

Financial Results for the Fiscal Year Ended March 31, 2019

Fukoku Mutual Life Insurance Company (President: Yoshiteru Yoneyama) announces financial results for the fiscal year ended March 31, 2019.

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Attached: Supplementary Materials for the fiscal year ended March 31, 2019

Financial Summary for the Fiscal Year Ended March 31, 2019

1. Business Highlights

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

(i) Policies in Force

		As of March 31, 2018				As of March 31, 2019			
		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	3,180	100.3	227,653	98.3	3,179	100.0	226,080	99.3
	Individual annuities	687	95.6	26,684	95.6	657	95.7	25,523	95.6
	Subtotal	3,868	99.4	254,338	98.0	3,837	99.2	251,603	98.9
	Group insurance	—	—	170,732	99.5	—	—	173,064	101.4
	Group annuities	—	—	21,803	101.1	—	—	21,890	100.4

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, 2018		Total				New business		Net increase by conversion	
		Number of policies		Amount		Amount		Amount	
		(Thousands)	Changes (%, Pre-FYE)	(100 millions of yen)	Changes (%, Pre-FYE)	(100 millions of yen)	Changes (%, Pre-FYE)	(100 millions of yen)	Changes (%, Pre-FYE)
	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	—	—

Year ended March 31, 2019		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	351	96.8	15,445	111.8	13,293	100.6	2,151	359.8
	Individual annuities	7	102.7	215	101.9	228	101.7	(12)	—
	Subtotal	358	96.9	15,660	111.7	13,521	100.6	2,138	365.7
	Group insurance	—	—	566	164.9	566	164.9	—	—
	Group annuities	—	—	0	0.4	0	0.4	—	—

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, 2018		Year ended March 31, 2019	
		Changes (%, YoY)		Changes (%, YoY)
Amount of surrender and lapse (100 millions of yen)	12,697	96.70	12,445	98.00
Surrender and lapse ratio (%)	4.89	(0.12)	4.89	0.00

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, 2018		As of March 31, 2019	
		Changes (%, Pre-FYE)		Changes (%, Pre-FYE)
Individual insurance	2,747	98.8	2,724	99.2
Individual annuities	1,296	96.5	1,240	95.7
Total	4,043	98.1	3,964	98.0
Medical coverage and living benefits	1,107	101.4	1,120	101.2

(ii) New Policies

(100 millions of yen, %)

	Year ended March 31, 2018		Year ended March 31, 2019	
		Changes (%, Pre-FYE)		Changes (%, Pre-FYE)
Individual insurance	148	69.9	146	98.5
Individual annuities	6	12.2	6	100.1
Total	154	58.8	152	98.6
Medical coverage and living benefits	77	99.2	74	96.6

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, 2018		Year ended March 31, 2019	
		Changes (%, Pre-FYE)		Changes (%, Pre-FYE)
Premium and other income	5,672	98.7	5,256	92.7
Investment income	1,736	108.4	1,834	105.7
Claims and other payments	5,011	102.5	4,679	93.4
Investment expenses	396	88.9	485	122.6
Ordinary profits	564	104.4	533	94.4

(4) Statements of Surplus

(100 millions of yen, %)

	Year ended March 31, 2018		Year ended March 31, 2019	
		Changes (%, Pre-FYE)		Changes (%, Pre-FYE)
Unappropriated surplus	646	106.7	606	93.9
Reserve for dividends to policyholders	386	111.7	346	89.8
Net surplus	22	100.5	22	99.5
Unappropriated surplus carried forward	237	100.0	237	100.0

Note: Unappropriated surplus for the years ended March 31, 2018 and 2019 included reversal of voluntary surplus reserve of ¥45 million and ¥1 million, respectively.

(5) Total Assets

(100 millions of yen, %)

	As of March 31, 2018		As of March 31, 2019	
		Changes (%, Pre-FYE)		Changes (%, Pre-FYE)
Total assets	66,266	100.9	66,845	100.9

2. Investment Results of General Account Assets

(1) Asset Composition

(Millions of yen, %)

	As of March 31, 2018		As of March 31, 2019	
	Amount	% of total	Amount	% of total
Cash, deposits, and call loans	240,462	3.7 %	241,282	3.6 %
Monetary claims bought	443	0.0	299	0.0
Money held in trust	31,502	0.5	23,850	0.4
Securities	5,380,830	82.2	5,499,523	83.2
Domestic bonds	2,818,618	43.1	2,782,013	42.1
Domestic stocks	740,828	11.3	672,528	10.2
Foreign securities	1,713,869	26.2	1,930,616	29.2
Foreign bonds	1,434,457	21.9	1,614,469	24.4
Foreign stocks and other securities	279,412	4.3	316,147	4.8
Other securities	107,514	1.6	114,364	1.7
Loans	593,734	9.1	561,138	8.5
Policy loans	57,181	0.9	56,332	0.9
Ordinary loans	536,553	8.2	504,806	7.6
Real estate	213,674	3.3	212,555	3.2
Others	85,664	1.3	76,438	1.2
Allowance for possible loan losses	(2,049)	(0.0)	(2,096)	(0.0)
Total	6,544,262	100.0	6,612,991	100.0
Foreign currency denominated assets	1,998,720	30.5	2,220,198	33.6

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

(2) Changes (Increase/Decrease) in Assets

(Millions of yen)

	Year ended March 31, 2018	Year ended March 31, 2019
Cash, deposits, and call loans	4,187	820
Monetary claims bought	(309)	(144)
Money held in trust	1,714	(7,652)
Securities	83,353	118,693
Domestic bonds	(24,918)	(36,605)
Domestic stocks	84,237	(68,299)
Foreign securities	11,266	216,747
Foreign bonds	(10,545)	180,012
Foreign stocks and other securities	21,812	36,735
Other securities	12,768	6,850
Loans	(33,987)	(32,596)
Policy loans	(2,057)	(849)
Ordinary loans	(31,930)	(31,746)
Real estate	(752)	(1,118)
Others	361	(9,225)
Allowance for possible loan losses	(273)	(46)
Total	54,293	68,729
Foreign currency denominated assets	31,851	221,477

(3) Investment Income

(Millions of yen)

	Year ended March 31, 2018	Year ended March 31, 2019
Interest, dividends and other income	149,219	151,190
Interest on deposits	22	35
Interest and dividends on securities	124,480	126,834
Interest on loans	10,054	9,329
Income from real estate for rent	14,541	14,876
Other interest and dividends	120	114
Gains on money held in trust, net	1,769	—
Gains on trading securities, net	—	3,276
Gains on sales of securities	15,280	27,729
Gains on sales of domestic bonds	4,903	1,424
Gains on sales of domestic stocks	1,798	24,393
Gains on sales of foreign securities	8,578	1,911
Other investment income	819	315
Total	167,088	182,511

(4) Investment Expenses

(Millions of yen)

	Year ended March 31, 2018	Year ended March 31, 2019
Interest expenses	4,216	3,864
Losses on money held in trust, net	—	371
Losses on trading securities, net	1,498	—
Losses on sales of securities	4,977	11,610
Losses on sales of domestic bonds	391	1,582
Losses on sales of domestic stocks	1,095	2,563
Losses on sales of foreign securities	3,421	7,464
Other losses on sales of securities	68	—
Losses on valuation of securities	0	39
Losses on valuation of domestic stocks	0	39
Losses on derivative instruments, net	225	5,875
Foreign exchange losses, net	16,013	13,396
Provision of allowance for possible loan losses	279	88
Depreciation of real estate for rent and other assets	4,271	4,165
Other investment expenses	8,158	9,186
Total	39,640	48,599

(5) Net Investment Income

(Millions of yen)

	Year ended March 31, 2018	Year ended March 31, 2019
Net investment income	127,447	133,911

(6) Other Information on Investments

(i) Investment Yield by Asset Categories

(%)

	Year ended March 31, 2018	Year ended March 31, 2019
Cash, deposits, and call loans	0.00	0.00
Monetary claims bought	1.35	1.37
Money held in trust	5.94	(1.33)
Securities	2.34	2.48
Domestic bonds	1.69	1.58
Domestic stocks	3.59	9.51
Foreign securities	2.99	2.25
Foreign bonds	2.24	2.04
Foreign stocks and other securities	7.32	3.48
Loans	1.70	1.62
Ordinary loans	1.44	1.36
Real estate	2.41	2.16
Total	2.06	2.14
Overseas investments	2.60	2.02

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, 2018	Year ended March 31, 2019
Cash, deposits, and call loans	237,757	208,360
Monetary claims bought	593	351
Money held in trust	29,792	27,879
Securities	4,892,260	5,018,992
Domestic bonds	2,793,416	2,739,522
Domestic stocks	376,094	377,021
Foreign securities	1,637,753	1,810,168
Foreign bonds	1,396,318	1,542,378
Foreign stocks and other securities	241,435	267,789
Loans	608,862	575,375
Ordinary loans	550,366	518,700
Real estate	215,590	215,266
Total	6,182,430	6,252,153
Overseas investments	2,014,749	2,182,145

(iii) Net Valuation Gains/Losses on Trading Securities

(Millions of yen)

	As of March 31, 2018		As of March 31, 2019	
	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	179,768	(7,938)	119,960	(4,530)

