we have collaborated with the establishments and encouraged our staff to participate. We believe that doing so helps promote understanding of employees with disabilities and, in turn, motivates them to take part in societal activities.

In fiscal 2020, in a move to help curb the spread of the pandemic, we accepted advance orders for bake sale items.



Environment-friendly Real Estate Development

Opened in 2010, the Osaka Fukoku Seimei Building received a commendation during the Fifth Award Ceremony for Buildings in Osaka, receiving the year's highest Comprehensive Assessment System for Built Environment Efficiency evaluation.

Meanwhile, the Sapporo Fukoku Seimei Koshiyama Building opened in 2017 is the first building in Sapporo to be certified gold under the Leadership in Energy and Environmental Design rating system managed by the US Green Building Council.

The structure also received praise as an energy-saving and environment-friendly office building, obtaining a four-star rating according to the Development Bank of Japan's Green Building Certification System.

Due primarily to its green walls and highly efficient facilities, the Koiwa Fukoku Seimei Building (completed in fiscal 2019) became the first building maintained by Fukoku Life to receive a top ranking and ZEB Ready certification under the Building-Housing Energy-efficiency Labeling System promoted by the Japanese government.



Osaka Fukoku Seimei Building



Sapporo Fukoku Seimei Koshiyama Building



Koiwa Fukoku Seimei Building

Energy Conservation

Fukoku Life is promoting a variety of energy-saving efforts, such as curtailing the use of interior lighting and eliminating its use when unnecessary; running air conditioning at appropriate temperatures and refraining from using it when possible;

decreasing the amount of OA equipment in use; and reducing elevator usage.

In addition, we are engaged in ongoing efforts to conserve energy and reduce CO₂ emissions associated with our buildings. Included among the efforts is the ongoing introduction of highly efficient air conditioning, LED lighting, water-saving plumbing fixtures, and hybrid outdoor lamps that use CO₂ emission-reducing solar panels and wind-powered generators.

In fiscal 2019, these efforts lowered our CO₂ emissions 12.1% year on year.

CO₂ Emissions

(t-CO ₂)		
FY2017	FY2018	FY2019
51,225	47,859	42,057

Sanrio Alliance

The Hello Kitty character, owned by Sanrio Co., Ltd., has attained worldwide popularity. Fukoku Life has adopted this widely loved character as its brand mascot and features Hello Kitty in many media, including Fukoku Life posters and brochures and videos posted on our website.

In fiscal 2014, we created an original Gotochi Kitty character (Gotochi meaning a local region), which we use in numerous situations to evoke a sense of closeness with customers.

We also provide the Sanrio Character Boat Ride as a friendly company attraction at Sanrio Puroland in Tokyo and Harmonyland in Oita, on the Japanese main island of Kyushu.



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Information Dissemination

Fukoku Life publishes a variety of materials for its stakeholders. Publications that provide information on the Company's business activities include the Japanese-language annual disclosure report (and abridged versions thereof), booklets written for policyholders, and this English-language annual report. Our diverse lineup of public relations and advertising activities includes the production of a variety of publications on an as-needed basis, which serves to strengthen the channels of communication between the Company, its policyholders, and its many other customers.

Non-consolidated Financial Statements

Non-consolidated Balance Sheets

Fukoku Mutual Life Insurance Company
As of March 31, 2020 and 2021

	As of March 31,		
	2020	2021	2021
	Millions of yen		Millions of U.S. dollars
Assets:			
Cash and deposits:			
Cash	¥ 168	¥ 155	\$ 1
Bank deposits	288,500	159,276	1,438
	288,668	159,431	1,440
Call loans	230,000	136,000	1,228
Monetary claims bought	269	239	2
Money held in trust	24,156	25,277	228
Securities:			
Government bonds	1,932,731	2,005,536	18,115
Local government bonds	102,704	99,212	896
Corporate bonds	664,875	699,187	6,315
Stocks	631,989	813,227	7,345
Foreign securities	1,894,581	2,175,012	19,646
Other securities	117,783	162,612	1,468
	5,344,665	5,954,789	53,787
Loans:			
Policy loans	55,339	50,797	458
Ordinary loans	510,133	517,293	4,672
	565,473	568,091	5,131
Tangible fixed assets:			
Land	125,118	146,816	1,326
Buildings	87,320	92,635	836
Lease assets	909	578	5
Construction in progress	2,866	93	0
Other tangible fixed assets	3,260	4,362	39
	219,475	244,487	2,208
Intangible fixed assets:			
Software	18,155	19,181	173
Lease assets	873	686	6
Other intangible fixed assets	4,762	4,388	39
	23,791	24,256	219
Agency receivables	4	10	0
Reinsurance receivables	111	124	1
Other assets:			
Accounts receivable	5,973	6,974	63
Prepaid expenses	2,508	3,339	30
Accrued income	28,268	28,168	254
Deposits	2,239	2,250	20
Derivatives	21,360	352	3
Cash collateral paid for financial instruments	—	1,747	15
Suspense payments	3,381	3,005	27
Rest of the other asset	3,148	3,234	29
	66,881	49,072	443
Prepaid pension cost	—	547	4
Deferred tax assets	29,397	—	—
Allowance for possible loan losses	(2,023)	(4,386)	(39)
Total assets	¥6,790,871	¥7,157,940	\$64,654

As of March 31,

	2020	2021	2021
	Millions of yen		Millions of U.S. dollars
Liabilities:			
Policy reserves:			
Reserve for outstanding claims	¥ 19,814	¥ 19,551	\$ 176
Policy reserve	5,694,979	5,729,511	51,752
Reserve for dividends to policyholders	60,922	63,232	571
	5,775,716	5,812,295	52,500
Reinsurance payables	86	87	0
Subordinated bonds	191,935	241,935	2,185
Other liabilities:			
Cash received as collateral under securities lending transactions	67,866	61,819	558
Corporate income tax payable	6,002	2,764	24
Accounts payable	2,783	7,272	65
Accrued expenses	10,689	10,280	92
Unearned income	361	367	3
Deposits received	6,079	6,303	56
Guarantee deposits received	13,941	13,887	125
Derivatives	7,564	41,391	373
Cash collateral received for financial instruments	1,694	10	0
Lease obligations	966	761	6
Asset retirement obligations	2,754	2,603	23
Suspense receipts	1,928	1,679	15
	122,632	149,141	1,347
Reserve for employees' retirement benefits	23,519	23,735	214
Reserve for price fluctuation	122,745	172,797	1,560
Deferred tax liabilities	—	26,430	238
Deferred tax liabilities for land revaluation	14,213	14,184	128
Total liabilities	6,250,849	6,440,606	58,175
Net assets:			
Foundation funds	12,000	12,000	108
Accumulated foundation funds redeemed	116,000	116,000	1,047
Reserve for revaluation	112	112	1
Surplus:			
Legal reserve for future losses	3,176	3,271	29
Other surplus:			
Reserve for redemption of foundation funds	—	2,400	21
Reserve for dividend allowances	20,000	20,000	180
Accumulated fund for price fluctuation	41,000	41,000	370
Reserve for advanced depreciation of real estate for tax purpose	209	207	1
Other reserves	767	767	6
Unappropriated surplus	57,901	59,102	533
	119,878	123,477	1,115
	123,054	126,748	1,144
Total foundation funds, surplus and others	251,166	254,860	2,302
Net unrealized gains (losses) on available-for-sale securities, net of tax	284,752	458,287	4,139
Revaluation reserve for land, net of tax	4,102	4,185	37
Total valuation and translation adjustments	288,855	462,473	4,177
Total net assets	540,021	717,333	6,479
Total liabilities and net assets	¥6,790,871	¥7,157,940	\$64,654

See notes to the non-consolidated financial statements.

Non-consolidated Statements of Operations

Fukoku Mutual Life Insurance Company
For the years ended March 31, 2020 and 2021

	Year ended March 31,		
	2020	2021	2021
	Millions of yen		Millions of U.S. dollars
Ordinary revenues:			
Premium and other income:			
Premium income	¥533,396	¥484,868	\$4,379
Reinsurance income	130	143	1
	533,527	485,011	4,380
Investment income:			
Interest, dividends and other income:			
Interest on deposits	36	5	0
Interest and dividends on securities	129,290	131,735	1,189
Interest on loans	8,766	8,137	73
Income from real estate for rent	15,267	15,534	140
Other interest and dividends	13	146	1
	153,374	155,559	1,405
Gains on money held in trust, net	314	1,127	10
Gains on trading securities, net	—	6,523	58
Gains on sales of securities	35,410	23,959	216
Gains on derivative instruments, net	5,577	—	—
Reversal of allowance for possible loan losses	70	—	—
Other investment income	289	170	1
Gains on separate accounts, net	—	19,315	174
	195,037	206,657	1,866
Other ordinary revenues:			
Fund receipt from annuity rider	5,397	2,205	19
Proceeds from deferred insurance	3,420	3,618	32
Reversal of reserve for outstanding claims	508	262	2
Reversal of reserve for employees' retirement benefits	996	246	2
Others	2,984	3,196	28
	13,306	9,529	86
Total ordinary revenues	741,870	701,198	6,333
Ordinary expenses:			
Claims and other payments:			
Claims	93,315	77,539	700
Annuities	157,816	151,810	1,371
Benefits	110,820	106,884	965
Surrenders	51,404	52,888	477
Other payments	25,588	26,083	235
Reinsurance premiums	230	231	2
	439,176	415,436	3,752
Provision of policy reserve and others:			
Provision of policy reserves	81,396	34,532	311
Provision of interest portion of reserve for dividends to policyholders	13	13	0
	¥ 81,409	¥ 34,545	\$ 312

Year ended March 31,

	2020	2021	2021
	Millions of yen		Millions of U.S. dollars
Investment expenses:			
Interest expenses	¥ 3,860	¥ 4,093	\$ 36
Losses on trading securities, net	4,979	—	—
Losses on sales of securities	1,935	11,809	106
Losses on valuation of securities	13,342	404	3
Losses on derivative instruments, net	—	12,967	117
Foreign exchange losses, net	17,543	4,602	41
Provision of allowance for possible loan losses	—	2,369	21
Write-offs of loans	262	—	—
Depreciation of real estate for rent and other assets	4,288	4,427	39
Other investment expenses	8,698	8,767	79
Losses on separate accounts, net	3,955	—	—
	58,867	49,443	446
Operating expenses	92,072	91,599	827
Other ordinary expenses:			
Deferred annuity payments	4,669	3,944	35
Taxes	6,788	7,304	65
Depreciation	8,879	9,739	87
Others	1,106	1,069	9
	21,444	22,057	199
Total ordinary expenses	692,970	613,083	5,537
Ordinary profits	48,899	88,115	795
Extraordinary gains:			
Gains on disposal of fixed assets	5	133	1
Total extraordinary gains	5	133	1
Extraordinary losses:			
Losses on disposal of fixed assets	181	801	7
Impairment losses	38	198	1
Provision of reserve for price fluctuation	11,466	50,051	452
Others	—	1,059	9
Total extraordinary losses	11,685	52,110	470
Surplus before income taxes	37,219	36,137	326
Income taxes:			
Current	13,646	11,227	101
Deferred	(10,540)	(10,516)	(94)
Total income taxes	3,106	710	6
Net surplus for the year	¥ 34,113	¥ 35,427	\$ 320

See notes to the non-consolidated financial statements.

