

Financial Results for the Three Months Ended June 30, 2019

Fukoku Mutual Life Insurance Company (President: Yoshiteru Yoneyama) announces financial results for the three months ended June 30, 2019.

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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 June 30, 2019			
		Number of policies (Thousands)	Amount (100 millions of yen)	Number of policies		Amount	
				(Thousands)	Changes (%, Pre-FYE)	(100 millions of yen)	Changes (%, Pre-FYE)
	Individual insurance	3,179	226,080	3,180	100.0	225,848	99.9
	Individual annuities	657	25,523	649	98.8	25,255	98.9
	Subtotal	3,837	251,603	3,830	99.8	251,103	99.8
	Group insurance	—	173,064	—	—	174,400	100.8
	Group annuities	—	21,890	—	—	21,982	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

Three months ended June 30, 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	90	4,089	3,532	557
	Individual annuities	1	55	59	(3)
	Subtotal	92	4,144	3,591	553
	Group insurance	—	70	70	—
	Group annuities	—	0	0	—

Three months ended June 30, 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	92	101.4	4,012	98.1	3,485	98.7	526	94.4
	Individual annuities	2	116.3	62	113.2	66	112.0	(3)	—
	Subtotal	94	101.7	4,074	98.3	3,552	98.9	522	94.4
	Group insurance	—	—	64	91.4	64	91.4	—	—
	Group annuities	—	—	0	1.0	0	1.0	—	—

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)

	Three months ended June 30, 2018	Three months ended June 30, 2019	
			Changes (%, YoY)
Amount of surrender and lapse (100 millions of yen)	3,158	3,162	100.1
Surrender and lapse ratio (%)	1.24	1.26	0.02

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 June 30, 2019	
			Changes (% , Pre-FYE)
Individual insurance	2,724	2,717	99.8
Individual annuities	1,240	1,217	98.2
Total	3,964	3,935	99.3
Medical coverage and living benefits	1,120	1,124	100.4

(ii) New Policies

(100 millions of yen, %)

	Three months ended June 30, 2018	Three months ended June 30, 2019	
			Changes (% , YoY)
Individual insurance	41	34	83.7
Individual annuities	1	1	111.3
Total	43	36	84.7
Medical coverage and living benefits	19	19	102.8

- 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 June 30, 2019	
	Amount	% of total	Amount	% of total
Cash, deposits, and call loans	241,282	3.6 %	261,723	4.0 %
Monetary claims bought	299	0.0	291	0.0
Money held in trust	23,850	0.4	23,792	0.4
Securities	5,499,523	83.2	5,469,411	82.6
Domestic bonds	2,782,013	42.1	2,762,807	41.7
Domestic stocks	672,528	10.2	653,530	9.9
Foreign securities	1,930,616	29.2	1,929,088	29.1
Foreign bonds	1,614,469	24.4	1,608,591	24.3
Foreign stocks and other securities	316,147	4.8	320,497	4.8
Other securities	114,364	1.7	123,985	1.9
Loans	561,138	8.5	561,686	8.5
Policy loans	56,332	0.9	55,974	0.8
Ordinary loans	504,806	7.6	505,712	7.6
Real estate	212,555	3.2	213,348	3.2
Others	76,438	1.2	95,817	1.4
Allowance for possible loan losses	(2,096)	(0.0)	(2,499)	(0.0)
Total	6,612,991	100.0	6,623,573	100.0
Foreign currency denominated assets	2,220,198	33.6	2,212,343	33.4

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 June 30, 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	—	757,288	900,932	143,643	143,643	—
Domestic bonds	738,491	878,209	139,718	139,718	—	738,021	880,803	142,781	142,781	—
Foreign bonds	21,028	21,610	581	581	—	19,266	20,129	862	862	—
Monetary claims bought	—	—	—	—	—	—	—	—	—	—
Negotiable certificate of deposits	—	—	—	—	—	—	—	—	—	—
Others	—	—	—	—	—	—	—	—	—	—
Policy-reserve-matching bonds	938,273	1,111,124	172,850	173,088	237	930,513	1,109,759	179,246	179,304	58
Domestic bonds	936,473	1,109,273	172,799	173,037	237	930,513	1,109,759	179,246	179,304	58
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	3,125,921	3,595,175	469,253	501,430	32,176
Domestic bonds	1,020,560	1,098,130	77,569	79,600	2,031	999,565	1,085,892	86,327	86,756	428
Domestic stocks	299,394	603,602	304,208	312,902	8,693	303,285	584,614	281,329	292,427	11,098
Foreign securities	1,735,720	1,808,479	72,758	90,530	17,772	1,733,872	1,818,305	84,432	103,308	18,875
Foreign bonds	1,453,532	1,503,448	49,915	62,862	12,946	1,445,310	1,508,253	62,942	76,035	13,092
Foreign stocks and other securities	282,188	305,030	22,842	27,667	4,825	288,562	310,052	21,489	27,272	5,783
Other securities	78,791	96,605	17,813	19,483	1,669	89,197	106,362	17,164	18,938	1,773
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	4,813,723	5,605,867	792,144	824,379	32,235
Domestic bonds	2,695,525	3,085,613	390,087	392,356	2,268	2,668,100	3,076,456	408,355	408,842	486
Domestic stocks	299,394	603,602	304,208	312,902	8,693	303,285	584,614	281,329	292,427	11,098
Foreign securities	1,758,549	1,831,939	73,390	91,163	17,772	1,753,139	1,838,434	85,294	104,170	18,875
Foreign bonds	1,476,361	1,526,909	50,548	63,495	12,946	1,464,576	1,528,382	63,805	76,897	13,092
Foreign stocks and other securities	282,188	305,030	22,842	27,667	4,825	288,562	310,052	21,489	27,272	5,783
Other securities	78,791	96,605	17,813	19,483	1,669	89,197	106,362	17,164	18,938	1,773
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 June 30, 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	30,493
Unlisted domestic stocks (except over-the-counter stocks)	5,696	5,685
Unlisted foreign stocks (except over-the-counter stocks)	—	—
Unlisted foreign bonds	—	—
Others	25,209	24,807
Total	95,692	95,280