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, 2018					As of March 31, 2019				
	Book value	Fair value	Gains/Losses			Book value	Fair value	Gains/Losses		
			Gains	Losses				Gains	Losses	
Held-to-maturity debt securities	758,872	897,574	138,702	138,702	—	759,519	899,819	140,300	140,300	—
Domestic bonds	738,632	876,835	138,203	138,203	—	738,491	878,209	139,718	139,718	—
Foreign bonds	20,239	20,738	498	498	—	21,028	21,610	581	581	—
Monetary claims bought	—	—	—	—	—	—	—	—	—	—
Negotiable certificate of deposits	—	—	—	—	—	—	—	—	—	—
Others	—	—	—	—	—	—	—	—	—	—
Policy-reserve-matching bonds	973,736	1,134,148	160,412	162,375	1,962	938,273	1,111,124	172,850	173,088	237
Domestic bonds	971,937	1,132,289	160,352	162,315	1,962	936,473	1,109,273	172,799	173,037	237
Foreign bonds	1,799	1,859	59	59	—	1,799	1,850	50	50	—
Investments in subsidiaries and affiliates	—	—	—	—	—	—	—	—	—	—
Available-for-sale securities	2,941,466	3,404,811	463,345	531,772	68,427	3,134,467	3,606,817	472,350	502,516	30,166
Domestic bonds	1,023,447	1,080,932	57,484	67,947	10,462	1,020,560	1,098,130	77,569	79,600	2,031
Domestic stocks	305,353	671,850	366,497	370,278	3,780	299,394	603,602	304,208	312,902	8,693
Foreign securities	1,538,185	1,558,823	20,637	73,359	52,721	1,735,720	1,808,479	72,758	90,530	17,772
Foreign bonds	1,290,483	1,290,268	(214)	46,425	46,640	1,453,532	1,503,448	49,915	62,862	12,946
Foreign stocks and other securities	247,701	268,554	20,852	26,933	6,081	282,188	305,030	22,842	27,667	4,825
Other securities	74,480	93,205	18,725	20,187	1,462	78,791	96,605	17,813	19,483	1,669
Money held in trust	—	—	—	—	—	—	—	—	—	—
Monetary claims bought	—	—	—	—	—	—	—	—	—	—
Negotiable certificate of deposits	—	—	—	—	—	—	—	—	—	—
Others	—	—	—	—	—	—	—	—	—	—
Total	4,674,074	5,436,534	762,459	832,849	70,390	4,832,260	5,617,761	785,501	815,904	30,403
Domestic bonds	2,734,016	3,090,057	356,040	368,465	12,425	2,695,525	3,085,613	390,087	392,356	2,268
Domestic stocks	305,353	671,850	366,497	370,278	3,780	299,394	603,602	304,208	312,902	8,693
Foreign securities	1,560,224	1,581,421	21,196	73,918	52,721	1,758,549	1,831,939	73,390	91,163	17,772
Foreign bonds	1,312,522	1,312,866	343	46,984	46,640	1,476,361	1,526,909	50,548	63,495	12,946
Foreign stocks and other securities	247,701	268,554	20,852	26,933	6,081	282,188	305,030	22,842	27,667	4,825
Other securities	74,480	93,205	18,725	20,187	1,462	78,791	96,605	17,813	19,483	1,669
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, 2018	As of March 31, 2019
Held-to-maturity debt securities	—	—
Unlisted foreign bonds	—	—
Others	—	—
Policy-reserve-matching bonds	—	—
Investments in subsidiaries and affiliates	64,837	64,787
Available-for-sale securities	28,021	30,905
Unlisted domestic stocks (except over-the-counter stocks)	5,697	5,696
Unlisted foreign stocks (except over-the-counter stocks)	—	—
Unlisted foreign bonds	—	—
Others	22,323	25,209
Total	92,858	95,692

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 (¥1,285 million as of March 31, 2018 and ¥2,109 million as of March 31, 2019) are included in their balance sheet carrying amounts.

(v) Fair Value Information on Money Held in Trust

(Millions of yen)

	As of March 31, 2018					As of March 31, 2019				
	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	31,502	31,502	—	—	—	23,850	23,850	—	—	—

• Money held in trust for trading purpose

(Millions of yen)

	As of March 31, 2018		As of March 31, 2019	
	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	30,502	0	22,850	0

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

(Millions of yen)

	As of March 31, 2018					As of March 31, 2019				
	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, 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
As of March 31, 2019	Interest- related	Currency- related	Stock- related	Bond- related	Others	Total
Hedge accounting applied	–	(3,230)	–	–	–	(3,230)
Hedge accounting not applied	(333)	226	–	–	–	(107)
Total	(333)	(3,004)	–	–	–	(3,338)

Note: Gains and losses from applying fair value hedge accounting (currency-related gains of ¥10,755 million, stock-related losses of ¥1,082 million as of March 31, 2018, and currency-related losses of ¥3,230 million as of March 31, 2019) 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, 2018				As of March 31, 2019			
	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			500,000	340,000		
[596]			142	(453)	[459]		125	(333)
Total				(453)				(333)

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

(iii) Currency-related Transactions

(Millions of yen)

	As of March 31, 2018				As of March 31, 2019			
	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	807,994	—	797,222	10,772	946,124	—	948,571	(2,447)
U.S. dollar	624,796	—	615,445	9,351	563,427	—	568,162	(4,735)
Australian dollar	34,582	—	33,838	744	137,386	—	137,455	(69)
Euro	39,258	—	38,768	489	124,056	—	122,763	1,292
Canadian dollar	69,293	—	69,029	264	64,274	—	63,771	503
British Pound	40,062	—	40,140	(78)	56,978	—	56,417	560
Bought	—	—	—	—	—	—	—	—
Currency options								
Sold								
Call	—	—	—	—	97,211	—	—	—
U.S. dollar	[—]	—	—	—	[352]	67	284	
Put	—	—	—	—	—	—	—	—
U.S. dollar	[—]	—	—	—	[352]	67	284	
Bought								
Call	—	—	—	—	—	—	—	—
U.S. dollar	[—]	—	—	—	[—]	—	—	—
Put	—	—	—	—	171,400	—	238	(842)
U.S. dollar	[—]	—	—	—	[1,081]	—	—	—
Australian dollar	[—]	—	—	—	[73,960]	68	(284)	
Canadian dollar	[—]	—	—	—	[352]	123	(321)	
	[—]	—	—	—	[444]	46	(236)	
	[—]	—	—	—	[38,760]	—	—	—
	[—]	—	—	—	[283]	—	—	—
Total				10,772				(3,004)

Notes: 1. Forward exchange rates are used for exchange rates as of March 31, 2019.

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

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

(iv) Stock-related Transactions

(Millions of yen)

	As of March 31, 2018				As of March 31, 2019			
	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 stock forward contract								
Sold	1,153	1,153	2,235	(1,082)	—	—	—	—
Bought	—	—	—	—	—	—	—	—
Total				(1,082)				—

(v) Bond-related Transactions

(Millions of yen)

	As of March 31, 2018				As of March 31, 2019			
	Notional amount/ contract value	Fair value	Gains (Losses)		Notional amount/ contract value	Fair value	Gains (Losses)	
	Over 1 year				Over 1 year			
Exchange-traded transactions								
Foreign bond futures								
Sold	21,714	—	21,812	(98)	—	—	—	—
Bought	—	—	—	—	—	—	—	—
Total				(98)				—

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

(Millions of yen)

As of March 31, 2018			As of March 31, 2019		
Carrying value on the balance sheet	Fair value	Gains (Losses)	Carrying value on the balance sheet	Fair value	Gains (Losses)
125,280	253,938	128,658	125,182	270,621	145,438

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, 2019, fair value is based on the appraisal value by the real-estate appraiser, the appraisal value for property tax as of January 1, 2019 and the road rate as of January 1, 2018.

3. Non-consolidated Balance Sheets

(Millions of yen)

	As of March 31, 2018	As of March 31, 2019		As of March 31, 2018	As of March 31, 2019
Assets:			Liabilities:		
Cash and deposits:	66,260	66,771	Policy reserves:	5,650,879	5,692,082
Cash	166	172	Reserve for outstanding claims	19,295	20,322
Bank deposits	66,093	66,599	Policy reserve	5,578,187	5,613,583
Call loans	176,000	176,000	Reserve for dividends to policyholders	53,395	58,176
Monetary claims bought	443	299	Reinsurance payables	56	55
Money held in trust	31,502	23,850	Subordinated bonds	191,935	191,935
Securities:	5,458,790	5,567,876	Other liabilities:	46,066	51,377
Government bonds	2,030,971	2,030,510	Corporate income tax payable	2,445	4,422
Local government bonds	114,036	102,277	Accounts payable	2,381	2,561
Corporate bonds	702,661	670,914	Accrued expenses	10,834	10,802
Stocks	768,000	696,181	Unearned income	369	381
Foreign securities	1,735,580	1,953,608	Deposits received	5,756	5,987
Other securities	107,540	114,384	Guarantee deposits received	14,087	14,041
Loans:	593,734	561,138	Derivatives	3,052	7,641
Policy loans	57,181	56,332	Cash collateral received for financial instruments	2,712	1,051
Ordinary loans	536,553	504,806	Asset retirement obligations	3,088	2,892
Tangible fixed assets:	218,549	216,974	Suspense receipts	1,336	1,596
Land	125,278	125,180	Reserve for employees' retirement benefits	25,417	24,517
Buildings	86,343	84,441	Reserve for price fluctuation	95,798	111,279
Lease assets	1,565	1,241	Deferred tax liabilities	10,733	2,429
Construction in progress	2,052	2,933	Deferred tax liabilities for land revaluation	14,241	14,225
Other tangible fixed assets	3,309	3,177	Total liabilities	6,035,126	6,087,901
Intangible fixed assets:	23,701	22,301	Net assets:		
Software	21,651	20,891	Foundation funds	10,000	10,000
Other intangible fixed assets	2,049	1,410	Accumulated foundation funds redeemed	106,000	106,000
Reinsurance receivables	167	119	Reserve for revaluation	112	112
Other assets:	59,508	51,341	Surplus:	135,538	133,682
Accounts receivable	7,268	5,558	Legal reserve for future losses	2,954	3,071
Prepaid expenses	2,055	1,987	Other surplus:	132,584	130,611
Accrued income	28,570	29,898	Reserve for redemption of foundation funds	6,000	8,000
Deposits	2,281	2,195	Reserve for dividend allowances	20,000	20,000
Differential account for futures trading	98	—	Accumulated fund for price fluctuation	41,000	41,000
Derivatives	12,190	4,302	Reserve for advanced depreciation of real estate for tax purpose	255	210
Suspense payments	2,373	3,145	Other reserves	767	767
Lease investment assets	700	666	Unappropriated surplus	64,561	60,633
Rest of the other asset	3,968	3,585	Total foundation funds, surplus and others	251,650	249,794
Allowance for possible loan losses	(2,049)	(2,096)	Net unrealized gains (losses) on available- for-sale securities, net of tax	335,658	342,748
			Revaluation reserve for land, net of tax	4,173	4,132
			Total valuation and translation adjustments	339,831	346,880
			Total net assets	591,482	596,674
Total assets	6,626,609	6,684,576	Total liabilities and net assets	6,626,609	6,684,576

