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NOTHING IN THIS ELECTRONIC TRANSMISSION CONSTITUTES AN OFFER OF SECURITIES FOR SALE IN THE UNITED STATES OR ANY OTHER JURISDICTION WHERE IT IS UNLAWFUL TO DO SO. THE SECURITIES HAVE NOT BEEN AND WILL NOT BE REGISTERED UNDER THE SECURITIES ACT OR WITH ANY SECURITIES REGULATORY AUTHORITY OF ANY STATE OR OTHER JURISDICTION OF THE UNITED STATES AND MAY NOT BE OFFERED, SOLD, PLEDGED OR OTHERWISE TRANSFERRED IN THE UNITED STATES OR TO, OR FOR THE ACCOUNT OR BENEFIT OF, U.S. PERSONS EXCEPT PURSUANT TO AN EXEMPTION FROM, OR IN A TRANSACTION NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT AND APPLICABLE STATE OR LOCAL SECURITIES LAWS.

The attached document is only addressed to and directed at persons who are a beneficial owner that is, (i) for Japanese tax purposes, neither (a) an individual resident of Japan or a Japanese corporation, nor (b) an individual non-resident of Japan or a non-Japanese corporation that, in either case, is a Specially-Related Person of Fukoku Life (as defined in the attached document) (excluding an underwriter designated in Article 6, Paragraph (12), item 1 of the Act on Special Taxation Measures (as defined in the attached document) which purchases unsubscribed portions of the Bonds from the other underwriters) or (ii) a Japanese financial institution, designated in Article 3-2-2, Paragraph (29) of the Cabinet Order (as defined in the attached document).

Confirmation of your representation: The attached document is delivered to you at your request and on the basis that you are deemed to have confirmed to Mizuho Securities Asia Limited, J.P. Morgan Securities plc, Nomura International plc, Goldman Sachs International, Citigroup Global Markets Limited and the other managers of the offer (the “Managers”) and Fukoku Mutual Life Insurance Company (“Fukoku Life”) that (i) you are located outside the United States and not a U.S. person; and (ii) (a) if you are in the United Kingdom, you are a relevant person as defined below, and a qualified investor as defined in Regulation (EU) 2017/1129 as it forms part of domestic law by virtue of the European Union (Withdrawal) Act 2018; (b) if you are in any member state of the EEA, you are a qualified investor as defined in Regulation (EU) 2017/1129; (c) if you are acting as a financial intermediary, the securities acquired by you as a financial intermediary in the offer have not been acquired on a non-discretionary basis on behalf of, nor have they been acquired with a view to their offer or resale to, any person in circumstances which may give rise to an offer of any securities to the public; or (d) if you are outside of the United Kingdom and the EEA (and the electronic mail addresses that you gave us and to which the attached document has been delivered are not located in such jurisdictions), you are a person into whose possession the attached document may lawfully be delivered in accordance with the laws of the jurisdiction in which you are located. You are also deemed to have confirmed that you are a beneficial owner that is, (i) for Japanese tax purposes, neither (a) an individual resident of Japan or a Japanese corporation, nor (b) an individual non-resident of Japan or a non-Japanese corporation that in either case is a specially-related person of the issuer (excluding an underwriter designated in Article 6, Paragraph (12), item 1 of the Act on Special Taxation Measures which purchases unsubscribed portions of the Bonds from the other underwriters) or (ii) a Japanese financial institution, designated in Article 3-2-2, Paragraph (29) of the Cabinet Order.

No EEA or UK PRIIPs key information document has been prepared as the securities described herein will not be made available to retail investors in the European Economic Area or the United Kingdom.

In addition, in the United Kingdom, the attached document is being distributed only to, and is directed only at, persons (i) who have professional experience in matters relating to investments falling within Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005, as amended (the “Order”) and Qualified Investors falling within Article 49(2)(a) to (d) of the Order, and (ii) to whom it may otherwise lawfully be communicated (all such persons together being referred to as “relevant persons”).

The attached document has been made available to you in an electronic form. You are reminded that documents transmitted via this medium may be altered or changed during the process of electronic transmission and consequently neither Fukoku Life, the Managers nor any of their respective affiliates accepts any liability or responsibility whatsoever in respect of any difference between the attached document distributed to you in electronic format and the hard copy version. By accessing the attached document, you consent to receiving it in electronic form.

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If a jurisdiction requires that the offering be made by a licensed broker or dealer and the Managers or any affiliate of the Managers is a licensed broker or dealer in that jurisdiction, the offering shall be deemed to be made by the Managers or such affiliate on behalf of Fukoku Life in such jurisdiction.

Restriction: Nothing in this electronic transmission constitutes, and may not be used in connection with, an offer of securities for sale to persons other than the specified qualified investors described above and to whom it is directed and access has been limited so that it shall not constitute a general solicitation. If you have gained access to this electronic transmission contrary to the foregoing restrictions, you will be unable to purchase any of the securities described therein.

Neither the Managers nor any of their respective affiliates accepts any responsibility whatsoever for the contents of the attached document or for any statement made or purported to be made by any of them, or on any of their behalf, in connection with Fukoku Life or the offer. The Managers and their respective affiliates accordingly disclaim all and any liability whether arising in tort, contract, or otherwise which they might otherwise have in respect of such document or any such statement. No representation or warranty express or implied, is made by any of the Managers or their respective affiliates as to the accuracy, completeness, verification or sufficiency of the information set out in the attached document.

You are responsible for protecting against viruses and other destructive items. Your receipt of this electronic transmission is at your own risk and it is your responsibility to take precautions to ensure that it is free from viruses and other items of a destructive nature.

Neither this electronic transmission nor the attached document constitutes or contains any offer to sell or invitation to subscribe or make commitments for or in respect of any jurisdiction where such an offer or invitation would be unlawful.

Notice to capital market intermediaries and prospective investors pursuant to paragraph 21 of the Hong Kong SFC Code of Conduct – Important Notice to Prospective Investors: Prospective investors should be aware that certain intermediaries in the context of the offering of the Bonds, including certain Managers, are “capital market intermediaries” (“CMIs”) subject to Paragraph 21 of the Code of Conduct for Persons Licensed by or Registered with the Securities and Futures Commission (the “SFC Code”). This notice to prospective investors is a summary of certain obligations the SFC Code imposes on CMIs, which require the attention and cooperation of prospective investors. Certain CMIs may also be acting as “overall coordinators” (“OCs”) for the offering and are subject to additional requirements under the SFC Code.

Prospective investors who are the directors, employees or major shareholders of Fukoku Life, a CMI or its group companies would be considered under the SFC Code as having an association (an “Association”) with Fukoku Life, the CMI or the relevant group company. Prospective investors associated with Fukoku Life or any CMI (including its group companies) should specifically disclose this when placing an order for the Bonds and should disclose, at the same time, if such orders may negatively impact the price discovery process in relation to the offering. Prospective investors who do not disclose their Associations are hereby deemed not to be so associated. Where prospective investors disclose their Associations but do not disclose that such order may negatively impact the price discovery process in relation to the offering, such order is hereby deemed not to negatively impact the price discovery process in relation to the offering.

Prospective investors should ensure, and by placing an order prospective investors are deemed to confirm, that orders placed are bona fide, are not inflated and do not constitute duplicated orders (i.e. two or more corresponding or identical orders placed via two or more CMIs). If a prospective investor is an asset management arm affiliated with any Manager, such prospective investor should indicate when placing an order if it is for a fund or portfolio where the Manager or its group company has more than 50 per cent interest, in which case it will be classified as a “proprietary order” and subject to appropriate handling by CMIs in accordance with the SFC Code and should disclose, at the same time, if such “proprietary order” may negatively impact the price discovery process in relation to the offering. Prospective investors who do not indicate this information when placing an order are hereby deemed to confirm that their order is not a “proprietary order”. If a prospective investor is otherwise affiliated with any Manager, such that its order may be considered to be a “proprietary order” (pursuant to the SFC Code), such prospective investor should indicate to the relevant Manager when placing such order. Prospective investors who do not indicate this information when placing an order are hereby deemed to confirm that their order is not a “proprietary order”. Where prospective investors disclose such information but do not disclose that such “proprietary order” may negatively impact the price discovery process in relation to the offering, such “proprietary order” is hereby deemed not to negatively impact the price discovery process in relation to the offering.

Prospective investors should be aware that certain information may be disclosed by CMIs (including private banks) which is personal and/or confidential in nature to the prospective investor. By placing an order, prospective investors are deemed to have understood and consented to the collection, disclosure, use and transfer of such information by the Managers and/or any other third parties as may be required by the SFC Code, including to Fukoku Life, any OCs, relevant regulators and/or any other third parties as may be required by the SFC Code, it being understood and agreed that such information shall only be used for the purpose of complying with the SFC Code, during the bookbuilding process for the offering. Failure to provide such information may result in that order being rejected.



FUKOKU MUTUAL LIFE INSURANCE COMPANY

(a mutual company incorporated in Japan)

U.S.\$500,000,000

6.80 per cent. Step-up Callable Perpetual Subordinated Bonds

The U.S.\$500,000,000 6.80 per cent. Step-up Callable Perpetual Subordinated Bonds (the “Bonds”) of Fukoku Mutual Life Insurance Company (“Fukoku Life”) will be issued in the denomination of U.S.\$200,000 and integral multiples of U.S.\$1,000 in excess thereof.

The Bonds will constitute irrevocable, direct and unsecured obligations of Fukoku Life which are conditional and subordinated. Upon the occurrence of a Subordination Event (as defined in the Conditions (which term itself is defined in “Terms and Conditions of the Bonds”)), and so long as it continues, the obligations of Fukoku Life pursuant to the Bonds will be subordinated in right of payment to all Senior Indebtedness (as defined in the Conditions) of Fukoku Life. See “Terms and Conditions of the Bonds—2. Status and Subordination”.

The Bonds will bear interest at a fixed rate of 6.80 per cent. per annum, payable semi-annually in arrear on each Interest Payment Date (as defined below) commencing 14 May 2024 until 14 November 2033 (the “First Call Date”). “Interest Payment Date” means 14 May and 14 November in each year. The rate of interest of the Bonds will be reset on the First Call Date, and on every Interest Payment Date which falls five, or a multiple of five, years thereafter (the First Call Date and each such Interest Payment Date, being a “Reset Date”) until all Bonds are fully redeemed. The Bonds will bear interest from and including each Reset Date to but excluding the next following Reset Date or the date on which the Bonds are finally redeemed, whichever is earlier (each a “Reset Interest Period”), at the rate per annum equal to the “Reset Interest Rate”, which is the sum of the applicable 5-year U.S. Treasury Rate (as defined in the Conditions) and 3.169 per cent. per annum. Such interest will be payable semi-annually in arrear in equal instruments on each Interest Payment Date relating to the applicable Reset Interest Period, commencing on 14 May 2034. See “Terms and Conditions of the Bonds—3. Interest”. Payments of interest on the Bonds may be deferred at the option of Fukoku Life or upon the occurrence of certain events, as described in “Terms and Conditions of the Bonds—4. Deferral of Payments”.

The Bonds will be undated and accordingly have no final maturity date. The Bonds will be subject to redemption in whole but not in part, (i) at the option and sole discretion of Fukoku Life on the First Call Date and on any Interest Payment Date falling thereafter, at their principal amount, (ii) in the event of certain changes in Japanese tax laws, at any time at their principal amount together with interest accrued to but excluding the date fixed for redemption and all Arrears of Interest (as defined in the Conditions) or (iii) in the event of a Capital Disqualification Event (as defined in the Conditions), a Tax Deductibility Event (as defined in the Conditions) or a Rating Agency Event (as defined in the Conditions), at any time on or prior to the First Call Date at their principal amount together with interest accrued to but excluding the date fixed for redemption and all Arrears of Interest, in each case subject to compliance with applicable regulatory requirements, including the prior consent of the Financial Services Agency of Japan (the “FSA”) (where required), as described in “Terms and Conditions of the Bonds—5. Redemption and Purchase”.

Payments by Fukoku Life in respect of the Bonds shall be made without withholding or deduction for or on account of any present or future taxes, duties, assessments or governmental charges of whatever nature imposed or levied by, or on behalf of, Japan or any political subdivision thereof or of any taxing authority therein, unless such withholding or deduction is required by law. See “Terms and Conditions of the Bonds—7. Taxation”.

Payment of principal of and interest on the Bonds may be accelerated only in the case of liquidation, bankruptcy, reorganisation, civil rehabilitation or other equivalent proceedings of Fukoku Life. There is no right of acceleration of the payment of the principal of the Bonds upon a default in the payment of principal or interest or in the performance of any covenant by Fukoku Life.

The Bonds have been assigned security ratings of A- by S&P Global Ratings Japan Inc. (“S&P”) and A- by Fitch Ratings Japan Limited (“Fitch”). Security ratings are not a recommendation to buy, sell or hold securities and may be subject to suspension, reduction or withdrawal at any time by the assigning rating agency.

See “Investment Considerations” beginning on page 13 for a discussion of certain factors to be considered in connection with an investment in the Bonds.

Issue Price: 100 per cent.

Approval in-principle has been received for the listing and quotation of the Bonds on the Singapore Exchange Securities Trading Limited (the “SGX-ST”). The SGX-ST assumes no responsibility for the correctness of any of the statements made, or opinions expressed or reports contained in this Offering Circular. Approval in-principle from the SGX-ST, admission of the Bonds to the Official List of the SGX-ST and the quotation of the Bonds on the SGX-ST are not to be taken as an indication of the merits of Fukoku Life or the Bonds.

This Offering Circular does not constitute an offer of, or solicitation of an offer to buy or subscribe for the Bonds in any jurisdiction in which such offer or solicitation is unlawful. In particular, the Bonds have not been and will not be registered under the U.S. Securities Act of 1933, as amended (the “Securities Act”) and, subject to certain exceptions, may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons (as defined in Regulation S (“Regulation S”) under the Securities Act). In addition, the Bonds have not been, and will not be registered under the Financial Instruments and Exchange Act of Japan (Act No. 25 of 1948, as amended) (the “FIEA”) and may not be sold within Japan. For a summary of certain restrictions on the sale and transfer of the Bonds and distribution of this Offering Circular, see “Subscription and Sale”.

Upon issue, the Bonds will be represented by a global certificate (the “Global Certificate”) in registered form, which will be deposited with, and registered in the name of a nominee for, a common depository for Euroclear Bank SA/NV (“Euroclear”) and Clearstream Banking S.A. (“Clearstream, Luxembourg”) on or about 14 November 2023 for the accounts of their respective accountholders.

Joint Lead Managers and Joint Bookrunners

Mizuho
Goldman Sachs International

J.P. Morgan

Nomura
Citigroup

Co-Managers

Morgan Stanley
BofA Securities

Daiwa Capital Markets Europe

SMBC NIKKO
Okasan International (Asia) Limited

The date of this Offering Circular is 7 November 2023

Fukoku Life accepts responsibility for the information contained in this Offering Circular. To the best of the knowledge and belief of Fukoku Life (which has taken all reasonable care to ensure that such is the case), the information contained in this Offering Circular is in accordance with the facts and does not omit anything likely to affect the import of such information.

Fukoku Life, having made all reasonable enquiries, confirms that this Offering Circular contains all information with respect to Fukoku Life, its consolidated and non-consolidated subsidiaries and the Bonds which is material in the context of the issue and offering of the Bonds, the statements contained in it are in every material particular true and accurate and not misleading, the opinions and intentions expressed in this Offering Circular are honestly held, have been reached after considering all relevant circumstances and are based on reasonable assumptions, there are no other facts the omission of which would, in the context of the issue and offering of the Bonds, make any statement in this Offering Circular misleading and all reasonable enquiries have been made by Fukoku Life to ascertain such facts and to verify the accuracy of all such information and statements.

This Offering Circular does not constitute an offer of, or solicitation of an offer to buy or subscribe for the Bonds in any jurisdiction in which such offer or solicitation is unlawful. The distribution of this Offering Circular and the offering of the Bonds in certain jurisdictions may be restricted by law. Persons into whose possession this Offering Circular comes are required by Fukoku Life and the Managers (as defined in “Subscription and Sale”) to inform themselves about and to observe any such restrictions. For a description of certain further restrictions on offers and sales of the Bonds and the distribution of this Offering Circular, see “Subscription and Sale”.

No person is authorised in connection with the issue, offering, subscription or sale of the Bonds to give any information or to make any representation not contained in this Offering Circular and any information or representation not so contained must not be relied upon as having been authorised by or on behalf of Fukoku Life or the Managers. The delivery of this Offering Circular at any time does not imply that the information contained in it is correct as at any time subsequent to its date.

To the fullest extent permitted by law, none of the Managers, the Trustee (as defined in the Conditions) or the Agents (as defined in the Conditions) or any of their respective affiliates, directors, employees, agents, representatives, officers or advisers or any person who controls any of them accepts any responsibility whatsoever for the contents of this Offering Circular or for any other statement made or purported to be made by Fukoku Life or the Group (as defined below), or in relation to the offering. Accordingly, each Manager, the Trustee and each Agent and each of their respective affiliates, directors, employees, agents, representatives, officers and advisers and each person who controls any of them disclaims all and any liability whether arising in tort or contract or otherwise which it might otherwise have in respect of this Offering Circular or any such statement.

No action is being taken to permit a public offering of the Bonds or the distribution of this Offering Circular in any jurisdiction where action would be required for such purposes. There are restrictions on the offer and sale of the Bonds and the circulation of documents relating thereto in certain jurisdictions, including the United States, Japan, the European Economic Area, the United Kingdom, Hong Kong and Singapore and to persons connected therewith. See “Subscription and Sale”.

Each prospective investor who places an order for the Bonds consents to the disclosure by the Managers to Fukoku Life of the prospective investor’s identity, the details of such order and the actual amount of Bonds subscribed, if any.

UK MiFIR product governance / Professional investors and ECPs only target market: Solely for the product governance requirements, the target market assessment in respect of the Bonds has led to the conclusion that: (i) the target market for the Bonds is only eligible counterparties, as defined in the FCA Handbook Conduct of Business Sourcebook (“COBS”), and professional clients, as defined in Regulation (EU) No 600/2014 as it forms part of domestic law by virtue of the European Union (Withdrawal) Act 2018 (“UK MiFIR”) and (ii) all channels for distribution of the Bonds to eligible counterparties and professional clients are appropriate. Any person subsequently offering, selling or recommending the Bonds (a “distributor”) should take into consideration the manufacturers’ target market assessment; however, a distributor subject to the FCA Handbook Product Intervention and Product Governance Sourcebook (the “UK MiFIR Product Governance Rules”) is responsible for undertaking its own target market assessment in respect of the Bonds (by either adopting or refining the manufacturers’ target market assessment) and determining appropriate distribution channels.

Prohibition of sales to EEA retail investors: The Bonds are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the European Economic Area (the “EEA”). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU (as amended, “MiFID II”); or (ii) a customer within the meaning of Directive (EU) 2016/97 (the “Insurance Distribution Directive”), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II; or (iii) not a qualified investor as defined in Regulation (EU) 2017/1129 (as amended, the “Prospectus Regulation”). Consequently, no key information document required by Regulation (EU) No 1286/2014 (as amended, the “PRIIPs Regulation”) for offering or selling the Bonds or otherwise making them available to retail investors in the EEA has been prepared and therefore offering or selling the Bonds or otherwise making them available to any retail investor in the EEA may be unlawful under the PRIIPs Regulation.

Prohibition of sales to UK retail investors: The Bonds are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the United Kingdom (the “UK”). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client, as defined in point (8) of Article 2 of Regulation (EU) No 2017/565 as it forms part of domestic law by virtue of the European Union (Withdrawal) Act 2018; or (ii) a customer within the meaning of the provisions of the Financial Services and Markets Act 2000 (the “FSMA”) and any rules or regulations made under the FSMA to implement the Insurance Distribution Directive, where that customer would not qualify as a professional client, as defined in point (8) of Article 2(1) of Regulation (EU) No 600/2014 as it forms part of domestic law by virtue of the European Union (Withdrawal) Act 2018; or (iii) not a qualified investor as defined in the Prospectus Regulation as it forms part of domestic law by virtue of the European Union (Withdrawal) Act 2018. Consequently, no key information document required by the PRIIPs Regulation as it forms part of domestic law by virtue of the European Union (Withdrawal) Act 2018 (the “UK PRIIPs Regulation”) for offering or selling the Bonds or otherwise making them available to retail investors in the UK has been prepared and therefore offering or selling the Bonds or otherwise making them available to any retail investor in the UK may be unlawful under the UK PRIIPs Regulation.

The Bonds are only being offered and sold in offshore transactions to non-U.S. persons outside the United States in reliance on Regulation S.

The Bonds have not been and will not be registered under the FIEA and are subject to the Act on Special Measures Concerning Taxation of Japan (Act No. 26 of 1957, as amended) (the “Act on Special Taxation Measures”). The Bonds may not be offered or sold in Japan or to, or for the benefit of, any person resident in Japan, or to others for reoffering or resale, directly or indirectly, in Japan or to, or for the benefit of, a person resident in Japan, for Japanese securities law purposes (including any corporation or other entity organised under the laws of Japan) except pursuant to an exemption from the registration requirements of, and otherwise in compliance with, the FIEA and any other applicable laws, regulations and governmental guidelines of Japan. In addition, as part of the initial distribution by the Managers, the Bonds are not at any time to be directly or indirectly offered or sold to, or for the benefit of, any person other than a Gross Recipient. A “Gross Recipient” for this purpose is (i) a beneficial owner that is, for Japanese tax purposes, neither an individual resident of Japan or a Japanese corporation, nor an individual non-resident of Japan or a non-Japanese corporation that, in either case, is a person having a special relationship with Fukoku Life as described in Article 6, Paragraph (4) of the Act on Special Taxation Measures (a “Specially-Related Person of Fukoku Life”), (ii) a Japanese financial institution, designated in Article 3-2-2, Paragraph (29) of the Cabinet Order for Enforcement of the Act on Special Measures Concerning Taxation of Japan (Cabinet Order No. 43 of 1957, as amended) (the “Cabinet Order”) that will hold the Bonds for its own proprietary account (each, a “Designated Financial Institution”) or (iii) any other excluded category of persons, corporations or other entities under the Act on Special Taxation Measures.

BY SUBSCRIBING FOR THE BONDS, AN INVESTOR WILL BE DEEMED TO HAVE REPRESENTED THAT IT IS A GROSS RECIPIENT.

Interest payments on the Bonds will be subject to Japanese withholding tax unless it is established that the Bonds are held by or for the account of a beneficial owner that is (i) for Japanese tax purposes, neither an individual resident of Japan or a Japanese corporation, nor an individual non-resident of Japan or a non-Japanese corporation that, in either case, is a Specially-Related Person of Fukoku Life, or (ii) a Designated Financial Institution which has complied with the Japanese tax exemption requirements under Article 6, Paragraph (11) of the Act on Special Taxation Measures or (iii) a public corporation, a financial institution, a financial instruments business operator or certain other entity which has complied with the requirement for tax exemption under Article 3-3, Paragraph (6) of the Act on Special Taxation Measures receiving interest through its payment handling agent in Japan as provided in that Paragraph.

Interest payments on the Bonds to an individual resident of Japan, to a Japanese corporation not described in the preceding paragraph, or to an individual non-resident of Japan or a non-Japanese corporation that in either case is a Specially-Related Person of Fukoku Life will be subject to deduction in respect of Japanese income tax.

Singapore SFA product classification: Solely for the purposes of its obligations pursuant to sections 309B(1)(a) and 309B(1)(c) of the Securities and Futures Act 2001 of Singapore (the “SFA”), Fukoku Life has determined, and hereby notifies all relevant persons (as defined in Section 309A(1) of the SFA) that the Bonds are prescribed capital markets products (as defined in the Securities and Futures (Capital Markets Products) Regulations 2018) and Excluded Investment Products (as defined in MAS Notice SFA 04-N12: Notice on the Sale of Investment Products and MAS Notice FAA-N16: Notice on Recommendations on Investment Products).

IN CONNECTION WITH THIS ISSUE, MIZUHO SECURITIES ASIA LIMITED (THE “STABILISING MANAGER”) (OR PERSONS ACTING ON BEHALF OF THE STABILISING MANAGER) MAY, SUBJECT TO ALL APPLICABLE LAWS AND REGULATIONS, OVER-ALLOT OR EFFECT TRANSACTIONS WITH A VIEW TO SUPPORTING THE PRICE OF THE BONDS AT A LEVEL HIGHER THAN THAT WHICH MIGHT OTHERWISE PREVAIL. HOWEVER, STABILISATION MAY NOT OCCUR. ANY STABILISATION ACTION MAY BEGIN ON OR AFTER THE DATE ON WHICH ADEQUATE PUBLIC DISCLOSURE OF THE TERMS OF THE BONDS IS MADE AND, IF BEGUN, MAY CEASE AT ANY TIME, BUT MUST END NO LATER THAN THE EARLIER OF 30 DAYS AFTER THE ISSUE DATE OF THE BONDS OR 60 DAYS AFTER THE ALLOTMENT OF THE BONDS.

FORWARD-LOOKING STATEMENTS

This Offering Circular includes “forward-looking statements”. All statements other than statements of historical facts included in this Offering Circular, including, without limitation, those regarding Fukoku Life’s financial position, business strategy, plans and objectives of management for future operations, are forward-looking statements. Such forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause the actual results, performance or achievements of Fukoku Life, or the economy or industry results, to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. Such forward-looking statements are based on numerous assumptions regarding Fukoku Life’s present and future business strategies and the environment in which Fukoku Life will operate in the future. Among the important factors that could cause Fukoku Life’s actual results, performance or achievements to differ materially from those in the forward-looking statements include, but are not limited to, those discussed under the section titled “Investment Considerations”. These forward-looking statements speak only as of the date of this Offering Circular. Fukoku Life expressly disclaims any obligation or undertaking to release publicly any updates or revisions to any forward-looking statement contained herein to reflect any change in Fukoku Life’s expectations with regard thereto or any change in events, conditions or circumstances on which any such statement is based.

PRESENTATION OF FINANCIAL AND OTHER INFORMATION

Financial Information

The financial year end of Fukoku Life is 31 March. Fukoku Life’s financial statements are prepared in accordance with the Insurance Business Act of Japan (Act No. 105 of 1995, as amended) (the “Insurance Business Act”) and related rules and regulations applicable to the mutual life insurance industry (the “Insurance Business Accounting Principles”) and accounting principles generally accepted in Japan (“Japanese GAAP”), which differ in certain respects from accounting principles generally accepted in certain other countries. Potential investors should consult their own professional advisers for an understanding of the difference between the combination of Insurance Business Accounting Principles and Japanese GAAP and International Financial Reporting Standards, or generally accepted accounting principles in other jurisdictions and an understanding of how those differences might affect the financial information contained in this Offering Circular.

In accordance with applicable Japanese legal requirements, for each fiscal year, Fukoku Life prepares audited consolidated and non-consolidated annual financial statements and consolidated and non-consolidated interim financial statements, all in accordance with the Insurance Business Accounting Principles and Japanese GAAP.

The following financial statements are contained in this Offering Circular: (i) the audited annual consolidated balance sheets as of 31 March 2021, 2022 and 2023 and the related audited annual consolidated

statements of operations, comprehensive income, cash flows, and changes in net assets for each of the years ended 31 March 2021, 2022 and 2023 and the notes thereto, (ii) the audited annual non-consolidated balance sheets as of 31 March 2021, 2022 and 2023 and the related audited annual non-consolidated statements of operations, changes in net assets and surplus for each of the years ended 31 March 2021, 2022 and 2023 and the notes thereto, (iii) the unaudited interim consolidated balance sheet as of 30 June 2023, and the related unaudited interim consolidated statements of operations and comprehensive income for each of the three months ended 30 June 2022 and 2023 and the notes thereto, and (iv) the unaudited interim non-consolidated balance sheet as of 30 June 2023, and the related unaudited interim non-consolidated statements of operations for each of the three months ended 30 June 2022 and 2023 and the notes thereto.

Except as otherwise specified, the discussion and analysis of the financial condition and results of operations and all financial information set forth in the section titled “Recent Business” are provided on a consolidated basis. Except as otherwise specified, financial information other than the abovementioned section is presented on a non-consolidated basis. In addition, where specified, certain financial information is presented on a combined basis, representing non-consolidated financial information for Fukoku Life combined with non-consolidated information for Fukokushinrai Life Insurance Co., Ltd. (“Fukokushinrai”).

In this Offering Circular, “Fukoku Life” refers to Fukoku Life and its consolidated subsidiaries or, as the context may require, Fukoku Life on a non-consolidated basis.

References in this Offering Circular to the “Group” refer to Fukoku Life together with its consolidated and non-consolidated subsidiaries.

Unless otherwise specified or the context requires, references in this Offering Circular to “U.S.\$”, “dollars” and “U.S. dollars” are to United States dollars, all references to “Euro” and “€” are to the euro, all references to “£” are to pounds sterling and all references to “yen” and “¥” are to Japanese yen.

In this Offering Circular, where information is presented in millions or billions of yen, amounts of less than one million or one hundred million, as the case may be, have been truncated unless otherwise specified. All percentages have been rounded to the nearest per cent., one-tenth of one per cent. or one-hundredth of one per cent., as the case may be. In some cases, figures and percentages presented in tables in this Offering Circular may not total due to such truncating or rounding.

Economic value-based Solvency Ratio (“ESR”)

In this Offering Circular, Fukoku Life discloses ESR data as of 31 March 2022 and 2023 on a consolidated and non-consolidated basis, calculated for internal management purposes only, pursuant to the framework which it has developed based on the EU Solvency II Directive (2009/138/EEC) (“Solvency II”), but applying certain proprietary adjustments designed to more accurately reflect its risk profile. Fukoku Life believes that the ESR framework developed by it to date is in line with, and that the figures for consolidated and non-consolidated ESR data in this Offering Circular are substantially consistent with, the rules set out under Solvency II. However, due to such proprietary adjustments, Fukoku Life’s ESR data in this Offering Circular is not fully comparable to Solvency II capitalisation ratio figures prepared by other insurers and should not be so compared. Furthermore, there are certain important differences between Solvency II and the FSA’s ESR framework as indicated in paper released by the FSA on 30 June 2023 regarding the finalisation of the standards for economic value based solvency regulation (the “FSA ESR Document 2023”), and if Fukoku Life were to calculate ESR based on the FSA’s ESR framework, the figures would be different due to the different risk weighting and different methodology being applied. Fukoku Life’s ESR framework is also different from, and accordingly is not directly comparable to, ESR frameworks voluntarily adopted by other insurance companies in Japan. **Fukoku Life cautions potential investors against placing undue reliance on such information in making any decision to purchase the Bonds.**

See “Investment Considerations—As a Japanese insurance company, Fukoku Life is subject to extensive oversight of its business practices and must maintain a solvency margin ratio at or above required levels”.

Statistical and Industry Information Based on Third Party Publications

In this Offering Circular, Fukoku Life makes references to certain statistical and industry data based on information from certain governmental or third party sources or publications. Fukoku Life has not verified the accuracy of statistical or industry data contained in this Offering Circular that were taken or derived from such governmental or third party sources or publications. It should be noted in particular that results of surveys are not necessarily exact reflections of the state of the relevant market.

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SUMMARY

The following summary is qualified in its entirety by, and is subject to, the detailed information and financial statements contained elsewhere in this Offering Circular. For a more complete description of the Bonds, please refer to “Terms and Conditions of the Bonds”. Defined terms used in this summary that are not defined herein shall have the meanings accorded to them in the Conditions. For a discussion of certain matters that should be considered by prospective investors in the Bonds, see “Investment Considerations”.

FUKOKU MUTUAL LIFE INSURANCE COMPANY

Overview

Fukoku Life is one of the major domestic life insurance companies in Japan. Committed to maintaining a robust financial strength under its motto of “valuing quality over quantity”, Fukoku Life is known for its strong capital foundation and has attained a solvency margin ratio which is one of the highest among major insurers in Japan. Fukoku Life’s non-consolidated total assets as of 31 March 2023 totalled ¥7,226.2 billion.

Fukoku Life’s core business is individual and group life insurance, although Fukoku Life’s early foray into “third sector” products has allowed it to differentiate itself from many of its domestic competitors. Fukoku Life’s main product lines consist of a flexible life insurance product named “*Mirai no Tobira*” which allows customers to mix and match from a portfolio of policy riders to create a customised insurance plan, a medical insurance product which is marketed under the name of “*Wide Protect*” and an educational insurance product named “*Mirai no Tsubasa*” which is a savings type product for children and their parents. Fukoku Life also sells individual and group annuity products, including “*Mirai Plus*”, its main annuity product for individuals.

Fukoku Life’s insurance and annuity product sales activities are primarily carried on by Fukoku Life itself and by Fukokushinrai, with its other consolidated and non-consolidated subsidiaries providing ancillary and operational services such as asset management, agency services and IT platforms. Fukoku Life focuses primarily on the sale of life insurance as well as medical, disability and long-term care insurance products through its sales representatives, while Fukokushinrai focuses mainly on selling single premium whole life insurance as well as term insurance and medical insurance through bancassurance channels (see “Business—Sales and Marketing”).

Fukoku Life has maintained a top-level solvency margin ratio in the Japanese life insurance industry through disciplined capital management and diversified funding. Fukoku Life had a consolidated and a non-consolidated solvency margin ratio of 1,171.9 per cent. and 1,133.8 per cent. as of 31 March 2023 and 1,194.6 per cent. and 1,159.9 per cent. as of 30 June 2023, respectively. It currently has insurer financial strength ratings of A+ (stable outlook) by S&P, A+ (stable outlook) by Fitch, A2 (stable outlook) by Moody’s Japan K.K. (“Moody’s”), AA- (stable outlook) by Rating and Investment Information, Inc. (“R&I”) and AA (stable outlook) by Japan Credit Rating Agency, Ltd. (“JCR”).

The registered head office of Fukoku Life is located at 2-2, Uchisaiwaicho 2-chome, Chiyoda-ku, Tokyo 100-0011, Japan.

THE BONDS

Issuer	Fukoku Mutual Life Insurance Company.
Securities Offered	U.S.\$500,000,000 aggregate principal amount of 6.80 per cent. Step-up Callable Perpetual Subordinated Bonds.
Issue Price	100 per cent.
Form and Denomination	The Bonds are issued in registered form in the denomination of U.S.\$200,000 and integral multiples of U.S.\$1,000 in excess thereof.
Interest	<i>Prior to the First Call Date:</i> From and including 14 November 2023 to but excluding the First Call Date, the Bonds bear interest at a fixed rate of 6.80 per cent. per annum, payable semi-annually in arrear on each Interest Payment Date commencing 14 May 2024 until the First Call Date.

On and after the First Call Date:

The rate of interest payable in respect of the Bonds will be reset on each Reset Date until all Bonds are fully redeemed.

The Bonds will bear interest in each Reset Interest Period at the Reset Interest Rate. Such interest is payable semi-annually in arrear in equal instruments on each Interest Payment Date relating to the applicable Reset Interest Period, commencing on 14 May 2034.

The Reset Interest Rate in respect of each Reset Interest Period shall be determined by the Calculation Agent on the relevant Reset Interest Rate Determination Date (as defined in the Conditions) in respect of such Reset Interest Period. See Condition 3(b).

Payments of interest on the Bonds may be deferred at the option of Fukoku Life or upon the occurrence of certain events, as described below.

Interest Deferral *Optional Deferral:*

Fukoku Life may, at its sole discretion, elect to defer all (but not some only) of the accrued interest that would otherwise be due to be paid on an Interest Payment Date (subject to certain requirements) by giving notice of such election to the Bondholders, the Trustee and the Agents no later than two Business Days (as defined in the Conditions) prior to the relevant Interest Record Date (as defined in the Conditions).

Mandatory Deferral:

In the event that (i) a Capital Deficiency Event (as defined in the Conditions) has occurred and is continuing, or (ii) any payment in relation to any Liquidation Parity Indebtedness (as defined in the Conditions) has been deferred and continues to be in deferral, in either case, as of the date that is five Business Days prior to (and including) an Interest Record Date, then Fukoku Life shall be required to defer all (but not some only) of the accrued interest that would otherwise be due to be paid on such Interest Payment Date. Fukoku Life will provide notice of a mandatory deferral of interest to the Bondholders, the Trustee and the Agents no later than two Business Days prior to the relevant Interest Record Date.

Arrears of Interest Any interest that is deferred shall, so long as it remains unpaid, constitute Arrears of Interest. See Condition 4.

Arrears of Interest on the Bonds shall accrue on a cumulative basis and remain payable for so long as they remain unpaid. Interest on Arrears of Interest deferred at Fukoku Life's option shall compound semi-annually at 6.80 per cent. per annum to but excluding the First Call Date, and at the applicable Reset Interest Rate for each Reset Interest Period thereafter. Arrears of Interest mandatorily deferred shall bear no interest.

Arrears of Interest on the Bonds may at the option of Fukoku Life be paid in whole or in part at any time upon giving not less than five nor more than fifteen Business Days' prior notice to such effect (which notice shall specify the amount of such Arrears of Interest to be paid), provided that such payments (i) shall be subject to any applicable

regulatory requirements or consents, (ii) shall be conditional upon a Capital Deficiency Event not having occurred and continuing to occur as of the time of such notice and (iii) shall be conditional upon a deferral of any payment in relation to Liquidation Parity Indebtedness not having occurred and continuing to be in deferral as of the time of such notice.

Where no Subordination Event has occurred and is continuing and Arrears of Interest on the Bonds are paid in part, each such payment shall be applied in or towards satisfaction of the full amount of the Arrears of Interest on the Bonds in respect of the earliest Interest Payment Date in respect of which Arrears of Interest on the Bonds have not been paid in full.

Payment Stoppage If Fukoku Life has given notice to defer payment of interest and such Arrears of Interest have not been paid in whole, or if any other payment in relation to the Bonds has been deferred and continues to be in deferral, Fukoku Life shall not, and it shall cause its Subsidiaries (as defined in the Conditions) not to, make any payment of principal of, or interest or premium, if any, on, or repay, purchase or redeem any Liquidation Parity Indebtedness.

Notwithstanding the foregoing, a payment of interest in respect of any Liquidation Parity Indebtedness shall not be prohibited if payment of interest in respect of the Bonds is deferred solely due to deferral of payment in respect of such Liquidation Parity Indebtedness, or deferral of payment in respect of other Liquidation Parity Indebtedness due to deferral of payment in respect of such Liquidation Parity Indebtedness.

Compulsory Interest Payments Subject to compliance with applicable regulatory requirements, including the prior consent of the Relevant Supervisory Authority (as defined in the Conditions) (if then required) and unless a Capital Deficiency Event has occurred and is continuing, Fukoku Life will be required to pay accrued interest (and any Arrears of Interest then outstanding) on any Interest Payment Date where in the period of six months prior to such Interest Payment Date:

- (i) any dividend or distribution is declared payable or a payment of interest is made on any Liquidation Parity Indebtedness, save where such dividend, distribution or payment is mandatory in accordance with the terms and conditions of such security; or
- (ii) any repurchase, redemption or acquisition by Fukoku Life or any of its Subsidiaries of Liquidation Parity Indebtedness, save where Fukoku Life or, as the case may be, the relevant Subsidiary is not able to defer, pass or eliminate the payment or other obligation in respect of such repurchase, redemption or acquisition.

Redemption The Bonds have no fixed redemption date and the holders have no rights to require Fukoku Life to redeem the Bonds at any time.

Optional Redemption:

Subject to compliance with applicable regulatory requirements, including the prior consent of the Relevant Supervisory Authority (if

then required), and subject to the satisfaction of a Redemption Condition (as defined in the Conditions), the Bonds may be redeemed at the option and sole discretion of Fukoku Life in whole, but not in part, on the First Call Date or any Interest Payment Date thereafter, and Fukoku Life shall give not less than 30 nor more than 60 days' notice of such redemption. Such redemption of the Bonds shall be at their principal amount together with interest accrued to but excluding the date fixed for redemption and all Arrears of Interest, together with any Additional Amounts (as defined in the Conditions).

Redemption for Taxation Reasons:

If Fukoku Life satisfies the Trustee (immediately prior to the giving of notice referred to below) that (i) on the occasion of the next payment in respect of the Bonds, Fukoku Life would be unable to make such payment without being required to pay Additional Amounts and such an event arises by reason of a change in, or amendment to, the laws, regulations or rulings of Japan or any political sub-division thereof or of any taxing authority therein or a change in the official interpretation or application thereof or a change in any applicable double taxation treaty or convention, which change becomes effective on or after 7 November 2023 and (ii) such requirement cannot be avoided by Fukoku Life taking reasonable measures available to it, Fukoku Life may, subject to compliance with applicable regulatory requirements, including the prior consent of the Relevant Supervisory Authority (if then required) and subject to the satisfaction of a Redemption Condition, and having given not less than 30 nor more than 60 days' notice, redeem all, but not some only, of the Bonds at any time at the principal amount of the Bonds, together with interest accrued to but excluding the date fixed for redemption and all Arrears of Interest.

Optional Event Related Redemption:

In addition, subject to compliance with applicable regulatory requirements, including the prior consent of the Relevant Supervisory Authority (if then required), and subject to the satisfaction of a Redemption Condition, the Bonds may be redeemed at any time on or prior to the First Call Date upon the occurrence of any of a Capital Disqualification Event, a Tax Deductibility Event or a Rating Agency Event at the principal amount of the Bonds, together with interest accrued to but excluding the date fixed for redemption and all Arrears of Interest, together with any Additional Amounts. See Condition 5.

For this purpose, a Redemption Condition means that either
 (a) Fukoku Life's Solvency Margin Ratio after giving effect to the intended redemption is expected to remain at an adequate level within the meaning of the Insurance Business Act and any applicable regulations, public notices or guidelines thereunder then in force or
 (b) Fukoku Life procures qualifying financing in an amount not less than the amount of the intended redemption. The term "qualifying financing" when used above includes issuance of foundation funds (*kikin*) and subordinated debt financing.

Status and Subordination of the

Bonds The obligations of Fukoku Life in respect of the Bonds constitute irrevocable, direct and unsecured obligations of Fukoku Life which are conditional and subordinated. Claims in respect of the Bonds shall

at all times rank *pari passu* and without any preference among themselves, and rank *pari passu* with all foundation funds (*kikin*) of Fukoku Life and with all Liquidation Parity Indebtedness and in priority to claims for distribution of residual assets to policyholders of Fukoku Life.

Upon the occurrence of a Subordination Event, and so long as it continues, the obligations of Fukoku Life pursuant to the Bonds will be subordinated in right of payment to all Senior Indebtedness. Following the occurrence of a Condition for Liquidation Payment (as defined in the Conditions), the amounts payable to the holders in respect of the Bonds and under the Trust Deed (as defined in the Conditions) shall be reduced to the amount of the liquidation distributions which would have been paid from the assets of Fukoku Life in respect of the amount of the principal of and interest on the Bonds including Arrears of Interest (except for amounts which shall have become due and payable prior to the occurrence of such Condition for Liquidation Payment) had such principal and interest and Arrears of Interest and all Liquidation Parity Indebtedness been foundation funds (*kikin*) of Fukoku Life. See Condition 2.

Limited Rights of Acceleration	The Bonds may not be accelerated upon a default in the payment of principal of or interest on the Bonds, upon the non-performance of any covenant of Fukoku Life in relation to the Bonds or upon the happening of any other event in relation to the Bonds other than a Subordination Event, which would only occur in the event that liquidation, bankruptcy, reorganisation or civil rehabilitation proceeding shall have commenced with respect to Fukoku Life or Fukoku Life shall have become subject to other equivalent proceedings pursuant to any applicable law of any jurisdiction other than Japan, and in such cases, payment on the Bonds would remain subject to subordination. See Condition 9.
Trustee	The Bank of New York Mellon, London Branch.
Principal Paying Agent	The Bank of New York Mellon, London Branch.
Calculation Agent	The Bank of New York Mellon, London Branch.
Registrar and Transfer Agent	The Bank of New York Mellon SA/NV, Dublin Branch.
Payment and Settlement	Payment for the Bonds will be made on or about 14 November 2023. Upon issue, the Bonds will be represented by the Global Certificate in registered form deposited with, and registered in the name of a nominee for, a common depositary for Euroclear and Clearstream, Luxembourg.
Use of Proceeds	Fukoku Life intends to use the net proceeds from the offering of the Bonds for general corporate purposes.
Rating of the Bonds	The Bonds have been assigned security ratings of A- by S&P and A- by Fitch. Security ratings are not a recommendation to buy, sell or hold securities and may be subject to suspension, reduction or withdrawal at any time by the assigning rating agency.
Listing	Approval in-principle has been received for the listing and quotation of the Bonds on the SGX-ST. Admission of the Bonds to the Official

List of the SGX-ST and the quotation of the Bonds on the SGX-ST are not to be taken as an indication of the merits of Fukoku Life or the Bonds. The Bonds will be traded on the SGX-ST in minimum board lot size of U.S.\$200,000 for so long as the Bonds are listed on the SGX-ST.

ISIN code XS2673651217.

Common code 267365121.

Legal Entity Identifier (“LEI”) for

Fukoku Life 549300JDVRDBH680VF26.

INVESTMENT CONSIDERATIONS

Prior to making an investment decision, prospective investors should carefully consider, along with other matters set out elsewhere in this Offering Circular, the following:

Risks Related to Fukoku Life's Business

Adverse financial market and economic conditions in Japan and elsewhere may have a material adverse effect on Fukoku Life's results of operations.

Fukoku Life's business, financial condition and results of operations are materially affected by financial market and economic conditions in Japan and elsewhere.

Over the past few years, geopolitical events and significant shifts in the financial markets have had a significant impact on the global economy. For example, Russia's military offensive in Ukraine, the subsequent sanctions against Russia and the withdrawal of many major corporations from Russia have had, and may further have, an adverse impact on the global economy resulting from a number of factors including higher energy prices and inflation, supply chain disruptions, lower global trade volumes and higher volatility in financial markets, which could contribute to economic downturns in our operating markets. Many central banks have responded to the inflationary pressures by raising interest rates at a record pace, reversing their decade-long policy of quantitative easing and causing widespread deflation in asset prices. Meanwhile, the decisions by the Bank of Japan in December 2022 to widen the yield band on 10-year Japanese government bonds and its subsequent decision in July 2023 to conduct yield curve control with greater flexibility were interpreted as an indication that the Bank of Japan may be considering ending its ultra-low interest rate policy and has caused significant volatility in the financial and currency markets. The Bank of Japan further decided to conduct such yield curve control with much greater flexibility in October 2023. In addition, Japan is facing long-term demographic trends including an aging population and consistent population decline due to low birth rates, which could affect long-term demand for our services.

It is unclear how the Japanese economy will respond to these events or how long the trends discussed may continue. If economic conditions deteriorate, the Japanese economy may suffer from continuing economic stagnation. In an economic environment characterised by flat household income, high inflation and tight household budgets, the demand for insurance and annuity products is generally adversely affected. Mortality and morbidity claims may increase as a result of increases in health issues or mortality rates, or, due to reduction in household and individual incomes, policyholders may choose to defer paying insurance premiums, cancel their insurance policies or otherwise stop paying insurance premiums altogether. Fukoku Life may also otherwise experience an elevated incidence of claims (owing to, among other things, a rise in fraudulent and opportunistic claims which typically increase during an economic downturn and a rise in unemployment and sickness claims resulting from higher unemployment rates) and surrenders or lapses of policies. Accordingly, adverse or worsening economic conditions in Japan or elsewhere could adversely affect Fukoku Life's business, financial condition and results of operations.

Changes in interest rates may significantly affect Fukoku Life's profitability.

Fukoku Life has adopted an investment strategy which strives to engage in appropriate risk taking by leveraging its abundant capital, with an aim to generate profits to further strengthen its capital and fuel further risk taking, thereby establishing a virtuous cycle. This investment strategy is formulated based on Fukoku Life's risk management policy, which aims to conduct integrated management of capital, risk and return. In a low interest rate environment, Fukoku Life conducts asset liability management ("ALM") focused on surplus management. In addition, in situations where the yen interest rate exceeds liability costs, Fukoku Life will aim to transition towards duration-matching ALM.

Because Fukoku Life's liabilities to policyholders generally have a longer duration than its investment assets, it is particularly important to control any interest rate risks which may result from the duration gap between its assets and liabilities. Any failure in Fukoku Life's ALM processes, or any significant changes in market conditions beyond what Fukoku Life's ALM could reasonably address, may have a material adverse effect on Fukoku Life's financial condition and results of operations.

In periods of increasing interest rates, while the increased investment yields should lead to increased returns on Fukoku Life's investment portfolio, surrenders of policies, in particular endowment policies and annuity products, may tend to increase as policyholders seek investments with higher returns. In addition, a rise in interest rates in any given fiscal year will have a negative impact on Fukoku Life's net assets in that fiscal year

due to a decrease in the fair value of Fukoku Life's fixed income assets. In particular, yen fixed income assets represented 47.9 per cent. of the assets in Fukoku Life's general account as of 31 March 2023 on a non-consolidated basis, of which Japanese government bonds ("JGBs") accounted for a significant portion. Increases in interest rates could substantially decrease the value of Fukoku Life's fixed income portfolio, and any unexpected change in yield curves could adversely affect the value of Fukoku Life's bond and interest rate derivative position. As a result, increases in interest rates may have a material adverse effect on Fukoku Life's financial condition and profitability.

In contrast, during periods of declining interest rates, Fukoku Life's average rate of return on investments declines because maturing investments, as well as bonds and loans that can be redeemed or prepaid to take advantage of the lower interest rate environment, are replaced with new investments that provide lower returns. Assumed rates of return for outstanding policies other than group annuities cannot be changed except in particular circumstances and thus policyholders expect the assumed rates of return on their policies not to be altered. During the recent protracted period of extremely low interest rates in Japan, actual rates of return on investments have at times fallen below the assumed rates of return used in calculating premiums, a phenomenon known as "negative spread". Since 2012, Fukoku Life has taken initiatives to make provisions for additional policy reserves in respect of policies offering a high assumed rate of return, which gives rise to an expense in the year of recognition, but allows Fukoku Life to lower the assumed rate of return for the purposes of calculating fundamental profits in respect of those policies in subsequent years. As a result of these reserves as well as through attrition (the replacement, through maturity, surrenders, lapses and conversions, of older policies that have higher assumed rates of return with newer policies that have lower assumed rates of return) and improvements in investment yields, Fukoku Life has achieved a positive spread on its portfolio of outstanding policies as a whole since 2013 (see "Recent Business—Supplemental Financial Measures—Positive Spread"). However, there can be no assurance that these trends will continue. Any combination of higher assumed rates of return, unexpected drop in investment yields, or other external factors may result in the reoccurrence of negative spread, which in turn may have a material adverse effect on Fukoku Life's results of operations and financial condition.

Fukoku Life is exposed to a number of risks related to its investment portfolio.

Fukoku Life is subject to the risk of loss on its investments resulting from a number of factors, including changes in stock and other security prices, as well as certain other risks, including foreign exchange risk, credit risk, real estate investment risk and liquidity risk:

- *Japanese equity securities risk.* As of 31 March 2023, Japanese equity securities represented 11.4 per cent. of the assets in Fukoku Life's general account. Net unrealised gains on Japanese equity securities amounted to ¥387,316 million as of 31 March 2023 and ¥492,617 million as of 30 June 2023, representing an important component of Fukoku Life's capital and solvency margin. Global equity markets, including the Japanese equity markets, have experienced significant volatility over the preceding years. In particular, the Nikkei 225 Index plunged in March 2020 around the time COVID-19 was declared a pandemic but has since recovered and nearly doubled. Such volatility results in difficulties in assessing future fluctuations in Japanese equity securities. The reserves for price fluctuation of securities established by Fukoku Life, which is also reflected in the calculation of solvency margin, could offset the effect of future price fluctuations of securities, including Japanese equity securities, but there can be no assurance that such reserves will be adequate for such purposes. Fukoku Life's ability to offset the impact of rapid changes in the value of equities and other securities through the accumulation of retained earnings may also be limited. A significant decline in the prices of Japanese equity securities may lead to Fukoku Life recording significant losses on valuation of securities in the general account, which in turn may have a material adverse effect on Fukoku Life's results of operations and financial condition.
- *Fixed income securities risk.* Fixed income assets represented 59.1 per cent. and 59.1 per cent. of the assets in Fukoku Life's general account as of 31 March 2023 and 30 June 2023, respectively, as the core of its asset portfolio. The recent trend of rising interest rates could cause the value of Fukoku Life's fixed income portfolio to fall and negatively affect Fukoku Life's financial condition and, in particular, its solvency margin ratio.
- *Foreign exchange risk.* Of the carrying value of Fukoku Life's general account assets as of 31 March 2023, 25.4 per cent. was denominated in foreign currencies. Approximately 87.1 per cent. and 98.0 per cent. of Fukoku Life's general account investments denominated in currencies other than yen were not hedged against foreign exchange rate fluctuations as of 31 March 2023 and 30 June 2023, respectively. The foreign exchange markets have been experiencing significant volatility over the last few years, in particular following the recent trend of wider differences in interest rates in

Japan and the United States, with the yen weakening from ¥108.83 against the U.S. dollar as of 31 March 2020 to ¥144.99 as of 30 June 2023 (source: telegraphic transfer middle rate of MUFG Bank, Ltd.). The widening gap between domestic and overseas interest rates has also caused hedging costs to spike, rendering unviable Fukoku Life's previous strategy of generating higher interest rates on foreign currency denominated bonds by holding FX hedged positions in them. There can be no assurance that significant volatility of foreign exchange rates will not have a material adverse effect on Fukoku Life's financial condition and results of operations.

- *Credit risk.* Fukoku Life is subject to the risk that borrowers of the loans made by Fukoku Life may default on principal and interest payments. Issuers of bonds held by Fukoku Life may also default. As of 31 March 2023, loans, domestic bonds and foreign bonds represented 7.4 per cent., 42.3 per cent. and 16.8 per cent., respectively, of the carrying value of Fukoku Life's general account assets. Failures of borrowers or issuers of bonds could lead to losses that may have a material adverse effect on Fukoku Life's results of operations and financial condition. Fukoku Life is also subject to counterparty credit risk with respect to other kinds of transactions, including derivative transactions such as interest rate swaps and foreign exchange forward contracts. Failures by counterparties to honour the terms of such transactions with Fukoku Life may have a material adverse effect on Fukoku Life's results of operations and financial condition. Fukoku Life provides for an allowance for doubtful accounts based on evaluations and estimates regarding counterparties; however, actual losses could exceed the amount of such allowances and, in the event of failures or a deterioration of the creditworthiness of counterparties, Fukoku Life may be required to increase allowance amounts.
- *Real estate investment risk.* Of the carrying value of Fukoku Life's general account assets as of 31 March 2023, 3.4 per cent. was in real estate. Fukoku Life is subject to the risk that its real estate-related income may decrease due to declines in market rents, failure to lease available properties, or other factors. COVID-19 has accelerated the trend towards remote working, which may result in reduced demand for commercial real estate, including office floor space, which may result in lower occupancy rates and rental income. Although, as of 31 March 2021, 2022 and 2023, net unrealised gains on real estate owned by Fukoku Life's general account amounted to ¥148.1 billion, ¥147.3 billion and ¥164.3 billion, respectively, general declines in real estate prices in Japan may have a material adverse effect on the value of Fukoku Life's real estate holdings.
- *Liquidity risk.* Many of the products offered by Fukoku Life allow policyholders to withdraw their funds. While Fukoku Life holds a significant amount of liquid assets, it also invests in certain assets, such as real estate and loans, which are generally illiquid. If Fukoku Life requires significant amounts of cash on short notice in excess of its normal cash requirements, for example due to unanticipated numbers of policy surrenders or a major catastrophe or natural disaster, Fukoku Life may have difficulties in selling these investments at attractive prices in a timely manner. Difficulties due to illiquidity may also arise due to any general turmoil occurring in the financial markets irrespective of the liquidity of the assets Fukoku Life holds. If Fukoku Life is forced to dispose of such investments on unfavourable terms, its results of operations and financial condition may be materially and adversely affected.

As Fukoku Life's sales are highly concentrated in life insurance and annuity products, demand for and surrenders of insurance and annuity products may materially affect Fukoku Life's results of operations and financial condition.

A variety of factors affect the demand for life insurance and annuity products generally, including levels of employment and household income in Japan, public perception of the relative financial strength of insurance companies or the financial strength of the insurance industry as a whole, changes in laws and regulations relating to insurance products, demographic trends affecting the composition of Japan's population and the relative attractiveness of alternative savings and investment products. In particular, the market for mortality insurance has continued to shrink in line with Japan's declining population and low birth rate. A high interest rate and high inflation environment may reduce the attractiveness of savings-type insurance and annuity products. Further, changes in tax laws may materially affect demand for life insurance products (see “—Risks Related to the Life Insurance Industry—Future changes in laws and regulations applicable to Fukoku Life could adversely affect its business, financial condition and results of operations”). Additionally, the acceleration of inflationary pressures and the weakening Japanese yen could also reduce disposable incomes, which may lead to increases in surrenders or lapses of policies and decreases in demand for insurance and annuity products. Changes in these and other factors could result in a decrease in sales of new life insurance policies and annuity products, an increase in policy surrenders or a decrease in the profitability of Fukoku Life's products, any of which may have a material adverse effect on Fukoku Life's business, financial condition and results of operations.

Differences between future and actual claims results and the actuarial assumptions used in pricing and establishing reserves for insurance and annuity products may materially and adversely affect Fukoku Life's earnings, profitability and financial condition.

Fukoku Life's earnings depend significantly upon the extent to which actual claims results are consistent with the assumptions used in setting the prices for products and establishing the reserves in Fukoku Life's financial statements for obligations for future policy benefits and claims. Assumptions include those for rates of investment returns, mortality and morbidity, expenses and policy persistency, as well as macroeconomic factors such as market interest rates and inflation. These assumptions are made by management based on a variety of data and require, in some cases, approval by the FSA. Actual results may deviate from these assumptions, and, as a result, Fukoku Life cannot determine precisely the amounts which it will ultimately be required to pay to settle these liabilities or when these payments will need to be made. These amounts may vary from the estimated amounts, particularly when those payments may not occur until well into the future.

In recent years, Fukoku Life has increased its sales efforts with respect to products that insure non-traditional risks, including "third sector" insurance products. The assumptions used in pricing new products involve an added degree of uncertainty, as they are often based on limited experience when compared to assumptions used in existing products or product lines. To the extent that trends in actual claims are less favourable than underlying assumptions used in establishing these reserves, and these trends continue in the future, Fukoku Life could be required to increase its reserves. Any such increase could have a material adverse effect on Fukoku Life's profitability and its financial condition.

The negative effects of COVID-19 may have a material adverse effect on Fukoku Life's results of operations.

The global COVID-19 pandemic has caused widespread disruption to normal patterns of daily activities. Measures taken to contain the health impact of the COVID-19 pandemic have resulted in an adverse impact on economic activity across the world. While the impact of the pandemic now appears to be contained, there is no assurance that a more virulent variant of the virus, or a similar pandemic caused by a different virus, will not appear to trigger a new round of global health crisis.

Over the past few years, the COVID-19 pandemic has significantly impacted Fukoku Life's business and operations. Pursuant to the guidelines of the Life Insurance Association of Japan (the "Life Insurance Association") revised to respond to the rapid and serious COVID-19 spread as requested by the FSA, in April 2020 Fukoku Life put in place special procedures such as making benefit payments upon "deemed", rather than actual, hospitalisations (such as treating persons receiving medical treatment for COVID-19 at home or in hotels as being hospitalised), which led to an increase in claims. As a result of successive surges in infections during the pandemic and allowing benefit payments upon deemed hospitalisations, the COVID-19 related death and hospitalisation insurance payout by Fukoku Life and Fukokushinrai on a cash-out basis increased from ¥0.7 billion in the fiscal year ended 31 March 2021 to ¥5.6 billion in the fiscal year ended 31 March 2022 and then to ¥35.4 billion in the fiscal year ended 31 March 2023. Since then, the eligibility criteria for payout upon deemed hospitalisation was tightened in September 2022 in accordance with the revised policy published by the Life Insurance Association, to include only people who are 65 years old or older, pregnant, in need of actual hospitalisation, or at risk of serious illness and whom a doctor has judged in need of COVID-19 medication or oxygenation. In addition, the scheme for making benefit payments upon "deemed" hospitalisations has itself expired in May 2023. As a result, Fukoku Life expects the impact of COVID-19 on its business and financial results to wind down significantly going forward. Nevertheless, claims related to COVID-19 may still increase in the future should there be further surges in serious COVID-19 cases in Japan, which could increase costs to accommodate any further requests of revisions to the guidelines or additional response measures from the FSA and adversely affect Fukoku Life's results of operations and financial condition.

At the time when the Japanese government imposed emergency measures aimed at containing COVID-19, Fukoku Life increased the adoption of, and has been successful in the use of, digital tools to facilitate interaction and engagement with customers in its sales activities. Fukoku Life expects to continue to employ such tools to complement its face-to-face sales activities. However, investments in digital infrastructure require significant ongoing maintenance and development costs in addition to initial deployment costs. In addition, in the event that the Japanese insurance industry increasingly adopts digital technology in its regular sales activities to reduce human contact, Fukoku Life may see its traditional strength in door-to-door sales and workplace sales being eroded as such practice becomes outmoded and may find it more difficult to differentiate itself against the digital offerings of its competitors.

The financial condition and results of operations of Fukoku Life could be negatively affected if Fukoku Life is required to reduce its deferred tax assets.

Pursuant to Japanese GAAP, with respect to each consolidated subsidiary, Fukoku Life establishes deferred tax assets for tax benefits that are expected to be realised during a period that is reasonably foreseeable, net of deferred tax liabilities. Since the calculation of deferred tax assets is based on various assumptions, including assumptions regarding future taxable income, the actual taxable income could differ. Changes in economic conditions, accounting standards, the applicable tax rate or tax regime or Fukoku Life's estimate of future taxable income, among other factors, could lead to the reduction of deferred tax assets by Fukoku Life. As a result, Fukoku Life would recognise additional income tax expense and results of operations could be materially and adversely affected.

Changes in relationships with or performance of strategic partners could harm Fukoku Life's business.

Fukoku Life has entered into a number of strategic alliances with companies within and outside of the life insurance industry. For example, Fukoku Life has entered into a business alliance with Secom General Insurance Co., Ltd. ("Secom General Insurance") to sell a strategic product which bundles together Secom General Insurance's cancer indemnity insurance and Fukoku Life's medical insurance. In addition, Fukokushinrai has entered into a strategic alliance with Shinkin Central Bank to boost its sales of insurance products through bancassurance channels (Shinkin Central Bank is also a minority shareholder of Fukokushinrai, holding 2.5 per cent. of the outstanding shares of Fukokushinrai as of 31 March 2023). Fukokushinrai's alliance with Shinkin Central Bank and Japanese shinkin banks (cooperative and credit banks which provide financial services mainly to small and medium enterprises in regional areas; "Shinkin Banks") is particularly significant as Fukokushinrai conducts the vast majority of its sales through the bancassurance channels of such Shinkin Banks (see "Business—Sales and Marketing"). Because Fukoku Life's relationships with these financial institutions and insurance agents are nonexclusive, the level of sales of its products through these agents depends on the sales strategies of individual agents and the competitiveness of its products relative to those of its competitors, including as to pricing, benefits and other features. As a result, competition among life insurance companies to obtain and maintain bancassurance and insurance agent relationships is intense.

Although Fukoku Life aims to maintain stable sales via these channels, there can be no assurance that it will succeed in maintaining its sales or achieving targeted profitability or that it will be able to compete effectively. In addition, competition between Fukoku Life's bancassurance agents and Fukoku Life's sales representatives may arise in the future. If these strategic partners encounter financial or other business difficulties, change their strategic objectives or perceive Fukoku Life no longer to be an attractive business partner, such entities may terminate their relationships with Fukoku Life or otherwise withdraw from their strategic alliance with Fukoku Life. In addition, current or future business relationships or strategic alliances with other companies may not succeed or achieve their anticipated benefits. Any withdrawal by a strategic partner or failure of a current or future business relationship or alliance may cause Fukoku Life to incur losses or otherwise have an adverse effect on the results of operations and the financial condition of Fukoku Life.

Fukoku Life may not be able to hire and retain a sufficient number of qualified sales representatives and contract with effective independent sales agents, and any misconduct by sales representatives and independent sales agents is difficult to detect and deter and could harm Fukoku Life's business.

Like many of its competitors in the Japanese life insurance industry, Fukoku Life's business depends to a significant extent on its ability to hire and retain qualified sales representatives. If Fukoku Life is unable to hire and retain qualified sales representatives, its business could be materially and adversely affected. In addition, Fukoku Life had contracts with 9,573 independent sales agents as of 31 March 2023. Competition for effective independent sales agents is intense and Fukoku Life may be forced to increase the compensation levels for its independent sales agents in order to attract the agents it needs.

The vast majority of these sales representatives and independent sales agents operate with considerable autonomy. Misconduct by sales representatives and independent sales agents could result in violations of law by Fukoku Life, regulatory sanctions or reputational and/or financial harm. Moreover, Fukoku Life's sales representatives and independent sales agents have direct contact with customers and knowledge of their personal and financial information. Misconduct can include, among others, violation of laws or regulations concerning the offer and sale of insurance products, engaging in fraudulent or otherwise improper activity, hiding unauthorised or unsuccessful activities resulting in unknown and unmanaged risks or losses, improperly using or disclosing personal or confidential information. Fukoku Life takes precautionary measures to prevent and detect employee and agent misconduct, but these measures may not be effective in all cases.

Declines in Fukoku Life's pension assets or revisions in actuarial assumptions could increase Fukoku Life's pension obligations.

Fukoku Life has faced in the past, and may face in the future, losses relating to its pension plans from changes in the market value of plan assets, a decline in returns on its pension plan assets or changes in the assumptions and investment return on which the calculation of the projected pension benefit obligation is based. Fukoku Life may also experience unrecognised prior service costs in the future resulting from amendments to its pension plans.

Fukoku Life's risk management and internal reporting systems, policies and procedures may not be fully effective and may leave Fukoku Life exposed to unidentified or unanticipated risks, which could materially and adversely affect its businesses or result in losses.

Fukoku Life's risk management and internal reporting systems, and its policies and procedures to identify, monitor and manage risks may not be fully effective. Many of its methods of managing risks and exposures are based upon use of observed historical market behaviour or statistics based on historical models. As a result, these methods may not be effective to predict future exposures, which could be significantly greater than what the historical measures indicate. Other risk management methods depend upon the evaluation of information regarding markets, customer demands or other matters that are publicly available or otherwise accessible, which may not always be accurate, complete, up-to-date or properly evaluated. Management of operational, legal and regulatory risks requires, among other things, procedures to record properly and verify a large number of transactions and events and these procedures may not be entirely effective. Failure or ineffectiveness of these policies or procedures could materially and adversely affect Fukoku Life's business or result in losses.

Further, following the onset of the COVID-19 pandemic, office workers of Fukoku Life have been allowed to choose to work in the office or remotely; it has also embraced communication methods such as usage of video conferencing services and the use of other digital tools. Remote working arrangements, and/or increased usage of digital communication with customers, could strain Fukoku Life's risk management and internal control systems and introduce greater operational risks, such as through leakage of personal information (whether through failure of information security systems or otherwise), less effective supervision and fraud by its employees or customers. Failure or ineffectiveness of these policies or procedures could materially and adversely affect Fukoku Life's business or result in losses.

Fukoku Life depends heavily on information technology in conducting its business, and any failure of Fukoku Life's information technology systems may have an adverse effect on its business.

Fukoku Life relies heavily on information technology ("IT") systems, including those of third-party service providers, to manage customer policies, manage investments in assets, record and maintain statistics and personal information of its customers and in other areas of its operations. As Fukoku Life expands its operations and product offerings, Fukoku Life's IT systems may require additional expenditure. In particular, the "PlanDo" system (see "Business—Sales and Marketing—Sales Support") plays an important role in the sales activities of Fukoku Life's sales representatives. With the increased focus on virtual communication and remote working since the onset of the COVID-19 pandemic, building and maintaining a robust IT infrastructure has become an increasingly important focal issue. Further, the increasing sophistication of cyber criminals and the importance of digital interaction with Fukoku Life's customers mean the inherent risk of failure of its operations due to the malicious acts of third parties is expected to increase, exacerbated by the Russia-Ukraine conflict which has the potential to lead to state sponsored attacks on the cyber security of companies holding large numbers of personal data, including Fukoku Life and its subsidiaries.

Fukoku Life's IT systems could fail due to various causes, including problems affecting the Internet generally or damage to equipment, software or networks as a result of accidents, fires, natural disasters, power loss, high user volume, human error, sabotage, hacking, employee misconduct, software and hardware defects and malfunctions, viruses or network security breaches. Any such failure could disrupt the services that Fukoku Life provides to customers at its branches, its payments and collections, the management of its assets or the use of its tablet devices by Fukoku Life's sales representatives, among other things. Such failures could also have other adverse consequences, including reputational damage, customer dissatisfaction and a loss of customer confidence, which could result in increased policy surrenders, a decrease in new policy sales and legal or regulatory sanctions.

Misuse of customers' personal or financial information could adversely affect Fukoku Life's business.

Fukoku Life makes use of online services and centralised data processing, including through third-party service providers, and the tablet devices carried by Fukoku Life's sales representatives handle and transmit personal information of Fukoku Life's customers. Further, Fukoku Life has embraced various virtual communication methods in its sales activities, including the use of online meeting applications. Secure maintenance and transmission of confidential information is therefore a critical element of Fukoku Life's operations. Fukoku Life has implemented security measures and policies in order to prevent misuse of or loss of customers' personal or financial information (in particular, the tablet devices carried by Fukoku Life's sales representatives contain advanced security features enabling such devices to be remotely deactivated). However, such measures or any other security measures that are implemented by Fukoku Life's independent sales agents, its third-party service providers or its strategic business partners may be insufficient to prevent the loss, accidental disclosure or misappropriation of customer information, or the compromise of information and communications systems.

Inadvertent loss, disclosure or misappropriation of customer information by Fukoku Life's own employees would subject it to similar risks. Japanese media, regulators and consumers have intensified their scrutiny of incidents involving the loss, disclosure or misappropriation of personal information in recent years. In addition, the Personal Information Protection Act of Japan (Act No. 57 of 2003, as amended) (the "Personal Information Protection Act") imposes stringent regulatory requirements applicable to Fukoku Life's handling of customers' personal information. Further, pursuant to the Act on the Use of Numbers to Identify a Specific Individual in the Administrative Procedure of Japan (Act No. 27 of 2013) (the "Act on the Use of Numbers to Identify a Specific Individual in the Administrative Procedure") that came into effect in October 2015, residents in Japan have each been issued a unique number (a "My Number"), which identifies them for specific administrative procedures related to social security, taxation and health insurance. Fukoku Life now holds My Number information of its customers, as well as its management and employees. The handling of specific personal information, including My Number information, requires more stringent protection measures than for general personal information. If Fukoku Life were to lose customers' personal information or if a third party were able to penetrate its network security, or that of its independent sales agents, service providers or business partners, or otherwise misappropriate personal information of its customers, Fukoku Life could be subject to reputational harm, legal claims or sanctions by regulatory authorities.

Fukoku Life is involved in litigation involving its insurance operations on an ongoing basis, which could result in financial losses or harm its businesses.

Fukoku Life is involved in litigation involving its insurance operations on an ongoing basis. While Fukoku Life cannot predict the outcome of any pending or future litigation, it believes that any pending legal proceedings will not have a material adverse effect on Fukoku Life's business, financial condition or results of operations. However, given the inherent unpredictability of litigation, it is possible that an adverse outcome could have a material adverse effect on operating results or cash flows.

Fukoku Life may be subject to regulatory sanctions and additional payments to policyholders in connection with non-payments and underpayments of claims and benefits.

In the past, numerous life insurance companies in Japan, including Fukoku Life, have been sanctioned by, or received a business improvement order from, the FSA for non-payments and underpayments of claims and benefits in circumstances where the relevant policyholder should have been entitled to payment. Fukoku Life has since strengthened its compliance functions and made improvements to its governance and internal audit policies and procedures to prevent non-payments and underpayments in the future. However, there is no assurance that such measures adopted by Fukoku Life will be fully effective. In the event that the FSA deems that the development of the management structure for payments is insufficient for any reason, Fukoku Life's reputation could be harmed and its business and results of operations could be adversely affected.

A perceived reduction in Fukoku Life's financial strength, including as a result of a downgrade in Fukoku Life's credit ratings or a reduction in Fukoku Life's solvency margin ratio, as well as negative events related to Fukoku Life or the Japanese life insurance industry, could further increase policy surrenders and hinder new sales.

Developments that have the effect of reducing Fukoku Life's actual or perceived financial strength could result in increases in policy surrenders and withdrawals, increased funding costs or decreases in new policy

sales and other difficulties with respect to its investment, funding and capital raising activities. Two important measures of financial strength that customers generally consider are an insurer's ratings by credit rating agencies and its solvency margin ratio. As of the date of this Offering Circular, Fukoku Life has insurer financial strength ratings of A+ (stable outlook) by S&P, A+ (stable outlook) by Fitch, A2 (stable outlook) by Moody's, AA- (stable outlook) by R&I and AA by JCR (stable outlook). As of 31 March 2023, Fukoku Life had a consolidated and a non-consolidated solvency margin ratio of 1,171.9 per cent. and 1,133.8 per cent., respectively. A rating downgrade, or the potential for such a downgrade, of Fukoku Life or a reduction in its solvency margin ratio could have an adverse effect on Fukoku Life's business because such development may, among other things, increase the number of policy surrenders and hinder new policy sales.

Disclosure requirements for financial and other information applicable to mutual companies differ in certain significant respects from those applicable to Japanese public companies.

Disclosure requirements for financial and other information applicable to Japanese mutual companies such as Fukoku Life differ in certain significant respects from those applicable to Japanese public companies, whose securities are listed on Japanese stock exchanges and are required to comply with the continuous disclosure requirements of the FIEA. For example, mutual companies currently are not subject to requirements applicable to such Japanese public companies to prepare quarterly consolidated financial statements or to make timely disclosure of material corporate developments and events. Although Fukoku Life believes that its current disclosure practices do not differ materially from those required of Japanese public companies, Fukoku Life is not obliged to continue such practices in the future.

Any failure to understand and respond effectively to the risks associated with environmental, social or governance ("ESG") factors could adversely affect Fukoku Life's business and future prospects.

The business environment in which Fukoku Life and its subsidiaries are operating is continually changing, and sustainability is becoming increasingly important to Fukoku Life's success and that of its investee companies. A failure to address and embed consideration of sustainability within Fukoku Life's products, business and operating model could adversely impact Fukoku Life's business. Fukoku Life has, as part of its sustainability management, set certain mid-term and long-term goals with regard to the reduction of its own carbon emissions as well as those of its investment portfolio. There is a risk, however, that Fukoku Life may be unable to manage its operational energy demand needs and the carbon footprint of its investments and underwriting exposures within its sustainability aims. In addition, Fukoku Life may be unable to meet the growing expectations of regulators, customers and other stakeholders to play a positive role in society and contribute to addressing environmental, social and business challenges. Such inability to manage sustainability demands and challenges could have a significant impact on Fukoku Life's reputation, business, financial condition, results of operations and future prospects.

Risks Related to the Life Insurance Industry

Demographic trends in Japan may adversely affect Fukoku Life's business.

Since the 1970s, Japan's birth rate has generally been on a gradual decline and is currently one of the lowest in the world. As a result, the number of people aged between 15 and 64 declined by 14.9 per cent. from 87.1 million in 1995 to 74.1 million in 2020. This age group is considered to be the country's potential workforce population and covers in any given year the overwhelming majority of Fukoku Life's customers purchasing insurance products, Fukoku Life's core product group. Total policy amounts in force for individual insurance and individual annuities for all life insurance companies in Japan declined from ¥961.3 trillion as of 31 March 2014 to ¥907.9 trillion as of 31 March 2022, according to the Life Insurance Association of Japan, and Fukoku Life believes the above demographic trend was one of the primary contributing factors to this decline in policy amount in force. Mainly as a result of increased demand for so-called "third sector" policies, annualised premiums from policies in force for the Japanese life insurance industry have experienced an increase during the same period, from ¥24.4 trillion for the year ended 31 March 2014 to ¥27.8 trillion for the year ended 31 March 2022. Nonetheless, even such increase has peaked in the year ended 31 March 2019 and annualised premiums for the industry as a whole have been in decline since then. The National Institute of Population and Social Security Research projects that the number of people aged between 15 and 64 will decrease further to an estimated 68.7 million in 2030 (according to medium-fertility and medium-mortality assumptions) and will continue to decline for decades thereafter. If these demographic trends continue and the market for life insurance products continues to shrink, the scale of Fukoku Life's insurance business may diminish and Fukoku Life's financial condition and results of operations may be materially and adversely affected.

Fukoku Life's strength in the so-called "third sector", which lies between the traditional life insurance and non-life insurance sectors (including policies specifically designed to supplement national healthcare programmes and include policies for insurance against cancer, hospitalisation and personal accidents) may offset some of the effects of the overall decline in demand for insurance products, as the market for "third sector" insurance has generally been growing in recent years and is expected to continue to grow due to the aging of Japan's population and a corresponding increase in overall medical expenses. However, there can be no assurance that an increase in demand for "third sector" insurance will materialise or that Fukoku Life will be able to capitalise on such increase in demand.

In addition, mortality and morbidity rates may increase as a result of increases in the average age of Fukoku Life's policyholders. Fukoku Life views these increases as being too small to have a material effect on its aggregate claims and other payments. Furthermore, the assumed mortality and morbidity rates used by Fukoku Life in calculating the premiums for its products are estimated conservatively and Fukoku Life makes provision for a contingency reserve to cover unforeseen liabilities arising in an extraordinary catastrophe. Nevertheless, there can be no assurances that a continued aging and the corresponding structural change of Japan's demography will not cause mortality and morbidity rates to rise above Fukoku Life's expectations. Such changes may have a material adverse effect on Fukoku Life's results of operations and financial condition. See "Recent Business—Risk Management".

Competition in the financial services industry in Japan has increased, and if Fukoku Life does not compete effectively its business may be harmed.

Fukoku Life faces intense competition in the Japanese life insurance market from both domestic and foreign-owned life insurance companies and from large domestic financial service providers that either have their own insurance subsidiaries or enter into co-operative arrangements with major insurance companies. In particular, competition has increased in the Japanese life insurance market in recent years due to industry deregulation, targeting of the bancassurance channel by competitors, an overall decline in demand for insurance products with death benefits and increased competition from foreign-owned insurance companies, among other factors. Japan's financial sector has also experienced several waves of consolidation in the past, and further consolidation could affect the competitive environment for the sale and distribution of life insurance products. Some of these competitors may have advantages over the Group, including greater financial resources and financial strength ratings, greater brand awareness, more extensive marketing and sales networks, more competitive pricing, larger customer bases, higher policyholder dividends and a wider range of products and services.

The Group also faces competition from some former government entities, including Japan Post Insurance Co., Ltd. ("Japan Post Insurance"), which is 49.84 per cent. held by Japan Post Holdings Co., Ltd. ("Japan Post Holdings") as of 31 March 2023. Japan Post Holdings has three primary subsidiaries, including Japan Post Insurance, through which it provides Japan's primary postal service, operates Japan's post offices, conducts deposit-taking and other banking activities and engages in a life insurance business. Japan Post Insurance enjoys competitive advantages in the Japanese insurance market due to its large existing customer base, nationwide network of post office branches and favourable public perception of its stability due to its association with the government.

Japan Post Insurance currently remains subject to limitations on the type and amount of insurance coverage it may provide; such limitations are expected to remain in place until such time as the Japanese government considers that the lifting of such limitations will not impede an appropriate competitive environment with other financial institutions. If these limitations are eased or eliminated in the future, competition in Japan's life insurance market could further intensify. In addition, in 2018, Japan Post Insurance entered into a strategic alliance with Aflac Incorporated ("Aflac"), under which, among other things, Japan Post Insurance has sold Aflac's cancer insurance policies. This has increased the level of competition for similar products offered by Fukoku Life.

The Group also faces competition from various co-operative associations (*kyosai*) such as the Japan Agricultural Cooperatives, the National Federation of Workers and Consumers Insurance Cooperatives and the Japanese Consumers' Cooperative Union, all of which offer competing life insurance products.

The Group may also face competition from small-amount, short-term insurers. The maximum amount of insurance claims and terms of such insurance products are restricted, but such small-amount, short-term insurers are subject to less strict regulation than licensed insurers and may be more agile in responding to customer needs.

Deregulatory measures have permitted securities companies and banks to engage in sales of all types of life insurance and annuity products since 2007. Any future deregulatory measures that favour large, established

financial conglomerates could result in additional consolidation in Japan's financial services industry. In addition, any future deregulatory measures that further relax the regulatory barriers between different financial services industries in Japan could intensify competition within these industries. Further, and in particular spurred by the focus on digital sales channels following the onset of the COVID-19 pandemic, competition from Japanese life insurance industry that rely on the Internet as their primary sales channel and operate with a low cost structure has also been increasing recently and is expected to intensify.

Increased competitive pressures resulting from these and other factors may cause Fukoku Life's new policy sales to decline and policy surrenders to increase, which could have a material adverse effect on Fukoku Life's business, financial condition and results of operations.

As a Japanese insurance company, Fukoku Life is subject to extensive oversight of its business practices and must maintain a solvency margin ratio at or above required levels.

As a Japanese insurance company, Fukoku Life is subject to extensive oversight, including comprehensive regulation by the FSA under the Insurance Business Act of Japan (Act No. 105 of 1995, as amended) (the "Insurance Business Act") and related regulations. The Insurance Business Act intends to protect policyholders, not security holders. The law places restrictions on the types of businesses in which Fukoku Life may engage, imposes limits on the types of investments that Fukoku Life may make and requires Fukoku Life to maintain specified reserves and a minimum solvency margin ratio. The Insurance Business Act also gives the Commissioner of the FSA broad regulatory powers over Fukoku Life's insurance business, including the authority to suspend operations, request information regarding Fukoku Life's business or financial condition and conduct on-site inspections of books and records. In addition, Fukoku Life generally must also receive the FSA's approval for the sale of new products and new pricing terms.

Currently, Fukoku Life is required to maintain a solvency margin ratio (a measure of capital adequacy) of at least 200 per cent. on a consolidated basis as well as on a non-consolidated basis. If Fukoku Life fails to maintain its solvency margin ratio and other indicators of financial soundness at or above required levels, the Commissioner of the FSA could require it to take a variety of corrective actions. Although Fukoku Life's consolidated and non-consolidated solvency margin ratio significantly exceeds the regulatory minimum requirements, future regulatory changes and a deterioration in Fukoku Life's capital may result in the need for additional capital. It should be noted that the current capital requirements under the Insurance Business Act are different from that imposed on insurance companies overseas; as such, these solvency margin ratios are not comparative to those disclosed by insurance companies in other jurisdictions, and should not be so compared.

With a view to harmonising capital regulations internationally, the International Association of Insurance Supervisors (the "IAIS"), of which the FSA is a member, has been promoting new international standards for solvency assessment based on economic value. The IAIS's Common Framework for the Supervision of Internationally Active Insurance Groups, a set of international supervisory requirements focusing on the effective group-wide supervision of internationally active insurance groups ("IAIGs"), is expected to include a risk-based global insurance capital standard, with the current plan to have full implementation in 2025 after testing and refinement with supervisors and IAIGs through confidential reporting. Since June 2010, the FSA had been conducting studies on an economic value-based solvency regime through field tests covering all Japanese insurance companies and working towards the adoption of a specific framework concerning the economic value-based solvency regime.

Following such study, in June 2022, the FSA released its tentative conclusions and basic direction regarding the regulatory framework for ESR (the "FSA ESR Document 2022"). The FSA ESR Document 2022 also gave indications as to the timing for adoption in Japan, namely that preparations and studies will continue to be progressed based on the current assumption that the new regulations will be introduced in 2025. In June 2023, the FSA released a further report regarding the latest status of work on regulations and supervisory methods toward the introduction of ESR. In the report, or FSA ESR Document 2023, the FSA indicated that the timing for the adoption and first-time reporting of ESR by insurance companies will be in the fiscal year ending 31 March 2026 and end of March 2026, respectively, as previously indicated in the FSA ESR Document 2022. The adoption of such new regime may pose a significant impact on the operations and asset management of the Japanese life insurance industry given the responsive nature of such regime to fluctuations in interest rates.

In this Offering Circular, Fukoku Life discloses ESR data as of 31 March 2022 and 2023 on a consolidated and non-consolidated basis, calculated for internal management purposes, pursuant to the framework which it has developed as an internal model based on the EU Solvency II Directive (2009/138/EEC) ("Solvency II"), but applying certain proprietary adjustments designed to more accurately reflect its risk profile. Fukoku Life believes that the ESR framework developed by it to date is in line with, and that the figures for consolidated and non-consolidated ESR data in this Offering Circular are substantially consistent with, the rules

set out under Solvency II. However, due to such proprietary adjustments, Fukoku Life's ESR data in this Offering Circular is not fully comparable to Solvency II capitalisation ratio figures prepared by other insurers and should not be so compared. Furthermore, there are certain important differences between Solvency II and the FSA's ESR framework as indicated in the FSA ESR Document 2023, and if Fukoku Life were to calculate ESR based on the FSA's ESR framework, the figures would be different due to the different risk weighting being applied. Fukoku Life's ESR framework is also different from, and accordingly is not directly comparable to, ESR frameworks voluntarily adopted by other insurance companies in Japan.

In addition, Fukoku Life may review its ESR framework from time to time and may revise its ESR framework based on further updates to Solvency II and/or the new ESR framework in Japan. Fukoku Life's ESR data is also subject to change based on changes to the market environment, including interest rates, especially on bonds with very long maturities, and Fukoku Life's business and other risks. Further, any additional requirements that may be proposed in the future could result in significant changes to the solvency margin regulations, and restrictions included in any such new regulations could result in new limitations on Fukoku Life's business or investment activities and/or have a material negative effect on its business, results of operations, financial condition or solvency margin. In addition, in order to adapt to the new regulations, Fukoku Life may need to incur increasing costs for introducing internal structures and implementing personnel increases in order to develop the internal models further, or to establish an internal body to be in charge of making decisions regarding the assumptions made in calculating insurance liabilities and risks.

Future changes in laws and regulations applicable to Fukoku Life could adversely affect its business, financial condition and results of operations.

Changes in laws and regulations, and changes in government policies regarding their enforcement could adversely affect Fukoku Life's new policy sales, lead to increased compliance risk, increase the level of competition Fukoku Life faces or otherwise adversely affect Fukoku Life's business. Examples of such changes that have had, or could have, an adverse effect on Fukoku Life's business, financial condition and results of operations are described below.

