

Financial Results for the Nine Months Ended December 31, 2019

Fukoku Mutual Life Insurance Company (President: Yoshiteru Yoneyama) announces financial results for the nine months ended December 31, 2019.

[Contents]

1. Business Highlights	P. 1
2. Investment Results of General Account Assets	P. 3
3. Non-consolidated Balance Sheets	P. 6
4. Non-consolidated Statements of Operations	P. 7
5. Breakdown of Ordinary Profits (Fundamental Profit)	P. 9
6. Solvency Margin Ratio	P.10
7. Status of Separate Account	P.11
8. Status of the Company, Subsidiaries and Affiliates	P.12

1. Business Highlights

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

(i) Policies in Force

		As of March 31, 2019		As of December 31, 2019			
		Number of policies (Thousands)	Amount (100 millions of yen)	Number of policies (Thousands)	Changes (%, Pre-FYE)	Amount (100 millions of yen)	Changes (%, Pre-FYE)
	Individual insurance	3,179	226,080	3,184	100.1	224,966	99.5
	Individual annuities	657	25,523	634	96.5	24,794	97.1
Subtotal		3,837	251,603	3,818	99.5	249,760	99.3
Group insurance		—	173,064	—	—	176,283	101.9
Group annuities		—	21,890	—	—	22,462	102.6

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

Nine months ended December 31, 2018		Total		New business	Net increase by conversion
		Number of policies (Thousands)	Amount (100 millions of yen)	Amount (100 millions of yen)	Amount (100 millions of yen)
	Individual insurance	269	12,000	10,298	1,702
	Individual annuities	5	158	168	(10)
Subtotal		275	12,158	10,467	1,691
Group insurance		—	506	506	—
Group annuities		—	0	0	—

Nine months ended December 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	271	100.5	11,787	98.2	10,327	100.3	1,460	85.8
	Individual annuities	7	134.0	214	135.6	223	132.5	(9)	—
Subtotal		278	101.2	12,001	98.7	10,550	100.8	1,450	85.8
Group insurance		—	—	104	20.7	104	20.7	—	—
Group annuities		—	—	0	2.7	0	2.7	—	—

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

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

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

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

	Nine months ended December 31, 2018	Nine months ended December 31, 2019	
			Changes (%, YoY)
Amount of surrender and lapse (100 millions of yen)	9,355	9,157	97.9
Surrender and lapse ratio (%)	3.68	3.64	(0.04)

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, 2019	As of December 31, 2019	
			Changes (% Pre-FYE)
Individual insurance	2,724	2,702	99.2
Individual annuities	1,240	1,171	94.4
Total	3,964	3,873	97.7
Medical coverage and living benefits	1,120	1,132	101.1

(ii) New Policies

(100 millions of yen, %)

	Nine months ended December 31, 2018	Nine months ended December 31, 2019	
			Changes (% YoY)
Individual insurance	113	106	93.6
Individual annuities	4	6	132.8
Total	118	112	95.1
Medical coverage and living benefits	57	58	101.3

- Notes: 1. Annualized premiums are calculated by using coefficients based on the premium payment method. (For single premium contracts, the amount is calculated by dividing the premium by the coverage period.)
2. Figures for medical coverage and living benefits represent portion of annualized premium corresponding to the medical benefits (hospitalization benefits and surgery benefits, etc.), living benefits (nursing care benefits, etc.) and premium waiver benefits, in which disability cause is excluded but causes such as specific illness are included.
3. New policies include net increase by conversion.

2. Investment Results of General Account Assets

(1) Asset Composition

(Millions of yen, %)

	As of March 31, 2019		As of December 31, 2019	
	Amount	% of total	Amount	% of total
Cash, deposits, and call loans	241,282	3.6 %	320,819	4.8 %
Monetary claims bought	299	0.0	277	0.0
Money held in trust	23,850	0.4	23,938	0.4
Securities	5,499,523	83.2	5,553,160	82.2
Domestic bonds	2,782,013	42.1	2,740,598	40.6
Domestic stocks	672,528	10.2	728,068	10.8
Foreign securities	1,930,616	29.2	1,959,669	29.0
Foreign bonds	1,614,469	24.4	1,630,739	24.2
Foreign stocks and other securities	316,147	4.8	328,930	4.9
Other securities	114,364	1.7	124,823	1.8
Loans	561,138	8.5	566,980	8.4
Policy loans	56,332	0.9	55,200	0.8
Ordinary loans	504,806	7.6	511,779	7.6
Real estate	212,555	3.2	214,302	3.2
Others	76,438	1.2	74,463	1.1
Allowance for possible loan losses	(2,096)	(0.0)	(1,964)	(0.0)
Total	6,612,991	100.0	6,751,977	100.0
Foreign currency denominated assets	2,220,198	33.6	2,266,744	33.6