4. Non-consolidated Statements of Operations

(Millions of yen)

	Year ended March 31, 2018	Year ended March 31, 2019
Ordinary revenues:		
Premium and other income:	567,210	525,605
Premium income	566,924	525,407
Reinsurance income	286	198
Investment income:	173,641	183,473
Interest, dividends and other income:	149,219	151,190
Interest on deposits	22	35
Interest and dividends on securities	124,480	126,834
Interest on loans	10,054	9,329
Income from real estate for rent	14,541	14,876
Other interest and dividends	120	114
Gains on money held in trust, net	1,769	—
Gains on trading securities, net	—	3,276
Gains on sales of securities	15,280	27,729
Other investment income	819	315
Gains on separate accounts, net	6,553	962
Other ordinary revenues:	8,854	9,220
Fund receipt from annuity rider	1,150	730
Proceeds from deferred insurance	3,854	4,771
Reversal of reserve for outstanding claims	237	—
Reversal of reserve for employees' retirement benefits	371	898
Others	3,240	2,820
Total ordinary revenues	749,706	718,300
Ordinary expenses:		
Claims and other payments:	501,181	467,917
Claims	126,371	104,702
Annuities	166,137	160,900
Benefits	106,399	111,533
Surrenders	73,651	63,787
Other payments	28,357	26,754
Reinsurance premiums	264	239
Provision of policy reserve and others:	44,655	36,434
Provision of reserve for outstanding claims	—	1,026
Provision of policy reserve	44,643	35,395
Provision of interest portion of reserve for dividends to policyholders	12	12
Investment expenses:	39,640	48,599
Interest expenses	4,216	3,864
Losses on money held in trust, net	—	371
Losses on trading securities, net	1,498	—
Losses on sales of securities	4,977	11,610
Losses on valuation of securities	0	39
Losses on derivative instruments, net	225	5,875
Foreign exchange losses, net	16,013	13,396
Provision of allowance for possible loan losses	279	88
Depreciation of real estate for rent and other assets	4,271	4,165
Other investment expenses	8,158	9,186
Operating expenses	88,477	90,655
Other ordinary expenses:	19,282	21,377
Deferred annuity payments	5,488	5,595
Taxes	6,216	6,220
Depreciation	6,677	8,615
Others	899	945
Total ordinary expenses	693,237	664,984
Ordinary profits	56,469	53,315
Extraordinary gains:		
Gains on disposal of fixed assets	288	3
Others	—	60
Total extraordinary gains	288	63
Extraordinary losses:		
Losses on disposal of fixed assets	547	142
Impairment losses	141	228
Provision of reserve for price fluctuation	13,334	15,481
Losses on advanced depreciation of real estate for tax purpose	3	—
Total extraordinary losses	14,025	15,851
Surplus before income taxes	42,731	37,527
Income taxes:		
Current	11,374	11,752
Deferred	(9,511)	(11,059)
Total income taxes	1,862	693
Net surplus for the year	40,868	36,834

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

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

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

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

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

- Tangible fixed assets (excluding lease assets): Declining-balance method

However, buildings (excluding building attachments and structures acquired on or before March 31, 2016) acquired on or after April 1, 1998 are depreciated using Straight-line method.

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

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

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

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

- i. For the credits of borrowers who are legally bankrupt such as being in the proceedings of bankruptcy or civil rehabilitation (hereinafter called "legally bankrupt borrowers") and who are substantially bankrupt (hereinafter called "substantially bankrupt borrowers"), the Company provides the remaining 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, 2019 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, March 10, 2008). The Company applies a fair value hedge accounting as a hedge against the risk of foreign exchange fluctuation in relation to bonds 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, for policies that have begun paying annuities (excluding wife’s annuity insurance additional rider), the Company reduced the assumed interest rate to 1.00% and funded additional policy reserves. As of March 31, 2019, the balance of these policy reserves was ¥73,836 million.
- The Company also funded additional policy reserves for certain individual annuity insurance policies, whole life insurance policies that include distribution of surplus every five years, new cancer riders and highly advanced medical riders. As of March 31, 2019, the balance of these policy reserves was ¥13,391 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 the acceptable range of risks in order to enhance the profitability, although yen-denominated interest bearing assets including debt securities such as Japanese government bonds and loans are the cores of the portfolios under the asset liability management. Derivatives are mainly used to hedge the market risk regarding spot-priced assets and liabilities. Major financial instruments including securities, loans and derivatives are exposed to market risk and credit risk.

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

The carrying amounts, fair values and their related differences of major financial assets and liabilities in the general account as of March 31, 2019 were as follows:

	(Millions of yen)		
	Carrying amount	Fair value	Difference
Cash and deposits:			
Cash and deposits not treated as securities.....	¥ 65,282	¥ 65,282	¥ –
Total cash and deposits.....	65,282	65,282	–
Call loans.....	176,000	176,000	–
Monetary claims bought:			
Claims treated as loans.....	299	319	20
Total monetary claims bought.....	299	319	20
Money held in trust:			
Trading securities.....	22,850	22,850	–
Total money held in trust.....	22,850	22,850	–
Securities:			
Trading securities.....	97,110	97,110	–
Held-to-maturity debt securities.....	759,519	899,819	140,300
Policy-reserve-matching bonds.....	938,273	1,111,124	172,850
Available-for-sale securities.....	3,606,817	3,606,817	–
Total securities.....	5,401,721	5,714,871	313,150
Loans:			
Policy loans.....	56,332	56,331	(0)
Ordinary loans.....	504,806	530,223	25,417
Total loans.....	561,138	586,555	25,416
Assets total.....	6,227,291	6,565,879	338,588
Subordinated bonds ¹	191,935	198,912	6,977
Liabilities total.....	191,935	198,912	6,977
Derivative instruments ² :			
Hedge accounting not applied.....	(107)	(107)	–
Hedge accounting applied.....	(3,230)	(3,230)	–
Total derivative instruments.....	¥ (3,338)	¥ (3,338)	¥ –

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

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

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

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

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

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

Investments in subsidiaries and affiliates, unlisted stocks and investments in partnerships whereby partnership assets consist of unlisted stocks whose fair values are deemed extremely difficult to obtain, are excluded from above securities. The carrying amounts of investments in subsidiaries and affiliates, unlisted stocks and investments in partnerships were ¥64,787 million, ¥5,696 million, and ¥27,318 million as of March 31, 2019, 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 ¥172,520 million and ¥314,115 million as of March 31, 2019, 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 ¥697 million as of March 31, 2019.

4. The amount of securities lent under lending agreements was ¥299,194 million as of March 31, 2019.
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 ¥940 million as of March 31, 2019;
- i. The balance of credits to bankrupt borrowers was ¥157 million as of March 31, 2019.
 - ii. The balance of delinquent loans was ¥782 million as of March 31, 2019.
 - iii. There was no balance of delinquent loans past 3 months or more and restructured loans as of March 31, 2019.

The direct write-offs related to loans decreased credits to bankrupt borrowers described above by ¥1 million as of March 31, 2019.

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 ¥167,181 million as of March 31, 2019.
7. Total assets in separate accounts provided for in Article 118 of the Insurance Business Act were ¥71,585 million as of March 31, 2019. The amounts of separate account liabilities were the same as separate account assets.
8. The total amounts of receivables from/payables to subsidiaries were ¥3,204 million and ¥1,837 million as of March 31, 2019, respectively.

9. Deferred tax assets and deferred tax liabilities as of March 31, 2019 were ¥137,650 million and ¥135,958 million, respectively. Valuation allowance for deferred tax assets was ¥4,121 million.

Major components of deferred tax assets were ¥86,377 million of policy reserves, ¥31,158 million of reserve for price fluctuation and ¥12,091 million of reserve for employees' retirement benefits as of March 31, 2019.

Major component of deferred tax liabilities was ¥131,712 million of net unrealized gains on available-for-sale securities as of March 31, 2019.

The statutory tax rate and the actual effective tax rate for the year ended March 31, 2019 were 28.0% and 1.8%, respectively. The difference between the statutory tax rate and the actual effective tax rate was attributable mainly to -25.9% of reserve for dividends to the policyholders.

10. Changes in reserve for dividends to policyholders for the year ended March 31, 2019 were as follows:

(Millions of yen)

Balance at the beginning of the fiscal year.....	¥ 53,395
Transfer from surplus in the previous fiscal year.....	38,630
Dividend payments to policyholders during the fiscal year.....	(33,862)
Increase in interest.....	12
Balance at the end of the fiscal year.....	<u>¥ 58,176</u>

11. The amount of stocks of subsidiaries was ¥64,787 million as of March 31, 2019.

12. Assets pledged as collateral as of March 31, 2019 were ¥17,839 million of securities and ¥744 million of bank deposits. Secured debts as of March 31, 2019, were ¥5,387 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 ¥2 million as of March 31, 2019.

Policy reserve for the reinsurance contracts provided in accordance with Article 71 Paragraph 1 of the Enforcement Regulation of the Insurance Business Act (hereinafter called “policy reserve for ceded reinsurance”) was ¥30 million as of March 31, 2019.