As a result of amendments to the Insurance Business Act that became effective in 2007, rules applicable to sales of certain insurance products with investment characteristics became more stringent, similar to those applicable to sales and solicitation of financial instruments; and amendments to the Insurance Business Act that became effective on 29 May 2016 have resulted in stricter requirements with regard to confirming the potential policyholder's intentions as well as providing customers with product information and other necessary information during insurance solicitation. In the case of any similar or other major changes in applicable laws and regulations, Fukoku Life's third-party sales agents and sales representatives may encounter difficulties in adjusting their sales practices to comply with future regulatory changes. In addition, Fukoku Life may face increased compliance risk as a result of regulatory actions against it or Fukoku Life's competitors or in connection with future expansions of Fukoku Life's product offerings and related regulatory initiatives, any of which could adversely affect Fukoku Life's business, financial condition and results of operations or require significant additional expenses for training, improved compliance or remediation.

Current Japanese income tax laws permit individuals to deduct for income tax purposes all or a portion of the premium payments on almost all of the insurance and annuity products offered by Fukoku Life. These and other favourable tax provisions enhance the appeal of Fukoku Life's insurance products to Fukoku Life's customers. Corporate and small business policyholders are permitted to deduct as a business expense, subject to certain conditions, all or a portion of the costs of premiums on certain types of life insurance products, such as term life insurance, and on endowment products. However, after recent changes in Japanese tax laws, the amount of deductible expense has become more limited. Any further changes in Japanese tax laws or regulations that could negatively affect the tax treatment of premiums on Fukoku Life's insurance products may adversely affect Fukoku Life's new policy sales.

Further, changes in or application of new tax laws or regulations (including laws and regulations such as the legislation referred to as Foreign Account Tax Compliance Act ("FATCA") enacted in the United States) applicable to Fukoku Life may make payments to Fukoku Life subject to withholding, or increase Fukoku Life's compliance costs (if, for example, new compliance procedures are required in order to receive payments without withholding). Any such developments may have a material adverse effect on Fukoku Life's financial condition and results of operations.

In March 2012, the FSA tightened capital adequacy rules for internationally active banks and certain financial institutions, reflecting proposals made under Basel III on raising the quality, consistency and

transparency of the capital base and enhancing risk coverage. Further, in December 2017, finalised reforms to Basel III were published; such reforms seek to restore credibility in the calculation of risk-weighted assets and improve the comparability of banks' capital ratios, and include an increase in the risk weighting of certain securities held by banks. Such heightened capital requirements, and other potential future regulatory changes, including potential restrictions on holdings of the securities of other Japanese financial institutions by Japanese banks and bank holding companies, could make investments in Fukoku Life's foundation funds and subordinated debt or securitised products relating to Fukoku Life's foundation funds less attractive to Japanese banks and bank holding companies, which could adversely affect Fukoku Life's ability to raise capital.

Certain rules relating to the calculation of fundamental profit have undergone changes with effect from the beginning of the fiscal year ended 31 March 2023. Hedging costs for foreign exchange transactions were newly included in the calculation, while gains and losses on cancellation of investment trusts, foreign exchange fluctuations of securities redemption gains and losses and certain gains and losses in respect of re-insurance were excluded in the calculation of fundamental profit. Due to these changes, there is a possibility that the level of fundamental profit will decrease compared with the previous disclosure method, and that such decrease may be greater.

Changes to accounting standards relating to the calculation of policy reserves could have a material adverse effect on Fukoku Life's reported financial condition and results of operations.

The Insurance Business Act and related regulations and guidelines set forth the standards under which policy reserves are calculated. Changes to such standards that would require Fukoku Life to increase its policy reserves could have a material adverse effect on Fukoku Life's reported financial condition and results of operations. For example, the International Accounting Standards Board, which develops International Financial Reporting Standards ("IFRS"), has published a new standard, IFRS17 Insurance Contracts, which has been implemented for accounting years beginning on or after 1 January 2023. The new standard requires insurance liabilities to be measured at a current fulfilment value and provides a more uniform measurement and presentation approach for all insurance contracts. Adopting the standards published by IFRS is not mandatory in Japan. However, if economic value accounting for liabilities is adopted under Japanese GAAP in the future, Fukoku Life would be required to calculate policy reserves based on the current fair value of policy obligations taking into account factors such as current interest rate levels, which could increase the volatility of its reported financial condition and results of operations as compared to currently applicable accounting standards. In addition, if Fukoku Life's competitors start to adopt IFRS as their accounting standards while Fukoku Life does not, it will make comparison of financial results between Fukoku Life and its competitors more complicated. The relevant regulatory authorities keep under constant review the current accounting and regulatory rules, particularly those relating to changes to policy reserves standard for foreign currency insurance and the calculation of the fundamental profit. Although Fukoku Life will not be affected by any change to policy reserves standard for foreign currency insurance in light of the fact that it does not offer foreign currency insurance products, changes to the calculation of fundamental profit may result in Fukoku Life recording a reduced fundamental profit which could have a material adverse effect on its reported financial condition and results of operation.

The failure of other Japanese life insurance companies could require Fukoku Life to increase its contributions to industry-wide policyholder protection funds and could undermine consumer confidence.

Fukoku Life, along with other life insurers in Japan, is required to support policyholders of failed life insurance companies through payments to the Life Insurance Policyholders Protection Corporation of Japan (the "PPC"). The PPC provides funds upon acceptance and assumption by a successor life insurance company of the insurance policies of a failed life insurance company and also performs certain other specified functions. See "Regulation of the Japanese Life Insurance Industry—Insurance Business Act—Regulation for the Protection of Policyholders—Life Insurance Policyholders Protection Corporation of Japan". The proportion of required contributions allocated to Fukoku Life could increase if its income from insurance premiums and policy reserves increases relative to other life insurance companies in Japan. In the event of future failures of Japanese life insurance companies or if the legal requirements for contributing to the PPC change, Fukoku Life may be required to make additional contributions to the PPC and its financial condition and results of operations could be adversely affected.

The failure of other Japanese life insurance companies could also damage the reputation of the Japanese life insurance industry and undermine consumer confidence in Japanese life insurers in general, which could lead to a decrease in Fukoku Life's sales of new policies or an increase in lapses or surrenders of existing policies.

Catastrophes could materially reduce Fukoku Life's earnings and cash flows.

Catastrophes caused by various events, including earthquakes, tsunamis, fires, typhoons and other natural disasters, terrorist attacks and epidemics and pandemics (such as avian or swine flu or new variants of COVID-19), could materially reduce Fukoku Life's earnings and cash flows (particularly through the necessity for immediate substantial claims payments), and may materially adversely affect its business, results of operations and financial condition. In addition, although Fukoku Life maintains a contingency reserve consistent with industry practice and accounting standards, the reserve may not be adequate to cover actual claim liabilities. Fukoku Life has been proactive in expediting and simplifying the insurance claims and pay-out process for customers in affected regions and has waived applicable exemption clauses for earthquakes, to ensure full pay-outs. While Fukoku Life currently expects its reserves to be sufficient to deal with remaining risks, there is no assurance that Fukoku Life will not need to increase such reserves in the future.

The impacts of transition risks associated with climate change could adversely affect Fukoku Life's business.

Fukoku Life faces risks related to the transition to a lower carbon economy as climate change continues to move up the agenda of many regulators, governments, non-governmental organisations and investors. Governmental and corporate efforts to transition to a low carbon economy in the coming decades could have an adverse impact on global investment assets. In particular, there is a risk that this transition, including the related changes to technology, laws and regulations and policies and the speed of their implementation, could result in some sectors (such as, but not limited to, the fossil fuel industry) facing significantly higher costs and an adjustment to their asset values. There is also a risk that certain climate change risk factors have not yet been fully priced in by financial markets, with the risk that sudden government policy action in response to a failure to achieve emission goals could lead to unanticipated and potentially large shifts in asset valuations for industries required to rapidly move to a net zero emissions position. As Fukoku Life's investment horizons are long term, the relevant assets are potentially more exposed to the long-term impact of climate change and any future changes in policy. If climate considerations are not effectively integrated into Fukoku Life's investment decisions and fiduciary and stewardship duties, this could adversely impact on the value and the future performance of its investment assets.

Certain financial and other information included in this Offering Circular is unaudited.

This Offering Circular contains Fukoku Life's interim consolidated and non-consolidated financial statements as of 30 June 2023 and for the three-month periods ended 30 June 2022 and 2023 as well as certain data derived from Fukoku Life's interim consolidated and non-consolidated financial statements as of 30 June 2023 and for the three-month periods ended 30 June 2022 and 2023, which are not required to be, and have not been, audited by Fukoku Life's independent auditor. The interim consolidated and non-consolidated financial statements and data contained in this Offering Circular are not wholly comparable with the annual financial statements and data contained in this Offering Circular and should not be so compared. Certain adjustments, accruals and deferrals which are made in the audited annual financial statements have been estimated or are not made in respect of such interim financial statements. In addition, this Offering Circular includes non-consolidated financial information presented on a combined basis for Fukoku Life and Fukokushinrai, and such financial information is not required to be, and have not been, audited or reviewed by Fukoku Life's independent auditor. **Fukoku Life cautions potential investors against placing undue reliance on such information in making any decision to purchase the Bonds.**

Risks Related to the Bonds

Subordination of the Bonds could hinder investors' ability to receive payment.

Upon the occurrence of a Subordination Event, and so long as it continues, any amounts payable under the Bonds (except for such amounts as shall have become due and payable, other than solely by way of acceleration, prior to the date on which a Subordination Event shall have occurred) will be subordinated in right of payment to all Senior Indebtedness of Fukoku Life. Senior Indebtedness means all policy payments and other liabilities of Fukoku Life other than (i) liabilities under the Bonds and (ii) liabilities under Fukoku Life's foundation funds (*kikin*) and Liquidation Parity Indebtedness. Fukoku Life expects from time to time to incur additional indebtedness and other obligations that will constitute Senior Indebtedness and the Trust Deed does not contain any provisions restricting its ability to incur Senior Indebtedness. A Subordination Event gives rise only to limited rights of acceleration. See "Terms and Conditions of the Bonds—2. Status and Subordination".

There are only limited rights of acceleration under the terms of the Bonds.

The Trustee may only accelerate payment of the principal and accrued and unpaid interest on the Bonds in limited circumstances. The Bonds may not be accelerated upon a default in the payment of principal or interest on the Bonds, upon the non-performance of any covenant in relation to the Bonds or upon the occurrence of any other event in relation to the Bonds other than a Subordination Event, which would only occur in the event that liquidation, bankruptcy, reorganisation or civil rehabilitation proceedings shall have commenced with respect to Fukoku Life or in the event that Fukoku Life shall have become subject to other equivalent proceedings pursuant to any applicable law of any jurisdiction other than Japan, and in such cases, payment on the Bonds would remain subject to subordination. See “Terms and Conditions of the Bonds—9. Limited Rights of Acceleration”.

Fukoku Life has the right and under certain circumstances will be required to defer interest payments on the Bonds for an indefinite period of time.

Fukoku Life has the right, in its sole discretion, to defer payment of all (and no less than all) of the interest accrued on the Bonds on any Interest Payment Date, so long as such Interest Payment Date is not a date on which interest is required to be paid pursuant to the Conditions. Furthermore, Fukoku Life will be required to defer payment of all (and no less than all) of the interest on the Bonds that shall have accrued as of an Interest Payment Date upon the occurrence of certain mandatory interest deferral events, which include any failure to meet certain regulatory capital requirements, as well as a payment deferral on any Liquidation Parity Indebtedness. The precise trigger for deferral as a result of failure to meet applicable regulatory capital requirements may change in the future depending on the minimum level required by law from time to time. During any such deferral, holders of the Bonds will receive no payments on the Bonds, and will have no remedies against Fukoku Life for non-payment. The Bonds do not restrict Fukoku Life’s ability to make payments on foundation funds (*kikin*) or distributions to its policyholders. See “Terms and Conditions of the Bonds—4. Deferral of Payments”.

Fukoku Life may redeem the Bonds at its option on any Interest Payment Date falling on or after 14 November 2033.

Fukoku Life will have the option to redeem the Bonds in whole (but not in part), subject to compliance with applicable regulatory requirements, on any Interest Payment Date falling on or after 14 November 2033. Any redemption of the Bonds will be subject to the Conditions described under “Terms and Conditions of the Bonds—5. Redemption and Purchase”. If the Bonds are redeemed, holders of the Bonds may not be able to reinvest the money received upon such redemption at the same rate of return.

The Bonds are perpetual securities, and holders will have no right to call for their redemption.

The Bonds are perpetual securities and have no fixed maturity date or redemption date. Fukoku Life is under no obligation to redeem the Bonds at any time, and holders will have no rights to call for their redemption.

Deferral of interest payments and other characteristics of the Bonds could adversely affect the market price of the Bonds.

The Bonds contain provisions that permit Fukoku Life to defer interest payments on the Bonds at its election or obligate it to defer interest payments on the Bonds under certain specified circumstances. Fukoku Life does not intend to exercise its right to defer payments of interest on the Bonds. However, as a result of these optional and mandatory deferral provisions, the market price of the Bonds may be more volatile than the market price of other securities that are not subject to such provisions. Further, if interest payments on the Bonds are deferred due to the exercise of such right or due to the occurrence of certain specified events, the market price of the Bonds is likely to be affected. If interest is deferred and you elect to sell Bonds during the period of that deferral, you may not receive the same return on your investment as a holder that continues to hold its Bonds until Fukoku Life pays such deferred interest. Interest that has been deferred, if paid, will be paid to the holder of record at the time of payment, not the holder of record at the time of deferral. The Bonds are unlike traditional subordinated debt securities, not only with respect to the possible optional or mandatory deferral of interest, but also in that holders will have limited remedies. Investor demand for securities with the characteristics of the Bonds may change as these characteristics are assessed by market participants, regulators, rating agencies and others. Accordingly, the Bonds that you purchase, whether pursuant to the offer made by this Offering Circular or in the secondary market, may trade at a significant discount to the price that you paid.

The ratings of the Bonds could be lowered or withdrawn.

The Bonds have been assigned a rating of A- by S&P and A- by Fitch. A downgrade or potential downgrade in these ratings or the assignment of new ratings that are lower than existing ratings could reduce the population of potential investors in the Bonds and adversely affect the price and liquidity of the Bonds. There is no assurance that such ratings will remain in effect for any given period of time or that such ratings will not be lowered, suspended, reduced or withdrawn entirely by the rating agencies, if, in each rating agency's judgment, circumstances so warrant. Security ratings are based upon information furnished by Fukoku Life or obtained by the rating agency from its own sources. A security rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, reduction or withdrawal at any time by the assigning rating agency.

The market for the Bonds may be limited.

Prior to the offering, there has been no trading market for the Bonds. A market for the Bonds may not develop or, if it does develop, it may not provide holders or beneficial owners of the Bonds with sufficient liquidity of investment or continue for the life of the Bonds. Although approval in-principle has been received for the listing and quotation of the Bonds on the SGX-ST, there can be no assurance that any liquid markets for the Bonds will ever develop or be maintained. Furthermore, there can be no assurance as to the liquidity of any markets that may develop for the Bonds or the prices at which you will be able to sell your Bonds, if at all. In addition, the market value of the Bonds may fluctuate. Consequently, any sale by holders of the Bonds in any secondary market may be at a discount from the original purchase price of the Bonds.

FATCA Withholding

Pursuant to certain provisions of FATCA, a "foreign financial institution" may be required to withhold on certain payments it makes ("foreign passthru payments") to persons that fail to meet certain certification, reporting, or related requirements. The United States and Japan have entered into a statement of mutual cooperation and understanding regarding FATCA (the "Statement"). Pursuant to the Statement, Fukoku Life may be required to enter into an agreement with the U.S. taxing authorities to provide certain information about its account holders, as that term is used by FATCA, to the United States. Other financial institutions through which payments on or with respect to the Bonds are made may be subject to the Statement, to an agreement between the jurisdiction in which they are acting and the United States or to an agreement that such financial institutions have made directly with the United States regarding FATCA. Certain aspects of the application of the FATCA provisions and the Statement to instruments such as the Bonds, including whether withholding would ever be required pursuant to FATCA or the Statement with respect to payments on instruments such as the Bonds, are uncertain and may be subject to change. Even if withholding would be required pursuant to FATCA or the Statement with respect to payments on instruments such as the Bonds, such withholding would not apply earlier than two years after final regulations are published in the Federal Register. Holders should consult their own tax advisors regarding how these rules may apply to their investment in the Bonds. In the event any withholding would be required pursuant to FATCA or the Statement with respect to payments on the Bonds, no person will be required to pay additional amounts as a result of the withholding.

The Trustee may request holders of the Bonds to provide an indemnity and/or security and/or prefunding to its satisfaction.

In certain circumstances (including without limitation taking any action pursuant to Conditions 9(b) or 9(e)), the Trustee may (as its sole discretion) request holders of the Bonds to provide an indemnity and/or security and/or prefunding to its satisfaction before it takes actions on behalf of such holders. The Trustee shall not be obliged to take any such actions if not indemnified and/or secured and/or prefunded to its satisfaction. Negotiating and agreeing to an indemnity and/or security and/or prefunding can be a lengthy process and may impact on when such actions can be taken. The Trustee may not be able to take actions, notwithstanding the provision of an indemnity or security or prefunding to it, in breach of the terms of the Trust Deed and/or the Conditions and in such circumstances, or where there is uncertainty or dispute as to the applicable laws or regulations, to the extent permitted by the agreements and the applicable laws, it will be for the holders of the Bonds to take such actions directly.

Modifications and waivers may be made in respect of the Conditions and the Trust Deed by the Trustee or less than all of the holders of the Bonds.

The Conditions contain provisions for convening meetings of Bondholders to consider matters affecting their interests generally. These provisions permit defined majorities to bind all Bondholders including those

Bondholders who did not attend and vote at the relevant meeting and those Bondholders who voted in a manner contrary to the majority.

The Conditions also provide that the Trustee may, without the consent of Bondholders, agree (i) to any modification of the Trust Deed or the Conditions which in the opinion of the Trustee will not be materially prejudicial to the interests of Bondholders and (ii) to any modification of the Conditions or the Trust Deed which in the opinion of the Trustee is of a formal, minor or technical nature or is made to correct a manifest error or to comply with any applicable law.

In addition, the Trustee may, without the consent of the Bondholders, waive or authorise any breach or proposed breach by Fukoku Life of the Conditions or the Trust Deed (other than a proposed breach or a breach relating to the subject of certain reserved matters) if, in the opinion of the Trustee, the interests of the Bondholders will not be materially prejudiced thereby.

TERMS AND CONDITIONS OF THE BONDS

The following Conditions, subject to modification and save for the paragraphs in italics, will be endorsed on the Certificates (as defined below) representing the Bonds (as defined below).

The U.S.\$500,000,000 aggregate principal amount of 6.80 per cent. Step-up Callable Perpetual Subordinated Bonds (the “Bonds”) of Fukoku Mutual Life Insurance Company (“Fukoku Life”) are constituted by a trust deed dated 14 November 2023 (the “Trust Deed”) made between Fukoku Life and The Bank of New York Mellon, London Branch (the “Trustee”, which expression shall include all persons for the time being appointed as trustee or trustees under the Trust Deed) as trustee for the Bondholders (as defined below). These terms and conditions (these “Conditions”) include summaries of, and are subject to, the detailed provisions of the Trust Deed. Payments under the Bonds will be made in accordance with the agency agreement dated 14 November 2023 (the “Agency Agreement”) made between Fukoku Life, the Trustee, The Bank of New York Mellon, London Branch as principal paying agent (the “Principal Paying Agent”, which expression includes the Principal Paying Agent for the time being) and as calculation agent (the “Calculation Agent”, which expression includes the Calculation Agent for the time being), The Bank of New York Mellon SA/NV, Dublin Branch as registrar (the “Registrar”, which expression includes the Registrar for the time being) and as transfer agent (the “Transfer Agent”, which expression includes the Transfer Agent for the time being) and the other agents appointed under the Agency Agreement (the Principal Paying Agent, the Calculation Agent, the Registrar, the Transfer Agent and such other agents, together the “Agents”).

Copies of the Trust Deed, incorporating the form of the Bonds, and of the Agency Agreement (i) are available for inspection following prior written request and proof of holding and identity to the satisfaction of the Trustee, or as the case may be, the Principal Paying Agent, at all reasonable times during usual business hours (being between 9:00 a.m. and 3:00 p.m. (London time) Monday to Friday other than public holidays) at the principal office of the Trustee (being at the date of issue of the Bonds at 160 Queen Victoria Street, London EC4V 4LA, United Kingdom) and at the specified office of the Principal Paying Agent or (ii) may be provided by email to any Bondholders following prior written request to, and proof of holding and identity to the satisfaction of, the Principal Paying Agent. The Bondholders are entitled to the benefit of, are bound by, and are deemed to have notice of, all the provisions of the Trust Deed and are deemed to have notice of those provisions applicable to them of the Agency Agreement.

All capitalised terms that are not defined in these Conditions will have the meanings given to them in the Trust Deed.

1 Form, Denomination, Title and Transfer of Bonds

(a) *Form and denomination*

The Bonds are in registered form in the denomination of U.S.\$200,000 and integral multiples of U.S.\$1,000 in excess thereof. A bond certificate (each, a “Certificate”) will be issued in respect of each holding of Bonds. Each Certificate will be numbered serially with an identifying number which will be recorded on the relevant Certificate and in the register (the “Register”) of holders of Bonds to be kept by the Registrar in accordance with Condition 1(c)(i). The Bonds are not issued in bearer form.

(b) *Title*

Title to the Bonds passes only by transfer and registration of title in the Register. The holder (as defined below) of any Bond will (except as otherwise required by law) be treated as the absolute owner thereof for all purposes (whether or not it is overdue and regardless of any notice of ownership, trust or any interest in it, any writing on the Certificate representing it, or its theft or loss of the Certificate issued in respect of it) and no person shall be liable for so treating the holder. In these Conditions, “Bondholder” and “holder” in respect of any Bond mean the person in whose name the Bond is registered.

Upon issue, the Bonds will be represented by a Global Certificate deposited with, and registered in the name of a nominee for, a common depositary for Euroclear and Clearstream, Luxembourg. The Conditions applicable to the Bonds are modified by certain provisions contained in the Global Certificate. Except in the limited circumstances described in the Global Certificate, owners of interests in Bonds represented by the Global Certificate will not

be entitled to receive definitive certificates in respect of their individual holdings of Bonds. See “Summary of Provisions Relating to the Bonds while in Global Form”.

(c) Transfer of Bonds

- (i) **The Register:** Fukoku Life will cause to be kept at the specified office of the Registrar, and in accordance with the terms of the Agency Agreement, the Register on which shall be entered the names and addresses of the Bondholders and the particulars of the Bonds held by them and of all transfers and redemptions of the Bonds.
- (ii) **Transfers:** A Bond may be transferred upon the surrender (at the specified office of the Registrar or the Transfer Agent) of the Certificate representing such Bond, together with the form of transfer endorsed on such Certificate (or another form of transfer substantially in the same form and containing the same representations and certifications (if any), unless otherwise agreed by Fukoku Life), duly completed and executed and any other evidence as the Registrar and the Transfer Agent may require. No transfer of a Bond will be valid unless and until entered on the Register. Upon such transfer, a new Certificate will be issued to the transferee in respect of the Bond so transferred. Where some only of the Bonds in respect of which a Certificate is issued are transferred, a new Certificate in respect of the Bonds not so transferred will be issued. In the case of a transfer of Bonds to a person who is already a holder of Bonds, a new Certificate representing the enlarged holding shall only be issued against surrender of the Certificate representing the existing holding. No transfer may be made which would result in the principal amount of Bonds held by a holder and in respect of which a Certificate is to be issued being less than U.S.\$200,000. All transfers of the Bonds and entries on the Register will be made subject to the detailed regulations concerning transfer of the Bonds scheduled to the Agency Agreement. The regulations may be changed by Fukoku Life, with the prior written approval of the Registrar and the Trustee, and by the Registrar, with the prior written approval of the Trustee. A copy of the current regulations will be made available by the Registrar to any Bondholder following written request and proof of holding and identity satisfactory to the Registrar.

Transfers of interests in the Bonds represented by the Global Certificate will be effected in accordance with the rules of the relevant clearing systems, as described in “Summary of Provisions Relating to the Bonds while in Global Form”.

- (iii) **Delivery of New Certificates:** Each new Certificate to be issued pursuant to Condition 1(c)(ii) shall be available for delivery within three Transfer Business Days (as defined below) of receipt of the duly completed and signed form of transfer and surrender of the original Certificate for exchange. Delivery of the new Certificate(s) shall be made at the specified office of the Registrar or the Transfer Agent to whom delivery or surrender of such form of transfer and Certificate shall have been made, or if so requested in the form of transfer, be mailed by uninsured post at the risk of the holder entitled to the new Certificate to such address so specified (at Fukoku Life’s expense), unless such holder requests otherwise and pays in advance to the Registrar or the Transfer Agent (as the case may be) the costs of such other method of delivery and/or such insurance as it may specify.

In these Conditions, “Transfer Business Day” means a day (other than a Saturday or a Sunday) on which banks are open for business in the place of the specified office of the Registrar or the Transfer Agent (as the case may be).

- (iv) **Formalities Free of Charge:** Registration of a transfer of Bonds, together with the issuance of Certificates in relation thereto shall be effected without charge by or on behalf of Fukoku Life, the Registrar or the Transfer Agent, but upon (A) payment of any tax, duty or other governmental charges that may be imposed in relation to it (or the giving of such indemnity and/or security as the Registrar or the Transfer Agent may require); and (B) Fukoku Life and the Registrar or the Transfer Agent being satisfied that the regulations concerning transfer of Bonds having been satisfied.

- (v) **No Registration of Transfer:** No Bondholder may require the transfer of a Bond to be registered (A) after a notice of redemption has been given pursuant to Condition 5, or (B) during the period commencing on (and including) any Interest Record Date (as defined in Condition 6(a)) and ending on the immediately following Interest Payment Date (as defined in Condition 3(d)).

2 Status and Subordination

(a) Status of the Bonds

The obligations of Fukoku Life in respect of the Bonds constitute irrevocable, direct and unsecured obligations of Fukoku Life which are conditional and subordinated (as described below). Claims in respect of the Bonds shall at all times rank *pari passu* and without any preference among themselves, and rank *pari passu* with all foundation funds (*kikin*) of Fukoku Life and with all Liquidation Parity Indebtedness and in priority to claims for distribution of residual assets to policyholders of Fukoku Life. Following the occurrence of a Condition for Liquidation Payment, the amounts payable to the holders in respect of the Bonds and under the Trust Deed shall be reduced to the amount of the liquidation distributions which would have been paid from the assets of Fukoku Life in respect of the amount of the principal of and interest on the Bonds including Arrears of Interest (except for amounts which shall have become due and payable prior to the occurrence of such Condition for Liquidation Payment) had such principal and interest and Arrears of Interest and all Liquidation Parity Indebtedness been foundation funds (*kikin*) of Fukoku Life. For the purposes of these Conditions, all present or future foundation funds (*kikin*) of Fukoku Life shall be assumed to rank *pari passu* and without any preference among themselves.

(b) Subordination

- (i) Upon the occurrence of a Subordination Event (as defined in this Condition 2(b)(i)), and so long as such Subordination Event shall continue, the obligations of Fukoku Life pursuant to the Bonds shall be subordinated in right of payment to all Senior Indebtedness (as defined in this Condition 2(b)(i)) of Fukoku Life and, so long as the Subordination Event continues, no payment will be made under the Bonds (except for such amounts which shall have become due and payable, other than solely by way of acceleration, prior to the date on which a Subordination Event shall have occurred) unless and until (each of the following a “Condition for Liquidation Payment”):
 - (a) in the case of a Japanese Liquidation Event (as defined in this Condition 2(b)(i)), the total amount of any and all Senior Indebtedness of Fukoku Life, claims in respect of which having been filed within the prescribed period in the liquidation proceedings or of which Fukoku Life has knowledge shall have been paid or provided for in full in the liquidation proceedings pursuant to the relevant law;
 - (b) in the case of a Japanese Bankruptcy Event (as defined in this Condition 2(b)(i)), the total amount of any and all Senior Indebtedness of Fukoku Life listed on the final distribution list, as amended, submitted to the court in the bankruptcy proceedings shall have been paid or provided for in full (including discharge by deposit of funds with the competent authority) pursuant to the relevant law;
 - (c) in the case of a Japanese Reorganisation Event (as defined in this Condition 2(b)(i)), the total amount of any and all Senior Indebtedness which is listed in the reorganisation plan of Fukoku Life approved by the court in a final and conclusive manner shall have been paid or provided for in full in such reorganisation proceedings to the extent that such liabilities shall have been fixed;
 - (d) in the case of a Japanese Civil Rehabilitation Event (as defined in this Condition 2(b)(i)), the total amount of any and all Senior Indebtedness which

is listed in the rehabilitation plan of Fukoku Life at the time when the court's approval of the rehabilitation plan becomes final and conclusive shall have been paid or provided for in full in the rehabilitation proceedings to the extent that the liabilities shall have been fixed; or

- (e) in the case of a Foreign Event (as defined in this Condition 2(b)(i)), conditions equivalent to those set forth in (a), (b), (c) or (d) of this Condition 2(b)(i) have been fulfilled (provided that if the imposition of any such condition is not allowed under such proceedings, any amount which becomes due under the Bonds shall become payable in accordance with the terms of the Trust Deed and shall not be subject to such condition).

The following definitions apply to these Conditions:

“Bankruptcy Act” means the Bankruptcy Act of Japan (Act No. 75 of 2004, as amended) or any successor legislation thereto.

“Civil Rehabilitation Act” means the Civil Rehabilitation Act of Japan (Act No. 225 of 1999, as amended) or any successor legislation thereto.

“Insurance Business Act” means the Insurance Business Act of Japan (Act No. 105 of 1995, as amended) or any successor legislation thereto.

“Reorganisation Act” means the Act on Special Provisions, Etc. for Reorganisation Proceedings of Financial Institutions, Etc. of Japan (Act No. 95 of 1996, as amended) or any successor legislation thereto.

“Liquidation Parity Indebtedness” means all present and future unsecured and subordinated obligations of Fukoku Life which rank or are expressed to rank *pari passu* with Fukoku Life's foundation funds (*kikin*) as to priority of liquidation payment (but which, for the avoidance of doubt, shall not include liabilities under Fukoku Life's foundation funds (*kikin*)).

Liquidation Parity Indebtedness outstanding as at the date hereof consists of Fukoku Life's U.S.\$500,000,000 5.0 per cent Step-up Callable Perpetual Subordinated Bonds, Fukoku Life's ¥50,000,000,000 1.02 per cent. Step-up Callable Perpetual Subordinated Bonds, Fukoku Life's ¥30,000,000,000 1.08 per cent. Step-up Callable Subordinated Bonds due 2077, and Fukoku Life's ¥50,000,000,000 1.07 per cent. Step-up Callable Subordinated Bonds due 2080 (See “Summary of Basic Terms of Existing Liquidation Parity Indebtedness”).

“Senior Indebtedness” means all policy payments and other liabilities of Fukoku Life (including for the avoidance of doubt, statutory subordinated bankruptcy claims (*retsugoteki hasan saiken*) as defined in the Bankruptcy Act) other than (i) liabilities under the Bonds and (ii) liabilities under Fukoku Life's foundation funds (*kikin*) and Liquidation Parity Indebtedness.

“Subordination Event” means any one of the following events:

- (1) a liquidation proceeding (including the voluntary liquidation proceeding (*tsujo seisan*) or special liquidation proceeding (*tokubetsu seisan*)) shall have commenced with respect to Fukoku Life pursuant to the Insurance Business Act (a “Japanese Liquidation Event”);
- (2) a court of competent jurisdiction in Japan shall have adjudicated Fukoku Life to be subject to bankruptcy proceedings pursuant to the provisions of the Bankruptcy Act (a “Japanese Bankruptcy Event”);
- (3) a court of competent jurisdiction in Japan shall have adjudicated Fukoku Life to be subject to reorganisation proceedings pursuant to the provisions of the Reorganisation Act (a “Japanese Reorganisation Event”);

- (4) a court of competent jurisdiction in Japan shall have adjudicated Fukoku Life to be subject to civil rehabilitation proceedings pursuant to the provisions of the Civil Rehabilitation Act (a “Japanese Civil Rehabilitation Event”); provided that if (i) the court’s final and conclusive approval of a Summary Rehabilitation Order or a Consent Rehabilitation Order is obtained or (ii) the rehabilitation proceedings are cancelled or discontinued by the court in a final and conclusive manner, Fukoku Life shall be deemed never to have been subject to a Japanese Civil Rehabilitation Event, and accordingly, the Bonds shall not have become subordinated obligations of Fukoku Life; and
- (5) Fukoku Life shall have become subject to liquidation, bankruptcy, reorganisation, civil rehabilitation or other equivalent proceedings pursuant to any applicable law of any jurisdiction other than Japan, which proceedings have an equivalent effect to those set out in (1), (2), (3) or (4) above (a “Foreign Event”).

“Consent Rehabilitation Order” means a decision of a court of competent jurisdiction under Article 217, paragraph 1 of the Civil Rehabilitation Act to the effect that the procedures for the investigation and confirmation of civil rehabilitation claims as defined in Article 84 of the Civil Rehabilitation Act, and the resolution of a civil rehabilitation plan, shall be omitted.

“Summary Rehabilitation Order” means a decision of a court of competent jurisdiction under Article 211, paragraph 1 of the Civil Rehabilitation Act to the effect that the procedures for the investigation and confirmation of civil rehabilitation claims as defined in Article 84 of the Civil Rehabilitation Act shall be omitted.

- (ii) The rights of the holders of the Bonds will be reinstated with respect to any payments made to holders that are subsequently avoided in the liquidation, bankruptcy, reorganisation or civil rehabilitation of Fukoku Life, or other equivalent proceedings pursuant to any applicable law of any jurisdiction other than Japan, as though such payments had not been made.
- (iii) A holder of a Bond by acceptance of the Bond agrees that (A) subject to an exception for payments from money held in trust under the Trust Deed by the Trustee for the payment of principal of and premium and interest including Arrears of Interest (as defined in Condition 4) on the Bonds and any Additional Amounts (as defined in Condition 7), if any payment on the Bond is made to the holder after the occurrence of a Subordination Event and the amount of the payment shall exceed the amount, if any, that should have been paid to the holder upon the proper application of the subordination provisions of the Bond, the payment of the excess amount shall be deemed null and void and the holder shall be obliged to return the amount of the excess payment within 10 days after receiving notice in writing from Fukoku Life of the excess payment, and (B) upon the occurrence of a Subordination Event and so long as the Subordination Event shall be continuing, the holder shall not exercise any right to set off any liabilities of Fukoku Life under the Bond (except for such amounts which shall have become due and payable, other than solely by way of acceleration, prior to the date on which a Subordination Event shall have occurred) against any liabilities of the holder owed to Fukoku Life unless, until and only in the amount as the liabilities of Fukoku Life under the Bond become payable pursuant to the proper application of the subordination provisions in these Conditions.
- (iv) The Trust Deed provides that no amendment or modification may be made to the subordination provisions contained in this Condition 2 or the Trust Deed unless such an amendment or modification is not prejudicial to any present or future creditor in respect of any Senior Indebtedness of Fukoku Life as specified in Condition 11. No such amendment or modification prejudicial to any present or future creditor in respect of any Senior Indebtedness of Fukoku Life shall in any event be effective.

None of the Trustee or the Agents shall be required to monitor or to take any steps to ascertain whether a Subordination Event or any event which could lead to a Subordination Event has occurred or may occur, and none of them shall be liable to the Bondholders, Fukoku Life or any other person for not doing so.

3 Interest

(a) *Prior to the First Call Date*

The Bonds bear interest from and including 14 November 2023 (the “Interest Commencement Date”) to but excluding the First Call Date (as defined in Condition 5(b)) (subject to Condition 3(e)) at the rate of 6.80 per cent. per annum. Such interest is payable semi-annually in arrear on each Interest Payment Date up to and including the First Call Date in equal instalments of U.S.\$34.00 per U.S.\$1,000 in principal amount of the Bonds (the “Calculation Amount”).

(b) *On and after the First Call Date*

The rate of interest payable in respect of the Bonds will be reset on the First Call Date, and on every Interest Payment Date which falls five, or a multiple of five, years thereafter (the First Call Date and each such Interest Payment Date, being a “Reset Date”) until all Bonds are fully redeemed.

The Bonds will bear interest from and including each Reset Date to but excluding the next following Reset Date or the date on which the Bonds are finally redeemed, whichever is earlier (each a “Reset Interest Period”) (subject to Condition 3(e)), at the rate per annum equal to the “Reset Interest Rate”, which is the sum of the applicable 5-year U.S. Treasury Rate and 3.169 per cent. per annum. Such interest is payable semi-annually in arrear in equal instalments on each Interest Payment Date relating to the applicable Reset Interest Period, beginning on 14 May 2034.

The Reset Interest Rate in respect of each Reset Interest Period shall be determined by the Calculation Agent on the relevant Reset Interest Rate Determination Date in respect of such Reset Interest Period.

(c) *Calculation of Interest*

If interest is required to be calculated for a period of less than a complete Interest Period, the relevant day-count fraction will be determined on the basis of a 360-day year consisting of 12 months of 30 days each and, in the case of an incomplete month, the number of days elapsed.

Interest in respect of any Bond shall be calculated per each Calculation Amount. The amount of interest payable per Calculation Amount for any period shall, save as provided above in relation to equal instalments, be equal to the product of (prior to the First Call Date) 6.80 per cent. or (on and after the First Call Date) the relevant Reset Interest Rate, as the case may be, the Calculation Amount and the day-count fraction for the relevant period, rounding the resulting figure to the nearest cent (half a cent being rounded upwards).

The Calculation Agent shall cause the Reset Interest Rate for each Reset Interest Period to be notified in writing to the Principal Paying Agent, the other Agents, the Trustee and Fukoku Life as soon as practicable after the determination but in no event later than the second Business Day after such determination. The determination of any rate or amount and the making of each determination or calculation by the Calculation Agent shall (in the absence of manifest error) be final and binding upon all parties.

The Calculation Agent shall have no responsibility for, and shall not be under any duty to assist or provide advice to: (i) Fukoku Life in relation to, the selection of the Reference Treasury Dealers or any Independent Investment Banker (or any replacement therefor); or (ii) the Independent Investment Banker in relation to, the selection of any Comparable Treasury Issue (or any replacement therefor), and shall not be liable to any Bondholder, Fukoku Life or any other person for any loss arising from its not doing so. The Calculation Agent shall have no

responsibility or obligation to request any Reference Treasury Dealer Quotations from any Reference Treasury Dealer (which shall be the responsibility solely of the Independent Investment Banker) or to take any steps or action to obtain such Reference Treasury Dealer Quotations from any Reference Treasury Dealer in the event that such Reference Treasury Dealer fails to provide any Reference Treasury Dealer Quotations to the Independent Investment Banker and the Calculation Agent when requested to do so by such Independent Investment Banker, and shall not be liable to any Bondholder, Fukoku Life or any other person for any loss arising from its not doing so. In making the calculations on its part set out in these Conditions, the Calculation Agent shall not be required to form any opinion and/or to exercise any discretion and/or to determine alternative and/or substitute reference rates or prices, successor reference rates or prices and/or screen pages, and shall not be liable to any Bondholder, Fukoku Life or any other person for any loss arising from its not doing so.

If the Calculation Agent is unable to act as such or if the Calculation Agent fails duly to establish the Reset Interest Rate, or to comply with any other requirement on its part set out in these Conditions, Fukoku Life shall (with prior written notice to the Trustee) appoint a leading bank or investment banking firm to act as such in its place. The Calculation Agent may not resign its duties without the appointment of a successor having become effective as aforesaid.

(d) Definitions

For the purposes of these Conditions:

“Business Day” means a day (other than a Saturday or a Sunday) on which commercial banks and foreign exchange markets settle payments and are open for business in New York City, London and Tokyo.

“Comparable Treasury Issue” means, with respect to any Reset Interest Period, the U.S. Treasury security or securities selected by an Independent Investment Banker with a maturity date on or about the last day of such Reset Interest Period and that would be utilised, at the time of selection and in accordance with customary financial practice, in pricing new issues of corporate debt securities denominated in U.S. dollars and having a maturity of five years.

“Comparable Treasury Price” means, with respect to any Reset Date, (i) the arithmetic average as calculated by the Calculation Agent of the Reference Treasury Dealer Quotations for such Reset Date (calculated on the Reset Interest Rate Determination Date preceding such Reset Date), after excluding the highest and lowest such Reference Treasury Dealer Quotations, or (ii) if fewer than five such Reference Treasury Dealer Quotations are received by the Independent Investment Banker and the Calculation Agent, the arithmetic average as calculated by the Calculation Agent of all such quotations so received, or (iii) if fewer than two such Reference Treasury Dealer Quotations are received by the Independent Investment Banker and the Calculation Agent, or if no such Reference Treasury Dealer Quotations are so received, then such Reference Treasury Dealer Quotation as quoted in writing to the Calculation Agent by an Independent Investment Banker.

“Independent Investment Banker” means one of the Reference Treasury Dealers to be selected and appointed by Fukoku Life.

“Interest Payment Date” means 14 May and 14 November in each year, commencing on 14 May 2024.

“Interest Period” means the period beginning on (and including) the Interest Commencement Date and ending on (but excluding) the first Interest Payment Date and each successive period beginning on (and including) an Interest Payment Date and ending on (but excluding) the next succeeding Interest Payment Date.

“New York City Banking Day” means a day (other than a Saturday or a Sunday) that is neither a legal holiday nor a day on which commercial banking institutions are authorised or required by law, regulation or executive order to close in New York City.

“Reference Treasury Dealer” means each of up to five banks selected by Fukoku Life, or the affiliates of such banks, which are (i) primary U.S. Treasury securities dealers, and their respective successors, or (ii) market makers in pricing corporate bond issues denominated in U.S. dollars.

“Reference Treasury Dealer Quotations” means, with respect to each Reference Treasury Dealer and any Reset Date, the arithmetic average, as determined by the Calculation Agent, of the bid and offered prices for the applicable Comparable Treasury Issue as quoted at the request of an Independent Investment Banker to the Independent Investment Banker and the Calculation Agent, expressed in each case as a percentage of its principal amount, at 11:00 a.m. (New York City time), on the Reset Interest Rate Determination Date.

“Reset Interest Rate Determination Date” means the day two New York City Banking Days before the relevant Reset Date.

“5-year U.S. Treasury Rate” means, with respect to any Reset Date for which such rate applies, the rate per annum equal to: (1) the yield, under the heading which represents the average for the week immediately prior to the Reset Interest Rate Determination Date, appearing in the most recently published statistical release designated “H.15”, or any successor publication that is published by the Board of Governors of the Federal Reserve System that establishes yields on actively traded U.S. Treasury securities adjusted to constant maturity, under the caption “Treasury Constant Maturities”, for the maturity of five years; or (2) if such release (or any successor release) is not published during the week immediately prior to the Reset Interest Rate Determination Date or does not contain such yields, the rate per annum equal to the semi-annual equivalent yield to maturity of the Comparable Treasury Issue, calculated using a price for the Comparable Treasury Issue (expressed as a percentage of its principal amount) equal to the Comparable Treasury Price for such Reset Date.

If the 5-year U.S. Treasury Rate cannot be determined, for whatever reason, as described under (1) or (2) above of this definition, “5-year U.S. Treasury Rate” means the rate in percentage per annum as notified by the Calculation Agent to Fukoku Life equal to the yield on U.S. Treasury securities having a maturity of five years as set forth in the most recently published statistical release designated “H.15 (519)” under the caption “Treasury constant maturities” (or any successor publication that is published weekly by the Board of Governors of the Federal Reserve System and that establishes yields on actively traded U.S. Treasury securities adjusted to constant maturity under the caption “Treasury constant maturities” for the maturity of five years) at 5:00 p.m. (New York City time) on the last available date preceding the Reset Interest Rate Determination Date on which such rate was set forth in such release (or any successor release).

The 5-year U.S. Treasury Rate shall be calculated by the Calculation Agent. The Calculation Agent shall not be responsible or liable to Fukoku Life, the Bondholders or any third party for any failure of the Reference Treasury Dealers to provide quotations as requested of them by the Independent Investment Banker or as a result of the Calculation Agent having acted on any quotation or other information given by any Reference Treasury Dealers to the Calculation Agent which subsequently may be found to be incorrect or inaccurate in any way.

(e) *Accrual of Interest*

Each Bond will cease to bear interest from the date for redemption (which shall be the earlier date for redemption pursuant to Conditions 5(b), 5(c), 5(d), 5(e) or 5(f)) unless, upon surrender of the Certificate, payment is improperly withheld or refused, in which event it shall continue to bear interest (both before and after judgment) at the rate and in the manner provided in this Condition 3 to the Relevant Date (as defined in Condition 7).

4 Deferral of Payments

(a) *Optional Deferral of Payments*

Fukoku Life may, at its sole discretion, elect to defer all (but not some only) of the accrued interest that would otherwise be due to be paid on an Interest Payment Date (so long as the

provisions of Condition 4(b) do not also apply on such Interest Payment Date and unless it is a Compulsory Interest Payment Date) by giving notice of such election to the Trustee and the Agents in writing and to the Bondholders in accordance with Condition 13 no later than two Business Days prior to the relevant Interest Record Date. Any interest that is deferred pursuant to this Condition 4(a) shall, so long as it remains unpaid, constitute Arrears of Interest.

Provided, however, that if an Interest Payment Date is a Compulsory Interest Payment Date, any notice given under this Condition 4(a) shall have no force or effect.

(b) *Mandatory Deferral of Interest*

In the event that (i) a Capital Deficiency Event has occurred and is continuing, or (ii) any payment in relation to any Liquidation Parity Indebtedness has been deferred and continues to be in deferral, in either case, as of the date that is five Business Days prior to (and including) an Interest Record Date, then Fukoku Life shall be required to defer all (but not some only) of the accrued interest that would otherwise be due to be paid on such Interest Payment Date. Fukoku Life will provide prior notice of such mandatory deferral of interest to the Trustee and the Agents in writing and to the Bondholders in accordance with Condition 13 no later than two Business Days prior to the relevant Interest Record Date. Any interest that is deferred pursuant to this Condition 4(b) shall, so long as it remains unpaid, constitute Arrears of Interest.

In these Conditions:

“Capital Adequacy Condition” means Fukoku Life’s Solvency Margin Ratio meets or exceeds the Regulatory Minimum Capital Requirements, and a deferral of interest is not required under the then applicable regulatory requirements in Japan (or an official application or interpretation of such regulations, including a decision of a court or a tribunal in Japan).

“Capital Deficiency Event” means, as of the relevant date, (i) the Capital Adequacy Condition is not met or (ii) the Relevant Supervisory Authority has issued any order of prompt corrective action (*souki zesei sochi*) in relation to regulatory capital requirements to Fukoku Life and such order remains in effect.

“Regulatory Minimum Capital Requirements” means, as of any date, the then applicable regulatory capital level (or the equivalent term then employed by the applicable regulatory requirements) required to be maintained under the Insurance Business Act and related regulations, falling below which level could trigger a prompt corrective action by the Relevant Supervisory Authority.

“Relevant Supervisory Authority” means any regulator having jurisdiction over Fukoku Life (being, at the date of the Trust Deed, the Financial Services Agency of Japan).

“Solvency Margin Ratio” means the solvency margin ratio (or any equivalent ratio then employed by the applicable regulatory requirements), on any particular date, calculated in accordance with the Insurance Business Act and related guidelines and administrative directives.

For the purpose of this Condition 4(b), notwithstanding the foregoing or Condition 4(d), even if any payment in relation to a Liquidation Parity Indebtedness has been deferred and continues to be in deferral, Fukoku Life may make payments of all or any portion of the interest on the Bonds that shall have accrued as of any Interest Payment Date, if Fukoku Life also makes or declares a *pro rata* payment of interest that shall have accrued as of such time on such Liquidation Parity Indebtedness, it being understood that such payment on the Liquidation Parity Indebtedness may be made substantially concurrently or on the next applicable interest payment date for such Liquidation Parity Indebtedness.

(c) *Arrears of Interest*

Any interest that is deferred pursuant to Conditions 4(a) and 4(b) shall, so long as it remains unpaid, constitute “Arrears of Interest”. Arrears of Interest on the Bonds shall accrue on a cumulative basis and remain payable for so long as they remain unpaid, and, for the avoidance

of doubt, any claims thereon shall rank *pari passu* with the Bonds. Interest on Arrears of Interest deferred pursuant to Condition 4(a) shall compound semi-annually at 6.80 per cent. per annum to but excluding the First Call Date, and at the applicable Reset Interest Rate for each Reset Interest Period thereafter, and otherwise in accordance with Condition 3 (and reference in these Conditions to Arrears of Interest shall include such interest amounts). Arrears of Interest deferred pursuant to Condition 4(b) shall bear no interest.

Arrears of Interest on the Bonds may at the option of Fukoku Life be paid in whole or in part at any time upon giving not less than five nor more than fifteen Business Days' notice to such effect to the Trustee and the Agents in writing and to the Bondholders in accordance with Condition 13 (which notice shall specify the amount of such Arrears of Interest to be paid), provided that such payments (i) shall be subject to any applicable regulatory requirements or consents, (ii) shall be conditional upon a Capital Deficiency Event not having occurred and continuing to occur as of the time of such notice, and (iii) shall be conditional upon a deferral of any payment in relation to Liquidation Parity Indebtedness not having occurred and continuing to be in deferral as of the time of such notice. None of the Trustee or any Agent shall be responsible for determining or verifying the amount of such Arrears of Interest, and shall not be liable to any Bondholder or any other person for any loss arising from its failure to do so.

Where no Subordination Event has occurred and is continuing and Arrears of Interest on the Bonds are paid in part, each such payment shall be applied in or towards satisfaction of the full amount of the Arrears of Interest on the Bonds in respect of the earliest Interest Payment Date in respect of which Arrears of Interest on the Bonds have not been paid in full.

(d) *Payment Stoppage*

If Fukoku Life has given notice to defer payment of interest pursuant to either Condition 4(a) or Condition 4(b) and such Arrears of Interest have not been paid in whole, or if any other payment in relation to the Bonds has been deferred and continues to be in deferral, Fukoku Life shall not, and it shall cause its Subsidiaries not to, make any payment of principal of, or interest or premium (if any) on, or repay, purchase or redeem any Liquidation Parity Indebtedness. This Condition 4(d) shall not restrict in any manner the ability of any Subsidiary of Fukoku Life to pay dividends or make any distributions to Fukoku Life or Fukoku Life's ability to make payments on foundation funds (*kikin*) or distributions to its policyholders (*shain haitou*).

Notwithstanding the foregoing, a payment of interest in respect of any Liquidation Parity Indebtedness shall not be prohibited if payment of interest in respect of the Bonds is deferred pursuant to Condition 4(b) solely due to (i) deferral of payment in respect of such Liquidation Parity Indebtedness, or (ii) deferral of payment in respect of other Liquidation Parity Indebtedness due to deferral of payment in respect of such Liquidation Parity Indebtedness.

In these Conditions, "Subsidiary" means a company more than 50 per cent. of the outstanding voting rights of which is at any given time owned by Fukoku Life, by one or more other Subsidiaries or by Fukoku Life and one or more other Subsidiaries or otherwise a company controlled by Fukoku Life in accordance with generally accepted accounting principles in Japan (and, for this purpose, "voting rights" means the voting power attached to stocks or shares for the election of directors, managers or trustees of such company, other than voting powers attached to stocks or shares outstanding having such power by reason of the happening of a contingency).

(e) *No Default upon Deferral of Interest*

Notwithstanding any other provision in these Conditions or the Trust Deed, any payment of interest which for the time being is not made by virtue of Condition 4(a) or Condition 4(b) or otherwise accrued but not becoming due on any Interest Payment Date shall not constitute a default for any purpose (including, but without limitation, Condition 9(a)) on the part of Fukoku Life.

(f) *Compulsory Interest Payments*

Subject to compliance with applicable regulatory requirements, including the prior consent of the Relevant Supervisory Authority (if then required), Fukoku Life shall be required to pay

accrued interest (and any Arrears of Interest then outstanding) on each Interest Payment Date that is a Compulsory Interest Payment Date.

An Interest Payment Date shall be a compulsory Interest Payment Date (a “Compulsory Interest Payment Date”) if a Compulsory Interest Payment Event shall have occurred in the period of six months prior to such Interest Payment Date, unless a Capital Deficiency Event has occurred and is continuing as at such Interest Payment Date.

A “Compulsory Interest Payment Event” means:

- (i) any dividend or distribution is declared payable or a payment of interest is made on any Liquidation Parity Indebtedness, save where such dividend, distribution or payment is mandatory in accordance with the terms and conditions of such security; or
- (ii) any repurchase, redemption or acquisition by Fukoku Life or any of its Subsidiaries of Liquidation Parity Indebtedness, save where Fukoku Life or, as the case may be, the relevant Subsidiary is not able to defer, pass or eliminate the payment or other obligation in respect of such repurchase, redemption or acquisition.

5 Redemption and Purchase

(a) *No Maturity Date*

The Bonds have no fixed redemption date and the holders have no rights to require Fukoku Life to redeem the Bonds at any time. The Bonds will only be redeemable or repayable in accordance with the following provisions of this Condition 5 and Condition 9.

(b) *Redemption at the Option of Fukoku Life*

Subject to compliance with applicable regulatory requirements, including the prior consent of the Relevant Supervisory Authority (if then required), and subject to the satisfaction of a Redemption Condition identified in Condition 5(g), the Bonds may be redeemed at the option and sole discretion of Fukoku Life in whole, but not in part, on any Interest Payment Date falling on or after 14 November 2033 (the “First Call Date”), and Fukoku Life shall give not less than 30 nor more than 60 days’ written notice of such redemption to the Trustee and to the Bondholders in accordance with Condition 13 (which notice shall be irrevocable).

Any such redemption of Bonds shall be at their principal amount together with interest accrued to but excluding the date fixed for redemption and all Arrears of Interest, together with any Additional Amounts.

(c) *Redemption for Taxation Reasons*

If Fukoku Life satisfies the Trustee (immediately prior to the giving of notice referred to below) that (i) on the occasion of the next payment in respect of the Bonds Fukoku Life would be unable to make such payment without being required to pay Additional Amounts and such an event arises by reason of a change in, or amendment to, the laws, regulations or rulings of Japan (or, in the event of any permitted merger, consolidation, sale or disposition to a corporation, entity or person in a jurisdiction other than Japan, such other jurisdiction) or any political sub-division thereof or of any taxing authority therein or a change in the official interpretation or application thereof or a change in any applicable double taxation treaty or convention (including a holding, judgment or order by a court of competent jurisdiction), which change becomes effective on or after 7 November 2023 (or, in the event of any permitted merger, consolidation, sale or disposition to a corporation, entity or person in a jurisdiction other than Japan, the date of such transaction) and (ii) such requirement cannot be avoided by Fukoku Life taking reasonable measures (such measures not involving any material additional payments by, or expense for, Fukoku Life) available to it, Fukoku Life may, subject to compliance with applicable regulatory requirements, including the prior consent of the Relevant Supervisory Authority (if then required) and subject to the satisfaction of a Redemption Condition identified in Condition 5(g), and having given not less than 30 nor more

than 60 days' written notice to the Trustee and to the Bondholders in accordance with Condition 13 (which notice shall be irrevocable) provided that the notice shall not be given earlier than 90 days prior to the earliest date on which Fukoku Life would become required to pay such Additional Amounts, redeem all, but not some only, of the Bonds at any time at the principal amount of the Bonds, together with interest accrued to but excluding the date fixed for redemption and all Arrears of Interest.

Prior to the giving of any notice of redemption pursuant to this Condition 5(c), Fukoku Life shall deliver to the Trustee a certificate in English signed by a Representative Director of Fukoku Life stating that the conditions precedent to the right of Fukoku Life to so redeem under (ii) of this Condition 5(c) have occurred (and the Trustee shall be entitled without investigation or verification to accept such certificate as sufficient evidence that such conditions precedent have been satisfied), and an opinion of independent legal advisers of recognised standing to the effect that Fukoku Life has or will become obliged to pay such Additional Amounts as a result of such change or amendment.

(d) *Optional Redemption due to Capital Disqualification Event*

If Fukoku Life satisfies the Trustee immediately prior to the giving of the notice referred to below that a Capital Disqualification Event (as defined below) has occurred, subject to satisfaction of a Redemption Condition identified in Condition 5(g) and to compliance with applicable regulatory requirements, including the prior consent of the Relevant Supervisory Authority (if then required) and having given not less than 30 nor more than 60 days' written notice to the Trustee and to the Bondholders in accordance with Condition 13 (which notice shall be irrevocable) provided that the notice shall not be given earlier than 90 days prior to the earliest date on which the disqualification would actually become effective with respect to the Bonds, Fukoku Life may redeem all, but not some only, of the Bonds at any time on or prior to the First Call Date.

Any such redemption of the Bonds shall be at their principal amount together with interest accrued to but excluding the date fixed for redemption and all Arrears of Interest, together with any Additional Amounts.

For the purposes of these Conditions, "Capital Disqualification Event" means any amendment or change to the Insurance Business Act or related regulations, or any official administrative pronouncement or judicial decision interpreting or applying such laws or regulations, that is publicly announced after 7 November 2023 and that results or will result in the Bonds no longer qualifying as specified subordinated debt (*tokutei fusaisei shihon*) under the Insurance Business Act or as a similar class of capital under any similar applicable regulatory requirement in the future, and such disqualification cannot be avoided by Fukoku Life taking reasonable measures (such measures not involving any material additional payments by, or expense for, Fukoku Life) available to it.

(e) *Optional Tax Deductibility Redemption*

If Fukoku Life satisfies the Trustee immediately prior to the giving of the notice referred to below that a Tax Deductibility Event (as defined below) has occurred, and subject to satisfaction of a Redemption Condition identified in Condition 5(g) Fukoku Life may, subject to compliance with applicable regulatory requirements, including the prior consent of the Relevant Supervisory Authority (if then required) and having given not less than 30 nor more than 60 days' written notice to the Trustee and to the Bondholders in accordance with Condition 13 (which notice shall be irrevocable) provided that the notice shall not be given earlier than 90 days prior to the earliest date on which the non-deductibility would actually apply to Fukoku Life's interest payments on the Bonds, redeem all, but not some only, of the Bonds at any time on or prior to the First Call Date.

Any such redemption of the Bonds shall be at their principal amount together with interest accrued to but excluding the date fixed for redemption and all Arrears of Interest, together with any Additional Amounts.

A “Tax Deductibility Event” means that interest payable by Fukoku Life on the Bonds is not, or will not be, deductible by Fukoku Life, in whole or in part, for Japanese tax purposes (or, in the case of a successor person, such other jurisdiction of the successor person, as applicable), as a result of (i) any change (including any officially announced proposed changes) in, or amendment to, the laws or regulations (or rulings promulgated thereunder) of Japan (or, in the case of a successor person, such other jurisdiction of the successor person, as applicable) or any political subdivision or any authority thereof or therein having power to tax, that becomes effective on or after 7 November 2023, or (ii) any administrative decision, judicial decision, administrative action or other official pronouncement interpreting or applying such laws, regulations or rulings that is announced on or after 7 November 2023, and, in each case, such non-deductibility cannot be avoided by Fukoku Life taking reasonable measures (such measures not involving any material additional payments by, or expense for, Fukoku Life) available to it.

(f) *Optional Rating Agency Redemption*

If Fukoku Life satisfies the Trustee immediately prior to the giving of the notice referred to below that a Rating Agency Event (as defined below) has occurred, and subject to satisfaction of a Redemption Condition identified in Condition 5(g) Fukoku Life may, subject to compliance with applicable regulatory requirements, including the prior consent of the Relevant Supervisory Authority (if then required) and having given not less than 30 nor more than 60 days’ written notice to the Trustee and to the Bondholders in accordance with Condition 13 (which notice shall be irrevocable) provided that the notice shall not be given earlier than 90 days prior to the earliest date on which the amendment, clarification or change would actually apply with respect to the Bonds, redeem all, but not some only, of the Bonds at any time on or prior to the First Call Date.

Any such redemption of the Bonds shall be at their principal amount together with interest accrued to but excluding the date fixed for redemption and all Arrears of Interest, together with any Additional Amounts.

A “Rating Agency Event” means any or all of S&P Global Ratings Japan Inc., Fitch Ratings Japan Limited or Moody’s Japan K.K. (including any successors to their respective ratings businesses) amending, clarifying or changing its equity credit criteria, guidelines or methodology and announcing publicly, or notifying Fukoku Life, that (a) such amendment, clarification or change results or will result in a lower equity credit for the Bonds than the equity credit assigned by such rating agency on 7 November 2023 or (b) such amendment, clarification or change results or will result in no equity credit arising from the Bonds.

(g) *Redemption Conditions*

Prior to the giving of a notice of redemption pursuant to any of Conditions 5(b), 5(c), 5(d), 5(e) or 5(f), and as a condition to any such redemption, Fukoku Life shall deliver to the Trustee a certificate in English signed by a Representative Director of Fukoku Life stating that a Redemption Condition has been satisfied (and the Trustee shall be entitled to accept such certificate as sufficient evidence of such satisfaction).

A “Redemption Condition” means that either (i) Fukoku Life’s Solvency Margin Ratio after giving effect to the intended redemption is expected to remain at an adequate level within the meaning of the Insurance Business Act and any applicable regulations, public notices or guidelines thereunder then in force or (ii) Fukoku Life procures qualifying financing in an amount not less than the amount of the intended redemption. The term “qualifying financing” when used in these Conditions includes issuance of foundation funds (*kikin*) and subordinated debt financing.

(h) *No Liability*

None of the Trustee or any Agent shall be responsible for monitoring or ascertaining whether any event or circumstance entitling the giving of a notice of redemption pursuant to any of Conditions 5(b), 5(d), 5(e) or 5(f) has occurred or may occur or whether a Redemption

Condition has been satisfied, and none of them shall be liable to any Bondholder or any other person for any loss arising from its failure to do so.

(i) Notice of Redemption

All Bonds in respect of which any notice of redemption is given under this Condition 5 shall be redeemed on the date specified in such notice in accordance with this Condition 5.

(j) Purchases

Subject to compliance with applicable regulatory requirements, including the prior consent of the Relevant Supervisory Authority (if then required), Fukoku Life or any of its Subsidiaries may at any time purchase Bonds in the open market or otherwise at any price, if (i) Fukoku Life's Solvency Margin Ratio after giving effect to the intended purchase is expected to remain at an adequate level within the meaning of the Insurance Business Act and any applicable regulations, public notices or guidelines thereunder then in force or (ii) Fukoku Life procures qualifying financing in an amount not less than the amount of the intended purchase. Any such Bonds purchased by Fukoku Life or any of its Subsidiaries may at the option of Fukoku Life or any such Subsidiary be held, resold or surrendered by Fukoku Life, or any such Subsidiary, as the case may be, to the Registrar, the Transfer Agent or any other Agent for cancellation. The Bonds so purchased, while held by or on behalf of Fukoku Life or any of its Subsidiaries, shall not entitle the holder to vote at any meeting of the Bondholders and shall not be deemed to be outstanding for the purposes of calculating quorums at meetings of the Bondholders or for the purposes of Conditions 9 and 10, and for certain other purposes as specified in the Trust Deed.

(k) Cancellation

All Certificates in respect of Bonds redeemed will be, and any Certificates in respect of Bonds purchased may be at the option of Fukoku Life, cancelled and thereafter may not be re-issued or resold.

6 Payments

(a) Method of Payment

Payment of principal and interest and premium in respect of the Bonds will be made by transfer to the Registered Account (as defined in this Condition 6(a)) of the Bondholder. Payment of principal will only be made after surrender of the relevant Certificate at the specified office of the Principal Paying Agent.

Interest on Bonds due on an Interest Payment Date will be paid on the due date for the payment of interest to the holder shown on the Register at the close of business on the fifteenth calendar day before the due date for the payment of interest (the "Interest Record Date").

Arrears of Interest will be paid in the manner provided in this Condition 6(a) to the holder shown on the Register at the close of business on the fifth calendar day before the date for the relevant payment pursuant to Condition 4(c).

In this Condition 6(a), "Registered Account" means a U.S. dollar account maintained by the payee with a bank in New York City, details of which appear on the Register at the close of business on the sixth calendar day before the due date of payment.

So long as the Bonds are represented by the Global Certificate and such Bonds are held on behalf of the clearing system, each payment, including Arrears of Interest, will be made to, or to the order of, the person whose name is entered on the Register at the close of business on the Clearing System Business Day immediately prior to the date for payment (and Interest Record Date will be construed accordingly, including for the purposes of Condition 4), where "Clearing System Business Day" means Monday to Friday inclusive except 25 December and 1 January.

(b) *Payments Subject to Laws*

Payments will be subject in all cases to (i) any fiscal or other laws and regulations applicable thereto in the place of payment, but without prejudice to the provisions of Condition 7 and (ii) any withholding or deduction required pursuant to an agreement described in Section 1471(b) of the U.S. Internal Revenue Code of 1986 as amended (the “Code”) or otherwise imposed pursuant to Sections 1471 through 1474 of the Code, any regulations or agreements thereunder, any official interpretations thereof, or (without prejudice to the provisions of Condition 7) any law implementing an intergovernmental approach thereto (a “FATCA Withholding Tax”) and Fukoku Life will not be required to pay additional amounts on account of any FATCA Withholding Tax.

(c) *Appointment of Agents and Calculation Agent*

The initial Agents and their respective initial specified offices are listed below. Subject to the provisions of the Agency Agreement, the Principal Paying Agent, the Calculation Agent and the other Agents act solely as agents of Fukoku Life and do not assume any obligation or relationship of agency or trust for or with any holder of Bonds. Fukoku Life reserves the right at any time with prior written notice to the Trustee to vary or terminate the appointment of any Agent and appoint additional or other Agents, provided that it will maintain (i) a Principal Paying Agent, (ii) a Registrar, (iii) an Agent having a specified office in Singapore, so long as the Bonds are listed on the Singapore Exchange Securities Trading Limited and the rules of that exchange so require, (iv) a Calculation Agent and (v) such other agents as may be required by any stock exchange on which the Bonds may be listed, in each case, with prior written approval of the Trustee. Notice of any change in the Agents or their specified offices will promptly be given to the Bondholders by Fukoku Life in accordance with Condition 13.

(d) *Payments on non-Business Days*

If any date for payment in respect of any Bond is not a Payment Business Day, the holder shall not be entitled to payment until the next following Payment Business Day nor to any interest or other sum in respect of such postponed payment. In this Condition 6, “Payment Business Day” means a day (other than a Saturday or a Sunday) on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in the place in which the specified office of the Principal Paying Agent is located, and in New York City, London and Tokyo.

7 *Taxation*

All payments of principal, premium and interest including Arrears of Interest, and other amounts, in respect of the Bonds by or on behalf of Fukoku Life will be made without withholding or deduction for or on account of any present or future taxes, duties, assessments or governmental charges of whatever nature imposed or levied by or on behalf of Japan (or, in the event of any permitted merger, consolidation, sale or disposition to a corporation, entity or person in a jurisdiction other than Japan, such other jurisdiction) or any political subdivision thereof or of any taxing authority therein unless such withholding or deduction is required by law. In such event, Fukoku Life will pay such additional amounts (“Additional Amounts”) as shall be necessary in order that the net amounts received by the holders of the Bonds after such withholding or deduction shall equal the respective amounts of principal, premium and interest (including Arrears of Interest), as the case may be, which would otherwise have been receivable in respect of the Bonds in the absence of such withholding or deduction, except that no such Additional Amounts shall be payable with respect to any Bond:

- (a) to, or to a third party on behalf of, a holder (i) who is for Japanese tax purposes treated as an individual resident of Japan or a Japanese corporation or who is not an individual resident of Japan or a Japanese corporation but is a person having a special relationship with Fukoku Life as specified in Article 6, Paragraph (4) of the Act on Special Measures Concerning Taxation of Japan (Act No. 26 of 1957, as amended) (the “Act on Special Taxation Measures”) or (ii) who is subject to such taxes, duties, assessments or governmental charges in respect of such Bond by reason of his having some connection with Japan other than the mere holding or ownership of such Bond; or

- (b) to, or to a third party on behalf of, a holder who fails to comply with the Japanese law requirements in respect of the exemption from such withholding or deduction; or
- (c) where the Certificate in respect of the Bond is presented for payment more than 30 days after the Relevant Date except to the extent that the holder of it would have been entitled to such Additional Amounts on presenting it for payment on the thirtieth day.

For the purposes of these Conditions, “Relevant Date” means the date on which such payment first becomes due, except that, if the full amount of the moneys payable has not been duly received by the Principal Paying Agent on or prior to such due date, it means the date on which, the full amount of such moneys having been so received by the Principal Paying Agent, notice to that effect is duly given to the Bondholders in accordance with Condition 13.

References to these Conditions to principal, premium, interest and/or any other amount shall be deemed to include any Additional Amounts that may be payable under this Condition 7.

8 Prescription

Claims in respect of principal, premium and interest including Arrears of Interest in respect of the Bonds will become void unless made as required by Condition 6 within a period of 10 years (in the case of principal and premium) and 5 years (in the case of interest including Arrears of Interest) from the appropriate Relevant Date.

9 Limited Rights of Acceleration

(a) Acceleration Event

An event of acceleration (each an “Acceleration Event”) with respect to the Bonds means the occurrence of a Subordination Event in respect of Fukoku Life.

(b) Declaration of Acceleration

If an Acceleration Event shall occur and be continuing, then the Trustee may, or if so requested in writing by the holders of not less than 25 per cent. in aggregate principal amount of the Bonds then outstanding or so directed by Extraordinary Resolution (as defined in the Trust Deed) shall, subject in any such case to it being indemnified and/or secured and/or prefunded to its satisfaction, by written notice to Fukoku Life declare the principal of and all interest then accrued on the Bonds, including all Arrears of Interest, to be forthwith due and payable. Immediately upon delivery of such notice, the Bonds shall become immediately due and payable at their principal amount plus all interest then accrued on the Bonds, including all Arrears of Interest, subject to the subordination provisions under Condition 2. At any time after such a declaration of acceleration has been made and before a judgment or decree for payment of the money due has been obtained by the Trustee pursuant to the provisions of the Trust Deed, the holders of more than 50 per cent. in aggregate principal amount of the Bonds then outstanding may, by written notice to the Trustee, direct the Trustee to (and the Trustee shall) give notice to Fukoku Life rescinding and annulling the declaration of acceleration and its consequences in accordance with the Trust Deed.

(c) Rescission or Annulment of a Declaration of Acceleration

If the holders of more than 50 per cent. in aggregate principal amount of the Bonds then outstanding direct the Trustee to rescind and annul a declaration of acceleration and the Trustee shall have given such notice of rescission and annulment to Fukoku Life or if (i) a court of competent jurisdiction shall rescind or terminate a liquidation proceedings with respect to Fukoku Life without a distribution of assets pursuant to the Insurance Business Act, (ii) a court of competent jurisdiction shall rescind or terminate a bankruptcy proceedings with respect to Fukoku Life without a distribution of assets pursuant to the Bankruptcy Act, (iii) a court of competent jurisdiction shall rescind or terminate a reorganisation proceeding with respect to Fukoku Life whether having approved or without approving the reorganisation plan pursuant to the Reorganisation Act, (iv) a court of competent jurisdiction shall rescind or terminate a civil

rehabilitation proceeding with respect to Fukoku Life whether having approved or without approving the civil rehabilitation plan pursuant to the Civil Rehabilitation Act, (v) a court of competent jurisdiction shall rescind or terminate any proceedings giving rise to an Acceleration Event due to the occurrence of a Foreign Event, which rescission or termination having an equivalent effect to that set forth in the foregoing clauses (i), (ii), (iii) or (iv) of this Condition 9(c), as applicable, or (vi) an Acceleration Event with respect to the Bonds shall otherwise be rescinded or terminated, then the Acceleration Event shall have the same effect as if it had not occurred.

(d) *No Other Right of Acceleration*

Except as expressly provided in this Condition 9, neither the Trustee nor any holder of Bonds will have any right to accelerate any payment of principal or interest in respect of the Bonds.

(e) *Action on Acceleration*

The only action the Trustee or the Bondholders may take against Fukoku Life on acceleration of the Bonds is to petition for the winding up of Fukoku Life in Japan or to prove in the winding up of Fukoku Life or participate in bankruptcy, reorganisation, civil rehabilitation proceedings in Japan or other equivalent proceedings in any jurisdictions other than Japan.

10 Consolidation, Merger and Sales of Assets

The Trust Deed provides that Fukoku Life may not, without the consent of the holders of Bonds representing more than 50 per cent. in aggregate principal amount of Bonds then outstanding, consolidate or amalgamate with, merge into or transfer its assets substantially in their entirety in a single transaction or a number of transactions to any person, except for a consolidation, amalgamation or merger in which Fukoku Life is the surviving party, unless:

- (i) the surviving person of or the person formed by such consolidation, amalgamation or merger, or the third-person transferee of or successor to the assets of Fukoku Life, assumes all of the obligations of Fukoku Life under the Bonds and the Trust Deed; and
- (ii) after giving effect thereto, no Acceleration Event with respect to the Bonds shall have occurred and be continuing.

11 Meeting of Bondholders, Amendments and Modifications

(a) *Meetings of Bondholders*

The Trust Deed contains provisions for convening meetings of Bondholders to consider any matter affecting their interests, including the sanctioning by Extraordinary Resolution of a modification of these Conditions or any provision of the Trust Deed. Such a meeting may be convened by Fukoku Life or the Trustee and shall be convened by the Trustee if requested by Bondholders holding not less than 10 per cent. in aggregate principal amount of the Bonds then outstanding and subject to the Trustee being indemnified and/or secured and/or prefunded to its satisfaction against all costs and expenses.

The quorum for any meeting convened to consider an Extraordinary Resolution shall be two or more persons holding or representing more than 50 per cent. in aggregate principal amount of the Bonds then outstanding, or at any adjourned meeting two or more persons being or representing Bondholders whatever the aggregate principal amount of the Bonds held or represented, subject to the applicability of Condition 11(b).

The Trustee shall be entitled to rely without liability to any person on any direction, request or resolution of Bondholders given by Bondholders holding the requisite principal amount of Bonds outstanding or passed at a meeting of Bondholders convened and held in accordance with the Trust Deed.

(b) *Meetings Requiring Special Quorum Consent*

Notwithstanding anything herein to the contrary, if the business of any meeting includes consideration of proposals, *inter alia* (i) to amend the date of redemption or any date for payment of interest on the Bonds, (ii) to reduce or cancel the principal amount or any premium in respect of the Bonds, (iii) to reduce the rate of interest in respect of the Bonds or to vary the method or basis of calculating the rate or amount of interest or the basis for calculating the interest in respect thereof, (iv) to vary the currency of payment or denomination of the Bonds, (v) to take any steps which as specified herein may only be taken following approval by an Extraordinary Resolution to which the special quorum provisions apply, or (vi) to modify the provisions concerning the quorum required at any meeting of Bondholders or the majority required to pass the Extraordinary Resolution, then the necessary quorum shall be two or more persons holding or representing not less than 75 per cent., or at any adjourned meeting not less than 25 per cent., in aggregate principal amount of the Bonds then outstanding.

(c) *Extraordinary Resolutions*

Any Extraordinary Resolution duly passed shall be binding on all Bondholders (whether or not they were present at the meeting at which such resolution was passed). The Trust Deed provides that (i) a resolution in writing signed by or on behalf of persons holding or representing not less than 90 per cent. in aggregate principal amount of the Bonds who for the time being are entitled to receive notice of a meeting and (ii) a resolution passed by Electronic Consent (as defined in the Trust Deed) shall for all purposes be as valid and effective as an Extraordinary Resolution passed at a meeting of such Bondholders.

(d) *Amendments and Modifications*

No amendment shall be made to the provisions of Condition 2 and Clause 2 of the Trust Deed (in each case as to subordination) which would be, in the opinion of Fukoku Life, in any way prejudicial to any present or future creditor in respect of any Senior Indebtedness.

The Trustee may, but shall not be obliged to, without the consent of the Bondholders, at any time and from time to time concur with Fukoku Life in making any modification to these Conditions or the Trust Deed if, in the opinion of the Trustee, any provisions of these Conditions or the Trust Deed authorises the Trustee so to concur. Furthermore, the Trustee may, but shall not be obliged to, without the consent of the Bondholders, agree (i) to any modification (except as mentioned in the Trust Deed) of these Conditions or the Trust Deed or to any waiver or authorisation of any breach or proposed breach by Fukoku Life of the provisions of the Bonds or the Trust Deed which, in the opinion of the Trustee, is not materially prejudicial to the interests of the Bondholders (except for any modification, or waiver or authorisation of any breach or proposed breach, of a provision of Condition 2 or Clause 2 of the Trust Deed, in each case as to subordination), or (ii) to any modification of these Conditions or the Trust Deed which is in the opinion of the Trustee of a formal, minor or technical nature or is made to correct a manifest error or to comply with any applicable law. Any such modification, authorisation or waiver shall be binding on the Bondholders and unless the Trustee otherwise agrees, such modification, authorisation or waiver shall be notified to the Bondholders by Fukoku Life in accordance with Condition 13 as soon as practicable.

(e) *Substitution*

The Trust Deed contains provisions permitting (but not obliging) the Trustee to agree, subject to such amendment of the Trust Deed and such other conditions as the Trustee may in its discretion require, but without the consent of the Bondholders, to the substitution of certain other entities in place of Fukoku Life, or of any previous substituted company, as principal debtor under the Trust Deed and the Bonds.

(f) *Entitlement of the Trustee*

In connection with the exercise of its functions, rights, powers and discretions (including but not limited to those referred to in this Condition 11), the Trustee shall have regard to the interests of the Bondholders as a class and shall not have regard to the consequences of such exercise for individual Bondholders and the Trustee shall not be entitled to require, nor shall

any Bondholder be entitled to claim, from Fukoku Life or the Trustee any indemnification or payment in respect of any tax consequence of any such exercise upon individual Bondholders.

12 Replacement of Certificates

If any Certificate is lost, stolen, mutilated, defaced or destroyed, it may be replaced at the specified office of the Registrar or the Transfer Agent subject to all applicable laws and stock exchange or other relevant authority requirements, upon payment by the claimant of the expenses incurred in connection with such replacement and on such terms as to evidence, security, indemnity and otherwise as Fukoku Life or the Registrar or the Transfer Agent, as the case may be, may require (provided that the requirement is reasonable in the light of prevailing market practice). Mutilated or defaced Certificates must be surrendered before replacements will be issued.

13 Notices

Notices to Bondholders will be valid if mailed to them at their respective addresses in the Register and published in one leading newspaper having general circulation in London (which is expected to be the Financial Times) or, if such publication shall not be practicable, in an English language newspaper of general circulation in Europe. Any such notice shall be deemed to have been given on the later of (i) the seventh day after being so mailed and (ii) the date of such publication or, if published more than once, on the first date on which publication is made.

So long as the Bonds are represented by the Global Certificate and such Bonds are held on behalf of a clearing system, notices to Bondholders shall be given by delivery of the relevant notice to the relevant clearing system for communication by it to entitled accountholders in substitution for mailing and publication required by these Conditions.

14 Enforcement

At any time after the Bonds become due and payable, subject to Conditions 9(d) and 9(e), the Trustee may, at its discretion and without further notice, institute such proceedings against Fukoku Life as it may think fit to enforce the terms of the Trust Deed and the Bonds, but it need not take any such proceedings unless (a) it shall have been so directed by an Extraordinary Resolution or so requested in writing by Bondholders holding at least 25 per cent. in aggregate principal amount of the Bonds then outstanding, and (b) it shall have been indemnified and/or secured and/or prefunded to its satisfaction. No Bondholder may proceed directly against Fukoku Life unless the Trustee, having become bound so to proceed, fails to do so within a reasonable time and such failure is continuing.

15 Indemnification of the Trustee

The Trust Deed contains provisions for the indemnification of the Trustee and for its relief from responsibility. The Trustee is entitled to enter into business transactions with Fukoku Life and any entity related to Fukoku Life without accounting for any profit.

The Trustee may rely without liability to Bondholders on any certificate or report prepared by Fukoku Life's auditors pursuant to the Trust Deed, whether or not addressed to the Trustee and whether or not the auditors' liability in respect thereof is limited by a monetary cap or otherwise and shall be obliged to do so where the certificate or report is delivered pursuant to the obligation of Fukoku Life to procure such delivery under the Trust Deed, and the Trust Deed so requires, in which case any such certificate shall be conclusive and binding on Fukoku Life, the Trustee and the Bondholders.

16 Contracts (Rights of Third Parties) Act 1999

No person shall have any right to enforce any term or condition of the Bonds under the Contracts (Rights of Third Parties) Act 1999.

17 Governing Act and Jurisdiction

(a) Governing Law

The Trust Deed, the Agency Agreement, the Bonds and any non-contractual obligations arising out of or in connection with them are governed by and shall be construed in accordance with English law.

(b) *Jurisdiction*

The courts of England are to have jurisdiction to settle any disputes which may arise out of or in connection with the Bonds and accordingly any legal action or proceedings arising out of or in connection with the Bonds (“Proceedings”) may be brought in such courts. Fukoku Life has irrevocably submitted to the jurisdiction of such courts and waives any objection to Proceedings in such courts whether on the ground of venue or on the ground that the Proceedings have been brought in an inconvenient forum. This Condition 17(b) is for the benefit of the Trustee and each of the Bondholders and shall not limit the right of any of them to take Proceedings in any other court of competent jurisdiction nor shall the taking of Proceedings in one or more jurisdictions preclude the taking of Proceedings in any other jurisdiction (whether concurrently or not).

(c) *Service of Process*

Fukoku Life has irrevocably appointed Cogency Global (UK) Limited presently at 6 Lloyds Avenue, Unit 4CL, London EC3N 3AX to receive, for it and on its behalf, service of process in any Proceedings in England. If for any reason Cogency Global (UK) Limited ceases to be able to act as such or ceases to have an address in England, Fukoku Life shall appoint a substitute process agent and immediately notify the Trustee in writing of such appointment and deliver to the Trustee a copy of the new agent’s acceptance of that appointment within 30 days of such cessation. Nothing herein or in the Trust Deed shall affect the right to serve process in any other manner permitted by law.

SUMMARY OF PROVISIONS RELATING TO THE BONDS WHILE IN GLOBAL FORM

Amendment to Conditions

The Trust Deed and the Global Certificate contain provisions which apply to the Bonds in respect of which the Global Certificate is issued, some of which modify the effect of the Terms and Conditions of the Bonds (the “Conditions”) set out in this Offering Circular. The following is a summary of certain of those provisions:

Payments

Payments of principal, premium and interest (including Arrears of Interest) in respect of the Bonds represented by the Global Certificate will be made without the requirement for it to be a Payment Business Day in the location of the specified office of the Principal Paying Agent.

All payments in respect of Bonds represented by the Global Certificate will be made to, or to the order of, the person whose name is entered on the Register at the close of business on the record date which shall be the Clearing System Business Day immediately prior to the date for payment, where “Clearing System Business Day” means Monday to Friday inclusive except 25 December and 1 January.

Notices

So long as the Bonds are represented by the Global Certificate and the Global Certificate is registered in the name of a nominee of a common depository for Euroclear and Clearstream, Luxembourg or any Alternative Clearing System (as defined in the Trust Deed), notices to Bondholders, including notices of redemption, shall be given by delivery of the relevant notice to Euroclear and Clearstream, Luxembourg or, as the case may be, any Alternative Clearing System, for communication by it to entitled accountholders in substitution for publication and mailing as required by the Conditions. Such notices shall be deemed to have been given on the date of delivery to Euroclear and Clearstream, Luxembourg or any such Alternative Clearing System.

Meetings

The holder of the Bonds in respect of which the Global Certificate is issued shall (unless the Global Certificate represents only one Bond) be treated as being two persons for the purposes of any quorum requirements of a meeting of the Bondholders. All holders of Bonds are entitled to one vote in respect of each U.S.\$1,000 in principal amount of Bonds held by such Bondholder, whether or not represented by the Global Certificate.

Trustee’s Powers

In considering the interests of Bondholders while the Global Certificate is registered in the name of a nominee of a common depository for Euroclear and Clearstream, Luxembourg or any Alternative Clearing System, the Trustee may have regard to any information provided to it by or on behalf of Euroclear or Clearstream, Luxembourg or any Alternative Clearing System or its operator as to the identity (either individually or by category) of its accountholders with entitlements to the Bonds in respect of which the Global Certificate is issued and may consider such interests as if such accountholders were the holders of the Bonds represented by the Global Certificate.

Written Resolution/Electronic Consent

While the Global Certificate is registered in the name of any nominee for one or more of Euroclear, Clearstream, Luxembourg, or another clearing system, then:

- (a) where the terms of the resolution proposed by Fukoku Life or the Trustee (as the case may be) have been notified to the Bondholders through the relevant clearing system(s), each of Fukoku Life and the Trustee shall be entitled to rely upon approval of such resolution given by way of electronic consents communicated through the electronic communications systems of the relevant clearing system(s) in accordance with their operating rules and procedures by or on behalf of the holders of not less than 90 per cent. in principal amount of the Bonds then outstanding (“Electronic Consent”) by close of business on the Relevant Date (as defined in the

Trust Deed). Any resolution passed in such manner shall be binding on all Bondholders even if the relevant consent or instruction proves to be defective. None of Fukoku Life or the Trustee or any of the Trustee's directors, officers, employees or Appointees (as defined in the Trust Deed) shall be liable or responsible to anyone for such reliance. For the avoidance of doubt, an Electronic Consent may only be used in relation to a resolution proposed by Fukoku Life or the Trustee which is not then the subject of a meeting that has been validly convened in accordance with the Trust Deed, unless that meeting is or shall be cancelled or dissolved; and

- (b) where Electronic Consent is not being sought, for the purpose of determining whether a Written Resolution (as defined in the Trust Deed) has been validly passed, Fukoku Life and the Trustee shall be entitled to rely on consent or instructions given in writing directly to Fukoku Life and/or the Trustee, as the case may be, by (i) accountholders in the clearing system with entitlements to such Global Certificate and/or (ii) where the accountholders hold any such entitlement on behalf of another person, on written consent from or written instruction by the person identified by that accountholder as the person for whom such entitlement is held. For the purpose of establishing the entitlement to give any such consent or instruction, Fukoku Life and the Trustee shall be entitled to rely on any certificate or other document issued by, in the case of (i) above, Euroclear, Clearstream, Luxembourg or any other relevant alternative clearing system (the "relevant clearing system") and, in the case of (ii) above, the relevant clearing system and the accountholder identified by the relevant clearing system for the purposes of (ii) above. Any resolution passed in such manner shall be binding on all Bondholders, even if the relevant consent or instruction proves to be defective. Any such certificate or other document shall be conclusive and binding for all purposes. Any such certificate or other document may comprise any form of statement or print out of electronic records provided by the relevant clearing system (including Euroclear's EUCLID or Clearstream, Luxembourg's CreationOnline system) in accordance with its usual procedures and in which the accountholder of a particular principal amount of the Bonds is clearly identified together with the amount of such holding. None of Fukoku Life or the Trustee or any of the Trustee's directors, officers, employees or Appointees (as defined in the Trust Deed) shall be liable to any person by reason of having accepted as valid or not having rejected any certificate or other document to such effect purporting to be issued by any such person and subsequently found to be forged or not authentic.