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

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

(Millions of yen)

	As of March 31, 2019					As of December 31, 2019				
	Book value	Fair value	Gains/losses			Book value	Fair value	Gains/losses		
				Gains	Losses				Gains	Losses
Held-to-maturity debt securities	759,519	899,819	140,300	140,300	—	757,523	885,078	127,555	127,555	—
Domestic bonds	738,491	878,209	139,718	139,718	—	737,889	864,640	126,750	126,750	—
Foreign bonds	21,028	21,610	581	581	—	19,634	20,438	804	804	—
Monetary claims bought	—	—	—	—	—	—	—	—	—	—
Negotiable certificate of deposits	—	—	—	—	—	—	—	—	—	—
Others	—	—	—	—	—	—	—	—	—	—
Policy-reserve-matching bonds	938,273	1,111,124	172,850	173,088	237	905,920	1,061,567	155,646	156,691	1,044
Domestic bonds	936,473	1,109,273	172,799	173,037	237	905,920	1,061,567	155,646	156,691	1,044
Foreign bonds	1,799	1,850	50	50	—	—	—	—	—	—
Investments in subsidiaries and affiliates	—	—	—	—	—	—	—	—	—	—
Available-for-sale securities	3,134,467	3,606,817	472,350	502,516	30,166	3,168,208	3,711,762	543,554	566,920	23,365
Domestic bonds	1,020,560	1,098,130	77,569	79,600	2,031	1,006,678	1,088,045	81,367	81,593	226
Domestic stocks	299,394	603,602	304,208	312,902	8,693	329,954	659,154	329,199	337,890	8,691
Foreign securities	1,735,720	1,808,479	72,758	90,530	17,772	1,748,219	1,857,729	109,509	123,278	13,769
Foreign bonds	1,453,532	1,503,448	49,915	62,862	12,946	1,466,019	1,538,192	72,173	82,541	10,367
Foreign stocks and other securities	282,188	305,030	22,842	27,667	4,825	282,200	319,536	37,335	40,737	3,401
Other securities	78,791	96,605	17,813	19,483	1,669	83,355	106,834	23,478	24,157	678
Money held in trust	—	—	—	—	—	—	—	—	—	—
Monetary claims bought	—	—	—	—	—	—	—	—	—	—
Negotiable certificate of deposits	—	—	—	—	—	—	—	—	—	—
Others	—	—	—	—	—	—	—	—	—	—
Total	4,832,260	5,617,761	785,501	815,904	30,403	4,831,652	5,658,409	826,756	851,166	24,410
Domestic bonds	2,695,525	3,085,613	390,087	392,356	2,268	2,650,488	3,014,252	363,764	365,035	1,271
Domestic stocks	299,394	603,602	304,208	312,902	8,693	329,954	659,154	329,199	337,890	8,691
Foreign securities	1,758,549	1,831,939	73,390	91,163	17,772	1,767,853	1,878,167	110,313	124,082	13,769
Foreign bonds	1,476,361	1,526,909	50,548	63,495	12,946	1,485,653	1,558,631	72,978	83,345	10,367
Foreign stocks and other securities	282,188	305,030	22,842	27,667	4,825	282,200	319,536	37,335	40,737	3,401
Other securities	78,791	96,605	17,813	19,483	1,669	83,355	106,834	23,478	24,157	678
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, 2019	As of December 31, 2019
Held-to-maturity debt securities	—	—
Unlisted foreign bonds	—	—
Others	—	—
Policy-reserve-matching bonds	—	—
Investments in subsidiaries and affiliates	64,787	64,787
Available-for-sale securities	30,905	29,845
Unlisted domestic stocks (except over-the-counter stocks)	5,696	5,684
Unlisted foreign stocks (except over-the-counter stocks)	—	—
Unlisted foreign bonds	—	—
Others	25,209	24,160
Total	95,692	94,632

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 (¥2,109 million as of March 31, 2019 and ¥1,664 million as of December 31, 2019) are included in their balance sheet carrying amounts.