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 ¥346,992 million as of March 31, 2019.

15. There were unused commitment line agreements under which the Company is the lender of ¥5,994 million as of March 31, 2019.

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 ¥8,506 million as of March 31, 2019.

The contribution is recognized as operating expenses when contributed.

18. Matters Related to Employees' Retirement Benefits as of March 31, 2019

(1) Overview of Employees' Retirement Benefit Plan

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

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

The Company places a retirement benefit trust in relation to the retirement lump-sum grant plan for sales employees.

The simplified method for calculating retirement benefit obligation is applied to a portion of the Company's retirement lump-sum grant plans.

(2) Defined Benefit Plan

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

	(Millions of yen)
Retirement benefit obligation at the beginning of the fiscal year.....	¥ 86,201
Service cost.....	3,552
Interest cost.....	516
Actuarial differences occurred during the fiscal year.....	1,080
Retirement benefit payments.....	(4,289)
Retirement benefit obligation at the end of the fiscal year.....	<u>¥ 87,060</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.....	¥ 52,372
Expected return on pension plan assets.....	972
Actuarial differences occurred during the fiscal year.....	145
Contributions by the employer.....	2,693
Retirement benefit payments.....	(1,304)
Pension plan assets at the end of the fiscal year.....	<u>¥ 54,880</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.....	¥ 75,659
b. Pension plan assets.....	(54,880)
c. (a + b).....	20,778
d. Unfunded plan retirement benefit obligation.....	11,401
e. Unrecognized actuarial differences.....	(7,833)
f. Unrecognized prior service cost.....	171
g. Reserve for employees' retirement benefits (c + d + e + f).....	<u>¥ 24,517</u>

iv. Breakdown of retirement benefit gains and losses

	(Millions of yen)
Service cost.....	¥ 3,552
Interest cost.....	516
Expected return on pension plan assets.....	(972)
Amortization of actuarial differences.....	1,759
Amortization of prior service cost.....	(76)
Retirement benefit expenses related to defined benefit plan.....	<u>¥ 4,779</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.....	44.3%
Life insurance general account.....	33.3%
Domestic bonds.....	9.6%
Foreign stocks.....	7.7%
Foreign bonds.....	3.0%
Others.....	2.1%
Total.....	<u>100.0%</u>

Within the total of pension assets, 37.4% of this amount is accounted for by the retirement benefit trust established in relation to the retirement lump-sum payments plan for sales employees.

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, 2019, were as follows:

Discount rate.....	0.6%
Expected long-term rate of return on pension plan assets	
Defined Benefit Plan.....	3.0%
Retirement benefit trust.....	0.0%

(3) Defined Contribution Plan

The required contribution amount by the Company to the defined contribution plan was ¥215 million as of March 31, 2019.

III. Notes to the Non-consolidated Statements of Operations

1. The total amounts of revenues and expenses in connection with subsidiaries were ¥871 million and ¥8,823 million for the year ended March 31, 2019.

2. Major items of gains on sales of securities for the year ended March 31, 2019 were as follows:

	(Millions of yen)
Domestic bonds.....	¥ 1,424
Domestic stocks and others.....	24,393
Foreign securities.....	1,911

3. Major items of losses on sales of securities for the year ended March 31, 2019 were as follows:

	(Millions of yen)
Domestic bonds.....	¥ 1,582
Domestic stocks and others.....	2,563
Foreign securities.....	7,464

4. Major items of losses on valuation of securities for the year ended March 31, 2019 was as follows:

	(Millions of yen)
Domestic stocks and others.....	¥ 39

5. For the year ended March 31, 2019, in calculating the provision of reserve for outstanding claims, a reversal of reserves for outstanding claims reinsured of ¥8 million was added. In calculating the provision of policy reserves, a reversal of reserves for policy reserves reinsured of ¥1 million was added.

6. Major items of gains on trading securities for the year ended March 31, 2019 were as follows:

	(Millions of yen)
Interest, dividends and other income.....	¥ 4,225
Gains on redemption of trading securities.....	3,400
Losses on valuation of trading securities.....	(4,530)

7. Losses on money held in trust for the year ended March 31, 2019 included valuation gains of ¥0 million.

8. Losses on derivative instruments for the year ended March 31, 2019 included valuation gains of ¥124 million.

5. Breakdown of Ordinary Profits (Fundamental Profit)

(Millions of yen)

	Year ended March 31, 2018	Year ended March 31, 2019
Fundamental profit A	97,495	91,292
Capital gains	16,916	27,729
Gains on money held in trust, net	1,636	—
Gains on trading securities, net	—	—
Gains on sales of securities	15,280	27,729
Gains on derivative instruments, net	—	—
Foreign exchange gains, net	—	—
Other capital gains	—	—
Capital losses	28,361	32,374
Losses on money held in trust, net	—	503
Losses on trading securities, net	7,145	949
Losses on sales of securities	4,977	11,610
Losses on valuation of securities	0	39
Losses on derivative instruments, net	225	5,875
Foreign exchange losses, net	16,013	13,396
Other capital losses	—	—
Net capital gains (losses) B	(11,444)	(4,645)
Fundamental profit plus net capital gains (losses) A+B	86,050	86,647
Non-recurring gains	8	17
Reinsurance income	—	—
Reversal of contingency reserve	—	—
Reversal of specific allowance for possible loan losses	8	17
Others	—	—
Non-recurring losses	29,590	33,349
Reinsurance premiums	—	—
Provision for contingency reserve	16,016	17,366
Provision of specific allowance for possible loan losses	—	—
Provision of allowance for specified overseas loans	—	—
Write-off of loans	—	—
Others	13,574	15,982
Non-recurring gains (losses) C	(29,581)	(33,331)
Ordinary profits A+B+C	56,469	53,315

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): ¥132 million in respect of the year ended March 31, 2018 and ¥131 million in respect of the year ended March 31, 2019.

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): ¥5,647 million in respect of the year ended March 31, 2018 and ¥4,225 million in respect of the year ended March 31, 2019.

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, 2018]

(Millions of yen)

(Millions of yen)

	Foundation funds, surplus and others												
	Foundation funds	Accumulated foundation funds redeemed	Reserve for revaluation	Surplus									Total foundation funds, surplus and others
				Legal reserve for future losses	Other surplus							Total surplus	
					Reserve for redemption of foundation funds	Reserve for dividend allowances	Accumulated fund for price fluctuation	Reserve for advanced depreciation of real estate for tax purpose	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

[For the year ended March 31, 2019]

(Millions of yen)

(Millions of yen)

	Foundation funds, surplus and others											Total foundation funds, surplus and others
	Foundation funds	Accumulated foundation funds redeemed	Reserve for revaluation	Surplus								
				Legal reserve for future losses	Other surplus						Total surplus	
					Reserve for redemption of foundation funds	Reserve for dividend allowances	Accumulated fund for price fluctuation	Reserve for advanced depreciation of real estate for tax purpose	Other reserves	Unappropriated surplus		
Balance at the beginning of the fiscal year	10,000	106,000	112	2,954	6,000	20,000	41,000	255	767	64,561	135,538	251,650
Changes in the fiscal year												
Additions to reserve for dividends to policyholders										(38,630)	(38,630)	(38,630)
Additions to legal reserve for future losses				117						(117)	—	—
Payment of interest on foundation funds										(100)	(100)	(100)
Net surplus for the fiscal year										36,834	36,834	36,834
Additions to reserve for redemption of foundation funds					2,000					(2,000)	—	—
Reversal of reserve for advanced depreciation of real estate for tax purpose								(45)		45	—	—
Reversal of revaluation reserve for land, net of tax										41	41	41
Net changes, excluding foundation funds, surplus and others												
Total changes in the fiscal year	—	—	—	117	2,000	—	—	(45)	—	(3,927)	(1,855)	(1,855)
Balance at the end of the fiscal year	10,000	106,000	112	3,071	8,000	20,000	41,000	210	767	60,633	133,682	249,794

	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	335,658	4,173	339,831	591,482
Changes in the fiscal year				
Additions to reserve for dividends to policyholders				(38,630)
Additions to legal reserve for future losses				–
Payment of interest on foundation funds				(100)
Net surplus for the fiscal year				36,834
Additions to reserve for redemption of foundation funds				–
Reversal of reserve for advanced depreciation of real estate for tax purpose				–
Reversal of revaluation reserve for land, net of tax				41
Net changes, excluding foundation funds, surplus and others	7,089	(41)	7,048	7,048
Total changes in the fiscal year	7,089	(41)	7,048	5,192
Balance at the end of the fiscal year	342,748	4,132	346,880	596,674

7. Non-consolidated Statements of Surplus

(Millions of yen)

	Year ended March 31, 2018	Year ended March 31, 2019
Unappropriated surplus	64,561	60,633
Reversal of voluntary surplus reserve	45	1
Reversal of reserve for advanced depreciation of real estate for tax purpose	45	1
Total	64,606	60,635
Appropriation of surplus	40,848	36,876
Reserve for dividends to policyholders	38,630	34,671
Net surplus	2,217	2,205
Legal reserve for future losses	117	105
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, 2018	As of March 31, 2019
Claims against bankrupt and quasi-bankrupt obligors	181	175
Claims with collection risk	859	772
Claims for special attention	—	—
Subtotal [Percentage of total]	1,040 [0.12%]	947 [0.11%]
Claims against normal obligors	850,425	862,815
Total	851,465	863,763