SUMMARY OF BASIC TERMS OF EXISTING LIQUIDATION PARITY INDEBTEDNESS

Fukoku Life issued its U.S.\$500,000,000 5.0 per cent. Step-up Callable Perpetual Subordinated Bonds on 28 July 2015 (the “2015 Bonds”), its ¥50,000,000,000 1.02 per cent. Step-up Callable Perpetual Subordinated Bonds on 21 October 2016 (the “2016 Bonds”), its ¥30,000,000,000 1.08 per cent. Step-up Callable Subordinated Bonds due 2077 on 13 September 2017 (the “2017 Bonds”), and its ¥50,000,000,000 1.07 per cent. Step-up Callable Subordinated Bonds due 2080 on 16 December 2020 (the “2020 Bonds”) (together, the “Existing Liquidation Parity Indebtedness”) which constitute Fukoku Life’s Liquidation Parity Indebtedness outstanding as of the date of this Offering Circular.

The following is a summary of certain of the provisions of the Existing Liquidation Parity Indebtedness.

Interest deferral

The terms of the Existing Liquidation Parity Indebtedness require Fukoku Life to defer payment of interest accrued in respect of the Existing Liquidation Parity Indebtedness if (a) Fukoku Life fails to meet its then-applicable minimum solvency margin requirements, (b) the relevant supervisory authority has issued any order of prompt corrective action (*souki zesei sochi*) or (c) payment in relation to any *pari passu* indebtedness (such as the Bonds) has been deferred. In addition, Fukoku Life may at its option elect to defer payment of all of the interest accrued in respect of the Existing Liquidation Parity Indebtedness. Arrears of interest in respect of the Existing Liquidation Parity Indebtedness accrues on a cumulative basis. No interest accrues on any arrears of interest in respect of the Existing Liquidation Parity Indebtedness, provided that, in respect of the 2015 Bonds, interest on arrears of interest deferred optionally shall compound at a rate equivalent to the applicable fixed or floating rate.

If interest payments on the Existing Liquidation Parity Indebtedness are deferred (whether mandatorily or optionally) then the terms of the Existing Liquidation Parity Indebtedness require Fukoku Life not to make any payment of principal of, or interest or premium, if any, on, or to repay, purchase or redeem, any *pari passu* indebtedness (such as the Bonds); provided, however, that if an interest payment on the Existing Liquidation Parity Indebtedness has been deferred solely due to deferral of payments on any *pari passu* indebtedness (such as the Bonds), interest payments of such *pari passu* indebtedness may be resumed.

For the avoidance of doubt, the terms of the Existing Liquidation Parity Indebtedness do not restrict the ability of Fukoku Life to make payments on foundation funds (*kikin*) or distributions to its policyholders (*shain haitou*).

Redemption

The Existing Liquidation Parity Indebtedness may be redeemed at the option of Fukoku Life in certain circumstances.

Fukoku Life may at its option, subject to compliance with applicable regulatory requirements, including the prior consent of the FSA (if then required), redeem all, but not some only, of the Existing Liquidation Parity Indebtedness then outstanding in the following circumstances:

- on any interest payment date falling on or after 28 July 2025, in respect of the 2015 Bonds, and 21 October 2026, in respect of the 2016 Bonds, and 13 September 2027, in respect of the 2017 Bonds, or on 16 December 2030 or any interest payment date falling five, or a multiple of five, years thereafter, in respect of the 2020 Bonds; or
- in the case of the 2015 Bonds, in the event of a change in, or amendment to, the laws, regulations or rulings of Japan which would require it to pay additional amounts in respect of its payments on such bonds; or
- in the event that any amendment or change to applicable regulations results in the Existing Liquidation Parity Indebtedness no longer qualifying as specified subordinated debt (*tokutei fusaisei shihon*, in respect of the 2015 Bonds and the 2016 Bonds, or *fusaisei shihon*, in respect of the 2017 Bonds and the 2020 Bonds) under the Insurance Business Act; or

- in the event that certain specified credit rating agencies treat the Existing Liquidation Parity Indebtedness as having a lower equity credit than the equity credit of the Existing Liquidation Parity Indebtedness on the date of the issuance thereof; or
- in the event that interest payable by Fukoku Life is not, or will not be, deductible by Fukoku Life, in whole or in part, for Japanese tax purpose.

The Existing Liquidation Parity Indebtedness may be redeemed at the option of Fukoku Life only if Fukoku Life's solvency margin ratio after giving effect to the intended redemption is expected to remain at an adequate level, or Fukoku Life procures financing in an amount not less than the amount of the intended redemption.

Subordination

If Fukoku Life becomes subject to liquidation proceedings, bankruptcy proceedings, reorganisation proceedings or rehabilitation proceedings under Japanese law, or any equivalent proceedings in accordance with laws other than Japanese law, the Existing Liquidation Parity Indebtedness shall become subordinated to senior indebtedness of Fukoku Life, and the amount payable to the holders of the Existing Liquidation Parity Indebtedness shall be reduced to the amount of the liquidation distributions which would have been paid if the Existing Liquidation Parity Indebtedness had been Fukoku Life's foundation funds (*kikin*).

USE OF PROCEEDS

The net proceeds from the offering of the Bonds, after deducting commissions and expenses relating to the issue of the Bonds, is expected to amount to approximately U.S.\$493 million. Fukoku Life intends to use the net proceeds from the offering of the Bonds for general corporate purposes.

CAPITALISATION AND INDEBTEDNESS

The following table sets forth the consolidated capitalisation and indebtedness of Fukoku Life as of 30 June 2023, which has been extracted without material adjustment from Fukoku Life's unaudited consolidated interim financial statements as of the same date, and as adjusted to give effect to the issue of the Bonds. The following table should be read in conjunction with the financial statements and the notes thereto included elsewhere in this Offering Circular.

	As of 30 June 2023	
	Actual	As adjusted
	(millions of yen)	
Indebtedness:		
Subordinated bonds ⁽¹⁾	¥ 241,935	¥ 241,935
The Bonds now being issued ⁽²⁾	—	72,495
Total indebtedness	241,935	314,430
Net assets:		
Foundation funds	12,000	12,000
Accumulated foundation funds redeemed	116,000	116,000
Reserve for revaluation	112	112
Surplus	117,465	117,465
Net unrealised gains on available-for-sale securities, net of tax	563,281	563,281
Revaluation reserve for land, net of tax	4,468	4,468
Foreign currency translation adjustment	10	10
Accumulated remeasurements of defined benefit plans	380	380
Total accumulated other comprehensive income	568,141	568,141
Non-controlling interests	8,169	8,169
Total net assets	821,887	821,887
Total capitalisation and indebtedness	¥1,063,822	¥1,136,317

Notes:

- (1) Subsequent to the date of the above table, Fukoku Life redeemed its U.S.\$500,000,000 6.50 per cent. Step-up Callable Perpetual Subordinated Bonds on 19 September 2023.
- (2) For the purpose of this table, the yen equivalent of the Bonds has been translated at the rate of U.S.\$1.00 = ¥144.99, the approximate rate of exchange prevailing as of 30 June 2023. This rate of exchange bears no relationship to the rate(s) at which amounts relating to the Bonds will be converted into yen for accounting purposes.
- (3) Save as disclosed above, there has been no material change in the capitalisation, indebtedness, contingent liabilities or guarantees of the Group since 30 June 2023.

SUMMARY FINANCIAL DATA AND OTHER INFORMATION

The following summary financial and other data should be read in conjunction with the financial statements and other information of Fukoku Life appearing elsewhere in this Offering Circular. The summary financial and other data is derived from the audited consolidated and non-consolidated financial statements of Fukoku Life as of and for the years ended 31 March 2019, 2020, 2021, 2022 and 2023, and the unaudited interim consolidated and non-consolidated financial statements of Fukoku Life as of and for the three months ended 30 June 2022 and 2023 included elsewhere in this Offering Circular.

	As of and for the year ended 31 March					As of and for the three months ended 30 June	
	2019	2020	2021	2022	2023	2022	2023
(millions of yen, except percentages)							
CONSOLIDATED FINANCIAL AND OTHER DATA							
Statements of Operations Data:							
Ordinary revenues:							
Premium and other income	¥ 577,450	¥ 629,956	¥ 584,794	¥ 632,055	¥ 760,603	¥ 220,931	¥ 224,898
Individual insurance	309,754	306,226	302,708	300,578	297,029	74,128	74,691
Group insurance	211,469	223,135	178,305	182,007	225,379	105,002	74,612
Others	4,382	4,165	3,997	3,875	3,628	1,118	1,031
Fukokushinrai	51,844	96,429	99,782	145,593	234,565	40,682	74,563
Investment income	208,598	219,379	229,442	215,080	253,691	62,670	71,648
Other ordinary revenues	10,685	15,067	109,905	10,762	14,327	6,943	7,017
Total ordinary revenues	796,734	864,402	924,142	857,898	1,028,622	290,545	303,564
Ordinary expenditures:							
Claims and other payments	564,389	592,144	657,932	613,582	679,967	202,263	167,662
Provision for policy reserve and others	4,291	36,650	106	29,147	92,970	16,817	64,126
Investment expenses	47,271	57,587	48,142	41,910	90,607	24,696	24,545
Operating expenses	99,232	100,850	99,997	99,607	101,175	24,494	25,033
Other ordinary expenditures	26,362	27,141	27,923	33,132	29,486	8,096	7,453
Total ordinary expenditures	741,547	814,374	834,101	817,379	994,207	276,367	288,820
Ordinary profits	55,187	50,028	90,040	40,519	34,415	14,177	14,743
Extraordinary gains	63	5	133	11	393	0	479
Extraordinary losses	16,278	12,026	52,417	4,650	1,060	1,033	609
Provision of reserve for dividends to policyholders (subsidiary)	337	172	168	195	173	49	45
Surplus before income taxes	38,635	37,834	37,588	35,685	33,574	13,094	14,568
Income taxes:							
Current	12,345	14,183	11,950	11,945	4,008	2,716	3,340
Deferred	(10,450)	(10,666)	(10,603)	(10,247)	(2,191)	(934)	(1,108)
Net surplus for the year	¥ 36,739	¥ 34,317	¥ 36,241	¥ 33,986	¥ 31,757	¥ 11,313	¥ 12,266
Statements of Change in Net Assets							
Data:							
Total net assets							
Balance at the beginning of the current fiscal year	¥ 606,750	¥ 613,127	¥ 552,839	¥ 734,145	¥ 757,640	¥ —	¥ —
Changes in the current fiscal year:							
Financing of additional foundation funds	—	12,000	—	—	—	—	—
Additions to reserve for dividends to policyholders	(38,630)	(34,671)	(31,547)	(32,744)	(30,726)	—	—
Additions to accumulated foundation funds redeemed	—	10,000	—	—	—	—	—
Payment of interest on foundation funds	(100)	(100)	(102)	(102)	(102)	—	—
Net surplus attributable to the parent company for the year	36,738	34,388	36,116	33,911	31,650	—	—
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	41	29	(83)	1	(284)	—	—
Net changes, excluding foundation funds, surplus and others	8,329	(61,934)	176,923	22,428	(93,951)	—	—
Total changes in the current fiscal year	6,377	(60,288)	181,306	23,494	(93,413)	—	—
Balance at the end of current fiscal year	¥ 613,127	¥ 552,839	¥ 734,145	¥ 757,640	¥ 664,226	¥ —	¥ —

	As of and for the year ended 31 March					As of and for the three months ended 30 June	
	2019	2020	2021	2022	2023	2022	2023
	(millions of yen, except percentages)						
Balance Sheet Data:							
Total assets	¥ 8,514,764	¥ 8,574,467	¥ 8,803,440	¥ 8,986,931	¥ 8,883,718	¥ 8,927,976	¥ 9,133,666
Securities	7,287,916	6,977,554	7,417,165	7,697,988	7,321,344	7,668,322	7,654,481
Loans	564,778	569,127	571,420	556,577	527,561	560,615	534,330
Tangible fixed assets	217,393	219,883	244,823	245,765	247,723	245,623	247,960
Total liabilities	¥ 7,901,637	¥ 8,021,628	¥ 8,069,294	¥ 8,229,290	¥ 8,219,491	¥ 8,246,959	¥ 8,311,779
Policy reserves	7,476,860	7,515,143	7,418,526	7,447,853	7,540,406	7,483,180	7,620,085
Reinsurance payables	88	103	103	104	60	89	54
Subordinated bonds	191,935	191,935	241,935	241,935	241,935	241,935	241,935
Total net assets	¥ 613,127	¥ 552,839	¥ 734,145	¥ 757,640	¥ 664,226	¥ 681,016	¥ 821,887
Foundation funds	10,000	12,000	12,000	12,000	12,000	12,000	12,000
Accumulated foundation funds redeemed	106,000	116,000	116,000	116,000	116,000	116,000	116,000
Consolidated surplus	137,669	127,315	131,699	132,765	133,303	113,251	117,465
Other Data:							
Total policy amount in force ⁽¹⁾	¥47,327,039	¥47,315,940	¥46,958,074	¥46,603,233	¥46,298,590	¥46,640,816	¥46,360,759
Fundamental profit ⁽²⁾	67,537	54,642	66,945	74,876	48,805	11,898	15,060
Annualised premiums for new policies	17,895	20,688	18,146	22,990	29,566	6,139	9,051
Annualised premiums for policies in force	559,001	549,613	548,867	548,834	549,859	548,957	551,014
Medical and nursing care products	112,032	113,526	114,314	115,421	116,466	115,817	116,673
Annuity products	124,039	115,864	112,013	109,312	106,600	108,713	106,082
Traditional products	160,368	155,744	152,235	148,458	146,523	147,911	146,047
Fukokushinrai	162,561	164,477	170,304	175,641	180,269	176,514	182,210
Average annual yield of general account assets ⁽³⁾ (per cent.):							
Fukoku Life	2.14	2.20	2.11	2.18	2.11	—	—
Fukokushinrai	1.34	1.32	1.32	1.28	1.13	—	—
Solvency margin ratio (per cent.)	1,236.4	1,331.7	1,303.9	1,274.3	1,171.9	1,190.0	1,194.6

Notes:

- (1) Total policy amount in force consists of policy amounts in force of individual insurance, individual annuities and group insurance. Policy amounts for individual annuities are equal to the funds to be held at the time annuity payments are to commence for an annuity for which annuity payments have not yet commenced and the amount of policy reserve for an annuity for which payments have commenced.
- (2) Certain rules relating to the calculation of fundamental profit have undergone changes with effect from the beginning of the fiscal year ended 31 March 2023. Fundamental profit for prior years have been re-calculated using the new rules.
- (3) Average annual yield of general account assets is calculated using the net amount of investment income and investment expenses (but excluding gains and losses related to separate account assets) as the numerator and the daily average of the carrying value of general account assets as the denominator.

	As of and for the year ended 31 March					As of and for the three months ended 30 June	
	2019	2020	2021	2022	2023	2022	2023
	(millions of yen, except percentages and number of employees)						
NON-CONSOLIDATED FINANCIAL AND OTHER DATA							
Statements of Operations Data:							
Ordinary revenues:							
Premium and other income	¥ 525,605	¥ 533,527	¥ 485,011	¥ 486,461	¥ 526,037	¥ 180,248	¥ 150,334
Investment income	183,473	195,037	206,657	194,336	234,698	57,972	67,000
Other ordinary revenues	9,220	13,306	9,529	8,922	13,072	6,292	6,587
Total ordinary revenues	718,300	741,870	701,198	689,719	773,808	244,513	223,923
Ordinary expenditures:							
Claims and other payments	467,917	439,176	415,436	416,061	504,790	166,285	137,111
Provision for policy reserve and others	36,434	81,409	34,545	73,952	30,563	10,275	19,797
Investment expenses	48,599	58,867	49,443	43,328	91,083	25,018	24,888
Operating expenses	90,655	92,072	91,599	90,779	90,478	22,244	22,058
Other ordinary expenditures	21,377	21,444	22,057	26,845	24,380	6,560	6,461
Total ordinary expenditures	664,984	692,970	613,083	650,967	741,296	230,385	210,317
Ordinary profits	53,315	48,899	88,115	38,752	32,512	14,127	13,605
Extraordinary gains	63	5	133	10	393	0	563
Extraordinary losses	15,851	11,685	52,110	4,349	730	956	620
Surplus before income taxes	37,527	37,219	36,137	34,412	32,175	13,170	13,548
Income taxes:							
Current	11,752	13,646	11,227	11,069	3,096	2,581	2,880
Deferred	(11,059)	(10,540)	(10,516)	(9,975)	(1,793)	(876)	(1,010)
Net surplus for the year	¥ 36,834	¥ 34,113	¥ 35,427	¥ 33,319	¥ 30,872	¥ 11,465	¥ 11,678

	As of and for the year ended 31 March					As of and for the three months ended 30 June	
	2019	2020	2021	2022	2023	2022	2023
(millions of yen, except percentages and number of employees)							
Balance Sheet Data:							
Total assets	¥ 6,684,576	¥ 6,790,871	¥ 7,157,940	¥ 7,389,308	¥ 7,226,280	¥ 7,326,355	¥ 7,427,280
Securities	5,567,876	5,344,665	5,954,789	6,277,599	5,799,182	6,249,189	6,088,343
Loans	561,138	565,473	568,091	553,305	524,193	557,342	530,920
Tangible fixed assets	216,974	219,475	244,487	245,405	247,321	245,279	247,587
Total liabilities	¥ 6,087,901	¥ 6,250,849	¥ 6,440,606	¥ 6,648,929	¥ 6,579,836	¥ 6,660,870	¥ 6,625,309
Policy reserves	5,692,082	5,775,716	5,812,295	5,886,412	5,916,509	5,915,495	5,952,185
Reinsurance payables	55	86	87	87	46	81	46
Subordinated bonds	191,935	191,935	241,935	241,935	241,935	241,935	241,935
Total net assets	¥ 596,674	¥ 540,021	¥ 717,333	¥ 740,379	¥ 646,444	¥ 665,485	¥ 801,970
Foundation funds	10,000	12,000	12,000	12,000	12,000	12,000	12,000
Accumulated foundation funds redeemed	106,000	116,000	116,000	116,000	116,000	116,000	116,000
Surplus	133,682	123,054	126,748	127,222	126,981	107,858	110,555
Other Data:							
Total policy amount in force ⁽¹⁾	¥44,655,827	¥44,724,261	¥44,561,643	¥44,280,704	¥43,929,542	¥44,318,331	¥43,946,604
Fundamental profit ⁽²⁾	67,549	55,477	68,420	76,369	47,297	12,237	13,725
Mortality and morbidity gains	72,780	65,598	68,352	60,432	29,066	10,174	14,885
Medical and nursing care products	31,203	28,773	32,762	25,768	374	1,974	7,425
Other individual products	24,866	24,426	23,530	21,782	18,335	6,727	6,309
Group insurance	23,079	18,937	18,852	19,205	18,037	3,915	3,529
Others	(6,369)	(6,538)	(6,793)	(6,323)	(7,681)	(2,442)	(2,378)
Expense losses	(14,877)	(18,045)	(21,069)	(23,028)	(23,635)	(6,787)	(6,268)
Interest gains	9,647	7,925	21,136	38,965	41,867	8,850	5,108
Average expected interest rate (percentage)	2.00	1.96	1.92	1.89	1.69	—	—
Return on investment in fundamental profits (percentage)	2.18	2.11	2.31	2.62	2.45	—	—
Annualised premiums for new policies	15,263	14,826	12,031	13,501	14,162	3,485	4,196
Annualised premiums for policies in force	396,440	385,135	378,563	373,192	369,589	372,442	368,804
General account assets	6,612,991	6,706,213	7,052,960	7,276,821	7,107,497	7,217,454	7,300,918
Components of general account assets (per cent.):							
Cash, deposits and call loans	3.6	7.7	4.1	2.8	7.4	2.3	6.2
Domestic bonds	42.1	39.9	39.4	39.6	42.3	41.9	42.3
Loans	8.5	8.4	8.1	7.6	7.4	7.7	7.3
Domestic stocks	10.2	9.1	11.2	10.6	11.4	10.3	12.5
Foreign securities	29.2	27.7	30.2	32.1	24.0	30.4	24.0
Real estate	3.2	3.2	3.4	3.3	3.4	3.3	3.3
Others	3.2	4.0	3.6	4.0	4.1	4.1	4.4
Average annual yield of general account assets ⁽³⁾ (per cent.)	2.14	2.20	2.11	2.18	2.11	—	—
Solvency margin ratio (per cent.)	1,189.7	1,290.8	1,261.6	1,234.2	1,133.8	1,152.3	1,159.9
Number of employees	12,689	13,184	13,468	12,987	12,436	—	—
Sales representatives	9,818	10,323	10,552	10,083	9,573	—	—
Administrative personnel	2,871	2,861	2,916	2,904	2,863	—	—

Notes:

- (1) Total policy amount in force consists of policy amounts in force of individual insurance, individual annuities and group insurance. Policy amounts for individual annuities are equal to the funds to be held at the time annuity payments are to commence for an annuity for which annuity payments have not yet commenced and the amount of policy reserve for an annuity for which payments have commenced.
- (2) Certain rules relating to the calculation of fundamental profit have undergone changes with effect from the beginning of the fiscal year ended 31 March 2023. Fundamental profit for prior years have been re-calculated using the new rules.
- (3) Average annual yield of general account assets is calculated using the net amount of investment income and investment expenses (but excluding gains and losses related to separate account assets) as the numerator and the daily average of the carrying value of general account assets as the denominator.

The following table sets out the summary financial and other data for Fukokushinrai as of and for the periods indicated:

	As of and for the year ended 31 March					As of and for the three months ended 30 June	
	2019	2020	2021	2022	2023	2022	2023
	(millions of yen, except number of shares and employees and percentages)						
Ordinary revenues	¥ 111,632	¥ 167,000	¥ 257,393	¥ 213,470	¥ 255,246	¥ 46,460	¥ 80,075
Premium and other income	51,844	96,429	99,782	145,593	234,565	40,682	74,563
Ordinary profit	1,488	812	1,265	1,224	1,569	399	1,278
Total net surplus for the year	501	184	533	505	807	182	816
Total capital ⁽¹⁾	60,999	60,999	60,999	60,999	60,999	60,999	60,999
Issued shares	886	886	886	886	886	886	886
	thousand shares	thousand shares	thousand shares	thousand shares	thousand shares	thousand shares	thousand shares
Total assets	1,888,614	1,839,597	1,703,844	1,655,597	1,716,866	1,660,287	1,764,895
Separate account assets	—	—	—	—	—	—	—
Policy reserves	1,784,778	1,739,427	1,606,230	1,561,440	1,623,897	1,567,685	1,667,899
Total loans at the end of the year	3,639	3,653	3,328	3,271	3,368	3,272	3,410
Securities	1,784,807	1,697,656	1,527,142	1,485,155	1,586,928	1,483,900	1,630,905
Solvency margin ratio (per cent.)	978.1	968.1	1,084.9	1,117.1	1,068.9	1,102.8	1,062.7
Number of employees	265	266	264	262	267	—	—
Total amount of policies in force ⁽²⁾	2,671,211	2,591,679	2,396,431	2,322,528	2,369,048	2,322,484	2,414,155
Individual insurance	1,118,674	1,175,606	1,231,368	1,330,967	1,525,964	1,359,849	1,594,432
Individual annuities	1,360,512	1,225,708	1,006,056	835,518	691,389	806,341	668,850
Group insurance	192,025	190,364	159,006	156,042	151,693	156,294	150,872
Fundamental profit ⁽³⁾	(12)	(835)	(1,475)	(1,493)	1,507	(339)	1,334
Mortality and morbidity gains	1,220	1,050	1,107	1,325	986	274	289
Expense losses	(3,993)	(4,607)	(4,912)	(5,370)	(3,101)	(1,339)	(142)
Interest gains	2,760	2,721	2,330	2,552	3,622	726	1,187
Annualised premium for new policies	2,632	5,861	6,114	9,489	15,404	2,654	4,855
Medical insurance	163	170	155	167	131	35	29
Term insurance	32	18	13	28	18	4	2
Annualised premium for policies in force	162,561	164,477	170,304	175,641	180,269	176,514	182,210
Medical and nursing care insurance	1,772	1,847	1,886	1,934	1,976	1,940	1,986
Life insurance	39,795	43,958	48,310	55,658	68,640	57,811	72,908
Annuity insurance	120,993	118,671	120,106	118,048	109,652	116,762	107,316
Number of Shinkin channels (medical insurance)	61	59	59	62	65	64	65
Number of Shinkin channels (term insurance)	97	109	122	128	138	134	139

Notes:

(1) “Total Capital” is an aggregate of capital and capital reserves.

(2) “Total amount of policies in force” is an aggregate of policies in force in respect of individual insurance, individual annuities and group insurance.

(3) Certain rules relating to the calculation of fundamental profit have undergone changes with effect from the beginning of the fiscal year ended 31 March 2023. Fundamental profit figures for prior years have been re-calculated using the new rules.

RECENT BUSINESS

The following discussion and analysis should be read in conjunction with Fukoku Life's financial statements and the notes thereto included elsewhere in this Offering Circular. Unless otherwise specified, all financial information in this section is presented on a consolidated basis.

Overview

Fukoku Life is one of the major domestic life insurance companies in Japan. Committed to maintaining a robust financial strength under its motto of “valuing quality over quantity”, Fukoku Life is known for its strong capital foundation and has attained a solvency margin ratio which is one of the highest among major insurers in Japan. Fukoku Life's non-consolidated total assets as of 31 March 2023 totalled ¥7,226.2 billion.

Fukoku Life's core business is individual and group life insurance, although Fukoku Life's early foray into “third sector” products has allowed it to differentiate itself from many of its domestic competitors. Fukoku Life's main product lines consist of a flexible life insurance product named “*Mirai no Tobira*” which allows customers to mix and match from a portfolio of policy riders to create a customised insurance plan, a medical insurance product which is marketed under the name of “*Wide Protect*” and an educational insurance product named “*Mirai no Tsubasa*” which is a savings type product for children and their parents. Fukoku Life also sells individual and group annuity products, including “*Mirai Plus*”, its main annuity product for individuals.

Fukoku Life's insurance and annuity product sales activities are primarily carried on by Fukoku Life itself and by Fukokushinrai, with its other consolidated and non-consolidated subsidiaries providing ancillary and operational services such as asset management, agency services and IT platforms. Fukoku Life focuses primarily on the sale of life insurance as well as medical, disability and long-term care insurance products through its sales representatives, while Fukokushinrai focuses mainly on selling single premium whole life insurance as well as term insurance and medical insurance through bancassurance channels (see “Business—Sales and Marketing”).

Fukoku Life has maintained a top-level solvency margin ratio in the Japanese life insurance industry through disciplined capital management and diversified funding. Fukoku Life had a consolidated and a non-consolidated solvency margin ratio of 1,171.9 per cent. and 1,133.8 per cent. as of 31 March 2023 and 1,194.6 per cent. and 1,159.9 per cent. as of 30 June 2023, respectively. It currently has insurer financial strength ratings of A+ (stable outlook) by S&P, A+ (stable outlook) by Fitch, A2 (stable outlook) by Moody's, AA- (stable outlook) by R&I and AA (stable outlook) by JCR.

General Account and Separate Accounts

Fukoku Life's investments are divided into its general account and its separate accounts. See “Business—General Account and Separate Accounts”. The majority of Fukoku Life's assets are held in its general account. Of Fukoku Life's non-consolidated total assets as of 31 March 2023, which totalled ¥7,226.2 billion, ¥7,107.4 billion were general account assets. The balance consisted of separate account assets in the amount of ¥118.7 billion. Some of the information presented in this Offering Circular reflects only Fukoku Life's general account, and excludes separate account assets and liabilities. Such information is identified in this Offering Circular as general account information. Where no such identification is made, the information includes both general account and separate account assets and liabilities.

Business Environment

Fukoku Life's business, financial condition and results of operations are materially affected by financial market and economic conditions in Japan and elsewhere.

In the fiscal year ended 31 March 2023, in Japan, the economy has shown a sign of recovery as the impact of COVID-19 had gradually eased. However, there was a slight stagnation in consumer consumption. Overseas economies were showing recovery particularly in the United States, under the signs of COVID-19 becoming more epidemic.

Since the commencement of the Russia-Ukraine conflict in February 2022, various economies around the world, including Japan and the United States, have been affected by inflationary pressures and turmoil in the energy and financial markets. Recent months have seen sharp increases in interest rates in the United States and a rapid weakening of the Japanese yen, as well as increases in energy prices. More recently, the Bank of Japan

decided in December 2022 to widen the yield band on 10-year Japanese government bonds and in July and October 2023 decided to conduct yield curve control with greater flexibility, effectively signalling a modification of its ultra-easy monetary policy. These factors are expected to affect discretionary spending patterns in Japan.

Recent economic indicators in Japan include the following:

- The Nikkei Stock Average, which is an average of the price of 225 major domestic stocks listed on the Tokyo Stock Exchange, experienced a period of rapid increase from 2013, partly in response to the monetary easing policies adopted by the Bank of Japan and the fiscal stimulus measures of the Japanese government. It has then experienced significant volatility, having plunged to a level of below ¥17,000 in March 2020 at the onset of the pandemic before recovering and reaching a level of generally above ¥31,000 since June 2023.
- As a result of the Bank of Japan's quantitative and qualitative easing, long-term interest rates had hovered around 0 per cent. for nearly a decade. However, in December 2022, the Bank of Japan decided to modify its ultra-easy monetary policy and allow the range of 10-year JGB yield fluctuations to widen from between around plus and minus 0.25 percentage points to between around plus and minus 0.5 percentage points. As of 30 June 2023, the yield on 10-year JGBs was 0.395 per cent. Following the Bank of Japan's decision in July 2023 to conduct yield curve control with greater flexibility and its further decision in October 2023 to conduct it with much greater flexibility, the yield on 10-year JGBs has further increased and reached 0.945 per cent. as of 31 October 2023.
- The general consumer price index as of September 2023 increased by 3.0 per cent. compared to one year earlier. Increases in consumer prices in recent periods represented a significant change from previous years, where inflation in Japan remained at or around zero for more than a decade.
- The foreign exchange markets have been experiencing significant volatility over the last year or so, especially following the recent trend of wider differences in interest rates in Japan and the United States, with the yen weakening from ¥108.83 against the U.S. dollar as of 31 March 2020 to ¥149.51 as of 31 October 2023 (source: telegraphic transfer middle rate of MUFG Bank, Ltd.).
- The seasonally adjusted unemployment rate in Japan, which was 2.7 per cent., 2.6 per cent., 2.8 per cent. and 2.6 per cent. as of 31 March 2021, 2022 and 2023 and 30 September 2023, respectively according to the Statistics Bureau, the Ministry of Internal Affairs and Communications of Japan.
- The total finance assets of Japanese households increased from ¥1,963 trillion as of 31 March 2021 to ¥2,021 trillion as of 31 March 2022 and ¥2,056 trillion as of 31 March 2023, and further to ¥2,115 trillion as of 30 June 2023 (source: Bank of Japan, Flow of Funds Accounts).
- Japan's real GDP declined by 4.1 per cent. and increased by 2.7 per cent. and 1.4 per cent. year-on-year during the fiscal years ended 31 March 2021, 2022 and 2023, respectively, and it is estimated that Japan's real GDP increased at an annualised rate of 4.8 per cent. during the three months ended 30 June 2023 according to the Cabinet Office of Japan.
- Real estate prices (*chika-koji-kakaku*) in three major metropolitan areas of Japan (Tokyo, Osaka and Nagoya metropolitan areas) decreased in 2020, but increased in 2021 and 2022 according to the Ministry of Land, Infrastructure, Transport and Tourism of Japan.

Effect of COVID-19

In the fiscal year ended 31 March 2023, mortality and morbidity claims related to COVID-19 within Fukoku Life's customer base (based on the combined figures of Fukoku Life and Fukokushinrai) were ¥0.9 billion and ¥34.4 billion, respectively, compared to ¥4.7 billion and ¥34.4 billion, respectively, in the previous year. In the three-month period ended 30 June 2023, mortality claims related to COVID-19 within Fukoku Life's customer base (based on the combined figures of Fukoku Life and Fukokushinrai) were ¥0.1 billion, compared to ¥0.1 billion in the same three-month period in the previous year, while morbidity claims related to COVID-19 within Fukoku Life's customer base (based on the combined figures of Fukoku Life and Fukokushinrai) decreased from ¥7.1 billion in the three-month period ended 30 June 2022 to ¥0.3 billion in the three-month period ended 30 June 2023. With respect to the scheme for making benefit payments upon "deemed" hospitalisations, the eligibility criteria for payout upon deemed hospitalisation was tightened in September 2022 in accordance with the revised policy published by the Life Insurance Association. In addition, the scheme for making benefit payments upon "deemed" hospitalisations has itself expired in May 2023. As a result, COVID-19 related death/hospitalisation payouts have recently significantly decreased and Fukoku Life

expects the impact of COVID-19 on its business and financial results to wind down going forward. See also “Investment Considerations—The negative effects of COVID-19 may have a material adverse effect on Fukuoku Life’s results of operations”.

Under the COVID-19 pandemic which resulted in a strong encouragement of remote working and online meetings, Fukuoku Life’s sales representatives refrained from visiting customers. Fukuoku Life has resumed most face-to-face sales activities. At the same time, Fukuoku Life also accelerated utilising means of digital communication. Driven by such measures, annualised premiums for new policies have gradually recovered, resulting in an increase of 28.6 per cent. on a combined basis for Fukuoku Life and Fukokushinrai in the fiscal year ended 31 March 2023 compared to the fiscal year ended 31 March 2022.

Consolidated Results of Operations

The following table sets forth certain information relating to Fukuoku Life’s results of operations for the years ended 31 March 2021, 2022 and 2023 and for the three months ended 30 June 2022 and 2023, on a consolidated basis:

	For the year ended 31 March			For the three months ended 30 June	
	2021	2022	2023	2022	2023
	(millions of yen)				
Ordinary revenues:					
Premium and other income	¥584,794	¥632,055	¥ 760,603	¥220,931	¥224,898
Investment income	229,442	215,080	253,691	62,670	71,648
Other ordinary revenues	109,905	10,762	14,327	6,943	7,017
Total ordinary revenues	924,142	857,898	1,028,622	290,545	303,564
Ordinary expenditures:					
Claims and other payments	657,932	613,582	679,967	202,263	167,662
Provision for policy reserve and others	106	29,147	92,970	16,817	64,126
Investment expenses	48,142	41,910	90,607	24,696	24,545
Operating expenses	99,997	99,607	101,175	24,494	25,033
Other ordinary expenditures	27,923	33,132	29,486	8,096	7,453
Total ordinary expenditures	834,101	817,379	994,207	276,367	288,820
Ordinary profits	90,040	40,519	34,415	14,177	14,743
Extraordinary gains	133	11	393	0	479
Extraordinary losses	52,417	4,650	1,060	1,033	609
Provision of reserve for dividends to policyholders (subsidiary)	168	195	173	49	45
Surplus before income taxes	37,588	35,685	33,574	13,094	14,568
Income taxes:					
Current	11,950	11,945	4,008	2,716	3,340
Deferred	(10,603)	(10,247)	(2,191)	(934)	(1,108)
Net surplus for the year	¥ 36,241	¥ 33,986	¥ 31,757	¥ 11,313	¥ 12,336

Consolidated Results for the Year Ended 31 March 2023 Compared to the Year Ended 31 March 2022

Ordinary Revenues

The Group’s ordinary revenues include premium income, investment income and other ordinary revenues.

Total ordinary revenues increased ¥170,724 million, or 19.9 per cent., to ¥1,028,622 million for the year ended 31 March 2023, from ¥857,898 million for the year ended 31 March 2022, reflecting mainly the increase in premiums and other income due to higher sales of interest rate adjustment-type single premium whole life insurance of Fukokushinrai and increase in renewal at maturity of group insurance of Fukuoku Life.

Premium and Other Income

Premium and other income, which forms the core of Fukuoku Life’s ordinary revenues, consists of premium income from outstanding insurance policies and annuities and reinsurance income. Insurance policies are sold through two major sales channels: (i) through Fukuoku Life’s sales representatives and (ii) through

bancassurance channels (see “Business—Sales and Marketing”). During the year ended 31 March 2023, premium income related to Fukoku Life’s individual insurance products accounted for 33.7 per cent. of the consolidated premium income (not including reinsurance income) while premium income related to Fukoku Life’s individual annuities, group insurance products and group annuities accounted for 35.0 per cent. of the consolidated premium income.

Primary factors that have recently affected the amount of premium income of the Group include the following:

- *Mix of products sold.* As the timing and amount of premium received by the Group varies from product to product, changes in the mix of outstanding policies written by the Group may cause fluctuations of premium income. For example, Fukokushinrai is currently focusing on single premium whole life insurance, which requires a lump-sum payment of premiums up-front and recognises the total amount of such payment as premium income in the year received. Thus, changes in the level of sales of such products may cause disproportionate fluctuations in premium income.
- *Timing of renewal of group life insurance.* Certain group life insurance policies are renewed every five years. As a lump-sum premium is paid at the beginning of the five-year period, the timing of how many such policies mature each year could cause fluctuations in premium income.

Premium and other income increased ¥128,548 million, or 20.3 per cent., to ¥760,603 million for the year ended 31 March 2023, from ¥632,055 million for the year ended 31 March 2022. This increase was primarily due to the increase in sales of savings products at Fukokushinrai and the increase in insurance revenue from group insurance at Fukoku Life.

Investment Income and Expenses

Fukoku Life presents investment income and investment expenses separately in its statements of operations. Certain categories of investment income and investment expenses, such as gains or losses from trading securities, are shown on a net basis as investment income or investment expenses, as the case may be, for the applicable period.

Interest, dividends and other income, particularly those from securities and loans, have been the largest components of Fukoku Life’s investment income. Interest, dividends and other income are affected by the prevailing interest rate levels, which affect the average rates of return on interest-earning assets.

Gains and losses on sales of securities are also major components of investment income and expenses and are affected by equity market and bond market as well as currency exchange rate levels.

Gains and losses from separate accounts may materially affect investment income and investment expenses as all separate account securities are marked to market each period. Gains and losses from separate assets accounts do not, however, materially affect Fukoku Life’s ordinary profits as such gains and losses are almost wholly offset by corresponding provisions for (or reversal of) policy reserve.

The following table sets forth a breakdown of Fukoku Life’s investment income and investment expenses for the periods indicated:

	For the year ended 31 March	
	2022	2023
	(millions of yen)	
Investment income:		
Interest, dividends and other income	¥185,514	¥182,754
Gains from money held in trust, net	817	—
Gains from trading securities, net	1,664	348
Gains on sales of securities	16,760	55,764
Gains on redemption of securities, net	65	11,702
Foreign exchange gains, net	1,616	—
Reversal of allowance for possible loan losses	1,867	624
Other investment income	381	322
Gains from separate accounts, net	6,391	2,174
Total investment income	215,080	253,691

	For the year ended 31 March	
	2022	2023
	(millions of yen)	
Investment expenses:		
Interest expenses	4,417	4,479
Losses on money held in trust, net	—	161
Losses on sales of securities	15,060	46,995
Losses on valuation of securities	344	3,608
Losses on redemption of securities, net	—	185
Losses from derivative instruments, net	7,746	11,221
Foreign exchange losses, net	—	8,235
Depreciation of real estate for rent and other assets	4,788	4,850
Other investment expenses	9,553	10,868
Total investment expenses	¥ 41,910	¥ 90,607
Net investment income	¥173,170	¥163,084

Net investment income decreased ¥10,086 million, or 5.8 per cent., to ¥163,084 million for the year ended 31 March 2023, from ¥173,170 million for the year ended 31 March 2022. This decrease reflected primarily the recording of foreign exchange losses resulting from higher foreign exchange hedging costs as well as increased losses on sales of securities.

On a non-consolidated basis, interest, dividends and other income for the years ended 31 March 2022 and 2023 amounted to ¥167,609 million and ¥164,768 million, respectively.

Other Ordinary Revenues

Other ordinary revenues primarily include fund receipts from deposit of claims paid, reversal of policy reserve and reserve for outstanding claims. See “—Ordinary Expenditures—Provision for Policy Reserve and Others”. Fund receipts from deposit of claims paid are insurance claims due to policyholders which, at such policyholders’ request, are withheld by and entrusted to Fukoku Life and later paid to policyholders with accrued interest. Other ordinary revenues increased ¥3,565 million, or 33.1 per cent., to ¥14,327 million for the year ended 31 March 2023, from ¥10,762 million for the year ended 31 March 2022.

Ordinary Expenditures

Fukoku Life’s ordinary expenditures include claims and other payments, provision for policy reserve and others, investment expenses (see “—Ordinary Revenues—Investment Income and Expenses”), operating expenses and other ordinary expenditures.

Ordinary expenditures increased ¥176,827 million, or 21.6 per cent., to ¥994,207 million for the year ended 31 March 2023, from ¥817,379 million for the year ended 31 March 2022. This reflected mainly increases in insurance claims and other payments as well as an increase in provision for policy reserve.

Claims and Other Payments

Claims and other payments include payments of insurance claims, annuities, benefits, surrenders and other payments (including reinsurance premiums). For the year ended 31 March 2023, 68.4 per cent. of ordinary expenditures consisted of claims and other payments.

Primary factors that have recently affected the amount of claims and other payments of the Group include:

- a temporary surge in benefit payments during the COVID-19 pandemic in respect of deemed hospitalisation, or otherwise in respect of COVID-19 related death and actual hospitalisation; and
- the maturity schedules of the policies in force for Fukoku Life, in particular in respect of certain group life policies, which are renewed every five years.

Claims and other payments increased ¥66,385 million, or 10.8 per cent., to ¥679,967 million for the year ended 31 March 2023, from ¥613,582 million for the year ended 31 March 2022, primarily as a result of higher payment of benefits relating to COVID-19 and a higher number of group life policies maturing compared to an average year.

Provision for Policy Reserve and Others

The provision for policy reserve and others consists of the provision for policy reserve, as well as the provision for reserve for outstanding claims and interest on accumulated dividends to policyholders. At the beginning of each fiscal year, the entire amount of the policy reserve/reserve for outstanding claims remaining as of the end of the previous fiscal year is reversed, and the provision for the current fiscal year is transferred to the reserve account. Differences that arise are recorded as provision for, or reversal of, policy reserve/reserve for outstanding claims.

The policy reserve is established for insurance claims and other payments related to Fukoku Life's outstanding policies that are expected to be paid in the future, and consists of a premium reserve (other than unearned premiums), an unearned premium reserve and a contingency reserve. Under the Insurance Business Act, each year Fukoku Life is required to set aside a "standard policy reserve", a certain minimum amount of liability reserve, to fund future claims payments. Fukoku Life calculates the amount of the standard policy reserve using the net level premium method. Under this method, Fukoku Life sets aside policy reserves on an assumption that the ratio of net premium to total premium paid remains constant over the payment term of the policy. The net premium is the portion of premiums covering insurance risk, which is determined based on various assumptions, including assumptions affected by external factors such as mortality and morbidity rates and yield on investments established by third parties. In general, the amount of provision for policy reserves varies in direct proportion to policy amount in force. However, because a portion of the provision for policy reserves represents the value of assets in Fukoku Life's separate accounts, fluctuations in such value may cause the amount of provision for policy reserves to increase or decrease disproportionately to or conversely from the policy amount in force.

The reserve for outstanding claims is a reserve for claims incurred but not paid as of the end of the fiscal year.

Provision for policy reserve and others increased ¥63,822 million, or 219.0 per cent., to ¥92,970 million for the year ended 31 March 2023, from ¥29,147 million for the year ended 31 March 2022. This primarily reflected the increase in provisions for policy reserve by Fukokushinrai.

Operating Expenses

Operating expenses consist mainly of employee costs, including commissions and salaries to sales representatives, and general administrative expenses. Approximately half of the compensation paid to sales representatives is in the form of sales commissions, as opposed to salary. Sales representatives receive a commission upon obtaining a new policy and periodic commissions in smaller amounts based on the amount outstanding on the policies obtained by such representatives. The commissions paid to an individual sales representative increase incrementally as such representative meets certain sales targets for number and amount of new policies.

Fukoku Life recognises certain operating costs referred to as policy acquisition costs as an expense in the year in which such costs are incurred. Policy acquisition costs consist of sales-related expenses and costs related to the underwriting of new policies. Sales-related expenses primarily include commissions and salaries to sales representatives and independent sales agents, advertising expenses and expenses related to training its sales representatives and independent sales agents. Costs related to the underwriting of new policies primarily include research-related costs, policy confirmation costs, medical examination expenses and other administrative expenses related to the underwriting of new policies. These costs are significant and they are incurred primarily when the policy is sold. Japanese GAAP requires that policy acquisition costs be recognised as an expense as they are incurred.

Operating expenses increased ¥1,568 million, or 1.6 per cent., to ¥101,175 million for the year ended 31 March 2023, from ¥99,607 million for the year ended 31 March 2022. This primarily reflected increase in agency commission from the strong sales of interest rate adjustment-type single premium whole life insurance by Fukokushinrai.

Other Ordinary Expenditures

Other ordinary expenditures consist mainly of claim deposit payments (payments related to previously withheld insurance payments), national and local taxes and depreciation (which excludes depreciation of real estate for rent). Claim deposit payments are payments made to policyholders who requested insurance claims due to them to be withheld by and entrusted to the Group. National and local taxes include consumption taxes, enterprise taxes and fixed property taxes.

Other ordinary expenditures decreased ¥3,645 million, or 11.0 per cent., to ¥29,486 million for the year ended 31 March 2023, from ¥33,132 million for the year ended 31 March 2022, reflecting primarily there being a recording of ¥3,400 million in provisions for insurance claims and other payments relating to COVID-19 for the year ended 31 March 2022.

Ordinary Profits

As a result of the foregoing, ordinary profits decreased ¥6,103 million, or 15.0 per cent., to ¥34,415 million for the year ended 31 March 2023, from ¥40,519 million for the year ended 31 March 2022. This decrease was due mainly to the increase in payments for claims and provision for policy reserve, despite the increase in premiums and other income.

Extraordinary Gains and Losses

Extraordinary gains and losses for the years ended 31 March 2022 and 2023 mainly included gains and losses on disposal of fixed assets, impairment loss on real estate held by Fukoku Life and provision for reserve for price fluctuation of securities.

Extraordinary gains increased by ¥382 million, or 3,472.7 per cent., to ¥393 million for the year ended 31 March 2023, from ¥11 million for the year ended 31 March 2022, primarily as a result of an increase in gains on disposal of property, plant and equipment. Extraordinary losses decreased ¥3,589 million, or 77.2 per cent., to ¥1,060 million for the year ended 31 March 2023, from ¥4,650 million for the year ended 31 March 2022, primarily due to the decrease in provision for price fluctuation reserves.

Surplus before Income Taxes and Net Surplus for the Year ended 31 March 2023

As a result of the foregoing, surplus before income taxes decreased ¥2,110 million, or 5.9 per cent., to ¥33,574 million for the year ended 31 March 2023, from ¥35,685 million for the year ended 31 March 2022. Net surplus decreased ¥2,229 million, or 6.6 per cent., to ¥31,757 million for the year ended 31 March 2023, from ¥33,986 million in the year ended 31 March 2022.

Unlike insurance companies incorporated as joint stock corporations, which recognise dividends to its policyholders as expenditures, mutual life insurance companies like Fukoku Life provide reserve for dividends to policyholders as an appropriation of net surplus for the year, reflecting the nature of policyholder dividends as distribution of profits to its members. See “—Policyholder Dividends”.

Consolidated Results for the Year ended 31 March 2022 Compared to the Year ended 31 March 2021

Ordinary Revenues

Fukoku Life’s ordinary revenues consist of premium income, investment income and other ordinary revenues.

Total ordinary revenues decreased ¥66,243 million, or 7.2 per cent., to ¥857,898 million for the year ended 31 March 2022, from ¥924,142 million for the year ended 31 March 2021, mainly reflecting a decrease in reversal of policy reserve by Fukokushinrai.

Premium and Other Income

During the year ended 31 March 2022, premium income related to Fukoku Life’s individual insurance products accounted for 53.1 per cent. of Fukoku Life’s premium income (not including reinsurance income) while premium income related to Fukoku Life’s individual annuities, group insurance products and group annuities accounted for 8.8 per cent., 9.6 per cent. and 27.8 per cent., respectively, of Fukoku Life’s premium income.

Premium and other income increased ¥47,260 million, or 8.0 per cent., to ¥632,055 million for the year ended 31 March 2022, from ¥584,794 million for the year ended 31 March 2021. This increase primarily reflected the increase in income from the strong sales of interest rate adjustment-type single premium whole life insurance by Fukokushinrai.

Investment Income and Expenses

The following table sets forth a breakdown of Fukoku Life's investment income and investment expenses for the periods indicated:

	For the year ended 31 March	
	2021	2022
	(millions of yen)	
Investment income:		
Interest, dividends and other income	¥175,540	¥185,514
Gains on money held in trust, net	1,127	817
Gains on trading securities, net	6,523	1,664
Gains on sales of securities	26,764	16,760
Gains on redemption of securities, net	—	65
Foreign exchange gain, net	—	1,616
Reversal of allowance for possible loan losses	—	1,867
Other investment income	170	381
Gains from separate accounts, net	19,315	6,391
Total investment income	229,442	215,080
Investment expenses:		
Interest expenses	4,113	4,417
Losses on sales of securities	11,809	15,060
Losses on valuation of securities	404	344
Losses from derivative instruments, net	12,967	7,746
Foreign exchange losses, net	4,604	—
Provision for allowance for possible loan losses	2,369	—
Depreciation of real estate for rent and other assets	4,427	4,788
Other investment expenses	7,444	9,553
Total investment expenses	48,142	41,910
Net investment income	¥181,300	¥173,170

Net investment income decreased ¥8,129 million, or 4.5 per cent., to ¥173,170 million for the year ended 31 March 2022, from ¥181,300 million for the year ended 31 March 2021. This primarily reflected a decrease in gains on the sales of securities, including in particular equity securities.

On a consolidated basis, interest, dividends and other income for the years ended 31 March 2021 and 2022 amounted to ¥175,540 million and ¥185,514 million, respectively.

Other Ordinary Revenues

Other ordinary revenues decreased ¥99,142 million, or 90.2 per cent., to ¥10,762 million for the year ended 31 March 2022, from ¥109,905 million for the year ended 31 March 2021, primarily due to the decrease in reversal policy reserves for Fukokushinrai.

Ordinary Expenditures

Ordinary expenditures decreased ¥16,721 million, or 2.0 per cent., to ¥817,379 million for the year ended 31 March 2022, from ¥834,101 million for the year ended 31 March 2021. This mainly reflected a decrease in annuity payments by Fukokushinrai.

Claims and Other Payments

For the year ended 31 March 2022, 75.1 per cent. of ordinary expenditures consisted of claims and other payments.

Claims and other payments decreased ¥44,350 million, or 6.7 per cent., to ¥613,582 million for the year ended 31 March 2022, from ¥657,932 million for the year ended 31 March 2021, primarily due to a decrease in annuity payments for Fukokushinrai.

Provision for Policy Reserve and Others

Provision for policy reserve and others increased ¥29,041 million, or 27,397.2 per cent., to ¥29,147 million for the year ended 31 March 2022, from ¥106 million for the year ended 31 March 2021. This primarily reflected the provision of additional policy reserves.

Operating Expenses

Operating expenses decreased ¥389 million, or 0.4 per cent., to ¥99,607 million for the year ended 31 March 2022, from ¥99,997 million for the year ended 31 March 2021. This primarily reflected a decrease in salary payments for sales representatives and other staff.

Other Ordinary Expenditures

Other ordinary expenditures increased ¥5,208 million, or 18.7 per cent., to ¥33,132 million for the year ended 31 March 2022, from ¥27,923 million for the year ended 31 March 2021, primarily reflecting the recording of ¥3,400 million in provision for insurance claims and other payments related to COVID-19.

Ordinary Profits

As a result of the foregoing, ordinary profits decreased ¥49,521 million, or 55.0 per cent., to ¥40,519 million for the year ended 31 March 2022, from ¥90,040 million for the year ended 31 March 2021. This primarily reflected the decrease in reversal of policy reserve and higher claims and other payments, despite higher premium income.

Extraordinary Gains and Losses

Extraordinary gains and losses for the years ended 31 March 2021 and 2022 mainly included gains on the disposal of fixed assets and provision for reserve for price fluctuation of securities.

Extraordinary gains decreased ¥121 million, or 91.7 per cent., to ¥11 million for the year ended 31 March 2022, from ¥133 million for the year ended 31 March 2021, as a result of a decrease in gains on disposal of property, plant and equipment. Extraordinary losses decreased ¥47,766 million, or 91.1 per cent., to ¥4,650 million for the year ended 31 March 2022, from ¥52,417 million for the year ended 31 March 2021, primarily due to the decrease in provisions for price fluctuation reserves.

Surplus before Income Taxes and Net Surplus

As a result of the foregoing, surplus before income taxes decreased ¥1,903 million, or 5.1 per cent., to ¥35,685 million for the year ended 31 March 2022, from ¥37,588 million for the year ended 31 March 2021. Net surplus for the year decreased ¥2,254 million, or 6.2 per cent., to ¥33,986 million for the year ended 31 March 2022, from ¥36,241 million for the year ended 31 March 2021.

Consolidated Results for the Three Months ended 30 June 2023 Compared to the Three Months ended 30 June 2022

Ordinary Revenues

Fukoku Life's ordinary revenues consist of premium income, investment income and other ordinary revenues.

Total ordinary revenues increased ¥13,019 million, or 4.5 per cent., to ¥303,564 million for the three months ended 30 June 2023, from ¥290,545 million for the three months ended 30 June 2022, mainly reflecting higher premium income and investment income.

Premium and Other Income

Premium and other income increased ¥3,967 million, or 1.8 per cent., to ¥224,898 million for the three months ended 30 June 2023, from ¥220,931 million for the three months ended 30 June 2022. This increase primarily reflected the increase in income from the strong sales of interest rate adjustment-type single premium whole life insurance by Fukokushinrai.

Investment Income and Expenses

Investment income increased ¥8,978 million, or 14.3 per cent., to ¥71,648 million for the three months ended 30 June 2023, from ¥62,670 million for the three months ended 30 June 2022. This increase primarily reflected the realisation of unrealised gains on replacement of shares and other assets.

Investment expenses decreased ¥151 million, or 0.6 per cent., to ¥24,545 million for the three months ended 30 June 2023, from ¥24,696 million for the three months ended 30 June 2022. This decrease primarily reflected a decrease in losses on the sale of securities.

Net investment income increased ¥9,129 million, or 24.0 per cent., to ¥47,103 million for the three months ended 30 June 2023, from ¥37,974 million for the three months ended 30 June 2022. This primarily reflected an increase in gains on the sale of securities.

Other Ordinary Revenues

Other ordinary revenues increased ¥73 million, or 1.1 per cent., to ¥7,017 million for the three months ended 30 June 2023, from ¥6,943 million for the three months ended 30 June 2022.

Ordinary Expenditures

Ordinary expenditures increased ¥12,453 million, or 4.5 per cent., to ¥288,820 million for the three months ended 30 June 2023, from ¥276,367 million for the three months ended 30 June 2022. This mainly reflected a decrease in premium and other payments.

Claims and Other Payments

For the three months ended 30 June 2023, 58.1 per cent. of ordinary expenditures consisted of claims and other payments.

Claims and other payments decreased ¥34,600 million, or 17.1 per cent., to ¥167,662 million for the three months ended 30 June 2023, from ¥202,263 million for the three months ended 30 June 2022, primarily due to a decrease in benefits payment related to COVID-19.

Provision for Policy Reserve and Others

Provision for policy reserve and others increased ¥47,308 million, or 281.3 per cent., to ¥64,126 million for the three months ended 30 June 2023, from ¥16,817 million for the three months ended 30 June 2022. This primarily reflected an increase in premium income by Fukokushinrai.

Operating Expenses

Operating expenses increased ¥539 million, or 2.2 per cent., to ¥25,033 million for the three months ended 30 June 2023, from ¥24,494 million for the three months ended 30 June 2022. This primarily reflected an increase in Fukokushinrai's agency commission.

Other Ordinary Expenditures

Other ordinary expenditures decreased ¥642 million, or 7.9 per cent., to ¥7,453 million for the three months ended 30 June 2023, from ¥8,096 million for the three months ended 30 June 2022, primarily reflecting a decrease in depreciation and amortisation.

Ordinary Profits

As a result of the foregoing, ordinary profits increased ¥565 million, or 4.0 per cent., to ¥14,743 million for the three months ended 30 June 2023, from ¥14,177 million for the three months ended 30 June 2022. This primarily reflected an increase in investment income and a decrease in insurance claims and other payments.

Extraordinary Gains and Losses

Extraordinary gains was ¥479 million for the three months ended 30 June 2023, from ¥0 million for the three months ended 30 June 2022, as a result of an increase in reversal of reserves as price fluctuation reserve exceeded its maximum amount.

Extraordinary losses decreased ¥423 million, or 41.0 per cent., to ¥609 million for the three months ended 30 June 2023, from ¥1,033 million for the three months ended 30 June 2022, primarily due to a decrease in provisions for price fluctuation reserves.

Surplus before Income Taxes and Net Surplus

As a result of the foregoing, surplus before income taxes increased ¥1,473 million, or 11.3 per cent., to ¥14,568 million for the three months ended 30 June 2023, from ¥13,094 million for the three months ended 30 June 2022. Net surplus increased ¥1,022 million, or 9.0 per cent., to ¥12,336 million for the three months ended 30 June 2023, from ¥11,313 million for the three months ended 30 June 2022.

Supplemental Financial Measures

In addition to the reporting items set forth in the consolidated financial statements of Fukoku Life, certain financial figures pertaining to the profitability and performance of the Group's core insurance operations are disclosed on a non-consolidated basis. In the case of non-consolidated figures, the figures for Fukoku Life and Fukokushinrai may be aggregated, as Fukoku Life and Fukokushinrai carry on the core insurance operations of the Group (see "Business—Overview").

Fundamental Profit

Ordinary profits of a life insurance company, as presented in its statements of operations, include capital gains and losses from its investment activities as well as one-time gains and losses. Therefore, profit from the insurance business is not readily ascertainable from the statements of operations. For the purpose of disclosing profit from the insurance business, life insurance companies in Japan have been required under the disclosure standards set by the Life Insurance Association to disclose "fundamental profit", also known as "core profit" or "base profit". Pursuant to such standards, fundamental profit is defined as follows:

Fundamental Profit = ordinary profits – (capital gains and losses + other one-time gains and losses)

- capital gains and losses mainly include gains and losses from or on money held in trust, trading securities, sales of securities, valuation of securities and derivative instruments and foreign exchange gains and losses; and
- other one-time gains and losses mainly include reversal of or provision for contingency reserve and specific allowance for possible loan losses.

Essentially, fundamental profit representing underwriting profits from the insurance business of a life insurance company excludes capital gains and losses.

Fukoku Life believes that fundamental profit, viewed in the context of Fukoku Life's overall business results as reflected in its financial statements, provides a meaningful metric for understanding its financial performance.

The following table sets forth, on a non-consolidated basis, Fukoku Life's fundamental profit for each of the three years ended 31 March 2021, 2022 and 2023 and for the three months ended 30 June 2022 and 2023 and reconciles fundamental profit to Fukoku Life's ordinary profits by adding back capital gains and losses as well as other one-time gains and losses:

	For the year ended 31 March			For the three months ended 30 June	
	2021 ⁽²⁾	2022	2023	2022	2023
	(millions of yen)				
Fundamental revenues:					
Premium and other income	¥485,011	¥486,461	¥526,037	¥180,248	¥150,334
Investment income, excluding capital gains	175,046	175,538	179,384	42,607	47,833
Other fundamental revenues	11,296	7,412	10,786	3,416	5,775
Total fundamental revenues	671,353	669,412	716,208	226,273	203,943
Fundamental expenditures:					
Claims and other payments	415,436	416,061	504,790	166,285	137,111
Provision for policy reserve and others, excluding provision for contingency reserve	40,246	35,548	5,340	7,286	16,697
Investment expenses, excluding capital losses	17,661	20,176	21,691	8,180	7,009
Operating expenses	91,599	90,779	90,478	22,244	22,058
Other fundamental expenditures	37,989	30,476	46,610	10,037	7,340
Total fundamental expenditures	602,933	593,042	668,910	214,035	190,217
Fundamental profit ⁽¹⁾	68,420	76,369	47,297	12,237	13,725
Capital gains	29,844	24,143	76,986	18,491	19,971
Capital losses	29,784	20,734	70,157	15,510	16,993
Net capital gains (losses)	60	3,409	6,829	2,981	2,977
Fundamental profit plus net capital gains	84,411	79,778	54,126	15,218	16,703
Other one-time gains	27,887	76,780	3,608	1,897	2
Reversal of contingency reserve	—	74,413	—	—	—
Reversal of specific allowance for possible loan losses	—	777	208	197	2
Others	27,887	1,589	3,400	1,700	—
Other one-time losses	24,183	117,807	25,223	2,989	3,100
Provision for contingency reserve	14,857	—	12,430	211	224
Provision of specific allowance for possible loan losses	1,997	—	—	—	—
Others ⁽³⁾	7,328	117,807	12,792	2,777	2,875
Other one-time gains (losses)	3,703	(41,026)	(21,614)	(1,091)	(3,097)
Ordinary profits	88,115	38,752	32,512	14,127	13,605

Notes:

(1) Certain rules relating to the calculation of fundamental profit have undergone changes with effect from the beginning of the year ended 31 March 2023. Fundamental profit and capital gains/losses for both the years ended 31 March 2021 and 2022 and for the three months ended 30 June 2022 are calculated based on revised standards.

(2) For the year ended 31 March 2021:

- ¥78 million have been excluded from capital gains/losses and included in fundamental profit due to their income nature (being interest and dividend income) in respect of gains on money held in trust;
- ¥1,687 million have been excluded from capital gains/losses and included in fundamental profit due to their income nature (being interest and dividend income) in respect of gains on trading securities;
- Other non-recurring gains include ¥27,887 million in reversals of additional policy reserves established in connection with individual insurance during the year ended 31 March 2020 or earlier in response to reviews conducted by valuation actuaries; and
- Other non-recurring losses includes ¥7,304 million in additional policy reserves established in connection with individual insurance policies for which annuity payments had begun and ¥24 million in additional policy reserves established in connection with third sector insurance following reviews conducted by valuation actuaries.

(3) The line item “others” under “other one-time losses” for the years ended 31 March 2022 and 2023 includes the following:

	For the year ended 31 March	
	2022	2023
	(millions of yen)	
Fundamental profit	¥ (8,540)	¥(21,116)
Interests, dividends, and other income from gains/losses on money held in trust	153	137
Interest, dividends and other income from gains/losses on trading securities	753	455
Foreign exchange-related hedging costs categorised under foreign exchange gains	(2,417)	(10,712)
Interest, dividends and other investment expenses from gains/losses on cancellation of investment trusts	(2,773)	521
Portion of gains/losses on redemption of securities attributable to foreign exchange fluctuations	(4,256)	(11,517)
Other capital gains	7,030	22,230
Foreign exchange-related hedging costs categorised under foreign exchange losses	—	10,712
Interest, dividends, and other investment expenses from gains/losses on cancellation of investment trusts	2,773	—
Portion of interest, dividends and other income attributable to foreign exchange fluctuations in gains/losses on redemption of securities	4,256	—
Portion of gains/losses on redemption on securities attributable to foreign exchange fluctuations	—	11,517
Other capital losses	(2,417)	521
Foreign exchange-related hedging costs categorised under foreign exchange gains	(2,417)	—
Interest, dividends and other investment expenses from gains/losses on cancellation of investment trusts	—	521
Other non-recurring gains	1,589	3,400
Reversal of policy reserve in accordance with Article 69, Paragraph 5 of the Enforcement Regulations of the Insurance Business Act	1,589	—
Reversal of reserve for claims and other payments	—	3,400
Other non-recurring losses	117,807	12,792
Provision of policy reserves in accordance with Article 69, Paragraph 5 of the Enforcement Regulations of the Insurance Business Act	114,407	12,792
Provision of reserve for claims and other payments	3,400	—

(4) The line item “others” under “other one-time losses” for the three months ended 30 June 2022 and 2023 includes the following:

	For the three months ended 30 June	
	2022	2023
	(millions of yen)	
Fundamental profit	¥ (4,652)	¥ (1,691)
Interests, dividends, and other income from gains/losses on money held in trust	34	17
Interest, dividends and other income from gains/losses on trading securities	152	58
Foreign exchange-related hedging costs categorised under foreign exchange gains	(1,362)	(887)
Portion of gains/losses on redemption of securities attributable to foreign exchange fluctuations	(3,476)	(878)
Other capital gains	3,476	878
Portion of gains/losses on redemption on securities attributable to foreign exchange fluctuations	3,476	878
Other capital losses	(1,362)	(887)
Foreign exchange-related hedging costs categorised under foreign exchange gains	(1,362)	(887)
Other non-recurring gains	1,700	—
Reversal of reserve for claims and other payments	1,700	—
Other non-recurring losses	2,777	2,875
Provision of policy reserves in accordance with Article 69, Paragraph 5 of the Enforcement Regulations of the Insurance Business Act	2,777	2,875

The following table sets forth, on a non-consolidated basis, Fukokushinrai's fundamental profit for each of the years ended 31 March 2021, 2022 and 2023 and for the three months ended 30 June 2022 and 2023 and reconciles fundamental profit to Fukokushinrai's ordinary profits by adding back capital gains and losses as well as other one-time gains and losses:

	For the year ended 31 March			For the three months ended 30 June	
	2021	2022	2023	2022	2023
	(millions of yen)				
Fundamental revenues:					
Premium and other income	¥ 99,782	¥145,593	¥234,565	¥40,682	¥74,563
Investment income, excluding capital gains	20,349	18,642	18,742	4,551	5,029
Other fundamental revenues	134,520	46,483	898	458	482
Total fundamental revenues	254,652	210,719	254,205	45,692	80,075
Fundamental expenditures:					
Claims and other payments	242,495	197,520	175,176	35,977	30,551
Provision for policy reserve and others, excluding provision for contingency reserve	355	572	62,323	6,512	44,272
Investment expenses, excluding capital losses	18	14	14	2	4
Operating expenses	7,440	7,810	9,900	1,978	2,903
Other fundamental expenditures	5,817	6,295	5,282	1,560	1,009
Total fundamental expenditures	256,128	212,212	252,698	46,032	78,740
Fundamental profit ⁽¹⁾	(1,475)	(1,493)	1,507	(339)	1,334
Capital gains	2,805	2,840	1,008	760	—
Capital losses	—	—	826	—	—
Net capital gains	2,805	2,840	181	760	—
Fundamental profit plus net capital gains	1,329	1,347	1,688	421	1,334
Other one-time gains	—	—	32	6	—
Other one-time losses:					
Provision for contingency reserve	64	90	152	28	56
Provision for specific allowance for possible loan losses	0	0	0	0	0
Others	—	32	—	—	—
Total other one-time losses	64	123	152	28	56
Other one-time gains (losses)	(64)	(123)	(119)	(22)	(56)
Ordinary profits	1,265	1,224	1,569	399	1,278

Note:

- (1) Certain rules relating to the calculation of fundamental profit have undergone changes with effect from the beginning of the year ended 31 March 2023. Fundamental profit and capital gains/losses for both the year ended 31 March 2021 and 2022 and for the three months ended 30 June 2022 are calculated based on revised standards.

The following tables set forth on a non-consolidated basis, Fukoku Life's and Fukokushinrai's fundamental profit for each of the years ended 31 March 2021, 2022 and 2023, broken down into mortality and morbidity gains, expense losses and interest gains:

Fukoku Life

	For the year ended 31 March		
	2021	2022	2023
	(millions of yen)		
Fundamental profits ⁽¹⁾	¥ 68,420	¥ 76,369	¥ 47,297
Mortality and morbidity gains	68,352	60,432	29,066
Expense losses	(21,069)	(23,028)	(23,635)
Interest gains	21,136	38,965	41,867

Note:

- (1) Certain rules relating to the calculation of fundamental profit have undergone changes with effect from the beginning of the year ended 31 March 2023. Fundamental profit and capital gains/losses for both the year ended 31 March 2021 and 2022 are calculated based on revised standards.

Fukokushinrai

	For the year ended 31 March		
	2021	2022	2023
	(millions of yen)		
Fundamental profits	¥ (1,475)	¥ (1,493)	¥ 1,507
Mortality and morbidity gains	1,107	1,325	986
Expense losses	(4,912)	(5,370)	(3,101)
Interest gains	2,330	2,552	3,622

Interest gains amount represents the difference between the assumed rates of return used to set premium levels on existing policies and the average yield on investment portfolio. Mortality and morbidity gains represent the difference between the assumed amount of claims and benefits payments (based on an assumed mortality and morbidity ratio) and the actual amount of such payments. Expense losses represent the difference between assumed operating expenses and actual operating expenses. Taken together, these three factors constitute a breakdown of the key components of fundamental profit.

Positive Spread

As a result of the significant decline in market interest rates in Japan during the 1990's, Japanese life insurers' actual rates of return on investments had, in certain years, fallen below the assumed rates of return used in calculating premiums on a significant portion of outstanding policies. This phenomenon is generally referred to as "negative spread". The calculation of negative spread was standardised in the year ended 31 March 2002 pursuant to an official announcement by the Second Subcommittee of the Financial System Council of the FSA, while certain rules relating to the calculation of fundamental profit have undergone changes with effect from the beginning of the year ended 31 March 2023.

The average assumed rates of return related to Fukoku Life's outstanding policies have been decreasing as a result of the recognition of additional policy reserves, as well as attrition (the replacement, through maturity, surrenders, lapses and conversions, of older policies that have higher assumed rates of return with newer policies that have lower assumed rates of return). In particular, the recognition of additional policy reserves in respect of policies offering a high assumed rate of return, which gives rise to an expense in the year of recognition, allows Fukoku Life to lower the assumed rate of return for purposes of calculating fundamental profits in respect of those policies in subsequent years. Fukoku Life has been taking initiatives since 2012 to recognise additional policy reserves in respect of individual annuities and whole life insurance policies offering a high assumed rate of return. Thanks to such efforts as well as improvements in investment yields and the other factors mentioned above, Fukoku Life has achieved average positive spread since 2013. For the year ended 31 March 2023, for the purposes of calculating fundamental profit, the average assumed rate of return was 1.69 per cent. while the average actual rate of return was 2.45 per cent., allowing Fukoku Life to generate a welcomed level of positive spread. Fukoku Life expects the average assumed rate of return to continue to fall gradually as a result of the continued replacement of such legacy policies with newer policies offering lower assumed rates of return.

The following table sets forth Fukoku Life's average assumed rates of return, average actual rates of return, positive spread and interest gains for Fukoku Life's outstanding policies on a non-consolidated basis for the periods indicated:

	For the year ended 31 March		
	2021	2022	2023
	(billions of yen, except percentages)		
Average assumed rate of return	1.92%	1.89%	1.69%
Average actual rate of return	2.31%	2.62%	2.45%
Positive spread	0.39%	0.73%	0.76%
Interest gains	¥ 21	¥ 38	¥ 41

The following table sets forth Fukokushinrai's average assumed rates of return and investment performance (on a fundamental profit basis) for the periods indicated:

	For the year ended 31 March		
	2021	2022	2023
	(percentages)		
Average assumed rate of return	1.09%	1.02%	0.96%
Investment performance (fundamental profit basis)	1.23%	1.19%	1.19%

Unrealised Gains and Losses

Unrealised gains and losses reflect the difference between the book value and the market value of assets. Unrealised gains and losses on available-for-securities and real estate are reflected in the computation of total solvency margin and solvency margin ratio. Fukoku Life considers its net unrealised gains on its assets to constitute a buffer against various risks. See “Business—Investments—Unrealised Gains and Losses”.

The following table sets forth, for each of the periods indicated, a breakdown of net unrealised gains (losses) on investment assets, other than certain investment assets not readily susceptible to market valuation, on a non-consolidated basis:

	For the year ended 31 March			For the six months ended
	2021	2022	2023	30 June 2023
	(millions of yen)			
Securities:				
Domestic bonds	¥ 283,066	¥195,038	¥ 88,228	¥ 108,904
Domestic stock	370,279	351,951	387,316	492,617
Foreign bonds	104,513	69,123	14,642	82,739
Foreign stock, etc.	66,704	104,047	86,754	115,345
Other securities	31,327	29,647	24,902	38,814
Total securities	855,891	749,807	601,844	838,422
Real estate	148,127	147,314	164,307	164,498
Total net unrealised gains	<u>¥1,004,019</u>	<u>¥897,122</u>	<u>¥766,151</u>	<u>¥1,002,920</u>

Status of Problem Loans

As of 31 March 2023, Fukoku Life’s balance of problem loans was ¥1,236 million, as compared with ¥3,759 million as of 31 March 2022 on a non-consolidated basis. The decrease in balance of problem loans reflected the sale or full repayment of non-performing loans. Fukoku Life’s problem loan ratio fell to 0.12 per cent. as of 31 March 2023 from 0.32 per cent. as of 31 March 2022.

Solvency Margin Ratio

Under the Insurance Business Act, the Commissioner of the FSA has the authority to set standards such as the solvency margin ratio for measuring the soundness of the management of insurance companies in Japan, to provide for better policyholder protection under a system of prompt corrective action. The solvency margin ratio is calculated by dividing the total amount of solvency margin (a company’s capital (less certain items), plus certain other items as shown in the following table) by a quantified measure of the total unforeseeable risks borne by a company, all on a consolidated as well as on a non-consolidated basis. Insurance companies with solvency margin ratios of 200 per cent. or higher are considered sound and not requiring prompt corrective action. If the ratio falls below 200 per cent., the Commissioner of the FSA may order the insurer to submit and implement a business improvement plan that will reasonably ensure the soundness of the management. As of 31 March 2023, Fukoku Life’s solvency margin ratio on a consolidated and a non-consolidated basis was 1,171.9 per cent. and 1,133.8 per cent., respectively. Fukoku Life’s solvency margin ratio has remained high as it has built up sufficient on-balance-sheet capital through the accumulation of retained earnings and retains large unrealised profits in securities and real estate. See “Regulation of the Japanese Life Insurance Industry—Financial Regulation—Solvency Margin Ratio”.

The following table sets forth Fukoku Life's consolidated solvency margin ratio, and information related to its calculation, for the periods indicated:

	For the year ended 31 March			For the three months ended 30 June	
	2021	2022	2023	2022	2023
	(millions of yen, except percentages)				
Total solvency margin	¥1,931,765	¥2,003,378	¥1,923,471	¥1,940,145	¥2,149,217
Foundation funds and surplus	233,072	235,245	238,663	238,674	244,174
Reserve for price fluctuation of securities	183,520	187,692	188,538	188,704	188,058
Contingency reserve	232,253	157,929	170,512	158,170	170,792
General allowance for possible loan losses	1,911	820	404	766	448
Net unrealised gains on available-for-sale securities ⁽¹⁾	581,556	607,419	486,289	536,083	702,765
Net unrealised gains on real estate ⁽²⁾	141,522	140,830	155,499	140,941	155,661
Sum of unrecognised actuarial differences and unrecognised prior service cost	(5,143)	(2,819)	381	(2,625)	528
Excess amount of policy reserve based on full-time Zillmer method	276,537	389,036	395,807	390,741	397,694
Qualifying subordinated debt	241,935	241,935	241,935	241,935	241,935
Others	44,599	45,288	45,439	46,754	47,158
Total amount of risk	296,299	314,415	328,259	326,056	359,792
Insurance risk	22,753	22,215	21,801	22,159	21,745
Third sector insurance risk	10,030	10,108	10,241	10,165	10,260
Assumed investment yield risk	30,145	22,508	21,398	22,264	21,133
Investment risk	257,878	283,438	298,225	295,155	329,548
Business risk	6,416	6,765	7,033	6,994	7,653
Solvency margin ratio ⁽⁴⁾	1,303.9%	1,274.3%	1,171.9%	1,190.0%	1,194.6%

Notes:

(1) Multiplied by 90 per cent. if gains or 100 per cent. if losses.

(2) Multiplied by 85 per cent. if gains or 100 per cent. if losses.

(3) Total risk = $\sqrt{(\text{insurance risk} + \text{third sector insurance risk})^2 + (\text{risk of assumed yield} + \text{minimum guarantee risk})^2 + (\text{operational risk})}$

(4) Solvency margin ratio = $\frac{(\text{Total solvency margin}) \times 100}{(\text{Total risk}) \times 1/2}$

The following table sets forth Fukoku Life's and Fukokushinrai's non-consolidated solvency margin ratios, and information related to their calculation, for the periods indicated:

	For the year ended 31 March			For the three months ended 30 June	
	2021	2022	2023	2022	2023
	(billions of yen, except percentages)				
Fukoku Life					
Total solvency margin	¥ 1,847.2	¥ 1,917.8	¥ 1,836.5	¥ 1,856.6	¥ 2,059.4
Foundation funds and surplus	219.4	221.3	224.1	225.1	228.9
Reserve for price fluctuation of securities	172.7	176.6	177.1	177.6	176.6
Contingency reserve	229.8	155.4	167.8	155.6	168.1
General allowance for possible loan losses	1.9	0.8	0.4	0.7	0.4
Net unrealised gains on available-for-sale securities ⁽¹⁾	571.5	599.5	481.5	530.1	696.5
Net unrealised gains on real estate ⁽²⁾	141.5	140.8	155.4	140.9	155.6
Excess amount of policy reserve based on full-time Zillmer method	274.1	386.7	393.5	388.4	395.3
Qualifying subordinated debt	241.9	241.9	241.9	241.9	241.9
Deductible items ⁽³⁾	(46.7)	(46.7)	(46.7)	(46.7)	(46.7)
Others	40.8	41.3	41.1	42.7	42.5
Total amount of risk	292.8	310.7	323.9	322.2	355.0
Insurance risk	22.3	21.8	21.4	21.7	21.3
Third sector insurance risk	9.8	9.9	10.0	10.0	10.1
Assumed investment yield risk	29.8	22.1	21.0	21.9	20.8
Investment risk	254.8	280.2	294.3	291.7	325.2
Business risk	6.3	6.6	6.9	6.9	7.5
Solvency margin ratio ⁽⁴⁾	1,261.6%	1,234.2%	1,133.8%	1,152.3%	1,159.9%
Fukokushinrai					
Total solvency margin	¥ 101.0	¥ 99.5	¥ 97.6	¥ 97.7	¥ 100.5
Foundation funds and surplus	70.6	71.1	71.9	71.3	72.7
Reserve for price fluctuation of securities	10.7	11.0	11.3	11.0	11.4
Contingency reserve	2.3	2.4	2.6	2.5	2.6
General allowance for possible loan losses	0.0	0.0	0.0	0.0	0.0
Net unrealised gains on available-for-sale securities ⁽¹⁾	11.1	8.6	5.1	6.4	6.8
Net unrealised gains on real estate ⁽²⁾	—	—	—	—	—
Excess amount of policy reserve based on full-time Zillmer method	2.3	2.2	2.2	2.2	2.3
Qualifying subordinated debt	—	—	—	—	—
Others	3.7	3.9	4.2	4.0	4.5
Total amount of risk	18.6	17.8	18.2	17.7	18.9
Insurance risk	0.4	0.4	0.4	0.4	0.3
Third sector insurance risk	0.1	0.1	0.1	0.1	0.1
Assumed investment yield risk	0.3	0.3	0.3	0.3	0.3
Investment risk	17.8	17.1	17.5	17.0	18.2
Business risk	0.3	0.3	0.3	0.3	0.3
Solvency margin ratio ⁽⁴⁾	1,084.9%	1,117.1%	1,068.9%	1,102.8%	1,062.7%

Notes:

(1) Multiplied by 90 per cent. if gains or 100 per cent. if losses.

(2) Multiplied by 85 per cent. if gains or 100 per cent. if losses.

(3) Represents the capital increase to Fukokushinrai.

(4) Solvency margin ratio = $\frac{(\text{Total solvency margin}) \times 100}{(\text{Total risk}) \times 1/2}$

Real Net Assets

Real net assets of a life insurance company are equal to an amount calculated based on assets reflected in the balance sheet (including, but not limited to, assets such as marketable securities and real estate with readily obtainable fair value) minus an amount calculated based on liabilities reflected in the balance sheet (excluding certain amounts such as reserve for price fluctuation of securities and contingency reserve), each as calculated according to the method promulgated by the FSA and the Ministry of Finance. The FSA examines real net assets to determine whether a company is functionally insolvent for the purposes of taking prompt corrective actions. If the amount of real net assets is a negative amount, the Commissioner of the FSA deems such insurance company as being functionally insolvent and may suspend operations of such insurance company, irrespective of the solvency margin ratio. See “Regulation of the Japanese Life Insurance Industry—Financial Regulation—Solvency Margin Ratio”.

As of 31 March 2022 and 2023, Fukoku Life’s real net assets totalled ¥1,887.1 billion and ¥1,777.0 billion, respectively. As of 30 June 2023, Fukoku Life’s real net assets totalled ¥1,999.4 billion.

Economic Solvency Ratio (ESR)

Economic value-based solvency ratios measure the solvency of an insurance company based on the economic value and can be useful in assessing an insurance company’s specific risk profile. The introduction of economic value-based solvency ratios has been widely discussed in the insurance industry and has been considered by various insurance regulators, including the FSA. The EU has already adopted a full-scale economic solvency-based regime, in the form of the Solvency II, which became effective on 1 January 2016.

Each Japanese life insurer, including Fukoku Life, is developing an internal framework used to calculate its internal ESR on a voluntary basis to monitor its financial soundness and to supplement its solvency margin ratio, taking into account current proposals to adopt the Insurance Capital Standard (“ICS”, which is a consolidated group-wide capital framework for internationally active insurance groups) and the conduct of field tests by the FSA in recent years to ascertain the preparedness of insurance companies and to identify practical issues and problems in the process of calculation of ESR.

Fukoku Life has been developing an ESR framework as an internal model based on Solvency II, but applying certain proprietary adjustments designed to more accurately reflect its risk profile. As of 31 March 2022 and 2023, Fukoku Life’s non-consolidated ESR, which it has calculated for its internal management purposes, was 228.9 per cent. and 233.8 per cent., respectively. In addition, as of 31 March 2022 and 2023, Fukoku Life’s consolidated ESR, which it has calculated for its internal management purposes, was 241 per cent. and 245 per cent., respectively. As a basis of calculation of such consolidated ESR data, capital amount and value-at-risk at the 99.5 per cent. confidence level both based on economic value as of 31 March 2022 were ¥1,908 billion and ¥789 billion, respectively, and as of 31 March 2023 were ¥1,893 billion and ¥771 billion, respectively.

The FSA released its tentative conclusions and basic direction regarding the new ESR regulatory framework in its FSA ESR Document 2022, published in June 2022. This is in line with the basic principles in the ICS. Under the FSA ESR Document 2023 published in June 2023, the FSA reconfirmed that the new ESR framework is expected to be introduced in the fiscal year ending 31 March 2026 and final preparations for its implementation will continue to be progressed based on this timetable.

In this Offering Circular, Fukoku Life discloses ESR data as of 31 March 2022 and 2023 on a consolidated and non-consolidated basis, calculated for internal management purposes only, pursuant to the framework which it has developed based on the Solvency II, but applying certain proprietary adjustments designed to more accurately reflect its risk profile. Fukoku Life believes that the ESR framework developed by it to date is in line with, and that the figures for consolidated and non-consolidated ESR data in this Offering Circular are substantially consistent with, the rules set out under Solvency II. However, due to such proprietary adjustments, Fukoku Life’s ESR data in this Offering Circular is not fully comparable to Solvency II capitalisation ratio figures prepared by other insurers and should not be so compared. Furthermore, there are certain important differences between Solvency II and the FSA’s ESR framework as indicated in the FSA ESR Document 2023, and if Fukoku Life were to calculate ESR based on the FSA’s ESR framework, the figures would be different due to the different risk weighting and different methodology being applied. Fukoku Life’s ESR framework is also different from, and accordingly is not directly comparable to, ESR frameworks voluntarily adopted by other insurance companies in Japan. **Fukoku Life cautions potential investors against placing undue reliance on such information in making any decision to purchase the Bonds.** See “Investment Considerations—As a Japanese insurance company, Fukoku Life is subject to extensive oversight of its business practices and must maintain a solvency margin ratio at or above required levels”.

In the FSA ESR Document 2022, the FSA tentatively concluded that the initial reporting period for ESR based on the new framework should be the end of March 2026. Even after the new solvency framework is introduced, it is considered appropriate to continue to require reporting at the end of the interim period as well as the end of the fiscal year. Further, the FSA ESR Document 2022 stated that the basic concept of the standard model in the new solvency framework will be that the basic structure should be common to the ICS, and that the structure will be modified to fit domestic insurance companies to a reasonable extent.

Furthermore, the FSA ESR Document 2023 identified and discussed the considerations involved in the implementation of the standard model and internal models as well as the adoption of a regulatory regime based on ESR. As part of the preparation for the introduction of new regulations in the fiscal year ending 31 March 2026, the paper outlined the direction for finalising the standards, the deliberation process, and the current status for each issue, and presented an analysis of the remaining outstanding issues.

Capital Resources

Mutual life insurance companies, such as Fukoku Life, draw on a broad range of resources for capital. Such resources include the capital on the balance sheet, including foundation funds, accumulated foundation funds redeemed and surplus as well as other items such as certain reserves and qualifying subordinated debt which, while accounted for as liabilities, function largely like capital. Furthermore, unrealised gains on assets also function as a source of capital for mutual life insurance companies.

Foundation Funds (Kikin)

Foundation funds serve as the primary source of capital for Japanese mutual companies. Unlike paid-in capital for joint stock corporations, however, foundation funds have a stated maturity and accrue interest payment obligations on a subordinated basis, making foundation funds similar to subordinated debt. If the principal amount of the foundation funds is repaid by insurance companies out of their net surplus, the repaid amounts are carried in the capital portion of the balance sheet as accumulated foundation funds redeemed.

As of 31 March 2023 and 30 June 2023, the balance of foundation funds was ¥12 billion and ¥12 billion, respectively, the amount of accumulated foundation funds redeemed was ¥116 billion and ¥116 billion, respectively, and an additional ¥7.2 billion and ¥9.6 billion, respectively, was set aside in reserve for redemption of the balance of foundation funds. While Fukoku Life has no current plans to do so, it may raise capital in the form of foundation funds in the future.

