

Financial Results for the Fiscal Year Ended March 31, 2018

Fukoku Mutual Life Insurance Company (President: Yoshiteru Yoneyama) announces financial results for the fiscal year ended May 31, 2018.

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Attached: Supplementary Materials for the Fiscal Year Ended March 31, 2018

Financial Summary for the Fiscal Year Ended March 31, 2018

1. Business Highlights

(1) Policies in Force, New Policies and Surrendered and Lapsed Policies

(i) Policies in Force

		As of March 31, 2017				As of March 31, 2018			
		Number of policies		Amount		Number of policies		Amount	
		(Thousands)	Changes (%, Pre-FYE)	(100 millions of yen)	Changes (%, Pre-FYE)	(Thousands)	Changes (%, Pre-FYE)	(100 millions of yen)	Changes (%, Pre-FYE)
	Individual insurance	3,171	102.0	231,606	98.9	3,180	100.3	227,653	98.3
	Individual annuities	719	100.5	27,903	100.3	687	95.6	26,684	95.6
	Subtotal	3,890	101.7	259,509	99.0	3,868	99.4	254,338	98.0
	Group insurance	—	—	171,515	101.1	—	—	170,732	99.5
	Group annuities	—	—	21,567	101.8	—	—	21,803	101.1

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

(ii) New Policies

Year ended March 31, 2017		Total				New business		Net increase by conversion	
		Number of policies		Amount		Amount		Amount	
		(Thousands)	Changes (%, YoY)	(100 millions of yen)	Changes (%, YoY)	(100 millions of yen)	Changes (%, YoY)	(100 millions of yen)	Changes (%, YoY)
	Individual insurance	405	113.0	15,601	95.6	14,669	98.4	932	66.6
	Individual annuities	40	145.5	1,582	156.8	1,599	155.3	(16)	—
	Subtotal	446	115.3	17,184	99.2	16,268	102.0	915	66.3
	Group insurance	—	—	774	171.2	774	171.2	—	—
	Group annuities	—	—	16	52.7	16	52.7	—	—

Year ended March 31, 2018		Total				New business		Net increase by conversion	
		Number of policies		Amount		Amount		Amount	
		(Thousands)	Changes (%, YoY)	(100 millions of yen)	Changes (%, YoY)	(100 millions of yen)	Changes (%, YoY)	(100 millions of yen)	Changes (%, YoY)
	Individual insurance	363	89.6	13,814	88.5	13,216	90.1	597	64.1
	Individual annuities	7	17.5	211	13.3	224	14.0	(13)	—
	Subtotal	370	83.0	14,025	81.6	13,440	82.6	584	63.9
	Group insurance	—	—	343	44.3	343	44.3	—	—
	Group annuities	—	—	158	979.1	158	979.1	—	—

Notes: 1. Number of new policies is the sum of new business and policies after conversion.
2. Amount of new policies for individual annuities, both new business and net increase by conversion, is equal to the funds to be held at the time annuity payments are to commence and special riders for term insurance attached to individual annuities.
3. Amount for group annuities is equal to the initial premium payment.

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

	Year ended March 31, 2017		Year ended March 31, 2018	
		Changes (%, YoY)		Changes (%, YoY)
Amount of surrender and lapse (100 millions of yen)	13,135	97.9	12,697	96.7
Surrender and lapse ratio (%)	5.01	(0.04)	4.89	(0.12)

Notes: 1. The amount of lapse is not offset by the amount of reinstatement which was once lapsed.
2. The column of "Changes" of surrender and lapse ratio is increase-decrease points over year.

(2) Annualized Premiums

(i) Policies in Force

(100 millions of yen, %)

	As of March 31, 2017		As of March 31, 2018	
		Changes (%, Pre-FYE)		Changes (%, Pre-FYE)
Individual insurance	2,779	101.2	2,747	98.8
Individual annuities	1,343	101.6	1,296	96.5
Total	4,123	101.3	4,043	98.1
Medical coverage and living benefits	1,091	101.5	1,107	101.4

(ii) New Policies

(100 millions of yen, %)

	Year ended March 31, 2017		Year ended March 31, 2018	
		Changes (%, YoY)		Changes (%, YoY)
Individual insurance	212	106.1	148	69.9
Individual annuities	50	148.5	6	12.2
Total	263	112.3	154	58.8
Medical coverage and living benefits	78	111.4	77	99.2

Notes: 1. Annualized premiums are calculated by using coefficients based on the premium payment method. (For single premium contracts, the amount is calculated by dividing the premium by the coverage period.)

2. Figures for medical coverage and living benefits represent portion of annualized premium corresponding to the medical benefits (hospitalization benefits and surgery benefits, etc.), living benefits (nursing care benefits, etc.) and premium waiver benefits, in which disability cause is excluded but causes such as specific illness are included.

3. New policies include net increase by conversion.

(3) Selected Items of Statements of Operations

(100 millions of yen, %)

	Year ended March 31, 2017		Year ended March 31, 2018	
		Changes (%, YoY)		Changes (%, YoY)
Premium and other income	5,744	92.9	5,672	98.7
Investment income	1,601	85.8	1,736	108.4
Claims and other payments	4,891	82.8	5,011	102.5
Investment expenses	445	93.1	396	88.9
Ordinary profits	541	89.7	564	104.4

(4) Statements of Surplus

(100 millions of yen, %)

	Year ended March 31, 2017		Year ended March 31, 2018	
		Changes (%, YoY)		Changes (%, YoY)
Unappropriated surplus	605	92.4	646	106.7
Reserve for dividends to policyholders	345	98.2	386	111.7
Net surplus	22	33.8	22	100.5
Unappropriated surplus carried forward	237	100.0	237	100.0

Note: Unappropriated surplus for the years ended March 31, 2017 and 2018 included reversal of voluntary surplus reserve of ¥102 million and ¥45 million, respectively.

(5) Total Assets

(100 millions of yen, %)

	As of March 31, 2017		As of March 31, 2018	
		Changes (%, Pre-FYE)		Changes (%, Pre-FYE)
Total assets	65,656	101.2	66,266	100.9

2. Investment Results of General Account Assets

(1) Asset Composition

(Millions of yen)

	As of March 31, 2017		As of March 31, 2018	
	Amount	% of total	Amount	% of total
Cash, deposits, call loans	236,274	3.6 %	240,462	3.7 %
Monetary claims bought	753	0.0	443	0.0
Money held in trust	29,787	0.5	31,502	0.5
Securities	5,297,476	81.6	5,380,830	82.2
Domestic bonds	2,843,537	43.8	2,818,618	43.1
Domestic stocks	656,590	10.1	740,828	11.3
Foreign securities	1,702,602	26.2	1,713,869	26.2
Foreign bonds	1,445,002	22.3	1,434,457	21.9
Foreign stocks and other securities	257,599	4.0	279,412	4.3
Other securities	94,745	1.5	107,514	1.6
Loans	627,722	9.7	593,734	9.1
Policy loans	59,238	0.9	57,181	0.9
Ordinary loans	568,483	8.8	536,553	8.2
Real estate	214,427	3.3	213,674	3.3
Others	85,302	1.3	85,664	1.3
Allowance for possible loan losses	(1,776)	(0.0)	(2,049)	(0.0)
Total	6,489,968	100.0	6,544,262	100.0
Foreign currency denominated assets	1,966,868	30.3	1,998,720	30.5

(2) Changes (Increase/Decrease) in Assets

(Millions of yen)

	As of March 31, 2017	As of March 31, 2018
	Amount	Amount
Cash, deposits, call loans	(76,130)	4,187
Monetary claims bought	(60)	(309)
Money held in trust	(58,005)	1,714
Securities	279,757	83,353
Domestic bonds	184,350	(24,918)
Domestic stocks	86,204	84,237
Foreign securities	2,590	11,266
Foreign bonds	(60,634)	(10,545)
Foreign stocks and other securities	63,224	21,812
Other securities	6,611	12,768
Loans	(65,958)	(33,987)
Policy loans	(2,199)	(2,057)
Ordinary loans	(63,759)	(31,930)
Real estate	1,547	(752)
Others	(2,006)	361
Allowance for possible loan losses	74	(273)
Total	79,217	54,293
Foreign currency denominated assets	91,734	31,851

(3) Investment Income

(Millions of yen)

	Year ended March 31, 2017	Year ended March 31, 2018
Interest, dividends and other income	134,451	149,219
Interest on deposits	21	22
Interest and dividends on securities	109,253	124,480
Interest on loans	11,314	10,054
Income from real estate for rent	13,736	14,541
Other interest and dividends	125	120
Gains on money held in trust, net	—	1,769
Gains on sales of securities	14,473	15,280
Gains on sales of domestic bonds	11,175	4,903
Gains on sales of domestic stocks	2,741	1,798
Gains on sales of foreign securities	556	8,578
Gains on derivative instruments, net	7,018	—
Reversal of allowance for possible loan losses	90	—
Other investment income	122	819
Total	156,155	167,088

(4) Investment Expenses

(Millions of yen)

	Year ended March 31, 2017	Year ended March 31, 2018
Interest expenses	4,057	4,216
Losses on money held in trust, net	1,144	—
Losses on trading securities, net	7,042	1,498
Losses on sales of securities	5,493	4,977
Losses on sales of domestic bonds	441	391
Losses on sales of domestic stocks	1,312	1,095
Losses on sales of foreign securities	3,739	3,421
Other losses on sales of securities	—	68
Losses on valuation of securities	24	0
Losses on valuation of domestic stocks	—	0
Losses on valuation of foreign securities	24	—
Losses on derivative instruments, net	—	225
Foreign exchange losses, net	15,624	16,013
Provision of allowance for possible loan losses	—	279
Depreciation of real estate for rent and other assets	4,319	4,271
Other investment expenses	6,875	8,158
Total	44,581	39,640

(5) Net Investment Income

(Millions of yen)

	Year ended March 31, 2017	Year ended March 31, 2018
Net investment income	111,573	127,447

(6) Other Information on Investments

(i) Investment Yield by Asset Categories

(%)

	Year ended March 31, 2017	Year ended March 31, 2018
Cash, deposits, call loans	0.00	0.00
Monetary claims bought	1.40	1.35
Money held in trust	3.11	5.94
Securities	2.08	2.34
Domestic bonds	2.09	1.69
Domestic stocks	3.30	3.59
Foreign securities	1.58	2.99
Foreign bonds	1.20	2.24
Foreign stocks and other securities	4.46	7.32
Loans	1.75	1.70
Ordinary loans	1.50	1.44
Real estate	2.33	2.41
Total	1.82	2.06
Overseas investments	1.62	2.60

Notes: 1. Investment yield above are calculated by dividing the net investment income by the average daily balance on a book value basis.
2. Overseas investments represent the total of foreign currency denominated assets and yen denominated assets.

(ii) Average Daily Balance

(Millions of yen)

	Year ended March 31, 2017	Year ended March 31, 2018
Cash, deposits, call loans	333,361	237,757
Monetary claims bought	783	593
Money held in trust	36,685	29,792
Securities	4,719,222	4,892,260
Domestic bonds	2,650,655	2,793,416
Domestic stocks	341,965	376,094
Foreign securities	1,643,790	1,637,753
Foreign bonds	1,452,058	1,396,318
Foreign stocks and other securities	191,732	241,435
Loans	655,723	608,862
Ordinary loans	595,334	550,366
Real estate	216,026	215,590
Total	6,141,816	6,182,430
Overseas investments	1,966,259	2,014,749

(iii) Net Valuation Gains/Losses on Trading Securities

(Millions of yen)

	As of March 31, 2017		As of March 31, 2018	
	Carrying value on the balance sheet	Net valuation gains/losses included in the statement of operations	Carrying value on the balance sheet	Net valuation gains/losses included in the statement of operations
Trading securities	208,034	(17,796)	179,768	(7,938)

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

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

(Millions of yen)