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, 2018	As of March 31, 2019
Credits to bankrupt borrowers	168	157
Delinquent loans	865	782
Delinquent loans past three months or more	—	—
Restructured loans	—	—
Total	1,033	940
[Percentage of total loans]	[0.17%]	[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, 2018 and ¥1 million as of March 31, 2019.
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, 2018	As of March 31, 2019
Total solvency margin (A)	1,475,658	1,550,103
Foundation funds and surplus	210,194	212,577
Reserve for price fluctuation	95,798	111,279
Contingency reserve	187,050	204,416
General allowance for possible loan losses	1,501	1,608
(Net unrealized gains (losses) on securities (before tax) and deferred hedge gains (losses) (before tax)) × 90%	418,167	427,014
Net unrealized gains on real estate × 85%	122,692	138,679
Excess amount of policy reserve based on full-time Zillmer method	252,776	268,240
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	42,325	41,135
Total amount of risk $\sqrt{(R_1 + R_8)^2 + (R_2 + R_3 + R_7)^2} + R_4$ (B)	272,942	260,577
Insurance risk R_1	23,252	22,927
3rd sector insurance risk R_8	9,687	9,785
Assumed investment yield risk R_2	32,156	31,373
Minimum guarantee risk R_7	—	—
Investment risk R_3	232,788	221,386
Business risk R_4	5,957	5,709
Solvency margin ratio $\frac{(A)}{(1/2) \times (B)} \times 100$	1,081.2%	1,189.7%

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

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

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

11. Status of Separate Account

(1) Separate Account Assets by Products

(Millions of yen)

	As of March 31, 2018	As of March 31, 2019
	Amount	Amount
Individual variable insurance	—	—
Individual variable annuities	33	23
Group annuities	82,313	71,561
Total	82,347	71,585

(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, 2018		As of March 31, 2019	
	Number of policies	Amount	Number of policies	Amount
Individual variable annuities	10	27	8	20
Total	10	27	8	20

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

(Millions of yen)

	As of March 31, 2018		As of March 31, 2019	
	Amount	Percentage	Amount	Percentage
Cash, deposits, call loans	7	23.1%	4	18.1%
Securities	26	76.9%	19	81.9%
Domestic bonds	—	—	—	—
Domestic stocks	—	—	—	—
Foreign securities	—	—	—	—
Foreign bonds	—	—	—	—
Foreign stocks and other securities	—	—	—	—
Other securities	26	76.9%	19	81.9%
Loans	—	—	—	—
Others	—	—	—	—
Allowance for possible loan losses	—	—	—	—
Total	33	100.0%	23	100.0%

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

(Millions of yen)

	Year ended March 31, 2018	Year ended March 31, 2019
	Amount	Amount
Interest, dividends and other income	2	2
Gains on sales of securities	—	—
Gains on redemption of securities	—	—
Gains on valuation of securities	8	5
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	8	8
Foreign exchange losses, net	—	—
Losses on derivative instruments	—	—
Other investment expenses	0	—
Net investment income	2	(0)

(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, 2018		As of March 31, 2019	
	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	26	0	19	(2)

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, 2018		As of March 31, 2019	
	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	257,729	(5,292)	188,313	(6,623)

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, 2018					As of March 31, 2019				
	Book value	Fair value	Gains/Losses			Book value	Fair value	Gains/Losses		
			Gains	Losses				Gains	Losses	
Held-to-maturity debt securities	758,872	897,574	138,702	138,702	—	759,519	899,819	140,300	140,300	—
Domestic bonds	738,632	876,835	138,203	—	—	738,491	878,209	139,718	139,718	—
Foreign bonds	20,239	20,738	498	—	—	21,028	21,610	581	581	—
Monetary claims bought	—	—	—	—	—	—	—	—	—	—
Negotiable certificate of deposits	—	—	—	—	—	—	—	—	—	—
Others	—	—	—	—	—	—	—	—	—	—
Policy-reserve-matching bonds	973,736	1,134,148	160,412	162,375	1,962	938,273	1,111,124	172,850	173,088	237
Domestic bonds	971,937	1,132,289	160,352	162,315	1,962	936,473	1,109,273	172,799	173,037	237
Foreign bonds	1,799	1,859	59	59	—	1,799	1,850	50	50	—
Investments in subsidiaries and affiliates	—	—	—	—	—	—	—	—	—	—
Available-for-sale securities	2,941,466	3,404,811	463,345	531,772	68,427	3,134,467	3,606,817	472,350	502,516	30,166
Domestic bonds	1,023,447	1,080,932	57,484	67,947	10,462	1,020,560	1,098,130	77,569	79,600	2,031
Domestic stocks	305,353	671,850	366,497	370,278	3,780	299,394	603,602	304,208	312,902	8,693
Foreign securities	1,538,185	1,558,823	20,637	73,359	52,721	1,735,720	1,808,479	72,758	90,530	17,772
Foreign bonds	1,290,483	1,290,268	(214)	46,425	46,640	1,453,532	1,503,448	49,915	62,862	12,946
Foreign stocks and other securities	247,701	268,554	20,852	26,933	6,081	282,188	305,030	22,842	27,667	4,825
Other securities	74,480	93,205	18,725	20,187	1,462	78,791	96,605	17,813	19,483	1,669
Money held in trust	—	—	—	—	—	—	—	—	—	—
Monetary claims bought	—	—	—	—	—	—	—	—	—	—
Negotiable certificate of deposits	—	—	—	—	—	—	—	—	—	—
Others	—	—	—	—	—	—	—	—	—	—
Total	4,674,074	5,436,534	762,459	832,849	70,390	4,832,260	5,617,761	785,501	815,904	30,403
Domestic bonds	2,734,016	3,090,057	356,040	368,465	12,425	2,695,525	3,085,613	390,087	392,356	2,268
Domestic stocks	305,353	671,850	366,497	370,278	3,780	299,394	603,602	304,208	312,902	8,693
Foreign securities	1,560,224	1,581,421	21,196	73,918	52,721	1,758,549	1,831,939	73,390	91,163	17,772
Foreign bonds	1,312,522	1,312,866	343	46,984	46,640	1,476,361	1,526,909	50,548	63,495	12,946
Foreign stocks and other securities	247,701	268,554	20,852	26,933	6,081	282,188	305,030	22,842	27,667	4,825
Other securities	74,480	93,205	18,725	20,187	1,462	78,791	96,605	17,813	19,483	1,669
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, 2018			As of March 31, 2019		
	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	758,872	897,574	138,702	759,519	899,819	140,300
Domestic bonds	738,632	876,835	138,203	738,491	878,209	139,718
Foreign bonds	20,239	20,738	498	21,028	21,610	581
Monetary claims bought	—	—	—	—	—	—
Negotiable certificate of deposits	—	—	—	—	—	—
Others	—	—	—	—	—	—
Securities whose fair value does not exceed the carrying value on the balance sheet	—	—	—	—	—	—
Domestic bonds	—	—	—	—	—	—
Foreign bonds	—	—	—	—	—	—
Monetary claims bought	—	—	—	—	—	—
Negotiable certificate of deposits	—	—	—	—	—	—
Others	—	—	—	—	—	—

[Policy-reserve-matching Bonds]

(Millions of yen)

	As of March 31, 2018			As of March 31, 2019		
	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	944,136	1,106,511	162,375	929,094	1,102,182	173,088
Domestic bonds	942,337	1,104,652	162,315	927,294	1,100,331	173,037
Foreign bonds	1,799	1,859	59	1,799	1,850	50
Others	—	—	—	—	—	—
Bonds whose fair value does not exceed the carrying value on the balance sheet	29,599	27,636	(1,962)	9,179	8,942	(237)
Domestic bonds	29,599	27,636	(1,962)	9,179	8,942	(237)
Foreign bonds	—	—	—	—	—	—
Others	—	—	—	—	—	—

[Available-for-sale Securities]

(Millions of yen)

	As of March 31, 2018			As of March 31, 2019		
	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	1,561,884	2,093,656	531,772	2,368,764	2,871,281	502,516
Domestic bonds	713,551	781,499	67,947	876,036	955,637	79,600
Domestic stocks	274,161	644,439	370,278	236,860	549,763	312,902
Foreign securities	518,137	591,497	73,359	1,198,845	1,289,376	90,530
Foreign bonds	360,156	406,581	46,425	981,761	1,044,624	62,862
Foreign stocks	157,981	184,915	26,933	217,084	244,752	27,667
Other securities	56,032	76,220	20,187	57,021	76,505	19,483
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	1,379,581	1,311,154	(68,427)	765,702	735,535	(30,166)
Domestic bonds	309,895	299,433	(10,462)	144,524	142,493	(2,031)
Domestic stocks	31,191	27,411	(3,780)	62,533	53,839	(8,693)
Foreign securities	1,020,047	967,325	(52,721)	536,874	519,102	(17,772)
Foreign bonds	930,327	883,686	(46,640)	471,771	458,824	(12,946)
Foreign stocks	89,720	83,639	(6,081)	65,103	60,278	(4,825)
Other securities	18,447	16,984	(1,462)	21,769	20,100	(1,669)
Money held in trust	—	—	—	—	—	—
Monetary claims bought	—	—	—	—	—	—
Negotiable certificate of deposits	—	—	—	—	—	—
Others	—	—	—	—	—	—

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

(Millions of yen)

	As of March 31, 2018	As of March 31, 2019
Held-to-maturity debt securities	—	—
Unlisted foreign bonds	—	—
Others	—	—
Policy-reserve-matching bonds	—	—
Investments in subsidiaries and affiliates	64,837	64,787
Available-for-sale securities	28,021	30,905
Unlisted domestic stocks (except over-the-counter stocks)	5,697	5,696
Unlisted foreign stocks (except over-the-counter stocks)	—	—
Unlisted foreign bonds	—	—
Others	22,323	25,209
Total	92,858	95,692

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 (¥1,285 million as of March 31, 2018 and ¥2,109 million as of March 31, 2019) 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, 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
As of March 31, 2019	Interest- related	Currency- related	Stock- related	Bond- related	Others	Total
Hedge accounting applied	—	(3,230)	—	—	—	(3,230)
Hedge accounting not applied	(333)	226	—	—	—	(107)
Total	(333)	(3,004)	—	—	—	(3,338)