Non-consolidated Statements of Changes in Net Assets

Fukoku Mutual Life Insurance Company
For the years ended March 31, 2020 and 2021

Millions of yen												
For the year ended March 31, 2020	Foundation funds, surplus and others											
	Surplus											
	Other surplus											
	Foundation funds	Accumulated foundation funds redeemed	Reserve for revaluation	Legal reserve for future losses	Reserve for redemption of foundation funds	Reserve for dividend allowances	Accumulated fund for price fluctuation	Reserve for advanced depreciation of real estate for tax purpose	Other reserves	Unappropriated surplus	Total surplus	Total foundation funds, surplus and others
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

Millions of yen				
For the year ended March 31, 2020	Valuation and translation adjustments			
	Net unrealized gains (losses) on available-for-sale securities, net of tax	Revaluation reserve for land, net of tax	Total valuation and translation adjustments	Total net assets
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

Millions of yen												
Foundation funds, surplus and others												
Surplus												
Other surplus												
For the year ended March 31, 2021	Foundation funds	Accumulated foundation funds redeemed	Reserve for revaluation	Legal reserve for future losses	Reserve for redemption of foundation funds	Reserve for dividend allowances	Accumulated fund for price fluctuation	Reserve for advanced depreciation of real estate for tax purpose	Other reserves	Unappropriated surplus	Total surplus	Total foundation funds, surplus and others
Balance at the beginning of the fiscal year	¥12,000	¥116,000	¥112	¥3,176	—	¥20,000	¥41,000	¥209	¥767	¥57,901	¥123,054	¥251,166
Changes in the fiscal year												
Additions to reserve for dividends to policyholders										(31,547)	(31,547)	(31,547)
Additions to legal reserve for future losses				95						(95)	—	—
Payment of interest on foundation funds										(102)	(102)	(102)
Net surplus for the fiscal year										35,427	35,427	35,427
Additions to reserve for redemption of foundation funds					2,400					(2,400)	—	—
Reversal of reserve for advanced depreciation of real estate for tax purpose								(1)		1	—	—
Reversal of revaluation reserve for land, net of tax										(83)	(83)	(83)
Net changes, excluding foundation funds, surplus and others												
Total changes in the fiscal year	—	—	—	95	2,400	—	—	(1)	—	1,200	3,694	3,694
Balance at the end of the fiscal year	¥12,000	¥116,000	¥112	¥3,271	¥2,400	¥20,000	¥41,000	¥207	¥767	¥59,102	¥126,748	¥254,860

Millions of yen				
Valuation and translation adjustments				
For the year ended March 31, 2021	Net unrealized gains (losses) on available-for-sale securities, net of tax	Revaluation reserve for land, net of tax	Total valuation and translation adjustments	Total net assets
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

Millions of U.S. dollars

For the year ended March 31, 2021	Foundation funds, surplus and others											
	Surplus											
	Other surplus											
	Foundation funds	Accumulated foundation funds redeemed	Reserve for revaluation	Legal reserve for future losses	Reserve for redemption of foundation funds	Reserve for dividend allowances	Accumulated fund for price fluctuation	Reserve for advanced depreciation of real estate for tax purpose	Other reserves	Unappropriated surplus	Total surplus	Total foundation funds, surplus and others
Balance at the beginning of the fiscal year	\$108	\$1,047	\$1	\$28	—	\$180	\$370	\$1	\$6	\$523	\$1,111	\$2,268
Changes in the fiscal year												
Additions to reserve for dividends to policyholders										(284)	(284)	(284)
Additions to legal reserve for future losses				0						(0)	—	—
Payment of interest on foundation funds										(0)	(0)	(0)
Net surplus for the fiscal year										320	320	320
Additions to reserve for redemption of foundation funds					21					(21)	—	—
Reversal of reserve for advanced depreciation of real estate for tax purpose								(0)		0	—	—
Reversal of revaluation reserve for land, net of tax										(0)	(0)	(0)
Net changes, excluding foundation funds, surplus and others												
Total changes in the fiscal year	—	—	—	0	21	—	—	(0)	—	10	33	33
Balance at the end of the fiscal year	\$108	\$1,047	\$1	\$29	\$21	\$180	\$370	\$1	\$6	\$533	\$1,144	\$2,302

Millions of U.S. dollars

For the year ended March 31, 2021	Valuation and translation adjustments			
	Net unrealized gains (losses) on available-for-sale securities, net of tax	Revaluation reserve for land, net of tax	Total valuation and translation adjustments	Total net assets
Balance at the beginning of the fiscal year	\$2,572	\$37	\$2,609	\$4,877
Changes in the fiscal year				
Additions to reserve for dividends to policyholders				(284)
Additions to legal reserve for future losses				—
Payment of interest on foundation funds				(0)
Net surplus for the fiscal year				320
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				(0)
Net changes, excluding foundation funds, surplus and others	1,567	0	1,568	1,568
Total changes in the fiscal year	1,567	0	1,568	1,601
Balance at the end of the fiscal year	\$4,139	\$37	\$4,177	\$6,479

Non-consolidated Statements of Surplus

Fukoku Mutual Life Insurance Company
For the years ended March 31, 2020 and 2021

	Year ended March 31,		
	2020	2021	2021
	Millions of yen		Millions of U.S. dollars
Unappropriated surplus	¥57,901	¥59,102	\$533
Reversal of voluntary surplus reserve:			
Reversal of reserve for advanced depreciation of real estate for tax purpose	1	1	0
	1	1	0
Total	57,903	59,103	533
Appropriation of surplus			
Reserve for dividends to policyholders	31,547	32,744	295
Net surplus:			
Legal reserve for future losses	95	99	0
Interest payment for foundation funds	102	102	0
Voluntary surplus reserve:			
Reserve for redemption of foundation funds	2,400	2,400	21
	2,400	2,400	21
	2,597	2,601	23
Total appropriation of surplus.....	34,144	35,345	319
Unappropriated surplus carried forward	¥23,758	¥23,758	\$214

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

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 Fukuoka 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.

The translations of yen amounts into U.S. dollar amounts are included solely for the convenience of the reader and have been made, as a matter of arithmetical computation only, at the rate of ¥110.71 = US\$1.00, the effective rate of exchange at the balance sheet date of March 31, 2021. The translations should not be construed as representations that such yen amounts have been or could in the future be, converted into U.S. dollars at that or any other rates.

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, 2020 and 2021 were ¥0 million and ¥0 million (US\$8 thousand), respectively.

- (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 benefitsBenefit 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, 2020, the balance of these policy reserves was ¥74,007 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, new cancer riders and highly advanced medical riders. As of March 31, 2020, the balance of these policy reserves was ¥29,605 million.

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 (US\$662 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 (US\$14 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 were as follows:

	As of March 31,		
	2020		
	Millions of yen		
	Carrying amount	Fair value	Difference
Cash and deposits:			
Cash and deposits not treated as securities	¥ 285,545	¥ 285,545	¥ —
Total cash and deposits	285,545	285,545	—
Call loans	230,000	230,000	—
Monetary claims bought:			
Claims treated as loans	269	287	17
Total monetary claims bought	269	287	17
Money held in trust:			
Trading securities	23,156	23,156	—
Total money held in trust	23,156	23,156	—
Securities:			
Trading securities	66,357	66,357	—
Held-to-maturity debt securities	757,178	879,712	122,534
Policy-reserve-matching bonds	892,940	1,035,765	142,825
Available-for-sale securities	3,450,284	3,450,284	—
Total securities	5,166,760	5,432,119	265,359
Loans:			
Policy loans	55,339	55,339	(0)
Ordinary loans	510,133	536,915	26,781
Total loans	565,473	592,254	26,781
Assets total	6,271,205	6,563,363	292,158
Subordinated bonds ¹	191,935	186,062	(5,872)
Cash received as collateral under securities lending transactions	67,866	67,866	—
Liabilities total	259,801	253,929	(5,872)
Derivative instruments ² :			
Hedge accounting not applied	3,589	3,589	—
Hedge accounting applied	10,206	10,206	—
Total derivative instruments	¥ 13,795	¥ 13,795	¥ —

As of March 31,

	2021			2021		
	Millions of yen			Millions of U.S. dollars		
	Carrying amount	Fair value	Difference	Carrying amount	Fair value	Difference
Cash and deposits:						
Cash and deposits not treated as securities	¥ 155,190	¥ 155,190	¥ —	\$ 1,401	\$ 1,401	\$ —
Total cash and deposits	155,190	155,190	—	1,401	1,401	—
Call loans	136,000	136,000	—	1,228	1,228	—
Monetary claims bought:						
Claims treated as loans	239	254	14	2	2	0
Total monetary claims bought	239	254	14	2	2	0
Money held in trust:						
Trading securities	24,277	24,277	—	219	219	—
Total money held in trust	24,277	24,277	—	219	219	—
Securities:						
Trading securities	29,426	29,426	—	265	265	—
Held-to-maturity debt securities	757,339	863,820	106,481	6,840	7,802	961
Policy-reserve-matching bonds	873,677	989,433	115,755	7,891	8,937	1,045
Available-for-sale securities	4,095,801	4,095,801	—	36,995	36,995	—
Total securities	5,756,244	5,978,481	222,237	51,993	54,001	2,007
Loans:						
Policy loans	50,797	50,797	(0)	458	458	(0)
Ordinary loans	517,293	537,281	19,987	4,672	4,853	180
Total loans	568,091	588,078	19,987	5,131	5,311	180
Assets total	6,640,043	6,882,283	242,239	59,976	62,164	2,188
Subordinated bonds ¹	241,935	246,577	4,642	2,185	2,227	41
Liabilities total	241,935	246,577	4,642	2,185	2,227	41
Derivative instruments ² :						
Hedge accounting not applied	(3,394)	(3,394)	—	(30)	(30)	—
Hedge accounting applied	(37,644)	(37,644)	—	(340)	(340)	—
Total derivative instruments	¥ (41,039)	¥ (41,039)	¥ —	\$ (370)	\$ (370)	\$ —

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, ¥5,684 million, and ¥28,169 million as of March 31, 2020, and ¥64,787 million (US\$585 million), ¥6,224 million (US\$56 million), and ¥29,744 million (US\$268 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 ¥174,688 million and ¥321,383 million as of March 31, 2020, and ¥193,459 million (US\$1,747 million) and ¥324,155 million (US\$2,927 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 were ¥588 million as of March 31, 2020, and ¥417 million (US\$3 million) as of March 31, 2021, respectively.