	As of March 31, 2017					As of March 31, 2018				
	Book value	Fair value	Gains/Losses			Book value	Fair value	Gains/Losses		
			Gains	Losses				Gains	Losses	
Held-to-maturity debt securities	764,914	908,680	143,766	143,766	—	758,872	897,574	138,702	138,702	—
Domestic bonds	739,830	882,479	142,649	142,649	—	738,632	876,835	138,203	138,203	—
Foreign bonds	25,084	26,201	1,116	1,116	—	20,239	20,738	498	498	—
Monetary claims bought	—	—	—	—	—	—	—	—	—	—
Negotiable certificate of deposits	—	—	—	—	—	—	—	—	—	—
Others	—	—	—	—	—	—	—	—	—	—
Policy-reserve-matching bonds	1,008,212	1,166,744	158,531	161,427	2,895	973,736	1,134,148	160,412	162,375	1,962
Domestic bonds	1,002,413	1,160,832	158,418	161,313	2,895	971,937	1,132,289	160,352	162,315	1,962
Foreign bonds	5,799	5,912	113	113	—	1,799	1,859	59	59	—
Investments in subsidiaries and affiliates	—	—	—	—	—	—	—	—	—	—
Available-for-sale securities	2,796,789	3,256,735	459,945	484,808	24,862	2,941,466	3,404,811	463,345	531,772	68,427
Domestic bonds	997,892	1,067,639	69,746	74,152	4,405	1,023,447	1,080,932	57,484	67,947	10,462
Domestic stocks	302,413	587,201	284,787	289,023	4,235	305,353	671,850	366,497	370,278	3,780
Foreign securities	1,426,510	1,516,052	89,542	104,688	15,146	1,538,185	1,558,823	20,637	73,359	52,721
Foreign bonds	1,207,319	1,268,525	61,205	73,765	12,559	1,290,483	1,290,268	(214)	46,425	46,640
Foreign stocks and other securities	219,190	247,527	28,336	30,922	2,586	247,701	268,554	20,852	26,933	6,081
Other securities	69,973	85,842	15,868	16,944	1,075	74,480	93,205	18,725	20,187	1,462
Money held in trust	—	—	—	—	—	—	—	—	—	—
Monetary claims bought	—	—	—	—	—	—	—	—	—	—
Negotiable certificate of deposits	—	—	—	—	—	—	—	—	—	—
Others	—	—	—	—	—	—	—	—	—	—
Total	4,569,917	5,332,161	762,243	790,001	27,757	4,674,074	5,436,534	762,459	832,849	70,390
Domestic bonds	2,740,136	3,110,951	370,814	378,115	7,300	2,734,016	3,090,057	356,040	368,465	12,425
Domestic stocks	302,413	587,201	284,787	289,023	4,235	305,353	671,850	366,497	370,278	3,780
Foreign securities	1,457,394	1,548,166	90,772	105,918	15,146	1,560,224	1,581,421	21,196	73,918	52,721
Foreign bonds	1,238,203	1,300,639	62,436	74,995	12,559	1,312,522	1,312,866	343	46,984	46,640
Foreign stocks and other securities	219,190	247,527	28,336	30,922	2,586	247,701	268,554	20,852	26,933	6,081
Other securities	69,973	85,842	15,868	16,944	1,075	74,480	93,205	18,725	20,187	1,462
Money held in trust	—	—	—	—	—	—	—	—	—	—
Monetary claims bought	—	—	—	—	—	—	—	—	—	—
Negotiable certificate of deposits	—	—	—	—	—	—	—	—	—	—
Others	—	—	—	—	—	—	—	—	—	—

Note: The table above includes assets which are considered appropriate to deem as securities under the Financial Instruments and Exchange Law.

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

(Millions of yen)

	As of March 31, 2017	As of March 31, 2018
Held-to-maturity debt securities	—	—
Unlisted foreign bonds	—	—
Others	—	—
Policy-reserve-matching bonds	—	—
Investments in subsidiaries and affiliates	64,837	64,837
Available-for-sale securities	22,044	28,021
Unlisted domestic stocks (except over-the-counter stocks)	6,109	5,697
Unlisted foreign stocks (except over-the-counter stocks)	—	—
Unlisted foreign bonds	—	—
Others	15,934	22,323
Total	86,881	92,858

Note: In this table, domestic and overseas investment partnerships are included in "Others" within "Available-for-sale securities." However, unrealized gains on available-for-sale securities corresponding to these holdings by domestic and overseas investment partnerships (¥1,484 million as of March 31, 2017 and ¥1,285 million as of March 31, 2018) are included in their balance sheet carrying amounts.

(v) Fair Value Information on Money Held in Trust

(Millions of yen)

	As of March 31, 2017					As of March 31, 2018				
	Carrying value on the balance sheet	Fair value	Gains/Losses			Carrying value on the balance sheet	Fair value	Gains/Losses		
				Gains	Losses				Gains	Losses
Money held in trust	29,787	29,787	—	—	—	31,502	31,502	—	—	—

• Money held in trust for trading purpose

(Millions of yen)

	As of March 31, 2017		As of March 31, 2018	
	Carrying value on the balance sheet	Net valuation gains/losses included in the statements of operations	Carrying value on the balance sheet	Net valuation gains/losses included in the statements of operations
Money held in trust for trading purpose	28,787	0	30,502	0

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

(Millions of yen)

	As of March 31, 2017					As of March 31, 2018				
	Book value	Fair value	Gains/Losses			Book value	Fair value	Gains/Losses		
				Gains	Losses				Gains	Losses
Money held in trust for held-to-maturity	—	—	—	—	—	—	—	—	—	—
Money held in trust for policy-reserve-matching	—	—	—	—	—	—	—	—	—	—
Money held in trust for available-for-sale	—	—	—	—	—	—	—	—	—	—

Reference: Fair Value Information on Derivative Instruments (General Account)

(i) Gains and Losses on Derivatives

(Millions of yen)

As of March 31, 2017	Interest-related	Currency-related	Stock-related	Bond-related	Others	Total
Hedge accounting applied	—	13,542	(440)	—	—	13,102
Hedge accounting not applied	(500)	1,116	—	(80)	—	535
Total	(500)	14,659	(440)	(80)	—	13,638
As of March 31, 2018	Interest-related	Currency-related	Stock-related	Bond-related	Others	Total
Hedge accounting applied	—	10,755	(1,082)	—	—	9,672
Hedge accounting not applied	(453)	17	—	(98)	—	(534)
Total	(453)	10,772	(1,082)	(98)	—	9,138

Note: Gains and losses from applying fair value hedge accounting (currency-related, gains of ¥13,542 million, stock-related losses of ¥440 million as of March 31, 2017, and currency-related gains of ¥10,755 million, stock-related losses of ¥1,082 million as of March 31, 2018) included in gains and losses with hedge accounting applied, and gains and losses with hedge accounting not applied are reported in the statements of operations.

(ii) Interest-related Transactions

(Millions of yen)

	As of March 31, 2017				As of March 31, 2018			
	Notional amount/ contract value		Fair value	Gains (Losses)	Notional amount/ contract value		Fair value	Gains (Losses)
		Over 1 year				Over 1 year		
Over-the-counter transactions								
Yen interest rate swaption contracts								
Sold								
Receipt fixed, payment floating	[—]	—	—	—	[—]	—	—	—
Payment fixed, receipt floating	[—]	—	—	—	[—]	—	—	—
Bought								
Receipt fixed, payment floating	[—]	—	—	—	[—]	—	—	—
Payment fixed, receipt floating	[320,000 692]	160,000	192	(500)	[320,000 596]	160,000	142	(453)
Total				(500)				(453)

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

(iii) Currency-related Transactions

(Millions of yen)

(m) Currency-Related Transactions					(Millions of yen)			
	As of March 31, 2017				As of March 31, 2018			
	Notional amount/ contract value	Over 1 year	Fair value	Gains (Losses)	Notional amount/ contract value	Over 1 year	Fair value	Gains (Losses)
Over-the-counter transactions								
Currency forward contracts								
Sold	1,182,216	—	1,167,557	14,659	807,994	—	797,222	10,772
U.S. dollar	949,252	—	936,300	12,951	624,796	—	615,445	9,351
Canadian dollar	72,311	—	71,359	951	69,293	—	69,029	264
British Pound	77,101	—	77,008	92	40,062	—	40,140	(78)
Euro	48,704	—	48,167	537	39,258	—	38,768	489
Australian dollar	34,847	—	34,721	125	34,582	—	33,838	744
Bought	—	—	—	—	—	—	—	—
Total				14,659				10,772

Notes: 1. Forward exchange rates are used for exchange rates as of March 31, 2018.

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

(iv) Stock-related Transactions

(Millions of yen)

	As of March 31, 2017				As of March 31, 2018			
	Notional amount/ contract value	Fair value	Gains (losses)		Notional amount/ contract value	Fair value	Gains (losses)	
Over-the-counter transactions								
Yen stock forward contract								
Sold	517	517	958	(440)	1,153	1,153	2,235	(1,082)
Bought	—	—	—	—	—	—	—	—
Total				(440)				(1,082)

(v) Bond-related Transactions

(Millions of yen)

	As of March 31, 2017				As of March 31, 2018			
	Notional amount/ contract value	Fair value	Gains (losses)		Notional amount/ contract value	Fair value	Gains (losses)	
Exchange-traded transactions								
Foreign bond futures								
Sold	36,815	—	36,896	(80)	21,714	—	21,812	(98)
Bought	—	—	—	—	—	—	—	—
Total				(80)				(98)

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

(Millions of yen)

As of March 31, 2017			As of March 31, 2018		
Carrying value on the balance sheet	Fair value	Gains (losses)	Carrying value on the balance sheet	Fair value	Gains (losses)
125,278	241,184	115,905	125,280	253,938	128,658

Notes: 1. As of March 31, 2018, fair value is based on the appraisal value by the real-estate appraiser, the appraisal value for property tax as of January 1, 2018 and the road rate as of January 1, 2017.

2. As of March 31, 2017, fair value is based on the appraisal value by the real-estate appraiser, the appraisal value for property tax as of January 1, 2017 and the road rate as of January 1, 2016.

3. Non-consolidated Balance Sheets

(Millions of yen)

	As of March 31, 2017	As of March 31, 2018		As of March 31, 2017	As of March 31, 2018
Assets:			Liabilities:		
Cash and deposits	44,681	66,260	Policy reserves	5,604,007	5,650,879
Cash	162	166	Reserve for outstanding claims	19,533	19,295
Bank deposits	44,518	66,093	Policy reserve	5,533,544	5,578,187
Call loans	193,000	176,000	Reserve for dividends to policyholders	50,929	53,395
Monetary claims bought	753	443	Reinsurance payables	62	56
Money held in trust	29,787	31,502	Subordinated bonds	191,935	191,935
Securities	5,369,678	5,458,790	Other liabilities	44,797	46,066
Government bonds	2,015,161	2,030,971	Corporate income tax payable	4,733	2,445
Local government bonds	123,972	114,036	Accounts payable	3,501	2,381
Corporate bonds	733,459	702,661	Accrued expenses	10,520	10,834
Stocks	679,556	768,000	Unearned income	364	369
Foreign securities	1,722,752	1,735,580	Deposits received	5,579	5,756
Other securities	94,774	107,540	Guarantee deposits received	13,505	14,087
Loans	627,722	593,734	Derivatives	2,186	3,052
Policy loans	59,238	57,181	Cash collateral received for financial instruments	—	2,712
Ordinary loans	568,483	536,553	Asset retirement obligations	3,250	3,088
Tangible fixed assets	219,515	218,549	Suspense receipts	1,154	1,336
Land	125,276	125,278	Reserve for employees' retirement benefits	25,789	25,417
Buildings	88,010	86,343	Reserve for price fluctuation	82,464	95,798
Lease assets	2,013	1,565	Deferred tax liabilities	19,132	10,733
Construction in progress	1,140	2,052	Deferred tax liabilities for land revaluation	14,265	14,241
Other tangible fixed assets	3,074	3,309	Total liabilities	5,982,454	6,035,126
Intangible fixed assets	22,052	23,701	Net assets:		
Software	10,836	21,651	Foundation funds	10,000	10,000
Other intangible fixed assets	11,216	2,049	Accumulated foundation funds redeemed	106,000	106,000
Reinsurance receivables	200	167	Reserve for revaluation	112	112
Other assets	60,032	59,508	Surplus	129,427	135,538
Accounts receivable	5,883	7,268	Legal reserve for future losses	2,849	2,954
Prepaid expenses	1,291	2,055	Other surplus	126,578	132,584
Accrued income	27,680	28,570	Reserve for redemption of foundation funds	4,000	6,000
Deposits	2,241	2,281	Reserve for dividend allowances	20,000	20,000
Differential account for futures trading	25	98	Accumulated fund for price fluctuation	41,000	41,000
Derivatives	15,824	12,190	Reserve for advanced depreciation of real estate for tax purpose	257	255
Suspense payments	2,487	2,373	Reserve for special account for advanced depreciation of real estate for tax purpose	100	—
Lease investment assets	734	700	Other reserves	767	767
Rest of the other asset	3,864	3,968	Unappropriated surplus	60,453	64,561
Allowance for possible loan losses	(1,776)	(2,049)	Total foundation funds, surplus and others	245,539	251,650
			Net unrealized gains (losses) on available-for-sale securities, net of tax	333,545	335,658
			Revaluation reserve for land, net of tax	4,107	4,173
			Total valuation and translation adjustments	337,652	339,831
			Total net assets	583,192	591,482
Total assets	6,565,647	6,626,609	Total liabilities and net assets	6,565,647	6,626,609

4. Non-consolidated Statements of Operations

(Millions of yen)