Note: Gains and losses from applying fair value hedge accounting (currency-related gains of ¥10,755 million, stock-related losses of ¥1,082 million as of March 31, 2018, and currency-related losses of ¥3,230 million as of March 31, 2019) 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, 2018				As of March 31, 2019			
	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			500,000	340,000		
[596]			142	(453)	[459]		125	(333)
Total				(453)				(333)

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

[Currency-related Transactions]

(Millions of yen)

	As of March 31, 2018				As of March 31, 2019			
	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	192,046	—	192,029	17	138,780	—	137,997	783
U.S. dollar	99,201	—	99,362	(161)	59,882	—	59,821	60
British Pound	26,040	—	26,027	12	25,684	—	25,304	380
Canadian dollar	26,167	—	26,327	(159)	21,063	—	20,944	118
Australian dollar	26,006	—	25,691	314	19,166	—	19,215	(48)
Euro	14,629	—	14,619	10	12,983	—	12,710	272
Bought	—	—	—	—	—	—	—	—
Currency options								
Sold								
Call	—	—	—	—	97,211	—	—	—
U.S. dollar	[—]	—	—	—	[352]	67	284	
Put	—	—	—	—	—	—	—	—
U.S. dollar	[—]	—	—	—	[352]	67	284	
Bought								
Call	—	—	—	—	—	—	—	—
U.S. dollar	[—]	—	—	—	[—]	—	—	—
Put	—	—	—	—	171,400	—	—	—
U.S. dollar	[—]	—	—	—	[1,081]	238	(842)	
Australian dollar	[—]	—	—	—	[352]	68	(284)	
Canadian dollar	[—]	—	—	—	[444]	123	(321)	
Total	[—]	—	—	—	[283]	46	(236)	
Total				17				226

Notes: 1. Forward exchange rates are used for exchange rates as of March 31, 2019.

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

[Stock-related Transactions]

No ending balance as of March 31, 2018 and March 31, 2019.

[Bond-related Transactions]

(Millions of yen)

	As of March 31, 2018				As of March 31, 2019			
	Notional amount/ contract value	Fair value	Gains (Losses)		Notional amount/ contract value	Fair value	Gains (Losses)	
	Over 1 year				Over 1 year			
Exchange-traded transactions								
Foreign bond futures								
Sold	21,714	—	21,812	(98)	—	—	—	—
Bought	—	—	—	—	—	—	—	—
Total				(98)				—

(iii) Hedge Accounting Applied

[Interest-related Transactions]

No ending balance as of March 31, 2018 and March 31, 2019.

[Currency-related Transactions]

(Millions of yen)

Method of hedge accounting	Hedging instruments	As of March 31, 2018				As of March 31, 2019			
		Hedged items	Notional amount/ contract value		Fair value	Hedged items	Notional amount/ contract value		Fair value
				Over 1 year				Over 1 year	
Fair value hedge method	Currency forward contracts								
	Sold		615,948	—	605,193		807,349	—	810,580
	U.S. dollar		525,595	—	516,082		503,551	—	508,347
	Australian dollar	Foreign currency- denominated bonds	8,575	—	8,146	Foreign currency- denominated bonds	118,220	—	118,240
	Euro		24,628	—	24,149		111,073	—	110,053
	Canadian dollar		43,126	—	42,701		43,211	—	42,826
	British Pound		14,021	—	14,113		31,293	—	31,112
	Bought		—	—	—		—	—	—
Total									

Notes: 1. Forward exchange rates are used for exchange rates as of March 31, 2019.

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)

(Amounts in million of yen)									
Method of hedge accounting	Hedging instruments	As of March 31, 2018				As of March 31, 2019			
		Hedged items	Notional amount/ contract value		Fair value	Hedged items	Notional amount/ contract value		Fair value
				Over 1 year				Over 1 year	
Fair value hedge method	Stock forward contracts								
	Sold	Domestic stocks	1,153	1,153	2,235	Domestic stocks	—	—	—
	Bought		—	—	—		—	—	—
Total									

[Bond-related Transactions]

No ending balance as of March 31, 2018 and March 31, 2019.

12. Status of the Company, Subsidiaries and Affiliates

(1) Selected Financial Data

(100 millions of yen)

	Year ended March 31, 2018	Year ended March 31, 2019
Ordinary revenues	8,064	7,967
Ordinary profits	583	551
Net surplus attributable to the parent company	411	367
Comprehensive income	466	451

	As of March 31, 2018	As of March 31, 2019
Total assets	84,888	85,147
Solvency margin ratio	1,127.4%	1,236.4%

(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, 2018	As of March 31, 2019		As of March 31, 2018	As of March 31, 2019
Assets:			Liabilities:		
Cash and deposits	157,703	153,017	Policy reserves	7,467,875	7,476,860
Call loans	176,000	176,000	Reserve for outstanding claims	22,166	24,584
Monetary claims bought	443	299	Policy reserve	7,391,773	7,393,634
Money held in trust	31,502	23,850	Reserve for dividends to policyholders	53,395	58,176
Securities	7,203,196	7,287,916	Reserve for dividends to policyholders (subsidiary)	539	465
Loans	597,285	564,778	Agency payables	70	117
Tangible fixed assets	218,895	217,393	Reinsurance payables	75	88
Land	125,278	125,180	Subordinated bonds	191,935	191,935
Buildings	86,548	84,624	Other liabilities	59,509	62,838
Lease assets	1,565	1,241	Net defined benefit liabilities	34,019	32,470
Construction in progress	2,052	2,933	Reserve for price fluctuation	105,521	121,357
Other tangible fixed assets	3,450	3,413	Deferred tax liabilities	8,875	1,743
Intangible fixed assets	38,056	34,254	Deferred tax liabilities for land revaluation	14,241	14,225
Software	24,643	23,169	Total liabilities	7,882,122	7,901,637
Goodwill	37	—	Net assets:		
Lease assets	11,226	9,532	Foundation funds	10,000	10,000
Other intangible fixed assets	2,148	1,553	Accumulated foundation funds redeemed	106,000	106,000
Agency receivables	0	1	Reserve for revaluation	112	112
Reinsurance receivables	221	173	Consolidated surplus	139,621	137,669
Other assets	67,341	58,813	Total foundation funds, surplus and others	255,733	253,781
Net defined benefit asset	107	177	Net unrealized gains (losses) on available- for-sale securities, net of tax	344,585	352,453
Deferred tax assets	166	185	Revaluation reserve for land, net of tax	4,173	4,132
Allowance for possible loan losses	(2,049)	(2,096)	Foreign currency translation adjustment	(377)	(496)
			Accumulated remeasurements of defined benefit plans	(6,055)	(5,517)
			Total accumulated other comprehensive income	342,326	350,571
			Non-controlling interests	8,690	8,774
			Total net assets	606,750	613,127
Total assets	8,488,872	8,514,764	Total liabilities and net assets	8,488,872	8,514,764

(4) Consolidated Statements of Operations and Comprehensive Income

[Consolidated Statements of Operations]

(Millions of yen)

	Year ended March 31, 2018	Year ended March 31, 2019
Ordinary revenues:		
Premium and other income	597,178	577,450
Investment income	199,395	208,598
Interest, dividends and other income	173,481	174,763
Gains on money held in trust, net	1,769	—
Gains on trading securities, net	—	3,276
Gains on sales of securities	16,780	29,281
Other investment income	811	315
Gains on separate accounts, net	6,553	962
Other ordinary revenues	9,890	10,685
Total ordinary revenues	806,464	796,734
Ordinary expenses:		
Claims and other payments	561,881	564,389
Claims	132,639	110,872
Annuities	167,565	200,064
Benefits	119,468	125,198
Surrenders	113,367	101,023
Other payments	28,840	27,231
Provision of policy reserve and others	26,600	4,291
Provision of reserve for outstanding claims	—	2,418
Provision of policy reserve	26,588	1,860
Provision of interest portion of reserve for dividends to policyholders	12	12
Provision of interest portion of reserve for dividends to policyholders (subsidiary)	0	0
Investment expenses	38,278	47,271
Interest expenses	4,232	3,892
Losses on money held in trust, net	—	371
Losses on trading securities, net	1,498	—
Losses on sales of securities	4,977	11,610
Losses on valuation of securities	0	39
Losses on derivative instruments, net	225	5,875
Foreign exchange losses, net	16,012	13,397
Provision of allowance for possible loan losses	280	88
Depreciation of real estate for rent and other assets	4,271	4,165
Other investment expenses	6,781	7,829
Operating expenses	98,725	99,232
Other ordinary expenses	22,623	26,362
Total ordinary expenses	748,109	741,547
Ordinary profits	58,354	55,187
Extraordinary gains:		
Gains on disposal of fixed assets	288	3
Others	—	60
Total extraordinary gains	288	63
Extraordinary losses:		
Losses on disposal of fixed assets	552	213
Impairment losses	141	228
Provision of reserve for price fluctuation	13,693	15,836
Losses on advanced depreciation of real estate for tax purpose	3	—
Total extraordinary losses	14,390	16,278
Provision of reserve for dividends to policyholders (subsidiary)	336	337
Surplus before income taxes:	43,916	38,635
Income taxes:		
Current	12,377	12,345
Deferred	(9,722)	(10,450)
Total income taxes	2,655	1,895
Net surplus	41,261	36,739
Net surplus attributable to non-controlling interests	100	1
Net surplus attributable to the parent company	41,161	36,738

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

[Consolidated Statements of Comprehensive Income]

(Millions of yen)

	Year ended March 31, 2018	Year ended March 31, 2019
Net surplus	41,261	36,739
Other comprehensive income:	5,356	8,376
Net unrealized gains (losses) on available-for-sale securities, net of tax	2,115	7,957
Foreign currency translation adjustments	56	(119)
Remeasurements of defined benefit plan, net of tax	3,184	538
Comprehensive income:	46,618	45,116
Comprehensive income attributable to the parent company	46,518	45,024
Comprehensive income attributable to non-controlling interests	100	92