Other Capital Resources

Reserves and Qualifying Subordinated Debt. Certain items carried as liabilities on the balance sheet function largely as additional sources of capital for mutual life insurance companies. Fukoku Life's contingency reserve provides Fukoku Life with a buffer against losses that arise from unexpectedly high claims or unexpectedly low actual rates of return on investments due to unforeseen catastrophes or from poor market performance. Fukoku Life's reserve for price fluctuation of securities provides Fukoku Life with a cushion for price fluctuations subject to market price volatility, particularly investments in stocks, bonds and foreign-denominated investments. Both contingency reserve and the reserve for price fluctuation of securities contribute to Fukoku Life's solvency margin. In addition, as of 31 March 2023 and 30 June 2023, Fukoku Life has a total of ¥241 billion and ¥241 billion, respectively, in qualifying subordinated debt which provides Fukoku Life with another buffer against unexpected downturns. The following table sets forth the amounts of Fukoku Life's contingency reserve, reserve for price fluctuations and qualifying subordinated debt as of the dates indicated:

	As of 31 March			As of 30 June	
	2021	2022	2023	2022	2023
	(billions of yen)				
Contingency reserve	¥229	¥155	¥167	¥155	¥168
Additional reserves	75	179	178	179	177
Reserve for price fluctuation of securities	172	176	177	177	176
Voluntary reserves, etc.	91	93	96	97	100
Qualifying subordinated debt	241	241	241	241	241

Unrealised Gains on Assets. Unrealised gains on assets also function in certain respects as a capital resource for mutual life insurance companies. Fukoku Life carries significant unrealised gains on securities and real estate, with which its capital base is cushioned against the impact of unexpected declines in stock market values. For the years ended 31 March 2022 and 2023, Fukoku Life's unrealised gains on assets totalled ¥897 billion and ¥766 billion, respectively, and ¥812 billion and ¥1,002 billion for the three months ended 30 June 2022 and 2023, respectively.

Policy Reserve

Pursuant to requirements under the Insurance Business Act, the minimum amount to be set aside as policy reserve is determined based on actuarial calculations performed in accordance with regulations. Fukoku Life uses the net level premium method of calculation which assumes a constant amount of pure insurance premiums over the term of the relevant policy in calculating the amount of reserve required. The net level premium method does not allow policy acquisition costs, which are higher in the first year of the policy, to be offset against the amount of provision for policy reserve required. In addition to policy reserve amounts related to expected future insurance claims and other payments, a contingency reserve is included in the policy reserve to account for the risk of insurance payment events occurring at a higher than expected rate and the risk of rates of return on investments of Fukoku Life. See “Regulation of the Japanese Life Insurance Industry—Financial Regulation—Policy reserves”.

The following is a breakdown of Fukoku Life’s policy reserve by product line and contingency reserve as of the dates shown:

	As of 31 March			As of 30 June	
	2021	2022	2023	2022	2023
	(millions of yen)				
Policy reserve by product line:					
Individual insurance	¥1,746,881	¥1,887,336	¥1,918,533	¥1,897,637	¥1,926,076
Individual annuities	1,442,055	1,417,402	1,389,804	1,410,810	1,384,359
Group insurance	12,662	12,867	12,986	12,894	13,115
Group annuities	2,261,054	2,289,863	2,304,827	2,296,259	2,322,388
Others	36,985	37,087	36,526	37,017	36,307
Contingency reserve	229,872	155,458	167,888	155,669	168,113
Total policy reserve	<u>¥5,729,511</u>	<u>¥5,800,015</u>	<u>¥5,830,565</u>	<u>¥5,810,288</u>	<u>¥5,850,360</u>

Policyholder Dividends

As a general policy, each year Fukoku Life pays dividends to its policyholders out of the year’s unappropriated surplus in an amount that attempts to balance Fukoku Life’s goals of returning profits to policyholders and providing for the future financial health of Fukoku Life. In the past, the Insurance Business Act required mutual life insurance companies to make provision for reserve for policyholder dividends of at least 80 per cent. of a year’s unappropriated surplus (adjusted for certain items such as the amounts to be transferred to accumulated foundation funds redeemed), which will ultimately be paid out to policyholders as dividends. The Insurance Business Act currently requires mutual life insurance companies to make provision for reserve for policyholder dividends of at least 20 per cent. of a year’s unappropriated surplus (adjusted for certain items such as interest payments of foundation funds), which will ultimately be paid out to policyholders as dividends. Fukoku Life believes that its mission as a mutual company is to reduce premiums through dividend returns and it has increased dividends on individual insurance for 11 consecutive years. Fukoku Life will continue to strive for enhancing its dividend return to policyholders.

Payments to the Life Insurance Policyholders Protection Corporation of Japan

Fukoku Life, like other Japanese life insurers, has been required to support policyholders of failed life insurance companies through payments to the PPC. The PPC was established pursuant to the Insurance Business Act in December 1998 to provide a new system for the protection of policyholders of failed life insurance companies.

The life insurance industry as a whole is required to accept funding commitments of an aggregate of up to ¥33 billion per year to the PPC. This funding obligation is allocated among all Japanese life insurance companies licensed under the Insurance Business Act (including Japanese branches of foreign insurance companies) based on amounts of premium income and policy reserves. The allocation amounts are revised annually. As the maximum amount of the fund was reached in 2021, Fukoku Life is no longer required to make contributions from the year ended 31 March 2023, unless the fund is reduced by payment to policyholders of a failed insurance company. See “Regulation of the Japanese Life Insurance Industry—Insurance Business Act—Regulation for the Protection of Policyholders”.

Employees' Retirement Benefit Plans

Fukoku Life maintains non-contributory defined benefit plans covering substantially all employees. Under these plans, qualified employees are entitled to lump-sum payments, annuity payments or both based on salary, length of service and reason for termination of employment. To determine the expected long-term rate of return on assets related to such benefit plans, Fukoku Life considers historical returns on long-term domestic bonds. Fukoku Life's assumed long-term rate of return on plan assets was 3.0 per cent. and 3.0 per cent. for the year ended 31 March 2023 and for the three months ended 30 June 2023, respectively.

Financial Strength Ratings

Fukoku Life's ratings reflect each rating agency's opinion on Fukoku Life's financial strength, operating performance and ability to meet its obligations to policyholders but are not evaluations directed toward the protection of holders of the Bonds. These ratings do not in any way reflect evaluations of the safety and security of the Bonds and are not a recommendation to buy, sell or hold securities. The ratings are subject to suspension, reduction or withdrawal at any time by the assigning rating agency. Each of these ratings should be evaluated independently. Fukoku Life's current insurer financial strength ratings are as follows:

Rating Agency	Insurer Financial Strength Rating	Rating Structure
S&P Global Ratings Japan Inc.	A+ (stable outlook)	Third highest of eleven rating categories and the highest within the category based on modifiers (e.g. A+, A and A- are within the same category)
Fitch Ratings Japan Limited	A+ (Stable outlook)	Third highest of nine rating categories and the second highest within the category based on modifiers (e.g. A+, A and A- are within the same category)
Moody's Japan K.K.	A2 (stable outlook)	Third highest of nine rating categories and second highest within the category based on modifiers (e.g. A1, A2 and A3 are within the same category)
Rating and Investment Information, Inc. . .	AA- (stable outlook)	Second highest of nine rating categories and third highest within the category based on modifiers (e.g. AA+, AA and AA- are within the same category)
Japan Credit Rating Agency, Ltd.	AA (stable outlook)	Second highest of eleven rating categories and second highest within the category based on modifiers (e.g. AA+, AA and AA- are within the same category)

Risk Management

Risk Management Based on a Customer-Centric Approach

Life insurance is a promise to pay insurance benefits and annuities in the event of unforeseen circumstances, a promise that lasts a lifetime and even spans generations. Over the years, Fukoku Life may face drastic changes in the economic environment and major disasters. It is in such times that the role of life insurance companies becomes even more important. Fukoku Life's customers can only feel secure if they trust that Fukoku Life will keep its promises, no matter what happens. To maintain this unwavering trust, every employee at Fukoku Life is responsible for risk management according to their role, and Fukoku Life promotes an enterprise risk management ("ERM") approach to holistically manage the increasingly diverse and complex risks from a strategic viewpoint.

Integrated Management of Capital, Risk, and Return

As a mutual company, Fukoku Life's management prioritises the interests of its customers by looking decades ahead, striving to secure stable profits (returns) as the source of its capital and ensuring sufficient capital

to address risks. Profits are inherently linked to risks, and appropriate risk-taking is necessary to secure stable profits. Integrated management of capital, risk, and return is an advanced ERM concept that aims to create a virtuous cycle in which profits are secured through appropriate risk-taking based on capital adequacy, and as a result, capital adequacy improves and appropriate risk-taking is promoted.

Fukoku Life is promoting the integrated management of capital, risk and return by utilising key risk management indicators such as ESR (capital/risk), RORC (return/risk), and Economic IRR (internal rate of return based on initial investment risk) in its management.

Policies and Regulations on Integrated Risk Management

Based on its management policy, Fukoku Life has established a “Risk-Take Statement” that outlines its risk preferences and conducts risk management in line with its management strategy according to the risk management regulations set by the Board of Directors. The risk management regulations set forth its basic approach to integrated risk management, the structure of integrated risk management, and the roles and authority related to risk management, and Fukoku Life established various risk management regulations as practical rules based on these regulations.

Risk-Take Statement

I. Strategic Objectives for Risk-Taking

- Insurance underwriting as the primary source of revenue
- Asset management based on the principle of safety and profitability
- Providing industry-leading services through differentiation, based on a customer-centric approach
- Strengthening capital and other resources to prepare for the future

II. Risk Tolerance

- Retaining sufficient capital in the business as a buffer to ensure sustainability
- Use capital (excluding management reserves) to cover losses due to risks that may arise in business operations

Risk Management Structure

Overview

Fukoku Life conducts ERM through its Risk Management Committee, which is established by the Board of Directors. Fukoku Life has set up multiple sub-committees under the Risk Management Committee to manage various risks and ALM issues that arise through business operations and evaluate these risks holistically at the Risk Management Committee, considering appropriate risk-taking and responses to risks. Furthermore, Fukoku Life has established a Specialised Risk Management Committee to support the Risk Management Committee with the aim of enhancing its integrated risk management.

The Risk Management Committee is chaired by the President and comprises full-time Directors and other members, while the sub-committees are chaired by Directors, thereby creating a risk management structure based on management leadership.

Fukoku Life seeks to oversee the overall risk management situation of the Group mainly through the Specialised Risk Management Committee. In addition, risks relating to Fukokushinrai are being monitored directly by the administrative members of the Risk Management Committee and the relevant subcommittees.

Additionally, the Audit Department verifies that this risk management structure is functioning effectively.

Risk Categorisation and Management

Insurance Underwriting Risk

Insurance underwriting risk is the risk that Fukoku Life’s assumptions in establishing insurance premiums, in particular, assumptions with respect to mortality and morbidity rates, rates of return on investments

and administrative expenses related to policies, may differ from actual results. If the actual mortality and morbidity rates increase for a short-term period to above the rate assumptions used by Fukoku Life in setting premiums, Fukoku Life's payments of claims and other payments will also increase, and Fukoku Life's earnings for such period may be lower than expected.

Fukoku Life recognises the importance to its business and long-term results of managing insurance underwriting risk. Consequently, the Insurance Underwriting Risk Management Committee and the Actuarial Department evaluate and analyse this insurance underwriting risk on existing policies and use their analysis in revising premium rates or underwriting criteria. The Insurance Underwriting Risk Management Committee reports to the Risk Management Committee regularly with respect to insurance underwriting risk issues.

Asset Investment Risk

Overview. Asset investment risk is composed of market risk (including interest rate, stock price and foreign exchange rate fluctuation risk), credit risk, real estate investment risk and liquidity risk. The Investment Risk Management Committee, the Corporate Risk Management Department and the Liquidity Risk Management Committee manage asset investment risk through oversight of the investment execution sections, daily monitoring of asset investment performance, analysis of levels of market, credit and real estate investment risk and creation of an asset risk management policy. Fukoku Life also quantifies its exposure to market risk and credit risk by calculating its exposure to losses using the value-at-risk method and controls such risk within a certain level. The Asset Investment Risk Management Committee reports to the Risk Management Committee regularly with respect to asset investment risk issues.

Market Risk. Fukoku Life measures, manages and monitors the market risk associated with its investments on a continuous basis. Market risk generally is the risk of loss resulting from changes in interest rates, stock prices and foreign exchange rates. Fukoku Life has established and implemented comprehensive policies and procedures to manage the effects of potential market volatility. Fukoku Life also employs the loss-cut rule to limit potential losses with respect to assets under management. The loss-cut rule is a method of limiting losses within an established range by selling assets when they have incurred losses of an established amount.

Credit Risk. Credit risk is the risk that borrowers of loans made by Fukoku Life may default on the payment of principal and interest when due. Issuers of bonds held by Fukoku Life may also default, although Fukoku Life believes this risk to be generally lower due to the higher credit quality of such issuers. As of 31 March 2023, 0.12 per cent. of Fukoku Life's loan portfolio consisted of problem loans. Fukoku Life manages credit risk by assessing the credit risk of and assigning an internal credit rating to each of Fukoku Life's borrowers and by monitoring those borrowers that Fukoku Life determines fall below a certain standard. Fukoku Life also monitors its securities portfolio and its loan portfolio in order to manage its risk of credit concentration.

Real Estate Investment Risk. Real estate investment risk is the risk that Fukoku Life's real estate related income may decrease due to a decline in rent, a decrease in number of tenants or other factors, or that real estate prices may generally decline due to market forces or any other reasons and affect the value of Fukoku Life's real estate holdings. Fukoku Life seeks to adhere to established investment and evaluation standards in acquiring real estate, setting a minimum investment yield for any such investments.

Liquidity Risk. Liquidity risk is the risk that Fukoku Life may not have ready access to a sufficient amount of cash to meet its needs at any given time as well as loss on the occasion of disposing of assets at discounted prices in order to secure cash in a timely manner. A cash flow problem may arise due to a decline in insurance premiums, an increase in Fukoku Life's obligation to return premium payments, or an outflow of cash due to a major event or catastrophe. Fukoku Life manages liquidity risk by closely monitoring cash flows on a daily and medium-term basis, as well as maintaining above a certain level of liquidity assets such as government bonds, call loans and cash and deposits.

Operational Risk

Operational risk is the risk that Fukoku Life's officers, employees, including sales representatives, and independent sales agents neglect or fail to perform their duties. Operational risk also includes employee misconduct, such as fraudulent activity, improper use or disclosure of confidential information and failure to comply with laws or Fukoku Life's compliance procedures. The Operational Risk Management Committee and the Operation and System Planning Department manage operational risk through oversight of various execution sections, branch offices and service centres. The Operational Risk Management Committee reports to the Risk Management Committee regularly with respect to operational risk issues.

Fukoku Life, recognising that operational risks exist throughout its operations, has developed administrative rules and provides training to mitigate and prevent operational risk and to implement proper and effective administrative procedures.

System Risk

System risk is the risk that Fukoku Life may suffer harm to its operations, including the management of its policies, the investment of its assets and the maintenance of statistics, due to risks related to its IT systems. These risks include breakdowns, disasters, human errors, destruction, theft and illegal use. A major failure in Fukoku Life's IT systems would disrupt, among other things, the servicing of customers at various branches and the investment of its assets, and may have longer-term consequences such as a loss of customer confidence which may result in policy surrenders. The System Risk Management Committee and the Operation and System Planning Department manage system risk through co-ordination with and oversight of the system risk management officers in each department and branch, creation of system risk management policy and integration of company-wide system risk policies. Fukoku Life also regularly conducts external system audits, carried out by external professionals, in order to receive an objective assessment of its system risk management system. The System Risk Management Committee reports to the Risk Management Committee regularly with respect to system risk issues.

In addition, by establishing a contingency plan (emergency response plan), installing a backup system in a separate geographic area from the main computer system, and conducting regular training, Fukoku Life has established a system to ensure the continuation of services to its customers in the event of unforeseen events such as large-scale disasters.

Furthermore, due to the increasing threat of cyber attacks in recent years, Fukoku Life has established a dedicated team in-house to respond to cyber attacks, and is working to strengthen its cyber security management system by adopting technical countermeasures to detect and defend attacks, and conducting training in preparation for cyber attacks.

Compliance Risk

Compliance risk refers to the risk that Fukoku Life may lose its credibility and consequently suffer losses due to actions by its officers and employees that deviate from its customer-centric philosophy. It is essential to understand compliance not merely as adherence to laws and regulations but also as meeting the broader demands of society while taking into account the public nature of the life insurance business. Fukoku Life believes this all connect to its aim to be customer centric.

Fukoku Life is committed to providing ongoing, practical education to all officers and employees based on its compliance programme in order to cultivate risk awareness and encourage the integration of its corporate philosophy. Furthermore, Fukoku Life has set up a system to manage particularly significant risks, which are assessed and prioritised from a company-wide perspective after thoroughly identifying potential risks, including latent ones, through risk profiles. More specifically, efforts are being made to strengthen systems to detect fraud in insurance solicitation using databases, and to keep up with social trends and technological innovations, for example by formulating a framework for risk management based on product life cycles drawing from best practices in Europe.

BUSINESS

Overview

Fukoku Life is one of the major domestic life insurance companies in Japan. Committed to maintaining a robust financial strength under its motto of “valuing quality over quantity”, Fukoku Life is known for its strong capital foundation and has attained a solvency margin ratio which is one of the highest among major insurers in Japan. Fukoku Life’s non-consolidated total assets as of 31 March 2023 totalled ¥7,226.2 billion.

Fukoku Life’s core business is individual and group life insurance, although Fukoku Life’s early foray into “third sector” products has allowed it to differentiate itself from many of its domestic competitors. Fukoku Life’s main product lines consist of a flexible life insurance product named “*Mirai no Tobira*” which allows customers to mix and match from a portfolio of policy riders to create a customised insurance plan, a medical insurance product which is marketed under the name of “*Wide Protect*” and an educational insurance product named “*Mirai no Tsubasa*” which is a savings type product for children and their parents. Fukoku Life also sells individual and group annuity products, including “*Mirai Plus*”, its main annuity product for individuals.

Fukoku Life’s insurance and annuity product sales activities are primarily carried on by Fukoku Life itself and by Fukokushinrai, with its other consolidated and non-consolidated subsidiaries providing ancillary and operational services such as asset management, agency services and IT platforms. Fukoku Life focuses primarily on the sale of life insurance as well as medical, disability and long-term care insurance products through its sales representatives, while Fukokushinrai focuses mainly on selling single premium whole life insurance as well as term insurance and medical insurance through bancassurance channels (see “Sales and Marketing”).

Fukoku Life has maintained a top-level solvency margin ratio in the Japanese life insurance industry through disciplined capital management and diversified funding. Fukoku Life had a consolidated and a non-consolidated solvency margin ratio of 1,171.9 per cent. and 1,133.8 per cent. as of 31 March 2023 and 1,194.6 per cent. and 1,159.9 per cent. as of 30 June 2023, respectively. It currently has insurer financial strength ratings of A+ (stable outlook) by S&P, A+ (stable outlook) by Fitch, A2 (stable outlook) by Moody’s, AA- (stable outlook) by R&I and AA (stable outlook) by JCR.

The registered head office of Fukoku Life is located at 2-2, Uchisaiwaicho 2-chome, Chiyoda-ku, Tokyo 100-0011, Japan.

History

Fukoku Life was established in 1923 under the name Fukoku Mutual Conscription Insurance Company (Fukoku Chohei Hoken Sogo Gaisha) and will celebrate its centennial anniversary this year. Fukoku Life changed its name to Fukoku Mutual Life Insurance Company (Fukoku Seimei Hoken Sogo Gaisha) in 1945.

In 1986, Fukoku Life established its first overseas office in London, United Kingdom, which became locally incorporated as Fukoku Life International (U.K.) Ltd. in 1990. Also in 1990, Fukoku Life established a representative office in New York which became locally incorporated as Fukoku Life International (America) Inc. in 2002. In 2011, Fukoku Life opened a representative office in Singapore (which became incorporated as a local subsidiary under the name of Fukoku Research Singapore Pte. Ltd. in 2014), which would conduct research into insurance and asset management markets in Asia. In 2016, Fukoku Research Singapore Pte. Ltd. also began providing asset management services and changed its name to Fukoku Life Investments Singapore Pte. Ltd.

In 1983, Fukoku Life was one of the first life insurers in Japan to launch a medical insurance product. Since then it has developed a number of first-of-its-kind products, introducing policy riders to cover “highly advanced medical care” and organ transplants ahead of its competitors, and has continued to focus on medical, disability and long-term care insurance. In the early 2000’s, Fukoku Life pioneered the sale of insurance products through the bancassurance channels in anticipation of its growth potential despite strong opposition against the then nascent idea within the industry. In 2004, Fukoku Life entered into a business alliance with Secom General Insurance for sales of Secom General Insurance’s cancer indemnity insurance products by Fukoku Life. Fukoku Life also has had several linkups with Shinkin Banks, among other financial institutions.

In 2006, Fukoku Life entered into a business alliance with The Kyoei Fire and Marine Insurance Co., Ltd., pursuant to which Fukoku Life acquired 80 per cent. of The Kyoei Shinrai Life Insurance Co., Ltd., currently Fukokushinrai, in 2008. Following capital injections in 2009, 2011 and 2017, Fukoku Life currently holds 89.6 per cent. of Fukokushinrai, while The Kyoei Fire and Marine Insurance Co., Ltd. holds 7.9 per cent. and Shinkin Central Bank holds 2.5 per cent. Fukokushinrai’s core business is life insurance for

individuals, with a focus on sales through bancassurance channels. Currently, banks including Shinkin Banks offer single premium whole life insurance as well as term insurance and medical insurance of Fukokushinrai.

As a result of its robust capital foundation and its efforts to increase dividends while solidifying its capital base, by 2023 Fukoku Life has increased dividends on participating policies for 11 consecutive years, a first among Japanese life insurers.

Strengths and Strategy

The founding spirit of Fukoku Life has always been “policyholders first”, according the highest priority to policyholders’ interests. To this date, Fukoku Life continues to operate under the key management policy of “protecting the interests of policyholders” and its corporate DNA of “valuing quality over quantity”. Fukoku Life believes that its founding spirit and key management policy remain a core part of its corporate identity to drive the actions taken by it as a company and by its employees, allowing it to differentiate itself from competitors, in various aspects of its business including products design, sales and client services. Remaining true to its principles, Fukoku Life is the only life insurance company in Japan which has maintained a mutual company structure since its founding. At the same time, Fukoku Life believes that the essence of the insurance industry is to provide lifetime protection to policyholders and, valuing quality over quantity, has committed to maintaining a prudent investment policy as well as a sound capital structure.

Fukoku Life believes that its key strengths and strategies can be summarised under three key ideas: “differentiated business model and superior operating performance”, “high quality assets under a prudent investment policy” and “disciplined capital management and a solid capital base”. The following describes the three key strengths of Fukoku Life and the strategies underpinning such strengths.

Differentiated business model and superior operating performance

Powerful combination of the strong expertise of sales representatives and an extensive bancassurance network

Fukoku Life has established a solid multi-channel sales structure focused on two pillars: the sales representative channel and the bancassurance channel.

Fukoku Life’s primary sales channel is through its in-house sales representatives, totalling over 9,500 representatives as of 31 March 2023. In its sales representative channel, Fukoku Life is committed to personalised sales through individual consultation, adhering to a customer-centric approach and proposing products tailored to each individual’s needs. As a result of its emphasis on after-sales services through its sales representative channel, Fukoku Life has achieved a rate of policy surrender and lapse which is among the lowest within the Japanese life insurance industry. The total surrender and lapse ratio (being the annualised premiums for policies which were surrendered or which have lapsed during a given period as a percentage of the annualised premiums of the relevant insurance/annuities in force at the start of such period) of individual insurance and individual annuities of Fukoku Life and Fukokushinrai on an annualised premium basis for the years ended 31 March 2021, 2022 and 2023 were 2.25 per cent., 2.41 per cent. and 2.35 per cent., respectively.

One of Fukoku Life’s unique strengths is the “Fukoku Baby & Kids Club”, a membership-based support group boasting over 450,000 registered members as of 30 June 2023 which provides various free services and offerings to expectant parents and parents raising young kids, including free consultation with paediatricians and obstetricians and discounts at approximately 200,000 business establishments. The platform enables Fukoku Life to engage in cross-selling strategies through educational insurance as an entry point and deploy its sales representatives effectively. Fukoku Life also has a strong presence in workplace sales, which contributes to the acquisition of high-quality customers.

In response to the COVID-19 pandemic, Fukoku Life has expanded its information offerings by utilising digital tools. With face-to-face interactions limited, Fukoku Life has introduced online consultations using the Webex web conferencing system, allowing it to offer online proposals and product explanations. Additionally, its adoption of the documentary sharing service “Eltropy” and social network such as “LINE WORKS” aims to promote the integration of real and digital experiences for Fukoku Life’s clients.

In its bancassurance channel, Fukokushinrai is actively engaged in the sales of insurance products through a nationwide network of Shinkin Banks (currently maintaining relationships with 250 out of 254 Shinkin Banks), which are institutions maintaining close relationships with local communities. Fukokushinrai does not simply supply products to these Shinkin Banks, but form close partnerships with them by providing training and support to Shinkin Banks employees to enable them to expand the range of products that they are able to sell, including protection-type policies. Sales of savings-type policies through the bancassurance channel have

increased significantly since Fukokushinrai launched an interest rate adjustment-type single premium whole life insurance, a product with an adjustable interest rate component, in October 2018. Fukokushinrai believes this product is competitive in its appeal to customers and meets their needs in an environment of rising yen interest rates while allowing Fukokushinrai's interest rate risk to be controlled appropriately. Furthermore, in 2018 Fukokushinrai introduced a dementia benefit long-term care policy rider, a first in Japan, in the Shinkin Bank channel. Fukoku Life intends to continue to ensure a balanced mix in the sale of savings-type and protection-type products.

As a result of the aforementioned initiatives, Fukoku Life has been able to generate stable profits.

Pioneer in innovation product lines focusing on financial protection against health emergencies by providing medical disability and long-term care insurance products

Fukoku Life has been at the forefront of the third sector insurance market since launching its first medical insurance product in 1983. It has consistently provided industry-first medical coverage, pioneering the introduction of policy riders to cover “highly advanced medical care” and organ transplants ahead of its competitors.

Fukoku Life has developed and launched the industry-first “*Mirai no Tobira*”, a flexible insurance product which allows customers to mix and match from a selection of policy riders, which is one of the key pillars in its product development that anticipates customer needs in medical and death coverage. Under this approach, Fukoku Life also began selling the “*Wide Protect*” hybrid medical insurance in 2022, which combines two types of hospitalisation benefits—lump-sum payments and daily allowances.

Fukoku Life continues to focus on providing protection-type products tailored to customer needs. The annualised premium for medical, disability and long-term care insurance policies in force has been increasing for 19 consecutive years since it first disclosed such data, contributing to its revenue growth.

These initiatives have positioned Fukoku Life as a pioneer and leader in the third sector insurance market, enabling it to anticipate and address evolving customer needs with innovative and comprehensive medical coverage options.

Stable profitability and superior operating performance based on offering products of comprehensive coverage and a high-quality customer base

A significant factor contributing to Fukoku Life's strength is the demographics of its client base, which largely consists of individuals working for government departments and large corporations, where health management is well-established. As a result, coupled with the fact that its sales representatives are generally younger, Fukoku Life's clientele also tends to be younger, leading to a consistently low and stable mortality rate (around 2 per cent. during the past 10 years for death coverage) when compared to other major Japanese life insurers.

When selling its flagship product “*Mirai no Tobira*”, Fukoku Life offers it as a highly customisable insurance plan, effectively combining death coverage and so-called “third sector” coverage (medical, disability and long-term care insurance) to cater to the diverse needs of its customers. While the overall market for death coverage in Japan is gradually shrinking due to factors such as a declining population and a shift of customer needs towards third sector products, on an individual customer basis, providing protection for the family in case of unexpected events remains crucial. Recognising that life insurance is an effective means of preparing for such protection, Fukoku Life remains committed to offering death coverage as part of its business strategy. Consequently, this approach of bundling and customisation has also facilitated the acquisition of customers for its profitable first sector business (life insurance), further contributing to its stable fundamental profit.

Once Japan exits from its zero-interest rate policy, Fukoku Life expects to be able to reinforce its strategy of offering flexible products of comprehensive coverage by further strengthening its offerings of savings type policies. Fukoku Life believes its offerings of high-customisable comprehensive coverage products serve to differentiate it from its peers.

High quality assets under a prudent investment policy

Flexible portfolio rebalancing by taking market trends into consideration

Following the introduction of negative interest rates by the Bank of Japan, Fukoku Life has adopted a new portfolio strategy since 2017, which is based on the integrated management of capital, risk and returns, by taking appropriate risks leveraging its abundant capital, which enables further risk-taking drawing on generated

profits and accumulated capital. By carefully selecting investments offering an attractive risk/return profile, Fukuoku Life aimed to maintain a high level of interest and dividend income in order to further generate profits and accumulate capital to feed into a positive cycle of growth.

In response to the recent market trend of rising yen interest rates, Fukuoku Life has promptly shifted its portfolio strategy and resumed duration-matching ALM. Fukuoku Life believes that duration-matching ALM during a low interest rate environment will not only lead to lost investment opportunities, but also increases the risk of loss from dynamic policy surrenders when interest rates begin to rise. However, when domestic interest rates exceed the cost of insurance policies, the situation reverses and it becomes more attractive to reduce risk taking while generating stable income through duration-matching ALM.

This proactive approach towards portfolio strategy demonstrates Fukuoku Life's ability to adapt to the evolving economic landscape, ensuring that it is well-positioned to maintain a strong financial performance and generate a stable income stream.

Agile and flexible investment management policy responding well to the volatile market

Fukuoku Life is committed to agile and flexible asset management in response to heightened market volatility. In practice, this means that when global interest rates started to rise in 2022, Fukuoku Life acted decisively to dispose of a substantial majority of its holding of FX-hedged foreign currency-denominated bonds within a short time span, which were performing poorly due to elevated hedging costs. Instead, Fukuoku Life shifted its portfolio to mainly super-long maturity JGBs as a way to manage its risks in a volatile environment, while also increasing the weight of yen-denominated corporate bonds to enhance investment yield. This nimble approach allows Fukuoku Life to respond efficiently to changing economic conditions, as a result of which Fukuoku Life was able to maintain a level of unrealised gains in its domestic and foreign bond portfolios as of 30 June 2023 in a challenging interest rate environment even though many of its competitors suffered unrealised losses, and avoid significant hedging costs when such costs continued to hike, thereby contributing to the continued strong performance of its investment portfolio.

Strategic portfolio management to enhance profitability drawing on our solid capital base

Fukuoku Life's strategic portfolio construction is underpinned by a robust capital base, enabling it to take calculated risks and achieve high returns. By leveraging its strong capital foundation, Fukuoku Life can confidently pursue investments and strategies that may involve a particular level of risk, while still maintaining the necessary financial stability to withstand potential market fluctuations. This solid financial footing also enables Fukuoku Life to adapt its portfolio strategy as required, without compromising the overall stability and performance of its investments.

Disciplined capital management and a solid capital base

Disciplined capital management contributing to a solid capital base that is less sensitive to the volatile market

Fukuoku Life is committed to pursuing financial soundness that is not influenced by market trends. To achieve this, it has built up a high-quality capital base that is not reliant on unrealised gains and characterised by low interest rate sensitivity. Fukuoku Life's on-balance capital (foundation funds, accumulated foundation funds redeemed, reserves for redemption of foundation funds, surplus, other components of capital, subordinated debts, reserves for price fluctuation of securities, contingency reserves and unallocated policy dividend reserves) has continued to increase for the past 10 years and totalled ¥997 billion as of 31 March 2023 and ¥1,001 billion as of 30 June 2023, representing an on-balance capital to total assets ratio of 13.8 per cent. and 13.48 per cent. as of 31 March 2023 and 30 June 2023, respectively, one of the highest among major life insurers in Japan. This solid capital foundation enables Fukuoku Life to maintain stability amidst ever-changing market conditions.

Fukuoku Life also places emphasis on disciplined capital management, retaining internal reserves that exceed external funding. As of 31 March 2023, the cumulative amount of external funding that it has raised since the financial crisis in 2009 was ¥328.9 billion, while it has accumulated ¥475.6 billion in retained earnings over the same period. This disciplined approach to capital enhancement reinforces Fukuoku Life's financial stability and supports its strategic objectives.

By setting aside additional policy reserves, Fukuoku Life effectively reduces the assumed interest rates of its past contracts with higher rates, creating a comfortable buffer against market fluctuations. As a result, Fukuoku Life is able to conduct duration matching and mitigate interest rate risks more effectively.

Fukoku Life's strong capital base and disciplined management approach have been recognised by credit rating agencies, receiving high evaluations for its financial risk profile. As of the date of this Offering Circular, Fukoku Life has insurer financial strength ratings of A+ (stable outlook) by S&P, A+ (stable outlook) by Fitch, A2 (stable outlook) by Moody's, AA- (stable outlook) by R&I and AA (stable outlook) by JCR. Its strong ratings underscore Fukoku Life's commitment to maintaining a solid financial footing, reflecting its ability to navigate market challenges.

Sufficient solvency margin ratio and economic-value-based capital

True to its corporate DNA of “valuing quality over quantity”, Fukoku Life has consistently made its financial stability a top priority. As a result, Fukoku Life has the highest consolidated and non-consolidated solvency margin ratios among the nine traditional life insurance companies in Japan, being 1,171.9 per cent. and 1,133.8 per cent., respectively, as of 31 March 2023, both of which comfortably exceeded the regulatory minimum threshold of 200 per cent.

In addition, Fukoku Life has been developing an ESR framework as an internal model based on Solvency II, but applying certain proprietary adjustments designed to more accurately reflect its risk profile. As of 31 March 2022 and 2023, Fukoku Life's non-consolidated ESR was 228.9 per cent. and 233.8 per cent., respectively, and its consolidated ESR was 241 per cent. and 245 per cent., respectively, in each case calculated for internal management purposes. This high ESR further emphasises Fukoku Life's robust capital position and its capacity to absorb potential losses.

Importantly, the quality of Fukoku Life's capital base is complemented by effective risk control measures, which contribute to the low sensitivity of its ESR. This combination of high-quality capital and efficient risk management ensures that Fukoku Life remains resilient in the face of market fluctuations and changing economic conditions.

Balanced capital base strengthening and dividend payouts

As a general policy, each year Fukoku Life pays dividends to its policyholders out of the year's unappropriated surplus in an amount that attempts to balance Fukoku Life's goals of returning profits to policyholders and providing for the future financial health of Fukoku Life. As a result of its robust capital foundation, Fukoku Life was able to increase dividends on participating policies for 11 consecutive years while maintaining a strong capital base. Fukoku Life believes that this helps to reinforce its customer base and contributes to a virtuous cycle. Also, Fukoku Life believes that its mission as a mutual company is to reduce premiums through dividend returns.

Products

Fukoku Life

Fukoku Life has a well-balanced product portfolio, offering various types of individual and group life insurance products aimed at serving its customers' financial needs. For the year ended 31 March 2023, annualised premium from policies in force for life insurance, annuity insurance, and medical, disability and long-term care insurances accounted for 28.3 per cent., 19.5 per cent. and 21.5 per cent. of Fukoku Life's annualised premiums from policies in force (based on the aggregated figures of Fukoku Life and Fukokushinrai). Since April 2013, as part of an overhaul of its product line up, Fukoku Life introduced “*Mirai no Tobira*”, which is a flexible life insurance product allowing customers to mix and match from a portfolio of policy riders and medical coverage to create a bespoke insurance plan which matches their financial needs and is aligned with their life planning. “*Mirai no Tobira*” enables customers to create a customised insurance plan simply through combining policy riders (instead of choosing a main insurance product and adding policy riders) and adding any required medical coverage. One of the more popular riders is an income protection rider, which pays a monthly amount for a year in the event that the policyholder temporarily loses the ability to work and an annuity to up to age 70 in the event that such loss of ability to work lasts for more than one year. Fukoku Life also has an income protection rider with diminishing benefits, which is triggered upon death or serious disability, as an attractively priced alternative to address the diminishing funding needs of a family over time.

Fukoku Life also offers a product in the area of educational insurance (“*Mirai no Tsubasa*”), which is a savings type product for children and their parents. Fukoku Life offers this product partly as a marketing tool to introduce parents to the insurance products offered by Fukoku Life, as such parents are potential customers for

Fukoku Life's core life insurance and medical, disability and long-term care insurance products. In addition, Fukoku Life also offers cancer insurance of Secom General Insurance, which covers actual expenses for hospitalisation and surgery for patients suffering from cancer.

Fukoku Life also offers an individual annuity product called "*Mirai Plus*", which was launched in April 2015 and which offers flexibility around the age of the policyholder at which the premium payment and the annuity benefits may start, thereby enabling it to meet a wider range of savings and/or investment needs arising at different stages of life.

Policyholder Dividends

Fukoku Life offers participating and semi-participating policies.

In the case of individual insurance policies, policyholders typically receive the policyholder dividend in the form of a reserve which can be withdrawn, although the policyholder may also elect to apply the dividend to increase coverage or offset the dividend amount against premiums payable. Fukoku Life may pay a terminal dividend, depending on the product, in addition to regular policyholder dividends.

Participating Policies. Holders of participating policies receive yearly dividends. These dividends are calculated based on three variables: mortality and morbidity rate margin, investment yield margin and administrative expense losses. If the combined effect of actual mortality and morbidity rates, rates of return on investments and administrative expense levels during a given period is more favourable to Fukoku Life compared to the assumptions used when pricing these products, a net surplus will generally result for that period. A portion of the net surplus attributable to participating policies may then be distributed to the policyholder as policyholder dividends.

Semi-participating Policies. In contrast to participating policies, semi-participating policies allocate dividends calculated at fixed-yearly intervals. These dividends are based solely on the investment yield margin, whereby policyholders receive a portion of such margin at the end of the relevant period. Semi-participating policies generally feature lower premiums than participating policies and generally distribute smaller dividends relative to participating policies.

Individual Insurance

Individual insurance is Fukoku Life's main product line and accounted for 50.5 per cent. of Fukoku Life's total policy amount in force (for individual insurance, individual annuities and group insurance) as of 31 March 2023. Premiums from individual insurance constituted 48.7 per cent. of total premium income for the year ended 31 March 2023. Fukoku Life offers a variety of individual insurance products.

Fukoku Life's main individual insurance products are described below.

Flexible life insurance policy with mix-and-match components. Fukoku Life's main product for individual insurance is a flexible life insurance product named "*Mirai no Tobira*", which allows customers to mix and match from a portfolio of policy riders to create a customised insurance plan rather than having to choose a main insurance product and then adding policy riders. The riders available encompass nearly the full range of policy coverage offered by Fukoku Life, including term-life insurance, term-life with survival benefits insurance, whole life insurance, income protection insurance, long-term care insurance, disability and accident coverage and medical insurance. This flexible life insurance product accounted for 78.6 per cent. of Fukoku Life's total policy amount in force for individual insurance policies as of 31 March 2023, and accounted for 95.1 per cent. of new individual insurance policy amounts written (including new policy amounts from conversion) during the year ended 31 March 2023.

Medical insurance. Medical insurance, including Fukoku Life's "*Wide Protect*", accounted for 42.9 per cent. of Fukoku Life's total policy number in force for individual insurance policies as of 31 March 2023. This product, and various medical riders, such as cancer riders, provide protection for hospital and surgery charges in case of illness or injury. "*Wide Protect*" is sold either on a standalone basis or in combination with the flexible life insurance "*Mirai no Tobira*" and enables Fukoku Life to offer protection for a range of long-term care, medical care and death benefit needs. Fukoku Life also sells cancer indemnity insurance of Secom General Insurance. See "Non-life Insurance Products".

Educational insurance. Fukoku Life offers an educational insurance product named “*Mirai no Tsubasa*”, which is a savings type product for children and their parents to efficiently provide for educational funds. Depending on the type of policy selected, the insurance will either pay benefits at each step of educational progression (entrance into kindergarten, or primary, junior high or high school, etc.) or focus solely on the provision for university fees. Following a recent revision of the assumed rate of return in April 2023, Fukoku Life believes its educational insurance policies offer one of the highest rates of return in the industry.

Individual Annuities

Individual annuities policy amount as of 31 March 2023 was ¥2,172.2 billion, which accounted for 4.9 per cent. of Fukoku Life’s total policy amount in force (for individual insurance, individual annuities and group insurance) as of the same date. Premiums from individual annuities constituted 7.7 per cent. of total premium income for the year ended 31 March 2023.

Fukoku Life’s individual annuity products consist of individual fixed annuities that pay benefits for a fixed term.

Deposits made into these contracts are allocated to the general account managed by Fukoku Life, and Fukoku Life bears the risk that investments in the general account do not meet the assumed rates of return. Variable annuity products, whose sales are currently suspended by Fukoku Life and the outstanding policy amount for which remaining on Fukoku Life’s book is very limited, pay a periodic amount linked to investment returns. Deposits made into these investment contracts are allocated to a separate (segregated) account and are administered and invested to meet the specific investment objectives of policyholders. For both individual fixed annuities and individual variable annuities, a lump sum benefit is paid upon the death of the insured prior to commencement of annuity payments.

The following table sets forth the number and policy amounts of new and existing individual annuities as of and for the years ended 31 March 2021, 2022 and 2023 and as of and for the three months ended 30 June 2022 and 2023.

	As of and for the year ended 31 March						As of and for the three months ended 30 June			
	2021		2022		2023		2022		2023	
	Number of policies	Policy amount	Number of policies	Policy amount	Number of policies	Policy amount	Number of policies	Policy amount	Number of policies	Policy amount
	(number of policies and millions of yen)									
New policies	7,133	¥ 20,517	7,902	¥ 22,341	6,917	¥ 19,803	1,810	¥ 5,379	1,708	¥ 5,064
Policies in force	604,658	¥2,362,478	583,891	¥2,269,208	562,206	¥2,172,211	578,966	¥2,245,948	556,818	¥2,149,906

Group Insurance

Group insurance accounted for 39.3 per cent. of Fukoku Life’s total policy amount in force (for individual insurance, individual annuities and group insurance) as of 31 March 2023. Premiums from group insurance constituted 9.0 per cent. of total premium income for the year ended 31 March 2023. Fukoku Life’s group insurance products include mainly group credit life insurance for housing loans and group term life insurance.

Group credit life insurance for housing loans. As of 31 March 2023, Fukoku Life’s group credit life insurance for housing loans accounted for 70.3 per cent. of total policy amount in force for group insurance policies. Under this type of policy, in the event of the death or severe disability of the insured, Fukoku Life pays a benefit that is applied toward the repayment of the insured’s housing loans. The amount of the benefit paid by Fukoku Life depends upon the amount of the remaining debt.

Group Term Life Insurance

Group term life insurance accounted for 29.5 per cent. of Fukoku Life’s total policy amount in force for group insurance policies as of 31 March 2023. Group term life insurance is similar to term life insurance offered on an individual basis. Only one application is processed on behalf of the many individuals covered under the policy. Fukoku Life offers these products through corporations and other organisations as sponsored benefit programmes with premiums paid by the organisations or on a non-sponsored basis with premiums paid by the insured. Group insurance policies are offered on a one-year renewable basis.

The following table sets forth the number and policy amounts in force of the group insurance for the years ended 31 March 2021, 2022 and 2023 and for the three months ended 30 June 2022 and 2023.

	As of and for the year ended 31 March						As of and for the three months ended 30 June			
	2021		2022		2023		2022		2023	
	Number of insured	Policy amount	Number of insured	Policy amount	Number of insured	Policy amount	Number of insured	Policy amount	Number of insured	Policy amount
	(thousands of insured and millions of yen)									
Group term life insurance	5,792	¥ 2,901,057	5,691	¥ 2,831,051	5,703	¥ 2,820,295	5,676	¥ 2,795,200	5,690	¥ 2,817,074
General welfare group term life insurance	1,978	2,222,949	1,963	2,255,747	1,935	2,279,637	1,963	2,266,419	1,928	2,285,614
Group credit life insurance for housing loans . .	10,820	12,385,105	10,572	12,227,262	10,432	12,152,819	10,531	12,316,988	10,401	12,244,507
Others	45	27,131	43	26,665	41	26,277	43	26,619	41	26,244
Total	18,596	¥17,536,242	18,233	¥17,340,726	18,075	¥17,279,029	18,176	¥17,405,227	18,025	¥17,373,441

Group Annuities

Premiums from group annuities constituted 33.9 per cent. of total premium income for the year ended 31 March 2023. Fukoku Life offers group annuity products that can be packaged to meet the specific needs of a corporation or other organisation to offer defined benefit plans to its employees or other organisation members. These plans offer fixed pension benefits with premium payments calculated based on the amount of the fixed benefits. A portion of the plan can be allocated to the separate account so that variable returns based on actual investment results can be received. Plans that meet specified conditions may qualify for preferential tax treatment. Products include group pension insurance, employees' contributory pension insurance, employees' pension fund insurance, which is a publicly mandated pension fund system funded by corporate and employee contributions, and group pure endowment insurance. Fukoku Life offers its group annuity products to pension funds of large corporations and public pension funds.

Fukoku Life provides products and services that corporations may use to offer defined contribution plans to their employees. These plans do not guarantee minimum returns but rather reflect the results of investments made in a variety of segregated accounts among which the individual may allocate plan assets. Plan assets may be transferred to the plan of a new employer when the employee changes employment. Fukoku Life offers various products for investment of plan assets, including contribution-type pension benefits insurance, which is funded by individual employee contributions.

While the number and policy amount of employees' pension fund insurance have declined for the years ended 31 March 2021, 2022 and 2023 due to the effect of the recent trend of transfer of pension plans to the government by corporations, the total number of insured and policy amount have been stable. The following table sets forth the number and policy amounts in force of group annuities as of 31 March 2021, 2022 and 2023 and 30 June 2022 and 2023:

	As of 31 March						As of 30 June			
	2021		2022		2023		2022		2023	
	Number of insured	Policy amount	Number of insured	Policy amount	Number of insured	Policy amount	Number of insured	Policy amount	Number of insured	Policy amount
	(thousands of insured and millions of yen)									
Group pension insurance	6,742	¥ 177,391	6,808	¥ 179,957	6,810	¥ 181,052	6,809	¥ 185,011	6,790	¥ 186,158
Employees' contributory pension insurance	2,380	1,059,969	2,346	1,066,895	2,294	1,070,267	2,344	1,066,543	2,293	1,068,129
Defined benefit pension insurance	—	679,026	—	692,739	—	698,921	—	691,124	—	709,840
Defined contribution pension insurance	—	35,312	—	37,433	—	38,556	—	37,614	—	38,900
Employees' pension fund insurance	232	184,070	232	186,389	231	188,582	232	187,316	231	189,518
Group pure endowment insurance	—	125,283	—	126,446	—	127,447	—	128,649	—	129,842
Others	—	—	—	—	—	—	—	—	—	—
Total	9,355	¥2,261,054	9,387	¥2,289,863	9,336	¥2,304,827	9,386	¥2,296,259	9,315	¥2,322,388

Other Insurance Products

Fukoku Life offers other insurance, including group medical care insurance and group disability insurance.

Non-Life Insurance Products

Fukoku Life offers cancer indemnity insurance to its customers through its business alliance with Secom General Insurance. Fukoku Life also offers non-life insurance to its customers through its business alliance with The Kyoei Fire & Marine Insurance Co., Ltd. The main non-life insurance product is automobile insurance. Fukoku Life acts as sales agent for Secom General Insurance and The Kyoei Fire & Marine Insurance Co., Ltd. and receives sales fees from each of them without being involved in the underwriting of non-life insurance.

Fukokushinrai

Fukokushinrai's product offering revolves primarily around individual insurance products, although it also offers individual annuity products. While Fukokushinrai's traditional area of strength has been in fixed annuities, which continues to account for a significant portion of its policies in force, its current main focus is on single premium whole life insurance with an interest rate reset. It also sells term insurance and medical insurance.

In 2018, Fukokushinrai launched an interest rate adjustment-type single premium whole life insurance, a product for which the assumed rate of return is adjusted every 30 years after the policy is signed and the assumed rate of return applying to new contracts is set every month based on the prevailing market conditions. Catering customers' needs in an environment of rising yen interest rates, sale of this product has increased significantly since its launch, contributing positively to the financial results of the Group.

Asset Management and Investment Trust Management

Fukoku Capital Management, Inc. ("Fukoku Capital Management") is an asset management firm that leverages the asset management capabilities of Fukoku Life and its group companies. Through discretionary management, advisory services, Fukoku Capital Management provides high-quality asset management services for corporate customers. As of 31 March 2023, the total assets under management of Fukoku Capital Management amounted to ¥1,594.8 billion, all in relation to its investment advisory business.

Sales and Marketing

Retail Sales and Marketing

Multi-Channel Sales Structure

Sales representative channel. Fukoku Life has a large network of sales representatives and independent sales agents that market products mainly to retail customers. In its efforts to promote "face-to-face services", it strives to ensure that new and existing policyholders are visited at least once a year by their representative. This was critical both to its social mission as a life insurance company and to the success of its customer service. For the year ended 31 March 2023, 39.7 per cent. of annualised premium from new policies (based on the combined figures of Fukoku Life and Fukokushinrai) were through products sold through sales representatives.

As of 31 March 2023, Fukoku Life had 9,573 sales representatives operating through 62 branch offices and 471 sales offices located throughout Japan. Fukoku Life's sales representatives, 95.5 per cent. of whom are women, are licensed pursuant to industry-wide standards. Door-to-door sales and workplace sales remain an important means by which Fukoku Life's sales representatives market Fukoku Life's products to new customers. However, in response to the COVID-19 pandemic, Fukoku Life has expanded its information offerings by utilising digital tools. During the period when face-to-face interactions were limited, Fukoku Life has introduced online consultations using web conferencing system, allowing it to offer online proposals and product explanations. It is now possible to purchase certain of its policies, such as "Mirai no Tsubasa", an educational insurance and "Mirai Plus", an individual annuity, fully online without face-to-face contact.

The Human Resource Development Division is responsible for training and development of sales representative and provides training and education for sales representatives and produces various teaching

materials. Sales managers are assigned to branch offices to provide guidance to the sales representatives and, together with the trainers and other education staff, provide training and practical guidance. At the beginning of their careers, all sales representatives participate in an intensive training course in accordance with the curriculum of Life Insurance Association of Japan and taught by experienced instructors. Continuing education is provided to sales representatives at seminars and e-learning curriculums, along with day-to-day, on-the-job training. In addition, Fukoku Life offers sales representatives a number of standardised insurance industry courses in which they can receive varying levels of degrees. Fukoku Life recognises the importance of training its sales representatives in being able to effectively offer products that meet customers' needs in a competitive environment. Sales representatives may continue their education at training centres established at each of Fukoku Life's branches, which offer training materials and satellite broadcast programmes, and are staffed by full-time consulting experts.

Fukoku Life also offers sales representatives a number of standardised life insurance industry courses in which they can receive varying levels of degrees and licences, including Total Life Consultant which is a qualification certified by the Life Insurance Association of Japan, as well as an Affiliated Financial Planner ("AFP") licence. As of 30 June 2023, more than 160 of sales representatives and administrative personnel are licensed AFPs. Licensed AFPs are qualified to offer high-level financial and tax planning advice, which may further their effectiveness.

Independent sales agents. Fukoku Life offers life insurance sales through its network of independent sales agents, including tax accountants, professional life and non-life insurance sales agents. The network includes approximately 1,000 agents as of 31 March 2023. The number of policies in force and the policy amount in force in the independent sales agent channel are on a gradually decreasing trend. For the year ended 31 March 2023, approximately 15.3 per cent. of annualised premium from new policies (based on the combined figures of Fukoku Life and Fukokushinrai) were attributable to sales via independent sales agents.

Bancassurance channel. Fukokushinrai sells single premium whole life insurance, term life insurance, medical insurance and individual annuities through the service counters of financial institutions under agency agreements with 250 out of 254 Shinkin Banks throughout Japan. Fukokushinrai has enhanced products sold through this channel. As a result, Fukokushinrai has recorded steady growth in annualised premiums for policies in force. For the year ended 31 March 2023, 44.9 per cent. of annualised premium from new policies (based on the combined figures of Fukoku Life and Fukokushinrai) were attributable to products sold through financial institutions.

Fukokushinrai's premium income from bancassurance channels has experienced significant growth in recent years. The following table shows Fukokushinrai's premium income from bancassurance channels for the periods indicated:

	For the year ended 31 March					For the three months ended 30 June	
	2019	2020	2021	2022	2023	2022	2023
	(billions of yen)						
Single premium whole life insurance	¥27.7	¥58.7	¥68.1	¥109.6	¥179.8	¥30.6	¥56.2
Fixed annuities	—	—	—	—	—	—	—
Total	¥27.7	¥58.7	¥68.1	¥109.6	¥179.8	¥30.6	¥56.2

Corporate Sales

In addition to its main retail sales channels described above, Fukoku Life has a certain number of employees located both at the head office in Tokyo and at branch offices throughout Japan that market group insurance and group annuity products directly to large corporations and public entities. These employees also work closely with Fukoku Life's sales representatives to support workplace sales activities.

Sales Support

Fukoku Life's sales representatives are supported in their sales activities by its advanced IT infrastructure. Starting in April 2012, Fukoku Life began distributing a tablet device that enables sales representatives to handle customer requests swiftly while maintaining the traditional face-to-face format that is the key to it. With these devices, sales representatives can display marketing materials and application forms, make standard benefit calculations, manage customer information, report their sales activities and access information regarding existing policies. Since 2018, Fukoku Life has rolled out a new version of the tablet, called "PlanDo", which allows paperless processing of insurance procedures. These new devices have already been

distributed to all sales representatives throughout Japan and feature functions to develop insurance proposals, process applications and prepare simulations.

In addition to providing face-to-face consultation, Fukoku Life introduced online meeting services through web conferencing systems as well as document sharing services through “Eltropy”, which can be used to send product brochures and insurance documents electronically, enabling customers to view on their computer or smartphone materials that were previously provided in-person or by post. Further, the introduction of LINE WORKS, a business version of the popular social networking application, has enabled smoother and more efficient communication with customers.

Collection Procedures

Fukoku Life’s sales representatives generally do not play a role in collection of premiums except for initial payments of premiums. Fukoku Life’s primary methods of collecting premiums are through automatic withdrawals from policyholders’ bank accounts and employer withholding.

Customer Services

Services to Fukoku Life Cardholders

At the request of policyholders, Fukoku Life will issue a Fukoku Life card which provides customers with an efficient and speedy means to access information about their insurance policies. By using their Fukoku Life card, policyholders can repay or withdraw accumulated dividends or benefits through bank automated teller machines at postal offices, Shinkin Banks and certain other banks.

Fukoku Life also offers additional services to Fukoku Life cardholders such as medical consultation services over the telephone.

Call Centre and Other Services

Fukoku Life’s call centres provide customers with an efficient means to gain access to information about their insurance policies. Other services include an Internet site through which customers can view information regarding their policies and make certain changes to personal data, as well as request for product brochures and other information.

Pricing and Underwriting

Pricing of Fukoku Life’s life insurance and annuity products is based mainly on assumptions with respect to expected mortality and morbidity rates, rates of return on investments and administrative expenses.

Fukoku Life maintains underwriting policies and guidelines intended to prevent actual insurance payment events from occurring at a higher rate than the expected mortality and morbidity rates and certain other assumptions used when pricing its products. Fukoku Life’s insurance underwriting involves a centralised application and risk evaluation process that determines whether the risk related to a particular applicant, including mortality and morbidity risk and risk of insurance fraud, is consistent with the amount of risk Fukoku Life is willing to accept.

The risk evaluation process considers the risk characteristics of the individual to be insured, including a detailed medical condition, occupation and financial profile. Fukoku Life maintains strict guidelines regarding the exact type of examination depending on the type and amount of each policy. For example, in the case of policies that provide for death benefits exceeding a specified level, the individual to be insured must undergo medical examinations performed by physicians employed by or affiliated with Fukoku Life. Other products offering lower levels of benefits require simplified examination procedures, such as interviews with insurance interview specialists, submission of the results of a physical examination, or in some cases only a written self-declaration. Fukoku Life underwrites its group policies generally by evaluating the risk characteristics of the

prospective insured group. Additionally, when introducing new products or product lines, Fukoku Life's product development-related departments conduct thorough evaluations of the insurance underwriting risk on existing policies to assess the risks associated with the pricing of new products or product lines, which often involves the use of assumptions based on limited experience when compared to existing products or product lines.

Investments

Fukoku Life's investments are divided into two accounts, the general account and the separate account. Payments to customers for products providing a fixed benefit are made from investments in Fukoku Life's general account. Fukoku Life bears the risk that the investments in the general account will not yield sufficient return to cover benefits paid for products for which premiums are calculated based on a fixed assumed rate of return. In order to safeguard the funds from which policyholder benefits are paid, regulations issued under the Insurance Business Act previously restricted the percentage of general account assets that may be allocated to specified classes of investments, but such regulations were abolished as of 18 April 2012. See "—Regulatory Restrictions on Investments". In contrast, products for which customers bear the investment risk are paid from funds managed in the separate account. These products include individual variable annuities (which Fukoku Life currently no longer underwrites) and group annuities with separate account policy riders. While there are no regulations restricting allocation of separate account assets to specified classes of investments, Fukoku Life generally invests such assets in investments for which a market price is readily available so that it may realise the returns for payment to policyholders.

Of Fukoku Life's non-consolidated total assets as of 31 March 2023, which totalled ¥7,226.2 billion, ¥7,107.4 billion were general account assets. The balance consisted primarily of separate account assets in the amount of ¥118.7 billion. Unless otherwise noted, the discussion in this section relates to Fukoku Life's general account assets, on a non-consolidated basis.

Management of Investments

Fully understanding the debt characteristics of its products, Fukoku Life employs sound investment strategies that best safeguard and serve the interests of its policyholders. Central to its investment approach is a strong emphasis on diversification when allocating funds, as this enables Fukoku Life to strive for robust investment returns in the future whilst also taking a certain degree of risk. Moreover, Fukoku Life seeks to engage in investments and loans that adhere to ESG concepts, in line with its business policy of "contributing to the realisation of a sustainable society as a mutual company engaged in the life insurance business".

Since the year ended 31 March 2018, Fukoku Life has been implementing a strategy that focuses on selecting each investment target based on risk-return efficiency and taking appropriate risks leveraging its abundant capital. In order to maintain stable profitability even amid the prolonged ultra-low interest rate environment, Fukoku Life gradually increased its holdings in both domestic and foreign equities and corporate bonds. However, from 2022 onwards, in light of the increasing uncertainty in financial markets due to factors such as aggressive monetary tightening by major central banks, Fukoku Life has allocated funds primarily to yen-denominated public bonds, prioritising liquidity in its asset management. Due to the rising foreign exchange hedge costs associated with overseas policy interest rate hikes, the profitability of hedged foreign bonds has decreased, leading to a significant reduction in its holdings. At present, taking into account the rise in yen interest rates and the decline in the average assumed interest rate of insurance liabilities, Fukoku Life has increased its allocation to yen interest rate assets, focusing on ultra-long-term JGBs, and resuming ALM matching operations. At the same time, Fukoku Life is working to enhance its investment returns by adding to its holdings in equities and credit assets.

Fukoku Life's asset allocation priorities in the current fiscal year have been as follows:

- Fukoku Life has invested in bonds, in particular in super-long maturity JGBs during the first half of the current fiscal year, supplemented by investments in yen-denominated corporate bonds, to provide stable interest revenue. However, Fukoku Life intends to hold back from investing in yen-denominated bonds in the second half of the fiscal year due to the anticipation of higher interest rates as a result of the Bank of Japan's policy shift in the near future.
- As for credit assets, Fukoku Life has focused on accumulating yen corporate bonds.
- For equity assets and real estate, Fukoku Life has accumulated alternative investments (including private equity funds and hedge funds) and real estate investments and is seeking to rebalance its stocks portfolio.

- For foreign bonds, Fukoku Life has fully disposed of its FX-hedged foreign currency denominated bonds as high hedging costs had caused profitability to deteriorate. It also started the current fiscal year with the intention to refrain from investing in unhedged foreign currency-denominated bonds in order to control the yen appreciation risk. However, despite the Bank of Japan's recent policy shift to relax its yield curve control, the risk of yen appreciation remains limited in the foreseeable future as the interest rate gap between Japan and other major countries has not narrowed in any significant sense while the major central banks continue to raise interest rates. As a result, Fukoku Life has instead reallocated some of the funds originally earmarked for other investments and increased its holding of unhedged foreign currency-denominated bonds significantly.

Fukoku Life is exposed to various sources of investment risk:

- market risk associated with changes in interest rates, stock prices and foreign exchange rates;
- credit risk relating to the potential for losses incurred when the value of assets, primarily loans and bonds, declines or disappears due to a deterioration in the financial condition of a party to whom credit has been extended; and
- real estate risk relating to the potential for a decrease in real estate income because of a decline in rent, a decrease in number of tenants or other factors or a general decline in real estate prices due to market forces.

Regulatory Restrictions on Investments

Japanese regulations do not impose restrictions on the maximum percentage of assets that may be allocated to specific classes of investments within separate account assets. Japanese regulations restrict Fukoku Life from making certain types of specified investments. See “Regulation of the Japanese Life Insurance Industry—Restrictions on Scope of Business—Restrictions on investments”.

Overall Composition of Investments

The following table summarises Fukoku Life's invested assets and other assets in its general account as of the dates indicated:

	As of 31 March									
	2019		2020		2021		2022		2023	
	Carrying value	Percentage of total	Carrying value	Percentage of total	Carrying value	Percentage of total	Carrying value	Percentage of total	Carrying value	Percentage of total
(millions of yen, except percentages)										
Cash, deposits, call loans	¥ 241,282	3.6%	¥ 515,545	7.7%	¥ 291,190	4.1%	¥ 202,459	2.8%	¥ 525,043	7.4%
Monetary claims bought	299	0.0	269	0.0	239	0.0	80	0.0	—	—
Money held in trust	23,850	0.4	24,156	0.4	25,277	0.4	26,070	0.4	25,897	0.4
Securities:										
Domestic bonds	2,782,013	42.1	2,677,697	39.9	2,779,477	39.4	2,884,480	39.6	3,003,156	42.3
Domestic stock	672,528	10.2	612,019	9.1	786,886	11.2	768,954	10.6	808,831	11.4
Foreign bonds	1,614,469	24.4	1,580,829	23.6	1,710,567	24.3	1,823,435	25.1	1,194,387	16.8
Foreign stock and other securities	316,147	4.8	277,091	4.1	417,479	5.9	512,516	7.0	510,639	7.2
Other securities	114,364	1.7	117,764	1.8	162,590	2.3	184,143	2.5	175,445	2.5
Total securities	5,499,523	83.2	5,265,401	78.5	5,857,001	83.0	6,173,529	84.8	5,692,461	80.1
Loans:										
Policy loans	56,332	0.9	55,339	0.8	50,797	0.7	48,629	0.7	47,088	0.7
Ordinary loans	504,806	7.6	510,133	7.6	517,293	7.3	504,675	6.9	477,104	6.7
Total loans	561,138	8.5	565,473	8.4	568,091	8.1	553,305	7.6	524,193	7.4
Real estate	212,555	3.2	215,305	3.2	239,545	3.4	241,164	3.3	242,980	3.4
Deferred tax assets	—	—	29,397	0.4	—	—	—	—	13,829	0.2
Others	76,438	1.2	92,688	1.4	76,000	1.1	82,725	1.1	83,918	1.2
Allowance for possible loan losses	(2,096)	(0.0)	(2,023)	(0.0)	(4,386)	(0.1)	(2,515)	(0.0)	(826)	(0.0)
Total	¥6,612,991	100.0%	¥6,706,213	100.0%	¥7,052,960	100.0%	¥7,276,821	100.0%	¥7,107,497	100.0%
(foreign currency assets)	2,220,198	33.6	2,159,294	32.2	2,421,279	34.3	2,629,067	36.1	1,802,337	25.4

The following table summarises changes in Fukoku Life's invested assets and other assets in its general account as of each date shown from the prior year-end:

	As of 31 March		
	2021	2022	2023
	(millions of yen)		
Cash, deposits, call loans	¥(224,354)	¥(88,730)	¥ 322,583
Monetary claims bought	(29)	(158)	(80)
Money held in trust	1,120	792	(172)
Securities:			
Domestic bonds	101,779	105,003	118,675
Domestic stock	174,867	(17,932)	39,877
Foreign bonds	129,738	112,867	(629,047)
Foreign stock and other foreign securities	140,388	95,036	(1,876)
Other securities	44,825	21,552	(8,697)
Total securities	591,599	316,528	(481,068)
Loans:			
Policy loans	(4,541)	(2,167)	(1,541)
Ordinary loans	7,159	(12,617)	(27,571)
Total loans	2,617	(14,785)	(29,112)
Real estate	24,240	1,618	1,815
Deferred tax assets	(29,397)	—	13,829
Others	(16,687)	6,724	1,193
Allowance for possible loan losses	(2,362)	1,870	1,689
Total	¥ 346,747	¥223,860	¥(169,323)
(foreign currency assets)	261,984	207,787	(826,729)

Investment Results

The following table sets forth the average rates of return based on net investment income for each of the components of Fukoku Life's investment portfolio for the periods indicated:

	For the year ended 31 March		
	2021	2022	2023
	(percentages)		
Cash, deposits, call loans	0.00%	0.00%	0.00%
Monetary claims bought	1.11	1.84	(4.02)
Money held in trust	4.67	3.24	(0.62)
Domestic bonds	1.81	1.73	1.43
Domestic stocks	3.91	3.18	8.48
Foreign securities	3.06	3.16	2.71
Loans:			
Ordinary loans	0.83	1.40	1.31
Total loans	1.08	1.61	1.52
Real estate	2.39	2.91	2.53
Total	2.11%	2.18%	2.11%
(foreign investment)	2.87	3.13	2.51

Average Assets

The following table sets forth the average balance of Fukoku Life's assets for each of the periods indicated, calculated based on the averages of daily ending balances:

	For the year ended 31 March		
	2021	2022	2023
	(millions of yen)		
Cash, deposits, call loans	¥ 357,256	¥ 259,525	¥ 236,914
Monetary claims bought	254	223	34
Money held in trust	24,159	25,278	26,069
Domestic bonds	2,685,341	2,722,369	2,964,735
Domestic stocks	416,990	418,905	413,423
Foreign securities	1,890,731	2,021,019	1,860,692
Loans:			
Ordinary loans	512,224	517,341	497,217
Total loans	565,568	567,015	545,127
Real estate	230,765	242,645	242,567
Total	¥6,524,287	¥6,642,474	¥6,708,497
(foreign investment)	2,261,370	2,381,764	2,141,945

Unrealised Gains and Losses

Fukoku Life's investments in securities other than subsidiaries are classified into the following categories:

- proprietary trading securities (including money held in trust for which Fukoku Life is the beneficiary), which are securities held for the purpose of generating profits through trading of such securities;
- held-to-maturity debt securities, which are debt securities that are expected to be held to maturity; and
- available-for-sale securities, which are all other securities.

Proprietary trading securities and available-for-sale securities with readily obtainable fair market value ("marketable available-for-sale securities") are stated at fair value. Unrealised gains and losses on trading securities are recognised in earnings. Unrealised gains and losses on marketable available-for-sale securities are included in a separate component of capital, net of income taxes and also reflected in the computation of total solvency margin and solvency margin ratio, unless a decline in fair value is considered a significant impairment, in which case the decline is recognised in earnings as a valuation loss. Held-to-maturity debt securities and available-for-sale securities without readily obtainable fair value are stated at amortised cost or book value. For the purpose of computing realised gains and losses, cost is determined on a moving average method.

The table below shows the unrealised gains related to Fukoku Life's held-to-maturity debt securities as of 31 March 2023:

	As of 31 March 2023		
	Carrying value	Fair value	Net unrealised gains/losses
	(millions of yen)		
Held-to-maturity debt securities:			
Domestic bonds	¥738,300	¥808,660	¥70,360
Foreign bonds	—	—	—
Others	—	—	—
Total	¥738,300	¥808,660	¥70,360

On a non-consolidated basis, the book value of domestic bonds which were classified as held-to-maturity debt securities amounted to ¥738,300 million as of 31 March 2023.

The following table sets forth the unrealised gains related to Fukoku Life's marketable available-for-sale securities as of 31 March 2023:

	As of 31 March 2023		
	Carrying value	Fair value	Net unrealised gains
	(millions of yen)		
Marketable available-for-sale securities:			
Domestic bonds	¥2,246,987	¥2,264,856	¥ 17,868
Domestic stock	352,575	739,891	387,316
Foreign bonds	1,169,512	1,184,154	14,642
Foreign stocks and other foreign securities	404,844	491,598	86,754
Other securities	134,069	158,971	24,902
Total	¥4,307,988	¥4,839,472	¥531,484

On a non-consolidated basis, the book value of domestic bonds which were classified as available-for-sale securities amounted to ¥2,246,856 million as of 31 March 2023.

The following table sets forth Fukoku Life's available-for-sale securities that cannot be assigned a market value as of 31 March 2023:

	Carrying value as of 31 March 2023
	(millions of yen)
Available-for-sale securities that cannot be assigned a market value:	
Stock of subsidiaries	¥ 64,787
Available-for-sale securities:	
Unlisted domestic stocks	5,709
Unlisted foreign stocks	—
Unlisted foreign bonds	—
Other	30,341
Subtotal	36,051
Total	¥100,838

As of 31 March 2021, 2022 and 2023, unrealised gains on real estate amounted to ¥148,127 million, ¥147,314 million and ¥164,307 million, respectively.

Domestic Bonds

Domestic bonds consist mainly of publicly traded debt securities and debt securities with readily obtainable market value and represented 39.4 per cent., 39.6 per cent. and 42.3 per cent. of total assets in its general account as of 31 March 2021, 2022 and 2023, respectively. Fukoku Life's domestic bonds had a weighted average yield of 1.73 per cent. and 1.43 per cent. as of 31 March 2022 and 2023, respectively. All of the bonds owned by Fukoku Life as of 31 March 2023 were listed on a Japanese securities exchange or were not listed but could reasonably be assigned a fair value. The break-even point for Fukoku Life's bond holdings, as measured in terms of 10 years future JGBs, was 0.59 per cent. as of 31 March 2023, assuming that changes in the interest rates of bonds held in its portfolio were identical to changes in 10 years future JGBs, regardless of the maturities of such bonds, and such break-even point was above the then current market level. By carrying value, 24.7 per cent. of Fukoku Life's domestic bonds were held-to-maturity securities as of 31 March 2023. The average remaining maturities of yen-denominated bonds held by Fukoku Life as of 31 March 2022 and 2023 were 10.68 years and 11.12 years, respectively. Fukoku Life invests mainly in debt securities issued by Japanese national and local governments, other public entities and corporations which, based on its internal analysis, have high credit quality.

The following table sets forth the percentage breakdown of domestic bonds held by Fukoku Life on a non-consolidated basis by credit rating by S&P (if ratings by S&P are not available, then based on the lowest credit rating from other rating agencies) as of the dates indicated:

	As of 31 March			As of 30 June 2023
	2021	2022	2023	
	(percentages)			
AAA	— %	— %	— %	— %
AA	1.9	1.6	1.4	1.4
A	95.4	95.1	95.6	95.7
BBB	1.4	1.8	1.6	1.5
BB or lower	0.1	0.1	0.1	0.1
N/A	1.3	1.3	1.2	1.2
Total	100.0%	100.0%	100.0%	100.0%

None of the domestic bonds owned by Fukoku Life were in default as of 31 March 2023.

The following table sets forth the amount of domestic bonds owned by Fukoku Life as of the dates indicated:

	As of 31 March					
	2021		2022		2023	
	Balance sheet amount	Percentage of total	Balance sheet amount	Percentage of total	Balance sheet amount	Percentages of total
	(millions of yen, except percentages)					
National government bonds	¥1,989,206	34.0%	¥2,087,039	33.8%	¥2,377,987	41.8%
Local government bonds	99,109	1.7	102,669	1.7	92,958	1.6
Corporate and public entity bonds	691,161	11.8	694,771	11.3	532,210	9.3
Total	¥2,779,477	47.5%	¥2,884,480	46.7%	¥3,003,156	52.8%

The following table sets forth the contractual maturity dates for Fukoku Life's domestic bonds on a non-consolidated basis as of the dates indicated:

	Due in 1 year or less	Due after 1 year to 3 years	Due after 3 years to 5 years	Due after 5 years to 7 years	Due after 7 years to 10 years	Due after 10 years or having no maturity date	Total
	(millions of yen)						
As of 31 March 2021:							
National government bonds	¥ 26,279	¥ 65,584	¥246,572	¥200,146	¥498,702	¥ 951,920	¥1,989,206
Local government bonds	—	6,579	999	22,689	29,616	39,224	99,109
Corporate and public entity	35,983	57,020	126,282	212,825	157,970	101,077	691,161
Total	¥ 62,262	¥129,185	¥373,855	¥435,662	¥686,289	¥1,092,221	¥2,779,477
As of 31 March 2022:							
National government bonds	¥ 10,041	¥116,823	¥267,060	¥235,902	¥468,472	¥ 988,739	¥2,087,039
Local government bonds	253	6,686	21,392	4,894	30,298	39,143	102,669
Corporate and public entity	15,329	90,076	197,338	170,574	140,371	81,081	694,771
Total	¥ 25,624	¥213,587	¥485,791	¥411,371	¥639,143	¥1,108,963	¥2,884,480

	Due in 1 year or less	Due after 1 year to 3 years	Due after 3 years to 5 years	Due after 5 years to 7 years	Due after 7 years to 10 years	Due after 10 years or having no maturity date	Total
(millions of yen)							
As of 31 March 2023:							
National government							
bonds	¥ 53,968	¥217,570	¥198,354	¥273,121	¥496,893	¥1,138,078	¥2,377,987
Local government							
bonds	—	1,052	19,893	13,381	20,948	37,682	92,958
Corporate and public							
entity	46,418	73,937	131,680	91,981	125,753	62,438	532,210
Total	<u>¥100,387</u>	<u>¥292,560</u>	<u>¥349,929</u>	<u>¥378,484</u>	<u>¥643,595</u>	<u>¥1,238,199</u>	<u>¥3,003,156</u>

Loans

Loans represented 8.1 per cent., 7.6 per cent. and 7.4 per cent. of Fukoku Life's total assets in its general account as of 31 March 2021, 2022 and 2023, respectively, and consist mainly of loans to corporations, most of which were unsecured loans to large corporations, and loans to individuals such as housing loans. Loans include loans to borrowers located outside of Japan.

Each proposed loan is rated based on an evaluation of the ability of the borrower, and the guarantor in the case of a guaranteed loan, to repay the loan, as well as the specific terms of the loan. Fukoku Life closely monitors loans which it considers to have higher than normal credit risk.

The following table shows the amounts of loans based on the type of loan as of the dates indicated:

	As of 31 March					
	2021		2022		2023	
	Carrying value	Percentage of total	Carrying value	Percentage of total	Carrying value	Percentage of total
(millions of yen, except percentages)						
Loans to corporations	¥409,288	72.0%	¥398,125	72.0%	¥371,405	70.9%
Loans to government, government- related organisations and international organisations	91	0.0	88	0.0	64	0.0
Loans to local governments and public entities	3,174	0.6	2,847	0.5	2,507	0.5
Mortgage loans	44,517	7.8	41,136	7.4	40,038	7.6
Consumer loans	35,005	6.2	38,078	6.9	39,618	7.6
Policy loans	50,797	8.9	48,629	8.8	47,088	9.0
Others	25,216	4.4	24,398	4.4	23,470	4.5
Total	<u>¥568,091</u>	<u>100.0%</u>	<u>¥553,305</u>	<u>100.0%</u>	<u>¥524,193</u>	<u>100.0%</u>

Fukoku Life makes loans to corporations across a wide range of industries, mainly the financial, insurance, manufacturing and wholesale industries. Fukoku Life also makes loans to individuals. The following table shows the amounts of loans based on industry as of the dates indicated:

	As of 31 March					
	2021		2022		2023	
	Carrying value	Percentage of total	Carrying value	Percentage of total	Carrying value	Percentage of total
	(millions of yen, except percentages)					
Domestic						
Manufacturing industry						
Food products	¥ 12,029	2.3%	¥ 13,429	2.7%	¥ 11,812	2.5%
Textiles and clothing	—	—	—	—	—	—
Wood and wood products	—	—	—	—	—	—
Pulp and paper	12,500	2.4	14,500	2.9	14,500	3.0
Printing	900	0.2	900	0.2	—	—
Chemicals	6,537	1.3	4,867	1.0	3,006	0.6
Oil and coal products	2,150	0.4	2,150	0.4	150	0.0
Glass and stone products	306	0.1	500	0.1	420	0.1
Steel	15,100	2.9	14,680	2.9	12,740	2.7
Non-steel metals	300	0.1	735	0.1	575	0.1
Metal products	—	—	—	—	—	—
Machinery	12,305	2.4	14,216	2.8	14,691	3.1
Electric appliances	6,057	1.2	5,321	1.1	5,060	1.1
Transportation vehicles	526	0.1	524	0.1	320	0.1
Other manufactured goods	3,000	0.6	3,000	0.6	3,000	0.6
Farming and forestry	—	—	—	—	—	—
Fisheries	—	—	—	—	—	—
Mining	—	—	—	—	—	—
Construction	5,132	1.0	5,984	1.2	4,966	1.0
Electric, gas, steam, water utilities	40,623	7.9	42,019	8.3	42,699	8.9
Telecommunications	6,497	1.3	6,358	1.3	5,719	1.2
Transportation and postal service	71,006	13.7	69,476	13.8	65,446	13.7
Wholesale	48,500	9.4	45,500	9.0	39,500	8.3
Retail	2,165	0.4	1,700	0.3	2,136	0.4
Financial and insurance	64,893	12.5	55,580	11.0	50,518	10.6
Real estate	55,093	10.7	57,207	11.3	48,213	10.1
Rental service	18,016	3.5	18,025	3.6	15,848	3.3
Hospitality	226	0.0	216	0.0	202	0.0
Restaurant and catering	303	0.1	303	0.1	303	0.1
Entertainment	3,092	0.6	773	0.2	270	0.1
Medical	978	0.2	421	0.1	233	0.0
Other services	2,726	0.5	2,749	0.5	2,718	0.6
Local public entities	—	—	—	—	—	—
Individuals	104,739	20.2	103,614	20.5	103,127	21.6
Total domestic	495,707	95.8	484,755	96.1	448,180	93.9
Foreign						
Government	—	—	—	—	—	—
Financial institutions	—	—	—	—	—	—
Commercial and industrial	21,585	4.2	19,919	3.9	28,923	6.1
Total foreign	21,585	4.2	19,919	3.9	28,923	6.1
Total loans	¥517,293	100.0%	¥504,675	100.0%	¥477,104	100.0%

Fukoku Life classifies problem loans according to different standards described below.

Disclosed claims based on categories of obligors. Fukoku Life discloses its loan assets (including principal, lent securities, interest due, suspense payments and guarantees of obligations) based on the following categories of obligors:

- (i) *Claims against bankrupt and quasi-bankrupt obligors:* loans to borrowers who are subject to bankruptcy, corporate reorganisation or rehabilitation or other similar proceedings and other borrowers in serious financial difficulties;
- (ii) *Claims with collection risk:* loans to obligors (other than claims against bankrupt and quasi-bankrupt obligors) with deteriorated financial condition and results of operations from which it is unlikely that the principal and interest on the loans will be recovered;
- (iii) *Delinquent loans past three months or more:* loans for which interest payments or repayments of principal are delinquent for three months or more from the due date under the terms of the related loan agreements, excluding those loans classified as claims against bankrupt and quasi-bankrupt obligors or claims with collection risk; and
- (iv) *Restructured loans:* loans for which certain concessions favourable 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 or the purpose of assisting and supporting the borrowers in the restructuring of their business, but excludes loans classified as claims against bankrupt and quasi-bankrupt obligors, claims with collection risk and delinquent loans past three months or more.

The following table sets forth Fukoku Life's loans classified on the foregoing basis as of the dates indicated on a non-consolidated basis:

	As of 31 March		
	2021	2022	2023
	(millions of yen, except for percentage)		
Claims against bankrupt and quasi-bankrupt obligors	159	143	130
Claims with collection risk	2,515	1,999	544
Delinquent loans past three months or more	—	—	—
Restructured loans	529	1,616	561
Subtotal	3,204	3,759	1,236
Percentage of total	0.31%	0.32%	0.12%
Claims against normal obligors	1,034,137	1,175,569	1,032,163
Total	¥1,037,341	¥1,179,328	¥1,033,399

The following table sets forth the amounts of Fukoku Life's allowances established for possible loan losses as of the dates indicated:

	As of 31 March		
	2021	2022	2023
	(millions of yen)		
General allowance	¥1,911	¥ 820	¥404
Specific allowance	2,475	1,695	422
Allowance for specific overseas loans	—	—	—
Total	¥4,386	¥2,515	¥826

Note:

- (1) Due to the direct write-off of the estimated uncollectible amounts, specific allowance decreased by ¥0 million, ¥0 million and ¥0 million as of 31 March 2021, 2022 and 2023, respectively.

Self-assessment of loan assets. The problem loan classifications based on categories of obligors and repayment conditions described above are derived from the classification of both obligors and individual loans using Fukoku Life's internal asset self-assessment and write-off standards. Fukoku Life reviews its self-assessment every fiscal quarter.

Domestic Stocks

Domestic stocks represented 11.2 per cent., 10.6 per cent. and 11.4 per cent. of Fukoku Life's total assets in its general account as of 31 March 2021, 2022 and 2023, respectively, and consisted mainly of investments in common stock. By carrying value, 83.6 per cent. of Fukoku Life's domestic stocks as of 31 March 2023 were listed on Japanese securities exchanges, or were not publicly traded but could reasonably be assigned a fair value. The break-even point for Fukoku Life's equity holdings, which was approximately ¥13,300 on the Nikkei 225 Index as of 31 March 2023 assuming that the market value of its stock portfolio changes in parallel to the Nikkei 225 Index, was below the then current market level. The following table sets forth the book value of domestic stocks held by Fukoku Life and the break-even points based on TOPIX as of the dates indicated:

	As of 31 March			As of 30 June 2023
	2021	2022	2023	
	(millions of yen or points)			
Carrying value of domestic stocks	¥416,606	¥417,003	¥421,515	¥421,558
Break-even points for domestic stocks based on TOPIX	930	960	950	950

Fukoku Life owns stock of domestic corporations across a wide range of industries, with the largest portion of the total in the manufacturing industries and financial industries. The following table sets forth the amounts of domestic stocks owned by Fukoku Life, based on the industry of the issuer as of the dates indicated:

	As of 31 March					
	2021		2022		2023	
	Balance sheet amount	Percentage of total	Balance sheet amount	Percentage of total	Balance sheet amount	Percentage of total
	(millions of yen, except percentages)					
Forestry and fisheries	¥ —	— %	¥ —	— %	¥ —	— %
Mining	—	—	—	—	—	—
Construction	20,952	2.7	20,103	2.6	18,866	2.3
Manufacturing industry:						
Food products	79,012	10.0	76,879	10.0	86,003	10.6
Textiles and clothing	6,826	0.9	6,627	0.9	9,430	1.2
Pulp and paper	1,790	0.2	1,517	0.2	1,310	0.2
Chemicals	104,312	13.3	101,390	13.2	107,698	13.3
Medical supplies	26,615	3.4	25,247	3.3	28,950	3.6
Oil and coal products	—	—	—	—	—	—
Rubber products	7,724	1.0	5,309	0.7	5,367	0.7
Glass and stone products	1,355	0.2	1,362	0.2	1,484	0.2
Steel	2,674	0.3	3,240	0.4	3,762	0.5
Non-steel metals	5,214	0.7	5,992	0.8	6,502	0.8
Metal products	9,156	1.2	9,285	1.2	12,713	1.6
Machinery	50,090	6.4	39,708	5.2	38,728	4.8
Electric appliances	75,411	9.6	80,206	10.4	78,604	9.7
Transportation vehicles	22,400	2.8	25,609	3.3	24,190	3.0
Precision instruments	7,930	1.0	8,888	1.2	9,034	1.1
Others	16,346	2.1	15,076	2.0	15,015	1.9
Electric and gas utilities	28,751	3.7	26,246	3.4	29,543	3.7
Transportation and Communications industries:						
Ground transportation	85,526	10.9	67,331	8.8	67,592	8.4
Water transportation	226	0.0	2,214	0.3	2,469	0.3
Air transportation	2,470	0.3	2,290	0.3	2,582	0.3
Warehouses	167	0.0	138	0.0	152	0.0
Telecommunications	38,520	4.9	40,643	5.3	41,359	5.1
Wholesale	23,100	2.9	29,910	3.9	35,765	4.4
Retail	4,152	0.5	3,741	0.5	3,614	0.4

	As of 31 March					
	2021		2022		2023	
	Balance sheet amount	Percentage of total	Balance sheet amount	Percentage of total	Balance sheet amount	Percentage of total
(millions of yen, except percentages)						
Financial industries:						
Banks	20,531	2.6	21,556	2.8	25,498	3.2
Securities and trading companies ...	7,787	1.0	7,952	1.0	7,676	0.9
Insurance	75,835	9.6	80,398	10.5	81,102	10.0
Other	39,925	5.1	39,409	5.1	41,006	5.1
Real estate	4,543	0.6	4,476	0.6	6,526	0.8
Service	17,533	2.2	16,197	2.1	16,278	2.0
Total	<u>¥786,886</u>	<u>100.0%</u>	<u>¥768,954</u>	<u>100.0%</u>	<u>¥808,831</u>	<u>100.0%</u>

Foreign Investment

Foreign investments represented 30.2 per cent., 32.1 per cent. and 24.0 per cent. of Fukoku Life's total assets in its general account as of 31 March 2021, 2022 and 2023, respectively, and consisted mainly of investments in bonds issued by foreign issuers. Cash and cash equivalents denominated in currencies other than yen are categorised under "Cash and cash equivalents", loans to borrowers located outside of Japan are categorised under "Loans", and neither are included in foreign investments unless otherwise noted. All of the foreign bonds, stocks and other securities owned by Fukoku Life as of 31 March 2023 were listed on one or more securities exchanges, or were not listed but could reasonably be assigned a fair value.

The following table sets forth the breakdown of foreign bonds held by Fukoku Life by credit rating by S&P (if ratings by S&P are not available, then based on the lowest credit rating from other rating agencies) as of the dates indicated:

	As of 31 March			As of 30 June 2023
	2021	2022	2023	
AAA	29.4%	27.1%	23.4%	23.6%
AA	49.8	48.7	46.0	46.3
A	12.6	13.1	16.4	17.3
BBB	7.9	10.5	12.9	11.7
BB or lower	0.1	0.2	0.5	0.3
N/A	0.2	0.4	0.8	0.8
Total	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>

The average yields on foreign investments (interest, dividends and realised gains and losses) were 3.06 per cent., 3.16 per cent. and 2.71 per cent. in the years ended 31 March 2021, 2022 and 2023, respectively. The break-even point for Fukoku Life's foreign investments, which was approximately ¥123 to U.S.\$1.00 as of 31 March 2023 assuming that all of its foreign currency-denominated securities were converted into dollars as of the same date, was below the then current market level.