(3) Fair Value Information on Money Held in Trust

(Millions of yen)

	As of March 31, 2019					As of December 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	23,850	23,850	—	—	—	23,938	23,938	—	—	—

• Money held in trust for trading purpose

(Millions of yen)

	As of March 31, 2019		As of December 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	22,850	0	22,938	145

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

(Millions of yen)

	As of March 31, 2019					As of December 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 of Real Estate (Land and Leaseholds)

(Millions of yen)

As of March 31, 2019			As of December 31, 2019		
Carrying value on the balance sheet	Fair value	Gains (losses)	Carrying value on the balance sheet	Fair value	Gains (losses)
125,182	270,621	145,438	125,177	271,991	146,814

Note: Fair value is based on the appraisal value by the real-estate appraiser, the appraisal value for property tax and the road rate.

3. Non-consolidated Balance Sheets

(Millions of yen)

	As of March 31, 2019	As of December 31, 2019
Assets:		
Cash and deposits	66,771	113,514
Call loans	176,000	210,000
Monetary claims bought	299	277
Money held in trust	23,850	23,938
Securities:	5,567,876	5,642,242
[Government bonds]	[2,030,510]	[1,990,464]
[Local government bonds]	[102,277]	[103,700]
[Corporate bonds]	[670,914]	[669,476]
[Stocks]	[696,181]	[752,826]
[Foreign securities]	[1,953,608]	[2,000,930]
Loans:	561,138	566,980
Policy loans	56,332	55,200
Ordinary loans	504,806	511,779
Tangible fixed assets	216,974	218,350
Intangible fixed assets	22,301	21,953
Agency receivables	—	10
Reinsurance receivables	119	13
Other assets	51,341	48,628
Allowance for possible loan losses	(2,096)	(1,964)
Total assets	6,684,576	6,843,944

	As of March 31, 2019	As of December 31, 2019
Liabilities:		
Policy reserves:	5,692,082	5,765,986
Reserve for outstanding claims	20,322	17,249
Policy reserve	5,613,583	5,677,334
Reserve for dividends to policyholders	58,176	71,403
Reinsurance payables	55	61
Subordinated bonds	191,935	191,935
Other liabilities:	51,377	52,434
Corporate income tax payable	4,422	2,299
Asset retirement obligations	2,892	2,935
Rest of the other liabilities	44,062	47,198
Reserve for employees' retirement benefits	24,517	23,967
Reserve for price fluctuation	111,279	113,928
Deferred tax liabilities	2,429	20,734
Deferred tax liabilities for land revaluation	14,225	14,224
Total liabilities	6,087,901	6,183,271
Net assets:		
Foundation funds	10,000	12,000
Accumulated foundation funds redeemed	106,000	116,000
Reserve for revaluation	112	112
Surplus:	133,682	134,731
Legal reserve for future losses	3,071	3,176
Other surplus	130,611	131,555
Reserve for redemption of foundation funds	8,000	—
Reserve for dividend allowances	20,000	20,000
Accumulated fund for price fluctuation	41,000	41,000
Reserve for advanced depreciation of real estate for tax purpose	210	209
Other reserves	767	767
Unappropriated surplus	60,633	69,578
Total foundation funds, surplus and others	249,794	262,843
Net unrealized gains (losses) on available-for-sale securities, net of tax	342,748	393,698
Revaluation reserve for land, net of tax	4,132	4,130
Total valuation and translation adjustments	346,880	397,829
Total net assets	596,674	660,672
Total liabilities and net assets	6,684,576	6,843,944

4. Non-consolidated Statements of Operations

(Millions of yen)