	Year ended March 31, 2017	Year ended March 31, 2018
Ordinary revenues:		
Premium and other income	574,427	567,210
Premium income	574,124	566,924
Reinsurance income	302	286
Investment income	160,197	173,641
Interest, dividends and other income	134,451	149,219
Interest on deposits	21	22
Interest and dividends on securities	109,253	124,480
Interest on loans	11,314	10,054
Income from real estate for rent	13,736	14,541
Other interest and dividends	125	120
Gains on money held in trust, net	—	1,769
Gains on sales of securities	14,473	15,280
Gains on derivative instruments, net	7,018	—
Reversal of allowance for possible loan losses	90	—
Other investment income	122	819
Gains on separate accounts, net	4,041	6,553
Other ordinary revenues	8,545	8,854
Fund receipt from annuity rider	743	1,150
Proceeds from deferred insurance	3,368	3,854
Reversal of reserve for outstanding claims	1,185	237
Reversal of reserve for employees' retirement benefits	288	371
Others	2,959	3,240
Total ordinary revenues	743,169	749,706
Ordinary expenses:		
Claims and other payments	489,162	501,181
Claims	104,168	126,371
Annuities	173,825	166,137
Benefits	109,736	106,399
Surrenders	71,388	73,651
Other payments	29,658	28,357
Reinsurance premiums	385	264
Provision of policy reserve and others	49,202	44,655
Provision of policy reserve	49,181	44,643
Provision of interest portion of reserve for dividends to policyholders	20	12
Investment expenses	44,581	39,640
Interest expenses	4,057	4,216
Losses on money held in trust, net	1,144	—
Losses on trading securities, net	7,042	1,498
Losses on sales of securities	5,493	4,977
Losses on valuation of securities	24	0
Losses on derivative instruments, net	—	225
Foreign exchange losses, net	15,624	16,013
Provision of allowance for possible loan losses	—	279
Depreciation of real estate for rent and other assets	4,319	4,271
Other investment expenses	6,875	8,158
Operating expenses	87,218	88,477
Other ordinary expenses	18,891	19,282
Deferred annuity payments	5,388	5,488
Taxes	5,976	6,216
Depreciation	6,647	6,677
Others	879	899
Total ordinary expenses	689,056	693,237
Ordinary profits	54,113	56,469
Extraordinary gains:		
Gains on disposal of fixed assets	2	288
State subsidy and others	195	—
Others	42	—
Total extraordinary gains	240	288
Extraordinary losses:		
Losses on disposal of fixed assets	180	547
Impairment losses	71	141
Provision of reserve for price fluctuation	14,176	13,334
Losses on advanced depreciation of real estate for tax purpose	—	3
Total extraordinary losses	14,428	14,025
Surplus before income taxes	39,925	42,731
Income taxes:		
Current	13,453	11,374
Deferred	(10,202)	(9,511)
Total income taxes	3,251	1,862
Net surplus for the year	36,674	40,868

Notes to the Non-consolidated Financial Statements

I. Presentation of the Non-consolidated Financial Statements

1. Basis of presentation

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

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

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

II. Notes to the Non-consolidated Balance Sheets

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

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

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

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

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

- Date of revaluation: March 31, 2002
- Method of revaluation as prescribed for in Article 3 Paragraph 3 of the said Law:
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 amount 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 amount 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, 2018 was ¥1 million.

- (7) Reserve for employees' retirement benefits is 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) As for the finance lease transactions where the Company is a lessor, the lease fee is recorded in "Interest, dividends and other income" at the time of receiving lease fee. The corresponding cost of the lease transactions is recorded in "Other investment expenses", which is calculated by deducting an amount equivalent to the interest allocated over the lease term from the lease fee received.

- (10) Hedge accounting is based on "Accounting Standards for Financial Instruments" (ASBJ Statement No. 10, August 11, 2006). The Company applies a fair value hedge accounting as a hedge against the risk of foreign exchange fluctuation in relation to bonds denominated in foreign currencies and against the risk of price fluctuation in relation to domestic stocks, 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) Policy reserve is based on Article 116 of the Insurance Business Act, and the premium reserve is 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.

Based on the provision of Article 69, paragraph 5, of the Enforcement Regulation of the Insurance Business Act, the Company includes additional funded policy reserves as follows.

Among individual annuity insurance policies with an assumed interest rate of 5.00% or higher, policies that have an annuity commencement date on or prior to March 31, 2018 (excluding wife's annuity insurance additional rider), the Company reduced the assumed interest rate to 1.00% and funded additional policy reserves. At the end of the fiscal year ended March 31, 2018, the balance of these policy reserves was ¥73,222 million.

The Company also funded additional policy reserves for certain individual annuity insurance policies, whole life insurance policies that include distribution of surplus every five years and highly advanced medical riders. At the end of the fiscal year ended March 31, 2018, the balance of these policy reserves was ¥5,628 million.

Of the above, the amount funded at the end of the fiscal year ended March 31, 2018 was ¥13,574 million. As a result, compared to the amount without this additional funding, provision of policy reserve increased ¥13,574 million, while ordinary profit and surplus before income taxes decreased ¥13,574 million.

(14) The software for internal use is amortized based on straight-line method over the estimated useful lives.

(15) Of the bonds corresponding to the sub-groups of individual insurance and annuities which are set by insurance types and investment policies, the bonds that are held to match the duration of liabilities are classified as policy-reserve-matching bonds 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. 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 acceptable risks in order to enhance the profitability, although yen-denominated interest bearing assets including debt securities such as Japanese government bonds and loans are the cores of the portfolios under the asset liability management. Derivatives are mainly used to hedge the market risk regarding spot-priced assets and liabilities. Major financial instruments including securities, loans and derivatives are exposed to market risk and credit risk.

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

The carrying amounts, fair values and their related differences of major financial assets and liabilities in the general account as of March 31, 2018 were as follows:

	(Millions of yen)		
	Carrying amount	Fair value	Difference
Cash and deposits:			
Cash and deposits not treated as securities.....	¥ 64,462	¥ 64,462	¥ –
Total cash and deposits.....	64,462	64,462	–
Call loans	176,000	176,000	–
Monetary claims bought:			
Claims treated as loans.....	443	474	30
Total monetary claims bought.....	443	474	30
Money held in trust:			
Trading securities.....	30,502	30,502	–
Total money held in trust.....	30,502	30,502	–
Securities:			
Trading securities.....	149,265	149,265	–
Held-to-maturity debt securities.....	758,872	897,574	138,702
Policy-reserve-matching bonds.....	973,736	1,134,148	160,412
Available-for-sale securities.....	3,404,811	3,404,811	–
Total securities.....	5,286,686	5,585,800	299,114
Loans:			
Policy loans.....	57,181	57,181	(0)
Ordinary loans.....	536,553	558,957	22,404
Total loans.....	593,734	616,138	22,404
Assets total.....	6,151,829	6,473,379	321,549
Subordinated bonds*1.....	191,935	200,774	8,839
Liabilities total.....	191,935	200,774	8,839
Derivative instruments*2:			
Hedge accounting not applied.....	(534)	(534)	–
Hedge accounting applied.....	9,672	9,672	–
Total derivative instruments.....	¥ 9,138	¥ 9,138	¥ –

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

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

- (1) Cash, deposits (excluding financial instruments treated as securities based on “Accounting Standards for Financial Instruments” (ASBJ Statement No.10)) 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) 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 ¥64,837 million, ¥5,697 million, and ¥23,609 million as of March 31, 2018, 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.

3. 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 ¥172,740 million and ¥295,454 million as of March 31, 2018, respectively. The fair value is mainly based on the value calculated by the Company in accordance with real estate appraisal standards which includes some adjustments using the reference prices.

The amount corresponding to asset retirement obligations included in the carrying amount of investment and rental properties was ¥841 million as of March 31, 2018.

4. The amount of securities lent under lending agreements was ¥254,467 million as of March 31, 2018.

5. The total amounts of credits to bankrupt borrowers, delinquent loans, delinquent loans past 3 months or more and restructured loans, which were included in loans, was ¥1,033 million as of March 31, 2018;

- i) The balance of credits to bankrupt borrowers was ¥168 million as of March 31, 2018.
- ii) The balance of delinquent loans was ¥865 million as of March 31, 2018.
- iii) There was no balance of delinquent loans past 3 months or more and restructured loans as of March 31, 2018.

The direct write-offs related to loans decreased credits to bankrupt borrowers described above by ¥1 million as of March 31, 2018.

Credits to bankrupt borrowers represent loans, excluding the balances already written-off, which meet the conditions prescribed in Article 96 Paragraph 1 item 3 and 4 of the Enforcement Regulations of the Corporate Tax Act. Moreover, accrued interest on these loans is not recorded as income after determining that principal or interest on these loans is unlikely to be collected due to the significant delay in repayment of principal or interest payment or for some other reasons.

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

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

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

6. Accumulated depreciation of tangible fixed assets were ¥163,520 million as of March 31, 2018.
7. Total assets in separate accounts provided for in Article 118 of the Insurance Business Act were ¥82,347 million as of March 31, 2018. The amounts of separate account liabilities were the same as separate account assets.
8. The total amounts of receivables from/payables to subsidiaries were ¥2,466 million and ¥1,687 million as of March 31, 2018, respectively.

9. Deferred tax assets and deferred tax liabilities as of March 31, 2018 were ¥127,044 million and ¥133,230 million, respectively. Valuation allowance for deferred tax assets was ¥4,547 million.

Major components of deferred tax assets were ¥79,506 million of policy reserves, ¥26,823 million of reserve for price fluctuation and ¥12,343 million of reserve for employees' retirement benefits as of March 31, 2018.

Major component of deferred tax liabilities was ¥128,972 million of net unrealized gains on available-for-sale securities as of March 31, 2018.

The statutory tax rate and the actual effective tax rate for the year ended March 31, 2018 were 28.2% and 4.4%, respectively. The difference between the statutory tax rate and the actual effective tax rate was attributable mainly to -25.5% of reserve for dividends to the policyholders.

10. Changes in reserve for dividends to policyholders for the year ended March 31, 2018 were as follows:

	(Millions of yen)
Balance at the beginning of the fiscal year.....	¥ 50,929
Transfer from surplus in the previous fiscal year.....	34,592
Dividend payments to policyholders during the fiscal year.....	(32,138)
Increase in interest.....	12
Balance at the end of the fiscal year.....	<u>¥ 53,395</u>

11. The amount of stocks of subsidiaries was ¥64,837 million as of March 31, 2018.
12. Assets pledged as collateral as of March 31, 2018 were ¥25,447 million of securities and ¥1,378 million of bank deposits. Secured debts as of March 31, 2018, were ¥5,174 million.
13. Reserve for outstanding claims for the reinsurance contracts provided in accordance with Article 71 Paragraph 1 of the Enforcement Regulation of the Insurance Business Act (hereinafter called "reserve for outstanding claims for ceded reinsurance") was ¥10 million as of March 31, 2018.
- Policy reserve for the reinsurance contracts provided in accordance with Article 71 Paragraph 1 of the Enforcement Regulation of the Insurance Business Act (hereinafter called "policy reserve for ceded reinsurance") was ¥31 million as of March 31, 2018.
14. The total amounts of adjustment items for redemption of foundation funds and appropriation of net surplus defined in Article 30 Paragraph 2 of the Enforcement Regulation of the Insurance Business Act was ¥339,944 million as of March 31, 2018.
15. There were unused commitment line agreements under which the Company is the lender of ¥2,490 million as of March 31, 2018.
16. Repayments of subordinated bonds are subordinated to other obligations.
17. The future contribution to the Life Insurance Policyholders Protection Corporation of Japan under Article 259 of the Insurance Business Act was estimated at ¥8,972 million as of March 31, 2018.
- The contribution is recognized as operating expenses when contributed.

18. Matters Related to Employees' Retirement Benefits as of March 31, 2018

(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.

(2) Defined Benefit Plan

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

	(Millions of yen)
Retirement benefit obligation at the beginning of the fiscal year.....	¥ 85,277
Service cost.....	3,493
Interest cost.....	511
Actuarial differences occurred during the fiscal year.....	1,232
Retirement benefit payments.....	(4,313)
Retirement benefit obligation at the end of the fiscal year.....	<u>¥ 86,201</u>

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

	(Millions of yen)
Pension plan assets at the beginning of the fiscal year.....	¥ 46,654
Expected return on pension plan assets.....	732
Actuarial differences occurred during the fiscal year.....	3,386
Contributions by the employer.....	2,679
Retirement benefit payments.....	(1,080)
Pension plan assets at the end of the fiscal year.....	<u>¥ 52,372</u>

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

	(Millions of yen)
a. Funded plan retirement benefit obligation.....	¥ 74,783
b. Pension plan assets.....	(52,372)
c. (a + b)	<u>22,410</u>
d. Unfunded plan retirement benefit obligation.....	11,417
e. Unrecognized actuarial differences.....	(8,657)
f. Unrecognized prior service cost.....	247
g. Reserve for employees' retirement benefits (c + d + e + f)	<u>¥ 25,417</u>

iv) Breakdown of retirement benefit gains and losses

	(Millions of yen)
Service cost.....	¥ 3,493
Interest cost.....	511
Expected return on pension plan assets.....	(732)
Amortization of actuarial differences.....	2,345
Amortization of prior service cost.....	(76)
Retirement benefit expenses related to defined benefit plan.....	<u>¥ 5,541</u>

v) Breakdown of pension plan assets

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

Domestic stocks.....	47.7%
Life insurance general account.....	32.9%
Foreign stocks.....	7.8%
Domestic bonds.....	7.5%
Foreign bonds.....	2.7%
Others.....	1.4%
Total.....	<u>100.0%</u>

Within the total of pension assets, 38.1% of this amount is accounted for by the retirement benefit trust established in relation to the retirement lump-sum payments plan for sales employees.