5. The amount of securities lent under lending agreements were ¥345,897 million and ¥465,351 million (US\$4,203 million) as of March 31, 2020 and 2021, respectively.

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, were ¥1,079 million as of March 31, 2020, and ¥3,199 million (US\$28 million) as of March 31, 2021, respectively;

- i) The balances of credits to bankrupt borrowers were ¥153 million and ¥147 million (US\$1 million) as of March 31, 2020 and 2021, respectively.
- ii) The balances of delinquent loans were ¥698 million and ¥2,522 million (US\$22 million) as of March 31, 2020 and 2021, respectively.
- iii) The balances of restructured loans were ¥227 million and ¥529 million (US\$4 million) as of March 31, 2020 and 2021, respectively.
- iv) There were no balances of delinquent loans past 3 months or more as of March 31, 2020 and 2021, respectively.

The direct write-offs related to loans decreased credits to bankrupt borrowers described above by ¥0 million as of March 31, 2020, and ¥0 million (US\$8 thousand) as of March 31, 2021, respectively.

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 ¥171,812 million and ¥173,746 million (US\$1,569 million) as of March 31, 2020 and 2021, respectively.

8. Total assets in separate accounts provided for in Article 118 of the Insurance Business Act were ¥84,658 million and ¥104,979 million (US\$948 million) as of March 31, 2020 and 2021, respectively. The amounts of separate account liabilities were the same as separate account assets.

9. The total amounts of receivables from/payables to subsidiaries were ¥3,155 million and ¥1,834 million as of March 31, 2020, and ¥3,070 million (US\$27 million) and ¥2,167 million (US\$19 million) as of March 31, 2021, respectively.

10. Deferred tax assets and deferred tax liabilities as of March 31, 2020 were ¥149,590 million and ¥114,839 million, respectively. Valuation allowance for deferred tax assets was ¥5,353 million.

Major components of deferred tax assets were ¥93,815

million of policy reserves, ¥34,368 million of reserve for price fluctuation and ¥11,812 million of reserve for employees' retirement benefits as of March 31, 2020. Major component of deferred tax liabilities was ¥110,413 million of net unrealized gains on available-for-sale securities as of March 31, 2020.

The statutory tax rate and the actual effective tax rate for the year ended March 31, 2020 were 28.0% and 8.3%, respectively. The difference between the statutory tax rate and the actual effective tax rate was attributable mainly to -23.7% of reserve for dividends to policyholders.

Deferred tax assets and deferred tax liabilities as of March 31, 2021 were ¥159,775 million (US\$1,443 million) and ¥181,233 million (US\$1,637 million), respectively. Valuation allowance

for deferred tax assets was ¥4,972 million (US\$44 million). Major components of deferred tax assets were ¥90,033 million (US\$813 million) of policy reserves, ¥48,383 million (US\$437 million) of reserve for price fluctuation and ¥11,872 million (US\$107 million) of reserve for employees' retirement benefits as of March 31, 2021.

Major component of deferred tax liabilities was ¥176,729 million (US\$1,596 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 were as follows:

	Year ended March 31,		
	2020	2021	2021
	Millions of yen		Millions of U.S. dollars
Balance at the beginning of the fiscal year.....	¥ 58,176	¥ 60,922	\$ 550
Transfer from surplus in the previous fiscal year.....	34,671	31,547	284
Dividend payments to policyholders during the fiscal year.....	(31,938)	(29,252)	(264)
Increase in interest.....	13	13	0
Balance at the end of the fiscal year.....	¥ 60,922	¥ 63,232	\$ 571

12. The amount of stocks of subsidiaries were ¥64,787 million and ¥64,787 million (US\$585 million) as of March 31, 2020 and 2021, respectively.

13. Assets pledged as collateral as of March 31, 2020 were ¥78,124 million of securities and ¥690 million of bank deposits. Secured debts as of March 31, 2020, were ¥73,400 million.

These amounts include ¥63,247 million of investments in securities deposited and ¥67,866 million of cash received as collateral under securities lending transactions secured by cash as of March 31, 2020.

Assets pledged as collateral as of March 31, 2021 were ¥99,608 million (US\$899 million) of securities and ¥790 million (US\$7 million) of bank deposits. Secured debts as of March 31, 2021, were ¥67,546 million (US\$610 million). These amounts include ¥60,241 million (US\$544 million) of investments in securities deposited and ¥61,819 million (US\$558 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") were ¥0 million and ¥4 million (US\$36 thousand) as of March 31, 2020 and 2021, respectively. 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") were ¥29 million and ¥30 million (US\$273 thousand) as of March 31, 2020 and 2021, respectively.

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 were ¥288,967 million and ¥462,585 million (US\$4,178 million) as of March 31, 2020 and 2021, respectively.

16. There were unused commitment line agreements under which the Company is the lender of ¥9,407 million and ¥8,733 million (US\$78 million) as of March 31, 2020 and 2021, respectively.

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 ¥8,400 million and ¥7,946 million (US\$71 million) as of March 31, 2020 and 2021, respectively.

The contribution is recognized as operating expenses when contributed.

19. Matters Related to Employees' Retirement Benefits

(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

	As of March 31,		
	2020	2021	2021
	Millions of yen		Millions of U.S. dollars
Retirement benefit obligation at the beginning of the fiscal year.....	¥87,060	¥87,938	\$794
Service cost.....	3,434	3,455	31
Interest cost.....	520	526	4
Actuarial differences occurred during the fiscal year.....	1,308	2,881	26
Retirement benefit payments.....	(4,386)	(4,279)	(38)
Prior service costs occurred during the fiscal year.....	—	54	0
Retirement benefit obligation at the end of the fiscal year.....	¥87,938	¥90,576	\$818

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

	As of March 31,		
	2020	2021	2021
	Millions of yen		Millions of U.S. dollars
Pension plan assets at the beginning of the fiscal year.....	¥54,880	¥53,704	\$485
Expected return on pension plan assets.....	858	867	7
Actuarial differences occurred during the fiscal year.....	(3,071)	6,673	60
Contributions by the employer.....	2,711	2,577	23
Retirement benefit payments.....	(1,675)	(1,578)	(14)
Pension plan assets at the end of the fiscal year.....	¥53,704	¥62,244	\$562

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

	As of March 31,		
	2020	2021	2021
	Millions of yen		Millions of U.S. dollars
a. Funded plan retirement benefit obligation.....	¥ 76,625	¥ 78,508	\$ 709
b. Pension plan assets.....	(53,704)	(62,244)	(562)
c. (a + b).....	22,920	16,263	146
d. Unfunded plan retirement benefit obligation.....	11,313	12,067	109
e. Unrecognized actuarial differences	(10,809)	(5,111)	(46)
f. Unrecognized prior service cost.....	95	(31)	(0)
g. Net amount of liabilities and assets presented on the non-consolidated balance sheet.....	23,519	23,187	209
h. Reserve for employees' retirement benefits.....	23,519	23,735	214
i. Prepaid pension cost	—	(547)	(4)
j. Net amount of liabilities and assets presented on the non-consolidated balance sheet.....	¥ 23,519	¥ 23,187	\$ 209

iv) Breakdown of retirement benefit gains and losses

	As of March 31,		
	2020	2021	2021
	Millions of yen		Millions of U.S. dollars
Service cost.....	¥3,434	¥3,455	\$31
Interest cost	520	526	4
Expected return on pension plan assets	(858)	(867)	(7)
Amortization of actuarial differences	1,404	1,905	17
Amortization of prior service cost.....	(76)	(72)	(0)
Retirement benefit expenses related to defined benefit plan.....	¥4,425	¥4,947	\$44

v) Breakdown of pension plan assets

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

	As of March 31,	
	2020	2021
Domestic stocks.....	41.3%	42.9%
Life insurance general account.....	35.5%	31.8%
Domestic bonds	10.0%	9.9%
Foreign stocks	6.9%	8.9%
Assets under joint management	—	3.3%
Foreign bonds.....	3.2%	3.2%
Others.....	3.1%	—
Total	100.0%	100.0%

Within the total of pension assets as of March 2021, 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 were as follows:

As of March 31,

	2020	2021
Discount rate	0.6%	0.6%
Expected long-term rate of return on pension plan assets		
Defined benefit plan	2.5%	2.5%
Retirement benefit trust	0.0%	0.0%

(3) Defined Contribution Plan

The required contribution amounts by the Company to the defined contribution plan were ¥216 million and ¥219 million (US\$1 million) as of March 31, 2020 and 2021, respectively.

III. Notes to the Non-consolidated Statements of Operations

1. The total amounts of revenues and expenses in connection with subsidiaries were ¥909 million and ¥8,331 million for the year ended March 31, 2020, and ¥869 million (US\$7 million) and ¥8,916 million (US\$80 million) for the year ended March 31, 2021, respectively.

2. The details of gains on sales of securities were as follows:

Year ended March 31,

	2020	2021	2021
	Millions of yen		Millions of U.S. dollars
Domestic bonds	¥20,386	¥ 7,447	\$ 67
Domestic stocks and others	11,143	14,974	135
Foreign securities	2,987	1,400	12
Others	¥ 892	¥ 137	\$ 1

3. The details of losses on sales of securities were as follows:

Year ended March 31,

	2020	2021	2021
	Millions of yen		Millions of U.S. dollars
Domestic bonds	¥ 47	¥ 735	\$ 6
Domestic stocks and others	643	7,592	68
Foreign securities	1,244	3,451	31
Others	¥ —	¥ 29	\$ 0

4. The details of losses on valuation of securities were as follows:

	Year ended March 31,		
	2020	2021	2021
	Millions of yen		Millions of U.S. dollars
Domestic bonds	¥ —	¥ 65	\$ 0
Domestic stocks and others	6,689	281	2
Foreign securities	5,876	57	0
Others	¥ 776	¥ —	\$ —

5. For the year ended March 31, 2020, in calculating the reversal of reserve for outstanding claims, a reversal of reserves for outstanding claims reinsured of ¥2 million was deducted. In calculating the provision of policy reserves, a reversal of reserves for policy reserves reinsured of ¥0 million was added.