	Nine months ended December 31, 2018	Nine months ended December 31, 2019
Ordinary revenues:		
Premium and other income	395,107	411,216
[Premium income]	[395,019]	[411,188]
Investment income	129,546	138,754
[Interest, dividends and other income]	[108,521]	[109,475]
[Gains on money held in trust, net]	[-]	[110]
[Gains on trading securities, net]	[1,303]	[90]
[Gains on sales of securities]	[19,278]	[24,221]
[Gains on separate accounts, net]	[-]	[4,544]
Other ordinary revenues	8,543	11,914
[Reversal of reserve for outstanding claims]	[1,899]	[3,073]
Total ordinary revenues	533,198	561,885
Ordinary expenses:		
Claims and other payments	354,921	328,949
[Claims]	[85,263]	[73,949]
[Annuities]	[121,312]	[119,545]
[Benefits]	[80,737]	[79,699]
[Surrenders]	[48,356]	[37,815]
[Other payments]	[19,063]	[17,761]
Provision of policy reserve and others:	4,269	63,760
Provision of policy reserve	4,259	63,750
Provision of interest portion of reserve for dividends to policyholders	9	9
Investment expenses	37,382	28,087
[Interest expenses]	[2,899]	[2,895]
[Losses on money held in trust, net]	[802]	[-]
[Losses on sales of securities]	[7,014]	[894]
[Losses on valuation of securities]	[1,386]	[1,130]
[Losses on derivative instruments, net]	[3,581]	[583]
[Foreign exchange losses, net]	[9,106]	[13,047]
[Losses on separate accounts, net]	[3,420]	[-]
Operating expenses	66,974	68,410
Other ordinary expenses	16,009	16,156
Total ordinary expenses	479,557	505,364
Ordinary profits	53,640	56,521
Extraordinary gains:		
Gains on disposal of fixed assets	3	0
Total extraordinary gains	3	0
Extraordinary losses:		
Losses on disposal of fixed assets	36	87
Impairment losses	69	15
Provision of reserve for price fluctuation	2,591	2,649
Total extraordinary losses	2,697	2,752
Surplus before income taxes	50,946	53,769
Income taxes:		
Current	8,222	9,455
Deferred	(1,775)	(1,505)
Total income taxes	6,447	7,949
Net surplus for the period	44,499	45,819

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 Fukuoku 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

- Article 59-7 of the Enforcement Regulations of the Insurance Business Act requires that insurance companies and subsidiaries make an effort to disclose especially important reference information related to conditions of business and property to policyholders and any other customers as stipulated under Article 111, Paragraph 6 of the Insurance Business Act.

To fulfil our efforts to comply with these requirements, we have prepared financial statements for the nine months ended December 31, 2019 in accordance with the first- and third-quarter announcement format model created by The Life Insurance Association of Japan (the “Quarterly Reporting Model”) and generally accepted standards for preparation of quarterly financial statements in Japan. As the Quarterly Reporting Model is prepared for the purpose of fulfilling the obligation above to make an effort to disclose information, disclosures in the Quarterly Reporting Model differ from those prescribed by the regulations concerning terminology, formats, and preparation methods of quarterly financial statements and other reports.

- The amount of securities lent under lending agreements was ¥277,480 million as of December 31, 2019.
- Changes in reserve for dividends to policyholders for the nine months ended December 31, 2019 were as follows:

	(Millions of yen)
Balance at the beginning of the current period.....	¥ 58,176
Transfer from surplus in the previous fiscal year.....	34,671
Dividend payments to policyholders during the current period.....	(21,454)
Increase in interest.....	9
Balance at the end of the current period.....	<u>¥ 71,403</u>

- The Company raised additional foundation funds of ¥12,000 million during the nine months ended December 31, 2019 in accordance with Article 60 of the Insurance Business Act.
- In the nine months ended December 31, 2019, in connection with the redemption of foundation funds of ¥10,000 million, the Company reversed the reserve for redemption of foundation funds and provided the equivalent amount for accumulated foundation funds redeemed in accordance with Article 56 of the Insurance Business Act.