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

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

vii) Underlying actuarial assumptions

Main underlying actuarial assumptions as of March 31, 2018, were as follows:

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

(3) Defined Contribution Plan

The required contribution amount by the Company to the defined contribution plan was ¥213 million as of March 31, 2018.

III. Notes to the Non-consolidated Statements of Operations

1. The total amounts of revenues and expenses in connection with subsidiaries were ¥780 million and ¥8,586 million for the year ended March 31, 2018.

2. Major items of gains on sales of securities for the year ended March 31, 2018 were as follows:

	(Millions of yen)
Domestic bonds.....	¥ 4,903
Domestic stocks and others.....	1,798
Foreign securities.....	8,578

3. Major items of losses on sales of securities for the year ended March 31, 2018 were as follows:

	(Millions of yen)
Domestic bonds.....	¥ 391
Domestic stocks and others.....	1,095
Foreign securities.....	3,421

4. Major items of losses on valuation of securities for the year ended March 31, 2018 was as follows:

(Millions of yen)

Domestic stocks and others.....	¥ 0
---------------------------------	-----

5. For the year ended March 31, 2018, in calculating the reversal of reserve for outstanding claims, a provision of reserves for outstanding claims reinsured of ¥7 million was added. In calculating the provision of policy reserves, a provision of reserves for policy reserves reinsured of ¥0 million was deducted.

6. Major items of losses on trading securities for the year ended March 31, 2018 were as follows:

(Millions of yen)

Interest, dividends and other income.....	¥ 5,647
Losses on valuation of trading securities.....	(7,938)

7. Gains on money held in trust for the year ended March 31, 2018 included valuation gains of ¥0 million.

8. Losses on derivative instruments for the year ended March 31, 2018 included valuation losses of ¥454 million.

5. Breakdown of Ordinary Profits (Fundamental Profit)

(Millions of yen)		
	Year ended March 31, 2017	Year ended March 31, 2018
Fundamental profit A	88,938	97,495
Capital gains	21,492	16,916
Gains on money held in trust, net	—	1,636
Gains on trading securities, net	—	—
Gains on sales of securities	14,473	15,280
Gains on derivative instruments, net	7,018	—
Foreign exchange gains, net	—	—
Other capital gains	—	—
Capital losses	35,898	28,361
Losses on money held in trust, net	1,248	—
Losses on trading securities, net	13,507	7,145
Losses on sales of securities	5,493	4,977
Losses on valuation of securities	24	0
Losses on derivative instruments, net	—	225
Foreign exchange losses, net	15,624	16,013
Other capital losses	—	—
Net capital gains (losses) B	(14,406)	(11,444)
Fundamental profit plus net capital gains (losses) A+B	74,532	86,050
Non-recurring gains	51	8
Reinsurance income	—	—
Reversal of contingency reserve	—	—
Reversal of specific allowance for possible loan losses	51	8
Others	—	—
Non-recurring losses	20,470	29,590
Reinsurance premiums	—	—
Provision for contingency reserve	20,460	16,016
Provision of specific allowance for possible loan losses	—	—
Provision of allowance for specified overseas loans	—	—
Write-off of loans	—	—
Others	10	13,574
Non-recurring gains (losses) C	(20,418)	(29,581)
Ordinary profits A+B+C	54,113	56,469

- Notes: 1. The following amounts in respect of gains / losses on money held in trust have been excluded from capital gains / losses and included in fundamental profit due to their income nature (being interest and dividend income): ¥103 million in respect of the year ended March 31, 2017 and ¥132 million in respect of the year ended March 31, 2018.
2. The following amounts in respect of gains / losses on trading securities have been excluded from capital gains / losses and included in fundamental profit due to their income nature (being interest and dividend income): ¥6,464 million in respect of the year ended March 31, 2017 and ¥5,647 million in respect of the year ended March 31, 2018.
3. Other non-recurring losses represent the losses relating to provision of the additional policy reserves in accordance with Article 69, Paragraph 5 of the Enforcement Regulations of the Insurance Business Act.

6. Non-consolidated Statements of Changes in Net Assets

[For the year ended March 31, 2017]

(Millions of yen)

	Foundation funds, surplus and others												
	Foundation funds	Accumulated foundation funds redeemed	Reserve for revaluation	Surplus								Total surplus	Total foundation funds, surplus and others
				Legal reserve for future losses	Other surplus								
					Reserve for redemption of foundation funds	Reserve for dividend allowances	Accumulated fund for price fluctuation	Reserve for advanced depreciation of real estate for tax purpose	Reserve for special account for advanced depreciation of real estate for tax purpose	Other reserves	Unappropriated surplus		
Balance at the beginning of the fiscal year	30,000	86,000	112	2,742	18,000	20,000	41,000	266	—	767	65,509	148,284	264,397
Changes in the fiscal year													
Additions to reserve for dividends to policyholders											(35,236)	(35,236)	(35,236)
Additions to legal reserve for future losses				106							(106)	—	—
Additions to accumulated foundation funds redeemed		20,000											20,000
Payment of interest on foundation funds											(316)	(316)	(316)
Net surplus for the fiscal year											36,674	36,674	36,674
Redemption of foundation funds	(20,000)												(20,000)
Additions to reserve for redemption of foundation funds					6,000						(6,000)	—	—
Reversal of reserve for redemption of foundation funds					(20,000)							(20,000)	(20,000)
Additions to reserve for advanced depreciation of real estate for tax purpose								2			(2)	—	—
Reversal of reserve for advanced depreciation of real estate for tax purpose								(11)			11	—	—
Additions to reserve for special account for advanced depreciation of real estate for tax purpose									100		(100)	—	—
Reversal of revaluation reserve for land, net of tax											20	20	20
Net changes, excluding foundation funds, surplus and others													
Total changes in the fiscal year	(20,000)	20,000	—	106	(14,000)	—	—	(8)	100	—	(5,055)	(18,857)	(18,857)
Balance at the end of the fiscal year	10,000	106,000	112	2,849	4,000	20,000	41,000	257	100	767	60,453	129,427	245,539

	Valuation and translation adjustments			Total net assets
	Net unrealized gains (losses) on available-for-sale securities, net of tax	Revaluation reserve for land, net of tax	Total valuation and translation adjustments	
Balance at the beginning of the fiscal year	338,421	4,128	342,549	606,947
Changes in the fiscal year				
Additions to reserve for dividends to policyholders				(35,236)
Additions to legal reserve for future losses				—
Additions to accumulated foundation funds redeemed				20,000
Payment of interest on foundation funds				(316)
Net surplus for the fiscal year				36,674
Redemption of foundation funds				(20,000)
Additions to reserve for redemption of foundation funds				—
Reversal of reserve for redemption of foundation funds				(20,000)
Additions to reserve for advanced depreciation of real estate for tax purpose				—
Reversal of reserve for advanced depreciation of real estate for tax purpose				—
Additions to reserve for special account for advanced depreciation of real estate for tax purpose				—
Reversal of revaluation reserve for land, net of tax				20
Net changes, excluding foundation funds, surplus and others	(4,876)	(20)	(4,896)	(4,896)
Total changes in the fiscal year	(4,876)	(20)	(4,896)	(23,754)
Balance at the end of the fiscal year	333,545	4,107	337,652	583,192

[For the year ended March 31, 2018]

(Millions of yen)

	Foundation funds, surplus and others												
	Foundation funds	Accumulated foundation funds redeemed	Reserve for revaluation	Surplus								Total surplus	Total foundation funds, surplus and others
				Legal reserve for future losses	Other surplus								
					Reserve for redemption of foundation funds	Reserve for dividend allowances	Accumulated fund for price fluctuation	Reserve for advanced depreciation of real estate for tax purpose	Reserve for special account for advanced depreciation of real estate for tax purpose	Other reserves	Unappropriated surplus		
Balance at the beginning of the fiscal year	10,000	106,000	112	2,849	4,000	20,000	41,000	257	100	767	60,453	129,427	245,539
Changes in the fiscal year													
Additions to reserve for dividends to policyholders											(34,592)	(34,592)	(34,592)
Additions to legal reserve for future losses				105							(105)	—	—
Payment of interest on foundation funds											(100)	(100)	(100)
Net surplus for the fiscal year											40,868	40,868	40,868
Additions to reserve for redemption of foundation funds					2,000						(2,000)	—	—
Reversal of reserve for advanced depreciation of real estate for tax purpose								(1)			1	—	—
Reversal of reserve for special account for advanced depreciation of real estate for tax purpose									(100)		100	—	—
Reversal of revaluation reserve for land, net of tax											(65)	(65)	(65)
Net changes, excluding foundation funds, surplus and others													
Total changes in the fiscal year	—	—	—	105	2,000	—	—	(1)	(100)	—	4,107	6,110	6,110
Balance at the end of the fiscal year	10,000	106,000	112	2,954	6,000	20,000	41,000	255	—	767	64,561	135,538	251,650

	Valuation and translation adjustments			Total net assets
	Net unrealized gains (losses) on available-for-sale securities, net of tax	Revaluation reserve for land, net of tax	Total valuation and translation adjustments	
Balance at the beginning of the fiscal year	333,545	4,107	337,652	583,192
Changes in the fiscal year				
Additions to reserve for dividends to policyholders				(34,592)
Additions to legal reserve for future losses				—
Payment of interest on foundation funds				(100)
Net surplus for the fiscal year				40,868
Additions to reserve for redemption of foundation funds				—
Reversal of reserve for advanced depreciation of real estate for tax purpose				—
Reversal of reserve for special account for advanced depreciation of real estate for tax purpose				—
Reversal of revaluation reserve for land, net of tax				(65)
Net changes, excluding foundation funds, surplus and others	2,113	65	2,178	2,178
Total changes in the fiscal year	2,113	65	2,178	8,289
Balance at the end of the fiscal year	335,658	4,173	339,831	591,482

7. Non-consolidated Statements of Surplus

(Millions of Yen)

	Year ended March 31, 2017	Year ended March 31, 2018
Unappropriated surplus	60,453	64,561
Reversal of voluntary surplus reserve	102	45
Reversal of reserve for advanced depreciation of real estate for tax purpose	1	45
Reversal of reserve for special account for advanced depreciation of real estate for tax purpose	100	—
Total	60,555	64,606
Appropriation of surplus	36,797	40,848
Reserve for dividends to policyholders	34,592	38,630
Net surplus	2,205	2,217
Legal reserve for future losses	105	117
Interest payment for foundation funds	100	100
Voluntary surplus reserve	2,000	2,000
Reserve for redemption of foundation funds	2,000	2,000
Unappropriated surplus carried forward	23,758	23,758

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

8. Disclosed Claims Based on Categories of Obligors

(Millions of yen)

	As of March 31, 2017	As of March 31, 2018
Claims against bankrupt and quasi-bankrupt obligors	244	181
Claims with collection risk	878	859
Claims for special attention	—	—
Subtotal	1,123	1,040
[Percentage of total]	[0.17%]	[0.12%]
Claims against normal obligors	668,392	850,425
Total	669,516	851,465

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

9. Risk-monitored Loans

(Millions of yen)

	As of March 31, 2017	As of March 31, 2018
Credits to bankrupt borrowers	230	168
Delinquent loans	884	865
Delinquent loans past three months or more	—	—
Restructured loans	—	—
Total	1,115	1,033
[Percentage of total loans]	[0.18%]	[0.17%]

- Notes: 1. For the credits of legally bankrupt borrowers and substantially bankrupt borrowers, the amounts remaining after deductions of collateral value or the amounts collectible through the execution of guarantees is written-off directly from the borrower's balance as the estimated uncollectible amounts. The amounts written-off related to credits to bankrupt borrowers were ¥1 million as of March 31, 2017 and ¥1 million as of March 31, 2018.
2. Credits to bankrupt borrowers represent loans which are subject to bankruptcy, corporate reorganization or rehabilitation or other similar, including but not limited to foreign, proceedings. Accruing interest of these loans is not recorded as income after determining that principal or interest on these loans is unlikely to be collected due to the significant delay in repayment of principal or interest payment or for some other reasons.
3. Delinquent loans are credits whose accruing interest is not recorded as income due to the same reasons as described in note 2 above, and exclude credits to bankrupt borrowers and loans for which interest payments have been suspended and rescheduled to assist and support the borrowers in the restructuring of their business.
4. Delinquent loans past three months or more are loans for which interest payment or repayment of principal are delinquent for three months or more from the due date under the terms of the related loan agreements, excluding those loans classified as credits to bankrupt borrowers and delinquent loans.
5. Restructured loans are loans for which certain concessions favorable to borrowers, such as interest reduction or exemptions, rescheduling of due date of principal or interest payment, waiver of claim or other terms, have been negotiated for the purpose of assisting and supporting the borrowers in the restructuring of their business. This category excludes loans classified as credits to bankrupt borrowers, delinquent loans and delinquent loans past three months or more.