(5) Consolidated Statements of Cash Flows

(Millions of yen)

	Year ended March 31, 2018	Year ended March 31, 2019
Cash flows from operating activities:		
Surplus before income taxes	43,916	38,635
Depreciation of real estate for rent and other assets	4,271	4,165
Depreciation	8,830	12,147
Impairment losses	141	228
Amortization of goodwill	763	37
Increase (decrease) in reserve for outstanding claims	(56)	2,418
Increase (decrease) in policy reserve	26,588	1,860
Provision of interest portion of reserve for dividends to policyholders	12	12
Provision of interest portion of reserve for dividends to policyholders (subsidiary)	0	0
Provision of reserve for dividends to policyholders (subsidiary)	336	337
Increase (decrease) in allowance for possible loan losses	273	46
Increase (decrease) in net defined benefit liabilities	(390)	(870)
Increase (decrease) in reserve for price fluctuation	13,693	15,836
Interest, dividends and other income	(173,481)	(174,763)
Losses (gains) on securities, net	(18,402)	(15,622)
Interest expenses	4,232	3,892
Foreign exchange losses (gains), net	16,012	13,397
Losses (gains) on tangible fixed assets, net	(63)	145
Decrease (increase) in agency receivable	3	(1)
Decrease (increase) in reinsurance receivable	(20)	47
Decrease (increase) in other assets except from investing and financing activities	(1,875)	(878)
Increase (decrease) in agency payable	(28)	47
Increase (decrease) in reinsurance payable	(4)	13
Increase (decrease) in other liabilities except from investing and financing activities	1,642	915
Others	17,202	18,544
Subtotal	(56,403)	(79,406)
Interest, dividends and other income received	180,718	178,314
Interest expenses paid	(4,491)	(3,866)
Dividends to policyholders paid	(32,138)	(33,862)
Dividends to policyholders paid (subsidiary)	(395)	(412)
Corporate income tax (paid) refunded	(14,492)	(10,790)
Net cash provided by (used in) operating activities [a]	72,798	49,976
Cash flows from investing activities:		
Net decrease (increase) in deposits	225	138
Proceeds from sales and redemption of monetary claims bought	271	144
Increase in money held in trust	(8,800)	(2,000)
Decrease in money held in trust	8,800	9,263
Payments for purchase of securities	(916,556)	(644,228)
Proceeds from sales and redemption of securities	821,149	607,481
Payments for additions to loans	(83,642)	(89,212)
Proceeds from collections of loans	108,673	113,336
Proceeds from and payments for settlements of derivatives, net	22,930	(28,014)
Others	(5,897)	(6,735)
Subtotal [b]	(52,845)	(39,825)
[a + b]	19,952	10,151
Payments for purchase of tangible fixed assets	(7,376)	(6,398)
Proceeds from sales of tangible fixed assets	551	95
Payments for purchase of intangible fixed assets	(6,479)	(5,119)
Net cash provided by (used in) investing activities	(66,150)	(51,247)
Cash flows from financing activities:		
Proceeds from issuance of subordinated bonds	30,000	–
Redemption of subordinated bonds	(30,000)	–
Payment of interest on foundation funds	(100)	(100)
Dividends paid to non-controlling interests	(13)	(7)
Payments for lease obligations	(1,526)	(2,915)
Net cash provided by (used in) financing activities	(1,641)	(3,023)
Effect of exchange rate changes on cash and cash equivalents	(643)	(180)
Net increase (decrease) in cash and cash equivalents	4,363	(4,475)
Cash and cash equivalents at the beginning of the fiscal year	328,236	332,599
Cash and cash equivalents at the end of the fiscal year	332,599	328,124

(6) Consolidated Statements of Changes in Net Assets

[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

[For the year ended March 31, 2019]

(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	139,621	255,733
Changes in the fiscal year					
Additions to reserve for dividends to policyholders				(38,630)	(38,630)
Payment of interest on foundation funds				(100)	(100)
Net surplus attributable to the parent company for the fiscal year				36,738	36,738
Reversal of revaluation reserve for land, net of tax				41	41
Net changes, excluding foundation funds, surplus and others					
Total changes in the fiscal year	—	—	—	(1,951)	(1,951)
Balance at the end of the fiscal year	10,000	106,000	112	137,669	253,781

	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	344,585	4,173	(377)	(6,055)	342,326	8,690	606,750
Changes in the fiscal year							
Additions to reserve for dividends to policyholders							(38,630)
Payment of interest on foundation funds							(100)
Net surplus attributable to the parent company for the fiscal year							36,738
Reversal of revaluation reserve for land, net of tax							41
Net changes, excluding foundation funds, surplus and others	7,867	(41)	(119)	538	8,244	84	8,329
Total changes in the fiscal year	7,867	(41)	(119)	538	8,244	84	6,377
Balance at the end of the fiscal year	352,453	4,132	(496)	(5,517)	350,571	8,774	613,127

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, 2019 are listed below:

Fukoku Capital Management, Inc.

Fukokushinrai Life Insurance Co., Ltd.

Fukoku Information Systems Co., Ltd.

Fukoku Life International (U.K.) Ltd.

Fukoku Life International (America) Inc.

Fukoku Life Investments Singapore Pte. Ltd.

Major unconsolidated subsidiary is Fukoku Business Service Company Limited.

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

(2) Application of Equity Method

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

There are no affiliates for the year ended March 31, 2019.

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

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

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

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

- (5) Assets and liabilities denominated in foreign currencies, except for investments in unconsolidated subsidiaries and affiliates, are translated into Japanese yen at the effective exchange rate prevailing at the balance sheet date. Investments in unconsolidated subsidiaries and affiliates are translated into Japanese yen at the exchange rate on the date of acquisition.
- (6) Allowance for possible loan losses for the Company is provided in accordance with the standards of self-assessment and write-offs and reserves on credit quality:
- i. For the credits of borrowers who are legally bankrupt such as being in the proceedings of bankruptcy or civil rehabilitation (hereinafter called “legally bankrupt borrowers”) and who are substantially bankrupt (hereinafter called “substantially bankrupt borrowers”), the Company provides the remaining 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, 2019 was ¥1 million.
- (7) Net defined benefit liability, which is provided for employees’ retirement benefits, is calculated by deducting the amount of pension assets from the amount of retirement benefit obligations incurred as of the balance sheet date based on the projected retirement benefits as of the current fiscal year end.
- The Company uses the following methods of accounting in relation to retirement benefits:
- Method for allocation of projected retirement benefits Benefit formula basis
 - Amortization period of actuarial gains and losses..... 10 years
 - Amortization period of prior service cost..... 10 years
- (8) Reserve for price fluctuation is calculated in accordance with Article 115 of the Insurance Business Act.
- (9) 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, March 10, 2008). The Company applies a fair value hedge accounting as a hedge against the risk of foreign exchange fluctuation in relation to bonds 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) 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, for policies that have begun paying annuities (excluding wife's annuity insurance additional rider), the Company reduced the assumed interest rate to 1.00% and funded additional policy reserves. As of March 31, 2019, the balance of these policy reserves was ¥73,836 million.

The Company also funded additional policy reserves for certain individual annuity insurance policies, whole life insurance policies that include distribution of surplus every five years, new cancer riders and highly advanced medical riders. As of March 31, 2019, the balance of these policy reserves was ¥13,391 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, 2019 were as follows:

	(Millions of yen)		
	Carrying amount	Fair value	Difference
Cash and deposits:			
Cash and deposits not treated as securities.....	¥ 151,527	¥ 151,527	¥ –
Total cash and deposits.....	151,527	151,527	–
Call loans	176,000	176,000	–
Monetary claims bought:			
Claims treated as loans.....	299	319	20
Total monetary claims bought.....	299	319	20
Money held in trust:			
Trading securities.....	22,850	22,850	–
Total money held in trust.....	22,850	22,850	–
Securities:			
Trading securities.....	97,110	97,110	–
Held-to-maturity debt securities.....	1,256,418	1,505,773	249,355
Policy-reserve-matching bonds.....	1,923,187	2,174,682	251,494
Available-for-sale securities.....	3,909,427	3,909,427	–
Total securities.....	7,186,144	7,686,993	500,849
Loans:			
Policy loans.....	59,972	59,971	(0)
Ordinary loans.....	504,806	530,223	25,417
Total loans.....	564,778	590,195	25,416
Assets total.....	8,101,599	8,627,886	526,286
Subordinated bonds ¹	191,935	198,912	6,977
Liabilities total.....	191,935	198,912	6,977
Derivative instruments ² :			
Hedge accounting not applied.....	(107)	(107)	–
Hedge accounting applied.....	(3,230)	(3,230)	–
Total derivative instruments.....	¥ (3,338)	¥ (3,338)	¥ –

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

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

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

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

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

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

Investments in unconsolidated subsidiaries and affiliates, unlisted stocks and investments in partnerships whereby partnership assets consist of unlisted stocks whose fair values are deemed extremely difficult to obtain, are excluded from above securities. The carrying amounts of investments in unconsolidated subsidiaries and affiliates, unlisted stocks and investments in partnerships were ¥404 million, ¥5,696 million, and ¥27,318 million as of March 31, 2019, 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 ¥171,231 million and ¥312,797 million as of March 31, 2019, 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 ¥695 million as of March 31, 2019.

4. The amount of securities lent under lending agreements was ¥299,194 million as of March 31, 2019.

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 ¥954 million as of March 31, 2019;

i. The balance of credits to bankrupt borrowers was ¥172 million as of March 31, 2019.

ii. The balance of delinquent loans was ¥782 million as of March 31, 2019.

iii. There was no balance of delinquent loans past 3 months or more and restructured loans as of March 31, 2019.

The direct write-offs related to loans decreased credits to bankrupt borrowers described above by ¥1 million as of March 31, 2019.

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 ¥167,799 million as of March 31, 2019.