5. Breakdown of Ordinary Profits (Fundamental Profit)

(Millions of yen)

	Nine months ended December 31, 2018	Nine months ended December 31, 2019
Fundamental profit A	65,019	57,089
Capital gains	19,278	24,231
Gains on money held in trust, net	—	9
Gains on trading securities, net	—	—
Gains on sales of securities	19,278	24,221
Gains on derivative instruments, net	—	—
Foreign exchange gains, net	—	—
Other capital gains	—	—
Capital losses	23,999	17,928
Losses on money held in trust, net	915	—
Losses on trading securities, net	1,994	2,272
Losses on sales of securities	7,014	894
Losses on valuation of securities	1,386	1,130
Losses on derivative instruments, net	3,581	583
Foreign exchange losses, net	9,106	13,047
Other capital losses	—	—
Net capital gains (losses) B	(4,720)	6,302
Fundamental profit plus net capital gains (losses) A+B	60,298	63,392
Non-recurring gains	10	4
Reinsurance income	—	—
Reversal of contingency reserve	—	—
Reversal of specific allowance for possible loan losses	10	4
Others	—	—
Non-recurring losses	6,668	6,875
Reinsurance premiums	—	—
Provision for contingency reserve	549	661
Provision of specific allowance for possible loan losses	—	—
Provision of allowance for specified overseas loans	—	—
Write-off of loans	—	262
Others	6,119	5,951
Non-recurring gains (losses) C	(6,658)	(6,870)
Ordinary profits A+B+C	53,640	56,521

- 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): ¥113 million in respect of the nine months ended December 31, 2018 and ¥101 million in respect of the nine months ended December 31, 2019.
2. The following amounts in respect of gains 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): ¥3,298 million in respect of the nine months ended December 31, 2018 and ¥2,362 million in respect of the nine months ended December 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. Solvency Margin Ratio

(Millions of yen)

	As of March 31, 2019	As of December 31, 2019
Total solvency margin (A)	1,550,103	1,659,476
Foundation funds and surplus	212,577	234,513
Reserve for price fluctuation	111,279	113,928
Contingency reserve	204,416	205,078
General allowance for possible loan losses	1,608	1,483
(Net unrealized gains (losses) on securities (before tax) and deferred hedge gains (losses) (before tax)) × 90%	427,014	490,697
Net unrealized gains on real estate × 85%	138,679	144,072
Excess amount of policy reserve based on full-time Zillmer method	268,240	276,525
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	41,135	48,025
Total amount of risk $\sqrt{(R_1 + R_8)^2 + (R_2 + R_3 + R_7)^2} + R_4$ (B)	260,577	267,066
Insurance risk R_1	22,927	22,832
3rd sector insurance risk R_8	9,785	9,885
Assumed investment yield risk R_2	31,373	30,789
Minimum guarantee risk R_7	—	—
Investment risk R_3	221,386	228,382
Business risk R_4	5,709	5,837
Solvency margin ratio $\frac{(A)}{(1/2) \times (B)} \times 100$	1,189.7%	1,242.7%

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.

7. Status of Separate Account

(1) Separate Account Assets by Products

(Millions of yen)

	As of March 31, 2019	As of December 31, 2019
	Amount	Amount
Individual variable insurance	—	—
Individual variable annuities	23	24
Group annuities	71,561	91,942
Total	71,585	91,967

(2) Policies in Force

(i) Individual Variable Insurance

The Company has not sold the individual variable insurance.

(ii) Individual Variable Annuities

(Millions of yen except number of policies)

	As of March 31, 2019		As of December 31, 2019	
	Number of policies	Amount	Number of policies	Amount
Individual variable annuities	8	20	8	20
Total	8	20	8	20

8. Status of the Company, Subsidiaries and Affiliates

(1) Selected Financial Data

(100 millions of yen)

	Nine months ended December 31, 2018	Nine months ended December 31, 2019
Ordinary revenues	6,018	6,593
Ordinary profits	552	572
Net surplus attributable to the parent company	443	458
Comprehensive income	(286)	969

	As of March 31, 2019	As of December 31, 2019
Total assets	85,147	86,579
Solvency margin ratio	1,236.4%	1,286.2%

(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, 2019	As of December 31, 2019
Assets:		
Cash and deposits	153,017	235,242
Call loans	176,000	210,000
Monetary claims bought	299	277
Money held in trust	23,850	23,938
Securities	7,287,916	7,312,543
Loans	564,778	570,627
Tangible fixed assets	217,393	218,778
Intangible fixed assets	34,254	32,084
Agency receivables	1	0
Reinsurance receivables	173	13
Other assets	58,813	55,980
Net defined benefit asset	177	236
Deferred tax assets	185	197
Allowance for possible loan losses	(2,096)	(1,964)
Total assets	8,514,764	8,657,956