10. Solvency Margin Ratio

(Millions of yen)

	As of March 31, 2017	As of March 31, 2018
Total solvency margin (A)	1,414,023	1,475,658
Foundation funds and surplus	208,227	210,194
Reserve for price fluctuation	82,464	95,798
Contingency reserve	171,033	187,050
General allowance for possible loan losses	1,213	1,501
(Net unrealized gains (losses) on securities (before tax) and deferred hedge gains (losses) (before tax)) × 90%	415,287	418,167
Net unrealized gains on real estate × 85%	111,340	122,692
Excess amount of policy reserve based on full-time Zillmer method	237,089	252,776
Qualifying subordinated debt	191,935	191,935
The amount of "excess amount of policy reserve based on full-time Zillmer method" and "qualifying subordinated debt" excluded from the calculation of solvency margin	—	—
Deductible items	(46,783)	(46,783)
Others	42,217	42,325
Total amount of risk $\sqrt{(R_1 + R_8)^2 + (R_2 + R_3 + R_7)^2} + R_4$ (B)	232,798	272,942
Insurance risk R_1	23,949	23,252
3rd sector insurance risk R_8	9,740	9,687
Assumed investment yield risk R_2	32,835	32,156
Minimum guarantee risk R_7	0	—
Investment risk R_3	192,279	232,788
Business risk R_4	5,176	5,957
Solvency margin ratio $\frac{(A)}{(1/2) \times (B)} \times 100$	1,214.8%	1,081.2%

Notes: 1. The figures above are calculated based on Articles 86 and 87 of the Enforcement Regulation of the Insurance Business Act and Ministry of Finance No. 50, 1996.

2. "Deductible items" represent the capital increase to the subsidiary, Fukokushinrai Life Insurance Co., Ltd.

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

11. Status of Separate Account

(1) Separate Account Assets by Products

(Millions of yen)

	As of March 31, 2017	As of March 31, 2018
	Amount	Amount
Individual variable insurance	—	—
Individual variable annuities	39	33
Group annuities	75,639	82,313
Total	75,678	82,347

(2) Individual Variable Insurance (Separate Account)

The Company has not sold the individual variable insurance.

(3) Individual Variable Annuities (Separate Account)

(i) Policies in Force

(Millions of yen except number of policies)

	As of March 31, 2017		As of March 31, 2018	
	Number of policies	Amount	Number of policies	Amount
Individual variable annuities	13	33	10	27
Total	13	33	10	27

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

(Millions of yen)

	As of March 31, 2017		As of March 31, 2018	
	Amount	Percentage	Amount	Percentage
Cash, deposits, call loans	10	27.3%	7	23.1%
Securities	28	72.7%	26	76.9%
Domestic bonds	—	—	—	—
Domestic stocks	—	—	—	—
Foreign securities	—	—	—	—
Foreign bonds	—	—	—	—
Foreign stocks and other securities	—	—	—	—
Other securities	28	72.7%	26	76.9%
Loans	—	—	—	—
Others	—	—	—	—
Allowance for possible loan losses	—	—	—	—
Total	39	100.0%	33	100.0%

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

(Millions of yen)

	Year ended March 31, 2017	Year ended March 31, 2018
	Amount	Amount
Interest, dividends and other income	3	2
Gains on sales of securities	—	—
Gains on redemption of securities	—	—
Gains on valuation of securities	8	8
Foreign exchange gains, net	—	—
Gains on derivative instruments	—	—
Other investment income	0	—
Losses on sales of securities	—	—
Losses on redemption of securities	—	—
Losses on valuation of securities	10	8
Foreign exchange losses, net	—	—
Losses on derivative instruments	—	—
Other investment expenses	0	0
Net investment income	1	2

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

• Net Valuation Gains/Losses on Trading Securities

(Millions of yen)

	As of March 31, 2017		As of March 31, 2018	
	Carrying value on the balance sheet	Net valuation gains/losses included in the statements of operations	Carrying value on the balance sheet	Net valuation gains/losses included in the statements of operations
Trading securities	28	(2)	26	0

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

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

Net Valuation Gains/Losses on Trading Securities

(Millions of yen)

	As of March 31, 2017		As of March 31, 2018	
	Carrying value on the balance sheet	Net valuation gains/losses included in the statement of operations	Carrying value on the balance sheet	Net valuation gains/losses included in the statement of operations
Trading securities	280,236	(16,953)	257,729	(5,292)

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

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

(Millions of yen)

	As of March 31, 2017					As of March 31, 2018				
	Book value	Fair value	Gains/losses			Book value	Fair value	Gains/losses		
				Gains	Losses				Gains	Losses
Held-to-maturity debt securities	764,914	908,680	143,766	143,766	—	758,872	897,574	138,702	138,702	—
Domestic bonds	739,830	882,479	142,649	142,649	—	738,632	876,835	138,203	138,203	—
Foreign bonds	25,084	26,201	1,116	1,116	—	20,239	20,738	498	498	—
Monetary claims bought	—	—	—	—	—	—	—	—	—	—
Negotiable certificate of deposits	—	—	—	—	—	—	—	—	—	—
Others	—	—	—	—	—	—	—	—	—	—
Policy-reserve-matching bonds	1,008,212	1,166,744	158,531	161,427	2,895	973,736	1,134,148	160,412	162,375	1,962
Domestic bonds	1,002,413	1,160,832	158,418	161,313	2,895	971,937	1,132,289	160,352	162,315	1,962
Foreign bonds	5,799	5,912	113	113	—	1,799	1,859	59	59	—
Investments in subsidiaries and affiliates	—	—	—	—	—	—	—	—	—	—
Available-for-sale securities	2,796,789	3,256,735	459,945	484,808	24,862	2,941,466	3,404,811	463,345	531,772	68,427
Domestic bonds	997,892	1,067,639	69,746	74,152	4,405	1,023,447	1,080,932	57,484	67,947	10,462
Domestic stocks	302,413	587,201	284,787	289,023	4,235	305,353	671,850	366,497	370,278	3,780
Foreign securities	1,426,510	1,516,052	89,542	104,688	15,146	1,538,185	1,558,823	20,637	73,359	52,721
Foreign bonds	1,207,319	1,268,525	61,205	73,765	12,559	1,290,483	1,290,268	(214)	46,425	46,640
Foreign stocks and other securities	219,190	247,527	28,336	30,922	2,586	247,701	268,554	20,852	26,933	6,081
Other securities	69,973	85,842	15,868	16,944	1,075	74,480	93,205	18,725	20,187	1,462
Money held in trust	—	—	—	—	—	—	—	—	—	—
Monetary claims bought	—	—	—	—	—	—	—	—	—	—
Negotiable certificate of deposits	—	—	—	—	—	—	—	—	—	—
Others	—	—	—	—	—	—	—	—	—	—
Total	4,569,917	5,332,161	762,243	790,001	27,757	4,674,074	5,436,534	762,459	832,849	70,390
Domestic bonds	2,740,136	3,110,951	370,814	378,115	7,300	2,734,016	3,090,057	356,040	368,465	12,425
Domestic stocks	302,413	587,201	284,787	289,023	4,235	305,353	671,850	366,497	370,278	3,780
Foreign securities	1,457,394	1,548,166	90,772	105,918	15,146	1,560,224	1,581,421	21,196	73,918	52,721
Foreign bonds	1,238,203	1,300,639	62,436	74,995	12,559	1,312,522	1,312,866	343	46,984	46,640
Foreign stocks and other securities	219,190	247,527	28,336	30,922	2,586	247,701	268,554	20,852	26,933	6,081
Other securities	69,973	85,842	15,868	16,944	1,075	74,480	93,205	18,725	20,187	1,462
Money held in trust	—	—	—	—	—	—	—	—	—	—
Monetary claims bought	—	—	—	—	—	—	—	—	—	—
Negotiable certificate of deposits	—	—	—	—	—	—	—	—	—	—
Others	—	—	—	—	—	—	—	—	—	—

Note: The table above includes assets which are considered appropriate to deem as securities under the Financial Instruments and Exchange Law.

[Held-to-maturity Debt Securities]

(Millions of yen)

	As of March 31, 2017			As of March 31, 2018		
	Carrying value on the balance sheet	Fair value	Differences	Carrying value on the balance sheet	Fair value	Differences
Securities whose fair value exceeds the carrying value on the balance sheet	764,914	908,680	143,766	758,872	897,574	138,702
Domestic bonds	739,830	882,479	142,649	738,632	876,835	138,203
Foreign bonds	25,084	26,201	1,116	20,239	20,738	498
Monetary claims bought	—	—	—	—	—	—
Negotiable certificate of deposits	—	—	—	—	—	—
Others	—	—	—	—	—	—
Securities whose fair value does not exceed the carrying value on the balance sheet	—	—	—	—	—	—
Domestic bonds	—	—	—	—	—	—
Foreign bonds	—	—	—	—	—	—
Monetary claims bought	—	—	—	—	—	—
Negotiable certificate of deposits	—	—	—	—	—	—
Others	—	—	—	—	—	—

[Policy-reserve-matching Bonds]

	As of March 31, 2017			As of March 31, 2018		
	Carrying value on the balance sheet	Fair value	Differences	Carrying value on the balance sheet	Fair value	Differences
Bonds whose fair value exceeds the carrying value on the balance sheet	977,623	1,139,050	161,427	944,136	1,106,511	162,375
Domestic bonds	971,824	1,133,138	161,313	942,337	1,104,652	162,315
Foreign bonds	5,799	5,912	113	1,799	1,859	59
Others	—	—	—	—	—	—
Bonds whose fair value does not exceed the carrying value on the balance sheet	30,589	27,694	(2,895)	29,599	27,636	(1,962)
Domestic bonds	30,589	27,694	(2,895)	29,599	27,636	(1,962)
Foreign bonds	—	—	—	—	—	—
Others	—	—	—	—	—	—

[Available-for-sale Securities]

	As of March 31, 2017			As of March 31, 2018		
	Book value	Carrying value on the balance sheet	Differences	Book value	Carrying value on the balance sheet	Differences
Securities whose carrying value on the balance sheet exceeds the book value	2,097,492	2,582,300	484,808	1,561,884	2,093,656	531,772
Domestic bonds	813,898	888,050	74,152	713,551	781,499	67,947
Domestic stocks	260,158	549,181	289,023	274,161	644,439	370,278
Foreign securities	964,556	1,069,245	104,688	518,137	591,497	73,359
Foreign bonds	800,165	873,930	73,765	360,156	406,581	46,425
Foreign stocks	164,391	195,314	30,922	157,981	184,915	26,933
Other securities	58,878	75,822	16,944	56,032	76,220	20,187
Money held in trust	—	—	—	—	—	—
Monetary claims bought	—	—	—	—	—	—
Negotiable certificate of deposits	—	—	—	—	—	—
Others	—	—	—	—	—	—
Securities whose carrying value on the balance sheet does not exceed the book value	699,297	674,435	(24,862)	1,379,581	1,311,154	(68,427)
Domestic bonds	183,993	179,588	(4,405)	309,895	299,433	(10,462)
Domestic stocks	42,254	38,019	(4,235)	31,191	27,411	(3,780)
Foreign securities	461,953	446,807	(15,146)	1,020,047	967,325	(52,721)
Foreign bonds	407,154	394,594	(12,559)	930,327	883,686	(46,640)
Foreign stocks	54,798	52,212	(2,586)	89,720	83,639	(6,081)
Other securities	11,095	10,019	(1,075)	18,447	16,984	(1,462)
Money held in trust	—	—	—	—	—	—
Monetary claims bought	—	—	—	—	—	—
Negotiable certificate of deposits	—	—	—	—	—	—
Others	—	—	—	—	—	—

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

	As of March 31, 2017	As of March 31, 2018
Held-to-maturity bonds	—	—
Unlisted foreign bonds	—	—
Others	—	—
Policy-reserve-matching bonds	—	—
Investments in subsidiaries and affiliates	64,837	64,837
Available-for-sale securities	22,044	28,021
Unlisted domestic stocks (except over-the-counter stocks)	6,109	5,697
Unlisted foreign stocks (except over-the-counter stocks)	—	—
Unlisted foreign bonds	—	—
Others	15,934	22,323
Total	86,881	92,858

Note: In this table, domestic and overseas investment partnerships are included in “others” within “available-for-sale securities.” However, unrealized gains on available-for-sale securities corresponding to these holdings by domestic and overseas investment partnerships (¥1,484 million as of March 31, 2017 and ¥1,285 million as of March 31, 2018) are included in their balance sheet carrying amounts.