The following table sets forth the amounts of foreign investments (including non-yen-denominated cash, cash equivalents and other assets) classified as denominated in foreign currency, swapped into yen or denominated in yen as of the dates indicated:

	As of 31 March					
	2021		2022		2023	
	Balance sheet amount	Percentage of total	Balance sheet amount	Percentage of total	Balance sheet amount	Percentage of total
(millions of yen, except percentages)						
Denominated in foreign currency:						
Foreign bonds	¥2,002,638	79.2%	¥2,119,440	77.2%	¥1,291,781	66.4%
Foreign stocks	83,347	3.3	121,022	4.4	142,456	7.3
Cash, cash equivalents and other assets	335,293	13.3	388,604	14.2	368,100	18.9
Subtotal	2,421,279	95.8	2,629,067	95.8	1,802,337	92.7
Swapped into yen:						
Foreign bonds	—	—	—	—	—	—
Cash, cash equivalents and other assets	1,999	0.1	—	—	—	—
Subtotal	1,999	0.1	—	—	—	—
Denominated in yen:						
Loans to borrowers outside Japan . .	11,532	0.5	9,252	0.3	9,000	0.5
Foreign bonds and other	93,667	3.7	106,608	3.9	133,409	6.9
Subtotal	105,200	4.2	115,860	4.2	142,409	7.3
Total foreign instruments	¥2,528,480	100.0%	¥2,744,928	100.0%	¥1,944,747	100.0%

On a non-consolidated basis, the book value of Fukoku Life's foreign currency denominated bonds amounted to ¥1,291.7 billion as of 31 March 2023.

The following table sets forth the amount of foreign currency bonds held by Fukoku Life as of the dates indicated:

	As of 31 March					As of 30 June 2023
	2019	2020	2021	2022	2023	
	(billions of yen, except duration)					
Hedged foreign currency-denominated bonds	¥ 821.5	¥854.0	¥953.3	¥ 909.7	¥ 161.0	¥ 23.6
Unhedged foreign currency-denominated bonds	1,069.1	962.2	918.8	1,037.3	1,086.3	1,147.7
Duration of foreign currency-denominated bonds	6.20	6.48	6.13	5.67	5.77	5.58

As of 30 June 2023, sovereign bonds accounted for 59.8 per cent. of Fukoku Life's portfolio of foreign bonds, while corporate bonds accounted for 22.8 per cent. and government-affiliated financial institution bonds and government-backed bonds accounted for 17.4 per cent., in each case on a non-consolidated basis. Of the sovereign bonds, U.S. treasuries accounted for the majority, representing 55.5 per cent. of Fukoku Life's holding of foreign sovereign bonds as of 30 June 2023 on a non-consolidated basis, followed by bonds issued by international organisations (20.6 per cent.), Canada (16.9 per cent.) and Australia (3.4 per cent.).

Since 30 June 2023, Fukoku Life has further increased its holding of unhedged foreign currency-denominated bonds (an increase of approximately ¥157 billion as of 30 September 2023, as compared to 31 March 2023) in response to market conditions. See "—Management of Investments" above.

The following table sets forth the amounts of foreign investments denominated in a foreign currency based on the type of foreign currency as of the dates indicated:

	As of 31 March						As of 30 June 2023	
	2021		2022		2023		Balance sheet amount	Percentage of total
	Balance sheet amount	Percentage of total	Balance sheet amount	Percentage of total	Balance sheet amount	Percentage of total		
	(millions of yen, except percentages)							
U.S. dollar	¥1,621,984	67.0%	¥1,777,749	67.6%	¥1,213,033	67.3%	¥1,220,725	67.3
Australian dollar	317,428	13.1	339,846	12.9	297,365	16.5	298,749	16.5
Canadian dollar	200,098	8.3	213,504	8.1	110,940	6.2	120,206	6.6
Euro	203,520	8.4	208,774	7.9	102,193	5.7	99,501	5.5
British pound	36,021	1.5	19,704	0.7	20,957	1.2	13,964	0.8
Other currencies	42,226	1.7	69,487	2.6	57,847	3.2	61,083	3.4
Total	¥2,421,279	100.0%	¥2,629,067	100.0%	¥1,802,337	100.0%	¥1,814,231	100.0%

The following table sets forth the break-even point of foreign currency securities held by Fukoku Life as of the dates indicated, expressed as an exchange rate of U.S. dollar to yen:

	As of 31 March			As of 30 June 2023
	2021	2022	2023	
			(yen)	
Break-even points of foreign currency securities ⁽¹⁾	¥100	¥107	¥123	¥126

Note:

- (1) Break-even point of foreign currency securities as of any date is the U.S. dollar to yen exchange rate estimated by Fukoku Life to be the point at which any unrealised gains on the value of foreign currency securities as of such date will be cancelled by an appreciation of the yen against the dollar, calculated by first converting any foreign currencies other than U.S. dollar into U.S. dollar at the relevant exchange rate as of such date.

The following tables set forth the amounts of foreign investments based on the location of the issuer on a non-consolidated basis as of the dates indicated:

	As of 31 March 2021					
	Foreign bonds		Foreign stocks and other securities		Total	
	Balance sheet amount	Percentage of total	Balance sheet amount	Percentage of total	Balance sheet amount	Percentage of total
	(millions of yen, except percentages)					
North America	¥ 910,172	53.2%	¥102,543	24.6%	¥1,012,715	47.6%
Europe	338,671	19.8	158,709	38.0	497,380	23.4
Oceania	151,582	8.9	11,374	2.7	162,957	7.7
Asia	36,220	2.1	1,653	0.4	37,873	1.8
Latin America	25,707	1.5	143,199	34.3	168,907	7.9
Middle East	18,626	1.1	—	—	18,626	0.9
Africa	—	—	—	—	—	—
International organisations	229,586	13.4	—	—	229,586	10.8
Total	<u>¥1,710,567</u>	<u>100.0%</u>	<u>¥417,479</u>	<u>100.0%</u>	<u>¥2,128,047</u>	<u>100.0%</u>

As of 31 March 2022						
	Foreign bonds		Foreign stocks and other securities		Total	
	Balance sheet amount	Percentage of total	Balance sheet amount	Percentage of total	Balance sheet amount	Percentage of total
(millions of yen, except percentages)						
North America	¥ 965,914	53.0%	¥145,884	28.5%	¥1,111,799	47.6%
Europe	341,542	18.7	178,846	34.9	520,389	22.3
Oceania	172,171	9.4	15,086	2.9	187,257	8.0
Asia	55,490	3.0	1,746	0.3	57,237	2.5
Latin America	23,533	1.3	170,951	33.4	194,485	8.3
Middle East	21,158	1.2	—	—	21,158	0.9
Africa	—	—	—	—	—	—
International organisations	243,624	13.4	—	—	243,624	10.4
Total	<u>¥1,823,435</u>	<u>100.0%</u>	<u>¥512,516</u>	<u>100.0%</u>	<u>¥2,335,951</u>	<u>100.0%</u>

As of 31 March 2023						
	Foreign bonds		Foreign stocks and other securities		Total	
	Balance sheet amount	Percentage of total	Balance sheet amount	Percentage of total	Balance sheet amount	Percentage of total
(millions of yen, except percentages)						
North America	¥ 610,778	51.1%	¥130,906	25.6%	¥ 741,684	43.5%
Europe	220,811	18.5	181,095	35.5	401,906	23.6
Oceania	136,212	11.4	12,473	2.4	148,685	8.7
Asia	44,116	3.7	3,656	0.7	47,772	2.8
Latin America	22,457	1.9	182,508	35.7	204,965	12.0
Middle East	19,513	1.6	—	—	19,513	1.1
Africa	—	—	—	—	—	—
International organisations	140,498	11.8	—	—	140,498	8.2
Total	<u>¥1,194,387</u>	<u>100.0%</u>	<u>¥510,639</u>	<u>100.0%</u>	<u>¥1,705,027</u>	<u>100.0%</u>

As of 30 June 2023		
Total		
	Balance sheet amount	Percentage of total
(millions of yen, except percentages)		
North America	¥ 763,925	43.6%
Europe	404,462	23.1
Oceania	142,650	8.1
Asia	50,331	2.9
Latin America	217,861	12.4
Middle East	20,964	1.2
Africa	—	—
International organisations	150,940	8.6
Total	<u>¥1,751,136</u>	<u>100.0%</u>

The following table sets forth the contractual maturity dates for Fukoku Life's foreign bonds and other securities on a non-consolidated basis, as of the dates indicated:

	Due in 1 year or less	Due after 1 year to 3 years	Due after 3 years to 5 years	Due after 5 years to 7 years	Due after 7 years to 10 years	Due after 10 years or having no maturity date	Total
(millions of yen)							
As of 31 March 2021:							
Foreign bonds	¥ 57,817	¥297,290	¥368,181	¥355,871	¥286,784	¥344,621	¥1,710,567
Other foreign securities	640	2,815	3,239	345	476	409,961	417,479
Total foreign securities	<u>¥ 58,458</u>	<u>¥300,106</u>	<u>¥371,421</u>	<u>¥356,217</u>	<u>¥287,260</u>	<u>¥754,583</u>	<u>¥2,128,047</u>
As of 31 March 2022:							
Foreign bonds	¥148,061	¥352,319	¥357,172	¥347,559	¥256,838	¥361,483	¥1,823,435
Other foreign securities	561	6,387	797	—	699	504,071	512,516
Total foreign securities	<u>¥148,622</u>	<u>¥358,706</u>	<u>¥357,969</u>	<u>¥347,559</u>	<u>¥257,537</u>	<u>¥865,554</u>	<u>¥2,335,951</u>
As of 31 March 2023:							
Foreign bonds	¥ 37,462	¥238,406	¥345,532	¥163,958	¥159,017	¥250,010	¥1,194,387
Other foreign securities	3,565	3,331	—	—	975	502,768	510,639
Total foreign securities	<u>¥ 41,027</u>	<u>¥241,737</u>	<u>¥345,532</u>	<u>¥163,958</u>	<u>¥159,992</u>	<u>¥752,778</u>	<u>¥1,705,027</u>

Money Held in Trust

Fukoku Life's money held in trust is used primarily as vehicles to track the investment returns earned on certain asset categories or by such fund managers. Money held in trust represented 0.4 per cent., 0.4 per cent. and 0.4 per cent. of Fukoku Life's total assets in its general account as of 31 March 2021, 2022 and 2023, respectively. The carrying values of Fukoku Life's money held in trust as of 31 March 2021, 2022 and 2023 were ¥25,277 million, ¥26,070 million and ¥25,897 million, respectively. The balance of money held in trust represented mostly foreign equities.

Real Estate

Real estate represented 3.4 per cent., 3.3 per cent. and 3.4 per cent. of Fukoku Life's total assets in its general account as of 31 March 2021, 2022 and 2023, respectively. Fukoku Life holds real estate for both operating and investment purposes. Real estate held for operating purposes includes mainly office space. Real estate held for investment purposes includes mainly commercial buildings held for rental income. Investments in real estate are diversified based on location within Japan and type of real estate. Fukoku Life manages its real estate investments to maximise rental and other income. Of Fukoku Life's real estate investments as of 31 March 2023, 81.9 per cent. was used by Fukoku Life for investment purposes. Such real estate may be subject to future sale depending on the amount of unrealised gains and the availability and price of rental office space.

The following table sets forth the amounts of real estate owned by Fukoku Life as of the dates indicated:

	As of 31 March					
	2021		2022		2023	
	Carrying value	Percentage of total	Carrying value	Percentage of total	Carrying value	Percentage of total
(millions of yen, except percentages)						
Land	¥146,816	60.1%	¥150,195	61.2%	¥149,747	60.5%
Buildings	92,635	37.9	89,202	36.3	89,583	36.2
Lease	578	0.2	265	0.1	928	0.4
Construction in progress	93	0.0	1,767	0.7	3,649	1.5
Others	4,362	1.8	3,974	1.6	3,412	1.4
Total real estate	<u>¥244,487</u>	<u>100.0%</u>	<u>¥245,405</u>	<u>100.0%</u>	<u>¥247,321</u>	<u>100.0%</u>

Derivative Instruments

Fukoku Life uses derivative instruments, including foreign exchange forward contracts, interest rate swaps, currency swaps and options, bond futures and stock index futures and options. Fukoku Life may enter into these transactions for investment purposes, but most are conducted for hedging price, currency, interest rate and other similar risks to which the assets of Fukoku Life are exposed and they serve, on the whole, to reduce exposure to market risks associated with the portfolios.

However, as Fukoku Life cannot ignore the impact such transactions may have on the current profit and loss, they are cautiously managed and monitored by the relevant departments and management. More specifically, Fukoku Life is concerned to prevent losses from derivative transactions by, among other things, creating a firewall between persons in charge of certain transactions and those in charge of managing positions within the department responsible for the relevant transactions and setting a loss-cut rule, and by reporting to the management transaction balances and the extent of risks, regularly and promptly, when such transactions involve substantial risks.

In addition, although swap transactions and long-term forward exchange contracts entail, by their nature, long-term credit risks in relation to counterparties, Fukoku Life tries to avoid such risks by entering into transactions after carefully selecting counterparties in consideration of their credit ratings and financial positions.

Fukoku Life reflects unrealised gains and losses related to derivative transactions that are not eligible for hedge accounting in investment income and expenses. The following table sets forth the unrealised gains and losses related to derivative transactions as of the dates indicated:

	As of 31 March		
	2021	2022	2023
	(millions of yen)		
Interest-related transactions:	¥ (280)	¥ 20	¥ 47
Hedge accounting applied	—	—	—
Hedge accounting not applied	(280)	20	47
Currency-related transactions:	(40,600)	(68,160)	(1,402)
Hedge accounting applied	(37,644)	(63,528)	(840)
Hedge accounting not applied	(2,956)	(4,632)	(561)
Stock-related transactions:	(157)	(202)	(31)
Hedge accounting applied	—	—	—
Hedge accounting not applied	(157)	(202)	(31)
Bonds-related transactions:	—	—	(137)
Hedge accounting applied	—	—	—
Hedge accounting not applied	—	—	(137)
Total	<u>¥(41,039)</u>	<u>¥(68,342)</u>	<u>¥(1,524)</u>
Hedge accounting applied	(37,644)	(63,528)	(840)
Hedge accounting not applied	(3,394)	(4,814)	(683)

The following table sets forth the notional principal amount and the average receipt or payment rate of Fukoku Life's interest rate swaps as of the dates indicated:

	As of 31 March 2021			As of 31 March 2022			As of 31 March 2023		
	Notional principal	Fair value	Unrealised gains and losses	Notional principal	Fair value	Unrealised gains and losses	Notional principal	Fair value	Unrealised gains and losses
	(millions of yen)								
Yen interest rate swaps									
Yen interest rate swaptions									
Sold:									
Receipt fixed, payment floating	—	—	—	—	—	—	—	—	—
Payment fixed, receipt floating	—	—	—	—	—	—	—	—	—
Bought:									
Receipt fixed, payment floating	—	—	—	—	—	—	—	—	—
Payment fixed, receipt floating	460,000	12	(280)	150,000	154	20	30,000	110	47
Total			(280)			20			47

The following table sets forth the contract values of currency option contracts entered into by Fukoku Life as of the dates indicated. Unrealised gains and losses on such contracts, which are marked to market, were not material in amount as of such dates.

	As of 31 March 2021			As of 31 March 2022			As of 31 March 2023		
	Contract value	Fair value	Difference	Contract value	Fair value	Difference	Contract value	Fair value	Difference
	(millions of yen)								
Currency forward contracts									
Sold:									
U.S. dollars	¥ 621,623	¥ 652,501	¥(30,878)	¥ 630,531	¥ 668,660	¥(38,129)	¥140,574	¥141,687	¥(1,112)
Australian dollars	155,825	159,088	(3,262)	151,512	167,031	(15,518)	64,856	63,991	865
Euro	106,584	108,704	(2,120)	110,689	116,852	(6,163)	14,743	15,102	(359)
Swedish krona	34,379	34,262	117	33,588	35,719	(2,130)	8,758	9,020	(262)
Canadian dollars . . .	64,900	68,428	(3,527)	76,539	82,160	(5,621)	5,829	5,906	(77)
British pound	17,713	18,261	(548)	2,343	2,410	(66)	2,379	2,477	(98)
Total	¥1,001,027	¥1,041,246	¥(40,219)	¥1,005,205	¥1,072,835	¥(67,629)	¥237,141	¥238,186	¥(1,044)
Bought	—	—	—	—	—	—	—	—	—

The following table sets forth the contract values of currency options contracts entered into by Fukoku Life as of the dates indicated. Unrealised gains and losses on such contracts, which are marked to market, were not material in amount as of such dates.

	As of 31 March 2021			As of 31 March 2022			As of 31 March 2023		
	Contract value	Fair value	Difference	Contract value	Fair value	Difference	Contract value	Fair value	Difference
	(millions of yen)								
Currency Options									
Calls sold	¥136,012	¥303	¥(215)	¥ 24,257	¥356	¥(339)	¥ —	¥—	¥ —
U.S. dollars	136,012	303	(215)	24,257	356	(339)	—	—	—
Puts bought	203,072	6	(165)	138,259	6	(191)	30,650	118	(357)
U.S. dollars	199,347	6	(162)	138,259	6	(191)	30,650	118	(357)
Canadian dollars . . .	3,725	0	(3)	—	—	—	—	—	—

General Account and Separate Accounts

Assets related to Fukoku Life's fixed benefit products are held in Fukoku Life's general account. Fukoku Life bears the risk that the investments in the general account will not yield sufficient returns to cover benefits paid for products for which premiums are calculated based on a fixed assumed rate of return.

Assets related to Fukoku Life's group annuities with separate account policy riders are held in Fukoku Life's separate accounts. Separate account assets and liabilities represent funds that are administered and invested by Fukoku Life to meet specific investment objectives of policyholders and for which such policyholders bear the investment risk of the invested assets. The increase in group annuity products reflects primarily the increase of investment income for such products. The following table sets forth the amount of separate account assets as of the dates indicated:

	As of 31 March		
	2021	2022	2023
	(millions of yen)		
Individual variable annuities	¥ 27	¥ 25	¥ —
Group annuity products	104,952	112,462	118,783
Total separate account assets	<u>¥104,979</u>	<u>¥112,487</u>	<u>¥118,783</u>

The following table sets forth the policy amount in force for individual variable annuities as of the dates indicated:

	As of 31 March		
	2021	2022	2023
	(millions of yen)		
Individual variable annuities	¥20	¥18	¥—

Liquidity

Consolidated Cash Flows

The following table sets forth information about Fukoku Life's consolidated cash flows for the years ended 31 March 2021, 2022 and 2023:

	For the year ended 31 March		
	2021	2022	2023
	(millions of yen)		
Net cash provided by operating activities	¥ (38,518)	¥ 62,296	¥120,164
Net cash provided by (used in) investing activities	(196,321)	(146,928)	157,643
Net cash provided by (used in) financing activities	46,361	(3,972)	(2,681)
Effect of exchange rate changes on cash and cash equivalents	(205)	(219)	(1,226)
Net increase in cash and cash equivalents	(188,684)	(88,823)	273,899
Cash and cash equivalents at the beginning of the year	644,507	455,823	366,999
Cash and cash equivalents at the end of the year	455,823	366,999	640,899

Net cash provided by operating activities for the year ended 31 March 2023 increased by ¥57,867 million, or 92.9 per cent., to ¥120,164 million from ¥62,296 million for the year ended 31 March 2022, mainly due to the increase in interest, dividends and other income received. Net cash provided by investing activities for the year ended 31 March 2023 was ¥157,643 million whereas ¥146,928 million was used in the year ended 31 March 2022, mainly a result of proceeds from sales and redemption of securities. Net cash used in financing activities for the year ended 31 March 2023 decreased by ¥1,291 million, or 32.5 per cent., to ¥2,681 million from ¥3,972 million provided for the year ended 31 March 2022.

Liquidity and Liquidity Management

Fukoku Life's principal cash requirements consist of insurance claims and other product-related payments, payments in connection with new investments, income and other taxes, operating expenses, payment of policyholder dividends, policy surrender payments and policy loans.

Fukoku Life's principal sources of cash consist of life insurance and annuity premiums, investment income and proceeds from the sale or maturity of investments. Fukoku Life's portfolio of liquid assets constitutes an additional source of cash to meet unexpected cash outflows. These liquid assets include cash and deposits, postal savings and call loans.

Fukoku Life seeks, to the extent possible, to manage the maturity and liquidity mix of its investments to match the projected payment requirements of its products. Accordingly, Fukoku Life classifies its investments based on their level of liquidity. Domestic bonds form the largest portion of Fukoku Life's general account investment portfolio. Of the domestic bonds held by Fukoku Life as of 31 March 2023, 24.7 per cent. was categorised as held-to-maturity securities which are carried at amortised cost on Fukoku Life's balance sheet and are not marked to market.

For companies using fund segment accounting, Japanese GAAP requires re-categorising all of a company's held-to-maturity securities in a particular fund segment as available-for-sale securities carried at fair market value upon the sale prior to maturity of any bond categorised as a held-to-maturity security in such fund segment.

Although the amount of policy surrenders is generally a liquidity concern to insurance companies, Fukoku Life's business, aside from group annuities, consists mainly of individual and group life insurance, the consumers of which are less sensitive to changes in interest rates. In addition, a substantial portion of Fukoku Life's assets consist of high-liquidity assets such as JGBs and cash and deposits. Based on the foregoing, Fukoku Life believes it is well positioned from a liquidity standpoint.

Fukoku Life has no committed lines or outstanding letters of credit and does not expect to use such lines as sources of cash in the current fiscal year.

Fukoku Life has raised capital through foundation funds in 2019 in the amount of ¥12 billion, scheduled to mature in 2024. As a result, as of 31 March 2023, the balance of foundation funds was ¥12 billion and the amount of accumulated redeemed foundation funds was ¥116 billion. In addition, Fukoku Life issued U.S.\$500 million of step-up callable perpetual subordinated bonds in 2015, ¥50 billion of step-up callable perpetual subordinated bonds in 2016, ¥30 billion of step-up callable subordinated bonds in 2017, and ¥50 billion step-up callable subordinated bonds in 2020.

Fukoku Life's management believes that its sources of cash are adequate to meet its current cash requirements.

Sustainability

Fukoku Life is Japan's only company to maintain a mutual company structure since its founding, with the belief that the ethos underlying insurance is based on mutual support provided by policyholders who form insurance organisations and help each other. The life insurance business is connected to people's lives and requires long-term sustainability, making the mutual company structure optimal. With a focus on lifelong and multigenerational commitments, sustainable growth and viability are vital. Accordingly, Fukoku Life aspires to work towards a sustainable society through its mutual support-based corporate activities.

The concept of sustainability also underlines Fukoku Life's investment policies. In addition to practicing asset management with the policyholders' interest at the utmost priority, Fukoku Life is striving to fulfil its social responsibility through asset management by taking into account the public nature of the life insurance business. Since becoming a signatory to the Principles for Responsible Investment in March 2016, Fukoku Life has incorporated ESG factors into not only its investment decisions, but also its constructive dialogues with investee companies in stewardship activities, all while taking care not to compromise its fiduciary duty to secure profitability. The following table shows the amounts of Fukoku Life's ESG investments for the years indicated:

	Year ended 31 March			Cumulative total since 2015
	2021	2022	2023	
	(billions of yen)			
Total amount of ESG Investments	¥85.4	¥82.4	¥45.4	¥460.6

In June 2020, Fukoku Life also became a supporter of the recommendations put forward by the Task Force on Climate-Related Financial Disclosures.

Competition

Fukoku Life believes that competition in its insurance business is based on a number of factors, including service, product features, price, financial strength ratings and other indices of financial health, marketing methods and name recognition. Given the wide array of relevant factors, life insurance companies compete in different ways, with a competitive advantage in one individual area potentially resulting in a competitive disadvantage in another. Some of Fukoku Life's competitors may offer a broader range of insurance products, may have more competitive pricing or have higher financial strength ratings or better name recognition. Some may also have greater financial resources. Nonetheless, on an aggregate level, Fukoku Life's differentiated strengths and strategies enables it to maintain a leading position in the domestic market. Fukoku Life also competes for sales representatives and independent sales agents with other life insurance companies operating in Japan.

In recent years, there have been substantial changes in the competitive environment surrounding the Japanese life insurance industry, particularly as a result of deregulation, the entry of foreign-owned and new life insurance companies into the market and the failure of a number of life insurance companies.

Information Technology

Fukoku Life uses information technology to facilitate the operations of all aspects of its business, including the management of its policies, the investment of its assets, interaction with customers, the maintenance of statistics and customer information, facilitation of its sales process and big data analysis of customer feedback.

Fukoku Life currently maintains its primary information management and retention systems at a facility in Chiba.

In addition to these centralised facilities, all of Fukoku Life's sales representatives are equipped with laptops. Tablet "PlanDo" devices have been distributed to all of its sales representatives throughout Japan which feature functions to develop insurance proposals, process applications and prepare simulations.

During the COVID-19 pandemic, Fukoku Life introduced services which allow customers to consult with sales representatives through web conferencing systems as well as document sharing applications such as "Eltropy". In addition, it has also introduced "LINE WORKS", a business version of the popular social networking application, to enable smoother and more efficient communication with customers.

Legal Proceedings

Fukoku Life is subject to legal actions in the ordinary course of its business. These legal actions include claims related to individual sales practices and denial or delay of claims payments. Fukoku Life is not involved in any litigation or other legal proceedings that, if determined adversely to Fukoku Life, would individually or in the aggregate be expected to have a material adverse effect on its business or results of operations.

Properties

Fukoku Life owns or leases real property for its Tokyo headquarters, 62 branch offices (as of 31 March 2023) and other facilities located nationwide. Fukoku Life believes its properties are adequate and suitable for its business as currently conducted and are adequately maintained. The above properties do not include properties Fukoku Life owns for investment purposes only.

Employees

As of 31 March 2023, Fukoku Life had 12,436 employees, including 9,573 sales representatives and 2,863 administrative personnel. Although turnover of sales representatives is high, with a thirteen-month retention rate of 76.6 per cent. in the year ended 31 March 2023, Fukoku Life believes this is generally in line with other companies in the life insurance industry in Japan. Most of Fukoku Life's full-time non-management employees are members of a labour union. Fukoku Life's management considers its labour relations to be good.

MANAGEMENT

Directors and Audit & Supervisory Board Members

The following table sets forth the current Directors, Audit & Supervisory Board Members and Executive Officers of Fukoku Life:

Name	Title	Date first elected as Director/Auditor/ Executive Officer
Yoshiteru Yoneyama . . .	President, Chief Executive Officer and Representative Director	July 2010
Yuuki Sakurai	Deputy President and Executive Officer	April 2022
Toshikatsu Hayashi . . .	Director and Senior Managing Executive Officer	April 2019
Takehiko Watabe	Director and Managing Executive Officer	April 2020
Yasuyuki Kitamura	Director and Managing Executive Officer	April 2021
Masanori Yanagi ⁽¹⁾	Director	July 2019
Hiroshi Sato ⁽¹⁾	Director	July 2022
Aya Komaki ⁽¹⁾	Director	July 2023
Naoyuki Torii	Director and Executive Officer	July 2019
Naoki Sunamoto	Director and Executive Officer	July 2020
Takeshi Kondou	Director and Executive Officer	July 2022
Yuuji Yoshida	Director and Executive Officer	July 2023
Yoshizumi Nezu ⁽²⁾	Audit & Supervisory Board Member	July 2002
Kyohei Takahashi ⁽²⁾	Audit & Supervisory Board Member	July 2016
Kunio Otani ⁽²⁾	Audit & Supervisory Board Member	July 2020
Keiichi Kurota	Audit & Supervisory Board Member (Standing)	July 2023
Hideaki Shigematsu	Audit & Supervisory Board Member (Standing)	July 2022
Takeshi Oomori	Managing Executive Officer	July 2021
Ichiro Yamada	Managing Executive Officer	July 2022
Mitsuhiro Hoshino	Executive Officer	July 2019
Kenichi Yoshioka	Executive Officer	July 2021
Yoshiyuki Suzuki	Executive Officer	July 2022
Hirotsuka Kurihara	Executive Officer	April 2019
Hideki Matsushiro	Executive Officer	April 2022
Osamu Eguchi	Executive Officer	April 2022
Hitoshi Yazaki	Executive Officer	April 2023

Notes:

(1) External Director

(2) External Audit & Supervisory Board Member

Fukoku Life's Board of Directors has the ultimate responsibility for the administration of the affairs of Fukoku Life. Fukoku Life's Articles of Incorporation provide for not more than 15 Directors. Directors are elected at the representative policyholders' meeting. The normal term of office of a Director's term expires at the close of the annual policyholders' meeting for the last fiscal year ending within one year of the Director's election, although Directors may serve any number of consecutive terms. The Board of Directors elects from among its members one or more Representative Directors, who have the authority individually to represent Fukoku Life. Under Fukoku Life's Articles of Incorporation, the Board of Directors may also elect from among its members a Chairman, a President and one or more Deputy Presidents, Senior Managing Directors and Managing Directors.

Fukoku Life's Articles of Incorporation provide for not more than five Audit & Supervisory Board Members. Audit & Supervisory Board Members may not at the same time be directors, executive officers, accounting advisors, managers or any other type of employees of Fukoku Life or any of its subsidiaries, and at least one-half of them must be External Audit & Supervisory Board Members under the Insurance Business Act who are not a spouse or relative within the second degree of kinship of a director, manager or important employee of Fukoku Life and have never been a director, executive officer, accounting advisor, or manager or any other type of employee of Fukoku Life or any of its subsidiaries for the last ten years prior to their election as an Audit & Supervisory Board Member and fulfil certain other requirements specified in the Insurance Business Act. The normal term of office of an Audit & Supervisory Board Member expires at the close of the annual policyholders' meeting for the last fiscal year ending within four years of the Audit & Supervisory Board Member's election, although Audit & Supervisory Board Members may serve any number of consecutive terms.

The Audit & Supervisory Board Members form the Audit & Supervisory Board. Audit & Supervisory Board Members are under a statutory duty to review the administration of the affairs of Fukoku Life by the Directors, to examine the financial statements and business reports of Fukoku Life to be submitted by the Representative Director to the representative policyholders' meeting. They are obliged to attend meetings of the Board of Directors and to express their opinions if necessary, but they are not entitled to vote. Audit & Supervisory Board Members also have a statutory duty to provide their report to the Audit & Supervisory Board, which must submit its auditing report to the Board of Directors. The Audit & Supervisory Board will also determine matters relating to the duties of the Audit & Supervisory Board Members, such as audit policy and methods of investigation of the affairs and property of Fukoku Life.

In addition to Audit & Supervisory Board Members, Fukoku Life must appoint independent certified public accountants, who have the statutory duties of examining the financial statements to be submitted by the Board of Directors to the representative policyholders' meeting, reporting their opinion thereon to the relevant Audit & Supervisory Board Members and Directors. Moore Mirai & Co. acts as independent certified public accountants for Fukoku Life.

SUBSIDIARIES

Fukoku Life conducts its business together with its subsidiaries. As of 30 June 2023, Fukoku Life had 10 subsidiaries, six of which were consolidated subsidiaries. Fukoku Life has no affiliates.

The following table sets forth information on all of Fukoku Life's subsidiaries as of 30 June 2023:

Name	Country	Main business	Issued capital as of 30 June 2023 (millions of yen)	Equity held directly or indirectly by Fukoku Life (percentage)
Consolidated Subsidiaries:				
Fukoku Capital Management, Inc.	Japan	Investment management	498	99.0
Fukokushinrai Life Insurance Co., Ltd. . . .	Japan	Life insurance	35,499	89.6
Fukoku Information Systems Co., Ltd. . . .	Japan	Planning, development, maintenance and operation of information and communications systems	300	60.0
Fukoku Life International (U.K.) Ltd.	U.K.	Financial asset management and investment advisory	£4 million	100.0
Fukoku Life International (America) Inc.	U.S.A.	Financial asset management and investment advisory	U.S.\$4 million	100.0
Fukoku Life Investments Singapore Pte. Ltd.	Singapore	Investment advisory services and research on the financial and economic conditions and the life insurance market in Asia	2 million Singapore dollars	100.0
Non-consolidated subsidiaries:				
Fukoku Insurance Agency Co., Ltd.	Japan	Life and non-life insurance agency	10	87.6
Fukoku Shuno Service Co., Ltd.	Japan	Insurance premium administration	10	92.5
Fukoku Insurance Support Co., Ltd.	Japan	Sales agency for life insurance	50	100.0
Fukoku Business Service Co., Ltd.	Japan	Administration services for Fukoku Life	50	100.0

REGULATION OF THE JAPANESE LIFE INSURANCE INDUSTRY

Insurance Business Act

Fukoku Life is regulated principally under the Insurance Business Act, which governs both life and non-life insurance businesses in Japan. Pursuant to the Insurance Business Act, the Prime Minister has the authority to supervise insurance companies in Japan, including Japanese branch offices of foreign-based insurers. Most of such authority is delegated to the Commissioner of the FSA, who in turn has delegated a part of such authority to the Directors of the competent Local Finance Bureaus of the Ministry of Finance. Certain of the provisions of and regulations under the Insurance Business Act and certain other recent regulatory developments are briefly described below. In this description, the term “insurance products” includes annuity products that are sold by life insurance companies in Japan. Such annuity products are regarded as insurance products for purposes of the Insurance Business Act, and the term “insurance” should be interpreted accordingly.

Under the Insurance Business Act, the insurance underwriting business may be conducted by a licensed joint stock corporation, a licensed mutual company or the Japanese branch of a licensed foreign insurer, with certain limited exceptions. Fukoku Life is a licensed mutual company. A mutual company is a corporate structure provided for in the Insurance Business Act, pursuant to which policyholders (excluding holders of non-participating policies) may directly participate in the management of a mutual company. Instead of the general meeting of policyholders corresponding to the general meeting of shareholders in respect of a joint stock corporation, the Insurance Business Act permits a mutual company in its articles of incorporation to establish a board of representative policyholders which consists of representative policyholders elected from among participating and semi-participating policyholders. All of the Japanese mutual life insurance companies, including Fukoku Life, have established boards of representative policyholders. At each of its annual meetings, the board of representative policyholders receives a report and explanation regarding the business and settlement of accounts and adopts resolutions concerning important matters such as disposition of surplus and election of directors. The term of office of representative policyholders is limited to no more than four years by the Insurance Business Act. Fukoku Life’s representative policyholders are nominated by the representative policyholders’ nominating committee established by Fukoku Life taking into account geographical distribution, age, gender and occupations to obtain a balanced representation.

Supervisory Control

Licensing requirements

Under the Insurance Business Act, a licence must be obtained from the Prime Minister in order to engage in the business of underwriting insurance for the general public, with certain exceptions. There are two types of insurance business licences, one for underwriting life insurance and one for underwriting non-life insurance, and the same entity may not obtain both types of licences. Only mutual companies with foundation funds (including statutory reserve for redemption of foundation funds (*kikin-shokyaku-tsumitate-kin*)) of ¥1 billion or more, or joint stock corporations with paid-in capital of ¥1 billion or more, are entitled to obtain such licences. The issuance of a licence is subject to satisfaction of certain requirements relating to financial condition, prospective results of operations, experience, social credibility, insurance products to be offered, and the manner of calculation of insurance premiums, policy reserves, etc. An applicant for an insurance licence must submit to the Prime Minister, together with the application for licence, certain documents such as its articles of incorporation, a statement of the manner of operations, a form of general policy conditions and a statement of the manner of calculation of insurance premiums and policy reserves. The Prime Minister or the Commissioner of the FSA also has the authority to order the suspension of businesses in whole or in part, dismissal of officers including directors, executive officers, accounting advisors, Audit & Supervisory Board Members, and independent auditors, and revocation of licences, in the event of violation of material provisions of laws or regulations or in certain other cases prescribed by the Insurance Business Act.

Foreign insurance companies may not engage, with limited exceptions, in the insurance business in Japan without establishing a branch or office in Japan and obtaining a licence from the Prime Minister. Application procedures and requirements for such a licence are substantially the same as in the case of Japanese insurance companies. Also, the Prime Minister, the Commissioner of the FSA and the Director of the competent Local Finance Bureau of the Ministry of Finance have supervisory authority over foreign insurance companies’ branches and offices in Japan, which is similar to the authority they have over insurance companies in Japan.

Joint-stock corporations or mutual companies that are registered as small- amount, short-term insurers with the relevant Local Finance Bureaus may conduct insurance underwriting business, with restrictions on the

maximum amount of insurance payments and premiums received and the insured period. The small-amount, short-term insurers are subject to less strict regulations than insurers with a licence.

Authority of the Commissioner of the FSA

An insurance company must obtain approval from the Commissioner of the FSA with certain exceptions with respect to (a) any change in its products or any other term provided in the statement of the manner of operations, the form of general policy conditions or the statement of the manner of calculation of insurance premiums and policy reserves (although some of these changes are subject only to prior notification requirements) or certain material provisions of the articles of incorporation, (b) establishment or acquisition of certain subsidiaries, (c) demutualisation, mutualisation, merger, consolidation, company split, dissolution or cessation of insurance business or (d) transfer of insurance policies, transfer or acquisition of a business in which any or all of the parties thereto are insurance companies, or entrustment to any other insurance company of its administration or property. The Commissioner of the FSA also has extensive supervisory authority over insurance companies, including:

- issuance of orders to insurance companies or their subsidiaries requiring such entities to submit reports or materials concerning the condition of the insurance companies' business and assets;
- examination of the operation of insurance companies at their or their subsidiaries' offices and other premises;
- setting of standards for measuring the soundness of the management of insurance companies;
- issuance of orders to insurance companies to change any term provided in any statement of the manner of operations, the form of general policy conditions, or statement of the manner of calculation of insurance premiums and policy reserves; and
- issuance of orders to insurance companies to submit or amend business improvement plans or to suspend all or part of their business.

Registration requirements

Under the Insurance Business Act, life insurance solicitors, including sales representatives, independent sales agents and insurance brokers must be registered with the Director of the competent Local Finance Bureau. The Directors of the competent Local Finance Bureaus also have the authority to revoke any existing registration upon the occurrence of certain events set forth in the Insurance Business Act and to supervise the operation of such life insurance solicitors.

Reporting requirements

Insurance companies in Japan are subject to various reporting requirements under the Insurance Business Act. Among these requirements, insurance companies in Japan must submit to the Commissioner of the FSA annual and semi-annual business reports in each business year, as well as notifications with respect to any increase in foundation funds or paid-in capital, appointment or resignation of representative directors or directors who engage in the ordinary business of the insurance company, Audit & Supervisory Board Members or independent auditors, the issuance of stock acquisition rights or bonds with stock acquisition rights (applicable only to a joint stock corporation) or subordinated bonds or the borrowing of subordinated loans.

Deregulatory measures

In recent years, a number of deregulatory measures have been adopted in the life insurance industry. For instance, effective from April 1996, it is no longer necessary for insurance companies in Japan to obtain the approval of the Minister of Finance or the Commissioner of the FSA for any change in the terms of insurance contracts to be entered into by pension funds or other sophisticated customers or for any change in the terms of group annuities or certain other products specified in the Insurance Business Act and related regulations. Instead of obtaining the approval of the Minister of Finance or the Commissioner of the FSA, insurance companies are now required to file prior notifications to the Commissioner of the FSA with respect to these matters.

Also, sales representatives were previously not permitted to work for more than one life insurance company. However, this exclusivity requirement was relaxed in 1996 by an amendment to the Insurance Business Act in 1995. As a result of this amendment, an independent sales agent may become a sales

representative of two or more life insurance companies in certain circumstances specified by the relevant cabinet order as not being likely to result in impairing the protection of policyholders in light of the relevant factors including the ability of the sales representative to carry on the insurance solicitation. Based on this exception, banks registered as independent sales agents under the Insurance Business Act for over-the-counter insurance sales activities may also act as sales representatives for two or more life insurance companies.

Regulations on solicitation

The Insurance Business Act prohibits certain solicitation activities, such as false notice or nondisclosure of important matters, for the purpose of protecting potential insurance policyholders. In addition, recent amendments to the Insurance Business Act, which became effective in May 2016, established general rules for insurance solicitation to promote more appropriate solicitation practices. These general rules impose on insurance companies and life insurance solicitors, including sales representatives, independent sales agents and insurance brokers (i) an obligation to provide customers with product information and other necessary information during insurance solicitation and (ii) an obligation to ascertain the customer's wishes and to propose products in accordance with the customer's wishes.

Furthermore, sales representatives of life insurance companies, independent sales agents and insurance brokers are prohibited under the Insurance Business Act from selling insurance policies (excluding certain insurance policies specified by the Commissioner of the FSA) to employees and other persons affiliated with their own company, for the purpose of protecting such employees and other persons from coercive purchasing under pressure from their employers or other affiliated entities.

Restrictions on Scope of Business

Scope of business

Under the Insurance Business Act, insurance companies in Japan are permitted to engage only in the business of underwriting insurance pursuant to its licence, investing premium revenues and other assets and certain other businesses set forth in the Insurance Business Act (with the prior approval of the Commissioner of the FSA for certain types of businesses), including:

- representing the businesses of or carrying out certain services on behalf of other insurance companies and financial service operators, including preparation or delivery of documents relating to the underwriting of insurance, collection of premiums, payment of insurance claims and benefits or execution of insurance policies (including brokerage), each for or on behalf of other insurance companies or other financial service operators, and acting as an agent with respect to banking and certain financial instruments businesses;
- providing guarantees for third parties;
- underwriting bonds issued or guaranteed by the Japanese government or bonds issued by Japanese municipal governments or handling of public offerings of bonds so underwritten;
- acquisition or transfer of accounts receivable;
- underwriting bonds issued by a special purpose company (*tokutei mokuteki kaisha*) under the Act on Securitisation of Assets of Japan (Act No. 105 of 1998, as amended) or the handling of public offerings of bonds so underwritten;
- acquisition or transfer of short-term notes (i.e., paperless commercial paper);
- handling of private placements of securities;
- dealing in, or acting as an intermediary, broker or agent with respect to dealing in, certain kinds of financial futures and other derivatives;
- certain types of securities business specified in the Insurance Business Act and the FIEA, such as the sale of units of investment funds;
- handling of public offering of, or commissioning the administration of, municipal government bonds or corporate bonds or other bonds;
- trust business concerning secured bonds that is carried out pursuant to the Secured Bond Trust Act of Japan (Act No. 52 of 1905, as amended);

- investment advisory business;
- execution of, or acting as an intermediary, broker or agent with respect to execution of, agreements to obtain or transfer carbon dioxide equivalent quotas;
- fund transfer business as provided for in the Act Concerning Settlement of Funds of Japan (Act No. 59 of 2009, as amended); and
- trust business relating to insurance claims paid.

Regulation concerning “third sector” insurance products

In the Japanese insurance industry, life insurance products and non-life insurance products are called “first sector” and “second sector” insurance products, respectively, and insurance products which do not fit into either category are called “third sector” insurance products.

Before the deregulation described below, “third sector” insurance products were permitted to be sold as independent products only by foreign-owned or small to medium-sized life insurance companies, although large life insurance companies and life insurance subsidiaries of non-life insurance companies were permitted to sell such products as riders to first sector insurance products.

Deregulation has gradually relaxed the restrictions imposed on the sale of “third sector” insurance products, and currently it is possible for life insurance companies (including life insurance subsidiaries of non-life insurance companies) in Japan to sell “third sector” non-life insurance products. Non-life insurance companies in Japan are also now permitted to sell “third sector” life insurance products.

Restrictions on scope of business of subsidiaries

The Insurance Business Act restricts the types of businesses in which insurance companies in Japan may engage through subsidiaries. Previously, the Insurance Business Act prohibited life insurance companies in Japan from directly, or indirectly through subsidiaries, engaging in the non-life insurance business and also prohibited non-life insurance companies in Japan from directly, or indirectly through subsidiaries, engaging in the life insurance business. As a result of deregulation, however, life insurance companies in Japan are permitted to have non-life insurance subsidiaries, and non-life insurance companies in Japan are permitted to have life insurance subsidiaries. In addition, as a result of further deregulation, it became possible for insurance companies in Japan to have subsidiaries engaging in certain financial instruments businesses, including securities business, or banking business, with the prior approval of, or prior notice to, the Commissioner of the FSA. Holding companies that hold more than 50 per cent. of the voting rights of an insurance company (the “insurance holding companies”), can hold subsidiaries engaging in businesses identical to the foregoing only with prior notice, and may also hold subsidiaries engaging in other businesses with the prior approval of the Commissioner of the FSA (all such permitted subsidiary businesses, “Permitted Subsidiary Business”).

In order to promote foreign expansion of Japanese insurance companies, restrictions on the scope of business of foreign subsidiaries of Japanese insurance companies have been relaxed. As a result of recent amendments to the Insurance Business Act, Japanese insurance companies are permitted to hold foreign subsidiaries engaging in businesses other than the Permitted Subsidiary Business if such foreign subsidiaries are acquired as a result of the acquisition of certain types of foreign banks, financial institutions, insurance companies or financial holding companies. However, under the Insurance Business Act, Japanese insurance companies must dispose of or otherwise remove such foreign subsidiaries as subsidiaries within 10 years following the acquisition, unless an approval for perpetuation or an extension is obtained from the Commissioner of the FSA.

Restrictions on shareholdings of another company

With the exception of certain companies that are allowed to be subsidiaries of insurance companies, the Insurance Business Act generally prohibits an insurance company and/or its subsidiaries from acquiring or holding aggregate voting rights of another domestic company in excess of 10 per cent. of the total voting rights of all shareholders of such domestic company. Also, the Act Concerning Prohibition of Private Monopoly and Maintenance of Fair Trade of Japan (Act No. 54 of 1947, as amended) generally prohibits an insurance company from acquiring or holding voting rights of another domestic company in excess of 10 per cent. of the total voting rights of all shareholders of such domestic company without obtaining the prior approval of the Fair Trade Commission pursuant to the standards established by the Fair Trade Commission.

Restrictions on insurance business by other financial corporations

Securities companies, banks and other financial institutions (other than insurance companies) were previously prohibited from engaging in the insurance business or selling insurance products in Japan. However, in line with the relaxation of the restriction on the scope of business able to be engaged in by insurance companies and their subsidiaries, the legal barriers preventing securities companies, banks and other financial institutions from entering into the insurance markets have gradually been lifted.

Cooperative associations (*kyosai*) are mutual aid societies traditionally formed by a group of persons such as those with the same occupation or regional community, which provide mutual aids, such as funeral expenses, from the pooled contributions of members. Except for some cooperative associations, including the Japan Agricultural Cooperatives, the National Federation of Workers and Consumers Insurance Cooperatives and the Japanese Consumers' Co-operative Union, which are regulated by special laws, cooperative associations are subject to regulations under the Insurance Business Act as a result of an amendment to the Insurance Business Act that became effective in 2006. In 2011, the Insurance Business Act and related regulations were further amended such that cooperative associations which meet certain requirements would be allowed to provide mutual aids with the special authorisation of the relevant authorities, even if they have no insurance business licences.

Restrictions on investments

Under the Insurance Business Act, aggregate investments by an insurance company in Japan in any single company and its related companies (including the purchase of debt or equity securities issued by, and loans to or deposits with, such company or any of its related companies) may not exceed 10 per cent. (or 3 per cent. in the case of loans and guarantees) of its general account assets, as prescribed in the related regulations, except as approved by the Commissioner of the FSA. If an insurance company has subsidiaries or affiliates, except as approved by the Commissioner of the FSA, the aggregate investments by such insurance company and its subsidiaries and affiliates in a single company or its related companies may not exceed 10 per cent. (or 3 per cent. in the case of loans and guarantees) of the aggregate of such insurance company's general account assets, as prescribed in the related regulations, and the equity of such subsidiaries and affiliates, which aggregate amount will be adjusted to such extent as may be deemed necessary by the Commissioner of the FSA. However, these restrictions are not applicable with regard to the investment by an insurance company in its subsidiary, on the condition that such subsidiary is also an insurance company or an insurance holding company and the investment is via the purchase of shares of such subsidiary.

Financial Regulation

Foundation funds. Foundation funds (sometimes referred to as "*kikin*" or "funds") serve as capital for Japanese mutual companies. Unlike paid-in capital for joint stock corporations, however, foundation funds have a stated maturity and accrue interest payment obligations on a subordination basis.

The mutual company is permitted to make principal and interest payments under the foundation funds so long as the payments in any particular year are approved by the board of representative policyholders and do not exceed certain maximum amounts prescribed in the Insurance Business Act (such amounts, the "distributable principal surplus" with respect to principal payments and the "distributable interest surplus" with respect to interest payments).

Under the Insurance Business Act, the mutual company is required to obtain approval of the board of representative policyholders each year in order to distribute surplus for the payment of interest on the foundation funds. The mutual company is also required under the Insurance Business Act to obtain approval of its representative policyholders each year in order to distribute surplus for the payment of principal of the foundation funds. In addition, in order for a mutual company to make principal payments with respect to the foundation funds, it will also be required under the Insurance Business Act to have accumulated statutory reserve for redemption of foundation funds (*kikin-shokyaku-tsumitate-kin*) in an amount equal to the principal payment.

If in any particular year, the conditions mentioned above are not met, a mutual company will be unable in that year to make all or part of the principal or interest payments due under the foundation funds. In such cases, the holder of the foundation funds would not be able to compel the mutual company to make such payment. Notwithstanding the above, if the board of directors fails to adopt a resolution approving a voluntary reserve for fund redemption for a payment of principal due under the foundation funds, the holder of the foundation funds may be able to make a claim against the mutual company for the payment of principal, but only in an amount less than or equal to the amount accumulated under the voluntary reserve for fund redemption.

Policyholder dividends. The Insurance Business Act provides that the distribution of policyholder dividends by insurance companies in Japan must be made in a fair and equitable manner in accordance with the provisions of the related regulations. An insurance company must calculate the amount of profits to be reserved for distribution of policyholder dividends for each type of insurance policy categorised by the nature of the policy, and must choose a calculation method from among those set forth in the regulations. The regulations also provide that the amount of reserve for dividends to policyholders may not exceed the aggregate sum of the following:

- the amount of policyholder dividends which were distributed but reserved with interest;
- the amount of distributed but unpaid dividends, excluding dividends prescribed in the above item but including dividends to be paid in the following fiscal year at the end of each fiscal year;
- the amount of dividends which would be required to be paid to policyholders if all participating policies were prematurely terminated; and
- certain other amounts similar in nature to the amounts mentioned above, to be calculated in accordance with the method prescribed in the statement of the manner of calculation of insurance premiums and policy reserves.

The Insurance Business Act requires an insurance company which is a mutual company to apply a certain percentage of unappropriated retained earnings to provision for reserve for dividends to policyholders and reserve for balancing policyholder dividends. In addition, the Actuarial Standards of Practice for Life Insurance Companies provide certain criteria which must be considered by the chief actuary in determining whether the distribution of policyholder dividends by a life insurance company is made in a fair and equitable manner.

Policy reserves. Under the Insurance Business Act, insurance companies in Japan are required to provide policy reserves at the end of each fiscal year for the fulfilment of future obligations under insurance policies. The policy reserves of life insurance companies shall be calculated based on the amount of insurance premiums actually received and shall consist of the following:

- premium reserve;
- unearned premium reserve;
- reserve for refunds; and
- contingency reserve.

The Insurance Business Act and related regulations provide that the amounts of the premium reserve and reserve for refunds with respect to certain insurance policies specified in such regulations must not be lower than the amount of the “standard policy reserve.” The concept of “standard policy reserve” was introduced by an amendment to the Insurance Business Act effective in April 1996 to ensure the financial soundness of life insurance companies. A public notice issued under the Insurance Business Act by the then Ministry of Finance in 1996, as amended, sets forth the method of provision for the standard policy reserve and the assumed yield and the standard mortality rates which must be adopted or used in calculating the amounts of the standard policy reserve, regardless of the amount of insurance premiums actually received. Pursuant to this public notice, the amount of the standard policy reserve must in general be calculated by the net level premium method, applying the assumed yield applicable as of the date of entering into the insurance policies and applying the standard mortality rates which must be set by the Institute of Actuaries of Japan and confirmed by the Commissioner of the FSA. As to the insurance policies entered on or before 31 March 2015, the assumed yield was set as applied across all types of insurance policies. However, the assumed yield applicable to the insurance policies entered on or after 1 April 2015 may vary among different types of insurance policies, and the assumed yield applicable to certain types of insurance policies with lump-sum premiums set forth in the public notice above may be changed every three months, in contrast to such assumed yield as applicable to the other types of insurance policies which may be changed only once a year. Standard mortality rates are based on the rates set forth in the standard mortality table established by the Institute of Actuaries of Japan and confirmed by the Commissioner of the FSA. The standard mortality table has been revised and as so revised is applied to new insurance policies sold on and after 1 April 2018. The public notice provides different rules for calculation of the amount of the standard policy reserve for variable insurance policies in which a life insurance company guarantees the minimum amount of payment and of which premiums are administered in separate accounts of such life insurance company. The amounts of the premium reserve and reserve for refunds with respect to insurance policies which are not subject to the provision of standard policy reserve, unearned premium reserve and contingency reserve must be calculated as set out in the statement of the manner of calculation of insurance premiums and policy reserves by each life insurance company based on the amount of insurance premiums actually received.

Appointment of chief actuary. Under the Insurance Business Act, each life insurance company is required to appoint a chief actuary by resolution of its board of directors, and the chief actuary so appointed must participate in the calculation of insurance premiums, policy reserves, policyholder dividends, reserve for outstanding claims and certain other matters set forth in the ministerial ordinance promulgated under the Insurance Business Act. Also, the chief actuary must examine, at the end of every fiscal year, whether the provision of policy reserves and the distribution of policyholder dividends have been made appropriately, whether it is difficult to continue the insurance business (based upon the reasonable estimate made in accordance with actuarial principles of the future revenue and expense) and whether the solvency margin ratio (as explained below) of the insurance company has been appropriately calculated based upon actuarial principles, and must submit an opinion to the board of directors of such life insurance company and provide a copy of such opinion to the Commissioner of the FSA. The Commissioner of the FSA may seek explanations with respect to the opinion issued by the chief actuary or seek advice on any matter in which the chief actuary is involved.

Solvency margin ratio. Under the Insurance Business Act, the Commissioner of the FSA has the authority to set standards for measuring the financial soundness of the management of insurance companies in Japan. The solvency margin ratio is a standard designed to measure the ability of insurance companies to make payment for insurance claims and other claims upon the occurrence of unforeseeable events such as natural disasters. The concept of the solvency margin ratio was introduced by an amendment to the Insurance Business Act and related regulations which became effective in April 1996. The manner of calculation of the solvency margin ratios is provided in an Ordinance of the Ministry of Finance promulgated under the Insurance Business Act, as amended, and by public notices and administrative directives issued previously by the Ministry of Finance and currently by the FSA. It has been revised several times to ensure that the solvency margin ratios represent more appropriately the ability of insurance companies in Japan to make required payments upon the occurrence of unforeseeable events. Currently, the non-consolidated solvency margin ratio for life insurance companies is calculated on a non-consolidated basis pursuant to the following formula:

$$\text{Non-consolidated Solvency margin ratio} = \frac{(\text{Total solvency margin}) \times 100}{(\text{Total risk}) \times 1/2}$$

In the above formula:

“Total solvency margin” represents the sum of the following:

- net assets or foundation funds (less certain items);
- reserve for price fluctuation of securities;
- contingency reserve;
- general reserve for possible loan losses;
- net unrealised gains and losses on available-for-sale securities (multiplied by 90 per cent. if gains or 100 per cent. if losses), deferred unrealised gains and losses on derivatives under hedge accounting (multiplied by 90 per cent. if gains or 100 per cent. if losses) and land (multiplied by 85 per cent. if gains or 100 per cent. if losses); and
- certain other items (including subordinated debt which satisfy certain requirements (such as deferral of interest payment obligations) and dated subordinated debt with maturity longer than five years).

“Total risk” is a quantified measure of the total unforeseeable risk borne by the life insurance company, which consists of risk amounts calculated based on standards specified by the Commissioner of the FSA as follows

- the amount of the “insurance risk (other than third sector insurance risk)” and the “third sector insurance risk”, that is, the risk which may arise as a result of the actual rate of occurrence of insurance events exceeding normal expectation;
- the amount of the “risk of assumed yield”, that is, the risk of failing to secure the assumed yield which serves as the basis of calculation of the policy reserves;
- the amount of the “minimum guarantee risk”, that is, the risk associated with any insurance policy with a separate account, that may arise if the amount of the assets in the relevant separate account does not reach the minimum amount of the payment guaranteed under such insurance policy due to price fluctuations of the assets in such separate account or other reasons which may arise beyond normal expectation;

- the amount of the “investment risk”, that is, the aggregate sum of (i) the amount equal to the “risk of price fluctuation”, or the risk which may arise due to, among other things, fluctuation of prices of securities and any other assets held by the insurance company beyond normal expectation, (ii) the amount equal to the “credit risk”, or the risk which may arise due to, among other things, default of obligations by a counterparty to any transaction with respect to securities and any other assets held by the insurance company, (iii) the amount equal to the “affiliate companies’ risk”, or the risk which may arise due to, among other things, investment in any affiliate company, (iv) the amount equal to the “derivative transaction risk”, or the risk which may arise due to, among other things, certain futures or forward transactions or certain derivative transactions, (v) the amount equal to the “credit spread risk”, or the risk which may arise due to, among other things, fluctuation of prices beyond normal expectations with respect to credit derivatives transactions, and (vi) the amount equal to the “reinsurance risk”, or the risk which may arise due to reinsurance transactions; and
- the amount of the “operational risk”, that is, the other risks beyond normal expectation in the company’s business.

The FSA is currently undertaking a comprehensive review of the solvency regulation and plans to revise it in two stages, short- and medium-term. The short-term revisions were concluded by the amendments to the calculation standards of the solvency margin ratio that were introduced and effected from 31 March 2012, including:

- restrictions on the inclusion of certain items in the amount of solvency margin, such as certain surplus portions of the policy reserves and deferred tax assets related to net loss carried forward, and with regard to subordinated debt, the total amount of subordinated debt and certain surplus portions of the policy reserves to be included in the solvency margin is limited to the amount of core margin (*chukaku-teki shiharai yoryoku*), generally calculated by summing up net assets, reserve for price fluctuation of securities, contingency reserve and unappropriated portions of reserve for dividends to policyholders, and making certain deductions (including loss on valuation of available-for-sale securities) and adjustments. However, this limitation is not applied in the case of certain subordinated debt (“specified subordinated debt” or *tokutei fusaisei shihon*) which satisfies not only certain requirements for subordinated debt under previous regulations (such as limitation of redemption and deferral of interest payment obligations), but also additional requirements under the current regulations (such as stricter restrictions on coupon step-up and the requirement of deferred interest being non-cumulative or cumulative but deferrable for an unlimited period);
- requirement of stricter and more elaborate risk assessment, by such means as raising the confidence level of the coefficient of each risk (from 90 per cent. to 95 per cent.), renewing statistical data to be used as the basis of the coefficient of each risk and introducing a calculation of the investment diversification effect related to the price change risk based on each company’s portfolio; and
- requirement of chief actuaries’ confirmation on the appropriate calculation of the solvency margin ratio.

In addition, since 31 March 2012, amendments to the Insurance Business Act introduced the consolidated solvency margin ratio regulation, covering insurance companies or insurance holding companies and their subsidiaries and affiliates.

The consolidated solvency margin ratio for life insurance companies is calculated on a consolidated basis pursuant to the following formula:

$$\text{Consolidated Solvency margin ratio} = \frac{(\text{Total solvency margin}) \times 100}{(\text{Total risk}) \times 1/2}$$

In the above formula:

“Total solvency margin” represents the sum of the same items, shown on a consolidated balance sheet, as described in the formula for the non-consolidated solvency margin ratio and certain other items. Since 31 March 2014, for calculation of the consolidated solvency margin ratio, the amounts of unrecognised actuarial differences and unrecognised prior service costs shall be included in the total solvency margin.

“Total risk” is a quantified measure of the total unforeseeable risk borne by the life insurance company group, which consists of risk amounts calculated on the basis of standards specified by the Commissioner of the FSA.

In connection with the development and possible introduction of new standards for solvency assessment by the IAIS, the FSA is considering the adoption of an economic value-based solvency regime and use of internal models in the course of medium-term review of solvency margin regulations. Since June 2010, the FSA had been conducting studies on an economic value-based solvency regime through field tests covering all Japanese insurance companies and working towards the adoption of a specific framework concerning the economic value-based solvency regime. Following such study, in June 2022, the FSA released the FSA ESR Document 2022. The FSA ESR Document 2022 also gave indications as to the timing for adoption in Japan, namely that preparations and studies will continue to be progressed based on the current assumption that the new regulations will be introduced in 2025. In June 2023, the FSA released a further report regarding the latest status of work on regulations and supervisory methods toward the introduction of ESR. In the report, or FSA ESR Document 2023, the FSA reaffirmed its view that the timing for the adoption and first-time reporting of ESR by insurance companies will be in the fiscal year ending 31 March 2026 and end of March 2026, respectively, as previously indicated in the FSA ESR Document 2022. See “Investment Considerations—As a Japanese insurance company, Fukoku Life is subject to extensive oversight of its business practices and must maintain a solvency margin ratio at or above required levels”.

Subordinated debt (fusaisei shihon). Under the solvency regulations as prescribed in the Insurance Business Act and its related rules, subordinated debt (*fusaisei shihon*) may be included in the amount of solvency margin subject to certain conditions or qualification. In order for an amount of debt to qualify as a subordinated debt which may be included into the amount of solvency margin (*fusaisei shihon choutatsu shudan to*), it must satisfy either of the following conditions:

- (i) a debt instrument which (a) is unsecured, subordinated to any other debts and fully paid-in; (b) will not be subject to redemption except at the option and sole discretion of the issuer and under certain conditions as specified in the related rules thereto; (c) may be used for loss compensation; and (d) interest deferral provisions exist; or
- (ii) a subordinated debt obligation with fixed maturity which (a) has a maturity period of over five years at the time of execution; and (b) in the event where early redemption provisions exist, such early redemption to be at the option and sole discretion of the issuer and under certain conditions as specified in the related rules thereto.

In addition, the amount of such subordinated debt that may be included into the amount of solvency margin is subject to certain limitations as specified in the related rules thereto, except for certain specified subordinated debt as detailed in “—Solvency margin ratio” above.

Prompt corrective action. The Commissioner of the FSA has the authority to order an insurance company with an insufficient solvency margin ratio or negative real net assets, as defined below, to take prompt corrective action. In general, insurance companies with solvency margin ratios of 200 per cent. or higher are considered sound. If the ratio falls below 200 per cent., the Commissioner of the FSA may order the insurance company to submit and implement a business improvement plan that will reasonably ensure the soundness of the management. If the ratio falls below 100 per cent., the Commissioner of the FSA may order the insurance company to take measures to enhance solvency, including without limitation:

- suspension or reduction of payment of dividends to policyholders or payment of remuneration to directors;
- revision of the manner of calculation of insurance premiums for new insurance policies;
- reduction of business expenses;
- suspension or reduction of investments in certain manners;
- closure of offices other than the head or main office;
- curtailment of businesses other than insurance underwriting;
- curtailment of business of sales offices, subsidiaries and affiliates; and
- disposition of shares or other equity interests in subsidiaries and affiliates.

If the solvency margin ratio falls below 0 per cent., the Commissioner of the FSA may order the insurance company to suspend all or part of its operations for a period of time, as specified by the Commissioner of the FSA; however, even if the solvency margin ratio falls below 0 per cent., if the amount of real net assets of

the insurance company is positive or expected to be positive, the Commissioner of the FSA may order a suspension of payment of policyholder dividend and remuneration to directors or such other measures as may be taken for an insurance company with a ratio from 0 per cent. to 100 per cent., rather than suspend the operations of the insurance company. Furthermore, even if the solvency margin ratio is above 0 per cent., if the amount of real net assets of the insurance company is negative or expected to be negative, the Commissioner of the FSA may suspend all or part of the operations of the insurance company. The amount of real net assets is calculated by subtracting non-capital real liabilities from real assets. For these purposes, real assets are equal to an amount calculated based on assets reflected in the balance sheet (including, but not limited to, assets such as available-for-sale securities and real estate with readily obtainable fair value) in accordance with the method promulgated by the Ordinance of the Cabinet Office and the Ministry of Finance No. 45 of 2000, as amended, while non-capital real liabilities are equal to an amount calculated based on liabilities reflected in the balance sheet (excluding certain amounts such as the reserve for price fluctuation of securities and the contingency reserve) in accordance with the method promulgated by the Commissioner of the FSA and the Minister of Finance.

In addition to the above, the Commissioner of the FSA is authorised under the Insurance Business Act, when it considers that in view of the business condition or assets of an insurance company, it is difficult for the insurance company to continue its business, or that because the business operations of the insurance company are grossly inappropriate, continuation of such business would likely be detrimental to the protection of policyholders, to (i) order the insurance company to discuss the merger or suspension of all or part of its business operations or transfers of its insurance portfolio or implementation of any other necessary measures, or (ii) order an insurance custodian to take over the administration of the business and assets of the insurance company.

Regulation for the Protection of Policyholders

Alteration of policy terms. The Insurance Business Act permits a life insurance company to alter its policy terms, inter alia, reduce the assumed yield to policyholders in the case that there is a probability that the life insurance company has difficulty in continuing its business. In order to implement such alteration of policy terms, in the case of a mutual company, after the approval of the Commissioner of the FSA has been obtained, recognising such probability of difficulty in continuing its business, the board of representative policyholders has to decide on a plan to alter the policy terms, in principle, with the approval required of three-fourths or more of the representative policyholders attending a board of the representative policyholders meeting at which half or more of all representative policyholders shall attend. Further, the insurance company must obtain the approval of the Commissioner of the FSA after the approval of the board of representative policyholders. In the case where more than 10 per cent. of the total number of policyholders whose policies will be subject to the plan object and the amount provided in the ministerial ordinance promulgated under the Insurance Business Act as the amount of the claims regarding the insurance policies of such objecting policyholders exceeds 10 per cent. of the aggregate amount of the claims regarding the insurance policies subject to the plan, the alteration shall not be carried out. Notwithstanding the foregoing, the assumed yield may not currently be reduced to less than 3 per cent. as prescribed in the cabinet order under the Insurance Business Act.

Life Insurance Policyholders Protection Corporation of Japan. The Insurance Business Act prescribes the establishment and the manner of operations of corporations for the protection of insurance policyholders and requires that all life insurance companies participate in such a corporation and make contributions pursuant to the articles of incorporation of such corporation. The PPC is the sole corporation for the protection of life insurance policyholders that has been established to date. All life insurance companies doing business in Japan are members of the PPC. The PPC is responsible for providing support to maintain outstanding insurance policies issued by failing life insurance companies. “Failing life insurance companies” in this context mean life insurance companies that (i) suspend or, based on the state of their operations or assets, are likely to suspend payment of insurance claims, or (ii) are unable to perform their obligations, or are likely to be, unable to perform their obligations, with their assets. The support to be provided by the PPC includes the following:

- financial aid for the transfer of all or part of insurance policies from a failing life insurance company to another life insurance company, merger of a failing life insurance company into another life insurance company or acquisition of shares of a failing life insurance company by another life insurance company or an insurance holding company;
- establishment and management of a successor life insurance company which will assume the liabilities for all insurance policies of the failing life insurance company by way of transfer of insurance portfolios, or merger with the failing life insurance company, provided that no other insurance company is expected to assume liabilities under the insurance policies sold by the failing life insurance company;

- assumption of all or part of the insurance policies sold by a failing life insurance company, provided that no other insurance company is expected to assume liabilities under such insurance policies;
- financial aid for payment of insurance claims by a failing life insurance company suspending the payment pursuant to an order for suspending business operations under the Insurance Business Act, or due to reorganisation or bankruptcy proceedings; and
- purchase from policyholders of their unpaid insurance claims against a failing life insurance company.

The amount of financial aid which can be provided by the PPC is, with certain exceptions depending upon the kind of insurance policy, principally limited to an amount which is necessary to maintain 90 per cent. (for policies with a high assumed yield, lower than 90 per cent.) of the sum of the policy reserves (not including the contingency reserve), the reserve for outstanding claims and the policyholders' dividend reserves or participating policyholders' dividend reserves (excluding the undistributed portion thereof) pertaining to insurance policies.

In addition to annual contributions from its member companies, the PPC may borrow a maximum of ¥460 billion in total from banks, insurance companies or financial institutions with the approval of the Commissioner of the FSA and the Minister of Finance. The Insurance Business Act and related regulations provide that, if the PPC needs funds in excess of ¥460 billion (with certain exceptions) to support life insurance companies which fail between 1 April 2006 to 31 March 2027, the Japanese government may, subject to provision in a budget approved by the Diet, subsidise the PPC.

Policyholders' lien. Every holder of a life insurance policy issued by a Japanese life insurance company has a statutory lien (*sakidori tokken*) over the life insurance company's total assets with respect to the amount of reserve for payment to the insured under such policy. In addition, each person (including the policyholder) who has any right (i) to receive insurance claims or benefits, (ii) to seek compensation by a life insurance company for damages suffered by such person or (iii) to receive any refund, surplus, dividend or other distribution from the company, has a statutory lien over the life insurance company's total assets with respect to the amount of such right. The rights secured by statutory liens created under the Insurance Business Act have priority over the rights of general creditors, and are subordinated only to the rights secured by certain other statutory liens or by mortgages, pledges or other security interests.

Reorganisation (kosei) proceedings. Previously, reorganisation proceedings under the Corporate Reorganisation Act of Japan (Act No. 154 of 2002, as amended), were available only to joint stock corporations. However, by an enactment of the Act Concerning Special Handling of Reorganisation Procedures for Financial Institutions, Etc. of Japan (Act No. 95 of 1996, as amended), such proceedings became applicable to mutual insurance companies, and the Commissioner of the FSA was given the authority to file a petition for commencement of reorganisation proceedings at any time when any fact constituting a reason for commencement of bankruptcy proceedings is likely to occur, even if such mutual insurance company is not then actually failing. The trustee appointed in reorganisation proceedings has the right to cancel any existing contracts other than insurance contracts entered into by the company.

Deposit Insurance Act

The Deposit Insurance Act of Japan (Act No. 34 of 1971, as amended) (the "Deposit Insurance Act") was originally enacted in order to protect depositors when banks and other banking institutions fail to meet their obligations. The Deposit Insurance Act was amended effective from March 2014, for the purpose of introducing a new resolution regime for failed financial institutions, including insurance companies, with a view to preventing systemic risks. The new regime has the following characteristics: (i) financial institutions including banks, insurance companies and securities companies and their holding companies are subject to the regime, (ii) necessary measures for preventing systemic risks such as provision of liquidity and financial assistance are implemented under the supervision or control of the Deposit Insurance Corporation of Japan, for certain of which contractual bail-in options (write-down of unsecured subordinated debts and conversion of unsecured subordinated debts into equity) are exercised and (iii) the expenses for implementation of the measures under this regime are borne by the financial industry with an exception under which it may be partially borne by the government of Japan.

Insurance Act

Insurance contracts in Japan had been governed as commercial transactions by the Commercial Code of Japan (Act No. 48 of 1899, as amended) (the “Commercial Code”). In June 2008, the Insurance Act of Japan (Act No. 56 of 2008, as amended) (the “Insurance Act”) was newly promulgated, which became the primary law to govern insurance contracts when it came into effect on 1 April 2010.

The Insurance Act provides for formation, effect and other issues regarding insurance contracts, and is applied to life insurance contracts, non-life insurance contracts and accident and health insurance contracts, as well as mutual aid contracts. In addition to the establishment of rules for a change of an insurance beneficiary, measures to prevent moral hazard and other improvements, the Insurance Act also strengthens policyholder protections, as compared to previous legislative measures. This includes the following:

Under the Commercial Code, a policyholder and an insured party were required to provide notice regarding important matters concerning the possibility of death or survival of the insured whether or not expressly requested by the life insurer. In contrast, the Insurance Act requires them to provide notice regarding important matters only when the life insurer expressly requests that it be provided with notice of such matters.

- In the case where the possibility of death has significantly decreased after the execution of a life insurance policy, the policyholder shall have the right to request a reduction of the insurance premium.
- Even if a payment date for an insurance benefit is specified in a life insurance policy and such date has not yet arrived, the life insurer shall be obliged to pay the insurance benefit after a reasonable period of time has elapsed for the insurer to be able to confirm the items necessary for payment of the insurance benefit.
- Any agreement which is less favourable for any policyholder, any insured and/or any insurance beneficiary than the measures stipulated in the above mentioned provisions of the Insurance Act shall be invalid.
- When a life insurance contract is executed, the life insurer must deliver to the policyholder a document explaining the contents of the insurance contract and certain other items without delay.

In addition, the Insurance Act has established a new rule for the protection of certain insurance beneficiaries. Under this rule, insurance beneficiaries can defeat cancellation of certain insurance contracts by a third party who holds a right of cancellation, such as an attaching creditor or bankruptcy administrator, with the consent of the policyholder, by the payment of a certain amount to such third party and by giving notice to the insurer within one month of the cancellation.

Financial Instruments and Exchange Act

The FIEA generally requires that any person or entity that is to engage in the financial instruments business be registered with the Director of the competent Local Finance Bureau as a registered financial instruments business operator. Fukoku Capital Management, Inc. is registered with the Director of the Kanto Local Finance Bureau as a financial instruments business operator qualified to provide investment advisory services and investment management services under the FIEA, and its operations are subject to the supervision of the Commissioner of the FSA and the Director of the Kanto Local Finance Bureau. The manner of operations of registered financial instruments operators is set forth in the FIEA and related regulations.

The FIEA also requires that each life insurance company be registered as a registered financial institution with the Director of the competent Local Finance Bureau if it is to engage in certain financial instruments businesses, including certain securities dealing businesses, permitted to financial institutions under the FIEA. Life insurance companies so registered are subject to the supervision of the Director of such Local Finance Bureau with respect to their financial instruments business substantially in the same manner as are financial instruments business operators in Japan. Fukoku Life is registered with the Director of the Kanto Local Finance Bureau as a registered financial institution and subject to the supervision of such Director with respect to its financial instruments business. Further, if the life insurance company is to engage in such financial instruments business for an unspecified number of customers, the life insurance company is required to set forth the contents and method of said business and acquire approval from the Commissioner of the FSA pursuant to the Insurance Business Act. Fukoku Life has acquired such approval.

Although the FIEA does not directly regulate insurance policies, the Insurance Business Act provides for the regulation of insurance policies with strong investment characteristics, such as foreign currency-denominated insurance and variable insurance, to the effect that the rules for sales and solicitation activities for such insurance products would be subject to similar restrictions as those established under the FIEA. These rules include, among others, (i) regulations on advertisements, (ii) obligation to deliver documents in a written form which must clearly state the possibility of incurring losses and the amount of fees, prior to concluding a contract, (iii) prohibition of loss compensation, and (iv) the suitability rule. These restrictions apply to sales representatives, independent sales agents and insurance brokers, as well as insurance companies.

Act on Sales of Financial Products and Consumer Contracts Act

The Act on Sales of Financial Products of Japan (Act No. 101 of 2000, as amended) is designed to protect investors in financial products, including insurance products. Under this law, financial service providers, including Fukoku Life as a life insurance company, are required to provide adequate explanations to customers of certain material matters such as risks of losses incurred by customers and mechanisms of such financial products causing losses, and to ensure that their solicitation of customers to purchase financial products is made in a fair manner, taking into account each customer's knowledge, experience, financial condition and purpose of purchasing such products. This law also prohibits financial service providers from providing a conclusive statement or misleading information in respect of any uncertain matter in connection with sales of financial products. Financial service providers are held liable for damages suffered by their customers as a result of any failure to meet these obligations. The amount of damages is refutably presumed by the law to be the loss of capital.

The Consumer Contracts Act of Japan (Act No. 61 of 2000, as amended) is designed to protect individual consumers who enter into contracts, or consumer contracts, with business operators, including Fukoku Life, in light of the wide disparity between individual consumers and business operators in terms of the volume and quality of information and bargaining power. Under this law, a consumer may cancel, within the shorter of one year after the consumer is entitled to ratify the contract and five years after the contract date, any consumer contract entered into by such consumer if he or she has proposed or agreed to enter into the relevant consumer contract due to his or her misunderstanding arising from a material false statement, a failure to provide material information that is disadvantageous to consumers, or a conclusive statement as to any uncertain future matter by the business operator. A similar cancellation right is also given to consumers if the relevant consumer contract was entered into by a consumer due to solicitation by a business operator in a certain troubling manner. This law also requires business operators to ensure that the terms of consumer contracts are provided in a simple and clear manner so that they are understandable to consumers and the Act's amendment, which took effect in June 2019, provides that, depending on the purposes of the consumer contracts, business operators shall make efforts to give necessary information to consumers regarding the contents of those contracts, taking into account each consumer's knowledge and experience. A consumer contract clause that is unfairly prejudicial to the interests of consumers will be void under this Act.

Examples of void clauses include: (i) a total waiver of consumers' rights to seek compensation from a business operator for damages suffered by them as a result of the business operator's default or a clause granting rights to business operators to determine whether consumers may assert or exercise their abovementioned rights for compensation; and (ii) waiver of consumers' cancellation rights caused by a business operator's default or a clause granting rights to business operators to determine whether consumers may assert or exercise their abovementioned rights for cancellation will be void under this law.

Act on Special Civil Court Procedures for Recovery of Collective Consumer Damages

The Act on Special Civil Court Procedures for Recovery of Collective Consumer Damages of Japan (Act No. 96 of 2013, as amended) (the "Special Procedures Act") was promulgated on 11 December 2013 and became effective in October 2016. Under the Special Procedures Act, certain types of consumer groups, subject to approval by the Prime Minister ("Qualified Consumer Groups"), may initiate lawsuits ("Confirmation Suits") for the purpose of confirming that a particular business operator, including Fukoku Life, is liable to large numbers of consumers for monetary obligations arising from a specified cause, based on contracts between such business operator and consumers (a "Common Obligation"). In the event that the existence of a Common Obligation is confirmed through a Confirmation Suit, the relevant Qualified Consumer Group is required, except in limited circumstances, to apply for commencement of a simplified procedure by which individual covered consumers may seek determination of the existence, and the specific amount of, the business operator's liability to them. Upon the commencement of the procedure, the covered consumers will be notified of the

commencement as well as the manner and period to authorise the relevant Qualified Consumer Group to conduct the simplified procedure on behalf of them, and then those authorising may submit claims thereunder to the business operator through the relevant Qualified Consumer Group.

Act Preventing Transfer of Profits Generated from Crime

Under the Act Preventing Transfer of Profits Generated from Crime of Japan (Act No. 22 of 2007, as amended) (the “Act Preventing Transfer of Profits Generated from Crime”), financial institutions and other entities, including Fukoku Life, are required to perform customer identification procedures and keep records of customer identifications and transactions with customers as prescribed by a ministerial ordinance. The Act Preventing Transfer of Profits Generated from Crime also requires financial institutions and other entities, including Fukoku Life, to report to a competent authority if they suspect that any property accepted from a customer has been obtained illegally or the customer conducts certain criminal acts. Customer identification requirements were tightened by amendments to the Act Preventing Transfer of Profits Generated from Crime which came into effect in April 2013 and October 2016.

Personal Information Protection Act

The Personal Information Protection Act aims to protect personal information in the context of a society increasingly reliant on information technology. The Personal Information Protection Act contains various provisions including those imposing obligations on a business operator, including the Group, utilising personal information databases which store personal information such as addresses, family members and medical histories. Pursuant to those provisions, a business operator utilising personal information databases is required to (i) specify the purpose of the use of the personal information as clearly as possible, (ii) refrain from using the personal information beyond such purpose without consent by the person to whom such information relates, (iii) notify the person to whom such information relates or publish the purpose of the use when or prior to acquiring the personal information, and (iv) disclose the personal information if the person to whom such information relates requests it. Further, in certain cases, the person to whom such information relates may request the business operator to correct, add, refrain from using or erase the personal data.

JAPANESE TAXATION

The following is a general description of certain aspects of Japanese tax treatment primarily in relation to payments of principal of and interest on the Bonds. It does not purport to be a comprehensive description of the tax aspects of the Bonds. Prospective purchasers should note that, although the general tax information on Japanese taxation is described hereunder for convenience, the statements below are general in nature and not exhaustive.

Prospective purchasers are advised to consult their own legal, tax, accountancy or other professional advisers in order to ascertain their particular circumstances regarding taxation. The statements below are based on the current tax laws and regulations of Japan and the current income tax treaties entered into by Japan all as in effect on the date hereof and all of which are subject to change or differing interpretations (possibly with retroactive effect). Neither such statements nor any other statement in this Offering Circular are to be regarded as advice on the tax position of any holder or beneficial owner of the Bonds or any person subscribing for, purchasing, selling or otherwise dealing in the Bonds or any tax implication arising from the subscription for or purchase, sale or other dealings in respect of the Bonds.

The Bonds

The Bonds do not fall under the concept of so called “taxable linked bonds” as described in Article 6, Paragraph (4) of the Act on Special Taxation Measures, i.e., bonds of which the amount of interest is to be calculated or determined by reference to certain indicators (as prescribed in the Cabinet Order) in respect of the issuer of such bonds or any other person who has a special relationship with such issuer (that is, in general terms, a person who directly or indirectly controls or is directly or indirectly controlled by, or is directly or indirectly controlled by a person who also directly or indirectly controls, such issuer) as described in Article 6, Paragraph (4) of the Act on Special Taxation Measures and Article 3-2-2, Paragraphs (5) to (7) of the Cabinet Order (such other person is hereinafter referred to as a “Specially-Related Person”).

Representation of Gross Recipient Status upon Initial Distribution

By subscribing for the Bonds, an investor will be deemed to have represented that it is a “Gross Recipient” which means (i) a holder or beneficial owner of the Bonds that is, for Japanese tax purposes, neither an individual resident of Japan or a Japanese corporation (a “Resident Holder”), nor an individual non-resident of Japan or a non-Japanese corporation (a “Non-Resident Holder”) that, in either case is a Specially-Related Person, (ii) a Designated Financial Institution or (iii) any other excluded category of persons, corporations or other entities under the Act on Special Taxation Measures. The Bonds are not as part of the initial distribution by the Managers at any time to be directly or indirectly offered or sold to, or for the benefit of, any person other than a Gross Recipient.

Interest Payments on Bonds

The following description of Japanese taxation (limited to national taxes) applies exclusively to interest on the Bonds, where the Bonds are issued by Fukoku Life outside Japan and payable outside Japan. It is not intended to be exhaustive and prospective purchasers are recommended to consult their tax advisers as to their exact tax position.

1. Non-Resident Holders that are not Specially-Related Persons

If the recipient of interest on the Bonds is a Non-Resident Holder for Japanese tax purposes, as described below, the Japanese tax consequences on such Non-Resident Holder are significantly different depending upon whether such Non-Resident Holder is a Specially-Related Person. Most importantly, if such Non-Resident Holder is a Specially-Related Person, income tax at the rate of 15.315 per cent. (15 per cent. on or after 1 January 2038) of the amount of such interest will be withheld by Fukoku Life under Japanese tax law.

- (1) If the recipient of interest on the Bonds is a Non-Resident Holder that is not a Specially-Related Person having no permanent establishment within Japan or having a permanent establishment within Japan but where the receipt of the interest on the Bonds is not attributable to the business of such Non-Resident Holder carried on within Japan through such permanent establishment, no Japanese income tax or corporate tax is payable with respect to such interest

whether by way of withholding, deduction or otherwise, if such recipient complies with certain requirements, inter alia:

- (i) if the relevant Bonds are held through certain participants in an international clearing organisation such as The Depository Trust Company, Euroclear and Clearstream, Luxembourg or certain financial intermediaries prescribed by the Act on Special Taxation Measures and the Cabinet Order (together with the ministerial ordinance and other regulations thereunder, the “Law”) (each such participant or financial intermediary, a “Participant”), the requirement to provide, at the time of entrusting a Participant with the custody of the relevant Bonds, certain information (the “Interest Recipient Information”) prescribed by the Law to enable the Participant to establish that the recipient is exempt from the requirement for Japanese tax to be withheld or deducted and to advise the Participant if such Non-Resident Holder ceases to be so exempted (including the case where it became a Specially-Related Person); and
- (ii) if the relevant Bonds are not held through a Participant, the requirement to submit to the relevant paying agent a written application for tax exemption (*hikazei tekiyo shinkokusho*) (the “Written Application for Tax Exemption”) together with certain documentary evidence.

Failure to comply with the foregoing requirements (including the case where the Interest Recipient Information is not duly communicated through a Participant or to the relevant paying agent as required under the Law) will result in the withholding by Fukoku Life of income tax at the rate of 15.315 per cent. (15 per cent. on or after 1 January 2038) of the amount of such interest.

- (2) If the recipient of interest on the Bonds is a Non-Resident Holder having a permanent establishment within Japan and the receipt of interest is attributable to the business of such Non-Resident Holder carried on within Japan through such permanent establishment, such interest will not be subject to a 15.315 per cent. (15 per cent. on or after 1 January 2038) withholding tax by Fukoku Life, if the recipient provides the Interest Recipient Information or submits the Written Application for Tax Exemption as set out in paragraph (1) above. Failure to do so will result in the withholding by Fukoku Life of income tax at the rate of 15.315 per cent. (15 per cent. on or after 1 January 2038) of the amount of such interest. The amount of such interest will be aggregated with the recipient’s other Japanese source income and will be subject to regular income tax or corporate tax, as appropriate.

2. Resident Holders, and Non-Resident Holders that are Specially-Related Persons

- (1) Payments of interest on the Bonds to a Resident Holder (except for (a) a Designated Financial Institution which has complied with the requirements under Article 6 of the Act on Special Taxation Measures and (b) a public corporation, a financial institution, a financial instruments business operator or certain other entity which has complied with the requirement for tax exemption under Article 3-3, Paragraph (6) of the Act on Special Taxation Measures receiving interest through its payment handling agent in Japan as defined in Article 3-3, Paragraph (1) of the Act on Special Taxation Measures and Article 2-2, Paragraph (2) of the Cabinet Order with custody of the Bonds in compliance with the requirement for tax exemption under Article 2-2 of the Cabinet Order) or to a Non-Resident Holder that is a Specially-Related Person, will be subject to deduction in respect of Japanese income tax at the rate of 15.315 per cent. (15 per cent. on or after 1 January 2038).
- (2) Under the Law, if a Non-Resident Holder becomes a Specially-Related Person, and if such Bonds are held through a Participant, then such Non-Resident Holder is required to notify the Participant of such change in status by the immediately following interest payment date of the Bonds. As the status of such Non-Resident Holder as a Specially-Related Person for Japanese withholding tax purposes is determined based on the status as of the beginning of the fiscal year of Fukoku Life in which the relevant interest payment date falls, such Non-Resident Holder should, by such notification, identify and advise the Participant of the specific interest payment date on which Japanese withholding tax commences to apply with respect to such Non-Resident Holder as being a Specially-Related Person.