	As of March 31, 2019	As of December 31, 2019
Liabilities:		
Policy reserves:	7,476,860	7,535,475
Reserve for outstanding claims	24,584	20,136
Policy reserve	7,393,634	7,443,562
Reserve for dividends to policyholders	58,176	71,403
Reserve for dividends to policyholders (subsidiary)	465	373
Agency payables	117	97
Reinsurance payables	88	76
Subordinated bonds	191,935	191,935
Other liabilities	62,838	63,476
Net defined benefit liabilities	32,470	31,010
Reserve for price fluctuation	121,357	124,266
Deferred tax liabilities	1,743	20,137
Deferred tax liabilities for land revaluation	14,225	14,224
Total liabilities	7,901,637	7,980,700
Net assets:		
Foundation funds	10,000	12,000
Accumulated foundation funds redeemed	106,000	116,000
Reserve for revaluation	112	112
Consolidated surplus	137,669	138,743
Total foundation funds, surplus and others	253,781	266,855
Net unrealized gains (losses) on available-for-sale securities, net of tax	352,453	403,001
Revaluation reserve for land, net of tax	4,132	4,130
Foreign currency translation adjustment	(496)	(596)
Accumulated remeasurements of defined benefit plans	(5,517)	(4,799)
Total accumulated other comprehensive income	350,571	401,735
Non-controlling interests	8,774	8,664
Total net assets	613,127	677,255
Total liabilities and net assets	8,514,764	8,657,956

(4) Consolidated Statements of Operations and Comprehensive Income

[Consolidated Statements of Operations]

(Millions of yen)

	Nine months ended December 31, 2018	Nine months ended December 31, 2019
Ordinary revenues:		
Premium and other income	427,620	488,358
Investment income	148,406	156,892
[Interest, dividends and other income]	[126,277]	[126,549]
[Gains on money held in trust, net]	[-]	[110]
[Gains on trading securities, net]	[1,303]	[90]
[Gains on sales of securities]	[20,383]	[25,284]
[Gains on separate accounts, net]	[-]	[4,544]
Other ordinary revenues	25,846	14,104
[Reversal of reserve for outstanding claims]	[1,803]	[4,448]
[Reversal of reserve for policy reserve]	[16,418]	[-]
Total ordinary revenues	601,873	659,354
Ordinary expenses:		
Claims and other payments	417,412	429,831
[Claims]	[89,833]	[79,317]
[Annuities]	[140,884]	[181,849]
[Benefits]	[90,869]	[89,163]
[Surrenders]	[76,409]	[61,340]
[Other payments]	[19,127]	[17,894]
Provision of policy reserve and others:	9	49,938
Provision of policy reserve	-	49,928
Provision of interest portion of reserve for dividends to policyholders	9	9
Provision of interest portion of reserve for dividends to policyholders (subsidiary)	0	0
Investment expenses	36,369	27,128
[Interest expenses]	[2,921]	[2,913]
[Losses on money held in trust, net]	[802]	[-]
[Losses on sales of securities]	[7,014]	[894]
[Losses on valuation of securities]	[1,386]	[1,130]
[Losses on derivative instruments, net]	[3,581]	[583]
[Foreign exchange losses, net]	[9,107]	[13,051]
[Losses on separate accounts, net]	[3,420]	[-]
Operating expenses	73,207	74,906
Other ordinary expenses	19,662	20,344
Total ordinary expenses	546,661	602,149
Ordinary profits	55,212	57,205
Extraordinary gains:		
Gains on disposal of fixed assets	3	0
Total extraordinary gains	3	0
Extraordinary losses:		
Losses on disposal of fixed assets	37	88
Impairment losses	69	15
Provision of reserve for price fluctuation	2,856	2,908
Total extraordinary losses	2,964	3,012
Provision of reserve for dividends to policyholders (subsidiary)	232	167
Surplus before income taxes	52,018	54,024
Income taxes:		
Current	8,686	9,765
Deferred	(1,055)	(1,531)
Total income taxes	7,631	8,234
Net surplus for the period	44,386	45,790
Net surplus (loss) attributable to non-controlling interests	17	(54)
Net surplus attributable to the parent company	44,369	45,844

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

[Consolidated Statements of Comprehensive Income]

(Millions of yen)

	Nine months ended December 31, 2018	Nine months ended December 31, 2019
Net surplus	44,386	45,790
Other comprehensive income:	(73,079)	51,118
Net unrealized gains (losses) on available-for-sale securities, net of tax	(73,959)	50,501
Foreign currency translation adjustments	(29)	(100)
Remeasurements of defined benefit plan, net of tax	909	717
Comprehensive income:	(28,692)	96,909
Comprehensive income attributable to the parent company	(28,684)	97,010
Comprehensive income attributable to non-controlling interests	(8)	(100)

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.