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 (US\$35 thousand) was added. In calculating the provision of policy reserves, a provision of reserves for policy reserves reinsured of ¥0 million (US\$3 thousand) was deducted.

6. The details of gains on trading securities were as follows:

	Year ended March 31,		
	2020	2021	2021
	Millions of yen		Millions of U.S. dollars
Interest, dividends and other income	¥ 2,946	¥ 1,687	\$ 15
Gains on sales of trading securities	0	0	0
Gains on redemption of trading securities	1,731	—	—
Losses on redemption of trading securities	—	(3,475)	(31)
Gains on valuation of trading securities	—	8,310	75
Losses on valuation of trading securities	¥(9,658)	¥ —	\$ —

7. Gains on money held in trust included valuation gains of ¥0 million and ¥0 million (US\$0 thousand) for the year ended March 31, 2020 and 2021, respectively.

8. Gains on derivative instruments for the year ended March 31, 2020 included valuation gains of ¥3,696 million.

Losses on derivative instruments for the year ended March 31, 2021 included valuation losses of ¥6,984 million (US\$63 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.

Independent Auditor's Report

May 18, 2021

To the Board of Directors of
Fukoku Mutual Life Insurance Company:

Kisaragi Audit Corporation
Tokyo, Japan

Designated Engagement Partner
Certified Public Accountant


Yuichi Yasuda

Designated Engagement Partner
Certified Public Accountant


Osamu Sano

Opinion

We have audited the accompanying non-consolidated financial statements of Fukoku Mutual Life Insurance Company ("the Company"), which comprise the non-consolidated balance sheets as at March 31, 2021, the non-consolidated statements of operations, the non-consolidated statements of changes in net assets, and the non-consolidated statements of surplus for the year then ended, and notes to the non-consolidated financial statements, all expressed in Japanese yen.

In our opinion, the accompanying non-consolidated financial statements present fairly, in all material respects, the financial position of the Company as at March 31, 2021, and its financial performance for the year then ended in accordance with accounting principles generally accepted in Japan.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in Japan. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Non-Consolidated Financial Statements* section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in Japan, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management, Audit & Supervisory Board Members and Audit & Supervisory Board for the Non-Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the non-consolidated financial statements in accordance with accounting principles generally accepted in Japan, and for such internal control as management determines is necessary to enable the preparation of non-consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern in accordance with accounting principles generally accepted in Japan.

Audit & Supervisory Board Members and Audit & Supervisory Board are responsible for overseeing the directors' performance of their duties with regard to the design, implementation and maintenance of the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Non-Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the non-consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with auditing standards generally accepted in Japan will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these non-consolidated financial statements.

As part of our audit in accordance with auditing standards generally accepted in Japan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the non-consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, while the objective of the audit is not to express an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate whether the presentation and disclosures in the financial statements are in accordance with accounting principles generally accepted in Japan, the overall presentation, structure and content of the non-

consolidated financial statements, including the disclosures, and whether the non-consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with Audit & Supervisory Board Members and Audit & Supervisory Board regarding, among other matters, the planned scope and timing of the audit, significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Convenience Translation

The amounts expressed in U.S. dollars, which are provided solely for the convenience of the reader, have been translated on the basis set forth in Note I.1 to the accompanying non-consolidated financial statements with respect to the year ended March 31, 2021.

Interest required to be disclosed by the Certified Public Accountants Act of Japan

Our firm and its designated engagement partners do not have any interest in the Company which is required to be disclosed pursuant to the provisions of the Certified Public Accountants Act of Japan.

Consolidated Financial Statements

Consolidated Balance Sheets

Fukoku Mutual Life Insurance Company and consolidated subsidiaries
As of March 31, 2020 and 2021

	As of March 31,		
	2020	2021	2021
	Millions of yen		Millions of U.S. dollars
Assets:			
Cash and deposits	¥ 415,816	¥ 325,854	\$ 2,943
Call loans	230,000	136,000	1,228
Monetary claims bought.....	269	239	2
Money held in trust	24,156	25,277	228
Securities.....	6,977,554	7,417,165	66,996
Loans	569,127	571,420	5,161
Tangible fixed assets:			
Land.....	125,118	146,816	1,326
Buildings	87,480	92,773	837
Lease assets.....	933	618	5
Construction in progress	2,866	93	0
Other tangible fixed assets.....	3,484	4,521	40
	219,883	244,823	2,211
Intangible fixed assets:			
Software	19,889	19,877	179
Lease assets.....	8,666	6,015	54
Other intangible fixed assets.....	4,803	4,462	40
	33,359	30,355	274
Agency receivables.....	0	0	0
Reinsurance receivables.....	124	170	1
Other assets	74,059	55,447	500
Net defined benefit assets	255	339	3
Deferred tax assets	31,885	732	6
Allowance for possible loan losses.....	(2,024)	(4,386)	(39)
Total assets	¥8,574,467	¥8,803,440	\$79,518

As of March 31,

	2020	2021	2021
	Millions of yen		Millions of U.S. dollars
Liabilities:			
Policy reserves:			
Reserve for outstanding claims	¥ 23,620	¥ 23,713	\$ 214
Policy reserve	7,430,271	7,331,271	66,220
Reserve for dividends to policyholders.....	60,922	63,232	571
Reserve for dividends to policyholders (subsidiary).....	328	308	2
	7,515,143	7,418,526	67,008
Agency payables.....	114	112	1
Reinsurance payables.....	103	103	0
Subordinated bonds.....	191,935	241,935	2,185
Other liabilities.....	132,340	156,292	1,411
Net defined benefit liabilities	34,614	28,762	259
Reserve for price fluctuation	133,162	183,520	1,657
Deferred tax liabilities	0	25,857	233
Deferred tax liabilities for land revaluation.....	14,213	14,184	128
Total liabilities	8,021,628	8,069,294	72,886
Net assets:			
Foundation funds.....	12,000	12,000	108
Accumulated foundation funds redeemed	116,000	116,000	1,047
Reserve for revaluation.....	112	112	1
Consolidated surplus	127,315	131,699	1,189
Total foundation funds, surplus and others.....	255,427	259,811	2,346
Net unrealized gains (losses) on available-for-sale securities, net of tax	292,980	465,855	4,207
Revaluation reserve for land, net of tax.....	4,102	4,185	37
Foreign currency translation adjustment	(480)	(571)	(5)
Accumulated remeasurements of defined benefit plans	(7,714)	(3,703)	(33)
Total accumulated other comprehensive income	288,888	465,765	4,207
Non-controlling interests	8,523	8,568	77
Total net assets	552,839	734,145	6,631
Total liabilities and net assets	¥8,574,467	¥8,803,440	\$79,518

Consolidated Statements of Operations

Fukoku Mutual Life Insurance Company and consolidated subsidiaries
For the years ended March 31, 2020 and 2021

	Year ended March 31,		
	2020	2021	2021
	Millions of yen		Millions of U.S. dollars
Ordinary revenues:			
Premium and other income	¥629,956	¥584,794	\$5,282
Investment income			
Interest, dividends and other income	175,964	175,540	1,585
Gains on money held in trust, net	314	1,127	10
Gains on trading securities, net	—	6,523	58
Gains on sales of securities	37,162	26,764	241
Gains on derivative instruments, net	5,577	—	—
Reversal of allowance for possible loan losses	70	—	—
Other investment income	289	170	1
Gains on separate accounts, net	—	19,315	174
	219,379	229,442	2,072
Other ordinary revenues	15,067	109,905	992
Total ordinary revenues	864,402	924,142	8,347
Ordinary expenses:			
Claims and other payments:			
Claims	100,635	85,657	773
Annuities	260,181	352,581	3,184
Benefits	123,451	116,736	1,054
Surrenders	81,760	76,283	689
Other payments	26,116	26,673	240
	592,144	657,932	5,942
Provision of policy reserve and others:			
Provision of reserve for outstanding claims	—	92	0
Provision of policy reserves	36,637	—	—
Provision of interest portion of reserve for dividends to policyholders	13	13	0
Provision of interest portion of reserve for dividends to policyholders (subsidiary)	0	0	0
	36,650	106	0
Investment expenses:			
Interest expenses	3,885	4,113	37
Losses on trading securities, net	4,979	—	—
Losses on sales of securities	1,935	11,809	106
Losses on valuation of securities	13,342	404	3
Losses on derivative instruments, net	—	12,967	117
Foreign exchange losses, net	17,547	4,604	41
Provision of allowance for possible loan losses	—	2,369	21
Write-offs of loans	262	—	—
Depreciation of real estate for rent and other assets	4,288	4,427	39
Other investment expenses	7,389	7,444	67
Losses on separate accounts, net	3,955	—	—
	57,587	48,142	434
Operating expenses	100,850	99,997	903
Other ordinary expenses	27,141	27,923	252
Total ordinary expenses	814,374	834,101	7,534
Ordinary profits	¥ 50,028	¥ 90,040	\$ 813

	Year ended March 31,		
	2020	2021	2021
	Millions of yen		Millions of U.S. dollars
Extraordinary gains:			
Gains on disposal of fixed assets	¥ 5	¥ 133	\$ 1
Total extraordinary gains	5	133	1
Extraordinary losses:			
Losses on disposal of fixed assets	183	801	7
Impairment losses	38	198	1
Provision of reserve for price fluctuation	11,804	50,357	454
Others	—	1,059	9
Total extraordinary losses	12,026	52,417	473
Provision of reserve for dividends to policyholders (subsidiary)	172	168	1
Surplus before income taxes	37,834	37,588	339
Income taxes:			
Current	14,183	11,950	107
Deferred	(10,666)	(10,603)	(95)
Total income taxes	3,516	1,346	12
Net surplus	34,317	36,241	327
Net surplus (loss) attributable to non-controlling interests	(70)	125	1
Net surplus attributable to the parent company	¥34,388	¥36,116	\$326

Consolidated Statements of Comprehensive Income

Fukoku Mutual Life Insurance Company and consolidated subsidiaries
For the years ended March 31, 2020 and 2021