- (3) The Japanese withholding tax imposed upon interest on the Bonds paid to a Non-Resident Holder that is a Specially-Related Person as mentioned above may be reduced or exempted by an income tax treaty between Japan and the country of residence of such Non-Resident Holder in accordance with its terms.

Capital Gains, Stamp Tax and Other Similar Taxes, Inheritance Tax and Gift Tax

Gains derived from the sale or disposition of Bonds outside Japan by a Non-Resident Holder having no permanent establishment within Japan are, in general, not subject to Japanese income tax or corporate tax.

No stamp, issue, registration or similar taxes or duties will, under current Japanese law, be payable in Japan by holders of the Bonds in connection with the issue of the Bonds, or will such taxes be payable by holders of the Bonds in connection with their transfer if such transfer takes place outside Japan.

Japanese inheritance tax or gift tax at progressive rates may be payable by an individual, wherever resident, who has acquired the Bonds from another individual as legatee, heir or donee.

SUBSCRIPTION AND SALE

Fukoku Life intends to offer U.S.\$500,000,000 in aggregate principal amount of the Bonds through Mizuho Securities Asia Limited, J.P. Morgan Securities plc, Nomura International plc, Goldman Sachs International and Citigroup Global Markets Limited (together, the “Joint Lead Managers”) and Morgan Stanley & Co. International plc, Daiwa Capital Markets Europe Limited, SMBC Nikko Capital Markets Limited, Merrill Lynch International and Okasan International (Asia) Limited (together with the Joint Lead Managers, the “Managers”) to non-U.S. persons in offshore transactions outside the United States in reliance on Regulation S. Subject to the terms and conditions set forth in a subscription agreement between Fukoku Life and the Managers dated 7 November 2023 (the “Subscription Agreement”), the Managers have agreed, severally (and not jointly), to subscribe the Bonds at the issue price identified on the cover page of this Offering Circular.

The Managers are entitled to be released and discharged from their obligations under the Subscription Agreement or to terminate the Subscription Agreement in certain circumstances prior to payment being made to Fukoku Life as set out therein. Fukoku Life has agreed to reimburse the Managers for certain of their expenses in connection with the issue of the Bonds and to indemnify the Managers against certain liabilities or to contribute to payments that the Managers may be required to make in respect of those liabilities.

The Managers are offering the Bonds, subject to prior sale, when, as and if issued to and accepted by them, subject to approval of legal matters by their counsel, including the validity of the Bonds, and other conditions contained in the Subscription Agreement, such as the receipt by the Managers of officers’ certificates and legal opinions. The Managers reserve the right to withdraw, cancel or modify offers to investors and to reject orders in whole or in part.

New Issue of Bonds

The Bonds are a new issue of securities with no established trading market. Approval in-principle has been received for the listing and quotation of the Bonds on the SGX-ST. The Managers are under no obligation to make a market in the Bonds and may discontinue any market-making activities at any time without any notice. Fukoku Life cannot assure the liquidity of the trading market for the Bonds. If an active trading market for the Bonds does not develop, the market price and liquidity of the Bonds may be adversely affected. If the Bonds are traded, they may trade at a discount from the issue price, depending on prevailing interest rates, the market for similar securities, the Group’s operating performance and financial condition, general economic conditions and other factors.

No Sales of Similar Securities

Fukoku Life has agreed that it will not, for a period of 30 days after the date of the Subscription Agreement, without first obtaining the prior written consent of the Joint Lead Managers, directly or indirectly, issue, sell, offer to contract or grant any option to sell, pledge, transfer or otherwise dispose of, any debt securities or securities exchangeable into debt securities, except for the Bonds sold to the Managers pursuant to the Subscription Agreement.

Stabilisation

In connection with the offering, any of the Managers and their respective affiliates may purchase and sell the Bonds in the open market and engage in other transactions. These transactions may include overallotment and purchases to cover short positions created in connection with the offering. These transactions may also include stabilising transactions by Mizuho Securities Asia Limited. Short sales involve the sale by Mizuho Securities Asia Limited of a greater number of Bonds than it is required to purchase in the offering. Stabilising transactions consist of certain bids or purchases for the purpose of preventing or retarding a decline in the market price of the Bonds while the offering is in progress.

These activities may stabilise, maintain or otherwise affect the market price of the Bonds. As a result, the price of the Bonds may be higher than the price that otherwise might exist in the open market. If these activities are commenced, they may be discontinued at any time.

Neither Fukoku Life nor any of the Managers makes any representation or prediction as to the direction or magnitude of any effect that the transactions described above may have on the price of the Bonds. In addition, neither Fukoku Life nor any of the Managers makes any representation that it will engage in such transactions or that such transactions, once commenced, will not be discontinued without notice.

Other Relationships

Some of the Managers and their respective affiliates have engaged in, and may in the future engage in, various activities, which may include securities trading, commercial and investment banking, financial advisory, investment research, hedging, financing and brokerage activities and other commercial dealings in the ordinary course of business with Fukoku Life or Fukoku Life's affiliates. The Managers have received, or may in the future receive, customary fees and commissions for these transactions.

In addition, in the ordinary course of their business activities, the Managers and their respective affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (including bank loans) for their own account and for the accounts of their customers. Such investments and securities activities may involve Fukoku Life's securities and/or instruments or those of Fukoku Life's affiliates. In particular, Mizuho Bank, Ltd., which is an affiliate of Mizuho Securities Asia Limited, contributed 33.3 per cent. of the foundation funds of Fukoku Life as of 31 March 2023. Furthermore, certain of the Managers or their respective affiliates that have a lending relationship with Fukoku Life routinely hedge their credit exposure to Fukoku Life consistent with their customary risk management policies. Typically, such Managers and their respective affiliates would hedge such exposure by entering into transactions which consist of either the purchase of credit default swaps or the creation of short positions in Fukoku Life's securities, including potentially the Bonds offered hereby. Any such credit default swaps or short positions could adversely affect future trading prices of the Bonds offered hereby. The Managers and their respective affiliates may also make investment recommendations and/or publish or express independent research views in respect of such securities or financial instruments and may hold, or recommend to clients that they acquire, long and/or short positions in such securities and instruments.

Notices to Prospective Investors

General

Neither Fukoku Life nor any of the Managers has made any representation that any action will be taken in any jurisdiction by the Managers or Fukoku Life that would permit a public offering of the Bonds, or possession or distribution of this Offering Circular (in preliminary, proof or final form) or any other offering or publicity material relating to the Bonds (including roadshow materials and investor presentations), in any country or jurisdiction where action for that purpose is required. Accordingly, the Bonds may not be offered or sold, directly or indirectly, and neither this Offering Circular nor any other offering or publicity material relating to the Bonds may be distributed or published, in or from any country or jurisdiction except under circumstances that will result in compliance with applicable laws and regulations.

United States

The Bonds have not been and will not be registered under the Securities Act or any state securities laws and are being offered and sold outside of the United States to non-U.S. persons in reliance on Regulation S. The Bonds may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons except in certain transactions exempt from the registration requirements of the Securities Act. Terms used in this paragraph have the meanings given to them by Regulation S.

Except as permitted by the Subscription Agreement, the Bonds may not be offered or sold (i) as part of the distribution by the Managers under the Subscription Agreement at any time or (ii) otherwise until 40 days after the later of the commencement of the offering and the closing date of the offering, within the United States or to, or for the account or benefit of, U.S. persons. Any dealer to which Bonds are being sold during the distribution compliance period must be delivered a confirmation or other notice setting forth the restrictions on offers and sales of the Bonds within the United States or to, or for the account or benefit of, U.S. persons. Terms used in this paragraph have the meanings given to them by Regulation S.

In addition, until 40 days after the commencement of the offering, an offer or sale of Bonds within the United States by a dealer that is not participating in the offering may violate the registration requirements of the Securities Act.

Japan

The Bonds have not been and will not be registered under the FIEA and are subject to the Act on Special Taxation Measures. The Bonds have not been and will not be offered or sold, directly or indirectly, in Japan or

to, or for the benefit of, any resident in Japan for Japanese securities law purposes (including any corporation or other entity organised under the laws of Japan), or to others for reoffering or resale, directly or indirectly, in Japan or to, or for the benefit of, any resident of Japan, except pursuant to an exemption from the registration requirements of, and otherwise in compliance with, the FIEA and any other applicable laws, regulations and governmental guidelines of Japan. In addition, as part of the initial distribution by the Managers, the Bonds are not at any time to be directly or indirectly offered or sold to, or for the benefit of, any person other than a Gross Recipient. A “Gross Recipient” for this purpose is (i) a beneficial owner that is, for Japanese tax purposes, neither an individual resident of Japan or a Japanese corporation, nor an individual non-resident of Japan or a non-Japanese corporation that, in either case, is a Specially-Related Person of Fukoku Life, (ii) a Designated Financial Institution or (iii) any other excluded category of persons, corporations or other entities under the Act on Special Taxation Measures.

United Kingdom

The Bonds have not been and will not be offered, sold or otherwise made available to any retail investor in the U.K. For the purposes of this provision:

- (a) the expression “retail investor” means a person who is one (or more) of the following:
 - (i) a retail client as defined in point (8) of Article 2 of Regulation (EU) No 2017/565 as it forms part of domestic law by virtue of the European Union (Withdrawal) Act 2018; or
 - (ii) a customer within the meaning of the provision of the FSMA and any rules or regulations made under the FSMA to implement the Insurance Distribution Directive, where that customer would not qualify as a professional client, as defined in point (8) of Article 2(1) of Regulation (EU) No 600/2014 as it forms part of domestic law by virtue of the European Union (Withdrawal) Act 2018; or
 - (iii) not a qualified investor as defined in the Prospectus Regulation as it forms part of domestic law by virtue of the European Union (Withdrawal) Act 2018; and
- (b) the expression “offer” includes the communication in any form and by any means of sufficient information on the terms of the offer and the Bonds to be offered so as to enable an investor to decide to purchase or subscribe the Bonds.

In addition, in the United Kingdom, this Offering Circular is being distributed only to, and is directed only at (i) persons who have professional experience in matters relating to investments falling within Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005, as amended (the “Order”) or (ii) entities falling within Article 49(2)(a) to (e) of the Order (all such persons together being referred to as “relevant persons”). This Offering Circular must not be acted on or relied on in the United Kingdom by persons who are not relevant persons. In the United Kingdom, any investment or investment activity to which this Offering Circular relates is only available to, and will be engaged in with, relevant persons.

European Economic Area

The Bonds have not been and will not be offered, sold or otherwise made available to any retail investor in the EEA. For the purposes of this provision:

- (a) the expression “retail investor” means a person who is one (or more) of the following:
 - (i) a retail client as defined in point (11) of Article 4(1) of MiFID II; or
 - (ii) a customer within the meaning of the Insurance Distribution Directive, where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II; or
 - (iii) not a qualified investor as defined in the Prospectus Regulation; and
- (b) the expression “offer” includes the communication in any form and by any means of sufficient information on the terms of the offer and the Bonds to be offered so as to enable an investor to decide to purchase or subscribe the Bonds.

Hong Kong

This Offering Circular has not been approved by or registered with the Securities and Futures Commission of Hong Kong or the Registrar of Companies of Hong Kong. The Bonds have not been and will not be offered or sold in Hong Kong, by means of any document other than (a) to “professional investors” as defined in the Securities and Futures Ordinance (Cap. 571) of Hong Kong (the “Securities and Futures Ordinance”) and any rules made under that Ordinance, or (b) in other circumstances which do not result in the document being a “prospectus” as defined in the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Cap. 32) of Hong Kong or which do not constitute an offer to the public within the meaning of that Ordinance. No advertisement, invitation or document relating to the Bonds has been issued, which is directed at, or the contents of which are likely to be accessed or read by, the public of Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to Bonds which are or are intended to be disposed of only to persons outside Hong Kong or only to “professional investors” as defined in the Securities and Futures Ordinance and any rules made under that Ordinance have been issued, whether in Hong Kong or elsewhere.

Notice to Capital Market Intermediaries (“CMIs”) and Prospective Investors pursuant to Paragraph 21 of the Hong Kong SFC Code of Conduct (the “SFC Code”)—Important Notice to CMIs (Including Private Banks)

Prospective investors should be aware that certain intermediaries in the context of this offering, including certain Managers, are CMIs subject to Paragraph 21 of the SFC Code. This notice to CMIs (including private banks) is a summary of certain obligations the SFC Code imposes on CMIs, which require the attention and cooperation of other CMIs (including private banks). Certain CMIs may also be acting as overall coordinators (“OCs”) for the offering and are subject to additional requirements under the SFC Code.

Prospective investors who are the directors, employees or major shareholders of Fukoku Life, a CMI or its group companies would be considered under the SFC Code as having an association (“Association”) with Fukoku Life, the CMI or the relevant group company. CMIs should specifically disclose whether their investor clients have any Association when submitting orders for the Bonds. In addition, private banks should take all reasonable steps to identify whether their investor clients may have any Associations with Fukoku Life or any CMI (including its group companies) and inform the Managers accordingly.

CMIs are informed that the marketing and investor targeting strategy for the offering includes institutional investors, sovereign wealth funds, pension funds, hedge funds, family offices and high net worth individuals, in each case, subject to the selling restrictions and any UK MiFIR product governance language set out elsewhere in this Offering Circular.

CMIs should ensure that orders placed are bona fide, are not inflated and do not constitute duplicated orders (i.e. two or more corresponding or identical orders placed via two or more CMIs). CMIs should enquire with their investor clients regarding any orders which appear unusual or irregular. CMIs should disclose the identities of all investors when submitting orders for the Bonds (except for omnibus orders where underlying investor information may need to be provided to any OCs when submitting orders). Failure to provide underlying investor information for omnibus orders, where required to do so, may result in that order being rejected. CMIs should not place “X-orders” into the order book.

CMIs should segregate and clearly identify their own proprietary orders (and those of their group companies, including private banks as the case may be) in the order book and book messages. CMIs (including private banks) should not offer any rebates to prospective investors or pass on any rebates provided by Fukoku Life. In addition, CMIs (including private banks) should not enter into arrangements which may result in prospective investors paying different prices for the Bonds.

The SFC Code requires that a CMI disclose complete and accurate information in a timely manner on the status of the order book and other relevant information it receives to targeted investors for them to make an informed decision. In order to do this, those Managers in control of the order book should consider disclosing order book updates to all CMIs.

When placing an order for the Bonds, private banks should disclose, at the same time, if such order is placed other than on a “principal” basis (whereby it is deploying its own balance sheet for onward selling to investors). Private banks who do not provide such disclosure are hereby deemed to be placing their order on such a “principal” basis. Otherwise, such order may be considered to be an omnibus order pursuant to the SFC Code. Private banks should be aware that placing an order on a “principal” basis may require the relevant affiliated Managers (if any) to categorise it as a proprietary order and apply the “proprietary orders” requirements of the SFC Code to such order.

In relation to omnibus orders, when submitting such orders, CMIs (including private banks) that are subject to the SFC Code should disclose underlying investor information, in respect of each order constituting the relevant omnibus order (failure to provide such information may result in that order being rejected). CMIs (including private banks) should contact the Managers to obtain details on what underlying investor information is required. To the extent information being disclosed by CMIs and investors is personal and/or confidential in nature, CMIs (including private banks) agree and warrant: (A) to take appropriate steps to safeguard the transmission of such information to any OCs; and (B) that they have obtained the necessary consents from the underlying investors to disclose such information to any OCs. By submitting an order and providing such information to any OCs, each CMI (including private banks) further warrants that they and the underlying investors have understood and consented to the collection, disclosure, use and transfer of such information by the OCs and/or any other third parties as may be required by the SFC Code, including to Fukoku Life, relevant regulators and/or any other third parties as may be required by the SFC Code, for the purpose of complying with the SFC Code, during the bookbuilding process for the offering. CMIs that receive such underlying investor information are reminded that such information should be used only for submitting orders in the offering. The Managers may be asked to demonstrate compliance with their obligations under the SFC Code, and may request other CMIs (including private banks) to provide evidence showing compliance with the obligations above (in particular, that the necessary consents have been obtained). In such event, other CMIs (including private banks) are required to provide the relevant Manager with such evidence within the timeline requested.

Singapore

This Offering Circular has not been registered as a prospectus with the Monetary Authority of Singapore. Accordingly, the Bonds have not been offered or sold, or caused to be made the subject of an invitation for subscription or purchase and will not be offered or sold or caused to be made the subject of an invitation for subscription or purchase, and neither this Offering Circular nor any other document or material in connection with the offer or sale, nor invitation for subscription or purchase, of the Bonds has been circulated or distributed, or will be circulated or distributed, whether directly or indirectly, to any person in Singapore other than (i) to an institutional investor (as defined in Section 4A of the SFA) pursuant to Section 274 of the SFA, (ii) to a relevant person (as defined in Section 275(2) of the SFA) pursuant to Section 275(1) of the SFA, or any person pursuant to Section 275(1A) of the SFA, and in accordance with the conditions specified in Section 275 of the SFA and (where applicable) Regulation 3 of the Securities and Futures (Classes of Investors) Regulations 2018, or (iii) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA.

Where the Bonds are subscribed or purchased under Section 275 of the SFA by a relevant person which is:

- (a) a corporation (which is not an accredited investor (as defined in Section 4A of the SFA)) the sole business of which is to hold investments and the entire share capital of which is owned by one or more individuals, each of whom is an accredited investor; or
- (b) a trust (where the trustee is not an accredited investor) whose sole purpose is to hold investments and each beneficiary of the trust is an individual who is an accredited investor,

securities or securities-based derivatives contracts (each term as defined in Section 2(1) of the SFA) of that corporation or the beneficiaries' rights and interest (howsoever described) in that trust shall not be transferred within six months after that corporation or that trust has acquired the Bonds pursuant to an offer made under Section 275 of the SFA, except:

- (1) to an institutional investor or to a relevant person, or to any person arising from an offer referred to in Section 275(1A) or Section 276(4)(c)(ii) of the SFA;
- (2) where no consideration is or will be given for the transfer;
- (3) where the transfer is by operation of law;
- (4) as specified in Section 276(7) of the SFA; or
- (5) as specified in Regulation 37A of the Securities and Futures (Offers of Investments) (Securities and Securities-based Derivatives Contracts) Regulations 2018.

Any reference to the SFA is a reference to the Securities and Futures Act 2001 of Singapore and a reference to any term as defined in the SFA or any provision in the SFA is a reference to that term as modified or amended from time to time including by such of its subsidiary legislation as may be applicable at the relevant time.

Singapore SFA Product Classification: Solely for the purposes of its obligations pursuant to sections 309B(1)(a) and 309B(1)(c) of the SFA, Fukoku Life has determined, and hereby notifies all relevant persons (as defined in Section 309A(1) of the SFA) that the Bonds are prescribed capital markets products (as defined in the Securities and Futures (Capital Markets Products) Regulations 2018) and Excluded Investment Products (as defined in MAS Notice SFA 04-N12: Notice on the Sale of Investment Products and MAS Notice FAA-N16: Notice on Recommendations on Investment Products).

GENERAL INFORMATION

- (1) Fukoku Life has obtained all necessary consents, approvals and authorisations in Japan in connection with the issue of the Bonds. The issue of the Bonds was authorised by resolutions of the Board of Directors of Fukoku Life dated 29 June 2023.
- (2) The Bonds have been accepted for clearance through Euroclear and through Clearstream, Luxembourg. The International Security Identification Number (ISIN) for the Bonds is XS2673651217 and the Common Code for the Bonds is 267365121. The Legal Entity Identifier (LEI) for Fukoku Life is 549300JDVRDBH680VF26.
- (3) Approval in-principle has been received for the listing and quotation of the Bonds on the SGX-ST. For so long as the Bonds are listed on the SGX-ST and the rules of the SGX-ST so require, in the event that the Global Certificate for the Bonds is exchanged for definitive Certificates, Fukoku Life will appoint and maintain a paying agent in Singapore, where the definitive Certificates in respect of the Bonds may be presented or surrendered for payment or redemption. In addition, in the event that the Global Certificate for the Bonds is exchanged for definitive certificates, an announcement of such exchange will be made by or on behalf of Fukoku Life through the SGX-ST and such announcement will include all material information with respect to the delivery of the definitive Certificates, including details of the paying agent in Singapore. The Bonds will be traded on the SGX-ST in a minimum board lot size of U.S.\$200,000 for so long as the Bonds are listed on the SGX-ST.
- (4) There has been no significant change in the financial or trading position of Fukoku Life or the Group and no material adverse change in the financial position or prospects of Fukoku Life or the Group since 31 March 2023.
- (5) There are no, nor have there been any, governmental, legal arbitration, administrative or other proceedings involving of Fukoku Life or any other member of the Group which may have or have had during the 12 months immediately preceding the date of this Offering Circular a significant effect on the financial position or the profitability of Fukoku Life or the Group and, so far as Fukoku Life is aware, there are no such proceedings pending or threatened involving (whether as defendant or otherwise) of Fukoku Life or any other member of the Group.
- (6) The Global Certificate, and any definitive Certificates issued in respect of the Bonds, will bear the following legend:

“INTEREST PAYMENTS ON THE BONDS WILL BE SUBJECT TO JAPANESE WITHHOLDING TAX UNLESS IT IS ESTABLISHED THAT THE BONDS ARE HELD BY OR FOR THE ACCOUNT OF A BENEFICIAL OWNER THAT IS (I) FOR JAPANESE TAX PURPOSES, NEITHER AN INDIVIDUAL RESIDENT OF JAPAN OR A JAPANESE CORPORATION, NOR AN INDIVIDUAL NON-RESIDENT OF JAPAN OR A NON-JAPANESE CORPORATION THAT, IN EITHER CASE, IS A PERSON HAVING A SPECIAL RELATIONSHIP WITH FUKOKU LIFE AS DESCRIBED IN ARTICLE 6, PARAGRAPH (4) OF THE ACT ON SPECIAL MEASURES CONCERNING TAXATION OF JAPAN (ACT NO. 26 OF 1957, AS AMENDED, THE “ACT ON SPECIAL TAXATION MEASURES”) (A “SPECIALLY-RELATED PERSON OF FUKOKU LIFE”) OR (II) A JAPANESE FINANCIAL INSTITUTION DESIGNATED IN ARTICLE 3-2-2, PARAGRAPH (29) OF THE CABINET ORDER (CABINET ORDER NO. 43 OF 1957, AS AMENDED) WHICH HAS COMPLIED WITH THE JAPANESE TAX EXEMPTION REQUIREMENTS UNDER ARTICLE 6, PARAGRAPH (11) OF THE ACT ON SPECIAL TAXATION MEASURES OR (III) A PUBLIC CORPORATION, A FINANCIAL INSTITUTION, A FINANCIAL INSTRUMENTS BUSINESS OPERATOR OR CERTAIN OTHER ENTITY WHICH HAS COMPLIED WITH THE REQUIREMENT FOR TAX EXEMPTION UNDER ARTICLE 3-3, PARAGRAPH (6) OF THE ACT ON SPECIAL TAXATION MEASURES RECEIVING INTEREST THROUGH ITS PAYMENT HANDLING AGENT IN JAPAN AS PROVIDED IN THAT PARAGRAPH.

INTEREST PAYMENTS ON THE BONDS TO AN INDIVIDUAL RESIDENT OF JAPAN, TO A JAPANESE CORPORATION NOT DESCRIBED IN THE PRECEDING PARAGRAPH, OR TO AN INDIVIDUAL NON-RESIDENT OF JAPAN OR A NON-JAPANESE CORPORATION THAT IN EITHER CASE IS A SPECIALLY-RELATED PERSON OF FUKOKU LIFE WILL BE SUBJECT TO DEDUCTION IN RESPECT OF JAPANESE INCOME TAX”.

- (7) So long as any of the Bonds are outstanding and subject to the Principal Paying Agent first being provided by Fukoku Life with copies of the relevant financial statements mentioned below and the Trust Deed), following prior written request and proof of holding and identity to the satisfaction of, the Principal Paying Agent, (i) copies of the latest annual report and audited consolidated and non-consolidated annual financial statements of Fukoku Life may be obtained, and copies of the Trust Deed and the Agency Agreement will be available for inspection, at the specified office of the Principal Paying Agent during normal business hours (being between 9:00 a.m. and 3:00 p.m. (London time) Monday to Friday other than public holidays), or (ii) copies of the latest annual report and audited consolidated and non-consolidated annual financial statements of Fukoku Life, the Trust Deed and the Agency Agreement may be provided by email to any Bondholder.
- (8) The consolidated and non-consolidated financial statements of Fukoku Life for each of the years ended 31 March 2021, 2022 and 2023, included in this Offering Circular, have been audited by Moore Mirai & Co., independent certified public accountants, as stated in their report appearing herein.
- (9) The unaudited interim consolidated and non-consolidated financial statements of Fukoku Life as of 30 June 2023 and for the three-month periods ended 30 June 2023 and 2022, included in this Offering Circular, have been reviewed by Moore Mirai & Co., independent certified public accountants, as stated in its review reports appearing herein.
- (10) The Trustee is entitled under the Trust Deed to accept and rely, without investigation or verification and without liability to Bondholders or any other person, on, among other things, on any information, certificate or report from or any opinion or advice of any accountants, lawyers, valuers, auctioneers, surveyors, brokers, financial advisers, financial institution or any other expert, addresses and/or delivered to it whether or not the same are subject to any limitation on liability of the relevant accountant, lawyers, valuers, auctioneers, surveyors brokers, financial advisers, financial institution or other expert and whether by reference to a monetary cap, methodology or otherwise.

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Notice to Investors

This Offering Circular does not represent “Other Information” as described in the auditor’s report.

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Independent Auditor's Report

August 28, 2023

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

Moore Mirai & Co.

Tokyo, Japan

Designated Engagement Partner
Certified Public Accountant

/S/ Shinnosuke Tsuruta

Shinnosuke Tsuruta

Designated Engagement Partner
Certified Public Accountant

/S/ Yuichi Yasuda

Yuichi Yasuda

Opinion

We have audited the accompanying consolidated financial statements of Fukoku Mutual Life Insurance Company and its consolidated subsidiaries (collectively referred to as “the Group”), which comprise the consolidated balance sheets as at March 31, 2022 and 2023, 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 years 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, 2022 and 2023, and its consolidated financial performance and its consolidated cash flows for the years 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 the Group, the value of policy reserve is amounted to ¥7,449,355 million which is 90.6% of the total liabilities.

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 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 was appropriate, we tested the design and operating effectiveness of certain of the Group’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 and additional policy reserves funded by reducing the assumed interest rates. 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

In terms of completeness of policy reserves, we tested through the aggregation process if all insurance policies in the administration system were included in the scope of the policy reserve calculation and the result of calculations 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. 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.

Other Information

Other information comprises information included in a disclosure document that contains audited consolidated financial statements, but does not include the consolidated financial statements and our auditor’s report thereon. We have concluded that other information does not exist. Accordingly, we have not performed any work related to other information.

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, 2023.

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.

Consolidated Financial Statements

Consolidated Balance Sheets

Fukoku Mutual Life Insurance Company and consolidated subsidiaries
As of March 31, 2022 and 2023

	As of March 31,		
	2022	2023	2023
	Millions of yen		Millions of U.S. dollars
Assets:			
Cash and deposits	¥323,128	¥524,841	\$3,930
Call loans	48,000	130,000	973
Monetary claims bought.....	80	—	—
Money held in trust.....	26,070	25,897	193
Securities.....	7,697,988	7,321,344	54,829
Loans.....	556,577	527,561	3,950
Tangible fixed assets:			
Land	150,195	149,747	1,121
Buildings.....	89,379	89,751	672
Lease assets	298	991	7
Construction in progress.....	1,767	3,649	27
Other tangible fixed assets.....	4,125	3,583	26
	245,765	247,723	1,855
Intangible fixed assets:			
Software.....	19,657	23,558	176
Lease assets	3,486	2,635	19
Other intangible fixed assets.....	7,466	2,497	18
	30,609	28,690	214
Agency receivables	0	0	0
Reinsurance receivables	175	83	0
Other assets.....	58,397	61,085	457
Net defined benefit assets	822	1,184	8
Deferred tax assets.....	1,831	16,131	120
Allowance for possible loan losses.....	(2,516)	(826)	(6)
Total assets.....	¥8,986,931	¥8,883,718	\$66,529

As of March 31,

	2022	2023	2023
	Millions of yen		Millions of U.S. dollars
Liabilities:			
Policy reserves:			
Reserve for outstanding claims.....	¥27,719	¥26,326	\$197
Policy reserve	7,356,399	7,449,355	55,787
Reserve for dividends to policyholders.....	63,411	64,420	482
Reserve for dividends to policyholders (subsidiary)	322	304	2
	7,447,853	7,540,406	56,469
Agency payables	165	461	3
Reinsurance payables	104	60	0
Subordinated bonds.....	241,935	241,935	1,811
Other liabilities	281,058	208,704	1,562
Reserve for claims and other payments	3,432	—	—
Net defined benefit liabilities.....	27,677	25,220	188
Reserve for price fluctuation.....	187,692	188,538	1,411
Deferred tax liabilities	25,188	0	0
Deferred tax liabilities for land revaluation	14,183	14,164	106
Total liabilities	8,229,290	8,219,491	61,555
Net assets:			
Foundation funds.....	12,000	12,000	89
Accumulated foundation funds redeemed	116,000	116,000	868
Reserve for revaluation	112	112	0
Consolidated surplus.....	132,765	133,303	998
Total foundation funds, surplus and others.....	260,877	261,415	1,957
Net unrealized gains (losses) on available-for-sale securities, net of tax.....	486,644	390,148	2,921
Revaluation reserve for land, net of tax	4,184	4,468	33
Foreign currency translation adjustment.....	(312)	(58)	(0)
Accumulated remeasurements of defined benefit plans	(2,030)	274	2
Total accumulated other comprehensive income	488,486	394,833	2,956
Non-controlling interests	8,276	7,977	59
Total net assets	757,640	664,226	4,974
Total liabilities and net assets	¥8,986,931	¥8,883,718	\$66,529

See notes to the consolidated financial statements.

Consolidated Statements of Operations

Fukoku Mutual Life Insurance Company and consolidated subsidiaries
For the year ended March 31, 2022 and 2023

	Year ended March 31,		
	2022	2023	2023
	Millions of yen		Millions of U.S. dollars
Ordinary revenues:			
Premium and other income	¥632,055	¥760,603	\$5,696
Investment income:			
Interest, dividends and other income	185,514	182,754	1,368
Gains on money held in trust, net	817	—	—
Gains on trading securities, net	1,664	348	2
Gains on sales of securities	16,760	55,764	417
Gains on redemption of securities, net	65	11,702	87
Foreign exchange gains, net	1,616	—	—
Reversal of allowance for possible loan losses	1,867	624	4
Other investment income	381	322	2
Gains on separate accounts, net	6,391	2,174	16
	215,080	253,691	1,899
Other ordinary revenues	10,762	14,327	107
Total ordinary revenues	857,898	1,028,622	7,703
Ordinary expenses:			
Claims and other payments:			
Claims	91,523	144,133	1,079
Annuities	309,762	288,512	2,160
Benefits	116,426	150,002	1,123
Surrenders	71,221	71,845	538
Other payments	24,648	25,473	190
	613,582	679,967	5,092
Provision of policy reserve and others:			
Provision of reserve for outstanding claims	4,006	—	—
Provision of policy reserves	25,127	92,956	696
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
	29,147	92,970	696
Investment expenses:			
Interest expenses	4,417	4,479	33
Losses on money held in trust, net	—	161	1
Losses on sales of securities	15,060	46,995	351
Losses on valuation of securities	344	3,608	27
Losses on redemption of securities, net	—	185	1
Losses on derivative instruments, net	7,746	11,221	84
Foreign exchange losses, net	—	8,235	61
Depreciation of real estate for rent and other assets	4,788	4,850	36
Other investment expenses	9,553	10,868	81
	41,910	90,607	678
Operating expenses	99,607	101,175	757
Other ordinary expenses	33,132	29,486	220
Total ordinary expenses	817,379	994,207	7,445
Ordinary profits	¥40,519	¥34,415	\$257



	Year ended March 31,		
	2022	2023	2023
	Millions of yen		Millions of U.S. dollars
Extraordinary gains:			
Gains on disposal of fixed assets	¥11	¥393	\$2
Total extraordinary gains	11	393	2
Extraordinary losses:			
Losses on disposal of fixed assets	431	182	1
Impairment losses	46	32	0
Provision of reserve for price fluctuation	4,171	845	6
Total extraordinary losses	4,650	1,060	7
Provision of reserve for dividends to policyholders (subsidiary)	195	173	1
Surplus before income taxes	35,685	33,574	251
Income taxes:			
Current	11,945	4,008	30
Deferred	(10,247)	(2,191)	(16)
Total income taxes	1,698	1,816	13
Net surplus	33,986	31,757	237
Net surplus attributable to non-controlling interests	74	106	0
Net surplus attributable to the parent company	¥33,911	¥31,650	\$237

See notes to the consolidated financial statements.

Consolidated Statements of Comprehensive Income

Fukoku Mutual Life Insurance Company and consolidated subsidiaries
For the year ended March 31, 2022 and 2023

	Year ended March 31,		
	2022	2023	2023
	Millions of yen		Millions of U.S. dollars
Net surplus	¥33,986	¥31,757	\$237
Other comprehensive income:			
Net unrealized gains (losses) on available-for-sale securities, net of tax ...	20,581	(96,789)	(724)
Foreign currency translation adjustments	259	254	1
Remeasurements of defined benefit plan, net of tax	1,673	2,305	17
	22,514	(94,229)	(705)
Comprehensive income:			
Comprehensive income attributable to the parent company	56,633	(62,286)	(466)
Comprehensive income attributable to non-controlling interests	(132)	(186)	(1)
	¥56,500	¥(62,472)	\$(467)

See notes to the consolidated financial statements.

Consolidated Statements of Cash Flow

Fukoku Mutual Life Insurance Company and consolidated subsidiaries
For the year ended March 31, 2022 and 2023

	Year ended March 31,		
	2022	2023	2023
	Millions of yen		Millions of U.S. dollars
Cash flows from operating activities:			
Surplus before income taxes.....	¥35,685	¥33,574	\$251
Depreciation of real estate for rent and other assets	4,788	4,850	36
Depreciation.....	14,529	13,720	102
Impairment losses.....	46	32	0
Increase (decrease) in reserve for outstanding claims.....	4,006	(1,392)	(10)
Increase (decrease) in policy reserve.....	25,127	92,956	696
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)	195	173	1
Increase (decrease) in allowance for possible loan losses.....	(1,870)	(1,689)	(12)
Increase (decrease) in reserve for claims and other payments	3,432	(3,432)	(25)
Increase (decrease) in net defined benefit liabilities	755	382	2
Increase (decrease) in reserve for price fluctuation.....	4,171	845	6
Interest, dividends and other income	(185,514)	(182,754)	(1,368)
Losses (gains) on securities, net	(2,548)	(7,817)	(58)
Interest expenses	4,417	4,479	33
Foreign exchange losses (gains), net	(1,616)	8,235	61
Losses (gains) on tangible fixed assets, net	386	(218)	(1)
Decrease (increase) in agency receivable.....	0	(0)	(0)
Decrease (increase) in reinsurance receivable.....	(5)	92	0
Decrease (increase) in other assets except from investing and financing activities.....	2,589	(5,974)	(44)
Increase (decrease) in agency payable	53	295	2
Increase (decrease) in reinsurance payable	0	(43)	(0)
Increase (decrease) in other liabilities except from investing and financing activities.....	2,185	(1,548)	(11)
Others.....	17,933	20,590	154
Subtotal	(71,236)	(24,627)	(184)
Interest, dividends and other income received.....	182,614	185,806	1,391
Interest expenses paid	(4,388)	(4,450)	(33)
Dividends to policyholders paid.....	(32,580)	(29,731)	(222)
Dividends to policyholders paid (subsidiary)	(181)	(192)	(1)
Corporate income tax (paid) refunded	(11,931)	(6,640)	(49)
Net cash provided by (used in) operating activities (a).....	62,296	120,164	899
Cash flows from investing activities:			
Net decrease (increase) in deposits	2,003	(9,767)	(73)
Proceeds from sales and redemption of monetary claims bought	158	77	0
Increase in money held in trust.....	(2,310)	—	—
Decrease in money held in trust	2,310	—	—
Payments for purchase of securities.....	(768,599)	(983,240)	(7,363)
Proceeds from sales and redemption of securities	618,119	1,307,916	9,794
Payments for additions to loans	(78,096)	(75,769)	(567)
Proceeds from collections of loans	86,729	96,953	726
Proceeds from and payments for settlements of derivatives, net.....	(76,466)	(146,423)	(1,096)
Increase (decrease) in cash received as collateral under securities lending transactions	99,108	(5,445)	(40)
Others.....	(8,672)	(9,853)	(73)
Subtotal (b).....	(125,716)	174,447	1,306
(a + b).....	¥(63,420)	¥294,611	\$2,206



	Year ended March 31,		
	2022	2023	2023
	Millions of yen		Millions of U.S. dollars
Payments for purchase of tangible fixed assets	¥(9,512)	¥(8,976)	\$(67)
Proceeds from sales of tangible fixed assets.....	109	1,036	7
Payments for purchase of intangible fixed assets	(11,808)	(8,863)	(66)
Net cash provided by (used in) investing activities	(146,928)	157,643	1,180
Cash flows from financing activities:			
Payment of interest on foundation funds	(102)	(102)	(0)
Dividends paid to non-controlling interests	(159)	(112)	(0)
Payments for lease obligations	(3,710)	(2,467)	(18)
Net cash provided by (used in) financing activities.....	(3,972)	(2,681)	(20)
Effect of exchange rate changes on cash and cash equivalents	(219)	(1,226)	(9)
Net increase (decrease) in cash and cash equivalents	(88,823)	273,899	2,051
Cash and cash equivalents at the beginning of the fiscal year	455,823	366,999	2,748
Cash and cash equivalents at the end of the fiscal year	¥366,999	¥640,899	\$4,799

See notes to the consolidated financial statements.

Consolidated Statements of Changes in Net Assets

Fukoku Mutual Life Insurance Company and consolidated subsidiaries
For the year ended March 31, 2022 and 2023

For the year ended March 31, 2022	Millions of yen				
	Foundation funds, surplus and others				
	Foundation funds	Accumulated foundation funds redeemed	Reserve for revaluation	Consolidated surplus	Total foundation funds, surplus and others
Balance at the beginning of the fiscal year	¥12,000	¥116,000	¥112	¥131,699	¥259,811
Changes in the fiscal year					
Additions to reserve for dividends to policyholders				(32,744)	(32,744)
Payment of interest on foundation funds.....				(102)	(102)
Net surplus attributable to the parent company for the fiscal year				33,911	33,911
Reversal of revaluation reserve for land, net of tax.....				1	1
Net changes, excluding foundation funds, surplus and others.....					
Total changes in the fiscal year.....	—	—	—	1,066	1,066
Balance at the end of the fiscal year	¥12,000	¥116,000	¥112	¥132,765	¥260,877

For the year ended March 31, 2022	Millions of yen						
	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	¥465,855	¥4,185	¥ (571)	¥ (3,703)	¥465,765	¥8,568	¥734,145
Changes in the fiscal year							
Additions to reserve for dividends to policyholders.....							(32,744)
Payment of interest on foundation funds.....							(102)
Net surplus attributable to the parent company for the fiscal year							33,911
Reversal of revaluation reserve for land, net of tax.....							1
Net changes, excluding foundation funds, surplus and others.....	20,789	(1)	259	1,673	22,720	(292)	22,428
Total changes in the fiscal year.....	20,789	(1)	259	1,673	22,720	(292)	23,494
Balance at the end of the fiscal year	¥486,644	¥4,184	¥ (312)	¥ (2,030)	¥488,486	¥8,276	¥757,640



For the year ended March 31, 2023	Millions of yen				
	Foundation funds, surplus and others				
	Foundation funds	Accumulated foundation funds redeemed	Reserve for revaluation	Consolidated surplus	Total foundation funds, surplus and others
Balance at the beginning of the fiscal year	¥12,000	¥116,000	¥112	¥132,765	¥260,877
Changes in the fiscal year					
Additions to reserve for dividends to policyholders				(30,726)	(30,726)
Payment of interest on foundation funds				(102)	(102)
Net surplus attributable to the parent company for the fiscal year				31,650	31,650
Reversal of revaluation reserve for land, net of tax				(284)	(284)
Net changes, excluding foundation funds, surplus and others					
Total changes in the fiscal year	—	—	—	537	537
Balance at the end of the fiscal year	¥12,000	¥116,000	¥112	¥133,303	¥261,415

For the year ended March 31, 2023	Millions of yen						
	Accumulated other comprehensive income						
	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	Total net assets
Balance at the beginning of the fiscal year	¥486,644	¥4,184	¥ (312)	¥ (2,030)	¥488,486	¥8,276	¥757,640
Changes in the fiscal year							
Additions to reserve for dividends to policyholders							(30,726)
Payment of interest on foundation funds							(102)
Net surplus attributable to the parent company for the fiscal year							31,650
Reversal of revaluation reserve for land, net of tax							(284)
Net changes, excluding foundation funds, surplus and others	(96,496)	284	254	2,305	(93,652)	(298)	(93,951)
Total changes in the fiscal year	(96,496)	284	254	2,305	(93,652)	(298)	(93,413)
Balance at the end of the fiscal year	¥390,148	¥4,468	¥ (58)	¥274	¥394,833	¥7,977	¥664,226

Millions of U.S. dollars

	Foundation funds, surplus and others				
For the year ended March 31, 2023	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	\$89	\$868	\$0	\$994	\$1,953
Changes in the fiscal year					
Additions to reserve for dividends to policyholders				(230)	(230)
Payment of interest on foundation funds.....				(0)	(0)
Net surplus attributable to the parent company for the fiscal year				237	237
Reversal of revaluation reserve for land, net of tax.....				(2)	(2)
Net changes, excluding foundation funds, surplus and others.....					
Total changes in the fiscal year.....	—	—	—	4	4
Balance at the end of the fiscal year	\$89	\$868	\$0	\$998	\$1,957

Millions of U.S. dollars

	Accumulated other comprehensive income						
For the year ended March 31, 2023	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	Total net assets
Balance at the beginning of the fiscal year	\$3,644	\$31	\$ (2)	\$ (15)	\$3,658	\$61	\$5,673
Changes in the fiscal year							
Additions to reserve for dividends to policyholders.....							(230)
Payment of interest on foundation funds.....							(0)
Net surplus attributable to the parent company for the fiscal year							237
Reversal of revaluation reserve for land, net of tax.....							(2)
Net changes, excluding foundation funds, surplus and others.....	(722)	2	1	17	(701)	(2)	(703)
Total changes in the fiscal year.....	(722)	2	1	17	(701)	(2)	(699)
Balance at the end of the fiscal year	\$2,921	\$33	\$0	\$2	\$2,956	\$59	\$4,974

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 ¥133.53 = US\$1.00, the effective rate of exchange at the balance sheet date of March 31, 2023. 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, 2022 and 2023 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, 2022 and 2023.

(3) Fiscal Year of Consolidated Subsidiaries

Among the subsidiaries to be consolidated, fiscal year-end of overseas subsidiaries is 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 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. Public and corporate bonds (including foreign bonds) with differences between their acquisition costs and fair values that are considered as adjustments of interest are stated at amortized cost (straight-line method) determined by the moving average method. However, stocks and other securities without quoted market prices are stated at cost, as determined using 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.

(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, 2022 and 2023 were ¥0 million and ¥0 million (US\$5 thousand).

- (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 losses10 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, July 4, 2019). 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.

Regarding claims for which the occurrence of cause for payment has not been reported but the Company recognizes that insured payment has already occurred ("IBNR reserves"), the scope of payment of hospitalization benefits was changed in the fiscal year ended March 31, 2023, with respect to those diagnosed with COVID-19 and were under the care of a doctor or the like at an lodging facility or at home ("deemed hospitalization"). As a result of this change, an appropriate amount of reserves cannot be obtained with the calculation method set forth in the main rules in Article 1, Paragraph 1 of the Notification of the Minister of Finance No.234, 1998 ("IBNR Notification"). The Company therefore records the amount that was calculated using the following method, pursuant to provisions in the proviso of Article 1, Paragraph 1 of IBNR Notification (the "Proviso").

(Overview of the calculation method)

The Company first deducts an amount pertaining to deemed hospitalization of policy holders other than those with high risk of severity ("4 categories") from a required amount of IBNR reserves and the amount of claim payments for all the fiscal years, as set forth in the main rules in Article 1, Paragraph 1 of IBNR Notification, and then calculates in the same manner as in the main rules in Article 1, Paragraph 1 of IBNR Notification.

In addition, the amount pertaining to deemed hospitalization of the 4 categories which date of diagnosis required for the above calculation is before September 25, 2022 is estimated by multiplying the amount for deemed hospitalization for those 65 years of age or older whose diagnosis date is before September 25, 2022 by the ratio of the amount for the four categories whose diagnosis date is on or after September 26, 2022 and the amount for the deemed hospitalization for persons 65 years of age or older. However,

the amount related to 4 categories deemed hospitalizations for co-insurance follower policies is estimated based on the amount of payments for leader policies.

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 consolidated 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.

In regard to the policy reserve accumulated pursuant to Article 69 Paragraphs 1, 2, and 4 of the Enforcement Regulation of the Insurance Business Act, 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 following reserves have been established in compliance with this regulation.

- 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 has reduced the assumed interest rate to 1.00% and funded additional policy reserves. As of March 31, 2022, the balance of these policy reserves was ¥72,419 million.
- Among whole life insurance policies with assumed interest rates of 5.00% or higher following the fiscal year ended March 31, 2022, the Company has reduced assumed interest rates for policies with premiums that have been paid in full (excluding policies that have been converted into paid-up or extended policies, single premium policies, and policies for which premiums have been waived) to 1.00% and funded additional policy reserves of ¥107,284 million. The establishment of these reserves rendered ¥1,589 million of additional policy reserves set aside at the conclusion of the fiscal year ended March 31, 2021 unnecessary. Accordingly, the Company reversed this

amount and transferred ¥105,695 million (a higher amount) from contingency reserves to additional policy reserves. Consequently, the establishment of these policy reserves has had no impact on provision of policy reserves, ordinary profits, and surplus before income taxes.

- The Company has also funded additional policy reserves for certain whole life insurance policies that include distribution of surplus every five years, new cancer riders, highly advanced medical riders and advanced medical riders. As of March 31, 2022, the balance of these policy reserves was ¥77 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 has reduced the assumed interest rate to 1.00% and funded additional policy reserves. As of March 31, 2023, the balance of these policy reserves was ¥71,649 million (US\$536 million).
- Among whole life insurance policies with assumed interest rates of 5.00% or higher following the fiscal year ended March 31, 2023, the Company has reduced assumed interest rates for policies with premiums that have been paid in full (excluding policies that have been converted into paid-up or extended policies, single premium policies, and policies for which premiums have been waived) to 1.00% and funded additional policy reserves. As of March 31, 2023, the balance of these policy reserves was ¥106,590 million (US\$798 million).
- The Company has also funded additional policy reserves for certain whole life insurance policies that include distribution of surplus every five years, new cancer riders, highly advanced medical riders and transplant medical riders. As of March 31, 2023, the balance of these policy reserves was ¥105 million (US\$786 thousand).

Appointed actuary, for each fiscal year, verify whether policy reserves have been 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.

- (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 of consolidated subsidiaries 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. The Company began applying the "Implementation Guidance on Accounting Standard for Fair Value Measurement" (ASBJ Statement No. 31, June 17, 2021; hereinafter called "Implementation Guidance on Accounting Standard for Fair Value Measurement") from the beginning of the consolidated fiscal year. In accordance with the transitional treatments prescribed in Paragraph 27-2 of the Implementation Guidance on Accounting Standard for Fair Value Measurement, new accounting policies set forth by the Implementation Guidance on Accounting Standard for Fair Value Measurement will be applied prospectively. As a result, certain investment trusts that had previously been carried on the consolidated balance sheet at acquisition cost are stated at fair value on the consolidated balance sheet from the consolidated fiscal year ended March 31, 2023. The Company has observed no material impact from this application of the Implementation Guidance on Accounting Standard for Fair Value Measurement.
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,			
2022			
Millions of yen			
	Carrying amount	Fair value	Difference
Monetary claims bought:			
Claims treated as loans.....	¥80	¥81	¥0
Total monetary claims bought.....	80	81	0
Money held in trust:			
Trading securities.....	25,070	25,070	—
Total money held in trust.....	25,070	25,070	—
Securities:			
Trading securities.....	18,493	18,493	—
Held-to-maturity debt securities.....	1,277,683	1,434,476	156,792
Policy-reserve-matching bonds.....	704,016	734,244	30,227
Available-for-sale securities.....	5,551,740	5,551,740	—
Total securities.....	7,551,934	7,738,954	187,020
Loans:			
Policy loans.....	51,901	51,901	(0)
Ordinary loans.....	504,675	521,484	16,809
Total loans.....	556,577	573,386	16,809
Assets total.....	8,133,662	8,337,492	203,830
Subordinated bonds*1.....	241,935	245,074	3,139
Liabilities total.....	241,935	245,074	3,139
Derivative instruments*2:			
Hedge accounting not applied.....	(4,814)	(4,814)	—
Hedge accounting applied.....	(63,528)	(63,528)	—
Total derivative instruments.....	¥(68,342)	¥(68,342)	¥—

*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 parentheses.

Notes: 1. Stocks without market prices, such as unlisted stocks, are not included in Securities of the above table. The amount of these stocks on the balance sheet as of March 31, 2022 was ¥9,603 million.

2. In accordance with the transitional treatments prescribed in Paragraph 27 of the "Implementation Guidance on Accounting Standard for Fair Value Measurement" (ASBJ Guidance No. 31, July 4, 2019), investments in partnerships have not been included in Securities of the above table. As of March 31, 2022, the amount of investments in partnerships included on the balance sheet was ¥32,380 million.

As of March 31,						
2023			2023			
Millions of yen			Millions of U.S. dollars			
	Carrying amount	Fair value	Difference	Carrying amount	Fair value	Difference
Money held in trust:						
Trading securities.....	¥24,897	¥24,897	¥—	\$186	\$186	\$—
Total money held in trust.....	24,897	24,897	—	186	186	—
Securities:						
Trading securities.....	10,232	10,232	—	76	76	—
Held-to-maturity debt securities.....	1,252,237	1,368,169	115,931	9,377	10,246	868
Policy-reserve-matching bonds.....	835,657	844,467	8,810	6,258	6,324	65
Available-for-sale securities.....	5,076,422	5,076,422	—	38,017	38,017	—
Total securities.....	7,174,550	7,299,292	124,741	53,729	54,664	934
Loans:						
Policy loans.....	50,456	50,456	(0)	377	377	(0)
Ordinary loans.....	477,104	487,443	10,339	3,573	3,650	77
Total loans.....	527,561	537,900	10,339	3,950	4,028	77
Assets total.....	7,727,009	7,862,089	135,080	57,867	58,878	1,011
Subordinated bonds*1.....	241,935	238,498	(3,436)	1,811	1,786	(25)
Liabilities total.....	241,935	238,498	(3,436)	1,811	1,786	(25)
Derivative instruments*2:						
Hedge accounting not applied.....	(683)	(683)	—	(5)	(5)	—
Hedge accounting applied.....	(840)	(840)	—	(6)	(6)	—
Total derivative instruments.....	¥(1,524)	¥(1,524)	¥—	\$(11)	\$(11)	\$—

*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 parentheses.

Notes: 1. Stocks without market prices, such as unlisted stocks, are not included in Securities of the above table.

The amount of these stocks on the balance sheet as of March 31, 2023 was ¥9,114 million (US\$68 million).

2. In accordance with Paragraph 24-16 of the Implementation Guidance on Accounting Standard for Fair Value Measurement, investments in partnerships are not included in Securities of the above table.

The amount of investments in partnerships included on the balance sheet as of March 31, 2023, was ¥30,957 million (US\$231 million).

3. Investment trusts with real estate as investment trust properties which have applied Paragraph 24-9 of the Implementation Guidance on Accounting Standard for Fair Value Measurement are included in Securities.

4. Matters concerning the breakdown of financial instruments by fair value level are as follows.

The fair values of financial instruments are classified into the following three levels according to the observability and materiality of inputs used to measure fair value.

Fair Value Level 1: Fair values measured using (unadjusted) quoted prices in active markets for identical assets or liabilities

Fair Value Level 2: Fair values measured using directly or indirectly observable inputs other than Level 1 inputs

Fair Value Level 3: Fair values measured using material unobservable inputs

When multiple inputs with material impact are used to measure fair value, the resulting fair value is classified into the lowest fair value level into which any of these inputs can be categorized.

(1) Financial assets and liabilities with fair values recorded on the balance sheet were as follows:

Classification	As of March 31,			
	2022			
	Millions of yen			
	Fair value			
	Level 1	Level 2	Level 3	Total
Money held in trust:				
Trading securities.....	¥—	¥25,070	¥—	¥25,070
Total money held in trust.....	—	25,070	—	25,070
Securities:				
Trading securities:				
Foreign securities.....	7,859	10,634	—	18,493
Total trading securities.....	7,859	10,634	—	18,493
Available-for-sale securities:				
Government bonds.....	1,436,730	—	—	1,436,730
Local government bonds.....	—	156,768	—	156,768
Corporate bonds.....	—	812,361	—	812,361
Stocks.....	699,672	—	—	699,672
Foreign securities.....	744,812	1,129,151	28,139	1,902,104
Other securities.....	3,667	—	—	3,667
Total available-for-sale securities.....	2,884,883	2,098,282	28,139	5,011,305
Total securities.....	2,892,742	2,108,916	28,139	5,029,798
Assets total.....	2,892,742	2,133,986	28,139	5,054,868
Derivative instruments*:				
Currency-related.....	—	(68,160)	—	(68,160)
Interest-related.....	—	20	—	20
Stock-related.....	(202)	—	—	(202)
Total derivative instruments.....	¥(202)	¥(68,140)	¥—	¥(68,342)

* Assets and liabilities generated by derivative instruments are offset and presented net. Net liabilities in total are presented in parentheses.

Note: In accordance with the transitional treatments prescribed in Paragraph 26 of the "Implementation Guidance on Accounting Standard for Fair Value Measurement" (ASBJ Guidance No.31, July 4, 2019), investment trusts have not been included in the figures above.

As of March 31, 2022, the amount of investment trusts included on the balance sheet was ¥540,435 million.

Classification	As of March 31,				As of March 31,			
	2023				2023			
	Millions of yen				Millions of U.S. dollars			
	Fair value				Fair value			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Money held in trust:								
Trading securities.....	¥—	¥24,897	¥—	¥24,897	\$—	\$186	\$—	\$186
Total money held in trust.....	—	24,897	—	24,897	—	186	—	186
Securities:								
Trading securities:								
Foreign securities.....	—	10,232	—	10,232	—	76	—	76
Total trading securities.....	—	10,232	—	10,232	—	76	—	76
Available-for-sale securities:								
Government bonds.....	1,724,721	—	—	1,724,721	12,916	—	—	12,916
Local government bonds.....	—	124,909	—	124,909	—	935	—	935
Corporate bonds.....	—	642,457	—	642,457	—	4,811	—	4,811
Stocks.....	740,041	—	—	740,041	5,542	—	—	5,542
Foreign securities.....	595,331	1,053,931	26,490	1,675,753	4,458	7,892	198	12,549
Other securities.....	47,246	115,697	—	162,943	353	866	—	1,220
Total available-for-sale securities.....	3,107,340	1,936,996	26,490	5,070,826	23,270	14,506	198	37,975
Total securities.....	3,107,340	1,947,228	26,490	5,081,059	23,270	14,582	198	38,051
Assets total.....	3,107,340	1,972,126	26,490	5,105,957	23,270	14,769	198	38,238
Derivative instruments*:								
Currency-related.....	—	(1,402)	—	(1,402)	—	(10)	—	(10)
Interest-related.....	—	47	—	47	—	0	—	0
Stock-related.....	(31)	—	—	(31)	(0)	—	—	(0)
Bond-related.....	(137)	—	—	(137)	(1)	—	—	(1)
Total derivative instruments.....	¥(169)	¥(1,355)	¥—	¥(1,524)	\$(1)	\$(10)	\$—	\$(11)

* Assets and liabilities generated by derivative instruments are offset and presented net. Net liabilities in total are presented in parentheses.

Note: Investment trusts with real estate as investment trust properties that have applied Paragraph 24-9 of the Implementation Guidance on Accounting Standard for Fair Value Measurement are not included in the figures above. The amount of the investment trusts on the balance sheet as of March 31, 2023 was ¥5,596 million (US\$41 million). Reconciliation of balances from the beginning of the current fiscal year to balances as of March 31, 2023 for the investment trusts were as follows:

	As of March 31,	
	2023	2023
	Millions of yen	Millions of U.S. dollars
Balance at the beginning of the fiscal year	¥3,654	\$27
Gains or losses and other comprehensive income during the fiscal year.....	441	3
Values recognized as other comprehensive income*	441	3
Purchase, sales, and redemption.....	1,500	11
Purchase	1,500	11
Balance at the end of the fiscal year	¥5,596	\$41

* These amounts are included in net unrealized gains (losses) on available-for-sale securities, net of tax under other comprehensive income in the consolidated statements of comprehensive income for the fiscal year ended March 31, 2023.

(2) Financial assets and liabilities with fair values not recorded on the balance sheet were as follows:

	As of March 31,			
	2022			
Classification	Millions of yen			
	Fair value			
	Level 1	Level 2	Level 3	Total
Monetary claims bought:				
Claims treated as loans.....	¥—	¥—	¥81	¥81
Total monetary claims bought.....	—	—	81	81
Securities:				
Held-to-maturity debt securities:				
Government bonds.....	1,205,133	—	—	1,205,133
Local government bonds.....	—	98,778	—	98,778
Corporate bonds	—	108,022	—	108,022
Foreign securities.....	20,878	1,663	—	22,541
Total held-to-maturity debt securities ...	1,226,012	208,463	—	1,434,476
Policy-reserve-matching bonds:				
Government bonds.....	290,940	—	—	290,940
Local government bonds.....	—	137,159	—	137,159
Corporate bonds	—	306,143	—	306,143
Total policy-reserve-matching bonds...	290,940	443,303	—	734,244
Total securities.....	1,516,953	651,767	—	2,168,720
Loans:				
Policy loans	—	—	51,901	51,901
Ordinary loans	—	—	521,484	521,484
Total loans	—	—	573,386	573,386
Assets total	1,516,953	651,767	573,467	2,742,188
Subordinated bonds.....	—	245,074	—	245,074
Liabilities total	¥—	¥245,074	¥—	¥245,074

	As of March 31,							
	2023				2023			
Classification	Millions of yen				Millions of U.S. dollars			
	Fair value				Fair value			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Securities:								
Held-to-maturity debt securities:								
Government bonds.....	¥1,171,314	¥—	¥—	¥1,171,314	\$8,771	\$—	\$—	\$8,771
Local government bonds.....	—	93,825	—	93,825	—	702	—	702
Corporate bonds	—	103,028	—	103,028	—	771	—	771
Total held-to-maturity debt securities ...	1,171,314	196,854	—	1,368,169	8,771	1,474	—	10,246
Policy-reserve-matching bonds:								
Government bonds.....	404,527	—	—	404,527	3,029	—	—	3,029
Local government bonds.....	—	126,664	—	126,664	—	948	—	948
Corporate bonds	—	313,275	—	313,275	—	2,346	—	2,346
Total policy-reserve- matching bonds....	404,527	439,940	—	844,467	3,029	3,294	—	6,324
Total securities.....	1,575,842	636,794	—	2,212,636	11,801	4,768	—	16,570
Loans:								
Policy loans	—	—	50,456	50,456	—	—	377	377
Ordinary loans	—	—	487,443	487,443	—	—	3,650	3,650
Total loans	—	—	537,900	537,900	—	—	4,028	4,028
Assets total	1,575,842	636,794	537,900	2,750,536	11,801	4,768	4,028	20,598
Subordinated bonds.....	—	238,498	—	238,498	—	1,786	—	1,786
Liabilities total	¥—	¥238,498	¥—	¥238,498	\$—	\$1,786	\$—	\$1,786

(3) Explanation of valuation techniques and inputs used to measure fair value

- i) Securities (including deposits and monetary claims bought which are treated as securities based on "Accounting Standards for Financial Instruments" [ASBJ Statement No.10, July 4, 2019])

The fair values of securities for which unadjusted quoted market prices in active markets are available (primarily listed stocks and government bonds [including some foreign securities]) are classified as Fair Value Level 1. Meanwhile, the fair values of securities for which quoted market prices are available, but are not available in active markets, are classified as Fair Value Level 2 (This category primarily includes local government bonds and corporate bonds [including some foreign securities]). When quoted market prices are not available for securities, prices obtained from third parties (mainly from information vendors and financial institutions with which the Company conducts business) and determined to have been measured in accordance with prescribed accounting standards are used to measure the fair values of these securities. If the inputs used to measure the fair value of a given security are material but unobservable, the resulting fair value is classified as Fair Value Level 3.

- ii) Money held in trust

In principle, the fair values of securities managed as trust assets and classified as money held in trust are measured using the Company's prescribed method for determining the value of securities. These fair values are categorized as Fair Value Level 2.

- iii) 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 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 are based on their book values. The fair values of fixed interest rate loans are primarily 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 are computed by deducting the amount of the allowance for possible loan losses from the book values before direct write-offs.

If the impact of unobservable inputs used to measure the fair values of loans is determined to be material, the resulting fair values are classified as Fair Value Level 3. Otherwise, they are categorized as Fair Value Level 2.

- iv) Subordinated bonds

The fair values of corporate bonds issued by the Company are classified as Fair Value Level 2 and are measured using the same method applied to securities.

- v) Derivative instruments

The fair values of derivative instruments for which unadjusted quoted market prices in active markets are available (primarily exchange-traded futures and options) are classified as Fair Value Level 1. However, most derivative instruments are traded over the counter and have no quoted market prices. Accordingly, prices obtained from third parties (mainly from information vendors and financial institutions with which the Company conducts business) and determined to have been measured in accordance with prescribed accounting standards are used to measure the fair values of these derivative instruments. Fair values of derivative instruments that were measured using only observable inputs or with unobservable inputs considered to be immaterial are classified as Fair Value Level 2. Meanwhile, fair values of derivative instruments that have been measured using material unobservable inputs are categorized as Fair Value Level 3.

(4) Information concerning fair values of financial assets and liabilities that have been recorded on the balance sheet and classified as Fair Value Level 3

- i) Quantitative information regarding material unobservable inputs

When measuring fair value, the Company does not adjust quoted prices obtained from third parties and does not make estimates related to inputs that it cannot observe. Accordingly, quantitative information regarding material unobservable inputs have been omitted.

- ii) Reconciliation of beginning to end of balance as of March 31, 2022 and 2023, and the valuation gains or losses recognized in the statements of operations for the respective consolidated fiscal years were as follows:

	2022		2023		2023	
	Millions of yen				Millions of U.S. dollars	
	Securities, Available-for-sale securities, Foreign securities	Total	Securities, Available-for-sale securities, Foreign securities	Total	Securities, Available-for-sale securities, Foreign securities	Total
Balance at the beginning of the fiscal year ...	¥29,312	¥29,312	¥28,139	¥28,139	\$210	\$210
Gains or losses and other comprehensive income during the fiscal year.....	(1,172)	(1,172)	(1,648)	(1,648)	(12)	(12)
Values recognized as gains or losses* ¹	(10)	(10)	(10)	(10)	(0)	(0)
Values recognized as other comprehensive income* ²	(1,162)	(1,162)	(1,638)	(1,638)	(12)	(12)
Balance at the end of the fiscal year	¥28,139	¥28,139	¥26,490	¥26,490	\$198	\$198

*1 These amounts are included in investment income and investment expenses in the consolidated statements of operations.

*2 These amounts are included in net unrealized gains (losses) on available-for-sale securities, net of tax under other comprehensive income in the consolidated statements of comprehensive income.

- iii) Explanation of the valuation process for fair value
The Company's asset management division is responsible for the formulation of policies and procedures related to the measurement of fair value and the actual measurement of fair value. These fair values are subsequently checked by the risk management department to ensure their appropriateness and compliance with relevant policies and procedures.
The Company verifies the appropriateness of the fair values it measures using a variety of suitable methods, which include comparing quoted market prices obtained from different third parties; confirming techniques and inputs utilized for calculation; and further comparing measured fair values with the fair values of similar financial instruments.
- iv) Explanation of the impact on fair value in case of change in material unobservable inputs
When measuring fair value, the Company does not adjust quoted prices obtained from third parties and does not make estimates related to inputs that it cannot observe. Accordingly, it has omitted information concerning impact on fair value stemming from changes in material unobservable inputs.
5. 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 ¥194,813 million and ¥326,189 million as of March 31, 2022, and ¥197,979 million (US\$1,482 million) and ¥349,089 million (US\$2,614 million) as of March 31, 2023, 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 ¥367 million and ¥321 million (US\$2 million) as of March 31, 2022 and 2023, respectively.
6. The amount of securities lent under lending agreements were ¥621,280 million and ¥504,760 million (US\$3,780 million) as of March 31, 2022 and 2023, respectively.
7. The total amount of claims against bankrupt and quasi-bankrupt obligors, claims with collection risk, delinquent loans past three months or more, and restructured loans were ¥3,776 million and ¥1,246 million (US\$9 million) as March 31, 2022 and 2023, respectively. The details are as follows.
- i) The balance of claims against bankrupt and quasi-bankrupt obligors were ¥160 million and ¥140 million (US\$1 million) as of March 31, 2022, 2023, respectively.
Of which, the estimated uncollectible amount written-off were ¥0 million and ¥0 million (US\$5 thousand) as of March 31, 2022 and 2023, respectively.
Claims against bankrupt and quasi-bankrupt obligors are loans to borrowers who are subject to bankruptcy, corporate reorganization or rehabilitation or other similar proceedings and other borrowers in serious financial difficulties.
- ii) The balance of claims with collection risk were ¥1,999 million and ¥544 million (US\$4 million) as of March 31, 2022 and 2023, respectively.
Claims with collection risk are loans to obligors (other than bankrupt and quasi-bankrupt obligors) with deteriorated financial condition and results of operations from which it is unlikely that the principal and interest on the loans will be recovered.
- iii) There was no balance of delinquent loans past three months or more as of March 31, 2022 and 2023, respectively.
Delinquent loans past three months or more are loans for which interest payments or repayments of principal are delinquent for three months or more from the due date under the terms of the related loan agreements, excluding those loans classified as claims against bankrupt and quasi-bankrupt obligors, claims with collection risk.
- iv) The balance of restructured loans were ¥1,616 million and ¥561 million (US\$4 million) as of March 31, 2022 and 2023, respectively.
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 claims against bankrupt and quasi-bankrupt obligors, claims with collection risk, and delinquent loans past three months or more.

8. Accumulated depreciation of tangible fixed assets were ¥179,324 million and ¥183,559 million (US\$1,374 million) as of March 31, 2022 and 2023, respectively.
9. Total assets in separate accounts provided for in Article 118 of the Insurance Business Act were ¥112,487 million and ¥118,783 million (US\$889 million) as of March 31, 2022 and 2023, respectively. The amounts of separate account liabilities were the same as separate account assets.
10. The total amounts of receivables from/payables to unconsolidated subsidiaries were ¥2,245 million and ¥39 million as of March 31, 2022, and ¥2,229 million (US\$16 million) and ¥42 million (US\$317 thousand) as of March 31, 2023, respectively.
11. Deferred tax assets and deferred tax liabilities as of March 31, 2022 were ¥175,093 million and ¥193,317 million, respectively. Valuation allowance for deferred tax assets was ¥5,133 million.
Major components of deferred tax assets were ¥99,652

million of policy reserves, ¥52,554 million of reserve for price fluctuation and ¥13,115 million of net defined benefit liabilities as of March 31, 2022.

Major component of deferred tax liabilities was ¥187,990 million of net unrealized gains on available-for-sale securities as of March 31, 2022.

The statutory tax rate and the actual effective tax rate for the year ended March 31, 2022 were 28.0% and 4.8%, respectively. The difference between the statutory tax rate and the actual effective tax rate was attributable mainly to -24.1% of reserve for dividends to policyholders.

Deferred tax assets and deferred tax liabilities as of March 31, 2023 were ¥177,047 million (US\$1,325 million) and ¥156,019 million (US\$1,168 million), respectively. Valuation allowance for deferred tax assets was ¥4,896 million (US\$36 million).

Major components of deferred tax assets were ¥102,788 million (US\$769 million) of policy reserves, ¥52,790 million (US\$395 million) of reserve for price fluctuation and ¥12,766 million (US\$95 million) of net defined benefit liabilities as of March 31, 2023.

Major component of deferred tax liabilities was ¥149,777 million (US\$1,121 million) of net unrealized gains on available-for-sale securities as of March 31, 2023.

The statutory tax rate and the actual effective tax rate for the year ended March 31, 2023 were 28.0% and 5.4%, respectively. The difference between the statutory tax rate and the actual effective tax rate was attributable mainly to -23.4% of reserve for dividends to policyholders.

12. Changes in reserve for dividends to policyholders were as follows:

	Year ended March 31,		
	2022	2023	2023
	Millions of yen		Millions of U.S. dollars
Balance at the beginning of the fiscal year	¥63,232	¥63,411	\$474
Transfer from surplus in the previous fiscal year	32,744	30,726	230
Dividend payments to policyholders during the fiscal year	(32,580)	(29,731)	(222)
Increase in interest	13	13	0
Balance at the end of the fiscal year	¥63,411	¥64,420	\$482

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

	Year ended March 31,		
	2022	2023	2023
	Millions of yen		Millions of U.S. dollars
Balance at the beginning of the fiscal year	¥308	¥322	\$2
Dividend payments to policyholders during the fiscal year	(181)	(192)	(1)
Increase in interest	0	0	0
Provision of reserve for dividends to policyholders	195	173	1
Balance at the end of the fiscal year	¥322	¥304	\$2

14. The amount of stocks of unconsolidated subsidiaries were ¥404 million and ¥404 million (US\$3 million) as of March 31, 2022 and 2023, respectively.

15. Assets pledged as collateral as of March 31, 2022 were ¥225,740 million of securities.

Secured debts as of March 31, 2022, were ¥166,881 million.

These amounts include ¥150,826 million of investments in securities deposited and ¥160,928 million of cash received as collateral under securities lending transactions secured by cash as of March 31, 2022.

Assets pledged as collateral as of March 31, 2023 were ¥175,557 million (US\$1,314 million) of securities.

Secured debts as of March 31, 2023, were ¥161,480 million (US\$1,209 million).

These amounts include ¥147,552 million (US\$1,105 million) of investments in securities deposited and ¥155,483 million (US\$1,164 million) of cash received as collateral under securities lending transactions secured by cash as of March 31, 2023.

16. 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 ¥2 million and ¥0 million (US\$2 thousand) as of March 31, 2022 and 2023, 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 ¥42 million and ¥40 million (US\$305 thousand) as of March 31, 2022 and 2023, respectively.

17. There were unused commitment line agreements under which the Company is the lender of ¥11,492 million and ¥8,604 million (US\$64 million) as of March 31, 2022 and 2023, respectively.

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

At the Board of Directors meeting held on June 29, 2023, the Company resolved to issue subordinated bonds up to US\$500 million by the end of March 2024 as well as to redeem US\$500 million in subordinated bonds on September 19, 2023 prior to the maturity date.

19. The future contribution to the Life Insurance Policyholders Protection Corporation of Japan under Article 259 of the Insurance Business Act was estimated at ¥9,995 million as of March 31, 2022.

The contribution is recognized as operating expenses when contributed.

20. 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,		
	2022	2023	2023
	Millions of yen		Millions of U.S. dollars
Retirement benefit obligation at the beginning of the fiscal year.....	¥91,051	¥91,156	\$682
Service cost.....	3,701	3,718	27
Interest cost.....	541	542	4
Actuarial differences occurred during the fiscal year.....	47	(12)	(0)
Retirement benefit payments.....	(4,185)	(4,450)	(33)
Retirement benefit obligation at the end of the fiscal year.....	¥91,156	¥90,953	\$681

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

	As of March 31,		
	2022	2023	2023
	Millions of yen		Millions of U.S. dollars
Pension plan assets at the beginning of the fiscal year.....	¥62,627	¥64,301	\$481
Expected return on pension plan assets.....	1,202	1,232	9
Actuarial differences occurred during the fiscal year.....	956	2,410	18
Contributions by the employer.....	1,117	1,105	8
Retirement benefit payments.....	(1,608)	(2,135)	(15)
Others.....	4	3	0
Pension plan assets at the end of the fiscal year.....	¥64,301	¥66,918	\$501

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,		
	2022	2023	2023
	Millions of yen		Millions of U.S. dollars
a. Funded plan retirement benefit obligation.....	¥78,843	¥78,877	\$590
b. Pension plan assets.....	(64,301)	(66,918)	(501)
c. (a + b).....	14,542	11,959	89
d. Unfunded plan retirement benefit obligation.....	12,312	12,076	90
e. Net amount of liabilities and assets presented on the consolidated balance sheet.....	26,855	24,035	180
f. Net defined benefit liabilities.....	27,677	25,220	188
g. Net defined benefit assets.....	(822)	(1,184)	(8)
h. Net amount of liabilities and assets presented on the consolidated balance sheet.....	¥26,855	¥24,035	\$180

iv) Breakdown of retirement benefit gains and losses

	As of March 31,		
	2022	2023	2023
	Millions of yen		Millions of U.S. dollars
Service cost.....	¥3,701	¥3,718	\$27
Interest cost.....	541	542	4
Expected return on pension plan assets.....	(1,202)	(1,232)	(9)
Amortization of actuarial differences.....	1,428	772	5
Amortization of prior service costs.....	(13)	5	0
Others.....	(4)	(3)	(0)
Retirement benefit expenses related to defined benefit plan.....	¥4,450	¥3,802	\$28

v) Remeasurements of defined benefit plan

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

	As of March 31,		
	2022	2023	2023
	Millions of yen		Millions of U.S. dollars
Amortization of actuarial differences.....	¥2,337	¥3,196	\$23
Amortization of prior service cost.....	(13)	5	0
Total.....	¥2,323	¥3,201	\$23

vi) Accumulated remeasurements of defined benefit plan

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

As of March 31,

	2022	2023	2023
	Millions of yen		Millions of U.S. dollars
Unrecognized actuarial differences	¥(2,774)	¥421	\$3
Unrecognized prior service cost	(45)	(40)	(0)
Total	¥(2,819)	¥381	\$2

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,

	2022	2023
Domestic stocks	41.9%	44.8%
Life insurance general account	31.6%	30.4%
Domestic bonds	9.5%	9.3%
Foreign stocks	10.2%	8.2%
Assets under joint management	3.6%	3.7%
Foreign bonds	3.1%	3.5%
Total	100.0%	100.0%

Within the total of pension assets as of March 31, 2022 and 2023, 35.5% and 38.1% of these amounts are accounted for by the retirement benefit trust established in relation to the retirement lump-sum payments plan for sales employees, respectively.

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,

	2022	2023
Discount rate	0.6%	0.6%
Expected long-term rate of return on pension plan assets		
Defined benefit plan	3.0%	3.0%
Retirement benefit trust	0.0%	0.0%

(3) Defined contribution plan

The required contribution amount by the Company and its consolidated subsidiaries to the defined contribution plan were ¥339 million and ¥339 million (US\$2 million) as of March 31, 2022 and 2023, respectively.

III. Notes to the Consolidated Statements of Operations

1. The total amounts of revenues and expenses in connection with unconsolidated subsidiaries were ¥128 million and ¥1,197 million for the year ended March 31, 2022 and ¥120 million (US\$904 thousand) and ¥1,184 million (US\$8 million) for the year ended March 31, 2023, respectively.

2. For the year ended March 31, 2022, in calculating the provision of reserve for outstanding claims, a reversal of reserves for outstanding claims reinsured of ¥24 million was added. In calculating the provision of policy reserves, a reversal of reserves for policy reserves reinsured of ¥6 million was added.

For the year ended March 31, 2023, in calculating the provision of reserve for outstanding claims, a reversal of reserve for outstanding claims for ceded reinsurance of ¥1 million (US\$12 thousand) was deducted. In calculating the provision of policy reserves, a reversal of policy reserve for ceded reinsurance of ¥2 million (US\$15 thousand) was added.

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,		
	2022	2023	2023
	Millions of yen		Millions of U.S. dollars
Amount incurred during the fiscal year	¥27,373	¥(117,506)	\$(879)
Reclassification adjustments	1,036	(17,496)	(131)
Before tax adjustments.....	28,409	(135,002)	(1,011)
Tax effects	(7,827)	38,212	286
Net unrealized gains (losses) on available-for-sale securities, net of tax.....	¥20,581	¥(96,789)	\$(724)

ii) Foreign currency translation adjustments

	Year ended March 31,		
	2022	2023	2023
	Millions of yen		Millions of U.S. dollars
Amount incurred during the fiscal year	¥259	¥254	\$1
Reclassification adjustments	—	—	—
Before tax adjustments.....	259	254	1
Tax effects	—	—	—
Foreign currency translation adjustments.....	¥259	¥254	\$1

iii) Remeasurements of defined benefit plans, net of tax

	Year ended March 31,		
	2022	2023	2023
	Millions of yen		Millions of U.S. dollars
Amount incurred during the fiscal year	¥909	¥2,423	\$18
Reclassification adjustments	1,414	777	5
Before tax adjustments.....	2,323	3,201	23
Tax effects	(650)	(896)	(6)
Remeasurements of defined benefit plans, net of tax	1,673	2,305	17
Total other comprehensive income	¥22,514	¥(94,229)	\$(705)

V. Notes to the Consolidated Statements of Cash Flows

1. Cash and cash equivalents as of March 31, 2022 and 2023 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 three months of the date of acquisition," "Negotiable certificate of deposits maturing within three months of the date of acquisition," "Call loans" and "Monetary claims bought maturing within three months of the date of acquisition."

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

	Year ended March 31,		
	2022	2023	2023
	Millions of yen		Millions of U.S. dollars
Cash and deposits	¥323,128	¥524,841	\$3,930
Call loans	48,000	130,000	973
Monetary claims bought.....	80	—	—
Time deposits maturing over 3 months of the date of acquisition.....	(3,100)	(13,100)	(98)
Foreign currency deposits maturing over 3 months of the date of acquisition.....	(1,029)	(842)	(6)
Monetary claims bought maturing over 3 months of the date of acquisition.....	(80)	—	—
Cash and cash equivalents.....	¥366,999	¥640,899	\$4,799

Independent Auditor's Report

August 28, 2023

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

Moore Mirai & Co.

Tokyo, Japan

Designated Engagement Partner
Certified Public Accountant

/S/ Shinnosuke Tsuruta

Shinnosuke Tsuruta

Designated Engagement Partner
Certified Public Accountant

/S/ Yuichi Yasuda

Yuichi Yasuda

Opinion

We have audited the accompanying consolidated financial statements of Fukoku Mutual Life Insurance Company (collectively referred to as “the Company”) and its consolidated subsidiaries (collectively referred to as “the Group”), which comprise the consolidated balance sheets as at March 31, 2021 and 2022, 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 years 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 2022, and its consolidated financial performance and its consolidated cash flows for the years 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 the Group, the value of policy reserve is amounted to ¥7,356,399 million which is 89.4% of the total liabilities.

As described in the Notes to the Consolidated Balance Sheets 1. (14), 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 following reserve is included in the additional policy reserve.

Among whole life insurance policies with assumed interest rates of 5.00% or higher following the fiscal year ended March 31, 2022, the Company has reduced assumed interest rates for policies with premiums that have been paid in full (excluding such as single premium policies) to 1.00% and funded additional policy reserves of ¥107,284 million (including transferred ¥105,695 million from contingency reserves).

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 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 was appropriate, we tested the design and operating effectiveness of certain of the Group’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 and additional policy reserves funded by reducing the assumed interest rates. 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

In terms of completeness of policy reserves, we tested through the aggregation process if all insurance policies in the administration system were included in the scope of the policy reserve calculation and the result of calculations 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.

Other Information

Other information comprises information included in a disclosure document that contains audited consolidated financial statements, but does not include the consolidated financial statements and our auditor’s report thereon. We have concluded that other information does not exist. Accordingly, we have not performed any work related to other information.

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, 2022.

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.

Consolidated Financial Statements

Consolidated Balance Sheets

Fukoku Mutual Life Insurance Company and consolidated subsidiaries
As of March 31, 2021 and 2022

	As of March 31,		
	2021	2022	2022
	Millions of yen		Millions of U.S. dollars
Assets:			
Cash and deposits	¥325,854	¥323,128	\$2,640
Call loans	136,000	48,000	392
Monetary claims bought.....	239	80	0
Money held in trust	25,277	26,070	213
Securities.....	7,417,165	7,697,988	62,897
Loans	571,420	556,577	4,547
Tangible fixed assets:			
Land.....	146,816	150,195	1,227
Buildings	92,773	89,379	730
Lease assets.....	618	298	2
Construction in progress	93	1,767	14
Other tangible fixed assets.....	4,521	4,125	33
	244,823	245,765	2,008
Intangible fixed assets:			
Software	19,877	19,657	160
Lease assets.....	6,015	3,486	28
Other intangible fixed assets.....	4,462	7,466	61
	30,355	30,609	250
Agency receivables.....	0	0	0
Reinsurance receivables.....	170	175	1
Other assets	55,447	58,397	477
Net defined benefit assets	339	822	6
Deferred tax assets	732	1,831	14
Allowance for possible loan losses.....	(4,386)	(2,516)	(20)
Total assets.....	¥8,803,440	¥8,986,931	\$73,428

As of March 31,

	2021	2022	2022
	Millions of yen		Millions of U.S. dollars
Liabilities:			
Policy reserves:			
Reserve for outstanding claims	¥23,713	¥27,719	\$226
Policy reserve	7,331,271	7,356,399	60,106
Reserve for dividends to policyholders.....	63,232	63,411	518
Reserve for dividends to policyholders (subsidiary).....	308	322	2
	7,418,526	7,447,853	60,853
Agency payables.....	112	165	1
Reinsurance payables.....	103	104	0
Subordinated bonds.....	241,935	241,935	1,976
Other liabilities.....	156,292	281,058	2,296
Reserve for claims and other payments.....	—	3,432	28
Net defined benefit liabilities.....	28,762	27,677	226
Reserve for price fluctuation	183,520	187,692	1,533
Deferred tax liabilities	25,857	25,188	205
Deferred tax liabilities for land revaluation.....	14,184	14,183	115
Total liabilities	8,069,294	8,229,290	67,238
Net assets:			
Foundation funds.....	12,000	12,000	98
Accumulated foundation funds redeemed	116,000	116,000	947
Reserve for revaluation.....	112	112	0
Consolidated surplus	131,699	132,765	1,084
Total foundation funds, surplus and others.....	259,811	260,877	2,131
Net unrealized gains (losses) on available-for-sale securities, net of tax	465,855	486,644	3,976
Revaluation reserve for land, net of tax.....	4,185	4,184	34
Foreign currency translation adjustment	(571)	(312)	(2)
Accumulated remeasurements of defined benefit plans	(3,703)	(2,030)	(16)
Total accumulated other comprehensive income	465,765	488,486	3,991
Non-controlling interests	8,568	8,276	67
Total net assets	734,145	757,640	6,190
Total liabilities and net assets	¥8,803,440	¥8,986,931	\$73,428

See notes to the consolidated financial statements.

Consolidated Statements of Operations

Fukoku Mutual Life Insurance Company and consolidated subsidiaries
For the years ended March 31, 2021 and 2022

	Year ended March 31,		
	2021	2022	2022
	Millions of yen		Millions of U.S. dollars
Ordinary revenues:			
Premium and other income	¥584,794	¥632,055	\$5,164
Investment income:			
Interest, dividends and other income	175,540	185,514	1,515
Gains on money held in trust, net	1,127	817	6
Gains on trading securities, net	6,523	1,664	13
Gains on sales of securities	26,764	16,760	136
Gains on redemption of securities, net	—	65	0
Foreign exchange gains, net	—	1,616	13
Reversal of allowance for possible loan losses	—	1,867	15
Other investment income	170	381	3
Gains on separate accounts, net	19,315	6,391	52
	229,442	215,080	1,757
Other ordinary revenues	109,905	10,762	87
Total ordinary revenues	924,142	857,898	7,009
Ordinary expenses:			
Claims and other payments:			
Claims	85,657	91,523	747
Annuities	352,581	309,762	2,530
Benefits	116,736	116,426	951
Surrenders	76,283	71,221	581
Other payments	26,673	24,648	201
	657,932	613,582	5,013
Provision of policy reserve and others:			
Provision of reserve for outstanding claims	92	4,006	32
Provision of policy reserves	—	25,127	205
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
	106	29,147	238
Investment expenses:			
Interest expenses	4,113	4,417	36
Losses on sales of securities	11,809	15,060	123
Losses on valuation of securities	404	344	2
Losses on derivative instruments, net	12,967	7,746	63
Foreign exchange losses, net	4,604	—	—
Provision of allowance for possible loan losses	2,369	—	—
Depreciation of real estate for rent and other assets	4,427	4,788	39
Other investment expenses	7,444	9,553	78
	48,142	41,910	342
Operating expenses	99,997	99,607	813
Other ordinary expenses	27,923	33,132	270
Total ordinary expenses	834,101	817,379	6,678
Ordinary profits	¥90,040	¥40,519	\$331

	Year ended March 31,		
	2021	2022	2022
	Millions of yen		Millions of U.S. dollars
Extraordinary gains:			
Gains on disposal of fixed assets	¥133	¥11	\$0
Total extraordinary gains	133	11	0
Extraordinary losses:			
Losses on disposal of fixed assets	801	431	3
Impairment losses	198	46	0
Provision of reserve for price fluctuation	50,357	4,171	34
Others	1,059	—	—
Total extraordinary losses	52,417	4,650	37
Provision of reserve for dividends to policyholders (subsidiary)	168	195	1
Surplus before income taxes	37,588	35,685	291
Income taxes:			
Current	11,950	11,945	97
Deferred	(10,603)	(10,247)	(83)
Total income taxes	1,346	1,698	13
Net surplus	36,241	33,986	277
Net surplus attributable to non-controlling interests	125	74	0
Net surplus attributable to the parent company	¥36,116	¥33,911	\$277

See notes to the consolidated financial statements.

Consolidated Statements of Comprehensive Income

Fukoku Mutual Life Insurance Company and consolidated subsidiaries
For the years ended March 31, 2021 and 2022

	Year ended March 31,		
	2021	2022	2022
	Millions of yen		Millions of U.S. dollars
Net surplus	¥36,241	¥33,986	\$277
Other comprehensive income:			
Net unrealized gains (losses) on available-for-sale securities, net of tax	172,797	20,581	168
Foreign currency translation adjustments	(91)	259	2
Remeasurements of defined benefit plan, net of tax	4,011	1,673	13
	176,717	22,514	183
Comprehensive income:			
Comprehensive income attributable to the parent company	212,910	56,633	462
Comprehensive income attributable to non-controlling interests	48	(132)	(1)
	¥212,959	¥56,500	\$461

See notes to the consolidated financial statements.