II. Notes to the Consolidated Balance Sheets

1. Article 59-7 of the Enforcement Regulations of the Insurance Business Act requires that insurance companies and subsidiaries make an effort to disclose especially important reference information related to conditions of business and property to policyholders and any other customers as stipulated under Article 111, Paragraph 6 of the Insurance Business Act.

To fulfil our efforts to comply with these requirements, we have prepared consolidated financial statements for the nine months ended December 31, 2019 in accordance with the first- and third-quarter announcement format model created by The Life Insurance Association of Japan (the “Quarterly Reporting Model”) and generally accepted standards for preparation of quarterly consolidated financial statements in Japan. As the Quarterly Reporting Model is prepared for the purpose of fulfilling the obligation above to make an effort to disclose information, disclosures in the Quarterly Reporting Model differ from those prescribed by the regulations concerning terminology, formats, and preparation methods of quarterly consolidated financial statements and other reports.

2. The amount of securities lent under lending agreements was ¥277,480 million as of December 31, 2019.
3. Changes in reserve for dividends to policyholders for the nine months ended December 31, 2019 were as follows:

	(Millions of yen)
Balance at the beginning of the current period.....	¥ 58,176
Transfer from surplus in the previous fiscal year.....	34,671
Dividend payments to policyholders during the current period.....	(21,454)
Increase in interest.....	9
Balance at the end of the current period.....	<u>¥ 71,403</u>

4. Changes in reserve for dividends to policyholders (Fukokushinrai Life Insurance Co., Ltd.) for the nine months ended December 31, 2019 were as follows:

	(Millions of yen)
Balance at the beginning of the current period.....	¥ 465
Dividend payments to policyholders during the current period.....	(259)
Increase in interest.....	0
Provision of reserve for dividends to policyholders.....	167
Balance at the end of the current period.....	<u>¥ 373</u>

5. The Company raised additional foundation funds of ¥12,000 million during the nine months ended December 31, 2019 in accordance with Article 60 of the Insurance Business Act.
6. In the nine months ended December 31, 2019, in connection with the redemption of foundation funds of ¥10,000 million, the Company reversed the reserve for redemption of foundation funds and provided the equivalent amount for accumulated foundation funds redeemed in accordance with Article 56 of the Insurance Business Act.

III. Notes to the Consolidated Statements of Operations

1. For the nine months ended December 31, 2019, the total amount of depreciation, including depreciation of real estate for rent, was ¥12,478 million.

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

(Millions of yen)

	As of March 31, 2019	As of December 31, 2019
Total solvency margin (A)	1,633,028	1,743,043
Foundation funds and surplus	225,497	247,272
Reserve for price fluctuation	121,357	124,266
Contingency reserve	206,629	207,371
Catastrophe loss reserve	—	—
General allowance for possible loan losses	1,608	1,483
(Net unrealized gains (losses) on securities (before tax) and deferred hedge gains (losses) (before tax)) × 90%	439,727	502,917
Net unrealized gains on real estate × 85%	138,679	144,072
Sum of unrecognized actuarial differences and unrecognized prior service cost	(7,662)	(6,666)
Excess amount of policy reserve based on full-time Zillmer method	270,629	278,862
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	44,625	51,529
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)	264,149	271,026
Insurance risk R_1	23,369	23,268
General insurance risk R_5	—	—
Catastrophe risk R_6	—	—
3rd sector insurance risk R_8	9,903	10,006
Small amount and short-term insurance risk R_9	—	—
Assumed investment yield risk R_2	31,752	31,160
Minimum guarantee risk R_7	—	—
Investment risk R_3	224,456	231,843
Business risk R_4	5,789	5,925
Solvency margin ratio $\frac{(A)}{(1/2) \times (B)} \times 100$	1,236.4%	1,286.2%

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

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