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

(i) Gains and Losses on Derivatives

(Millions of yen)

As of March 31, 2017	Interest-related	Currency-related	Stock-related	Bond-related	Others	Total
Hedge accounting applied	—	13,542	(440)	—	—	13,102
Hedge accounting not applied	(500)	1,116	—	(80)	—	535
Total	(500)	14,659	(440)	(80)	—	13,638
As of March 31, 2018	Interest-related	Currency-related	Stock-related	Bond-related	Others	Total
Hedge accounting applied	—	10,755	(1,082)	—	—	9,672
Hedge accounting not applied	(453)	17	—	(98)	—	(534)
Total	(453)	10,772	(1,082)	(98)	—	9,138

Note: Gains and losses from applying fair value hedge accounting (currency-related gains of ¥13,542 million, stock-related losses of ¥440 million as of March 31, 2017, and currency-related gains of ¥10,755 million, stock-related losses of ¥1,082 million as of March 31, 2018) included in gains and losses with hedge accounting applied, and gains and losses with hedge accounting not applied are reported in the statements of operations.

(ii) Hedge Accounting not Applied

[Interest-related Transactions]

(Millions of yen)

	As of March 31, 2017				As of March 31, 2018			
	Notional amount/ contract value		Fair value	Gains (losses)	Notional amount/ contract value		Fair value	Gains (losses)
	Over 1 year				Over 1 year			
Over-the-counter transactions								
Yen interest rate swaption contracts								
Sold								
Receipt fixed, payment floating	—	—			—	—		
	[—]		—	—	[—]		—	—
Payment fixed, receipt floating	—	—			—	—		
	[—]		—	—	[—]		—	—
Bought								
Receipt fixed, payment floating	—	—			—	—		
	[—]		—	—	[—]		—	—
Payment fixed, receipt floating	320,000	160,000			320,000	160,000		
	[692]		192	(500)	[596]		142	(453)
Total				(500)				(453)

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

[Currency-related Transactions]

(Millions of yen)

	As of March 31, 2017				As of March 31, 2018			
	Notional amount/ contract value	Fair value	Gains (losses)	Notional amount/ contract value	Fair value	Gains (losses)		
							Over 1 year	Over 1 year
Over-the-counter transactions								
Currency forward contracts								
Sold	215,605	—	214,489	1,116	192,046	—	192,029	17
US dollar	109,918	—	109,200	718	99,201	—	99,362	(161)
Canadian dollar	27,984	—	27,723	260	26,167	—	26,327	(159)
British Pound	30,646	—	30,803	(157)	26,040	—	26,027	12
Australian dollar	26,260	—	26,154	106	26,006	—	25,691	314
Euro	20,796	—	20,607	188	14,629	—	14,619	10
Bought	—	—	—	—	—	—	—	—
Total				1,116				17

Notes: Forward exchange rates are used for exchange rates as of March 31, 2018.

[Stock-related Transactions]

No ending balance as of March 31, 2017 and March 31, 2018.

[Bond-related Transactions]

(Millions of yen)

	As of March 31, 2017				As of March 31, 2018			
	Notional amount / contract value	Fair value	Gains (losses)		Notional amount / contract value	Fair value	Gains (losses)	
Exchange-traded transactions								
Foreign bond futures								
Sold	36,815	—	36,896	(80)	21,714	—	21,812	(98)
Bought	—	—	—	—	—	—	—	—
Total				(80)				(98)

(iii) Hedge Accounting Applied

[Interest-related Transactions]

No ending balance as of March 31, 2017 and March 31, 2018.

[Currency-related Transactions]

(Millions of yen)

Method of hedge accounting	Hedging instruments	Hedged items	As of March 31, 2017			As of March 31, 2018		
			Notional amount / contract value	Fair value		Notional amount / contract value	Fair value	
	Currency forward contracts	Foreign currency- denominated bonds						
	Sold		966,610	—	953,067	615,948	—	605,193
	US dollar		839,333	—	827,099	525,595	—	516,082
	Canadian dollar		44,327	—	43,636	43,126	—	42,701
	Euro		27,908	—	27,559	24,628	—	24,149
	British Pound		46,454	—	46,205	14,021	—	14,113
	Australian dollar		8,586	—	8,567	8,575	—	8,146
	Bought		—	—	—	—	—	—
Total								

Notes 1. Forward exchange rates are used for exchange rates as of March 31, 2018.

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

[Stock-related Transactions]

(Millions of yen)

Method of hedge accounting	Hedging instruments	Hedged items	As of March 31, 2017			As of March 31, 2018		
			Notional amount / contract value	Fair value		Notional amount / contract value	Fair value	
	Stock forward contracts	Domestic stocks						
	Sold		517	517	958	1,153	1,153	2,235
	Bought		—	—	—	—	—	—
Total								

[Bond-related Transactions]

No ending balance as of March 31, 2017 and March 31, 2018.

12. Status of the Company, Subsidiaries and Affiliates

(1) Selected Financial Data

(100 millions of yen)

	Year ended March 31, 2017	Year ended March 31, 2018
Ordinary revenues	8,429	8,064
Ordinary profits	568	583
Net surplus attributable to the parent company	374	411
Comprehensive income	308	466

	As of March 31, 2017	As of March 31, 2018
Total assets	84,329	84,888
Solvency margin ratio	1,257.3%	1,127.4%

(2) Scope of Consolidation and Application of Equity Method

Number of consolidated subsidiaries: 6

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

Number of affiliates accounted for under the equity method: 0

(3) Consolidated Balance Sheets

(Millions of yen)

	As of March 31, 2017	As of March 31, 2018		As of March 31, 2017	As of March 31, 2018
Assets:			Liabilities:		
Cash and deposits	136,494	157,703	Policy reserves	7,438,936	7,467,875
Call loans	193,000	176,000	Reserve for outstanding claims	22,223	22,166
Monetary claims bought	753	443	Policy reserve	7,365,185	7,391,773
Money held in trust	29,787	31,502	Reserve for dividends to policyholders	50,929	53,395
Securities	7,130,780	7,203,196	Reserve for dividends to policyholders (subsidiary)	598	539
Loans	631,109	597,285	Agency payables	98	70
Tangible fixed assets	219,873	218,895	Reinsurance payables	79	75
Land	125,276	125,278	Subordinated bonds	191,935	191,935
Buildings	88,212	86,548	Other liabilities	46,006	59,509
Lease assets	2,013	1,565	Net defined benefit liabilities	38,767	34,019
Construction in progress	1,140	2,052	Reserve for price fluctuation	91,827	105,521
Other tangible fixed assets	3,230	3,450	Deferred tax liabilities	16,233	8,875
Intangible fixed assets	26,326	38,056	Deferred tax liabilities for land revaluation	14,265	14,241
Software	11,316	24,643	Total liabilities	7,838,150	7,882,122
Goodwill	801	37	Net assets:		
Lease assets	210	11,226	Foundation funds	10,000	10,000
Other intangible fixed assets	13,997	2,148	Accumulated foundation funds redeemed	106,000	106,000
Agency receivables	4	0	Reserve for revaluation	112	112
Reinsurance receivables	200	221	Consolidated surplus	133,217	139,621
Other assets	66,237	67,341	Total foundation funds, surplus and others	249,329	255,733
Net defined benefit asset	42	107	Net unrealized gains (losses) on available-for-sale securities, net of tax	342,470	344,585
Deferred tax assets	153	166	Revaluation reserve for land, net of tax	4,107	4,173
Allowance for possible loan losses	(1,776)	(2,049)	Foreign currency translation adjustment	(433)	(377)
			Accumulated remeasurements of defined benefit plans	(9,240)	(6,055)
			Total accumulated other comprehensive income	336,904	342,326
			Non-controlling interests	8,603	8,690
			Total net assets	594,837	606,750
Total assets	8,432,988	8,488,872	Total liabilities and net assets	8,432,988	8,488,872

(4) Consolidated Statements of Operations and Comprehensive Income

[Consolidated Statements of Operations]

(Millions of yen)

	Year ended March 31, 2017	Year ended March 31, 2018
Ordinary revenues:		
Premium and other income	648,744	597,178
Investment income	185,088	199,395
Interest, dividends and other income	158,645	173,481
Gains on money held in trust, net	—	1,769
Gains on sales of securities	15,178	16,780
Gains on derivative instruments, net	7,018	—
Reversal of allowance for possible loan losses	90	—
Other investment income	114	811
Gains on separate accounts, net	4,041	6,553
Other ordinary revenues	9,082	9,890
Total ordinary revenues	842,915	806,464
Ordinary expenses:		
Claims and other payments	546,696	561,881
Claims	109,450	132,639
Annuities	175,156	167,565
Benefits	121,841	119,468
Surrenders	109,934	113,367
Other payments	30,314	28,840
Provision of policy reserve and others	77,601	26,600
Provision of policy reserve	77,580	26,588
Provision of interest portion of reserve for dividends to policyholders	20	12
Provision of interest portion of reserve for dividends to policyholders (subsidiary)	0	0
Investment expenses	43,371	38,278
Interest expenses	4,061	4,232
Losses on money held in trust, net	1,144	—
Losses on trading securities, net	7,042	1,498
Losses on sales of securities	5,493	4,977
Losses on valuation of securities	24	0
Losses on derivative instruments, net	—	225
Foreign exchange losses, net	15,619	16,012
Provision of allowance for possible loan losses	—	280
Depreciation of real estate for rent and other assets	4,319	4,271
Other investment expenses	5,665	6,781
Operating expenses	97,218	98,725
Other ordinary expenses	21,161	22,623
Total ordinary expenses	786,049	748,109
Ordinary profits	56,866	58,354
Extraordinary gains:		
Gains on disposal of fixed assets	2	288
State subsidy and others	195	—
Others	42	—
Total extraordinary gains	240	288
Extraordinary losses:		
Losses on disposal of fixed assets	182	552
Impairment losses	71	141
Provision of reserve for price fluctuation	14,538	13,693
Losses on advanced depreciation of real estate for tax purpose	—	3
Total extraordinary losses	14,792	14,390
Provision of reserve for dividends to policyholders (subsidiary)	419	336
Surplus before income taxes	41,895	43,916
Income taxes:		
Current	14,409	12,377
Deferred	(10,231)	(9,722)
Total income taxes	4,178	2,655
Net surplus	37,716	41,261
Net surplus attributable to non-controlling interests	236	100
Net surplus attributable to the parent company	37,479	41,161

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

[Consolidated Statements of Comprehensive Income]

(Millions of yen)

	Year ended March 31, 2017	Year ended March 31, 2018
Net surplus	37,716	41,261
Other comprehensive income	(6,912)	5,356
Net unrealized gains (losses) on available-for-sale securities, net of tax	(7,768)	2,115
Revaluation reserve for land, net of tax	0	—
Foreign currency translation adjustments	(318)	56
Remeasurements of defined benefit plan, net of tax	1,174	3,184
Comprehensive income	30,804	46,618
Comprehensive income attributable to the parent company	30,922	46,518
Comprehensive income attributable to non-controlling interests	(117)	100

(5) Consolidated Statements of Cash Flows

(Millions of yen)

	Year ended March 31, 2017	Year ended March 31, 2018
Cash flows from operating activities:		
Surplus before income taxes	41,895	43,916
Depreciation of real estate for rent and other assets	4,319	4,271
Depreciation	7,518	8,830
Impairment losses	71	141
Amortization of goodwill	763	763
Increase (decrease) in reserve for outstanding claims	(780)	(56)
Increase (decrease) in policy reserve	77,580	26,588
Provision of interest on reserve for dividends to policyholders	20	12
Provision of interest on reserve for dividends to policyholders (subsidiary)	0	0
Provision of reserve for dividends to policyholders (subsidiary)	419	336
Increase (decrease) in allowance for possible loan losses	(74)	273
Increase (decrease) in net defined benefit liabilities	(293)	(390)
Increase (decrease) in reserve for price fluctuation	14,538	13,693
Interest, dividends and other income	(158,645)	(173,481)
Losses (gains) on securities, net	(12,532)	(18,402)
Interest expenses	4,061	4,232
Foreign exchange losses (gains), net	15,616	16,012
Losses (gains) on tangible fixed assets, net	110	(63)
Decrease (increase) in agency receivable	(1)	3
Decrease (increase) in reinsurance receivable	(56)	(20)
Decrease (increase) in other assets except from investing and financing activities	(851)	(1,875)
Increase (decrease) in agency payable	(382)	(28)
Increase (decrease) in reinsurance payable	(66)	(4)
Increase (decrease) in other liabilities except from investing and financing activities	(581)	1,642
Others	16,337	17,202
Subtotal	8,987	(56,403)
Interest, dividends and other income received	166,861	180,718
Interest expenses paid	(3,812)	(4,491)
Dividends to policyholders paid	(34,695)	(32,138)
Dividends to policyholders paid (subsidiary)	(472)	(395)
Corporate income tax (paid) refunded	(9,832)	(14,492)
Net cash provided by (used in) operating activities (a)	127,036	72,798
Cash flows from investing activities:		
Net decrease (increase) in deposits	74	225
Proceeds from sales and redemption of monetary claims bought	60	271
Increase in money held in trust	—	(8,800)
Decrease in money held in trust	56,742	8,800
Payments for purchase of securities	(944,430)	(916,556)
Proceeds from sales and redemption of securities	654,047	821,149
Payments for additions to loans	(66,549)	(83,642)
Proceeds from collections of loans	123,722	108,673
Proceeds from and payments for settlements of derivatives, net	1,311	22,930
Others	(5,309)	(5,897)
Subtotal (b)	(180,329)	(52,845)
(a + b)	[(53,292)]	[19,952]
Payments for purchase of tangible fixed assets	(9,040)	(7,376)
Proceeds from sales of tangible fixed assets	11	551
Payments for purchase of intangible fixed assets	(11,089)	(6,479)
Net cash provided by (used in) investing activities	(200,447)	(66,150)
Cash flows from financing activities:		
Proceeds from issuance of subordinated bonds	50,000	30,000
Redemption of subordinated bonds	—	(30,000)
Redemption of foundation funds	(20,000)	—
Payment of interest on foundation funds	(316)	(100)
Proceeds from share issuance to non-controlling interests	2,215	—
Dividends paid to non-controlling interests	(85)	(13)
Payments for lease obligations	(501)	(1,526)
Net cash provided by (used in) financing activities	31,312	(1,641)
Effect of exchange rate changes on cash and cash equivalents	(193)	(643)
Net increase (decrease) in cash and cash equivalents	(42,292)	4,363
Cash and cash equivalents at the beginning of the fiscal year	370,458	328,236
Increase (decrease) in cash and cash equivalents resulting from change in scope of consolidation	70	—
Cash and cash equivalents at the end of the fiscal year	328,236	332,599