	Year ended March 31,		
	2020	2021	2021
	Millions of yen		Millions of U.S. dollars
Net surplus	¥ 34,317	¥ 36,241	\$ 327
Other comprehensive income:			
Net unrealized gains (losses) on available-for-sale securities, net of tax	(59,644)	172,797	1,560
Foreign currency translation adjustments	16	(91)	(0)
Remeasurements of defined benefit plan, net of tax	(2,197)	4,011	36
	(61,825)	176,717	1,596
Comprehensive income:			
Comprehensive income attributable to the parent company	(27,264)	212,910	1,923
Comprehensive income attributable to non-controlling interests	(242)	48	0
	¥(27,507)	¥212,959	\$1,923

Consolidated Statements of Cash Flows

Fukoku Mutual Life Insurance Company and consolidated subsidiaries
For the years ended March 31, 2020 and 2021

	Year ended March 31,		
	2020	2021	2021
	Millions of yen		Millions of U.S. dollars
Cash flows from operating activities:			
Surplus before income taxes.....	¥ 37,834	¥ 37,588	\$ 339
Depreciation of real estate for rent and other assets	4,288	4,427	39
Depreciation	12,559	13,542	122
Impairment losses	38	198	1
Increase (decrease) in reserve for outstanding claims	(963)	92	0
Increase (decrease) in policy reserve	36,637	(98,999)	(894)
Provision of interest portion of reserve for dividends to policyholders	13	13	0
Provision of interest portion of reserve for dividends to policyholders (subsidiary)	0	0	0
Provision of reserve for dividends to policyholders (subsidiary)	172	168	1
Increase (decrease) in allowance for possible loan losses	(72)	2,362	21
Increase (decrease) in net defined benefit liabilities.....	(985)	(365)	(3)
Increase (decrease) in reserve for price fluctuation.....	11,804	50,357	454
Interest, dividends and other income	(175,964)	(175,540)	(1,585)
Losses (gains) on securities, net	(18,840)	(28,549)	(257)
Interest expenses.....	3,885	4,113	37
Foreign exchange losses (gains), net	17,547	4,604	41
Losses (gains) on tangible fixed assets, net.....	144	590	5
Decrease (increase) in agency receivable.....	1	(0)	(0)
Decrease (increase) in reinsurance receivable	49	(45)	(0)
Decrease (increase) in other assets except from investing and financing activities	(181)	(540)	(4)
Increase (decrease) in agency payable	(3)	(2)	(0)
Increase (decrease) in reinsurance payable.....	14	0	0
Increase (decrease) in other liabilities except from investing and financing activities	(50)	82	0
Others.....	18,415	17,629	159
Subtotal	(53,655)	(168,270)	(1,519)
Interest, dividends and other income received	181,158	178,058	1,608
Interest expenses paid	(3,861)	(3,933)	(35)
Dividends to policyholders paid	(31,938)	(29,252)	(264)
Dividends to policyholders paid (subsidiary)	(309)	(188)	(1)
Corporate income tax (paid) refunded	(12,443)	(14,932)	(134)
Net cash provided by (used in) operating activities (a)	78,950	(38,518)	(347)
Cash flows from investing activities:			
Net decrease (increase) in deposits	(401)	(4,753)	(42)
Proceeds from sales and redemption of monetary claims bought	29	29	0
Increase in money held in trust	(1,000)	(1,500)	(13)
Decrease in money held in trust	1,000	1,500	13
Payments for purchase of securities	(547,377)	(839,487)	(7,582)
Proceeds from sales and redemption of securities	741,782	742,811	6,709
Payments for additions to loans	(92,007)	(96,899)	(875)
Proceeds from collections of loans	78,936	87,839	793
Proceeds from and payments for settlements of derivatives, net	14,231	(31,354)	(283)
Increase (decrease) in cash received as collateral under securities lending transactions	67,866	(6,047)	(54)
Others.....	(6,860)	(7,463)	(67)
Subtotal (b)	256,199	(155,325)	(1,402)
(a + b)	¥ 335,150	¥ (193,844)	\$ (1,750)

Year ended March 31,

	2020	2021	2021
	Millions of yen		Millions of U.S. dollars
Payments for purchase of tangible fixed assets.....	¥ (9,644)	¥ (33,165)	\$ (299)
Proceeds from sales of tangible fixed assets.....	148	387	3
Payments for purchase of intangible fixed assets.....	(7,423)	(8,218)	(74)
Net cash provided by (used in) investing activities.....	239,280	(196,321)	(1,773)
Cash flows from financing activities:			
Proceeds from issuance of subordinated bonds	—	50,000	451
Financing of additional foundation funds	12,000	—	—
Redemption of foundation funds.....	(10,000)	—	—
Payment of interest on foundation funds.....	(100)	(102)	(0)
Dividends paid to non-controlling interests	(9)	(3)	(0)
Payments for lease obligations.....	(3,223)	(3,533)	(31)
Net cash provided by (used in) financing activities.....	(1,333)	46,361	418
Effect of exchange rate changes on cash and cash equivalents	(514)	(205)	(1)
Net increase (decrease) in cash and cash equivalents	316,383	(188,684)	(1,704)
Cash and cash equivalents at the beginning of the fiscal year.....	328,124	644,507	5,821
Cash and cash equivalents at the end of the fiscal year	¥644,507	¥ 455,823	\$ 4,117

Consolidated Statements of Changes in Net Assets

Fukoku Mutual Life Insurance Company and consolidated subsidiaries
For the years ended March 31, 2020 and 2021

Millions of yen					
For the year ended March 31, 2020	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

Millions of yen							
For the year ended March 31, 2020	Accumulated other comprehensive income						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	Non-controlling interests	
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



Millions of yen					
For the year ended March 31, 2021	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

Millions of yen							
For the year ended March 31, 2021	Accumulated other comprehensive income						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	Non-controlling interests	
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

Millions of U.S. dollars

	Foundation funds, surplus and others				
	Foundation funds	Accumulated foundation funds redeemed	Reserve for revaluation	Consolidated surplus	Total foundation funds, surplus and others
For the year ended March 31, 2021					
Balance at the beginning of the fiscal year.....	\$108	\$1,047	\$1	\$1,149	\$2,307
Changes in the fiscal year					
Additions to reserve for dividends to policyholders				(284)	(284)
Payment of interest on foundation funds				(0)	(0)
Net surplus attributable to the parent company for the fiscal year				326	326
Reversal of revaluation reserve for land, net of tax				(0)	(0)
Net changes, excluding foundation funds, surplus and others.....					
Total changes in the fiscal year.....	—	—	—	39	39
Balance at the end of the fiscal year	\$108	\$1,047	\$1	\$1,189	\$2,346

Millions of U.S. dollars

	Accumulated other comprehensive income						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	Non-controlling interests	
For the year ended March 31, 2021							
Balance at the beginning of the fiscal year.....	\$2,646	\$37	\$ (4)	\$(69)	\$2,609	\$76	\$4,993
Changes in the fiscal year							
Additions to reserve for dividends to policyholders.....							(284)
Payment of interest on foundation funds							(0)
Net surplus attributable to the parent company for the fiscal year.....							326
Reversal of revaluation reserve for land, net of tax.....							(0)
Net changes, excluding foundation funds, surplus and others	1,561	0	(0)	36	1,597	0	1,598
Total changes in the fiscal year.....	1,561	0	(0)	36	1,597	0	1,637
Balance at the end of the fiscal year	\$4,207	\$37	\$(5)	\$(33)	\$4,207	\$77	\$6,631

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.

The translations of yen amounts into U.S. dollar amounts are included solely for the convenience of the reader and have been made, as a matter of arithmetical computation only, at the rate of ¥110.71 = US\$1.00, the effective rate of exchange at the balance sheet date of March 31, 2021. The translations should not be construed as representations that such yen amounts have been or could in the future be, converted into U.S. dollars at that or any other rates.

2. Principles of Consolidation

(1) Scope of Consolidation

Consolidated subsidiaries as of March 31, 2020 and 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, 2020 and 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, 2020 and 2021 were ¥0 million and ¥0 million (US\$ 8 thousand), respectively.

- (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 benefitsBenefit formula basis
 - Amortization period of actuarial gains and losses...10 years
 - Amortization period of prior service cost10 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 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, 2020, the balance of these policy reserves was ¥74,007 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, new cancer riders and highly advanced medical riders. As of March 31, 2020, the balance of these policy reserves was ¥29,605 million.

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 (US\$662 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 (US\$14 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 were as follows:

As of March 31,			
2020			
Millions of yen			
	Carrying amount	Fair value	Difference
Cash and deposits:			
Cash and deposits not treated as securities.....	¥ 412,693	¥ 412,693	¥ —
Total cash and deposits	412,693	412,693	—
Call loans	230,000	230,000	—
Monetary claims bought:			
Claims treated as loans	269	287	17
Total monetary claims bought.....	269	287	17
Money held in trust:			
Trading securities.....	23,156	23,156	—
Total money held in trust.....	23,156	23,156	—
Securities:			
Trading securities.....	66,357	66,357	—
Held-to-maturity debt securities	1,274,337	1,498,490	224,153
Policy-reserve-matching bonds.....	1,750,094	1,954,843	204,748
Available-for-sale securities	3,773,242	3,773,242	—
Total securities.....	6,864,032	7,292,934	428,902
Loans:			
Policy loans.....	58,993	58,993	(0)
Ordinary loans.....	510,133	536,915	26,781
Total loans.....	569,127	595,908	26,781
Assets total.....	8,099,279	8,554,980	455,701
Subordinated bonds ¹	191,935	186,062	(5,872)
Cash received as collateral under securities			
lending transactions.....	67,866	67,866	—
Liabilities total.....	259,801	253,929	(5,872)
Derivative instruments ² :			
Hedge accounting not applied.....	3,589	3,589	—
Hedge accounting applied	10,206	10,206	—
Total derivative instruments.....	¥ 13,795	¥ 13,795	¥ —