Consolidated Statements of Cash Flows

Fukoku Mutual Life Insurance Company and consolidated subsidiaries
For the years ended March 31, 2021 and 2022

	Year ended March 31,		
	2021	2022	2022
	Millions of yen		Millions of U.S. dollars
Cash flows from operating activities:			
Surplus before income taxes	¥37,588	¥35,685	\$291
Depreciation of real estate for rent and other assets	4,427	4,788	39
Depreciation	13,542	14,529	118
Impairment losses	198	46	0
Increase (decrease) in reserve for outstanding claims	92	4,006	32
Increase (decrease) in policy reserve	(98,999)	25,127	205
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)	168	195	1
Increase (decrease) in allowance for possible loan losses	2,362	(1,870)	(15)
Increase (decrease) in reserve for claims and other payments	—	3,432	28
Increase (decrease) in net defined benefit liabilities	(365)	755	6
Increase (decrease) in reserve for price fluctuation	50,357	4,171	34
Interest, dividends and other income	(175,540)	(185,514)	(1,515)
Losses (gains) on securities, net	(28,549)	(2,548)	(20)
Interest expenses	4,113	4,417	36
Foreign exchange losses (gains), net	4,604	(1,616)	(13)
Losses (gains) on tangible fixed assets, net	590	386	3
Decrease (increase) in agency receivable	(0)	0	0
Decrease (increase) in reinsurance receivable	(45)	(5)	(0)
Decrease (increase) in other assets except from investing and financing activities	(540)	2,589	21
Increase (decrease) in agency payable	(2)	53	0
Increase (decrease) in reinsurance payable	0	0	0
Increase (decrease) in other liabilities except from investing and financing activities	82	2,185	17
Others	17,629	17,933	146
Subtotal	(168,270)	(71,236)	(582)
Interest, dividends and other income received	178,058	182,614	1,492
Interest expenses paid	(3,933)	(4,388)	(35)
Dividends to policyholders paid	(29,252)	(32,580)	(266)
Dividends to policyholders paid (subsidiary)	(188)	(181)	(1)
Corporate income tax (paid) refunded	(14,932)	(11,931)	(97)
Net cash provided by (used in) operating activities (a)	(38,518)	62,296	508
Cash flows from investing activities:			
Net decrease (increase) in deposits	(4,753)	2,003	16
Proceeds from sales and redemption of monetary claims bought	29	158	1
Increase in money held in trust	(1,500)	(2,310)	(18)
Decrease in money held in trust	1,500	2,310	18
Payments for purchase of securities	(839,487)	(768,599)	(6,279)
Proceeds from sales and redemption of securities	742,811	618,119	5,050
Payments for additions to loans	(96,899)	(78,096)	(638)
Proceeds from collections of loans	87,839	86,729	708
Proceeds from and payments for settlements of derivatives, net	(31,354)	(76,466)	(624)
Increase (decrease) in cash received as collateral under securities lending transactions	(6,047)	99,108	809
Others	(7,463)	(8,672)	(70)
Subtotal (b)	(155,325)	(125,716)	(1,027)
(a + b)	¥(193,844)	¥(63,420)	\$(518)

Year ended March 31,

	2021	2022	2022
	Millions of yen		Millions of U.S. dollars
Payments for purchase of tangible fixed assets.....	¥(33,165)	¥(9,512)	\$(77)
Proceeds from sales of tangible fixed assets.....	387	109	0
Payments for purchase of intangible fixed assets.....	(8,218)	(11,808)	(96)
Net cash provided by (used in) investing activities.....	(196,321)	(146,928)	(1,200)
Cash flows from financing activities:			
Proceeds from issuance of subordinated bonds	50,000	—	—
Payment of interest on foundation funds	(102)	(102)	(0)
Dividends paid to non-controlling interests	(3)	(159)	(1)
Payments for lease obligations.....	(3,533)	(3,710)	(30)
Net cash provided by (used in) financing activities.....	46,361	(3,972)	(32)
Effect of exchange rate changes on cash and cash equivalents	(205)	(219)	(1)
Net increase (decrease) in cash and cash equivalents	(188,684)	(88,823)	(725)
Cash and cash equivalents at the beginning of the fiscal year.....	644,507	455,823	3,724
Cash and cash equivalents at the end of the fiscal year	¥455,823	¥366,999	\$2,998

See notes to the consolidated financial statements.

Consolidated Statements of Changes in Net Assets

Fukoku Mutual Life Insurance Company and consolidated subsidiaries
For the years ended March 31, 2021 and 2022

For the year ended March 31, 2021	Millions of yen				
	Foundation funds, surplus and others				
	Foundation funds	Accumulated foundation funds redeemed	Reserve for revaluation	Consolidated surplus	Total foundation funds, surplus and others
Balance at the beginning of the fiscal year	¥12,000	¥116,000	¥112	¥127,315	¥255,427
Changes in the fiscal year					
Additions to reserve for dividends to policyholders				(31,547)	(31,547)
Payment of interest on foundation funds				(102)	(102)
Net surplus attributable to the parent company for the fiscal year				36,116	36,116
Reversal of revaluation reserve for land, net of tax				(83)	(83)
Net changes, excluding foundation funds, surplus and others					
Total changes in the fiscal year	—	—	—	4,383	4,383
Balance at the end of the fiscal year	¥12,000	¥116,000	¥112	¥131,699	¥259,811

For the year ended March 31, 2021	Millions of yen						
	Accumulated other comprehensive income						
	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	Total net assets
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 yen					
For the year ended March 31, 2022	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	¥131,699	¥259,811
Changes in the fiscal year					
Additions to reserve for dividends to policyholders.....				(32,744)	(32,744)
Payment of interest on foundation funds				(102)	(102)
Net surplus attributable to the parent company for the fiscal year				33,911	33,911
Reversal of revaluation reserve for land, net of tax				1	1
Net changes, excluding foundation funds, surplus and others.....					
Total changes in the fiscal year.....	—	—	—	1,066	1,066
Balance at the end of the fiscal year	¥12,000	¥116,000	¥112	¥132,765	¥260,877

Millions of yen							
For the year ended March 31, 2022	Accumulated other comprehensive income						
	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	Total net assets
Balance at the beginning of the fiscal year.....	¥465,855	¥4,185	¥(571)	¥(3,703)	¥465,765	¥8,568	¥734,145
Changes in the fiscal year							
Additions to reserve for dividends to policyholders.....							(32,744)
Payment of interest on foundation funds							(102)
Net surplus attributable to the parent company for the fiscal year.....							33,911
Reversal of revaluation reserve for land, net of tax.....							1
Net changes, excluding foundation funds, surplus and others	20,789	(1)	259	1,673	22,720	(292)	22,428
Total changes in the fiscal year.....	20,789	(1)	259	1,673	22,720	(292)	23,494
Balance at the end of the fiscal year	¥486,644	¥4,184	¥(312)	¥(2,030)	¥488,486	¥8,276	¥757,640

Millions of U.S. dollars

	Foundation funds, surplus and others				
For the year ended March 31, 2022	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	\$98	\$947	\$0	\$1,076	\$2,122
Changes in the fiscal year					
Additions to reserve for dividends to policyholders				(267)	(267)
Payment of interest on foundation funds				(0)	(0)
Net surplus attributable to the parent company for the fiscal year				277	277
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	—	—	—	8	8
Balance at the end of the fiscal year	\$98	\$947	\$0	\$1,084	\$2,131

Millions of U.S. dollars

	Accumulated other comprehensive income						
For the year ended March 31, 2022	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	Total net assets
Balance at the beginning of the fiscal year	\$3,806	\$34	\$(4)	\$(30)	\$3,805	\$70	\$5,998
Changes in the fiscal year							
Additions to reserve for dividends to policyholders							(267)
Payment of interest on foundation funds							(0)
Net surplus attributable to the parent company for the fiscal year							277
Reversal of revaluation reserve for land, net of tax							0
Net changes, excluding foundation funds, surplus and others	169	(0)	2	13	185	(2)	183
Total changes in the fiscal year	169	(0)	2	13	185	(2)	191
Balance at the end of the fiscal year	\$3,976	\$34	\$(2)	\$(16)	\$3,991	\$67	\$6,190

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 ¥122.39 = US\$1.00, the effective rate of exchange at the balance sheet date of March 31, 2022. 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, 2021 and 2022 are listed below:

Fukoku Capital Management, Inc.
Fukokushinrai Life Insurance Co., Ltd.
Fukoku Information Systems Co., Ltd.
Fukoku Life International (U.K.) Ltd.
Fukoku Life International (America) Inc.
Fukoku Life Investments Singapore Pte. Ltd.

Major unconsolidated subsidiary is Fukoku Business Service Company Limited.

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

(2) Application of Equity Method

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

There are no affiliates for the year ended March 31, 2021 and 2022.

(3) Fiscal Year of Consolidated Subsidiaries

The fiscal years of the overseas subsidiaries to be consolidated end with 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 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. Public and corporate bonds (including foreign bonds) with differences between their acquisition costs and fair values that are considered as adjustments of interest are stated at amortized cost (straight-line method) determined by the moving average method. However, stocks and other securities without quoted market prices are stated at cost, as determined using 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.

(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:
- 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.
 - 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.
 - For the credits of borrowers other than the above, the Company provides the amounts calculated by multiplying the borrowers' balance by the actual ratio of bad debt losses on defaults during a certain past period.

All credits are assessed by the relevant departments in accordance with the Company's standards of self-

assessment on credit quality. The results of the assessment are reviewed by the audit department, which is independent of business-related divisions. Subsequently, the allowance for possible loan losses is provided based on the results of these assessments.

For the credits of legally bankrupt borrowers and substantially bankrupt borrowers, the amounts remaining after deductions of collateral value or the amounts collectible through the execution of guarantees are written-off directly from the borrowers' balances as the estimated uncollectible amounts. The amount written-off as of March 31, 2021 and 2022 were ¥0 million and ¥0 million (US\$6 thousand), respectively.

- (7) To ensure that benefits associated with COVID-19 infections contracted during the fiscal year ended March 31, 2022 can be paid during the fiscal year ending March 31, 2023, the Company sets aside as a reserve for claims and other payments that exceeds the reserve for outstanding claims included under the Company's estimated payments for the latter fiscal year (calculated based on previous payment amounts).

- (8) 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

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

- (10) Hedge accounting is based on "Accounting Standards for Financial Instruments" (ASBJ Statement No. 10, July 4, 2019). 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.

- (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 consolidated 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.

In regard to the policy reserve accumulated pursuant to Article 69 Paragraphs 1, 2, and 4 of the Enforcement Regulation of the Insurance Business Act, 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 following reserves have been established in compliance with this regulation.

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

The Company has 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.

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 has reduced the assumed interest rate to 1.00% and funded additional policy reserves. As of March 31, 2022, the balance of these policy reserves was ¥72,419 million (US\$591 million).

Among whole life insurance policies with assumed interest rates of 5.00% or higher following the fiscal year ended March 31, 2022, the Company has reduced assumed interest rates for policies with premiums that have been paid in full (excluding policies that have been converted into paid-up or extended policies, single premium policies, and policies for which premiums have been waived) to 1.00% and funded additional policy reserves of ¥107,284 million (US\$876 million). The establishment of these reserves rendered ¥1,589 million (US\$12 million) of additional policy reserves set aside at the conclusion of the fiscal year ended March 31, 2021 unnecessary. Accordingly, the Company reversed this amount and transferred ¥105,695 million (US\$863 million) (a higher amount) from contingency reserves to additional policy reserves. Consequently, the establishment of these policy reserves has had no impact on provision of policy reserves, ordinary profits, and surplus before income taxes.

The Company has also funded additional policy reserves for certain whole life insurance policies that include distribution of surplus every five years, new cancer riders, highly advanced medical riders and advanced medical riders. As of March 31, 2022, the balance of these policy reserves was ¥77 million (US\$629 thousands).

Appointed actuary for each fiscal year, verify whether policy reserves have been 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.

- (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 of consolidated subsidiaries 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).

At the end of the consolidated fiscal year ended March 31, 2022, the Company eliminated all sub-groups, and policy-reserve-matching bonds categorized for holding purposes were reclassified as available-for-sale securities. The Company made this change following a review of its interest-rate risk management (conducted through strategic asset and liability matching) that was conducted due to the Company’s realization that under the prevailing environment of low interest rates in Japan, continuing to hold bonds for the purpose of matching the duration of liabilities while securing investment income commensurate with assumed interest rates would be prohibitively difficult.

Due to this change, securities increased by ¥81,967 million (US\$669 million), while deferred tax liabilities rose by ¥22,951 million (US\$187 million), and net unrealized gains (losses) on available-for-sale securities, net of tax by ¥59,016 million (US\$482 million). These changes had no impact in terms of profit and loss.

2. The Company began applying the “Accounting Standard for Fair Value Measurement” (ASBJ Statement No. 30, July 4, 2019; hereinafter called “Accounting Standard for Fair Value Measurement”) from the beginning of the fiscal year. In accordance with the transitional treatments prescribed in Paragraph 19 of the Accounting Standard for Fair Value Measurement and Paragraph 44-2 of the “Accounting Standard for Financial Instruments” (ASBJ Statement No. 10, July 4, 2019), new accounting policies set forth by the Accounting Standard for Fair Value Measurement will be applied prospectively. The Company has observed no material impact from this application of the Accounting Standard for Fair Value Measurement.

In addition, the Company has decided to provide notes regarding matters such as the breakdown of financial instruments by fair value level in the financial instruments sections of notes to the consolidated balance sheets.

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,			
2021			
Millions of yen			
	Carrying amount	Fair value	Difference
Cash and deposits:			
Cash and deposits not treated as securities.....	¥321,613	¥321,613	¥—
Total cash and deposits	321,613	321,613	—
Call loans	136,000	136,000	—
Monetary claims bought:			
Claims treated as loans	239	254	14
Total monetary claims bought.....	239	254	14
Money held in trust:			
Trading securities.....	24,277	24,277	—
Total money held in trust	24,277	24,277	—
Securities:			
Trading securities.....	29,426	29,426	—
Held-to-maturity debt securities	1,277,057	1,470,397	193,340
Policy-reserve-matching bonds.....	1,591,559	1,756,290	164,730
Available-for-sale securities	4,384,960	4,384,960	—
Total securities.....	7,283,003	7,641,074	358,071
Loans:			
Policy loans.....	54,126	54,126	(0)
Ordinary loans.....	517,293	537,281	19,987
Total loans.....	571,420	591,407	19,987
Assets total.....	8,336,553	8,714,627	378,073
Subordinated bonds ^{*1}	241,935	246,577	4,642
Liabilities total.....	241,935	246,577	4,642
Derivative instruments ^{*2} :			
Hedge accounting not applied	(3,394)	(3,394)	—
Hedge accounting applied	(37,644)	(37,644)	—
Total derivative instruments.....	¥(41,039)	¥(41,039)	¥—

*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.

Notes: 1. Cash, deposits (excluding financial instruments treated as securities based on "Accounting Standards for Financial Instruments" (ASBJ Statement No. 10, March 10, 2008)) and call loans: The fair values of cash, deposits and call loans are based on their book values since fair values approximate book values due to their short maturities.

2. Securities including deposits and monetary claims bought which are treated as securities based on "Accounting Standards for Financial Instruments" (ASBJ Statement No. 10, March 10, 2008) and securities managed as trust assets in money held in trust: The fair values of marketable securities are measured at the quoted market prices at the balance sheet date. The fair values of other securities without the quoted market prices are based on the prices reasonably calculated such as the prices offered by the information vendors or counterparty financial institutions.

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

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

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

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

5. Derivative instruments:

i) The fair values of the futures and options traded at the exchange are measured at the settlement price of the exchange.

ii) The fair values of forward contracts, options and swaps traded over the counter are based on the quoted prices offered by counterparty financial institutions.

iii) The fair values of foreign currency forward contracts are determined based on the spot exchange rate and forward contract rate.

As of March 31,

	2022			2022		
	Millions of yen			Millions of U.S. dollars		
	Carrying amount	Fair value	Difference	Carrying amount	Fair value	Difference
Monetary claims bought:						
Claims treated as loans	¥80	¥81	¥0	\$0	\$0	\$0
Total monetary claims bought.....	80	81	0	0	0	0
Money held in trust:						
Trading securities.....	25,070	25,070	—	204	204	—
Total money held in trust.....	25,070	25,070	—	204	204	—
Securities:						
Trading securities.....	18,493	18,493	—	151	151	—
Held-to-maturity debt securities	1,277,683	1,434,476	156,792	10,439	11,720	1,281
Policy-reserve-matching bonds.....	704,016	734,244	30,227	5,752	5,999	246
Available-for-sale securities	5,551,740	5,551,740	—	45,361	45,361	—
Total securities.....	7,551,934	7,738,954	187,020	61,703	63,231	1,528
Loans:						
Policy loans.....	51,901	51,901	(0)	424	424	(0)
Ordinary loans.....	504,675	521,484	16,809	4,123	4,260	137
Total loans.....	556,577	573,386	16,809	4,547	4,684	137
Assets total.....	8,133,662	8,337,492	203,830	66,456	68,122	1,665
Subordinated bonds*1	241,935	245,074	3,139	1,976	2,002	25
Liabilities total.....	241,935	245,074	3,139	1,976	2,002	25
Derivative instruments*2 :						
Hedge accounting not applied	(4,814)	(4,814)	—	(39)	(39)	—
Hedge accounting applied	(63,528)	(63,528)	—	(519)	(519)	—
Total derivative instruments.....	¥(68,342)	¥(68,342)	¥—	\$(558)	\$ (558)	\$—

*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 parentheses.

Notes: 1. Stocks without market prices, such as unlisted stocks, are not included in Securities of the above table. The amount of these stocks on the balance sheet as of March 31, 2022 was ¥9,603 million (US\$78 million).

2. In accordance with the transitional treatments prescribed in Paragraph 27 of the "Implementation Guidance on Accounting Standard for Fair Value Measurement" (ASBJ Guidance No. 31, July 4, 2019), investments in partnerships have not been included in Securities of the above table. As of March 31, 2022, the amount of investments in partnerships included on the balance sheet was ¥32,380 million (US\$264 million).

4. Matters concerning the breakdown of financial instruments by fair value level are as follows.

The fair values of financial instruments are classified into the following three levels according to the observability and materiality of inputs used to measure fair value.

Fair Value Level 1: Fair values measured using (unadjusted) quoted prices in active markets for identical assets or liabilities

Fair Value Level 2: Fair values measured using directly or indirectly observable inputs other than Level 1 inputs

Fair Value Level 3: Fair values measured using material unobservable inputs

When multiple inputs with material impact are used to measure fair value, the resulting fair value is classified into the lowest fair value level into which any of these inputs can be categorized.

(1) Financial assets and liabilities with fair values recorded on the balance sheet

As of March 31,

Classification	2022				2022			
	Millions of yen				Millions of U.S. dollars			
	Fair value				Fair value			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Money held in trust:								
Trading securities.....	¥—	¥25,070	¥—	¥25,070	\$—	\$204	\$—	\$204
Total money held in trust..	—	25,070	—	25,070	—	204	—	204
Securities:								
Trading securities:								
Foreign securities	7,859	10,634	—	18,493	64	86	—	151
Total trading securities ..	7,859	10,634	—	18,493	64	86	—	151
Available-for-sale securities:								
Government bonds.....	1,436,730	—	—	1,436,730	11,738	—	—	11,738
Local government bonds.....	—	156,768	—	156,768	—	1,280	—	1,280
Corporate bonds.....	—	812,361	—	812,361	—	6,637	—	6,637
Stocks.....	699,672	—	—	699,672	5,716	—	—	5,716
Foreign securities	744,812	1,129,151	28,139	1,902,104	6,085	9,225	229	15,541
Other securities	3,667	—	—	3,667	29	—	—	29
Total available-for-sale securities	2,884,883	2,098,282	28,139	5,011,305	23,571	17,144	229	40,945
Total securities.....	2,892,742	2,108,916	28,139	5,029,798	23,635	17,231	229	41,096
Assets total.....	2,892,742	2,133,986	28,139	5,054,868	23,635	17,435	229	41,301
Derivative instruments:								
Currency-related	—	(68,160)	—	(68,160)	—	(556)	—	(556)
Interest-related	—	20	—	20	—	0	—	0
Stock-related.....	(202)	—	—	(202)	(1)	—	—	(1)
Total derivative instruments.....	¥(202)	¥(68,140)	¥—	¥(68,342)	\$ (1)	\$ (556)	\$—	\$ (558)

* Assets and liabilities generated by derivative instruments are offset and presented net. Net liabilities in total are presented in parentheses.

Note: In accordance with the transitional treatments prescribed in Paragraph 26 of the "Implementation Guidance on Accounting Standard for Fair Value Measurement" (ASBJ Guidance No.31, July 4, 2019), investment trusts have not been included in the figures above.

As of March 31, 2022, the amount of investment trusts included on the balance sheet was ¥540,435 million (US\$ 4,415 million).

(2) Financial assets and liabilities with fair values not recorded on the balance sheet

AS of March 31,

Classification	2022				2022			
	Millions of yen				Millions of U.S. dollars			
	Fair value				Fair value			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Monetary claims bought:								
Claims treated as loans	¥—	¥—	¥81	¥81	\$—	\$—	\$0	\$0
Total monetary claims bought.....	—	—	81	81	—	—	0	0
Securities:								
Held-to-maturity debt securities:								
Government bonds...	1,205,133	—	—	1,205,133	9,846	—	—	9,846
Local government bonds.....	—	98,778	—	98,778	—	807	—	807
Corporate bonds	—	108,022	—	108,022	—	882	—	882
Foreign securities	20,878	1,663	—	22,541	170	13	—	184
Total held-to-maturity debt securities	1,226,012	208,463	—	1,434,476	10,017	1,703	—	11,720
Policy-reserve-matching bonds:								
Government bonds...	290,940	—	—	290,940	2,377	—	—	2,377
Local government bonds.....	—	137,159	—	137,159	—	1,120	—	1,120
Corporate bonds	—	306,143	—	306,143	—	2,501	—	2,501
Total policy-reserve-matching bonds	290,940	443,303	—	734,244	2,377	3,622	—	5,999
Total securities.....	1,516,953	651,767	—	2,168,720	12,394	5,325	—	17,719
Loans:								
Policy loans.....	—	—	51,901	51,901	—	—	424	424
Ordinary loans.....	—	—	521,484	521,484	—	—	4,260	4,260
Total loans.....	—	—	573,386	573,386	—	—	4,684	4,684
Assets total.....	1,516,953	651,767	573,467	2,742,188	12,394	5,325	4,685	22,405
Subordinated bonds.....	—	245,074	—	245,074	—	2,002	—	2,002
Liabilities total.....	¥—	¥245,074	¥—	¥245,074	\$—	\$2,002	\$—	\$2,002

.....

(3) Explanation of valuation techniques and inputs used to measure fair value

- i) Securities (including deposits and monetary claims bought which are treated as securities based on "Accounting Standards for Financial Instruments" [ASBJ Statement No.10, July 4, 2019])

The fair values of securities for which unadjusted quoted market prices in active markets are available (primarily listed stocks and government bonds [including some foreign securities]) are classified as Fair Value Level 1. Meanwhile, the fair values of securities for which quoted market prices are available, but are not available in active markets, are classified as Fair Value Level 2 (This category primarily includes local government bonds and corporate bonds [including some foreign securities]). When quoted market prices are not available for securities, prices obtained from third parties (mainly from information vendors and financial institutions with which the Company conducts business) and determined to have been measured in accordance with prescribed accounting standards are used to measure the fair values of these securities. If the inputs used to measure the fair value of a given security are material but unobservable, the resulting fair value is classified as Fair Value Level 3.

- ii) Money held in trust

In principle, the fair values of securities managed as trust assets and classified as money held in trust are measured using the Company's prescribed method for determining the value of securities. These fair values are categorized as Fair Value Level 2.

- iii) 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 primarily 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.

If the impact of unobservable inputs used to measure the fair values of loans and monetary claims bought treated as loans is determined to be material, the resulting

fair values are classified as Fair Value Level 3. Otherwise, they are categorized as Fair Value Level 2.

- iv) Subordinated bonds

The fair values of corporate bonds issued by the Company are classified as Fair Value Level 2 and are measured using the same method applied to securities.

- v) Derivative instruments

The fair values of derivative instruments for which unadjusted quoted market prices in active markets are available (primarily exchange-traded futures and options) are classified as Fair Value Level 1. However, most derivative instruments are traded over the counter and have no quoted market prices. Accordingly, prices obtained from third parties (mainly from information vendors and financial institutions with which the Company conducts business) and determined to have been measured in accordance with prescribed accounting standards are used to measure the fair values of these derivative instruments. Fair values of derivative instruments that were measured using only observable inputs or with unobservable inputs considered to be immaterial are classified as Fair Value Level 2. Meanwhile, fair values of derivative instruments that have been measured using material unobservable inputs are categorized as Fair Value Level 3.

- (4) Information concerning fair values of financial assets and liabilities that have been recorded on the balance sheet as of March 31, 2022 and classified as Fair Value Level 3

- i) Quantitative information regarding material unobservable inputs

When measuring fair value, the Company does not adjust quoted prices obtained from third parties and does not make estimates related to inputs that it cannot observe. Accordingly, quantitative information regarding material unobservable inputs have been omitted.

- ii) Reconciliation of balances at the beginning of the current fiscal year and balances as of March 31, 2022, and valuation gains or losses recognized in the statements of operations for the consolidated fiscal year ended March 31, 2022.

Year ended March 31,

	2022		2022	
	Millions of yen		Millions of U.S. dollars	
	Securities, Available-for-sale securities, Foreign securities	Total	Securities, Available-for-sale securities, Foreign securities	Total
Balance at the beginning of the current fiscal year	¥29,312	¥29,312	\$239	\$239
Gains or losses and other comprehensive income during the fiscal year	(1,172)	(1,172)	(9)	(9)
Values recognized as gains or losses* ¹	(10)	(10)	(0)	(0)
Values recognized as other comprehensive income* ²	(1,162)	(1,162)	(9)	(9)
Balance at the end of the current fiscal year	¥28,139	¥28,139	\$229	\$229

*1 These amounts are included in investment income and investment expenses in the consolidated statements of operations for the fiscal year ended March 31, 2022.

*2 These amounts are included in net unrealized gains (losses) on available-for-sale securities, net of tax under other comprehensive income in the consolidated statements of comprehensive income for the fiscal year ended March 31, 2022.

iii) Explanation of the valuation process for fair value

The Company's asset management division is responsible for the formulation of policies and procedures related to the measurement of fair value and the actual measurement of fair value. These fair values are subsequently checked by the risk management department to ensure their appropriateness and compliance with relevant policies and procedures.

The Company verifies the appropriateness of the fair values it measures using a variety of suitable methods, which include comparing quoted market prices obtained from different third parties; confirming techniques and inputs utilized for calculation; and further comparing measured fair values with the fair values of similar financial instruments.

iv) Explanation of the impact on fair value in case of change in material unobservable inputs

When measuring fair value, the Company does not adjust quoted prices obtained from third parties and does not make estimates related to inputs that it cannot observe. Accordingly, it has omitted information concerning impact on fair value stemming from changes in material unobservable inputs.

5. The Company holds investment and rental properties such as office buildings in Tokyo and other areas. The carrying amounts and the fair values of investment and rental properties were ¥192,277 million and ¥323,000 million as of March 31, 2021, and ¥194,813 million (US\$1,591 million) and ¥326,189 million (US\$2,665 million) as of March 31, 2022, 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 ¥417 million and ¥367 million (US\$2 million) as of March 31, 2021 and 2022, respectively.

6. The amount of securities lent under lending agreements were ¥465,351 million and ¥621,280 million (US\$5,076 million) as of March 31, 2021 and 2022, respectively.

7. The total amount of credits to bankrupt borrowers, delinquent loans, delinquent loans past 3 months or more and restructured loans, which were included in loans, was ¥3,216 million as of March 31, 2021. The details are as follows.

i) The balance of credits to bankrupt borrowers was ¥164 million as of March 31, 2021.

Credits to bankrupt borrowers represent loans, excluding the balances already written-off, which meet the conditions prescribed in Article 96 Paragraph 1 item 3 and 4 of the Enforcement Regulations of the Corporate Tax Act. Moreover, accrued interest on these loans is not recorded as income after determining that principal of or interest on these loans is unlikely to be collected due to the significant delay in repayment of principal or interest payment or for some other reasons.

ii) The balance of delinquent loans was ¥2,522 million as of March 31, 2021.

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.

iii) The balance of restructured loans was ¥529 million as of March 31, 2021.

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.

iv) There were no balance of delinquent loans past 3 months or more as of March 31, 2021.

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.

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

The total amount of claims against bankrupt and quasi-bankrupt obligors, claims with collection risk, delinquent loans past three months or more, and restructured loans was ¥3,776 million (US\$30 million) as of March 31, 2022. The details are as follows.

- i) The balance of claims against bankrupt and quasi-bankrupt obligors was ¥160 million (US\$1 million) as of March 31, 2022.

Of which, the estimated uncollectible amount written-off was ¥0 million (US\$6 thousand) as of March 31, 2022.

Claims against bankrupt and quasi-bankrupt obligors are loans to borrowers who are subject to bankruptcy, corporate reorganization or rehabilitation or other similar proceedings and other borrowers in serious financial difficulties.

- ii) The balance of claims with collection risk was ¥1,999 million (US\$16 million) as of March 31, 2022.

Claims with collection risk are loans to obligors (other than bankrupt and quasi-bankrupt obligors) with deteriorated financial condition and results of operations from which it is unlikely that the principal and interest on the loans will be recovered.

- iii) There was no balance of delinquent loans past three months or more as of March 31, 2022.

Delinquent loans past three months or more are loans for which interest payments or repayments of principal are delinquent for three months or more from the due date under the terms of the related loan agreements, excluding those loans classified as claims against bankrupt and quasi-bankrupt obligors, claims with collection risk.

- iv) The balance of restructured loans was ¥1,616 million (US\$13 million) as of March 31, 2022.

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 claims against bankrupt and quasi-bankrupt obligors, claims with collection risk, and delinquent loans past three months or more.

8. Accumulated depreciation of tangible fixed assets were ¥174,603 million and ¥179,324 million (US\$1,465 million) as of March 31, 2021 and 2022, respectively.

9. Total assets in separate accounts provided for in Article 118 of the Insurance Business Act were ¥104,979 million and ¥112,487 million (US\$919 million) as of March 31, 2021 and 2022, respectively. The amounts of separate account liabilities were the same as separate account assets.

10. The total amounts of receivables from/payables to unconsolidated subsidiaries were ¥2,980 million and ¥37 million as of March 31, 2021, and ¥2,245 million (US\$18 million) and ¥39 million (US\$320 thousand) as of March 31, 2022, respectively.

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

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

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

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

Deferred tax assets and deferred tax liabilities as of March 31, 2022 were ¥175,093 million (US\$1,430 million) and ¥193,317 million (US\$1,579 million), respectively. Valuation allowance for deferred tax assets was ¥5,133 million (US\$41 million).

Major components of deferred tax assets were ¥99,652 million (US\$814 million) of policy reserves, ¥52,554 million (US\$429 million) of reserve for price fluctuation and ¥13,115 million (US\$107 million) of net defined benefit liabilities as of March 31, 2022.

Major component of deferred tax liabilities was ¥187,990 million (US\$1,535 million) of net unrealized gains on available-for-sale securities as of March 31, 2022.

The statutory tax rate and the actual effective tax rate for the year ended March 31, 2022 were 28.0% and 4.8%, respectively. The difference between the statutory tax rate and the actual effective tax rate was attributable mainly to -24.1% of reserve for dividends to policyholders.

12. Changes in reserve for dividends to policyholders were as follows:

	Year ended March 31,		
	2021	2022	2022
	Millions of yen		Millions of U.S. dollars
Balance at the beginning of the fiscal year.....	¥60,922	¥63,232	\$516
Transfer from surplus in the previous fiscal year.....	31,547	32,744	267
Dividend payments to policyholders during the fiscal year	(29,252)	(32,580)	(266)
Increase in interest.....	13	13	0
Balance at the end of the fiscal year	¥63,232	¥63,411	\$518

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

	Year ended March 31,		
	2021	2022	2022
	Millions of yen		Millions of U.S. dollars
Balance at the beginning of the fiscal year.....	¥328	¥308	\$2
Dividend payments to policyholders during the fiscal year	(188)	(181)	(1)
Increase in interest.....	0	0	0
Provision of reserve for dividends to policyholders.....	168	195	1
Balance at the end of the fiscal year	¥308	¥322	\$2

14. The amount of stocks of unconsolidated subsidiaries were ¥404 million and ¥404 million (US\$3 million) as of March 31, 2021 and 2022, respectively.

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

Assets pledged as collateral as of March 31, 2022 were ¥225,740 million (US\$1,844 million) of securities.

Secured debts as of March 31, 2022, were ¥166,881 million (US\$1,363 million).

These amounts include ¥150,826 million (US\$1,232 million) of investments in securities deposited and ¥160,928 million (US\$1,314 million) of cash received as collateral under securities lending transactions secured by cash as of March 31, 2022.

16. 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 ¥26 million and ¥2 million (US\$16 thousand) as of March 31, 2021 and 2022, 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 ¥49 million and ¥42 million (US\$350 thousand) as of March 31, 2021 and 2022, respectively.

17. There were unused commitment line agreements under which the Company is the lender of ¥8,733 million and ¥11,492 million (US\$93 million) as of March 31, 2021 and 2022, respectively.

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

19. The future contribution to the Life Insurance Policyholders Protection Corporation of Japan under Article 259 of the Insurance Business Act were estimated at ¥9,833 million and ¥9,995 million (US\$81 million) as of March 31, 2021 and 2022, respectively.

The contribution is recognized as operating expenses when contributed.

20. 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,		
	2021	2022	2022
	Millions of yen		Millions of U.S. dollars
Retirement benefit obligation at the beginning of the fiscal year.....	¥88,356	¥91,051	\$743
Service cost.....	3,551	3,701	30
Interest cost.....	526	541	4
Actuarial differences occurred during the fiscal year.....	2,881	47	0
Retirement benefit payments.....	(4,317)	(4,185)	(34)
Prior service costs occurred during the fiscal year.....	54	—	—
Retirement benefit obligation at the end of the fiscal year.....	¥91,051	¥91,156	\$744

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

	As of March 31,		
	2021	2022	2022
	Millions of yen		Millions of U.S. dollars
Pension plan assets at the beginning of the fiscal year.....	¥53,996	¥62,627	\$511
Expected return on pension plan assets.....	867	1,202	9
Actuarial differences occurred during the fiscal year.....	6,673	956	7
Contributions by the employer.....	2,666	1,117	9
Retirement benefit payments.....	(1,579)	(1,608)	(13)
Others.....	2	4	0
Pension plan assets at the end of the fiscal year.....	¥62,627	¥64,301	\$525

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,		
	2021	2022	2022
	Millions of yen		Millions of U.S. dollars
a. Funded plan retirement benefit obligation.....	¥78,551	¥78,843	\$644
b. Pension plan assets.....	(62,627)	(64,301)	(525)
c. (a + b).....	15,924	14,542	118
d. Unfunded plan retirement benefit obligation.....	12,499	12,312	100
e. Net amount of liabilities and assets presented on the consolidated balance sheet.....	28,423	26,855	219
f. Net defined benefit liabilities.....	28,762	27,677	226
g. Net defined benefit assets.....	(339)	(822)	(6)
h. Net amount of liabilities and assets presented on the consolidated balance sheet.....	¥28,423	¥26,855	\$219

iv) Breakdown of retirement benefit gains and losses

	As of March 31,		
	2021	2022	2022
	Millions of yen		Millions of U.S. dollars
Service cost.....	¥3,551	¥3,701	\$30
Interest cost.....	526	541	4
Expected return on pension plan assets.....	(867)	(1,202)	(9)
Amortization of actuarial differences.....	1,905	1,428	11
Amortization of prior service costs.....	(72)	(13)	(0)
Others.....	(2)	(4)	(0)
Retirement benefit expenses related to defined benefit plan.....	¥5,039	¥4,450	\$36

v) Remeasurements of defined benefit plan

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

	As of March 31,		
	2021	2022	2022
	Millions of yen		Millions of U.S. dollars
Amortization of actuarial differences.....	¥5,698	¥2,337	\$19
Amortization of prior service cost.....	(126)	(13)	(0)
Total.....	¥5,571	¥2,323	\$18

vi) Accumulated remeasurements of defined benefit plan

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

	As of March 31,		
	2021	2022	2022
	Millions of yen		Millions of U.S. dollars
Unrecognized actuarial differences	¥(5,111)	¥(2,774)	\$(22)
Unrecognized prior service cost	(31)	(45)	(0)
Total	¥(5,143)	¥(2,819)	\$(23)

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,	
	2021	2022
Domestic stocks	42.6%	41.9%
Life insurance general account	32.3%	31.6%
Foreign stocks	8.8%	10.2%
Domestic bonds	9.8%	9.5%
Assets under joint management	3.3%	3.6%
Foreign bonds	3.2%	3.1%
Total	100.0%	100.0%

Within the total plan assets as of March 2021 and March 2022, retirement benefit trusts established in relation to the retirement lump-sum payments plan for sales employees accounted for 35.4% and 35.5%, respectively.

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,	
	2021	2022
Discount rate	0.6%	0.6%
Expected long-term rate of return on pension plan assets		
Defined benefit plan	2.5%	3.0%
Retirement benefit trust	0.0%	0.0%

(3) Defined Contribution Plan

The required contribution amount by the Company and its consolidated subsidiaries to the defined contribution plan were ¥334 million and ¥339 million (US\$2 million) as of March 31, 2021 and 2022, respectively.

III. Notes to the Consolidated Statements of Operations

- The total amounts of revenues and expenses in connection with unconsolidated subsidiaries were ¥93 million and ¥1,355 million for the year ended March 31, 2021 and ¥128 million (US\$1 million) and ¥1,197 million (US\$9 million) for the year ended March 31, 2022, respectively.
- For the year ended March 31, 2021, in calculating the provision of reserve for outstanding claims, a provision of reserves for outstanding claims reinsured of ¥24 million was deducted. In calculating the reversal of policy reserves, a provision of reserves for policy reserves reinsured of ¥0 million was added.
For the year ended March 31, 2022, in calculating the provision of reserve for outstanding claims, a reversal of reserves for outstanding claims reinsured of ¥24 million (US\$200 thousand) was added. In calculating the provision of policy reserves, a reversal of reserves for policy reserves reinsured of ¥6 million (US\$52 thousand) was added.
- "Others" within "Extraordinary losses" for the year ended March 31, 2021 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,		
	2021	2022	2022
	Millions of yen		Millions of U.S. dollars
Amount incurred during the fiscal year.....	¥256,428	¥27,373	\$223
Reclassification adjustments	(17,606)	1,036	8
Before tax adjustments	238,821	28,409	232
Tax effects	(66,023)	(7,827)	(63)
Net unrealized gains (losses) on available-for-sale securities, net of tax	¥172,797	¥20,581	\$168

ii) Foreign currency translation adjustments

	Year ended March 31,		
	2021	2022	2022
	Millions of yen		Millions of U.S. dollars
Amount incurred during the fiscal year.....	¥(91)	¥259	\$2
Reclassification adjustments	—	—	—
Before tax adjustments	(91)	259	2
Tax effects	—	—	—
Foreign currency translation adjustments	¥(91)	¥259	\$2

iii) Remeasurements of defined benefit plans, net of tax

	Year ended March 31,		
	2021	2022	2022
	Millions of yen		Millions of U.S. dollars
Amount incurred during the fiscal year.....	¥3,738	¥909	\$7
Reclassification adjustments	1,833	1,414	11
Before tax adjustments	5,571	2,323	18
Tax effects	(1,559)	(650)	(5)
Remeasurements of defined benefit plans, net of tax	4,011	1,673	13
Total other comprehensive income	¥176,717	¥22,514	\$183

V. Notes to the Consolidated Statements of Cash Flows

1. Cash and cash equivalents as of March 31, 2021 and 2022 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 three months of the date of acquisition," "Negotiable certificate of deposits maturing within three months of the date of acquisition," "Call loans" and "Monetary claims bought maturing within three months of the date of acquisition."

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

	Year ended March 31,		
	2021	2022	2022
	Millions of yen		Millions of U.S. dollars
Cash and deposits	¥325,854	¥323,128	\$2,640
Call loans	136,000	48,000	392
Monetary claims bought.....	239	80	0
Time deposits maturing over 3 months of the date of acquisition	(5,100)	(3,100)	(25)
Foreign currency deposits maturing over 3 months of the date of acquisition.....	(931)	(1,029)	(8)
Monetary claims bought maturing over 3 months of the date of acquisition.....	(239)	(80)	(0)
Cash and cash equivalents	¥455,823	¥366,999	\$2,998

Independent Auditor's Report

August 28, 2023

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

Moore Mirai & Co.

Tokyo, Japan

Designated Engagement Partner
Certified Public Accountant

/S/ Shinnosuke Tsuruta

Shinnosuke Tsuruta

Designated Engagement Partner
Certified Public Accountant

/S/ Yuichi Yasuda

Yuichi Yasuda

Opinion

We have audited the accompanying non-consolidated financial statements of Fukoku Mutual Life Insurance Company (collectively referred to as “the Company”), which comprise the non-consolidated balance sheets as at March 31, 2022 and 2023, the non-consolidated statements of operations, the non-consolidated statements of changes in net assets, and the non-consolidated statements of surplus for the years 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, 2022 and 2023, and its financial performance for the years 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.

Other Information

Other information comprises information included in a disclosure document that contains audited non-consolidated financial statements, but does not include the non-consolidated financial statements and our auditor's report thereon.

We have concluded that other information does not exist. Accordingly, we have not performed any work related to other information.

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, 2023.

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.

Non-consolidated Financial Statements

Non-consolidated Balance Sheets

Fukoku Mutual Life Insurance Company
As of March 31, 2022 and 2023

	As of March 31,		
	2022	2023	2023
	Millions of yen		Millions of U.S. dollars
Assets:			
Cash and deposits:			
Cash	¥166	¥156	\$1
Bank deposits	159,983	402,315	3,012
	160,149	402,472	3,014
Call loans	48,000	130,000	973
Monetary claims bought	80	—	—
Money held in trust	26,070	25,897	193
Securities:			
Government bonds	2,102,521	2,395,965	17,943
Local government bonds	102,771	92,958	696
Corporate bonds	704,056	542,134	4,060
Stocks	795,801	836,501	6,264
Foreign securities	2,388,284	1,756,176	13,151
Other securities	184,163	175,445	1,313
	6,277,599	5,799,182	43,429
Loans:			
Policy loans	48,629	47,088	352
Ordinary loans	504,675	477,104	3,573
	553,305	524,193	3,925
Tangible fixed assets:			
Land	150,195	149,747	1,121
Buildings	89,202	89,583	670
Lease assets	265	928	6
Construction in progress	1,767	3,649	27
Other tangible fixed assets	3,974	3,412	25
	245,405	247,321	1,852
Intangible fixed assets:			
Software	19,914	24,148	180
Lease assets	498	311	2
Other intangible fixed assets	7,407	2,456	18
	27,821	26,917	201
Agency receivables	15	100	0
Reinsurance receivables	135	62	0
Other assets:			
Accounts receivable	5,392	13,940	104
Prepaid expenses	3,202	4,281	32
Accrued income	31,840	29,089	217
Deposits	1,834	1,801	13
Differential account for futures trading	—	147	1
Derivatives	35	1,481	11
Cash collateral paid for financial instruments	4,499	—	—
Suspense payments	1,871	1,621	12
Rest of the other asset	3,653	3,153	23
	52,328	55,516	415
Prepaid pension cost	912	1,614	12
Deferred tax assets	—	13,829	103
Allowance for possible loan losses	(2,515)	(826)	(6)
Total assets	¥7,389,308	¥7,226,280	\$54,117

As of March 31,

	2022	2023	2023
	Millions of yen		Millions of U.S. dollars
Liabilities:			
Policy reserves:			
Reserve for outstanding claims	¥22,985	¥21,523	\$161
Policy reserve	5,800,015	5,830,565	43,664
Reserve for dividends to policyholders	63,411	64,420	482
	5,886,412	5,916,509	44,308
Reinsurance payables	87	46	0
Subordinated bonds	241,935	241,935	1,811
Other liabilities:			
Cash received as collateral under securities lending transactions ...	160,928	155,483	1,164
Corporate income tax payable	2,767	101	0
Accounts payable	7,282	6,324	47
Accrued expenses	11,438	10,580	79
Unearned income	419	437	3
Deposits received	6,523	6,592	49
Guarantee deposits received	13,970	13,700	102
Derivatives	68,377	3,005	22
Cash collateral received for financial instruments	—	3,822	28
Lease obligations	553	345	2
Asset retirement obligations	2,355	2,328	17
Suspense receipts	1,711	1,319	9
	276,328	204,041	1,528
Reserve for claims and other payments	3,400	—	—
Reserve for employees' retirement benefits	24,850	25,951	194
Reserve for price fluctuation	176,670	177,188	1,326
Deferred tax liabilities	25,061	—	—
Deferred tax liabilities for land revaluation	14,183	14,164	106
Total liabilities	6,648,929	6,579,836	49,276
Net assets:			
Foundation funds	12,000	12,000	89
Accumulated foundation funds redeemed	116,000	116,000	868
Reserve for revaluation	112	112	0
Surplus:			
Legal reserve for future losses	3,370	3,463	25
Other surplus:			
Reserve for redemption of foundation funds	4,800	7,200	53
Reserve for dividend allowances	20,000	20,000	149
Accumulated fund for price fluctuation	41,000	41,000	307
Reserve for advanced depreciation of real estate for tax purpose	206	205	1
Other reserves	767	767	5
Unappropriated surplus	57,078	54,346	406
	123,852	123,518	925
	127,222	126,981	950
Total foundation funds, surplus and others	255,334	255,093	1,910
Net unrealized gains (losses) on available-for-sale securities, net of tax	480,860	386,882	2,897
Revaluation reserve for land, net of tax	4,184	4,468	33
Total valuation and translation adjustments	485,044	391,350	2,930
Total net assets	740,379	646,444	4,841
Total liabilities and net assets	¥7,389,308	¥7,226,280	\$54,117

See notes to the non-consolidated financial statements.

Non-consolidated Statements of Operations

Fukoku Mutual Life Insurance Company
For the years ended March 31, 2022 and 2023

	Year ended March 31,		
	2022	2023	2023
	Millions of yen		Millions of U.S. dollars
Ordinary revenues:			
Premium and other income:			
Premium income	¥486,302	¥525,871	\$3,938
Reinsurance income	158	166	1
	486,461	526,037	3,939
Investment income:			
Interest, dividends and other income:			
Interest on deposits	2	3	0
Interest and dividends on securities	140,247	136,893	1,025
Interest on loans	8,048	8,237	61
Income from real estate for rent	19,074	19,292	144
Other interest and dividends	237	343	2
	167,609	164,768	1,233
Gains on money held in trust, net	817	—	—
Gains on trading securities, net	1,664	348	2
Gains on sales of securities	13,920	54,756	410
Gains on redemption of securities, net	65	11,702	87
Foreign exchange gains, net	1,617	—	—
Reversal of allowance for possible loan losses	1,867	624	4
Other investment income	381	322	2
Gains on separate accounts, net	6,391	2,174	16
	194,336	234,698	1,757
Other ordinary revenues:			
Fund receipt from annuity rider	2,704	1,270	9
Proceeds from deferred insurance	2,938	3,122	23
Reversal of reserve for outstanding claims	—	1,461	10
Reversal of reserve for claims and other payments	—	3,400	25
Others	3,279	3,817	28
	8,922	13,072	97
Total ordinary revenues	689,719	773,808	5,795
Ordinary expenses:			
Claims and other payments:			
Claims	81,426	131,371	983
Annuities	152,290	153,869	1,152
Benefits	109,711	144,757	1,084
Surrenders	48,261	49,579	371
Other payments	24,152	25,008	187
Reinsurance premiums	218	204	1
	416,061	504,790	3,780
Provision of policy reserve and others:			
Provision of reserve for outstanding claims	3,434	—	—
Provision of policy reserves	70,504	30,549	228
Provision of interest portion of reserve for dividends to policyholders ...	13	13	0
	¥73,952	¥30,563	\$228

Year ended March 31,

	2022	2023	2023
	Millions of yen		Millions of U.S. dollars
Investment expenses:			
Interest expenses	¥4,402	¥4,469	\$33
Losses on money held in trust, net	—	161	1
Losses on sales of securities	15,060	46,169	345
Losses on valuation of securities	344	3,608	27
Losses on redemption of securities, net	—	185	1
Losses on derivative instruments, net	7,746	11,221	84
Foreign exchange losses, net	—	8,231	61
Depreciation of real estate for rent and other assets	4,788	4,850	36
Other investment expenses	10,985	12,185	91
	43,328	91,083	682
Operating expenses	90,779	90,478	677
Other ordinary expenses:			
Deferred annuity payments	3,353	3,618	27
Taxes	7,472	7,546	56
Depreciation	10,657	11,388	85
Provision of reserve for claims and other payments	3,400	—	—
Provision of reserve for employees' retirement benefits	750	399	2
Others	1,212	1,426	10
	26,845	24,380	182
Total ordinary expenses	650,967	741,296	5,551
Ordinary profits	38,752	32,512	243
Extraordinary gains:			
Gains on disposal of fixed assets	10	393	2
Total extraordinary gains	10	393	2
Extraordinary losses:			
Losses on disposal of fixed assets	430	178	1
Impairment losses	46	32	0
Provision of reserve for price fluctuation	3,873	518	3
Total extraordinary losses	4,349	730	5
Surplus before income taxes	34,412	32,175	240
Income taxes:			
Current	11,069	3,096	23
Deferred	(9,975)	(1,793)	(13)
Total income taxes	1,093	1,303	9
Net surplus for the year	¥33,319	¥30,872	\$231

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, 2022 and 2023

	Millions of yen											
	Foundation funds, surplus and others											
	Surplus											
	Other surplus											
For the year ended March 31, 2022	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	¥3,271	¥2,400	¥20,000	¥41,000	¥207	¥767	¥59,102	¥126,748	¥254,860
Changes in the fiscal year												
Additions to reserve for dividends to policyholders										(32,744)	(32,744)	(32,744)
Additions to legal reserve for future losses				99						(99)	—	—
Payment of interest on foundation funds										(102)	(102)	(102)
Net surplus for the fiscal year										33,319	33,319	33,319
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										1	1	1
Net changes, excluding foundation funds, surplus and others												
Total changes in the fiscal year	—	—	—	99	2,400	—	—	(1)	—	(2,024)	473	473
Balance at the end of the fiscal year	¥12,000	¥116,000	¥112	¥3,370	¥4,800	¥20,000	¥41,000	¥206	¥767	¥57,078	¥127,222	¥255,334

	Millions of yen			
	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
For the year ended March 31, 2022				
Balance at the beginning of the fiscal year	¥458,287	¥4,185	¥462,473	¥717,333
Changes in the fiscal year				
Additions to reserve for dividends to policyholders				(32,744)
Additions to legal reserve for future losses				—
Payment of interest on foundation funds				(102)
Net surplus for the fiscal year				33,319
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				1
Net changes, excluding foundation funds, surplus and others	22,572	(1)	22,571	22,571
Total changes in the fiscal year	22,572	(1)	22,571	23,045
Balance at the end of the fiscal year	¥480,860	¥4,184	¥485,044	¥740,379



Millions of yen												
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
For the year ended March 31, 2023												
Balance at the beginning of the fiscal year	¥12,000	¥116,000	¥112	¥3,370	¥4,800	¥20,000	¥41,000	¥206	¥767	¥57,078	¥127,222	¥255,334
Changes in the fiscal year												
Additions to reserve for dividends to policyholders										(30,726)	(30,726)	(30,726)
Additions to legal reserve for future losses				93						(93)	—	—
Payment of interest on foundation funds										(102)	(102)	(102)
Net surplus for the fiscal year.....										30,872	30,872	30,872
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										(284)	(284)	(284)
Net changes, excluding foundation funds, surplus and others												
Total changes in the fiscal year	—	—	—	93	2,400	—	—	(1)	—	(2,732)	(240)	(240)
Balance at the end of the fiscal year	¥12,000	¥116,000	¥112	¥3,463	¥7,200	¥20,000	¥41,000	¥205	¥767	¥54,346	¥126,981	¥255,093

Millions of yen				
Valuation and translation adjustments				
For the year ended March 31, 2023	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	¥480,860	¥4,184	¥485,044	¥740,379
Changes in the fiscal year				
Additions to reserve for dividends to policyholders				(30,726)
Additions to legal reserve for future losses				—
Payment of interest on foundation funds				(102)
Net surplus for the fiscal year				30,872
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				(284)
Net changes, excluding foundation funds, surplus and others	(93,978)	284	(93,694)	(93,694)
Total changes in the fiscal year	(93,978)	284	(93,694)	(93,935)
Balance at the end of the fiscal year	¥386,882	¥4,468	¥391,350	¥646,444

Millions of U.S. dollars

Foundation funds, surplus and others

Surplus

Other surplus

For the year ended March 31, 2023	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	\$89	\$868	\$0	\$25	\$35	\$149	\$307	\$1	\$5	\$427	\$952	\$1,912
Changes in the fiscal year												
Additions to reserve for dividends to policyholders										(230)	(230)	(230)
Additions to legal reserve for future losses				0						(0)	—	—
Payment of interest on foundation funds										(0)	(0)	(0)
Net surplus for the fiscal year										231	231	231
Additions to reserve for redemption of foundation funds					17					(17)	—	—
Reversal of reserve for advanced depreciation of real estate for tax purpose								(0)		0	—	—
Reversal of revaluation reserve for land, net of tax										(2)	(2)	(2)
Net changes, excluding foundation funds, surplus and others												
Total changes in the fiscal year	—	—	—	0	17	—	—	(0)	—	(20)	(1)	(1)
Balance at the end of the fiscal year	\$89	\$868	\$0	\$25	\$53	\$149	\$307	\$1	\$5	\$406	\$950	\$1,910

Millions of U.S. dollars

Valuation and translation adjustments

For the year ended March 31, 2023	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	\$3,601	\$31	\$3,632	\$5,544
Changes in the fiscal year				
Additions to reserve for dividends to policyholders				(230)
Additions to legal reserve for future losses				—
Payment of interest on foundation funds				(0)
Net surplus for the fiscal year				231
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				(2)
Net changes, excluding foundation funds, surplus and others	(703)	2	(701)	(701)
Total changes in the fiscal year	(703)	2	(701)	(703)
Balance at the end of the fiscal year	\$2,897	\$33	\$2,930	\$4,841

Non-consolidated Statements of Surplus

Fukoku Mutual Life Insurance Company
For the years ended March 31, 2022 and 2023

	Year ended March 31,		
	2022	2023	2023
	Millions of yen		Millions of U.S. dollars
Unappropriated surplus	¥57,078	¥54,346	\$406
Reversal of voluntary surplus reserve:			
Reversal of reserve for advanced depreciation of real estate for tax purpose	1	1	0
	1	1	0
Total	57,079	54,347	407
Appropriation of surplus			
Reserve for dividends to policyholders	30,726	28,002	209
Net surplus:			
Legal reserve for future losses	93	85	0
Interest payment for foundation funds	102	102	0
Voluntary surplus reserve:			
Reserve for redemption of foundation funds.....	2,400	2,400	17
	2,400	2,400	17
	2,595	2,587	19
Total of appropriation of surplus	33,321	30,589	229
Unappropriated surplus carried forward	¥23,758	¥23,758	\$177

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 Fukoku Mutual Life Insurance Company (the "Company") in accordance with the provisions set forth in the Insurance Business Act of Japan and its related rules and regulations and in conformity with accounting principles generally accepted in Japan, which are different in certain respects from accounting principles generally accepted in countries and jurisdictions other than Japan.

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

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

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 ¥133.53 = US\$1.00, the effective rate of exchange at the balance sheet date of March 31, 2023. 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:
- Trading securities are stated at fair market value. Costs of their sales are determined by the moving average method.
 - Held-to-maturity debt securities are stated at amortized cost under the straight-line method, cost being determined by the moving average method.
 - Investments in subsidiaries and affiliates are stated at cost, cost being determined by the moving average method.
 - Available-for-sale securities 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. Public and corporate bonds (including foreign bonds) with differences between their acquisition costs and fair values that are considered as adjustments of interest are stated at amortized cost (straight-line method) determined by the moving average method. However, stocks and other securities without quoted market prices are stated at cost, as determined using 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.

- (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:
- 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.
 - 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, 2022 and 2023 were ¥0 million and ¥0 million (US\$5 thousand).

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

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

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

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

- (9) Hedge accounting is based on "Accounting Standards for Financial Instruments" (ASBJ Statement No. 10, July 4, 2019). 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.

Regarding claims for which the occurrence of cause for payment has not been reported but the Company recognizes that insured payment has already occurred ("IBNR reserves"), the scope of payment of hospitalization benefits was changed in the fiscal year ended March 31, 2023, with respect to those diagnosed with COVID-19 and were under the care of a doctor or the like at an lodging facility or at home ("deemed hospitalization"). As a result of this change, an appropriate amount of reserves cannot be obtained with the calculation method set forth in the main rules in Article 1, Paragraph 1 of the Notification of the Minister of Finance No.234, 1998 ("IBNR Notification"). The Company therefore records the amount that was calculated using the following method, pursuant to provisions in the proviso of Article 1, Paragraph 1 of IBNR Notification (the "Proviso").

(Overview of the calculation method)

The Company first deducts an amount pertaining to deemed hospitalization of policy holders other than those with high risk of severity ("4 categories") from a required amount of IBNR reserves and the amount of claim payments for all the fiscal years, as set forth in the main rules in Article 1, Paragraph 1 of IBNR Notification, and then calculates in the same manner as in the main rules in Article 1, Paragraph 1 of IBNR Notification.

In addition, the amount pertaining to deemed hospitalization of the 4 categories which date of diagnosis required for the above calculation is before September 25, 2022 is estimated by multiplying the amount for deemed hospitalization for those 65 years of age or older whose diagnosis date is before September 25, 2022 by the ratio of the amount for the four categories whose diagnosis date is on or after September 26, 2022 and the amount for the deemed hospitalization for persons 65 years of age or older. However, the amount related to 4 categories deemed hospitalizations for co-insurance follower policies is estimated based on the amount of payments for leader policies.

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.

In regard to the policy reserve accumulated pursuant to Article 69 Paragraphs 1, 2, and 4 of the Enforcement Regulation of the Insurance Business Act, 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 following reserves have been established in compliance with this regulation.

- 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 has reduced the assumed interest rate to 1.00% and funded additional policy reserves. As of March 31, 2022, the balance of these policy reserves was ¥72,419 million.
- Among whole life insurance policies with assumed interest rates of 5.00% or higher following the fiscal year ended March 31, 2022, the Company has reduced assumed interest rates for policies with premiums that

have been paid in full (excluding policies that have been converted into paid-up or extended policies, single premium policies, and policies for which premiums have been waived) to 1.00% and funded additional policy reserves of ¥107,284 million. The establishment of these reserves rendered ¥1,589 million of additional policy reserves set aside at the conclusion of the fiscal year ended March 31, 2021 unnecessary. Accordingly, the Company reversed this amount and transferred ¥105,695 million (a higher amount) from contingency reserves to additional policy reserves. Consequently, the establishment of these policy reserves has had no impact on provision of policy reserves, ordinary profits, and surplus before income taxes.

- The Company has also funded additional policy reserves for certain whole life insurance policies that include distribution of surplus every five years, new cancer riders, highly advanced medical riders and advanced medical riders. As of March 31, 2022, the balance of these policy reserves was ¥77 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 has reduced the assumed interest rate to 1.00% and funded additional policy reserves. As of March 31, 2023, the balance of these policy reserves was ¥71,649 million (US\$536 million).
- Among whole life insurance policies with assumed interest rates of 5.00% or higher following the fiscal year ended March 31, 2023, the Company has reduced assumed interest rates for policies with premiums that have been paid in full (excluding policies that have been converted into paid-up or extended policies, single premium policies, and policies for which premiums have been waived) to 1.00% and funded additional policy reserves. As of March 31, 2023, the balance of these policy reserves was ¥106,590 million (US\$798 million).
- The Company has also funded additional policy reserves for certain whole life insurance policies that include distribution of surplus every five years, new cancer riders, highly advanced medical riders and transplant medical riders. As of March 31, 2023, the balance of these policy reserves was ¥105 million (US\$786 thousand).

Appointed actuary, for each fiscal year, verify whether policy reserves have been 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.

(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.

2. The Company began applying the "Implementation Guidance on Accounting Standard for Fair Value Measurement" (ASBJ Statement No. 31, June 17, 2021; hereinafter called "Implementation Guidance on Accounting Standard for Fair Value Measurement") from the beginning of the fiscal year. In accordance with the transitional treatments prescribed in Paragraph 27-2 of the Implementation Guidance on Accounting Standard for Fair Value Measurement, new accounting policies set forth by the Implementation Guidance on Accounting Standard for Fair Value Measurement will be applied prospectively. As a result, certain investment trusts that had previously been carried on the balance sheet at acquisition cost are stated at fair value on the balance sheet from the fiscal year ended March 31, 2023. The Company has observed no material impact from this application of the Implementation Guidance on Accounting Standard for Fair Value Measurement.

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,			
2022			
Millions of yen			
	Carrying amount	Fair value	Difference
Monetary claims bought:			
Claims treated as loans.....	¥80	¥81	¥0
Total monetary claims bought.....	80	81	0
Money held in trust:			
Trading securities.....	25,070	25,070	—
Total money held in trust.....	25,070	25,070	—
Securities:			
Trading securities.....	18,493	18,493	—
Held-to-maturity debt securities.....	760,097	847,316	87,218
Available-for-sale securities.....	5,288,571	5,288,571	—
Total securities.....	6,067,162	6,154,381	87,218
Loans:			
Policy loans.....	48,629	48,629	(0)
Ordinary loans.....	504,675	521,484	16,809
Total loans.....	553,305	570,114	16,809
Assets total.....	6,645,619	6,749,647	104,028
Subordinated bonds*1.....	241,935	245,074	3,139
Liabilities total.....	241,935	245,074	3,139
Derivative instruments*2:			
Hedge accounting not applied.....	(4,814)	(4,814)	—
Hedge accounting applied.....	(63,528)	(63,528)	—
Total derivative instruments.....	¥(68,342)	¥(68,342)	¥—

*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 parentheses.

Notes: 1. Stocks without market prices, such as unlisted stocks, are not included in Securities of the above table. The amount of these stocks on the balance sheet as of March 31, 2022 was ¥73,986 million.

2. In accordance with the transitional treatments prescribed in Paragraph 27 of the "Implementation Guidance on Accounting Standard for Fair Value Measurement" (ASBJ Guidance No. 31, July 4, 2019), investments in partnerships have not been included in Securities of the above table. As of March 31, 2022, the amount of investments in partnerships included on the balance sheet was ¥32,380 million.

As of March 31,						
	2023			2023		
	Millions of yen			Millions of U.S. dollars		
	Carrying amount	Fair value	Difference	Carrying amount	Fair value	Difference
Money held in trust:						
Trading securities.....	¥24,897	¥24,897	¥—	\$186	\$186	\$—
Total money held in trust.....	24,897	24,897	—	186	186	—
Securities:						
Trading securities.....	10,232	10,232	—	76	76	—
Held-to-maturity debt securities.....	738,300	808,660	70,360	5,529	6,056	526
Available-for-sale securities.....	4,839,472	4,839,472	—	36,242	36,242	—
Total securities.....	5,588,005	5,658,365	70,360	41,848	42,375	526
Loans:						
Policy loans.....	47,088	47,088	(0)	352	352	(0)
Ordinary loans.....	477,104	487,443	10,339	3,573	3,650	77
Total loans.....	524,193	534,532	10,339	3,925	4,003	77
Assets total.....	6,137,096	6,217,795	80,699	45,960	46,564	604
Subordinated bonds*1.....	241,935	238,498	(3,436)	1,811	1,786	(25)
Liabilities total.....	241,935	238,498	(3,436)	1,811	1,786	(25)
Derivative instruments*2:						
Hedge accounting not applied.....	(683)	(683)	—	(5)	(5)	—
Hedge accounting applied.....	(840)	(840)	—	(6)	(6)	—
Total derivative instruments.....	¥(1,524)	¥(1,524)	¥—	\$(11)	\$(11)	\$—

*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 parentheses.

Notes: 1. Stocks without market prices, such as unlisted stocks, are not included in Securities of the above table.

The amount of these stocks on the balance sheet as of March 31, 2023 was ¥73,497 million (US\$550 million).

2. In accordance with Paragraph 24-16 of the Implementation Guidance on Accounting Standard for Fair Value Measurement, investments in partnerships are not included in Securities of the above table.

The amount of investments in partnerships included on the balance sheet as of March 31, 2023, was ¥30,957 million (US\$231 million).

3. Investment trusts with real estate as investment trust properties which have applied Paragraph 24-9 of the Implementation Guidance on Accounting Standard for Fair Value Measurement are included in Securities.

4. Matters concerning the breakdown of financial instruments by fair value level are as follows.

The fair values of financial instruments are classified into the following three levels according to the observability and materiality of inputs used to measure fair value.

Fair Value Level 1: Fair values measured using (unadjusted) quoted prices in active markets for identical assets or liabilities

Fair Value Level 2: Fair values measured using directly or indirectly observable inputs other than Level 1 inputs

Fair Value Level 3: Fair values measured using material unobservable inputs

When multiple inputs with material impact are used to measure fair value, the resulting fair value is classified into the lowest fair value level into which any of these inputs can be categorized.

(1) Financial assets and liabilities with fair values recorded on the balance sheet were as follows:

As of March 31,				
Classification	2022			
	Millions of yen			
	Fair value			
	Level 1	Level 2	Level 3	Total
Money held in trust:				
Trading securities.....	¥—	¥25,070	¥—	¥25,070
Total money held in trust.....	—	25,070	—	25,070
Securities:				
Trading securities:				
Foreign securities.....	7,859	10,634	—	18,493
Total trading securities.....	7,859	10,634	—	18,493
Available-for-sale securities:				
Government bonds.....	1,374,059	—	—	1,374,059
Local government bonds.....	—	96,671	—	96,671
Corporate bonds.....	—	675,954	—	675,954
Stocks.....	699,525	—	—	699,525
Foreign securities.....	744,812	1,129,151	28,139	1,902,104
Other securities.....	3,372	—	—	3,372
Total available-for-sale securities.....	2,821,770	1,901,778	28,139	4,751,688
Total securities.....	2,829,629	1,912,412	28,139	4,770,181
Assets total.....	2,829,629	1,937,482	28,139	4,795,251
Derivative instruments*:				
Currency-related.....	—	(68,160)	—	(68,160)
Interest-related.....	—	20	—	20
Stock-related.....	(202)	—	—	(202)
Total derivative instruments.....	¥(202)	¥(68,140)	¥—	¥(68,342)

* Assets and liabilities generated by derivative instruments are offset and presented net. Net liabilities in total are presented in parentheses.

Note: In accordance with the transitional treatments prescribed in Paragraph 26 of the "Implementation Guidance on Accounting Standard for Fair Value Measurement" (ASBJ Guidance No.31, July 4, 2019), investment trusts have not been included in the figures above.

As of March 31, 2022, the amount of investment trusts included on the balance sheet was ¥536,883 million.

Classification	As of March 31,							
	2023				2023			
	Millions of yen				Millions of U.S. dollars			
	Fair value				Fair value			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Money held in trust:								
Trading securities.....	¥—	¥24,897	¥—	¥24,897	\$—	\$186	\$—	\$186
Total money held in trust.....	—	24,897	—	24,897	—	186	—	186
Securities:								
Trading securities:								
Foreign securities.....	—	10,232	—	10,232	—	76	—	76
Total trading securities.....	—	10,232	—	10,232	—	76	—	76
Available-for-sale securities:								
Government bonds.....	1,665,641	—	—	1,665,641	12,473	—	—	12,473
Local government bonds.....	—	86,960	—	86,960	—	651	—	651
Corporate bonds.....	—	512,254	—	512,254	—	3,836	—	3,836
Stocks.....	739,891	—	—	739,891	5,541	—	—	5,541
Foreign securities.....	595,331	1,053,931	26,490	1,675,753	4,458	7,892	198	12,549
Other securities.....	40,683	112,692	—	153,375	304	843	—	1,148
Total available-for-sale securities	3,041,547	1,765,839	26,490	4,833,876	22,778	13,224	198	36,200
Total securities.....	3,041,547	1,776,071	26,490	4,844,109	22,778	13,300	198	36,277
Assets total.....	3,041,547	1,800,969	26,490	4,869,007	22,778	13,487	198	36,463
Derivative instruments*:								
Currency-related.....	—	(1,402)	—	(1,402)	—	(10)	—	(10)
Interest-related.....	—	47	—	47	—	0	—	0
Stock-related.....	(31)	—	—	(31)	(0)	—	—	(0)
Bond-related.....	(137)	—	—	(137)	(1)	—	—	(1)
Total derivative instruments.....	¥(169)	¥(1,355)	¥—	¥(1,524)	\$(1)	\$(10)	\$—	\$(11)

* Assets and liabilities generated by derivative instruments are offset and presented net. Net liabilities in total are presented in parentheses.

Note: Investment trusts with real estate as investment trust properties that have applied Paragraph 24-9 of the Implementation Guidance on Accounting Standard for Fair Value Measurement are not included in the figures above. The amount of the investment trusts on the balance sheet as of March 31, 2023 was ¥5,596 million (US\$41 million). Reconciliation of balances from the beginning of the current fiscal year to balances as of March 31, 2023 for the investment trusts were as follows:

	As of March 31,	
	2023	2023
	Millions of yen	Millions of U.S. dollars
Balance at the beginning of the fiscal year.....	¥3,654	\$27
Changes in net unrealized gains or losses.....	441	3
Purchase, sales, and redemption.....	1,500	11
Purchase.....	1,500	11
Balance at the end of the fiscal year.....	¥5,596	\$41

(2) Financial assets and liabilities with fair values not recorded on the balance sheet were as follows:

Classification	As of March 31,			
	2022			
	Millions of yen			
	Fair value			
	Level 1	Level 2	Level 3	Total
Monetary claims bought:				
Claims treated as loans.....	¥—	¥—	¥81	¥81
Total monetary claims bought.....	—	—	81	81
Securities:				
Held-to-maturity debt securities:				
Government bonds.....	796,339	—	—	796,339
Local government bonds.....	—	7,824	—	7,824
Corporate bonds.....	—	20,610	—	20,610
Foreign securities.....	20,878	1,663	—	22,541
Total held-to-maturity debt securities	817,218	30,098	—	847,316
Total securities.....	817,218	30,098	—	847,316
Loans:				
Policy loans.....	—	—	48,629	48,629
Ordinary loans.....	—	—	521,484	521,484
Total loans.....	—	—	570,114	570,114
Assets total.....	817,218	30,098	570,196	1,417,512
Subordinated bonds.....	—	245,074	—	245,074
Liabilities total.....	¥—	¥245,074	¥—	¥245,074

As of March 31,

Classification	2023				2023			
	Millions of yen				Millions of U.S. dollars			
	Fair value				Fair value			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Securities:								
Held-to-maturity debt securities:								
Government bonds.....	¥780,191	¥—	¥—	¥780,191	\$5,842	\$—	\$—	\$5,842
Local government bonds.....	—	7,357	—	7,357	—	55	—	55
Corporate bonds.....	—	21,110	—	21,110	—	158	—	158
Total held-to-maturity debt securities	780,191	28,468	—	808,660	5,842	213	—	6,056
Total securities	780,191	28,468	—	808,660	5,842	213	—	6,056
Loans:								
Policy loans	—	—	47,088	47,088	—	—	352	352
Ordinary loans	—	—	487,443	487,443	—	—	3,650	3,650
Total loans	—	—	534,532	534,532	—	—	4,003	4,003
Assets total	780,191	28,468	534,532	1,343,192	5,842	213	4,003	10,059
Subordinated bonds.....	—	238,498	—	238,498	—	1,786	—	1,786
Liabilities total	¥—	¥238,498	¥—	¥238,498	\$—	\$1,786	\$—	\$1,786

(3) Explanation of valuation techniques and inputs used to measure fair value

- i) Securities (including deposits and monetary claims bought which are treated as securities based on "Accounting Standards for Financial Instruments" [ASBJ Statement No.10, July 4, 2019])

The fair values of securities for which unadjusted quoted market prices in active markets are available (primarily listed stocks and government bonds [including some foreign securities]) are classified as Fair Value Level 1. Meanwhile, the fair values of securities for which quoted market prices are available, but are not available in active markets, are classified as Fair Value Level 2 (This category primarily includes local government bonds and corporate bonds [including some foreign securities]). When quoted market prices are not available for securities, prices obtained from third parties (mainly from information vendors and financial institutions with which the Company conducts business) and determined to have been measured in accordance with prescribed accounting standards are used to measure the fair values of these securities. If the inputs used to measure the fair value of a given security are material but unobservable, the resulting fair value is classified as Fair Value Level 3.

- ii) Money held in trust

In principle, the fair values of securities managed as trust assets and classified as money held in trust are measured using the Company's prescribed method for determining the value of securities. These fair values are categorized as Fair Value Level 2.

- iii) 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 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 are based on their book values. The fair values of fixed interest rate loans are primarily 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 are computed by deducting the amount of the allowance for possible loan losses from the book values before direct write-offs.

If the impact of unobservable inputs used to measure the fair values of loans is determined to be material, the resulting fair values are classified as Fair Value Level 3. Otherwise, they are categorized as Fair Value Level 2.

- iv) Subordinated bonds

The fair values of corporate bonds issued by the Company are classified as Fair Value Level 2 and are measured using the same method applied to securities.

- v) Derivative instruments

The fair values of derivative instruments for which unadjusted quoted market prices in active markets are available (primarily exchange-traded futures and options) are classified as Fair Value Level 1. However, most derivative instruments are traded over the counter and have no quoted market prices. Accordingly, prices obtained from third parties (mainly from information vendors and financial institutions with which the Company conducts business) and determined to have been measured in accordance with prescribed accounting standards are used to measure the fair values of these derivative instruments. Fair values of derivative instruments that were measured using only observable inputs or with unobservable inputs considered to be immaterial are classified as Fair Value Level 2. Meanwhile, fair values of derivative instruments that have been measured using material unobservable inputs are categorized as Fair Value Level 3.

(4) Information concerning fair values of financial assets and liabilities that have been recorded on the balance sheet and classified as Fair Value Level 3

i) Quantitative information regarding material unobservable inputs

When measuring fair value, the Company does not adjust quoted prices obtained from third parties and does not make estimates related to inputs that it cannot observe. Accordingly, quantitative information regarding material unobservable inputs have been omitted.

ii) Reconciliation of beginning to end of balance as of March 31, 2022 and 2023, and the valuation gains or losses recognized in the statements of operations for the respective fiscal years were as follows:

	Year ended March 31, 2022	
	Millions of yen	
	Securities, Available-for-sale securities, Foreign securities	Total
Balance at the beginning of the current fiscal year.....	¥29,312	¥29,312
Gains or losses during the fiscal year	(10)	(10)
Values recognized as gains or losses*	(10)	(10)
Changes in net unrealized gains or losses	(1,162)	(1,162)
Balance at the end of the current fiscal year.....	¥28,139	¥28,139

* These amounts are included in investment income and investment expenses in the non-consolidated statements of operations for the fiscal year ended March 31, 2022.

	Year ended March 31, 2023		Year ended March 31, 2023	
	Millions of yen		Millions of U.S. dollars	
	Securities, Available-for-sale securities, Foreign securities	Total	Securities, Available-for-sale securities, Foreign securities	Total
Balance at the beginning of the current fiscal year.....	¥28,139	¥28,139	\$210	\$210
Gains or losses during the fiscal year	(10)	(10)	(0)	(0)
Values recognized as gains or losses*	(10)	(10)	(0)	(0)
Changes in net unrealized gains or losses	(1,638)	(1,638)	(12)	(12)
Balance at the end of the current fiscal year.....	¥26,490	¥26,490	\$198	\$198

* These amounts are included in investment income and investment expenses in the non-consolidated statements of operations for the fiscal year ended March 31, 2023.

iii) Explanation of the valuation process for fair value

The Company's asset management division is responsible for the formulation of policies and procedures related to the measurement of fair value and the actual measurement of fair value. These fair values are subsequently checked by the risk management department to ensure their appropriateness and compliance with relevant policies and procedures.

The Company verifies the appropriateness of the fair values it measures using a variety of suitable methods, which include comparing quoted market prices obtained from different third parties; confirming techniques and inputs utilized for calculation; and further comparing measured fair values with the fair values of similar financial instruments.

iv) Explanation of the impact on fair value in case of change in material unobservable inputs

When measuring fair value, the Company does not adjust quoted prices obtained from third parties and does not make estimates related to inputs that it cannot observe. Accordingly, it has omitted information concerning impact on fair value stemming from changes in material unobservable inputs.

5. 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 ¥196,610 million and ¥328,744 million as of March 31, 2022, and ¥199,666 million (US\$1,495 million) and ¥351,564 million (US\$2,632 million) as of March 31, 2023, 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 ¥372 million as of March 31, 2022, and ¥327 million (US\$2 million) as of March 31, 2023, respectively.

6. The amount of securities lent under lending agreements were ¥621,280 million and ¥504,760 million (US\$3,780 million) as of March 31, 2022 and 2023, respectively.

7. The total amount of claims against bankrupt and quasi-bankrupt obligors, claims with collection risk, delinquent loans past three months or more, and restructured loans were ¥3,759 million and ¥1,236 million (US\$9 million) as March 31, 2022 and 2023, respectively. The details are as follows.

-
- i) The balance of claims against bankrupt and quasi-bankrupt obligors were ¥143 million and ¥130 million (US\$975 thousand) as of March 31, 2022 and 2023, respectively.
Of which, the estimated uncollectible amount written-off were ¥0 million and ¥0 million (US\$5 thousand) as of March 31, 2022 and 2023, respectively.
Claims against bankrupt and quasi-bankrupt obligors are loans to borrowers who are subject to bankruptcy, corporate reorganization or rehabilitation or other similar proceedings and other borrowers in serious financial difficulties.
- ii) The balance of claims with collection risk were ¥1,999 million and ¥544 million (US\$4 million) as of March 31, 2022 and 2023, respectively.
Claims with collection risk are loans to obligors (other than bankrupt and quasi-bankrupt obligors) with deteriorated financial condition and results of operations from which it is unlikely that the principal and interest on the loans will be recovered.
- iii) There was no balance of delinquent loans past three months or more as of March 31, 2022 and 2023, respectively.
Delinquent loans past three months or more are loans for which interest payments or repayments of principal are delinquent for three months or more from the due date under the terms of the related loan agreements, excluding those loans classified as claims against bankrupt and quasi-bankrupt obligors, claims with collection risk.
- iv) The balance of restructured loans were ¥1,616 million and ¥561 million (US\$4 million) as of March 31, 2022 and 2023, respectively.
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 claims against bankrupt and quasi-bankrupt obligors, claims with collection risk, and delinquent loans past three months or more.
8. Accumulated depreciation of tangible fixed assets were ¥178,381 million and ¥182,618 million (US\$1,367 million) as of March 31, 2022 and 2023, respectively.
9. Total assets in separate accounts provided for in Article 118 of the Insurance Business Act were ¥112,487 million and ¥118,783 million (US\$889 million) as of March 31, 2022 and 2023, respectively. The amounts of separate account liabilities were the same as separate account assets.
10. The total amounts of receivables from/payables to subsidiaries were ¥2,334 million and ¥2,714 million as of March 31, 2022, and ¥2,405 million (US\$18 million) and ¥1,891 million (US\$14 million) as of March 31, 2023, respectively.
11. Deferred tax assets and deferred tax liabilities as of March 31, 2022 were ¥170,333 million and ¥190,417 million, respectively. Valuation allowance for deferred tax assets was ¥4,976 million.
Major components of deferred tax assets were ¥98,854 million of policy reserves, ¥49,467 million of reserve for price fluctuation and ¥12,184 million of reserve for employees' retirement benefits as of March 31, 2022.
Major component of deferred tax liabilities was ¥185,335 million of net unrealized gains on available-for-sale securities as of March 31, 2022.
The statutory tax rate and the actual effective tax rate for the year ended March 31, 2022 were 28.0% and 3.2%, respectively. The difference between the statutory tax rate and the actual effective tax rate was attributable mainly to -25.0% of reserve for dividends to policyholders.
Deferred tax assets and deferred tax liabilities as of March 31, 2023 were ¥172,319 million (US\$1,290 million) and ¥153,674 million (US\$1,150 million), respectively. Valuation allowance for deferred tax assets was ¥4,815 million (US\$36 million).
Major components of deferred tax assets were ¥101,887 million (US\$763 million) of policy reserves, ¥49,612 million (US\$371 million) of reserve for price fluctuation and ¥12,959 million (US\$97 million) of reserve for employees' retirement benefits as of March 31, 2023.
Major component of deferred tax liabilities was ¥148,218 million (US\$1,110 million) of net unrealized gains on available-for-sale securities as of March 31, 2023.
The statutory tax rate and the actual effective tax rate for the year ended March 31, 2023 were 28.0% and 4.1%, 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.

12. Changes in reserve for dividends to policyholders were as follows:

	Year ended March 31,		
	2022	2023	2023
	Millions of yen		Millions of U.S. dollars
Balance at the beginning of the fiscal year	¥63,232	¥63,411	\$474
Transfer from surplus in the previous fiscal year	32,744	30,726	230
Dividend payments to policyholders during the fiscal year	(32,580)	(29,731)	(222)
Increase in interest	13	13	0
Balance at the end of the fiscal year	¥63,411	¥64,420	\$482

13. The amount of stocks of subsidiaries were ¥64,787 million and ¥64,787 million (US\$485 million) as of March 31, 2022 and 2023, respectively.

14. Assets pledged as collateral as of March 31, 2022 were ¥225,740 million of securities.

Secured debts as of March 31, 2022, were ¥166,881 million.

These amounts include ¥150,826 million of investments in securities deposited and ¥160,928 million of cash received as collateral under securities lending transactions secured by cash as of March 31, 2022.

Assets pledged as collateral as of March 31, 2023 were ¥175,557 million (US\$1,314 million) of securities.

Secured debts as of March 31, 2023, were ¥161,480 million (US\$1,209 million).

These amounts include ¥147,552 million (US\$1,105 million) of investments in securities deposited and ¥155,483 million (US\$1,164 million) of cash received as collateral under securities lending transactions secured by cash as of March 31, 2023.

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 ¥0 million and ¥0 million (US\$2 thousand) as of March 31, 2022 and 2023, 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 ¥23 million and ¥21 million (US\$160 thousand) as of March 31, 2022 and 2023, respectively.

16. 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 ¥485,157 million and ¥391,462 million (US\$2,931 million) as of March 31, 2022 and 2023, respectively.

17. There were unused commitment line agreements under which the Company is the lender of ¥11,492 million and ¥8,604 million (US\$64 million) as of March 31, 2022 and 2023, respectively.

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

At the Board of Directors meeting held on June 29, 2023, the Company resolved to issue subordinated bonds up to US\$500 million by the end of March 2024 as well as to redeem US\$500 million in subordinated bonds on September 19, 2023 prior to the maturity date.

19. The future contribution to the Life Insurance Policyholders Protection Corporation of Japan under Article 259 of the Insurance Business Act was estimated at ¥8,181 million as of March 31, 2022.

The contribution is recognized as operating expenses when contributed.

20. 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,		
	2022	2023	2023
	Millions of yen		Millions of U.S. dollars
Retirement benefit obligation at the beginning of the fiscal year.....	¥90,576	¥90,644	\$678
Service cost.....	3,657	3,639	27
Interest cost.....	541	542	4
Actuarial differences occurred during the fiscal year.....	47	(12)	(0)
Retirement benefit payments.....	(4,178)	(4,386)	(32)
Retirement benefit obligation at the end of the fiscal year.....	¥90,644	¥90,426	\$677

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

	As of March 31,		
	2022	2023	2023
	Millions of yen		Millions of U.S. dollars
Pension plan assets at the beginning of the fiscal year	¥62,244	¥63,886	\$478
Expected return on pension plan assets.....	1,202	1,232	9
Actuarial differences occurred during the fiscal year.....	956	2,410	18
Contributions by the employer.....	1,088	1,075	8
Retirement benefit payments.....	(1,605)	(2,134)	(15)
Pension plan assets at the end of the fiscal year	¥63,886	¥66,470	\$497

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,		
	2022	2023	2023
	Millions of yen		Millions of U.S. dollars
a. Funded plan retirement benefit obligation	¥78,793	¥78,820	\$590
b. Pension plan assets.....	(63,886)	(66,470)	(497)
c. (a + b).....	14,906	12,349	92
d. Unfunded plan retirement benefit obligation.....	11,850	11,606	86
e. Unrecognized actuarial differences.....	(2,774)	421	3
f. Unrecognized prior service cost.....	(45)	(40)	(0)
g. Net amount of liabilities and assets presented on the non-consolidated balance sheet	23,937	24,337	182
h. Reserve for employees' retirement benefits.....	24,850	25,951	194
i. Prepaid pension cost.....	(912)	(1,614)	(12)
j. Net amount of liabilities and assets presented on the non-consolidated balance sheet	¥23,937	¥24,337	\$182

iv) Breakdown of retirement benefit gains and losses

	As of March 31,		
	2022	2023	2023
	Millions of yen		Millions of U.S. dollars
Service cost	¥3,657	¥3,639	\$27
Interest cost	541	542	4
Expected return on pension plan assets	(1,202)	(1,232)	(9)
Amortization of actuarial differences	1,428	772	5
Amortization of prior service cost	(13)	5	0
Retirement benefit expenses related to defined benefit plan	¥4,410	¥3,726	\$27

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,	
	2022	2023
Domestic stocks	42.2%	45.1%
Life insurance general account	31.1%	30.0%
Domestic bonds	9.6%	9.4%
Foreign stocks	10.3%	8.3%
Assets under joint management	3.7%	3.7%
Foreign bonds	3.1%	3.5%
Total	100.0%	100.0%

Within the total of pension assets as of March 31, 2022 and 2023, 35.7% and 38.3% of these amounts are accounted for by the retirement benefit trust established in relation to the retirement lump-sum payments plan for sales employees, respectively.

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,	
	2022	2023
Discount rate	0.6%	0.6%
Expected long-term rate of return on pension plan assets		
Defined Benefit Plan	3.0%	3.0%
Retirement benefit trust	0.0%	0.0%

(3) Defined Contribution Plan

The required contribution amount by the Company to the defined contribution plan were ¥222 million and ¥219 million (US\$1 million) as of March 31, 2022 and 2023, respectively.

III. Notes to the Non-consolidated Statements of Operations

- The total amounts of revenues and expenses in connection with subsidiaries were ¥1,326 million and ¥8,687 million for the year ended March 31, 2022, and ¥1,804 million (US\$13 million) and ¥9,116 million (US\$68 million) for the year ended March 31, 2023, respectively.