(6) Consolidated Statements of Changes in Net Assets

[For the year ended March 31, 2017]

(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	30,000	86,000	112	151,251	267,363
Changes in the fiscal year					
Additions to reserve for dividends to policyholders				(35,236)	(35,236)
Additions to accumulated foundation funds redeemed		20,000			20,000
Payment of interest on foundation funds				(316)	(316)
Net surplus attributable to the parent company for the fiscal year				37,479	37,479
Redemption of foundation funds	(20,000)				(20,000)
Reversal of reserve for redemption of foundation funds				(20,000)	(20,000)
Reversal of revaluation reserve for land, net of tax				20	20
Change of scope of consolidation				30	30
Change in ownership interest of parent due to transactions with non-controlling interests				(12)	(12)
Net changes, excluding foundation funds, surplus and others					
Total changes in the fiscal year	(20,000)	20,000	—	(18,033)	(18,033)
Balance at the end of the fiscal year	10,000	106,000	112	133,217	249,329

	Accumulated other comprehensive income					Non-controlling interests	Total net assets
	Net unrealized gains (losses) on available-for-sale securities, net of tax	Revaluation reserve for land, net of tax	Foreign currency translation adjustments	Accumulated remeasurements of defined benefit plans	Total accumulated other comprehensive income		
Balance at the beginning of the fiscal year	349,884	4,128	(115)	(10,414)	343,482	6,578	617,425
Changes in the fiscal year							
Additions to reserve for dividends to policyholders							(35,236)
Additions to accumulated foundation funds redeemed							20,000
Payment of interest on foundation funds							(316)
Net surplus attributable to the parent company for the fiscal year							37,479
Redemption of foundation funds							(20,000)
Reversal of reserve for redemption of foundation funds							(20,000)
Reversal of revaluation reserve for land, net of tax							20
Change of scope of consolidation							30
Change in ownership interest of parent due to transactions with non-controlling interests							(12)
Net changes, excluding foundation funds, surplus and others	(7,413)	(20)	(318)	1,174	(6,578)	2,024	(4,553)
Total changes in the fiscal year	(7,413)	(20)	(318)	1,174	(6,578)	2,024	(22,587)
Balance at the end of the fiscal year	342,470	4,107	(433)	(9,240)	336,904	8,603	594,837

[For the year ended March 31, 2018]

(Millions of yen)

	Foundation funds, surplus and others				
	Foundation funds	Accumulated foundation funds redeemed	Reserve for revaluation	Consolidated surplus	Total foundation funds, surplus and others
Balance at the beginning of the fiscal year	10,000	106,000	112	133,217	249,329
Changes in the fiscal year					
Additions to reserve for dividends to policyholders				(34,592)	(34,592)
Payment of interest on foundation funds				(100)	(100)
Net surplus attributable to the parent company for the fiscal year				41,161	41,161
Reversal of revaluation reserve for land, net of tax				(65)	(65)
Net changes, excluding foundation funds, surplus and others					
Total changes in the fiscal year	—	—	—	6,403	6,403
Balance at the end of the fiscal year	10,000	106,000	112	139,621	255,733

	Accumulated other comprehensive income					Non-controlling interests	Total net assets
	Net unrealized gains (losses) on available-for-sale securities, net of tax	Revaluation reserve for land, net of tax	Foreign currency translation adjustments	Accumulated remeasurements of defined benefit plans	Total accumulated other comprehensive income		
Balance at the beginning of the fiscal year	342,470	4,107	(433)	(9,240)	336,904	8,603	594,837
Changes in the fiscal year							
Additions to reserve for dividends to policyholders							(34,592)
Payment of interest on foundation funds							(100)
Net surplus attributable to the parent company for the fiscal year							41,161
Reversal of revaluation reserve for land, net of tax							(65)
Net changes, excluding foundation funds, surplus and others	2,115	65	56	3,184	5,422	86	5,508
Total changes in the fiscal year	2,115	65	56	3,184	5,422	86	11,912
Balance at the end of the fiscal year	344,585	4,173	(377)	(6,055)	342,326	8,690	606,750

Notes to the Consolidated Financial Statements

I. Presentation of the Consolidated Financial Statements

1. Basis of Presentation

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

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

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

2. Principles of Consolidation

(1) Scope of Consolidation

Consolidated subsidiaries as of March 31, 2018 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.

Five 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, 2018.

(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.

(4) Amortization of Goodwill

Goodwill is amortized by the straight-line method over a period of 10 years and in case of the immaterial amount of goodwill, such amount is fully charged to operating expenses when incurred.

II. Notes to the Consolidated Balance Sheets

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

- i) Trading securities are stated at fair market value. Costs of their sales are determined by the moving average method.
- ii) Held-to-maturity debt securities are stated at amortized cost under the straight-line method, cost being determined by the moving average method.
- iii) Policy-reserve-matching bonds are stated at amortized cost under the straight-line method, cost being determined by the moving average method in accordance with “Temporary Treatment of Accounting and Auditing Concerning Policy-reserve-matching Bonds in the Insurance Industry” (Industry Audit Committee Report No.21 issued by the Japanese Institute of Certified Public Accountants on November 16, 2000).

- iv) Investments in unconsolidated subsidiaries and affiliates which are not accounted for under the equity method are stated at cost, cost being determined by the moving average method.
- v) Available-for-sale securities with fair market value are stated at fair market value based on the market prices at the end of the fiscal year. Costs of their sales are determined by the moving average method. Net unrealized gains or losses on these available-for-sale securities, net of taxes, are recorded as a separate component of net assets.

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

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

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

- Date of revaluation: March 31, 2002
- Method of revaluation as prescribed for in Article 3 Paragraph 3 of the said Act:
Calculation is based on the appraisal value for property tax set forth in Article 2 item 3 of the Enforcement Ordinance of the Act for Revaluation of Land (Government Ordinance No.119 promulgated on March 31, 1998) and the road rate set forth in Article 2 item 4 of the said Ordinance with certain reasonable adjustments.

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

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

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

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

(6) Allowance for possible loan losses 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 amount 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 amount 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, 2018 was ¥1 million.

- (7) Net defined benefit liabilities, supposed to be incurred as of March 31, 2018, are presented for the employees' retirement benefits after deducting pension plan assets from retirement benefit obligations, based on estimated amounts as of the balance sheet date.

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

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

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

- (9) As for the finance lease transactions where the Company is a lessor, the lease fee is recorded in "Interest, dividends and other income" at the time of receiving lease fee. The corresponding cost of the lease transactions is recorded in "Other investment expenses", which is calculated by deducting an amount equivalent to the interest allocated over the lease term from the lease fee received.

- (10) Hedge accounting is based on "Accounting Standards for Financial Instruments" (ASBJ Statement No. 10, August 11, 2006). The Company applies a fair value hedge accounting as a hedge against the risk of foreign exchange fluctuation in relation to bonds denominated in foreign currencies and against the risk of price fluctuation in relation to domestic stocks, and a designated hedge accounting ("Furitate 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) Policy reserve is based on Article 116 of the Insurance Business Act, and the premium reserve is 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.

Based on the provision of Article 69, paragraph 5, of the Enforcement Regulation of the Insurance Business Act, the Company includes additional funded policy reserves as follows.

Among individual annuity insurance policies with an assumed interest rate of 5.00% or higher, policies that have an annuity commencement date on or prior to March 31, 2018 (excluding wife's annuity insurance additional rider), the Company reduced the assumed interest rate to 1.00% and funded additional policy reserves. At the end of the fiscal year ended March 31, 2018, the balance of these policy reserves was ¥73,222 million.

The Company also funded additional policy reserves for certain individual annuity insurance policies, whole life insurance policies that include distribution of surplus every five years and highly advanced medical riders. At the end of the fiscal year ended March 31, 2018, the balance of these policy reserves was ¥5,628 million.

Of the above, the amount funded at the end of the fiscal year ended March 31, 2018 was ¥13,574 million. As a result, compared to the amount without this additional funding, provision of policy reserve increased ¥13,574 million, while ordinary profit and surplus before income taxes decreased ¥13,574 million.

- (13) Intangible fixed assets are amortized as follows:

- i) Software for internal use is amortized based on the straight-line method over the estimated useful lives.
- ii) Lease assets are amortized based on the straight-line method over the lease term.

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

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

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

The carrying amounts, fair values and their related differences of major financial assets and liabilities in the general account as of March 31, 2018 were as follows:

	(Millions of yen)		
	Carrying amount	Fair value	Difference
Cash and deposits:			
Cash and deposits not treated as securities.....	¥ 155,905	¥ 155,905	¥ –
Total cash and deposits.....	155,905	155,905	–
Call loans	176,000	176,000	–
Monetary claims bought:			
Claims treated as loans.....	443	474	30
Total monetary claims bought.....	443	474	30
Money held in trust:			
Trading securities.....	30,502	30,502	–
Total money held in trust.....	30,502	30,502	–
Securities:			
Trading securities.....	149,265	149,265	–
Held-to-maturity debt securities.....	1,237,461	1,475,318	237,857
Policy-reserve-matching bonds.....	2,011,805	2,254,443	242,638
Available-for-sale securities.....	3,696,942	3,696,942	–
Total securities.....	7,095,474	7,575,970	480,495
Loans:			
Policy loans.....	60,732	60,732	(0)
Ordinary loans.....	536,553	558,957	22,404
Total loans.....	597,285	619,690	22,404
Assets total.....	8,055,612	8,558,543	502,930
Subordinated bonds*1.....	191,935	200,774	8,839
Liabilities total.....	191,935	200,774	8,839
Derivative instruments*2:			
Hedge accounting not applied.....	(534)	(534)	–
Hedge accounting applied.....	9,672	9,672	–
Total derivative instruments.....	¥ 9,138	¥ 9,138	¥ –

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

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

- (1) Cash, deposits (excluding financial instruments treated as securities based on “Accounting Standards for Financial Instruments” (ASBJ Statement No.10)) 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) 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 ¥454 million, ¥5,697 million, and ¥23,609 million as of March 31, 2018, 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.

3. 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 ¥171,415 million and ¥294,210 million as of March 31, 2018, respectively. The fair value is mainly based on the value calculated by the Company in accordance with real estate appraisal standards which includes some adjustments using the reference prices.

The amount corresponding to asset retirement obligations included in the carrying amount of investment and rental properties was ¥839 million as of March 31, 2018.

4. The amount of securities lent under lending agreements was ¥254,467 million as of March 31, 2018.

5. The total amounts of credits to bankrupt borrowers, delinquent loans, delinquent loans past 3 months or more and restructured loans, which were included in loans, was ¥1,045 million as of March 31, 2018;

- i) The balance of credits to bankrupt borrowers was ¥180 million as of March 31, 2018.
- ii) The balance of delinquent loans was ¥865 million as of March 31, 2018.
- iii) There was no balance of delinquent loans past 3 months or more and restructured loans as of March 31, 2018.

The direct write-offs related to loans decreased credits to bankrupt borrowers described above by ¥1 million as of March 31, 2018.

Credits to bankrupt borrowers represent loans, excluding the balances already written-off, which meet the conditions prescribed in Article 96 Paragraph 1 item 3 and 4 of the Enforcement Regulations of the Corporate Tax Act. Moreover, accrued interest on these loans is not recorded as income after determining that principal or interest on these loans is unlikely to be collected due to the significant delay in repayment of principal or interest payment or for some other reasons.

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

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

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

6. Accumulated depreciation of tangible fixed assets were ¥164,086 million as of March 31, 2018.

7. Total assets in separate accounts provided for in Article 118 of the Insurance Business Act were ¥82,347 million as of March 31, 2018. The amounts of separate account liabilities were the same as separate account assets.

8. The total amounts of receivables from/payables to unconsolidated subsidiaries were ¥2,338 million and ¥110 million as of March 31, 2018, respectively.