As of March 31,						
2021			2021			
Millions of yen			Millions of U.S. dollars			
	Carrying amount	Fair value	Difference	Carrying amount	Fair value	Difference
Cash and deposits:						
Cash and deposits not treated as securities.....	¥ 321,613	¥ 321,613	¥ —	\$ 2,905	\$ 2,905	\$ —
Total cash and deposits	321,613	321,613	—	2,905	2,905	—
Call loans	136,000	136,000	—	1,228	1,228	—
Monetary claims bought:						
Claims treated as loans	239	254	14	2	2	0
Total monetary claims bought.....	239	254	14	2	2	0
Money held in trust:						
Trading securities.....	24,277	24,277	—	219	219	—
Total money held in trust.....	24,277	24,277	—	219	219	—
Securities:						
Trading securities.....	29,426	29,426	—	265	265	—
Held-to-maturity debt securities	1,277,057	1,470,397	193,340	11,535	13,281	1,746
Policy-reserve-matching bonds.....	1,591,559	1,756,290	164,730	14,375	15,863	1,487
Available-for-sale securities	4,384,960	4,384,960	—	39,607	39,607	—
Total securities.....	7,283,003	7,641,074	358,071	65,784	69,018	3,234
Loans:						
Policy loans.....	54,126	54,126	(0)	488	488	(0)
Ordinary loans.....	517,293	537,281	19,987	4,672	4,853	180
Total loans.....	571,420	591,407	19,987	5,161	5,341	180
Assets total.....	8,336,553	8,714,627	378,073	75,300	78,715	3,414
Subordinated bonds ¹	241,935	246,577	4,642	2,185	2,227	41
Liabilities total.....	241,935	246,577	4,642	2,185	2,227	41
Derivative instruments ² :						
Hedge accounting not applied.....	(3,394)	(3,394)	—	(30)	(30)	—
Hedge accounting applied	(37,644)	(37,644)	—	(340)	(340)	—
Total derivative instruments.....	¥ (41,039)	¥ (41,039)	¥ —	\$ (370)	\$ (370)	\$ —

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, ¥5,684 million, and ¥28,169 million as of March 31, 2020 and ¥404 million (US\$3 million), ¥6,224 million (US\$56 million), and ¥29,744 million (US\$268 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 ¥173,454 million and ¥320,155 million as of March 31, 2020 and ¥192,277 million (US\$1,736 million) and ¥323,000 million (US\$2,917 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 amounts corresponding to asset retirement obligations included in the carrying amount of investment and rental properties were ¥587 million and ¥417 million (US\$3 million) as of March 31, 2020 and 2021, respectively.

5. The amounts of securities lent under lending agreements were ¥345,897 million and ¥465,351 million (US\$4,203 million) as of March 31, 2020 and 2021, respectively.

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, were ¥1,099 million and ¥3,216 million (US\$29 million) as of March 31, 2020 and 2021, respectively:

- i) The balances of credits to bankrupt borrowers were ¥173 million and ¥164 million (US\$1 million) as of March 31, 2020 and 2021, respectively.
- ii) The balances of delinquent loans were ¥698 million and ¥2,522 million (US\$22 million) as of March 31, 2020 and 2021, respectively.
- iii) The balances of restructured loans were ¥227 million and ¥529 million (US\$4 million) as of March 31, 2020 and 2021, respectively.
- iv) There were no balances of delinquent loans past 3 months or more as of March 31, 2020 and 2021, respectively.

The direct write-offs related to loans decreased credits to bankrupt borrowers described above by ¥0 million and ¥0 million (US\$8 thousand) as of March 31, 2020 and 2021, respectively.

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 ¥172,539 million and ¥174,603 million (US\$1,577 million) as of March 31, 2020 and 2021, respectively.
8. Total assets in separate accounts provided for in Article 118 of the Insurance Business Act were ¥84,658 million and ¥104,979 million (US\$948 million) as of March 31, 2020 and 2021, respectively. 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 ¥3,065 million and ¥40 million as of March 31, 2020 and ¥2,980 million (US\$26 million) and ¥37 million (US\$338 thousand) as of March 31, 2021, respectively.

10. Deferred tax assets and deferred tax liabilities as of March 31, 2020 were ¥156,847 million and ¥119,398 million, respectively. Valuation allowance for deferred tax assets was ¥5,563 million.

Major components of deferred tax assets were ¥94,544 million of policy reserves, ¥37,285 million of reserve for price fluctuation and ¥14,928 million of net defined benefit liability as of March 31, 2020.

Major component of deferred tax liabilities was ¥114,139 million of net unrealized gains on available-for-sale securities as of March 31, 2020.

The statutory tax rate and the actual effective tax rate for the year ended March 31, 2020 were 28.0% and 9.3%, respectively. The difference between the statutory tax rate and the actual effective tax rate was attributable mainly to -23.3% of reserve for dividends to policyholders.

Deferred tax assets and deferred tax liabilities as of March 31, 2021 were ¥165,511 million (US\$1,494 million) and ¥185,492 million (US\$1,675 million), respectively. Valuation allowance for deferred tax assets was ¥5,144 million (US\$46 million).

Major components of deferred tax assets were ¥90,790 million (US\$820 million) of policy reserves, ¥51,385 million (US\$464 million) of reserve for price fluctuation and ¥13,291 million (US\$120 million) of net defined benefit liabilities as of March 31, 2021.

Major component of deferred tax liabilities was ¥180,162 million (US\$1,627 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 were as follows:

	Year ended March 31,		
	2020	2021	2021
	Millions of yen		Millions of U.S. dollars
Balance at the beginning of the fiscal year.....	¥ 58,176	¥ 60,922	\$ 550
Transfer from surplus in the previous fiscal year.....	34,671	31,547	284
Dividend payments to policyholders during the fiscal year	(31,938)	(29,252)	(264)
Increase in interest.....	13	13	0
Balance at the end of the fiscal year	¥ 60,922	¥ 63,232	\$ 571

12. Changes in reserve for dividends to policyholders (Fukokushinrai Life Insurance Co., Ltd.) were as follows:

	Year ended March 31,		
	2020	2021	2021
	Millions of yen		Millions of U.S. dollars
Balance at the beginning of the fiscal year.....	¥ 465	¥ 328	\$ 2
Dividend payments to policyholders during the fiscal year	(309)	(188)	(1)
Increase in interest	0	0	0
Provision of reserve for dividends to policyholders	172	168	1
Balance at the end of the fiscal year	¥ 328	¥ 308	\$ 2

13. The amounts of stocks of unconsolidated subsidiaries were ¥404 million and ¥404 million (US\$3 million) as of March 31, 2020 and 2021, respectively.

14. Assets pledged as collateral as of March 31, 2020 were ¥78,124 million of securities and ¥690 million of bank deposits. Secured debts as of March 31, 2020, were ¥73,400 million.
These amounts include ¥63,247 million of investments in securities deposited and ¥67,866 million of cash received as collateral under securities lending transactions secured by cash as of March 31, 2020.
Assets pledged as collateral as of March 31, 2021 were ¥99,608 million (US\$899 million) of securities and ¥790 million (US\$7 million) of bank deposits. Secured debts as of March 31, 2021, were ¥67,546 million (US\$610 million).
These amounts include ¥60,241 million (US\$544 million) of investments in securities deposited and ¥61,819 million (US\$558 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") were ¥1 million and ¥26 million (US\$239 thousand) as of March 31, 2020 and 2021, respectively.
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") were ¥48 million and ¥49 million (US\$445 thousand) as of March 31, 2020 and 2021, respectively.

16. There were unused commitment line agreements under which the Company is the lender of ¥9,407 million and ¥8,733 million (US\$78 million) as of March 31, 2020 and 2021, respectively.

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 were estimated at ¥10,385 million and ¥9,833 million (US\$88 million) as of March 31, 2020 and 2021, respectively.
The contribution is recognized as operating expenses when contributed.

19. Matters Related to Employees' Retirement Benefits

(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

As of March 31,

	2020	2021	2021
	Millions of yen		Millions of U.S. dollars
Retirement benefit obligation at the beginning of the fiscal year.....	¥87,382	¥88,356	\$798
Service cost.....	3,535	3,551	32
Interest cost.....	520	526	4
Actuarial differences occurred during the fiscal year.....	1,308	2,881	26
Retirement benefit payments.....	(4,391)	(4,317)	(39)
Prior service costs occurred during the fiscal year.....	—	54	0
Retirement benefit obligation at the end of the fiscal year.....	¥88,356	¥91,051	\$822

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

As of March 31,

	2020	2021	2021
	Millions of yen		Millions of U.S. dollars
Pension plan assets at the beginning of the fiscal year.....	¥55,090	¥53,996	\$487
Expected return on pension plan assets.....	858	867	7
Actuarial differences occurred during the fiscal year.....	(3,071)	6,673	60
Contributions by the employer.....	2,794	2,666	24
Retirement benefit payments.....	(1,677)	(1,579)	(14)
Others.....	2	2	0
Pension plan assets at the end of the fiscal year.....	¥53,996	¥62,627	\$565

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

As of March 31,

	2020	2021	2021
	Millions of yen		Millions of U.S. dollars
a. Funded plan retirement benefit obligation.....	¥ 76,662	¥ 78,551	\$ 709
b. Pension plan assets.....	(53,996)	(62,627)	(565)
c. (a + b).....	22,665	15,924	143
d. Unfunded plan retirement benefit obligation.....	11,693	12,499	112
e. Net amount of liabilities and assets presented on the consolidated balance sheet.....	34,359	28,423	256
f. Net defined benefit liabilities.....	34,614	28,762	259
g. Net defined benefit assets.....	(255)	(339)	(3)
h. Net amount of liabilities and assets presented on the consolidated balance sheet.....	¥ 34,359	¥ 28,423	\$ 256

iv) Breakdown of retirement benefit gains and losses

	As of March 31,		
	2020	2021	2021
	Millions of yen		Millions of U.S. dollars
Service cost	¥3,535	¥3,551	\$32
Interest cost	520	526	4
Expected return on pension plan assets	(858)	(867)	(7)
Amortization of actuarial differences	1,404	1,905	17
Amortization of prior service cost	(76)	(72)	(0)
Others	(2)	(2)	(0)
Retirement benefit expenses related to defined benefit plan	¥4,523	¥5,039	\$45

v) Remeasurements of defined benefit plan

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

	As of March 31,		
	2020	2021	2021
	Millions of yen		Millions of U.S. dollars
Amortization of actuarial differences	¥(2,975)	¥5,698	\$51
Amortization of prior service cost	(76)	(126)	(1)
Total	¥(3,051)	¥5,571	\$50

vi) Accumulated remeasurements of defined benefit plan

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

	As of March 31,		
	2020	2021	2021
	Millions of yen		Millions of U.S. dollars
Unrecognized actuarial differences	¥(10,809)	¥(5,111)	\$(46)
Unrecognized prior service cost	95	(31)	(0)
Total	¥(10,714)	¥(5,143)	\$(46)

vii) Breakdown of pension plan assets

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

	As of March 31,	
	2020	2021
Domestic stocks	41.1%	42.6%
Life insurance general account	35.8%	32.3%
Domestic bonds	9.9%	9.8%
Foreign stocks	6.9%	8.8%
Assets under joint management	—	3.3%
Foreign bonds	3.2%	3.2%
Others	3.1%	—
Total	100.0%	100.0%

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 were as follows:

As of March 31,

	2020	2021
Discount rate	0.6%	0.6%
Expected long-term rate of return on pension plan assets		
Defined benefit plan	2.5%	2.5%
Retirement benefit trust	0.0%	0.0%

(3) Defined Contribution Plan

The required contribution amounts by the Company and its consolidated subsidiaries to the defined contribution plan were ¥331 million and ¥334 million (US\$3 million) as of March 31, 2020 and 2021, respectively.