7. Total assets in separate accounts provided for in Article 118 of the Insurance Business Act were ¥71,585 million as of March 31, 2019. 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 ¥3,093 million and ¥36 million as of March 31, 2019, respectively.

9. Deferred tax assets and deferred tax liabilities as of March 31, 2019 were ¥143,826 million and ¥141,111 million, respectively. Valuation allowance for deferred tax assets was ¥4,274 million.

Major components of deferred tax assets were ¥87,060 million of policy reserves, ¥33,980 million of reserve for price fluctuation and ¥14,325 million of net defined benefit liability as of March 31, 2019.

Major component of deferred tax liabilities was ¥136,073 million of net unrealized gains on available-for-sale securities as of March 31, 2019.

The statutory tax rate and the actual effective tax rate for the year ended March 31, 2019 were 28.0% and 4.9%, respectively. The difference between the statutory tax rate and the actual effective tax rate was attributable mainly to -25.1% of reserve for dividends to the policyholders.

10. Changes in reserve for dividends to policyholders for the year ended March 31, 2019 were as follows:

	(Millions of yen)
Balance at the beginning of the fiscal year.....	¥ 53,395
Transfer from surplus in the previous fiscal year.....	38,630
Dividend payments to policyholders during the fiscal year.....	(33,862)
Increase in interest.....	12
Balance at the end of the fiscal year.....	<u>¥ 58,176</u>

11. Changes in reserve for dividends to policyholders (Fukokushinrai Life Insurance Co., Ltd.) for the year ended March 31, 2019 were as follows:

	(Millions of yen)
Balance at the beginning of the fiscal year.....	¥ 539
Dividend payments to policyholders during the fiscal year.....	(412)
Increase in interest.....	0
Provision of reserve for dividends to policyholders.....	337
Balance at the end of the fiscal year.....	<u>¥ 465</u>

12. The amount of stocks of unconsolidated subsidiaries was ¥404 million as of March 31, 2019.

13. Assets pledged as collateral as of March 31, 2019 were ¥17,839 million of securities and ¥744 million of bank deposits. Secured debts as of March 31, 2019, were ¥5,387 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 ¥70 million as of March 31, 2019.

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 ¥54 million as of March 31, 2019.

15. There were unused commitment line agreements under which the Company is the lender of ¥5,994 million as of March 31, 2019.

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 ¥10,530 million as of March 31, 2019.

The contribution is recognized as operating expenses when contributed.

18. Matters Related to Employees' Retirement Benefits as of March 31, 2019

(1) Overview of Employees' Retirement Benefit Plan

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

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

The Company places a retirement benefit trust in relation to the retirement lump-sum grant plan for sales employees.

The simplified method for calculating retirement benefit obligation is applied to a portion of the Company and some consolidated subsidiaries' retirement lump-sum grant plans.

(2) Defined Benefit Plan

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

	(Millions of yen)
Retirement benefit obligation at the beginning of the fiscal year.....	¥ 86,420
Service cost.....	3,667
Interest cost.....	516
Actuarial differences occurred during the fiscal year.....	1,080
Retirement benefit payments.....	(4,301)
Retirement benefit obligation at the end of the fiscal year.....	<u>¥ 87,382</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.....	¥ 52,509
Expected return on pension plan assets.....	972
Actuarial differences occurred during the fiscal year.....	145
Contributions by the employer.....	2,768
Retirement benefit payments.....	(1,306)
Others.....	1
Pension plan assets at the end of the fiscal year.....	<u>¥ 55,090</u>

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

	(Millions of yen)
a. Funded plan retirement benefit obligation.....	¥ 75,691
b. Pension plan assets.....	(55,090)
c. (a + b).....	20,601
d. Unfunded plan retirement benefit obligation.....	11,691
e. Net amount of liabilities and assets presented on the consolidated balance sheet.....	32,292
f. Net defined benefit liabilities.....	32,470
g. Net defined benefit assets.....	(177)
h. Net amount of liabilities and assets presented on the consolidated balance sheet.....	¥ 32,292

iv. Breakdown of retirement benefit gains and losses

	(Millions of yen)
Service cost.....	¥ 3,667
Interest cost.....	516
Expected return on pension plan assets.....	(972)
Amortization of actuarial differences.....	1,759
Amortization of prior service cost.....	(76)
Others.....	(1)
Retirement benefit expenses related to defined benefit plan.....	¥ 4,892

v. Remeasurements of defined benefit plan

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

	(Millions of yen)
Amortization of actuarial differences.....	¥ 823
Amortization of prior service cost.....	(76)
Total.....	¥ 747

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.....	¥ (7,833)
Unrecognized prior service cost.....	171
Total.....	¥ (7,662)

vii. Breakdown of pension plan assets

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

	(Millions of yen)
Domestic stocks.....	44.1%
Life insurance general account.....	33.5%
Domestic bonds.....	9.6%
Foreign stocks.....	7.7%
Foreign bonds.....	3.0%
Others.....	2.1%
Total.....	100.0%

Within the total of pension assets, 37.3% 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, 2019, were as follows:

Discount rate.....	0.6%
Expected long-term rate of return on pension plan assets	
Defined Benefit Plan.....	3.0%
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 ¥324 million as of March 31, 2019.

III. Notes to the Consolidated Statements of Operations

1. The total amounts of revenues and expenses in connection with unconsolidated subsidiaries were ¥83 million and ¥1,806 million for the year ended March 31, 2019.
2. For the year ended March 31, 2019, in calculating the provision of reserve for outstanding claims, a provision of reserves for outstanding claims reinsured of ¥59 million was deducted. In calculating the provision of policy reserves, a provision of reserves for policy reserves reinsured of ¥0 million was deducted.

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, 2019 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.....	¥ 34,395
Reclassification adjustments.....	(23,903)
Before tax adjustments.....	11,032
Tax effects.....	(3,074)
Net unrealized gains (losses) on available-for-sale securities, net of tax.....	¥ 7,957

ii. Foreign currency translation adjustments

	(Millions of yen)
Amount incurred during the fiscal year.....	¥ (119)
Reclassification adjustments.....	—
Before tax adjustments.....	(119)
Tax effects.....	—
Foreign currency translation adjustments.....	¥ (119)

iii. Remeasurements of defined benefit plans, net of tax

	(Millions of yen)
Amount incurred during the fiscal year.....	¥ (935)
Reclassification adjustments.....	1,683
Before tax adjustments.....	747
Tax effects.....	(209)
Remeasurements of defined benefit plans, net of tax.....	538
Total other comprehensive income.....	¥ 8,376

V. Notes to the Consolidated Statements of Cash Flows

1. Cash and cash equivalents as of March 31, 2019 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, 2019 were as follows:

	(Millions of yen)
Cash and deposits.....	¥ 153,017
Call loans.....	176,000
Monetary claims bought.....	299
Time deposits maturing over 3 months of the date of acquisition.....	(100)
Foreign currency deposits maturing over 3 months of the date of acquisition.....	(792)
Monetary claims bought maturing over 3 months of the date of acquisition.....	(299)
Cash and cash equivalents.....	¥ 328,124

(7) Risk-monitored Loans

(Millions of yen)

	As of March 31, 2018	As of March 31, 2019
Credits to bankrupt borrowers	180	172
Delinquent loans	865	782
Delinquent loans past three months or more	—	—
Restructured loans	—	—
Total	1,045	954
[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, 2018 and ¥1 million as of March 31, 2019.

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, 2018	As of March 31, 2019
Total solvency margin (A)	1,556,422	1,633,028
Foundation funds and surplus	223,166	225,497
Reserve for price fluctuation	105,521	121,357
Contingency reserve	189,211	206,629
Catastrophe loss reserve	—	—
General allowance for possible loan losses	1,502	1,608
(Net unrealized gains (losses) on securities (before tax) and deferred hedge gains (losses) (before tax)) × 90%	429,908	439,727
Net unrealized gains on real estate × 85%	122,692	138,679
Sum of unrecognized actuarial differences and unrecognized prior service cost	(8,410)	(7,662)
Excess amount of policy reserve based on full-time Zillmer method	255,285	270,629
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	45,609	44,625
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)	276,097	264,149
Insurance risk R_1	23,756	23,369
General insurance risk R_5	—	—
Catastrophe risk R_6	—	—
3rd sector insurance risk R_8	9,798	9,903
Small amount and short-term insurance risk R_9	—	—
Assumed investment yield risk R_2	32,542	31,752
Minimum guarantee risk R_7	—	—
Investment risk R_3	235,431	224,456
Business risk R_4	6,030	5,789
Solvency margin ratio $\frac{(A)}{(1/2) \times (B)} \times 100$	1,127.4%	1,236.4%

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, 2018	As of March 31, 2019
Total solvency margin (A)	100,176	102,253
Foundation funds and surplus	69,434	69,935
Reserve for price fluctuation	9,722	10,078
Contingency reserve	2,161	2,212
General allowance for possible loan losses	0	0
(Net unrealized gains (losses) on securities (before tax) and deferred hedge gains (losses) (before tax)) × 90%	13,064	14,147
Net unrealized gains on real estate × 85%	—	—
Excess amount of policy reserve based on full-time Zillmer method	2,509	2,389
Qualifying subordinated debt	—	—
The amount of "excess amount of policy reserve based on full-time Zillmer method" and "qualifying subordinated debt" excluded from the calculation of solvency margin	—	—
Deductible items	—	—
Others	3,284	3,490
Total amount of risk $\sqrt{(R_1 + R_8)^2 + (R_2 + R_3 + R_7)^2 + R_4}$ (B)	21,150	20,907
Insurance risk R_1	519	451
3rd sector insurance risk R_8	110	117
Assumed investment yield risk R_2	385	378
Minimum guarantee risk R_7	—	—
Investment risk R_3	20,328	20,099
Business risk R_4	426	420
Solvency margin ratio $\frac{(A)}{(1/2) \times (B)} \times 100$	947.2%	978.1%

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.