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

	Year ended March 31,		
	2022	2023	2023
	Millions of yen		Millions of U.S. dollars
Domestic bonds	¥6,543	¥7,576	\$56
Domestic stocks and others.....	3,932	16,946	126
Foreign securities	3,444	30,203	226
Others	¥—	¥29	\$0

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

	Year ended March 31,		
	2022	2023	2023
	Millions of yen		Millions of U.S. dollars
Domestic bonds	¥5,343	¥10,732	\$80
Domestic stocks and others.....	7,414	339	2
Foreign securities	2,302	34,777	260
Others	¥—	¥319	\$2

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

	Year ended March 31,		
	2022	2023	2023
	Millions of yen		Millions of U.S. dollars
Domestic bonds	¥—	¥593	\$4
Domestic stocks and others.....	302	610	4
Foreign securities	¥42	¥2,403	\$18

5. For the year ended March 31, 2022, in calculating the provision of reserve for outstanding claims, a reversal of reserves for outstanding claims reinsured of ¥3 million was added. In calculating the provision of policy reserves, a reversal of reserves for policy reserves reinsured of ¥7 million was added.

For the year ended March 31, 2023, in calculating the reversal of reserve for outstanding claims, a reversal of reserve for outstanding claims for ceded reinsurance of ¥0 million (US\$2 thousand) was deducted. In calculating the provision of policy reserves, a reversal of policy reserve for ceded reinsurance of ¥1 million (US\$13 thousand) was added.

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

	Year ended March 31,		
	2022	2023	2023
	Millions of yen		Millions of U.S. dollars
Interest, dividends and other income	¥753	¥455	\$3
Gains on sales of trading securities	0	—	—
Losses on sales of trading securities	—	(2)	(0)
Gains on redemption of trading securities.....	—	549	4
Losses on redemption of trading securities	(1,671)	—	—
Gains on valuation of trading securities.....	2,581	—	—
Losses on valuation of trading securities.....	¥—	¥(653)	\$(4)

7. Gains on money held in trust for the year ended March 31, 2022 included valuation gains of ¥0 million.

Losses on money held in trust for the year ended March 31, 2023 included valuation losses of ¥0 million (US\$0 thousand).

8. Losses on derivative instruments for the year ended March 31, 2022 included valuation losses of ¥1,419 million.

Losses on derivative instruments for the year ended March 31, 2023 included valuation gains of ¥4,130 million (US\$30 million).

Independent Auditor's Report

August 28, 2023

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

Moore Mirai & Co.

Tokyo, Japan

Designated Engagement Partner
Certified Public Accountant

/S/ Shinnosuke Tsuruta

Shinnosuke Tsuruta

Designated Engagement Partner
Certified Public Accountant

/S/ Yuichi Yasuda

Yuichi Yasuda

Opinion

We have audited the accompanying non-consolidated financial statements of Fukoku Mutual Life Insurance Company (collectively referred to as “the Company”), which comprise the non-consolidated balance sheets as at March 31, 2021 and 2022, the non-consolidated statements of operations, the non-consolidated statements of changes in net assets, and the non-consolidated statements of surplus for the years 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 2022, and its financial performance for the years 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.

Other Information

Other information comprises information included in a disclosure document that contains audited non-consolidated financial statements, but does not include the non-consolidated financial statements and our auditor's report thereon.

We have concluded that other information does not exist. Accordingly, we have not performed any work related to other information.

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, 2022.

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.

Non-consolidated Financial Statements

Non-consolidated Balance Sheets

Fukoku Mutual Life Insurance Company
As of March 31, 2021 and 2022

	As of March 31,		
	2021	2022	2022
	Millions of yen		Millions of U.S. dollars
Assets:			
Cash and deposits:			
Cash	¥155	¥166	\$1
Bank deposits	159,276	159,983	1,307
	159,431	160,149	1,308
Call loans	136,000	48,000	392
Monetary claims bought	239	80	0
Money held in trust	25,277	26,070	213
Securities:			
Government bonds	2,005,536	2,102,521	17,178
Local government bonds	99,212	102,771	839
Corporate bonds	699,187	704,056	5,752
Stocks	813,227	795,801	6,502
Foreign securities	2,175,012	2,388,284	19,513
Other securities	162,612	184,163	1,504
	5,954,789	6,277,599	51,291
Loans:			
Policy loans	50,797	48,629	397
Ordinary loans	517,293	504,675	4,123
	568,091	553,305	4,520
Tangible fixed assets:			
Land	146,816	150,195	1,227
Buildings	92,635	89,202	728
Lease assets	578	265	2
Construction in progress	93	1,767	14
Other tangible fixed assets	4,362	3,974	32
	244,487	245,405	2,005
Intangible fixed assets:			
Software	19,181	19,914	162
Lease assets	686	498	4
Other intangible fixed assets	4,388	7,407	60
	24,256	27,821	227
Agency receivables	10	15	0
Reinsurance receivables	124	135	1
Other assets:			
Accounts receivable	6,974	5,392	44
Prepaid expenses	3,339	3,202	26
Accrued income	28,168	31,840	260
Deposits	2,250	1,834	14
Derivatives	352	35	0
Cash collateral paid for financial instruments	1,747	4,499	36
Suspense payments	3,005	1,871	15
Rest of the other asset	3,234	3,653	29
	49,072	52,328	427
Prepaid pension cost	547	912	7
Allowance for possible loan losses	(4,386)	(2,515)	(20)
Total assets	¥7,157,940	¥7,389,308	\$60,375

As of March 31,

	2021	2022	2022
	Millions of yen		Millions of U.S. dollars
Liabilities:			
Policy reserves:			
Reserve for outstanding claims	¥19,551	¥22,985	\$187
Policy reserve	5,729,511	5,800,015	47,389
Reserve for dividends to policyholders	63,232	63,411	518
	5,812,295	5,886,412	48,095
Reinsurance payables	87	87	0
Subordinated bonds	241,935	241,935	1,976
Other liabilities:			
Cash received as collateral under securities lending transactions	61,819	160,928	1,314
Corporate income tax payable	2,764	2,767	22
Accounts payable	7,272	7,282	59
Accrued expenses	10,280	11,438	93
Unearned income	367	419	3
Deposits received	6,303	6,523	53
Guarantee deposits received	13,887	13,970	114
Derivatives	41,391	68,377	558
Cash collateral received for financial instruments	10	—	—
Lease obligations	761	553	4
Asset retirement obligations	2,603	2,355	19
Suspense receipts	1,679	1,711	13
	149,141	276,328	2,257
Reserve for claims and other payments	—	3,400	27
Reserve for employees' retirement benefits	23,735	24,850	203
Reserve for price fluctuation	172,797	176,670	1,443
Deferred tax liabilities	26,430	25,061	204
Deferred tax liabilities for land revaluation	14,184	14,183	115
Total liabilities	6,440,606	6,648,929	54,325
Net assets:			
Foundation funds	12,000	12,000	98
Accumulated foundation funds redeemed	116,000	116,000	947
Reserve for revaluation	112	112	0
Surplus:			
Legal reserve for future losses	3,271	3,370	27
Other surplus:			
Reserve for redemption of foundation funds	2,400	4,800	39
Reserve for dividend allowances	20,000	20,000	163
Accumulated fund for price fluctuation	41,000	41,000	334
Reserve for advanced depreciation of real estate for tax purpose	207	206	1
Other reserves	767	767	6
Unappropriated surplus	59,102	57,078	466
	123,477	123,852	1,011
	126,748	127,222	1,039
Total foundation funds, surplus and others	254,860	255,334	2,086
Net unrealized gains (losses) on available-for-sale securities, net of tax	458,287	480,860	3,928
Revaluation reserve for land, net of tax	4,185	4,184	34
Total valuation and translation adjustments	462,473	485,044	3,963
Total net assets	717,333	740,379	6,049
Total liabilities and net assets	¥7,157,940	¥7,389,308	\$60,375

See notes to the non-consolidated financial statements

Non-consolidated Statements of Operations

Fukoku Mutual Life Insurance Company
For the years ended March 31, 2021 and 2022

	Year ended March 31,		
	2021	2022	2022
	Millions of yen		Millions of U.S. dollars
Ordinary revenues:			
Premium and other income:			
Premium income	¥484,868	¥486,302	\$3,973
Reinsurance income	143	158	1
	485,011	486,461	3,974
Investment income:			
Interest, dividends and other income:			
Interest on deposits	5	2	0
Interest and dividends on securities	131,735	140,247	1,145
Interest on loans	8,137	8,048	65
Income from real estate for rent	15,534	19,074	155
Other interest and dividends	146	237	1
	155,559	167,609	1,369
Gains on money held in trust, net	1,127	817	6
Gains on trading securities, net	6,523	1,664	13
Gains on sales of securities	23,959	13,920	113
Gains on redemption of securities, net	—	65	0
Foreign exchange gains, net	—	1,617	13
Reversal of allowance for possible loan losses	—	1,867	15
Other investment income	170	381	3
Gains on separate accounts, net	19,315	6,391	52
	206,657	194,336	1,587
Other ordinary revenues:			
Fund receipt from annuity rider	2,205	2,704	22
Proceeds from deferred insurance	3,618	2,938	24
Reversal of reserve for outstanding claims	262	—	—
Reversal of reserve for employees' retirement benefits	246	—	—
Others	3,196	3,279	26
	9,529	8,922	72
Total ordinary revenues	701,198	689,719	5,635
Ordinary expenses:			
Claims and other payments:			
Claims	77,539	81,426	665
Annuities	151,810	152,290	1,244
Benefits	106,884	109,711	896
Surrenders	52,888	48,261	394
Other payments	26,083	24,152	197
Reinsurance premiums	231	218	1
	415,436	416,061	3,399
Provision of policy reserve and others:			
Provision of reserve for outstanding claims	—	3,434	28
Provision of policy reserves	34,532	70,504	576
Provision of interest portion of reserve for dividends to policyholders	13	13	0
	¥34,545	¥73,952	\$604

Year ended March 31,

	2021	2022	2022
	Millions of yen		Millions of U.S. dollars
Investment expenses:			
Interest expenses	¥4,093	¥4,402	\$35
Losses on sales of securities	11,809	15,060	123
Losses on valuation of securities	404	344	2
Losses on derivative instruments, net	12,967	7,746	63
Foreign exchange losses, net	4,602	—	—
Provision of allowance for possible loan losses	2,369	—	—
Depreciation of real estate for rent and other assets	4,427	4,788	39
Other investment expenses	8,767	10,985	89
	49,443	43,328	354
Operating expenses	91,599	90,779	741
Other ordinary expenses:			
Deferred annuity payments	3,944	3,353	27
Taxes	7,304	7,472	61
Depreciation	9,739	10,657	87
Provision of reserve for claims and other payments	—	3,400	27
Provision of reserve for employees' retirement benefits	—	750	6
Others	1,069	1,212	9
	22,057	26,845	219
Total ordinary expenses	613,083	650,967	5,318
Ordinary profits	88,115	38,752	316
Extraordinary gains:			
Gains on disposal of fixed assets	133	10	0
Total extraordinary gains	133	10	0
Extraordinary losses:			
Losses on disposal of fixed assets	801	430	3
Impairment losses	198	46	0
Provision of reserve for price fluctuation	50,051	3,873	31
Others	1,059	—	—
Total extraordinary losses	52,110	4,349	35
Surplus before income taxes	36,137	34,412	281
Income taxes:			
Current	11,227	11,069	90
Deferred	(10,516)	(9,975)	(81)
Total income taxes	710	1,093	8
Net surplus for the year	¥35,427	¥33,319	\$272

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, 2021 and 2022

For the year ended March 31, 2021	Millions of yen											
	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	¥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

For the year ended March 31, 2021	Millions of yen			
	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	¥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 yen												
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
For the year ended March 31, 2022												
Balance at the beginning 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
Changes in the fiscal year												
Additions to reserve for dividends to policyholders										(32,744)	(32,744)	(32,744)
Additions to legal reserve for future losses				99						(99)	—	—
Payment of interest on foundation funds										(102)	(102)	(102)
Net surplus for the fiscal year										33,319	33,319	33,319
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										1	1	1
Net changes, excluding foundation funds, surplus and others												
Total changes in the fiscal year	—	—	—	99	2,400	—	—	(1)	—	(2,024)	473	473
Balance at the end of the fiscal year	¥12,000	¥116,000	¥112	¥3,370	¥4,800	¥20,000	¥41,000	¥206	¥767	¥57,078	¥127,222	¥255,334

Millions of yen				
Valuation and translation adjustments				
For the year ended March 31, 2022	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	¥458,287	¥4,185	¥462,473	¥717,333
Changes in the fiscal year				
Additions to reserve for dividends to policyholders				(32,744)
Additions to legal reserve for future losses				—
Payment of interest on foundation funds				(102)
Net surplus for the fiscal year				33,319
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				1
Net changes, excluding foundation funds, surplus and others	22,572	(1)	22,571	22,571
Total changes in the fiscal year	22,572	(1)	22,571	23,045
Balance at the end of the fiscal year	¥480,860	¥4,184	¥485,044	¥740,379

Millions of U.S. dollars

For the year ended March 31, 2022	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	\$98	\$947	\$0	\$26	\$19	\$163	\$334	\$1	\$6	\$482	\$1,035	\$2,082
Changes in the fiscal year												
Additions to reserve for dividends to policyholders										(267)	(267)	(267)
Additions to legal reserve for future losses				0						(0)	—	—
Payment of interest on foundation funds										(0)	(0)	(0)
Net surplus for the fiscal year										272	272	272
Additions to reserve for redemption of foundation funds					19					(19)	—	—
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	19	—	—	(0)	—	(16)	3	3
Balance at the end of the fiscal year	\$98	\$947	\$0	\$27	\$39	\$163	\$334	\$1	\$6	\$466	\$1,039	\$2,086

Millions of U.S. dollars

For the year ended March 31, 2022	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	\$3,744	\$34	\$3,778	\$5,861
Changes in the fiscal year				
Additions to reserve for dividends to policyholders				(267)
Additions to legal reserve for future losses				—
Payment of interest on foundation funds				(0)
Net surplus for the fiscal year				272
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	184	(0)	184	184
Total changes in the fiscal year	184	(0)	184	188
Balance at the end of the fiscal year	\$3,928	\$34	\$3,963	\$6,049

Non-consolidated Statements of Surplus

Fukoku Mutual Life Insurance Company
For the years ended March 31, 2021 and 2022

	Year ended March 31,		
	2021	2022	2022
	Millions of yen		Millions of U.S. dollars
Unappropriated surplus	¥59,102	¥57,078	\$466
Reversal of voluntary surplus reserve:			
Reversal of reserve for advanced depreciation of real estate for tax purpose	1	1	0
	1	1	0
Total	59,103	57,079	466
Appropriation of surplus			
Reserve for dividends to policyholders	32,744	30,726	251
Net surplus:			
Legal reserve for future losses	99	93	0
Interest payment for foundation funds	102	102	0
Voluntary surplus reserve:			
Reserve for redemption of foundation funds	2,400	2,400	19
	2,400	2,400	19
	2,601	2,595	21
Total of appropriation of surplus	35,345	33,321	272
Unappropriated surplus carried forward	¥23,758	¥23,758	\$194

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 Fukoku Mutual Life Insurance Company (the "Company") in accordance with the provisions set forth in the Insurance Business Act of Japan and its related rules and regulations and in conformity with accounting principles generally accepted in Japan, which are different in certain respects from accounting principles generally accepted in countries and jurisdictions other than Japan.

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

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

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 ¥122.39 = US\$1.00, the effective rate of exchange at the balance sheet date of March 31, 2022. 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 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. Public and corporate bonds (including foreign bonds) with differences between their acquisition costs and fair values that are considered as adjustments of interest are stated at amortized cost (straight-line method) determined by the moving average method. However, stocks and other securities without quoted market prices are stated at

cost, as determined using 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.

- (2) Derivative instruments are stated at fair market value.
- (3) The Company revalued the land used in the operations based on the Act for Revaluation of Land (Act No.34 promulgated on March 31, 1998). The difference between fair value and book value resulting from the revaluation, net of related taxes, is recorded as revaluation reserve for land as a separate component of net assets and the related tax is recorded as deferred tax liabilities for land revaluation.
 - Date of revaluation: March 31, 2002
 - Method of revaluation as prescribed for in Article 3 Paragraph 3 of the said Act:
Calculation is based on the appraisal value for property tax set forth in Article 2 item 3 of the Enforcement Ordinance of the Act for Revaluation of Land (Government Ordinance No.119 promulgated on March 31, 1998) and the road rate set forth in Article 2 item 4 of the said Ordinance with certain reasonable adjustments.
- (4) Depreciation of tangible fixed assets is calculated by the following methods.
 - Tangible fixed assets (excluding lease assets): Declining-balance method
However, buildings (excluding building attachments and structures acquired on or before March 31, 2016) acquired on or after April 1, 1998 are depreciated using Straight-line method.
 - Lease assets related to finance lease transactions that do not transfer ownership: Straight-line method over the lease term with no residual value.
Other tangible fixed assets acquired for ¥100,000 or more but less than ¥200,000 are depreciated equally over three years.
- (5) Assets and liabilities denominated in foreign currencies, except for investments in subsidiaries and affiliates, are translated into Japanese yen at the effective exchange rate prevailing at the balance sheet date. Investments in subsidiaries and affiliates are translated into Japanese yen at the exchange rate on the date of acquisition.
- (6) Allowance for possible loan losses is provided in accordance with the Company's standards of self-assessment and write-offs and reserves on credit quality:
 - i) For the credits of borrowers who are legally bankrupt such as being in the proceedings of bankruptcy or civil rehabilitation (hereinafter called "legally bankrupt borrowers") and who are substantially bankrupt (hereinafter called "substantially bankrupt borrowers"), the Company provides the remaining amounts of credits after the direct write-off described below and the deductions of the amount expected to be collected through the disposal of collateral or the execution of guarantees.
 - ii) For the credits of borrowers who are not currently bankrupt but have a high possibility of bankruptcy

(hereinafter called “not currently bankrupt borrowers”), the Company provides the amounts deemed as necessary considering the borrowers’ ability to pay, within the amounts after deductions of the amounts expected to be collected through the disposal of collateral or the execution of guarantees.

- iii) For the credits of borrowers other than the above, the Company provides the amounts calculated by multiplying the borrowers’ balance by the actual ratio of bad debt losses on defaults during a certain past period.

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

For the credits of legally bankrupt borrowers and substantially bankrupt borrowers, the amounts remaining after deductions of collateral value or the amounts collectible through the execution of guarantees are written-off directly from the borrowers’ balances as the estimated uncollectible amounts. The amount written-off as of March 31, 2021 and 2022 were ¥0 million and ¥0 million (US\$6 thousand), respectively.

- (7) To ensure that benefits associated with COVID-19 infections contracted during the fiscal year ended March 31, 2022 can be paid during the fiscal year ending March 31, 2023, the Company sets aside as a reserve for claims and other payments that exceeds the reserve for outstanding claims included under the Company’s estimated payments for the latter fiscal year (calculated based on previous payment amounts).
- (8) 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

- (9) Reserve for price fluctuation is calculated in accordance with Article 115 of the Insurance Business Act.
- (10) Hedge accounting is based on “Accounting Standards for Financial Instruments” (ASBJ Statement No. 10, July 4, 2019). 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.

- (11) 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.
- (12) 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.
- (13) 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.
- (14) 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.
- (15) 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.

In regard to the policy reserve accumulated pursuant to Article 69 Paragraphs 1,2, and 4 of the Enforcement Regulation of the Insurance Business Act, 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 following reserves have been established in compliance with this regulation.

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

The Company has 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.

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 has reduced the assumed interest rate to 1.00% and funded additional policy reserves. As of March 31, 2022, the balance of these policy reserves was ¥72,419 million (US\$591 million).

Among whole life insurance policies with assumed interest rates of 5.00% or higher following the fiscal year ended March 31, 2022, the Company has reduced assumed interest rates for policies with premiums that have been paid in full (excluding policies that have been converted into paid-up or extended policies, single premium policies, and policies for which premiums have been waived) to 1.00% and funded additional policy reserves of ¥107,284 million (US\$876 million). The establishment of these reserves rendered ¥1,589 million (US\$12 million) of additional policy reserves set aside at the conclusion of the fiscal year ended March 31, 2021 unnecessary. Accordingly, the Company reversed this amount and transferred ¥105,695 million (US\$863 million) (a higher amount) from contingency reserves to additional policy reserves. Consequently, the establishment of these

policy reserves has had no impact on provision of policy reserves, ordinary profits, and surplus before income taxes.

The Company has also funded additional policy reserves for certain whole life insurance policies that include distribution of surplus every five years, new cancer riders, highly advanced medical riders and advanced medical riders. As of March 31, 2022, the balance of these policy reserves was ¥77 million (US\$629 thousand).

Appointed actuary for each fiscal year, verify whether policy reserves have been 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.

- (16) 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.
- (17) 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).

At the end of the fiscal year ended March 31, 2022, the Company eliminated all sub-groups, and policy-reserve-matching bonds categorized for holding purposes were reclassified as available-for-sale securities. The Company made this change following a review of its interest-rate risk management (conducted through strategic asset and liability matching) that was conducted due to the Company's realization that under the prevailing environment of low interest rates in Japan, continuing to hold bonds for the purpose of matching the duration of liabilities while securing investment income commensurate with assumed interest rates would be prohibitively difficult.

Due to this change, government bonds increased by ¥69,841 million (US\$570 million), while local government bonds rose by ¥5,994 million (US\$48 million), corporate bonds by ¥6,132 million (US\$50 million), deferred tax liabilities by ¥22,951 million (US\$187 million), and net unrealized gains (losses) on available-for-sale securities, net of tax by ¥59,016 million (US\$482 million). These changes had no impact in terms of profit and loss.

2. The Company began applying the “Accounting Standard for Fair Value Measurement” (ASBJ Statement No. 30, July 4, 2019; hereinafter called “Accounting Standard for Fair Value Measurement”) from the beginning of the fiscal year. In accordance with the transitional treatments prescribed in Paragraph 19 of the Accounting Standard for Fair Value Measurement and Paragraph 44-2 of the “Accounting Standard for Financial Instruments” (ASBJ Statement No. 10, July 4, 2019), new accounting policies set forth by the Accounting Standard for Fair Value Measurement will be applied prospectively. The Company has observed no material impact from this application of the Accounting Standard for Fair Value Measurement.

In addition, the Company has decided to provide notes regarding matters such as the breakdown of financial instruments by fair value level in the financial instruments sections of notes to the non-consolidated balance sheets.

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,

2021

Millions of yen

Carrying amount Fair value Difference

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

*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.

Notes: 1. Cash, deposits (excluding financial instruments treated as securities based on "Accounting Standards for Financial Instruments" (ASBJ Statement No. 10, March 10, 2008)) and call loans: The fair values of cash, deposits and call loans are based on their book values since fair values approximate book values due to their short maturities.

2. Securities including deposits and monetary claims bought which are treated as securities based on "Accounting Standards for Financial Instruments" (ASBJ Statement No. 10, March 10, 2008) and securities managed as trust assets in money held in trust: The fair values of marketable securities are measured at the quoted market prices at the balance sheet date. The fair values of other securities without the quoted market prices are based on the prices reasonably calculated such as the prices offered by the information vendors or counterparty financial institutions.

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

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

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

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

5. Derivative instruments:

i) The fair values of the futures and options traded at the exchange are measured at the settlement price of the exchange.

ii) The fair values of forward contracts, options and swaps traded over the counter are based on the quoted prices offered by counterparty financial institutions.

iii) The fair values of foreign currency forward contracts are determined based on the spot exchange rate and forward contract rate.

As of March 31,						
	2022			2022		
	Millions of yen			Millions of U.S. dollars		
	Carrying amount	Fair value	Difference	Carrying amount	Fair value	Difference
Monetary claims bought:						
Claims treated as loans	¥80	¥81	¥0	\$0	\$0	\$0
Total monetary claims bought.....	80	81	0	0	0	0
Money held in trust:						
Trading securities.....	25,070	25,070	—	204	204	—
Total money held in trust.....	25,070	25,070	—	204	204	—
Securities:						
Trading securities.....	18,493	18,493	—	151	151	—
Held-to-maturity debt securities	760,097	847,316	87,218	6,210	6,923	712
Available-for-sale securities	5,288,571	5,288,571	—	43,210	43,210	—
Total securities.....	6,067,162	6,154,381	87,218	49,572	50,284	712
Loans:						
Policy loans.....	48,629	48,629	(0)	397	397	(0)
Ordinary loans.....	504,675	521,484	16,809	4,123	4,260	137
Total loans.....	553,305	570,114	16,809	4,520	4,658	137
Assets total.....	6,645,619	6,749,647	104,028	54,298	55,148	849
Subordinated bonds*1	241,935	245,074	3,139	1,976	2,002	25
Liabilities total.....	241,935	245,074	3,139	1,976	2,002	25
Derivative instruments*2:						
Hedge accounting not applied	(4,814)	(4,814)	—	(39)	(39)	—
Hedge accounting applied	(63,528)	(63,528)	—	(519)	(519)	—
Total derivative instruments.....	¥(68,342)	¥(68,342)	¥—	\$(558)	\$(558)	\$—

*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 parentheses.

Notes: 1. Stocks without market prices, such as unlisted stocks, are not included in Securities of the above table. The amount of these stocks on the balance sheet as of March 31, 2022 was ¥73,986 million (US\$604 million).

2. In accordance with the transitional treatments prescribed in Paragraph 27 of the "Implementation Guidance on Accounting Standard for Fair Value Measurement" (ASBJ Guidance No. 31, July 4, 2019), investments in partnerships have not been included in Securities of the above table. As of March 31, 2022, the amount of investments in partnerships included on the balance sheet was ¥32,380 million (US\$264 million).

4. Matters concerning the breakdown of financial instruments by fair value level are as follows.

The fair values of financial instruments are classified into the following three levels according to the observability and materiality of inputs used to measure fair value.

Fair Value Level 1: Fair values measured using (unadjusted) quoted prices in active markets for identical assets or liabilities

Fair Value Level 2: Fair values measured using directly or indirectly observable inputs other than Level 1 inputs

Fair Value Level 3: Fair values measured using material unobservable inputs

When multiple inputs with material impact are used to measure fair value, the resulting fair value is classified into the lowest fair value level into which any of these inputs can be categorized.

(1) Financial assets and liabilities with fair values recorded on the balance sheet as of March 31, 2022

As of March 31,								
Classification	2022				2022			
	Millions of yen				Millions of U.S. dollars			
	Fair value				Fair value			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Money held in trust:								
Trading securities.....	¥—	¥25,070	¥—	¥25,070	\$—	\$204	\$—	\$204
Total money held in trust.....	—	25,070	—	25,070	—	204	—	204
Securities:								
Trading securities:								
Foreign securities	7,859	10,634	—	18,493	64	86	—	151
Total trading securities.....	7,859	10,634	—	18,493	64	86	—	151
Available-for-sale securities:								
Government bonds.....	1,374,059	—	—	1,374,059	11,226	—	—	11,226
Local government bonds.....	—	96,671	—	96,671	—	789	—	789
Corporate bonds.....	—	675,954	—	675,954	—	5,522	—	5,522
Stocks.....	699,525	—	—	699,525	5,715	—	—	5,715
Foreign securities	744,812	1,129,151	28,139	1,902,104	6,085	9,225	229	15,541
Other securities	3,372	—	—	3,372	27	—	—	27
Total available-for-sale securities..	2,821,770	1,901,778	28,139	4,751,688	23,055	15,538	229	38,824
Total securities.....	2,829,629	1,912,412	28,139	4,770,181	23,119	15,625	229	38,975
Assets total.....	2,829,629	1,937,482	28,139	4,795,251	23,119	15,830	229	39,180
Derivative instruments*:								
Currency-related	—	(68,160)	—	(68,160)	—	(556)	—	(556)
Interest-related	—	20	—	20	—	0	—	0
Stock-related.....	(202)	—	—	(202)	(1)	—	—	(1)
Total derivative instruments.....	¥(202)	¥(68,140)	¥—	¥(68,342)	\$(1)	\$(556)	\$—	\$(558)

* Assets and liabilities generated by derivative instruments are offset and presented net. Net liabilities in total are presented in parentheses.

Note: In accordance with the transitional treatments prescribed in Paragraph 26 of the "Implementation Guidance on Accounting Standard for Fair Value Measurement" (ASBJ Guidance No.31, July 4, 2019), investment trusts have not been included in the figures above.

As of March 31, 2022, the amount of investment trusts included on the balance sheet was ¥536,883 million (US\$4,386 million).

(2) Financial assets and liabilities with fair values not recorded on the balance sheet as of March 31, 2022

Classification	2022				2022			
	Millions of yen				Millions of U.S. dollars			
	Fair value				Fair value			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Monetary claims bought:								
Claims treated as loans.....	¥—	¥—	¥81	¥81	\$—	\$—	\$0	\$0
Total monetary claims bought.....	—	—	81	81	—	—	0	0
Securities:								
Held-to-maturity debt securities:								
Government bonds.....	796,339	—	—	796,339	6,506	—	—	6,506
Local government bonds.....	—	7,824	—	7,824	—	63	—	63
Corporate bonds.....	—	20,610	—	20,610	—	168	—	168
Foreign securities.....	20,878	1,663	—	22,541	170	13	—	184
Total held-to-maturity debt securities..	817,218	30,098	—	847,316	6,677	245	—	6,923
Total securities.....	817,218	30,098	—	847,316	6,677	245	—	6,923
Loans:								
Policy loans.....	—	—	48,629	48,629	—	—	397	397
Ordinary loans.....	—	—	521,484	521,484	—	—	4,260	4,260
Total loans.....	—	—	570,114	570,114	—	—	4,658	4,658
Assets total.....	817,218	30,098	570,196	1,417,512	6,677	245	4,658	11,581
Subordinated bonds.....	—	245,074	—	245,074	—	2,002	—	2,002
Liabilities total.....	¥—	¥245,074	¥—	¥245,074	\$—	\$2,002	\$—	\$2,002

(3) Explanation of valuation techniques and inputs used to measure fair value

- i) Securities (including deposits and monetary claims bought which are treated as securities based on "Accounting Standards for Financial Instruments" [ASBJ Statement No.10, July 4, 2019])

The fair values of securities for which unadjusted quoted market prices in active markets are available (primarily listed stocks and government bonds [including some foreign securities]) are classified as Fair Value Level 1. Meanwhile, the fair values of securities for which quoted market prices are available, but are not available in active markets, are classified as Fair Value Level 2 (This category primarily includes local government bonds and corporate bonds [including some foreign securities]). When quoted market prices are not available for securities, prices obtained from third parties (mainly from information vendors and financial institutions with which the Company conducts business) and determined to have been measured in accordance with prescribed accounting standards are used to measure the fair values of these securities. If the inputs used to measure the fair value of a given security are material but unobservable, the resulting fair value is classified as Fair Value Level 3.

- ii) Money held in trust

In principle, the fair values of securities managed as trust assets and classified as money held in trust are measured using the Company's prescribed method for determining the value of securities. These fair values are categorized as Fair Value Level 2.

- iii) 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 primarily 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.

If the impact of unobservable inputs used to measure the fair values of loans and monetary claims bought treated as loans is determined to be material, the resulting fair values are classified as Fair Value Level 3. Otherwise, they are categorized as Fair Value Level 2.

- iv) Subordinated bonds

The fair values of corporate bonds issued by the Company are classified as Fair Value Level 2 and are measured using the same method applied to securities.

- v) Derivative instruments

The fair values of derivative instruments for which unadjusted quoted market prices in active markets are available (primarily exchange-traded futures and options) are classified as Fair Value Level 1. However, most derivative instruments are traded over the counter and have no quoted market prices. Accordingly, prices obtained from third parties (mainly from information vendors and financial institutions with which the Company conducts business) and determined to

have been measured in accordance with prescribed accounting standards are used to measure the fair values of these derivative instruments. Fair values of derivative instruments that were measured using only observable inputs or with unobservable inputs considered

to be immaterial are classified as Fair Value Level 2. Meanwhile, fair values of derivative instruments that have been measured using material unobservable inputs are categorized as Fair Value Level 3.

(4) Information concerning fair values of financial assets and liabilities that have been recorded on the balance sheet as of March 31, 2022 and classified as Fair Value Level 3

i) Quantitative information regarding material unobservable inputs

When measuring fair value, the Company does not adjust quoted prices obtained from third parties and does not make estimates related to inputs that it cannot observe. Accordingly, quantitative information regarding material unobservable inputs have been omitted.

ii) Reconciliation of balances at the beginning of the current fiscal year and balances as of March 31, 2022, and valuation gains or losses recognized in the statements of operations for the fiscal year ended March 31, 2022.

	Year ended March 31,			
	2022		2022	
	Millions of yen		Millions of U.S. dollars	
	Securities, Available-for-sale securities, Foreign securities	Total	Securities, Available-for-sale securities, Foreign securities	Total
Balance at the beginning of the current fiscal year	¥29,312	¥29,312	\$239	\$239
Gains or losses during the fiscal year	(10)	(10)	(0)	(0)
Values recognized as gains or losses*	(10)	(10)	(0)	(0)
Changes in net unrealized gains or losses	(1,162)	(1,162)	(9)	(9)
Balance at the end of the current fiscal year	¥28,139	¥28,139	\$229	\$229

* These amounts are included in investment income and investment expenses in the non-consolidated statements of operations for the fiscal year ended March 31, 2022.

iii) Explanation of the valuation process for fair value

The Company's asset management division is responsible for the formulation of policies and procedures related to the measurement of fair value and the actual measurement of fair value. These fair values are subsequently checked by the risk management department to ensure their appropriateness and compliance with relevant policies and procedures.

The Company verifies the appropriateness of the fair values it measures using a variety of suitable methods, which include comparing quoted market prices obtained from different third parties; confirming techniques and inputs utilized for calculation; and further comparing measured fair values with the fair values of similar financial instruments.

iv) Explanation of the impact on fair value in case of change in material unobservable inputs

When measuring fair value, the Company does not adjust quoted prices obtained from third parties and does not make estimates related to inputs that it cannot observe. Accordingly, it has omitted information concerning impact on fair value stemming from changes in material unobservable inputs.

5. The Company holds investment and rental properties such as office buildings in Tokyo and other areas. The carrying amounts and the fair values of investment and rental properties were ¥193,459 million and ¥324,155 million as of March 31, 2021, and ¥196,610 million (US\$1,606 million) and ¥328,744 million (US\$2,686 million) as of March 31, 2022,

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 ¥417 million as of March 31, 2021, and ¥372 million (US\$3 million) as of March 31, 2022, respectively.

6. The amount of securities lent under lending agreements were ¥465,351 million and ¥621,280 million (US\$5,076 million) as of March 31, 2021 and 2022, respectively.

7. The total amount of credits to bankrupt borrowers, delinquent loans, delinquent loans past 3 months or more and restructured loans, which were included in loans, was ¥3,199 million as of March 31, 2021. The details are as follows.

i) The balance of credits to bankrupt borrowers was ¥147 million as of March 31, 2021.

Credits to bankrupt borrowers represent loans, excluding the balances already written-off, which meet the conditions prescribed in Article 96 Paragraph 1 item 3 and 4 of the Enforcement Regulations of the Corporate Tax Act. Moreover, accrued interest on these loans is not recorded as income after determining that principal or interest on these loans is unlikely to be collected due to the significant delay in repayment of principal or interest payment or for some other reasons.

ii) The balance of delinquent loans was ¥2,522 million as of March 31, 2021.

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.

iii) The balance of restructured loans was ¥529 million as of March 31, 2021.

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.

iv) There were no balance of delinquent loans past 3 months or more as of March 31, 2021.

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.

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

The total amount of claims against bankrupt and quasi-bankrupt obligors, claims with collection risk, delinquent loans past three months or more, and restructured loans was ¥3,759 million (US\$30 million) as March 31, 2022. The details are as follows.

i) The balance of claims against bankrupt and quasi-bankrupt obligors was ¥143 million (US\$1 million) as of March 31, 2022.

Of which, the estimated uncollectible amount written-off was ¥0 million (US\$6 thousand) as of March 31, 2022.

Claims against bankrupt and quasi-bankrupt obligors are loans to borrowers who are subject to bankruptcy, corporate reorganization or rehabilitation or other similar proceedings and other borrowers in serious financial difficulties.

ii) The balance of claims with collection risk was ¥1,999 million (US\$16 million) as of March 31, 2022.

Claims with collection risk are loans to obligors (other than bankrupt and quasi-bankrupt obligors) with deteriorated financial condition and results of operations from which it is unlikely that the principal and interest on the loans will be recovered.

iii) There was no balance of delinquent loans past 3 months or more as of March 31, 2022.

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 claims against bankrupt and quasi-bankrupt obligors, claims with collection risk.

iv) The balance of restructured loans was ¥1,616 million (US\$13 million) as of March 31, 2022.

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 claims against bankrupt and quasi-bankrupt obligors, claims with collection risk, and delinquent loans past 3 months or more.

8. Accumulated depreciation of tangible fixed assets were ¥173,746 million and ¥178,381 million (US\$1,457 million) as of March 31, 2021 and 2022, respectively.

9. Total assets in separate accounts provided for in Article 118 of the Insurance Business Act were ¥104,979 million and ¥112,487 million (US\$919 million) as of March 31, 2021 and 2022, respectively. The amounts of separate account liabilities were the same as separate account assets.

10. The total amounts of receivables from/payables to subsidiaries were ¥3,070 million and ¥2,167 million as of March 31, 2021, and ¥2,334 million (US\$19 million) and ¥2,714 million (US\$22 million) as of March 31, 2022, respectively.

11. Deferred tax assets and deferred tax liabilities as of March 31, 2021 were ¥159,775 million and ¥181,233 million, respectively. Valuation allowance for deferred tax assets was ¥4,972 million. Major components of deferred tax assets were ¥90,033 million of policy reserves, ¥48,383 million of reserve for price fluctuation and ¥11,872 million of reserve for employees' retirement benefits as of March 31, 2021.

Major component of deferred tax liabilities was ¥176,729 million of net unrealized gains on available-for-sale securities as of March 31, 2021.

The statutory tax rate and the actual effective tax rate for the year ended March 31, 2021 were 28.0% and 2.0%, respectively. The difference between the statutory tax rate and the actual effective tax rate was attributable mainly to -25.4% of reserve for dividends to policyholders.

Deferred tax assets and deferred tax liabilities as of March 31, 2022 were ¥170,333 million (US\$1,391 million) and ¥190,417 million (US\$1,555 million), respectively. Valuation allowance for deferred tax assets was ¥4,976 million (US\$40 million).

Major components of deferred tax assets were ¥98,854 million (US\$807 million) of policy reserves, ¥49,467 million (US\$404 million) of reserve for price fluctuation and ¥12,184 million (US\$99 million) of reserve for employees' retirement benefits as of March 31, 2022.

Major component of deferred tax liabilities was ¥185,335 million (US\$1,514 million) of net unrealized gains on available-for-sale securities as of March 31, 2022.

The statutory tax rate and the actual effective tax rate for the year ended March 31, 2022 were 28.0% and 3.2%, respectively. The difference between the statutory tax rate and the actual effective tax rate was attributable mainly to -25.0% of reserve for dividends to policyholders.

12. Changes in reserve for dividends to policyholders were as follows:

	Year ended March 31,		
	2021	2022	2022
	Millions of yen		Millions of U.S. dollars
Balance at the beginning of the fiscal year	¥60,922	¥63,232	\$516
Transfer from surplus in the previous fiscal year	31,547	32,744	267
Dividend payments to policyholders during the fiscal year	(29,252)	(32,580)	(266)
Increase in interest	13	13	0
Balance at the end of the fiscal year	¥63,232	¥63,411	\$518

13. The amounts of stocks of subsidiaries were ¥64,787 million and ¥64,787 million (US\$529 million) as of March 31, 2021 and 2022, respectively.

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

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

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

Assets pledged as collateral as of March 31, 2022 were ¥225,740 million (US\$1,844 million) of securities.

Secured debts as of March 31, 2022, were ¥166,881 million (US\$1,363 million).

These amounts include ¥150,826 million (US\$1,232 million) of investments in securities deposited and ¥160,928 million (US\$1,314 million) of cash received as collateral under securities lending transactions secured by cash as of March 31, 2022.

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 ¥4 million and ¥0 million (US\$5 thousand) as of March 31, 2021 and 2022, 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 ¥30 million and ¥23 million (US\$188 thousand) as of March 31, 2021 and 2022, respectively.

16. 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 ¥462,585 million and ¥485,157 million (US\$3,964 million) as of March 31, 2021 and 2022, respectively.

17. There were unused commitment line agreements under which the Company is the lender of ¥8,733 million and ¥11,492 million (US\$93 million) as of March 31, 2021 and 2022, respectively.

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

19. The future contribution to the Life Insurance Policyholders Protection Corporation of Japan under Article 259 of the Insurance Business Act was estimated at ¥7,946 million and ¥8,181 million (US\$66 million) as of March 31, 2021 and 2022, respectively.

The contribution is recognized as operating expenses when contributed.

20. 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,		
	2021	2022	2022
	Millions of yen		Millions of U.S. dollars
Retirement benefit obligation at the beginning of the fiscal year.....	¥87,938	¥90,576	\$740
Service cost.....	3,455	3,657	29
Interest cost.....	526	541	4
Actuarial differences occurred during the fiscal year.....	2,881	47	0
Retirement benefit payments.....	(4,279)	(4,178)	(34)
Prior service costs occurred during the fiscal year.....	54	—	—
Retirement benefit obligation at the end of the fiscal year.....	¥90,576	¥90,644	\$740

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

	As of March 31,		
	2021	2022	2022
	Millions of yen		Millions of U.S. dollars
Pension plan assets at the beginning of the fiscal year.....	¥53,704	¥62,244	\$508
Expected return on pension plan assets.....	867	1,202	9
Actuarial differences occurred during the fiscal year.....	6,673	956	7
Contributions by the employer.....	2,577	1,088	8
Retirement benefit payments.....	(1,578)	(1,605)	(13)
Pension plan assets at the end of the fiscal year.....	¥62,244	¥63,886	\$521

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,		
	2021	2022	2022
	Millions of yen		Millions of U.S. dollars
a. Funded plan retirement benefit obligation.....	¥78,508	¥78,793	\$643
b. Pension plan assets.....	(62,244)	(63,886)	(521)
c. (a + b).....	16,263	14,906	121
d. Unfunded plan retirement benefit obligation.....	12,067	11,850	96
e. Unrecognized actuarial differences.....	(5,111)	(2,774)	(22)
f. Unrecognized prior service cost.....	(31)	(45)	(0)
g. Net amount of liabilities and assets presented on the non-consolidated balance sheet.....	23,187	23,937	195
h. Reserve for employees' retirement benefits.....	23,735	24,850	203
i. Prepaid pension cost.....	(547)	(912)	(7)
j. Net amount of liabilities and assets presented on the non-consolidated balance sheet.....	¥23,187	¥23,937	\$195

iv) Breakdown of retirement benefit gains and losses

	As of March 31,		
	2021	2022	2022
	Millions of yen		Millions of U.S. dollars
Service cost	¥3,455	¥3,657	\$29
Interest cost	526	541	4
Expected return on pension plan assets	(867)	(1,202)	(9)
Amortization of actuarial differences	1,905	1,428	11
Amortization of prior service cost	(72)	(13)	(0)
Retirement benefit expenses related to defined benefit plan	¥4,947	¥4,410	\$36

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,	
	2021	2022
Domestic stocks	42.9%	42.2%
Life insurance general account	31.8%	31.1%
Foreign stocks	8.9%	10.3%
Domestic bonds	9.9%	9.6%
Assets under joint management	3.3%	3.7%
Foreign bonds	3.2%	3.1%
Total	100.0%	100.0%

Within the total plan assets as of March 2021 and March 2022, retirement benefit trusts established in relation to the retirement lump-sum payments plan for sales employees accounted for 35.6% and 35.7%, respectively.

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,	
	2021	2022
Discount rate	0.6%	0.6%
Expected long-term rate of return on pension plan assets		
Defined Benefit Plan	2.5%	3.0%
Retirement benefit trust	0.0%	0.0%

(3) Defined Contribution Plan

The required contribution amount by the Company to the defined contribution plan were ¥219 million and ¥222 million (US\$1 million) as of March 31, 2021 and 2022, respectively.

III. Notes to the Non-consolidated Statements of Operations

1. The total amounts of revenues and expenses in connection with subsidiaries were ¥869 million and ¥8,916 million for the year ended March 31, 2021, and ¥1,326 million (US\$10 million) and ¥8,687 million (US\$70 million) for the year ended March 31, 2022, respectively.

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

	Year ended March 31,		
	2021	2022	2022
	Millions of yen		Millions of U.S. dollars
Domestic bonds	¥7,447	¥6,543	\$53
Domestic stocks and others.....	14,974	3,932	32
Foreign securities	1,400	3,444	28
Others.....	¥137	¥—	\$—

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

	Year ended March 31,		
	2021	2022	2022
	Millions of yen		Millions of U.S. dollars
Domestic bonds	¥735	¥5,343	\$43
Domestic stocks and others.....	7,592	7,414	60
Foreign securities	3,451	2,302	18
Others.....	¥29	¥—	\$—

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

	Year ended March 31,		
	2021	2022	2022
	Millions of yen		Millions of U.S. dollars
Domestic bonds	¥65	¥—	\$—
Domestic stocks and others.....	281	302	2
Foreign securities	¥57	¥42	\$0

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

For the year ended March 31, 2022, in calculating the provision of reserve for outstanding claims, a reversal of reserves for outstanding claims reinsured of ¥3 million (US\$27 thousand) was added. In calculating the provision of policy reserves, a reversal of reserves for policy reserves reinsured of ¥7 million (US\$58 thousand) was added.

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

	Year ended March 31,		
	2021	2022	2022
	Millions of yen		Millions of U.S. dollars
Interest, dividends and other income	¥1,687	¥753	\$6
Gains on sales of trading securities.....	0	0	0
Losses on redemption of trading securities	(3,475)	(1,671)	(13)
Gains on valuation of trading securities.....	¥8,310	¥2,581	\$21

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, 2021 and 2022, respectively.

8. Losses on derivative instruments included valuation losses of ¥6,984 million and ¥1,419 million (US\$11 million) for the year ended March 31, 2021 and 2022, respectively.

9. "Others" within "Extraordinary losses" for the year ended March 31, 2021 consists of expenses associated with salary guaranties provided to sales representatives as a countermeasure aimed at preventing the spread of COVID-19.

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Independent Auditor's Review Report

August 28, 2023

The Board of Directors

Fukoku Mutual Life Insurance Company

Moore Mirai & Co.

Tokyo, Japan

Designated Engagement Partner
Certified Public Accountant

/S/ Shinnosuke Tsuruta

Shinnosuke Tsuruta

Designated Engagement Partner
Certified Public Accountant

/S/ Osamu Sano

Osamu Sano

We have reviewed the accompanying quarterly consolidated financial statements of Fukoku Mutual Life Insurance Company and its consolidated subsidiaries (hereinafter “the Group”), which comprise the quarterly consolidated balance sheet as at June 30, 2023, the quarterly consolidated statements of operations and comprehensive income for the three-month periods ended June 30, 2022 and 2023 and Notes.

Management's Responsibility for the Quarterly Consolidated Financial Statements

Management is responsible for the preparation of these quarterly consolidated financial statements in accordance with the basis of accounting described in Note 1 to the first quarter consolidated balance sheet (hereinafter “B/S Note 1”) and for making judgments as to whether the basis of accounting applied in the preparation of the quarterly consolidated financial statements is acceptable in light of the conditions. Management's responsibility includes designing and operating such internal control as management determines is necessary to enable the preparation of quarterly consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express a conclusion on these quarterly consolidated financial statements based on our review. We conducted our review in accordance with the Practical Guidelines on Review Engagements 2400 and the Practical Guidelines for Voluntary Quarterly Reviews in Life Insurance Companies 2450 (hereinafter “PGRE 2400” and “VQRLIC 2450”). PGRE 2400 and VQRLIC 2450 require us to conclude whether, on the basis of our review, anything has come to our attention that

causes us to believe that the quarterly consolidated financial statements are not, in all material respects, prepared in accordance with the basis of accounting described in the B/S Note 1. PGRE 2400 and VQRLIC 2450 also require that we comply with the Code of Professional Ethics in Japan.

A review of quarterly financial statements conducted in accordance with PGRE 2400 and VQRLIC 2450 is a limited assurance engagement. The review consists of making inquiries, primarily of management and persons responsible for financial and accounting matters and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with auditing standards generally accepted in Japan. Accordingly, we do not express an audit opinion on the quarterly consolidated financial statements.

Auditor's Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the quarterly consolidated financial statements referred to above have not been prepared, in all material respects, in accordance with the B/S Note 1.

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.

Convenience Translation

We have reviewed the translation of these quarterly consolidated financial statements into U.S. dollars, presented for the convenience of readers, and, based on our review, the accompanying quarterly consolidated financial statements have been properly translated on the basis described in Note I.2.

Fukoku Mutual Life Insurance Company and consolidated subsidiaries
As of March 31, 2023 and As of June 30, 2023
Consolidated Financial Statements
Consolidated Balance Sheets

	As of March 31, 2023 (Millions of yen)	As of June 30, 2023 (Millions of yen)	As of June 30, 2023 (Millions of U.S. dollars)
Assets:			
Cash and deposits	524,841	439,397	3,030
Call loans	130,000	150,000	1,034
Money held in trust	25,897	22,463	154
Securities	7,321,344	7,654,481	52,793
Loans	527,561	534,330	3,685
Tangible fixed assets	247,723	247,960	1,710
Intangible fixed assets	28,690	27,720	191
Agency receivables	0	0	0
Reinsurance receivables	83	7	0
Other assets	61,085	53,965	372
Net defined benefit assets	1,184	1,407	9
Deferred tax assets	16,131	2,800	19
Allowance for possible loan losses	(826)	(867)	(5)
Total assets	8,883,718	9,133,666	62,995
	As of March 31, 2023	As of June 30, 2023	As of June 30, 2023
Liabilities:			
Policy reserves:	7,540,406	7,620,085	52,555
Reserve for outstanding claims	26,326	23,270	160
Policy reserve	7,449,355	7,513,478	51,820
Reserve for dividends to policyholders	64,420	83,067	572
Reserve for dividends to policyholders (subsidiary)	304	268	1
Agency payables	461	448	3
Reinsurance payables	60	54	0
Subordinated bonds	241,935	241,935	1,668
Other liabilities	208,704	168,551	1,162
Net defined benefit liabilities	25,220	25,476	175
Reserve for price fluctuation	188,538	188,058	1,297
Deferred tax liabilities	0	53,004	365
Deferred tax liabilities for land revaluation	14,164	14,164	97
Total liabilities	8,219,491	8,311,779	57,326
Net assets:			
Foundation funds	12,000	12,000	82
Accumulated foundation funds redeemed	116,000	116,000	800
Reserve for revaluation	112	112	0
Consolidated surplus	133,303	117,465	810
Total foundation funds, surplus and others	261,415	245,577	1,693
Net unrealized gains(losses) on available-for-sale securities, net of tax	390,148	563,281	3,884
Revaluation reserve for land, net of tax	4,468	4,468	30
Foreign currency translation adjustment	(58)	10	0
Accumulated remeasurements of defined benefit plans	274	380	2
Total accumulated other comprehensive income	394,833	568,141	3,918
Non-controlling interests	7,977	8,169	56
Total net assets	664,226	821,887	5,668
Total liabilities and net assets	8,883,718	9,133,666	62,995

Fukoku Mutual Life Insurance Company and consolidated subsidiaries
For the three months ended June 30, 2022 and 2023
Consolidated Statements of Operations

	Three months ended June 30, 2022 (Millions of yen)	Three months ended June 30, 2023 (Millions of yen)	Three months ended June 30, 2023 (Millions of U.S. dollars)
Ordinary revenues:			
Premium and other income	220,931	224,898	1,551
Investment income	62,670	71,648	494
[Interest, dividends and other income]	[42,953]	[40,295]	[277]
[Gains on money held in trust, net]	[—]	[135]	[0]
[Gains on trading securities, net]	[759]	[576]	[3]
[Gains on sales of securities]	[11,192]	[16,312]	[112]
[Foreign exchange gains, net]	[3,974]	[2,142]	[14]
[Gains on separate accounts, net]	[—]	[11,155]	[76]
Other ordinary revenues	6,943	7,017	48
[Reversal of reserve for outstanding claims] . . .	[3,096]	[3,055]	[21]
Total ordinary revenues	<u>290,545</u>	<u>303,564</u>	<u>2,093</u>
Ordinary expenses:			
Claims and other payments	202,263	167,662	1,156
[Claims]	[78,422]	[52,880]	[364]
[Annuities]	[65,056]	[58,613]	[404]
[Benefits]	[36,409]	[32,244]	[222]
[Surrenders]	[16,962]	[18,826]	[129]
[Other payments]	[5,345]	[5,039]	[34]
Provision of policy reserve and others:	16,817	64,126	442
Provision of policy reserves	16,813	64,122	442
Provision of interest portion of reserve for dividends to policyholders	3	3	0
Provision of interest portion of reserve for dividends to policyholders (subsidiary)	0	0	0
Investment expenses	24,696	24,545	169
[Interest expenses]	[1,111]	[1,104]	[7]
[Losses on money held in trust, net]	[95]	[—]	[—]
[Losses on sales of securities]	[5,930]	[12,922]	[89]
[Losses on valuation of securities]	[1,539]	[37]	[0]
[Losses on derivative instruments, net]	[9,272]	[4,920]	[33]
[Losses on separate accounts, net]	[2,422]	[—]	[—]
Operating expenses	24,494	25,033	172
Other ordinary expenses	8,096	7,453	51
Total ordinary expenses	<u>276,367</u>	<u>288,820</u>	<u>1,992</u>
Ordinary profits	<u>14,177</u>	<u>14,743</u>	<u>101</u>

Fukoku Mutual Life Insurance Company and consolidated subsidiaries
For the three months ended June 30, 2022 and 2023
Consolidated Statements of Operations—(Continued)

	Three months ended June 30, 2022 (Millions of yen)	Three months ended June 30, 2023 (Millions of yen)	Three months ended June 30, 2023 (Millions of U.S. dollars)
Extraordinary gains:			
Gains on disposal of fixed assets	0	—	—
Reversal of reserve for price fluctuation	—	479	3
Total extraordinary gains	0	479	3
Extraordinary losses:			
Losses on disposal of fixed assets	20	37	0
Impairment losses	—	571	3
Provision of reserve for price fluctuation	1,012	—	—
Total extraordinary losses	1,033	609	4
Provision of reserve for dividends to policyholders (subsidiary)	49	45	0
Surplus before income taxes	13,094	14,568	100
Income taxes:			
Current	2,716	3,340	23
Deferred	(934)	(1,108)	(7)
Total income taxes	1,781	2,232	15
Net surplus for the period	11,313	12,336	85
Net surplus (loss) attributable to non-controlling interests	(1)	69	0
Net surplus attributable to the parent company . .	11,314	12,266	84

Fukoku Mutual Life Insurance Company and consolidated subsidiaries
For the three months ended June 30, 2022 and 2023
Consolidated Statements of Comprehensive Income

	Three months ended June 30, 2022 (Millions of yen)	Three months ended June 30, 2023 (Millions of yen)	Three months ended June 30, 2023 (Millions of U.S. dollars)
Net surplus	11,313	12,336	85
Other comprehensive income:	(56,995)	173,445	1,196
Net unrealized gains (losses) on			
available-for-sale securities, net of tax	(57,273)	173,270	1,195
Foreign currency translation adjustments	137	68	0
Remeasurements of defined benefit plan, net of			
tax	140	105	0
Comprehensive income:	(45,682)	185,781	1,281
Comprehensive income attributable to the			
parent company	(45,499)	185,573	1,279
Comprehensive income attributable to			
non-controlling interests	(183)	207	1

Fukoku Mutual Life Insurance Company and consolidated subsidiaries
Notes to the Consolidated Financial Statements

I. Presentation of the Consolidated Financial Statements

1. Basis of Presentation

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

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

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

2. U.S. Dollar Amounts

The translations of yen amounts into U.S. dollars 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 ¥144.99 = US\$1.00, the effective rate of exchange at the balance sheet date of June 30, 2023. 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.

3. Principles of Consolidation

(1) Scope of Consolidation

Consolidated subsidiaries as of June 30, 2022 and 2023, and as of March 31, 2023 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 three months ended June 30, 2022 and 2023, and for the year ended March 31, 2023.

(3) Quarter Closing Dates of Consolidated Subsidiaries

Among the subsidiaries to be consolidated, quarter closing dates of overseas subsidiaries are March 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 March 31 and the consolidated closing date, necessary adjustments for consolidation are made.

Fukoku Mutual Life Insurance Company and consolidated subsidiaries
Notes to the Consolidated Financial Statements—(Continued)

II. Notes to the Consolidated Balance Sheets

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

To fulfil our efforts to comply with these requirements, we have prepared consolidated financial statements for the three months ended June 30, 2022 and 2023 in accordance with the first- and third-quarter announcement format model created by The Life Insurance Association of Japan (the “Quarterly Reporting Model”) and generally accepted standards for preparation of quarterly consolidated financial statements in Japan. As the Quarterly Reporting Model is prepared for the purpose of fulfilling the obligation above to make an effort to disclose information, disclosures in the Quarterly Reporting Model differ from those prescribed by the regulations concerning terminology, formats, and preparation methods of quarterly consolidated financial statements and other reports.

- As the proposal for appropriation of unappropriated surplus for the fiscal year ended March 31, 2023 was approved by the Board of Representative Member of Policyholders on July 4, 2023, it is included in the consolidated balance sheet as of June 30, 2023.
- The amount of securities lent under lending agreements were ¥504,760 million and ¥502,666 million (US\$3,466 million) as of March 31, 2023 and as of June 30, 2023, respectively.
- Changes in reserve for dividends to policyholders were as follows:

	For the fiscal year ended March 31, 2023	For the three months ended June 30, 2023	For the three months ended June 30, 2023
	(Millions of yen)		(Millions of U.S. dollars)
Balance at the beginning of the current period	¥ 63,411	¥64,420	\$444
Transfer from surplus in the previous fiscal year	30,726	28,002	193
Dividend payments to policyholders during the current period	(29,731)	(9,357)	(64)
Increase in interest	13	3	0
Balance at the end of the current period	<u>¥ 64,420</u>	<u>¥83,067</u>	<u>572</u>

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

	For the fiscal year ended March 31, 2023	For the three months ended June 30, 2023	For the three months ended June 30, 2023
	(Millions of yen)		(Millions of U.S. dollars)
Balance at the beginning of the current period	¥ 322	¥ 304	\$ 2
Dividend payments to policyholders during the current period	(192)	(82)	(0)
Increase in interest	0	0	0
Provision of reserve for dividends to policyholders	173	45	0
Balance at the end of the current period	<u>¥ 304</u>	<u>¥ 268</u>	<u>\$ 1</u>

- At the Board of Directors meeting held on June 29, 2023, the Company resolved to issue subordinated bonds up to US\$500 million by the end of March 2024 as well as to redeem US\$500 million in subordinated bonds on September 19, 2023 prior to the maturity date.

Fukoku Mutual Life Insurance Company and consolidated subsidiaries
Notes to the Consolidated Financial Statements—(Continued)

III. Notes to the Consolidated Statements of Operations

1. Items related to impairment losses for the three months ended June 30, 2023 were as follows:

(1) Asset grouping method

Real estate and similar used for the insurance business is treated as one asset group for the insurance business as a whole. For other assets such as real estate for rent and idle real estate, each property is treated as one asset group.

(2) Process leading to recognition of impairment losses

For certain assets such as real estate for rent, and idle real estate whose profitability declined significantly due to a decrease in rental income and a fall in land prices, the book value was reduced to the recoverable amount, and the reduced amount was recorded as an impairment losses in extraordinary losses.

(3) Asset groups for which impairment losses were recognized and breakdown of impairment losses by fixed asset type

i) Real estate for rent and similar assets			
		<u>2023</u>	<u>2023</u>
		(Millions of yen)	(Millions of U.S. dollars)
Land	¥ —		\$—
Buildings	—		—
Total	<u>¥ —</u>		<u>\$—</u>
ii) Idle real estate and similar assets			
		<u>2023</u>	<u>2023</u>
		(Millions of yen)	(Millions of U.S. dollars)
Land	¥ 88		\$0
Buildings	483		3
Total	<u>¥ 571</u>		<u>\$3</u>
iii) Total (i + ii)			
		<u>2023</u>	<u>2023</u>
		(Millions of yen)	(Millions of U.S. dollars)
Land	¥ 88		\$0
Buildings	483		3
Total	<u>¥ 571</u>		<u>\$3</u>

(4) Calculation method for recoverable amounts

Net selling prices are used to represent recoverable amounts. Appraisal value, or assessed value based on the published price or roadside land price is used to represent net selling prices.

2. For the three months ended June 30, 2022 and 2023, the total amount of depreciation, including depreciation of real estate for rent, were ¥5,003 million and ¥4,018 million (US\$27 million) respectively.

Independent Auditor's Review Report

August 28, 2023

The Board of Directors

Fukoku Mutual Life Insurance Company

Moore Mirai & Co.

Tokyo, Japan

Designated Engagement Partner
Certified Public Accountant

/S/ Shinnosuke Tsuruta

Shinnosuke Tsuruta

Designated Engagement Partner
Certified Public Accountant

/S/ Osamu Sano

Osamu Sano

We have reviewed the accompanying quarterly non-consolidated financial statements of Fukoku Mutual Life Insurance Company (hereinafter “the Company”), which comprise the quarterly non-consolidated balance sheet as at June 30, 2023, the quarterly non-consolidated statements of operations for the three-month periods ended June 30, 2022 and 2023 and Notes.

Management's Responsibility for the Quarterly Non-consolidated Financial Statements

Management is responsible for the preparation of these quarterly non-consolidated financial statements in accordance with the basis of accounting described in Note 1 to the first quarter non-consolidated balance sheet (hereinafter “B/S Note 1”) and for making judgments as to whether the basis of accounting applied in the preparation of the quarterly non-consolidated financial statements is acceptable in light of the conditions. Management's responsibility includes designing and operating such internal control as management determines is necessary to enable the preparation of quarterly non-consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express a conclusion on these quarterly non-consolidated financial statements based on our review. We conducted our review in accordance with the Practical Guidelines on Review Engagements 2400 and the Practical Guidelines for Voluntary Quarterly Reviews in Life Insurance Companies 2450 (hereinafter “PGRE 2400” and “VQRLIC 2450”). PGRE 2400 and VQRLIC 2450 require us to conclude whether, on the basis of our review, anything has come to our attention that

causes us to believe that the quarterly non-consolidated financial statements are not, in all material respects, prepared in accordance with the basis of accounting described in the B/S Note 1. PGRE 2400 and VQRLIC 2450 also require that we comply with the Code of Professional Ethics in Japan.

A review of quarterly financial statements conducted in accordance with PGRE 2400 and VQRLIC 2450 is a limited assurance engagement. The review consists of making inquiries, primarily of management and persons responsible for financial and accounting matters and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with auditing standards generally accepted in Japan. Accordingly, we do not express an audit opinion on the quarterly non-consolidated financial statements.

Auditor's Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the quarterly non-consolidated financial statements referred to above have not been prepared, in all material respects, in accordance with the B/S Note 1.

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.

Convenience Translation

We have reviewed the translation of these quarterly non-consolidated financial statements into U.S. dollars, presented for the convenience of readers, and, based on our review, the accompanying quarterly non-consolidated financial statements have been properly translated on the basis described in Note I.2.

Fukoku Mutual Life Insurance Company
As of March 31, 2023 and As of June 30, 2023
Non-consolidated Financial Statements
Non-consolidated Balance Sheets

	As of March 31, 2023 (Millions of yen)	As of June 30, 2023 (Millions of yen)	As of June 30, 2023 (Millions of U.S. dollars)
Assets:			
Cash and deposits	402,472	313,255	2,160
Call loans	130,000	150,000	1,034
Money held in trust	25,897	22,463	154
Securities:	5,799,182	6,088,343	41,991
[Government bonds]	[2,395,965]	[2,494,371]	[17,203]
[Local government bonds]	[92,958]	[97,050]	[669]
[Corporate bonds]	[542,134]	[526,190]	[3,629]
[Stocks]	[836,501]	[945,939]	[6,524]
[Foreign securities]	[1,756,176]	[1,808,263]	[12,471]
Loans:	524,193	530,920	3,661
Policy loans	47,088	46,850	323
Ordinary loans	477,104	484,069	3,338
Tangible fixed assets	247,321	247,587	1,707
Intangible fixed assets	26,917	25,973	179
Agency receivables	100	85	0
Reinsurance receivables	62	6	0
Other assets	55,516	47,756	329
Prepaid pension cost	1,614	1,755	12
Deferred tax assets	13,829	—	—
Allowance for possible loan losses	(826)	(867)	(5)
Total assets	7,226,280	7,427,280	51,226
	As of March 31, 2023	As of June 30, 2023	As of June 30, 2023
Liabilities:			
Policy reserves:	5,916,509	5,952,185	41,052
Reserve for outstanding claims	21,523	18,757	129
Policy reserve	5,830,565	5,850,360	40,350
Reserve for dividends to policyholders	64,420	83,067	572
Reinsurance payables	46	46	0
Subordinated bonds	241,935	241,935	1,668
Other liabilities:	204,041	162,050	1,117
Corporate income tax payable	101	1,113	7
Lease obligations	345	294	2
Asset retirement obligations	2,328	2,340	16
Rest of the other liabilities	201,264	158,302	1,091
Reserve for employees' retirement benefits	25,951	26,251	181
Reserve for price fluctuation	177,188	176,624	1,218
Deferred tax liabilities	—	52,050	358
Deferred tax liabilities for land revaluation	14,164	14,164	97
Total liabilities	6,579,836	6,625,309	45,694

Fukoku Mutual Life Insurance Company
As of March 31, 2023 and As of June 30, 2023
Non-consolidated Financial Statements
Non-consolidated Balance Sheets—(Continued)

	As of March 31, 2023	As of June 30, 2023	As of June 30, 2023
Net assets:			
Foundation funds	12,000	12,000	82
Accumulated foundation funds redeemed	116,000	116,000	800
Reserve for revaluation	112	112	0
Surplus:	126,981	110,555	762
Legal reserve for future losses	3,463	3,548	24
Other surplus:	123,518	107,007	738
Reserve for redemption of foundation funds	7,200	9,600	66
Reserve for dividend allowances	20,000	20,000	137
Accumulated fund for price fluctuation	41,000	41,000	282
Reserve for advanced depreciation of real estate for tax purpose	205	204	1
Other reserves	767	767	5
Unappropriated surplus	54,346	35,436	244
Total foundation funds, surplus and others	255,093	238,668	1,646
Net unrealized gains (losses) on available-for-sale securities, net of tax	386,882	558,834	3,854
Revaluation reserve for land, net of tax	4,468	4,468	30
Total valuation and translation adjustments	391,350	563,302	3,885
Total net assets	646,444	801,970	5,531
Total liabilities and net assets	7,226,280	7,427,280	51,226

Fukoku Mutual Life Insurance Company
For the three months ended June 30, 2022 and 2023
Non-consolidated Statements of Operations

	Three months ended June 30, 2022 (Millions of yen)	Three months ended June 30, 2023 (Millions of yen)	Three months ended June 30, 2023 (Millions of U.S. dollars)
Ordinary revenues:			
Premium and other income	180,248	150,334	1,036
[Premium income]	[180,215]	[150,327]	[1,036]
Investment income	57,972	67,000	462
[Interest, dividends and other income]	[39,014]	[35,647]	[245]
[Gains on money held in trust, net]	[—]	[135]	[0]
[Gains on trading securities, net]	[759]	[576]	[3]
[Gains on sales of securities]	[10,431]	[16,312]	[112]
[Foreign exchange gains, net]	[3,975]	[2,142]	[14]
[Gains on separate accounts, net]	[—]	[11,155]	[76]
Other ordinary revenues	6,292	6,587	45
[Reversal of reserve for outstanding claims] . . .	[2,827]	[2,765]	[19]
[Reversal of reserve for claims and other payments]	[1,700]	[—]	[—]
Total ordinary revenues	244,513	223,923	1,544
Ordinary expenses:			
Claims and other payments	166,285	137,111	945
[Claims]	[75,786]	[49,864]	[343]
[Annuities]	[38,157]	[37,926]	[261]
[Benefits]	[35,038]	[31,301]	[215]
[Surrenders]	[11,962]	[12,950]	[89]
[Other payments]	[5,290]	[5,023]	[34]
Provision of policy reserve and others:	10,275	19,797	136
Provision of policy reserves	10,272	19,794	136
Provision of interest portion of reserve for dividends to policyholders	3	3	0
Investment expenses	25,018	24,888	171
[Interest expenses]	[1,109]	[1,100]	[7]
[Losses on money held in trust, net]	[95]	[—]	[—]
[Losses on sales of securities]	[5,930]	[12,922]	[89]
[Losses on valuation of securities]	[1,539]	[37]	[0]
[Losses on derivative instruments, net]	[9,272]	[4,920]	[33]
[Losses on separate accounts, net]	[2,422]	[—]	[—]
Operating expenses	22,244	22,058	152
Other ordinary expenses	6,560	6,461	44
Total ordinary expenses	230,385	210,317	1,450
Ordinary profits	14,127	13,605	93
Extraordinary gains:			
Gains on disposal of fixed assets	0	—	—
Reversal of reserve for price fluctuation	—	563	3
Total extraordinary gains	0	563	3
Extraordinary losses:			
Losses on disposal of fixed assets	19	48	0
Impairment losses	—	571	3
Provision of reserve for price fluctuation	937	—	—
Total extraordinary losses	956	620	4
Surplus before income taxes	13,170	13,548	93
Income taxes:			
Current	2,581	2,880	19
Deferred	(876)	(1,010)	(6)
Total income taxes	1,705	1,870	12
Net surplus for the period	11,465	11,678	80

Fukoku Mutual Life Insurance Company
Notes to the Non-consolidated Financial Statements

I. Presentation of the Non-consolidated Financial Statements

1. Basis of Presentation

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

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

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

2. U.S. Dollar Amounts

The translations of yen amounts into U.S. dollars 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 ¥144.99 = US\$1.00, the effective rate of exchange at the balance sheet date of June 30, 2023. 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

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

To fulfil our efforts to comply with these requirements, we have prepared financial statements for the three months ended June 30, 2022 and 2023 in accordance with the first- and third-quarter announcement format model created by The Life Insurance Association of Japan (the “Quarterly Reporting Model”) and generally accepted standards for preparation of quarterly financial statements in Japan. As the Quarterly Reporting Model is prepared for the purpose of fulfilling the obligation above to make an effort to disclose information, disclosures in the Quarterly Reporting Model differ from those prescribed by the regulations concerning terminology, formats, and preparation methods of quarterly financial statements and other reports.

- As the proposal for appropriation of unappropriated surplus for the fiscal year ended March 31, 2023 was approved by the Board of Representative Member of Policyholders on July 4, 2023, it is included in the non-consolidated balance sheet as of June 30, 2023.
- The amount of securities lent under lending agreements were ¥504,760 million and ¥502,666 million (US\$3,466 million) as of March 31, 2023 and as of June 30, 2023, respectively.
- Changes in reserve for dividends to policyholders were as follows:

	For the fiscal year ended March 31, 2023	For the three months ended June 30, 2023	For the three months ended June 30, 2023
	(Millions of yen)		(Millions of U.S. dollars)
Balance at the beginning of the current period	¥ 63,411	¥64,420	\$444
Transfer from surplus in the previous fiscal year	30,726	28,002	193
Dividend payments to policyholders during the current period	(29,731)	(9,357)	(64)
Increase in interest	13	3	0
Balance at the end of the current period	<u>¥ 64,420</u>	<u>¥83,067</u>	<u>\$572</u>

Fukoku Mutual Life Insurance Company
Notes to the Non-consolidated Financial Statements—(Continued)

5. At the Board of Directors meeting held on June 29, 2023, the Company resolved to issue subordinated bonds up to US\$500 million by the end of March 2024 as well as to redeem US\$500 million in subordinated bonds on September 19, 2023 prior to the maturity date.

III. Notes to the Non-consolidated Statements of Operations

1. Items related to impairment losses for the three months ended June 30, 2023 were as follows:

(1) Asset grouping method

Real estate and similar used for the insurance business is treated as one asset group for the insurance business as a whole. For other assets such as real estate for rent and idle real estate, each property is treated as one asset group.

(2) Process leading to recognition of impairment losses

For certain assets such as real estate for rent, and idle real estate whose profitability declined significantly due to a decrease in rental income and a fall in land prices, the book value was reduced to the recoverable amount, and the reduced amount was recorded as an impairment losses in extraordinary losses.

(3) Asset groups for which impairment losses were recognized and breakdown of impairment losses by fixed asset type

i) Real estate for rent and similar assets

	<u>2023</u> (Millions of yen)	<u>2023</u> (Millions of U.S. dollars)
Land	¥—	\$—
Buildings	—	—
Total	<u>¥—</u>	<u>\$—</u>

ii) Idle real estate and similar assets

	<u>2023</u> (Millions of yen)	<u>2023</u> (Millions of U.S. dollars)
Land	¥ 88	\$0
Buildings	483	3
Total	<u>¥ 571</u>	<u>\$3</u>

iii) Total (i + ii)

	<u>2023</u> (Millions of yen)	<u>2023</u> (Millions of U.S. dollars)
Land	¥ 88	\$0
Buildings	483	3
Total	<u>¥ 571</u>	<u>\$3</u>

(4) Calculation method for recoverable amounts

Net selling prices are used to represent recoverable amounts. Appraisal value, or assessed value based on the published price or roadside land price is used to represent net selling prices.

GLOSSARY OF CERTAIN INSURANCE TERMS

Administrative expense losses	Administrative expense losses is the difference between the administrative expenses related to the relevant policy assumed by the insurer with respect to a given year in calculating premiums and the actual administrative expenses for that year.
Annuity	A product that provides periodic, typically annual, benefits from a designated time in the future until the death of the insured or for a specific period. A lump sum benefit payment is made upon the death of the insured prior to commencement of annuity payments. If the death of the insured occurs after annuity payments have commenced and prior to the end of the fixed annuity payment term, the remainder of the annuity payments may either be accelerated or may continue to be paid in accordance with the schedule outlined in the policy. Annuity products include both fixed return products and variable return products for which the return reflects the results of investment made in separate accounts.
Assumed rate of return	The rate of investment yield assumed by the insurer, with respect to a given policy, in calculating the amount to be set aside as policy reserve.
Contingency reserve	A reserve included as part of the policy reserve to account for (1) the risk of insurance payment events occurring at a higher than expected rate due to higher than expected mortality and morbidity rates, (2) the risk of actual rates of return being lower than the assumed rates of return related to outstanding policies and (3) the risk associated with any insurance policy with a separate account, that may arise if the amount of the assets in the relevant separate account does not reach the minimum amount of the payment guaranteed under such insurance policy and that may arise as a result of, among other things, the price fluctuation of the assets in such separate account going beyond normal expectation.
Endowment	Life insurance payable to the policyholder, if living, on the maturity date stated in the policy, or to the beneficiary if the insured dies before that date.
ESR	Economic solvency ratio (or economic value-based solvency ratio), a solvency indicator valuing assets and liabilities based on market interest rates and other economic factors. Indicates economic capital relative to the risk amount under a certain stress scenario. See “Recent Business—Consolidated Results of Operations—Economic Solvency Ratio (ESR)”.
Foundation funds (<i>kikin</i>)	Foundation funds (<i>kikin</i>) serve as capital for Japanese mutual life insurance companies. The principal contributors to foundation funds of such companies, including Fukoku Life, historically have been banks. Unlike paid-in capital for joint stock corporations, however, foundation funds have a stated maturity and accrue interest payment obligations on a subordinated basis, making foundation funds similar to subordinated debt. If the principal amount of foundation funds is repaid by insurance companies out of their net surplus, the repaid amounts are carried in the capital portion of the balance sheet as accumulated foundation funds redeemed. Therefore, the total of the foundation funds and accumulated foundation funds redeemed generally remains the same until new foundation fund amounts are raised by the insurance company.

Fundamental profit (*kiso rieki*) Ordinary profits of a life insurance company, as indicated in its statements of operations, includes capital gains and losses from its investment activities as well as other one-time gains and losses. Therefore, profit from the insurance business is not readily ascertainable from the statements of operations. For purposes of disclosing the profit from the insurance business, commencing with the year ended 31 March 2001, life insurance companies in Japan are required under the disclosure standards set by the Life Insurance Association to disclose “fundamental profit”, also known as “core profit” or “base profit”, a measure of an insurance company’s underlying profitability from core insurance operations.

Fundamental profit = Ordinary profits – (Capital gains and losses + Other one – time gains and losses)

In the above formula:

“Capital gains and losses” represents capital gains less capital losses. Capital gains and losses mainly include gains and losses from or on money held in trust, trading securities, sales of securities, valuation of securities and derivative instruments and foreign exchange gains and losses.

“Other one-time gains and losses” represents one-time, non-core gains less one-time, non-core losses. Other one-time gains and losses mainly include reversal of or provision for contingency reserve and specific allowance for possible loan losses.

General account assets The aggregate of a life insurer’s assets, other than those allocated to separate accounts and accumulated accounts. General account assets are invested by the insurer to meet fixed guaranteed rates of return for policyholders, and the insurer bears the investment risk on such assets.

In force A policy that is shown on records to be in force on a given date and that has not matured by death or otherwise or been surrendered or otherwise terminated. In force refers to the period of coverage, i.e., the period during which the occurrence of insured events can result in liabilities.

Investment yield margin Investment yield margin is the difference, with respect to a given year, between the actual rate of return on investments for that year and the assumed rate of return used in calculating premiums.

Lapse The termination or temporary discontinuance of an insurance policy due to non-payment of premiums within a specified time period.

Medical insurance Insurance related to medical care, for example where the insurance company pays fixed amounts in accordance with the number of days in hospital by the insured.

Morbidity The relative incidence of disability due to disease or physical impairment.

Mortality rate Rates of death, varying by such parameters as age, gender and health, used in pricing and computing liabilities for future policyholder benefits for life insurance and annuity products.

Mortality rate margin Mortality rate margin is the difference between the mortality rate assumed by the insurer with respect to a given year in calculating premiums and the actual mortality rate for that year.

Net level premium method	Under the net level premium method, insurers must set aside policy reserves assuming that the pure insurance premium remains constant over the term of the policy. The net level premium method increases an insurer's administrative expense burden in the early years of a policy, when actual administrative expenses exceed the portion of the pure insurance premium in such early years covering administrative expenses. Under an alternate method of calculating policy reserves, known as the Zillmer method, the pure insurance premium portion is reduced in the first year of the policy, allowing, in effect, policy acquisition costs to be deferred.
Nursing care insurance	Insurance where the insurance company pays claims or benefits related to certain conditions requiring nursing care.
Participating policy	Policies under which the policyholder is eligible to share in the disposable surplus of the insurer—calculated based on mortality rate margin, investment yield margin and administrative expense losses—through the receipt of annual policyholder dividends.
Policy reserves	The policy reserves are composed of the policy reserve, the reserve of outstanding claims and the reserve for dividends to policyholders.
Positive (negative) spread	Positive (negative) spread = $(R - A) \times G$

In the above formula:

A = Average assumed rate of return, which represents the amount the numerator of which is the expected interest (calculated based on the assumed rate of return) and the denominator of which is the general account policy reserve.

R = Rate of return on investments included in fundamental profit, which represents the amount the numerator of which is investment income included in fundamental profit, minus the interest on accumulated dividends to policyholders and the denominator of which is the general account policy reserve.

G = General account policy reserve, which represents the general account policy reserve excluding the contingency reserve, and is the accrued policy reserve calculated as follows in accordance with the Hardy method: (policy reserve at the beginning of the relevant fiscal year, plus the policy reserve at the end of the relevant fiscal year, minus the assumed rate of return) multiplied by $\frac{1}{2}$.

The calculation of negative spread was standardised by the life insurance industry beginning in the year ended 31 March 2002.

Premium reserve (other than unearned premiums)	A reserve included in the policy reserve to account for the payment of future payment obligations, other than with respect to unearned premiums.
Premiums	Payments and considerations received with respect to insurance policies issued or reinsured by an insurer.
Pure insurance premium (also “net premium”)	The portion of the premium covering insurance underwriting risk, based on factors such as mortality rates, rates of return on investments and policy surrender and lapse ratios, and excluding the portion covering administrative expenses.

Rate of return on investments	Investment return earned by the insurer on its invested assets.
Real net assets	Real net assets is equal to an amount calculated based on assets reflected in the balance sheet (including, but not limited to, assets such as marketable securities and real estate with readily obtainable fair value) minus an amount calculated based on liabilities reflected in the balance sheet (excluding certain amounts such as the reserve for price fluctuation and the contingency reserve), each as calculated according to the method promulgated by the FSA and the Ministry of Finance.
Reinsurance	The acceptance by one or more insurers of a portion of risk underwritten by another insurer (ceding insurer) that has directly written the coverage of a policy in return for a portion of the premium related thereto. The legal rights of the policyholder generally are not affected by the reinsurance transaction, and the insurer issuing the insurance contract remains liable to the policyholder for payment of policy benefits.
Reserve for outstanding claims	A reserve used to fund payments that are incurred, but have not yet been paid, on outstanding claims existing as of the end of the fiscal year and expected to be paid in the following fiscal year. The reserve for outstanding claims is one of the three reserves composing the policy reserves.
Reserve for dividends to policyholders	A reserve used to fund the payment of policyholder dividends. The reserve for policyholder dividends is one of the three reserves composing the policy reserves. For a mutual life insurance company, transfer to reserve for policyholder dividends is treated as dispositions of net surplus.
Reserve for price fluctuation of securities	Pursuant to provisions of the Insurance Business Act, Japanese insurers are required to maintain a reserve to cover losses due to price fluctuations in assets subject to market price volatility, particularly investments in stock, bonds and foreign currency-denominated investments. This reserve may be used only to reduce deficits arising from price fluctuations of those assets unless otherwise approved by the Commissioner of the FSA.
Separate account	Assets related to the insurer's individual variable insurance, individual variable annuities and group annuities with separate account policy riders are allocated to the insurer's separate account. Separate account assets and liabilities represent funds that are administered and invested by the insurer to meet specific investment objectives of policyholders. The investments in each separate account are booked and administered separately from those in other separate accounts and the insurer's general account.
Solvency margin ratio	The solvency margin ratio for life insurance companies is calculated on a non-consolidated basis pursuant to the following formula:

$$\text{Solvency margin ratio} = \frac{(\text{Total solvency margin}) \times 100}{(\text{Total risk}) \times 1/2}$$

In the above formula:

“Total solvency margin” represents the sum of the following:

- net assets or foundation funds (less certain items);
- reserve for price fluctuation of securities;
- contingency reserve;
- general reserve for possible loan losses;
- net unrealised gains and losses on available-for-sale securities (multiplied by 90 per cent. if gains or 100 per cent. if losses), deferred unrealised gains and losses on derivatives under hedge accounting (multiplied by 90 per cent. if gains or 100 per cent. if losses) and land (multiplied by 85 per cent. if gains or 100 per cent. if losses); and
- certain other items (including subordinated debt which satisfy certain requirements (such as deferral of interest payment obligations) and dated subordinated debt with maturity longer than five years).

“Total risk” is a quantified measure of the total unforeseeable risk borne by the life insurance company, which consists of risk amounts calculated based on standards specified by the Commissioner of the FSA as follows:

- the amount of the “insurance risk (other than third sector insurance risk)” and the “third sector insurance risk”, that is, the risk which may arise as a result of the actual rate of occurrence of insurance events exceeding normal expectation;
- the amount of the “risk of assumed yield”, that is, the risk of failing to secure the assumed yield which serves as the basis of calculation of the policy reserves;
- the amount of the “minimum guarantee risk”, that is, the risk associated with any insurance policy with a separate account, that may arise if the amount of the assets in the relevant separate account does not reach the minimum amount of the payment guaranteed under such insurance policy due to price fluctuations of the assets in such separate account or other reasons which may arise beyond normal expectation;
- the amount of the “investment risk”, that is, the aggregate sum of (i) the amount equal to the “risk of price fluctuation”, or the risk which may arise due to, among other things, fluctuation of prices of securities and any other assets held by the insurance company beyond normal expectation, (ii) the amount equal to the “credit risk”, or the risk which may arise due to, among other things, default of obligations by a counterparty to any transaction with respect to securities and any other assets held by the insurance company, (iii) the amount equal to the “affiliate companies’ risk”, or the risk which may arise due to, among other things, investment in any affiliate company, (iv) the amount equal to the “derivative transaction risk”, or the risk which may arise due to, among other things, certain futures or forward transactions or certain derivative transactions, (v) the amount equal to the “credit spread risk”, or the risk which may arise due to, among other things, fluctuation of prices beyond normal expectations with respect to credit derivatives transactions, and (vi) the amount equal to the

“reinsurance risk”, or the risk which may arise due to reinsurance transactions; and

- the amount of the “operational risk”, that is, the other risks beyond normal expectation in a company’s business.

Surrender	The cancellation of a policy by a policyholder. The policyholder generally receives the “cash value” of the policy, an amount available in cash upon surrender of a policy before it becomes payable upon death or maturity, minus the surrender charge to be calculated pursuant to a pre-determined formula. After a “surrender period” (usually several years) has elapsed, there is generally no charge for ending the contract.
Surrender and lapse ratio	The annualised premiums for policies which were surrendered or which have lapsed during a given period as a percentage of the annualised premiums of the relevant insurance/annuities in force at the start of such period.
Third sector insurance (also known as medical, disability and long-term care insurance)	In the Japanese insurance industry, life insurance products and nonlife insurance products are called “first sector” and “second sector” insurance products, respectively, and insurance products which have intermediate characteristics of both products, such as medical insurance, disability insurance, nursing care insurance and personal accident insurance, are called “third sector” insurance products.
Underwriting	The process of examining, accepting and rejecting insurance risks, and classifying those accepted, in order to charge an appropriate premium for each accepted risk.
Unearned premium reserve	A reserve included in the policy reserve to account for the payment of future obligations based on the portion of premiums received by the insurer for which protection has not yet been provided.
Variable annuity	Annuities in which the return to holders is variable, rather than fixed, and reflects the results of investments made in the insurer’s separate accounts.
Zillmer method	A method by which insurers may calculate policy reserves, which, in effect, allows policy acquisition costs to be deferred. Under this method, the pure insurance premium portion used in the calculation of policy reserves is reduced in the first year of the policy. This reduction makes the policy reserve provisions smaller than those under the net level premium method. In years following the first year, the reduction in reserve provisions in the first year are gradually adjusted to eliminate the difference between the net level premium method and the Zillmer method over a predetermined term of, for example, five or 10 years.

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人と人の間に
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THE MUTUAL