III. Notes to the Consolidated Statements of Operations

- The total amounts of revenues and expenses in connection with unconsolidated subsidiaries were ¥75 million and ¥1,201 million for the year ended March 31, 2020 and ¥93 million (US\$840 thousand) and ¥1,355 million (US\$12 million) for the year ended March 31, 2021, respectively.
- For the year ended March 31, 2020, in calculating the reversal of reserve for outstanding claims, a reversal of reserves for outstanding claims reinsured of ¥68 million was deducted. In calculating the provision of policy reserves, a reversal of reserves for policy reserves reinsured of ¥5 million was added.
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 (US\$224 thousand) was deducted. In calculating the reversal of policy reserves, a provision of reserves for policy reserves reinsured of ¥0 million (US\$5 thousand) was added.
- "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 were as follows:

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

Year ended March 31,

	2020	2021	2021
			Millions of U.S. dollars
	Millions of yen		
Amount incurred during the fiscal year	¥(63,412)	¥256,428	\$2,316
Reclassification adjustments	(18,165)	(17,606)	(159)
Before tax adjustments	(81,578)	238,821	2,157
Tax effects	21,934	(66,023)	(596)
Net unrealized gains (losses) on available-for-sale securities, net of tax	¥(59,644)	¥172,797	\$1,560

ii) Foreign currency translation adjustments

	Year ended March 31,		
	2020	2021	2021
	Millions of yen		Millions of U.S. dollars
Amount incurred during the fiscal year.....	¥16	¥(91)	\$ (0)
Reclassification adjustments	—	—	—
Before tax adjustments	16	(91)	(0)
Tax effects	—	—	—
Foreign currency translation adjustments	¥16	¥(91)	\$ (0)

iii) Remeasurements of defined benefit plans, net of tax

	Year ended March 31,		
	2020	2021	2021
	Millions of yen		Millions of U.S. dollars
Amount incurred during the fiscal year.....	¥ (4,380)	¥ 3,738	\$ 33
Reclassification adjustments	1,328	1,833	16
Before tax adjustments	(3,051)	5,571	50
Tax effects	854	(1,559)	(14)
Remeasurements of defined benefit plans, net of tax.....	(2,197)	4,011	36
Total other comprehensive income	¥(61,825)	¥176,717	\$1,596

V. Notes to the Consolidated Statements of Cash Flows

- Cash and cash equivalents as of March 31, 2020 and 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."
- Reconciliations of cash and cash equivalents in the consolidated statements of cash flows to the consolidated balance sheet accounts were as follows:

	Year ended March 31,		
	2020	2021	2021
	Millions of yen		Millions of U.S. dollars
Cash and deposits	¥415,816	¥325,854	\$2,943
Call loans	230,000	136,000	1,228
Monetary claims bought.....	269	239	2
Time deposits maturing over 3 months of the date of acquisition	(100)	(5,100)	(46)
Foreign currency deposits maturing over 3 months of the date of acquisition.....	(1,209)	(931)	(8)
Monetary claims bought maturing over 3 months of the date of acquisition.....	(269)	(239)	(2)
Cash and cash equivalents	¥644,507	¥455,823	\$4,117

Management's Report on Internal Control over Financial Reporting

1. Matters relating to the basic framework of internal control over financial reporting

Yoshiteru Yoneyama, President of Fukoku Mutual Life Insurance Company (the Company), is responsible for the design and operation of internal control over financial reporting for the Company's financial statements, namely, consolidated balance sheet and the related consolidated statements of operations, comprehensive income, cash flows, changes in net assets and a summary of significant accounting policies and other explanatory information for the year ended March 31, 2021, prepared in accordance with Article 110 Paragraph 2 of the Insurance Business Act. The Company designs and operates its internal control over financial reporting in accordance with the basic framework for internal control set forth in the Revision of Standards and Practice Standards for Management Assessment and Audit Concerning Internal Control Over Financial Reporting (Council Opinions) issued by the Business Accounting Council of the Financial Service Agency of Japan.

Internal control aims at achieving the objectives to a reasonable extent with the organized and integrated function of individual components of internal control as a whole. Therefore, internal control over financial reporting cannot always ensure the prevention or detection of misstatements in the presentation of financial reporting.

2. Matters relating to the scope of assessment, the basis date of assessment and the assessment procedures

The Company performed an assessment of internal control over financial reporting for its consolidated financial statements as of the end of the fiscal year, March 31, 2021 in accordance with generally accepted assessment standards in Japan for internal control over financial reporting.

In the assessment of internal control over financial reporting, the Company first assessed internal controls that have a material impact on overall consolidated financial reporting (company-level controls) and, based on the results, the Company selected the business processes to be assessed. In assessing those business processes, the Company analyzed selected business processes, identified a key control that would have a material impact on the reliability of financial reporting, and assessed the establishment and operation with regard to the key control. The Company assessed the effectiveness of internal control by the aforementioned procedures.

For the Company and its consolidated subsidiaries, the Company determined the scope of assessment of internal control over financial reporting from the perspective of their materiality to the reliability of financial reporting. The materiality to the reliability of financial reporting is determined in light of their degree of quantitative and qualitative impact. The Company rationally determined the scope of assessment of internal controls incorporated into business processes (process-level controls) based on the results of assessment of company-level controls regarding the Company and one consolidated subsidiary. Other than those indicated above, five consolidated subsidiaries were determined to be immaterial from quantitative and qualitative perspectives. Consequently, they are excluded from the scope of assessment of company-level controls.

With respect to the scope of assessment of process-level controls, the locations or business units were selected in descending order of ordinary revenues (after elimination of inter-company transactions) in the previous fiscal year until their combined amount reached about two-thirds of consolidated ordinary revenues. As a result, two companies (the Company and its consolidated subsidiary) were selected as significant locations or business units. At selected significant locations and business units, business processes related to accounting items that were closely associated with the company's business objectives, including securities, ordinary loans and policy reserves, as well as premium and other income and claims and other payments, which have a material impact on the calculation of policy reserves, were determined to be within the scope of assessment. Furthermore, at selected significant locations and business units and any other locations and business units, added to the scope of assessment were business processes relating to important accounting items that have a high possibility of material misstatements and involve estimates and judgments, and business processes relating to businesses or operations dealing with high-risk transactions.

3. Matters relating to the results of the assessment

As a result of performing the assessment, the Company concluded that the design and operation of internal control over financial reporting for the Company were effective as of March 31, 2021.

4. Supplementary information

Not applicable

5. Other special information

Not applicable

June 4, 2021
Yoshiteru Yoneyama
President
Fukoku Mutual Life Insurance Company

Independent Auditor's Report

June 7, 2021

To the Board of Directors of
Fukoku Mutual Life Insurance Company:

Kisaragi Audit Corporation
Tokyo, Japan

Designated Engagement Partner
Certified Public Accountant


Yuichi Yasuda

Designated Engagement Partner
Certified Public Accountant


Osamu Sano

< Financial Statements Audit >

Opinion

We have audited the accompanying consolidated financial statements of Fukoku Mutual Life Insurance Company ("the Company") and its consolidated subsidiaries (collectively referred to as "the Group"), which comprise the consolidated balance sheets as at March 31, 2021, the consolidated statements of operations, the consolidated statements of comprehensive income, the consolidated statements of cash flows, and the consolidated statements of changes in net assets for the year then ended, and notes to the consolidated financial statements, all expressed in Japanese yen.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at March 31, 2021, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with accounting principles generally accepted in Japan.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in Japan. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Group in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Japan, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matter

Key audit matter is the matter that, in our professional judgment, was of most significance in our audit of the consolidated financial statements of the current period. The matter was addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a

separate opinion on the matter.

Appropriateness of the amount of policy reserve
(The key audit matter) In the consolidated financial statements of Fukoku Mutual Life Insurance Company (“the Company”), policy reserve of ¥7,331,271 million was recognized. Of this amount, the policy reserve of the Company (the parent company) amounted to ¥5,729,511 million, which accounted for 71% of total liabilities in the consolidated financial statements. As described in the Notes to the Consolidated Balance Sheets 1.(13), policy reserve 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. In addition, when the actual assumptions for long-term future cash flows (such as assumed incidence rate and assumed interest rate) deviate from those assumptions set in the “statement of calculation procedures for Insurance Premiums and Policy Reserves” and policy reserve is considered to be possibly insufficient to cover the future performance of obligations, additional policy reserve is required to accumulate in accordance with Article 69 Paragraph 5 of the Enforcement Regulation of the Insurance Business Act. The appointed actuary verifies the sufficiency of policy reserve based on the future cash flow analysis in accordance with Article 121 Paragraph 1 of the Insurance Business Act and Article 80 of the Enforcement Regulation of the Insurance Business Act. The policy reserve is significant in terms of amount, and the insurance amount to be paid in the future are calculated based on long-term insurance policy in accordance with the actuarial science. Accordingly, the process of the policy reserve calculation is complex and specialized. We, therefore, determined that the appropriateness of the amount of policy reserve of the Company was a key audit matter.
(How the key audit matter was addressed in our audit) In order to assess whether the amount of policy reserve of the Company was appropriate, we tested the design and operating effectiveness of certain of the Company’s internal controls relevant to the amount of policy reserve and primarily performed the following audit procedures. It should be noted that actuarial specialists and IT specialists were involved in those audit procedures since the policy reserve is automatically calculated by IT system under the actuarial science. (1) Accuracy of the calculation of the amount of policy reserve We independently recalculated the policy reserve on a sample basis to ensure whether those policy reserve follow the “statement of calculation procedures for Insurance Premiums and Policy Reserves”. Samples were selected based on our risk assessment including the newly sold insurance products. Furthermore, we evaluated the movement in policy reserve, including consideration of whether the movements were in line with the insurance premiums, claims and so on.

(2) Completeness of the amount of policy reserve

We tested if the data related to all underwritten insurance policies were appropriately recorded on the policy administration system. And we tested through the aggregation process if all policy reserve related to insurance policies recorded on the policy administration system were appropriately aggregated.