9. Deferred tax assets and deferred tax liabilities as of March 31, 2018 were ¥133,323 million and ¥137,309 million, respectively. Valuation allowance for deferred tax assets was ¥4,723 million.

Major components of deferred tax assets were ¥80,174 million of policy reserves, ¥29,546 million of reserve for price fluctuation and ¥14,756 million of net defined benefit liability as of March 31, 2018.

Major component of deferred tax liabilities was ¥132,998 million of net unrealized gains on available-for-sale securities as of March 31, 2018.

The statutory tax rate and the actual effective tax rate for the year ended March 31, 2018 were 28.2% and 6.0%, respectively. The difference between the statutory tax rate and the actual effective tax rate was attributable mainly to -24.8% of reserve for dividends to the policyholders.

10. Changes in reserve for dividends to policyholders for the year ended March 31, 2018 were as follows:

	(Millions of yen)
Balance at the beginning of the fiscal year.....	¥ 50,929
Transfer from surplus in the previous fiscal year	34,592
Dividend payments to policyholders during the fiscal year.....	(32,138)
Increase in interest.....	12
Balance at the end of the fiscal year.....	<u>¥ 53,395</u>

11. Changes in reserve for dividends to policyholders (Fukokushinrai Life Insurance Co., Ltd.) for the year ended March 31, 2018 were as follows:

	(Millions of yen)
Balance at the beginning of the fiscal year.....	¥ 598
Dividend payments to policyholders during the fiscal year.....	(395)
Increase in interest.....	0
Provision for reserve for dividends to policyholders.....	336
Balance at the end of the fiscal year.....	<u>¥ 539</u>

12. The amount of stocks of unconsolidated subsidiaries was ¥454 million as of March 31, 2018.
13. Assets pledged as collateral as of March 31, 2018 were ¥25,447 million of securities and ¥1,378 million of bank deposits. Secured debts as of March 31, 2018, were ¥5,174 million.
14. Reserve for outstanding claims for the reinsurance contracts provided in accordance with Article 71 Paragraph 1 of the Enforcement Regulation of the Insurance Business Act (hereinafter called “reserve for outstanding claims for ceded reinsurance”) was ¥10 million as of March 31, 2018.
Policy reserve for the reinsurance contracts provided in accordance with Article 71 Paragraph 1 of the Enforcement Regulation of the Insurance Business Act (hereinafter called “policy reserve for ceded reinsurance”) was ¥53 million as of March 31, 2018.
15. There were unused commitment line agreements under which the Company is the lender of ¥2,490 million as of March 31, 2018.
16. Repayments of subordinated bonds are subordinated to other obligations.
17. The future contribution to the Life Insurance Policyholders Protection Corporation of Japan under Article 259 of the Insurance Business Act was estimated at ¥11,039 million as of March 31, 2018.
The contribution is recognized as operating expenses when contributed.

18. Matters Related to Employees’ Retirement Benefits as of March 31, 2018

(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.

(2) Defined Benefit Plan

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

	(Millions of yen)
Retirement benefit obligation at the beginning of the fiscal year.....	¥ 85,446
Service cost.....	3,548
Interest cost.....	511
Actuarial differences occurred during the fiscal year.....	1,232
Retirement benefit payments.....	(4,317)
Retirement benefit obligation at the end of the fiscal year.....	¥ 86,420

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

	(Millions of yen)
Pension plan assets at the beginning of the fiscal year.....	¥ 46,721
Expected return on pension plan assets.....	732
Actuarial differences occurred during the fiscal year.....	3,386
Contributions by the employer.....	2,750
Retirement benefit payments.....	(1,081)
Others.....	0
Pension plan assets at the end of the fiscal year.....	¥ 52,509

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

	(Millions of yen)
a. Funded plan retirement benefit obligation.....	¥ 74,811
b. Pension plan assets.....	(52,509)
c. (a + b)	22,302
d. Unfunded plan retirement benefit obligation.....	11,608
e. Net amount of liabilities and assets presented on the consolidated balance sheet.....	33,911
f. Net defined benefit liabilities.....	34,019
g. Net defined benefit assets.....	(107)
h. Net amount of liabilities and assets presented on the consolidated balance sheet.....	¥ 33,911

iv) Breakdown of retirement benefit gains and losses

	(Millions of yen)
Service cost.....	¥ 3,548
Interest cost.....	511
Expected return on pension plan assets.....	(732)
Amortization of actuarial differences.....	2,345
Amortization of prior service cost.....	(76)
Others.....	(0)
Retirement benefit expenses related to defined benefit plan.....	¥ 5,595

v) Remeasurements of defined benefit plan

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

	(Millions of yen)
Amortization of actuarial differences.....	¥ 4,499
Amortization of prior service cost.....	(76)
Total.....	¥ 4,422

vi) Accumulated remeasurements of defined benefit plan

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

	(Millions of yen)
Unrecognized actuarial differences.....	¥ (8,657)
Unrecognized prior service cost.....	247
Total.....	¥ (8,410)

vii) Breakdown of pension plan assets

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

Domestic stocks.....	47.6%
Life insurance general account.....	33.0%
Foreign stocks.....	7.8%
Domestic bonds.....	7.5%
Foreign bonds.....	2.7%
Others.....	1.4%
Total.....	100.0%

Within the total of pension assets, 38.0% of this amount is accounted for by the retirement benefit trust established in relation to the retirement lump-sum payments plan for sales employees.

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

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

ix) Underlying actuarial assumptions

Main underlying actuarial assumptions as of March 31, 2018, were as follows:

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

(3) Defined Contribution Plan

The required contribution amount by the Company and its consolidated subsidiaries to the defined contribution plan was ¥318million.

III. Notes to the Consolidated Statements of Operations

1. The total amounts of revenues and expenses in connection with unconsolidated subsidiaries were ¥95 million and ¥2,027 million for the year ended March 31, 2018.
2. For the year ended March 31, 2018, in calculating the reversal of reserve for outstanding claims, a provision of reserves for outstanding claims reinsured of ¥5 million was added. In calculating the provision of policy reserves, a reversal of reserves for policy reserves reinsured of ¥0 million 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 for the year ended March 31, 2018 were as follows:

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

	(Millions of yen)
Amount incurred during the fiscal year.....	¥ 20,802
Reclassification adjustments.....	(17,598)
Before tax adjustments.....	3,204
Tax effects.....	(1,088)
Net unrealized gains (losses) on available-for-sale securities, net of tax.....	2,115

ii) Foreign currency translation adjustments

	(Millions of yen)
Amount incurred during the fiscal year.....	¥ 56
Reclassification adjustments.....	—
Before tax adjustments.....	56
Tax effects.....	—
Foreign currency translation adjustments.....	56

iii) Remeasurements of defined benefit plans, net of tax

	(Millions of yen)
Amount incurred during the fiscal year.....	¥2,153
Reclassification adjustments.....	2,269
Before tax adjustments.....	4,422
Tax effects.....	(1,238)
Remeasurements of defined benefit plans, net of tax.....	3,184
Total other comprehensive income.....	¥ 5,356

V. Notes to the Consolidated Statements of Cash Flows

1. Cash and cash equivalents as of March 31, 2018 consist of "Cash," "Deposits in transfer account," "Current deposits," "Ordinary deposits," "Notice deposits," "Time deposits maturing within 3 months of the date of acquisition," "Foreign currency deposits maturing within 3 months of the date of acquisition," "Negotiable certificate of deposits maturing within 3 months of the date of acquisition," "Call loans" and "Monetary claims bought maturing within 3 months of the date of acquisition."
2. Reconciliations of cash and cash equivalents in the consolidated statements of cash flows to the consolidated balance sheet accounts as of March 31, 2018 were as follows:

	(Millions of yen)
Cash and deposits.....	¥ 157,703
Call loans.....	176,000
Monetary claims bought.....	443
Time deposits maturing over 3 months of the date of acquisition.....	(100)
Foreign currency deposits maturing over 3 months of the date of acquisition.....	(1,003)
Monetary claims bought maturing over 3 months of the date of acquisition.....	(443)
Cash and cash equivalents.....	¥ 332,599

(7) Risk-monitored Loans

(Millions of yen)

	As of March 31, 2017	As of March 31, 2018
Credits to bankrupt borrowers	239	180
Delinquent loans	884	865
Delinquent loans past three months or more	—	—
Restructured loans	—	—
Total	1,124	1,045
[Percentage of total loans]	[0.18%]	[0.18%]

- Notes: 1. For the credits of legally bankrupt borrowers and substantially bankrupt borrowers, the amounts remaining after deductions of collateral value or the amounts collectible through the execution of guarantees is written-off directly from the borrower's balance as the estimated uncollectible amounts. The amounts written-off related to credits to bankrupt borrowers were ¥1 million as of March, 2017 and ¥1 million as of March 31, 2018.
2. Credits to bankrupt borrowers represent loans which are subject to bankruptcy, corporate reorganization or rehabilitation or other similar, including but not limited to foreign, proceedings. Accruing interest of these loans is not recorded as income after determining that principal or interest on these loans is unlikely to be collected due to the significant delay in repayment of principal or interest payment or for some other reasons.
3. Delinquent loans are credits whose accruing interest is not recorded as income due to the same reasons as described in note 2 above, and exclude credits to bankrupt borrowers and loans for which interest payments have been suspended and rescheduled to assist and support the borrowers in the restructuring of their business.
4. Delinquent loans past three months or more are loans for which interest payment or repayment of principal are delinquent for three months or more from the due date under the terms of the related loan agreements, excluding those loans classified as credits to bankrupt borrowers and delinquent loans.
5. Restructured loans are loans for which certain concessions favorable to borrowers, such as interest reduction or exemptions, rescheduling of due date of principal or interest payment, waiver of claim or other terms, have been negotiated for the purpose of assisting and supporting the borrowers in the restructuring of their business. This category excludes loans classified as credits to bankrupt borrowers, delinquent loans and delinquent loans past three months or more.

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

(Millions of yen)

	As of March 31, 2017	As of March 31, 2018
Total solvency margin (A)	1,488,469	1,556,422
Foundation funds and surplus	220,040	223,166
Reserve for price fluctuation	91,827	105,521
Contingency reserve	173,088	189,211
Catastrophe loss reserve	—	—
General allowance for possible loan losses	1,213	1,502
(Net unrealized gains (losses) on securities (before tax) and deferred hedge gains (losses) (before tax)) × 90%	427,019	429,908
Net unrealized gains on real estate × 85%	111,340	122,692
Sum of unrecognized actuarial differences and unrecognized prior service cost	(12,833)	(8,410)
Excess amount of policy reserve based on full-time Zillmer method	239,650	255,285
Qualifying subordinated debt	191,935	191,935
The amount of "excess amount of policy reserve based on full-time Zillmer method" and "qualifying subordinated debt" excluded from the calculation of solvency margin	—	—
Deductible items	—	—
Others	45,187	45,609
Total amount of risk $\sqrt{(\sqrt{R_1^2 + R_5^2 + R_8 + R_9})^2 + (R_2 + R_3 + R_7)^2} + R_4 + R_6$ (B)	236,754	276,097
Insurance risk R_1	24,459	23,756
General insurance risk R_5	—	—
Catastrophe risk R_6	—	—
3rd sector insurance risk R_8	9,851	9,798
Small amount and short-term insurance risk R_9	—	—
Assumed investment yield risk R_2	33,225	32,542
Minimum guarantee risk R_7	0	—
Investment risk R_3	195,706	235,431
Business risk R_4	5,264	6,030
Solvency margin ratio $\frac{(A)}{(1/2) \times (B)} \times 100$	1,257.3%	1,127.4%

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

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

(9) Status of Insurance Claims Paying Ability of Insurance Subsidiaries

(Solvency Margin Ratio)

[Fukokushinrai Life Insurance Company]

(Millions of yen)

	As of March 31, 2017	As of March 31, 2018
Total solvency margin (A)	98,596	100,176
Foundation funds and surplus	68,584	69,434
Reserve for price fluctuation	9,363	9,722
Contingency reserve	2,054	2,161
General allowance for possible loan losses	0	0
(Net unrealized gains (losses) on securities (before tax) and deferred hedge gains (losses) (before tax)) × 90%	13,061	13,064
Net unrealized gains on real estate × 85%	—	—
Excess amount of policy reserve based on full-time Zillmer method	2,561	2,509
Qualifying subordinated debt	—	—
The amount of "excess amount of policy reserve based on full-time Zillmer method" and "qualifying subordinated debt" excluded from the calculation of solvency margin	—	—
Deductible items	—	—
Others	2,970	3,284
Total amount of risk $\sqrt{(R_1 + R_8)^2 + (R_2 + R_3 + R_7)^2} + R_4$ (B)	21,403	21,150
Insurance risk R_1	527	519
3rd sector insurance risk R_8	110	110
Assumed investment yield risk R_2	389	385
Minimum guarantee risk R_7	—	—
Investment risk R_3	20,572	20,328
Business risk R_4	432	426
Solvency margin ratio $\frac{(A)}{(1/2) \times (B)} \times 100$	921.3%	947.2%

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