(3) Sufficiency of the amount of policy reserve

We assessed whether “the opinion letter of appointed actuary and supplementary report” that includes the result of the future cash flow analysis following the related laws, regulations and “Standard of Practice for Appointed Actuaries of Life Insurance Companies” (issued by the Institute of Actuaries of Japan) by the following procedures. We discussed with the appointed actuary. Then we compared the current fiscal year result of the future cash flow analysis with that of last fiscal year. Further, we independently recalculated the future cash flow based on the future cash flow analysis by appointed actuary. And we tested whether the management booked the policy reserve balance based on the “the opinion letter of appointed actuary and supplementary report” by interview with management and by inspection of the board meeting minutes.

Responsibilities of Management, Audit & Supervisory Board Members and Audit & Supervisory Board for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with accounting principles generally accepted in Japan, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group’s ability to continue as a going concern, disclosing, as applicable, matters related to going concern in accordance with accounting principles generally accepted in Japan.

Audit & Supervisory Board Members and Audit & Supervisory Board are responsible for overseeing the directors’ performance of their duties with regard to the design, implementation and maintenance of the Group’s financial reporting process.

Auditor’s Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor’s report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with auditing standards generally accepted in Japan will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of our audit in accordance with auditing standards generally accepted in Japan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, while the objective of the audit is not to express an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate whether the presentation and disclosures in the consolidated financial statements are in accordance with accounting principles generally accepted in Japan, the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with Audit & Supervisory Board Members and Audit & Supervisory Board regarding, among other matters, the planned scope and timing of the audit, significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

From the matters communicated with Audit & Supervisory Board Members and Audit & Supervisory Board, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.



Convenience Translation

The amounts expressed in U.S. dollars, which are provided solely for the convenience of the reader, have been translated on the basis set forth in Note I.1 to the accompanying consolidated financial statements with respect to the year ended March 31, 2021.

< Internal Control Audit >

Opinion

We also have audited the accompanying management's report on internal control over financial reporting of the Company, which comprise the consolidated balance sheets as at March 31, 2021, the consolidated statements of operations, the consolidated statements of comprehensive income, the consolidated statements of cash flows, and the consolidated statements of changes in net assets for the year then ended, and notes to the consolidated financial statements.

In our opinion, the management's report on internal control over financial reporting referred to above, which represents that the internal control over financial reporting of the consolidated financial statements of the Company as at March 31, 2021 is effectively maintained, presents fairly, in all material respects, the results of management's assessment of internal control over financial reporting in conformity with standards for assessment of internal control over financial reporting generally accepted in Japan.

Basis for Opinion

We conducted our internal control audit in accordance with auditing standards for internal control over financial reporting generally accepted in Japan. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Internal Control Audit* section of our report. We are independent of the Group in accordance with the ethical requirements in Japan, and we have fulfilled our other ethical responsibilities as auditors. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management, Audit & Supervisory Board Members and Audit & Supervisory Board for the Management's Report on Internal Control over Financial Reporting

Management is responsible for designing and operating effective internal control over financial reporting and for the preparation and fair presentation of its report on internal control in accordance with standards for assessment of internal control over financial reporting generally accepted in Japan.

Audit & Supervisory Board Members and Audit & Supervisory Board are responsible for overseeing and verifying the design and operating effectiveness of internal control over financial reporting.

There is a possibility that misstatements may not be completely prevented or detected by internal control over financial reporting.

Auditor's Responsibilities for the Internal Control Audit



Our responsibility is to obtain reasonable assurance about whether the management's report on internal control over financial reporting is free from material misstatement, and to express an opinion from an independent perspective on an internal control report, based on our internal control audit.

As part of our audit in accordance with auditing standards for internal control over financial reporting generally accepted in Japan, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

- Perform audit procedures to obtain audit evidence for the assessment results for internal control over financial reporting in management's report on internal control. Internal control audit procedures selected and applied depend on the auditor's judgment, taking into account the significance of effects on the reliability of financial reporting.
- Examine representations on the scope, procedures, and results of assessment of internal control over financial reporting made by management, as well as evaluating the overall presentation of management's report on internal control.
- Obtain sufficient appropriate audit evidence regarding the results of assessment of internal control over financial reporting in the management's report on internal control. We are responsible for direction, supervision and performance of the audit of management's report on internal control. We remain solely responsible for our audit opinion.

We communicate with Audit & Supervisory Board Members and Audit & Supervisory Board regarding the planned scope and timing of the internal control audit, results of the internal control audit, including identified material weakness which should be disclosed, the results of remediation, and other matters that are required by auditing standards for internal control.

Interest required to be disclosed by the Certified Public Accountants Act of Japan

Our firm and its designated engagement partners do not have any interest in the Group which is required to be disclosed pursuant to the provisions of the Certified Public Accountants Act of Japan.

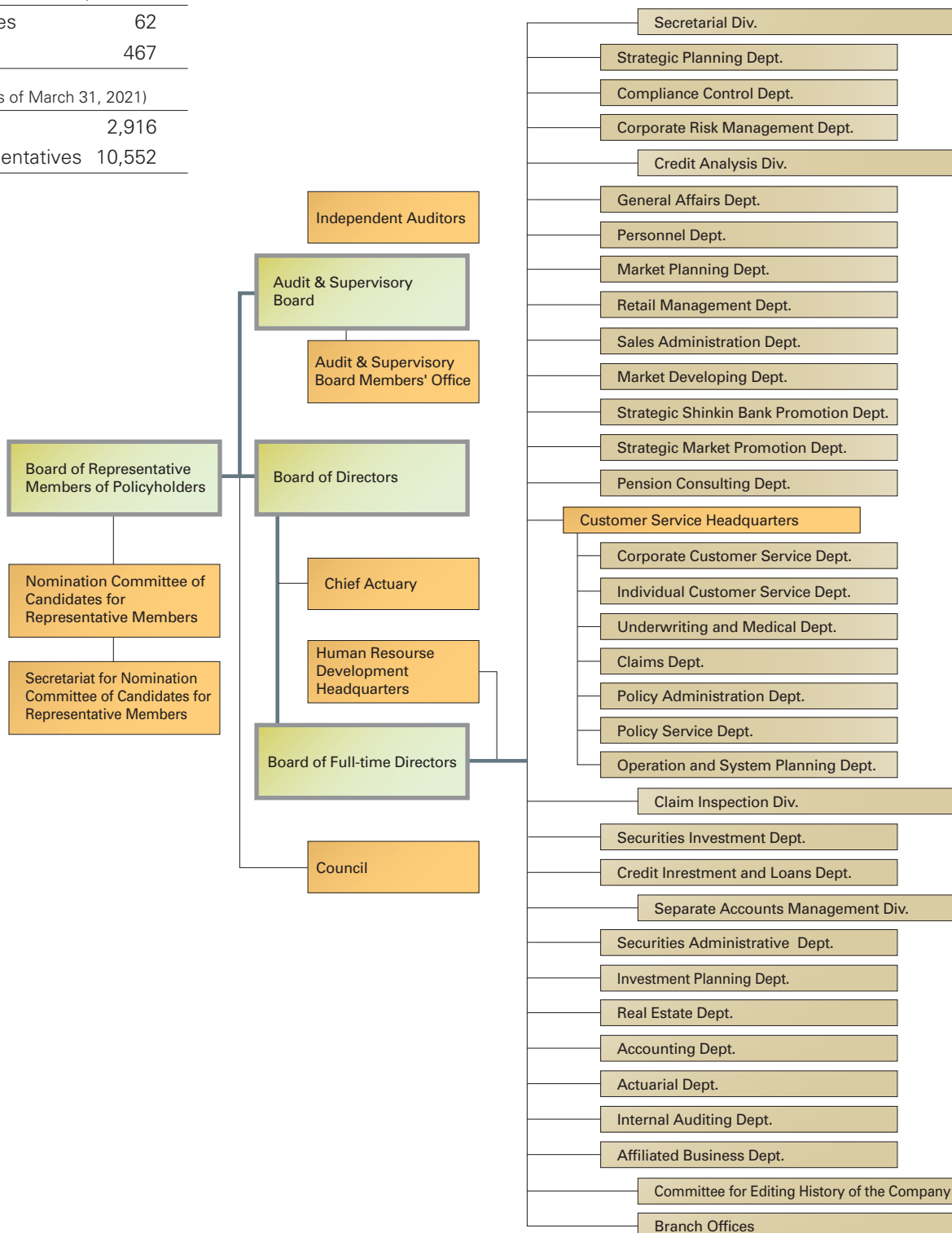
Corporate Organization

Domestic Offices (As of April 1, 2021)

Branch Offices	62
Field Offices	467

Employees (As of March 31, 2021)

Office Staff	2,916
Sales Representatives	10,552



Directors, Audit & Supervisory Board Members and Executive Officers

President and Chief Executive Officer

Yoshiteru Yoneyama*

Deputy President and Executive Officer

Toshihide Fujiwara

Director and Senior Managing Executive Officer

Yuuki Sakurai

Director and Senior Managing Executive Officer

Toshikatsu Hayashi

Director and Managing Executive Officer

Takehiko Watabe

Director and Managing Executive Officer

Yasuyuki Kitamura

Director

Hiroto Yoshimura**

Director

Masanori Yanagi**

Director and Executive Officer

Keiichi Kurota

Director and Executive Officer

Naoyuki Torii

Director and Executive Officer

Naoki Sunamoto

Audit & Supervisory Board Member

Yoshizumi Nezu***

Audit & Supervisory Board Member

Kyohei Takahashi***

Audit & Supervisory Board Member

Kunio Otani***

Audit & Supervisory Board Member (Standing)

Kei Yoshizawa

Audit & Supervisory Board Member (Standing)

Shinji Nakao

Managing Executive Officer

Takeshi Oomori

Executive Officer

Chikashi Ichikawa

Executive Officer

Ichiro Yamada

Executive Officer

Takeshi Kondou

Executive Officer

Naoyuki Asami

Executive Officer

Hideaki Shigematsu

Executive Officer

Mitsuhiro Hoshino

Executive Officer

Toshihiko Morishita

Executive Officer

Kenichi Yoshioka

Executive Officer

Yuuji Yoshida

*Representative Director

**External Directors

***External Audit & Supervisory Board Member

(As of July 2, 2021)

Directory

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▲ Tokyo Head Office



▲ Osaka Fukoku Mutual Life Insurance Building



▲ Sapporo Fukokuseimei Koshiyama Building