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 ¥1,703 million as of June 30, 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 June 30, 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	—	—	—	23,792	23,792	—	—	—

• Money held in trust for trading purpose

(Millions of yen)

	As of March 31, 2019		As of June 30, 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	22,792	8

• 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 June 30, 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 June 30, 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	125,182	270,734	145,552

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 June 30, 2019
Assets:		
Cash and deposits	66,771	54,390
Call loans	176,000	210,000
Monetary claims bought	299	291
Money held in trust	23,850	23,792
Securities:	5,567,876	5,536,622
[Government bonds]	[2,030,510]	[2,028,106]
[Local government bonds]	[102,277]	[95,602]
[Corporate bonds]	[670,914]	[661,171]
[Stocks]	[696,181]	[676,192]
[Foreign securities]	[1,953,608]	[1,951,543]
Loans:	561,138	561,686
Policy loans	56,332	55,974
Ordinary loans	504,806	505,712
Tangible fixed assets	216,974	217,591
Intangible fixed assets	22,301	21,615
Reinsurance receivables	119	8
Other assets	51,341	71,818
Allowance for possible loan losses	(2,096)	(2,499)
Total assets	6,684,576	6,695,317

	As of March 31, 2019	As of June 30, 2019
Liabilities:		
Policy reserves:	5,692,082	5,725,599
Reserve for outstanding claims	20,322	18,164
Policy reserve	5,613,583	5,626,040
Reserve for dividends to policyholders	58,176	81,394
Reinsurance payables	55	55
Subordinated bonds	191,935	191,935
Other liabilities:	51,377	51,322
Corporate income tax payable	4,422	2,404
Asset retirement obligations	2,892	2,905
Rest of the other liabilities	44,062	46,012
Reserve for employees' retirement benefits	24,517	24,342
Reserve for price fluctuation	111,279	112,157
Deferred tax liabilities	2,429	712
Deferred tax liabilities for land revaluation	14,225	14,225
Total liabilities	6,087,901	6,120,350
Net assets:		
Foundation funds	10,000	10,000
Accumulated foundation funds redeemed	106,000	106,000
Reserve for revaluation	112	112
Surplus:	133,682	114,537
Legal reserve for future losses	3,071	3,176
Other surplus	130,611	111,361
Reserve for redemption of foundation funds	8,000	10,000
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	39,385
Total foundation funds, surplus and others	249,794	230,649
Net unrealized gains (losses) on available-for-sale securities, net of tax	342,748	340,184
Revaluation reserve for land, net of tax	4,132	4,132
Total valuation and translation adjustments	346,880	344,317
Total net assets	596,674	574,966
Total liabilities and net assets	6,684,576	6,695,317

4. Non-consolidated Statements of Operations

(Millions of yen)

	Three months ended June 30, 2018	Three months ended June 30, 2019
Ordinary revenues:		
Premium and other income	156,016	143,779
[Premium income]	[155,995]	[143,770]
Investment income	41,971	48,812
[Interest, dividends and other income]	[34,215]	[36,005]
[Gains on money held in trust, net]	[38]	[—]
[Gains on trading securities, net]	[1,868]	[—]
[Gains on sales of securities]	[4,186]	[9,638]
[Gains on derivative instruments, net]	[—]	[3,054]
[Gains on separate accounts, net]	[1,617]	[—]
Other ordinary revenues	3,995	4,192
[Reversal of reserve for outstanding claims]	[1,926]	[2,157]
Total ordinary revenues	201,983	196,783
Ordinary expenses:		
Claims and other payments	139,182	122,832
[Claims]	[49,540]	[35,392]
[Annuities]	[40,363]	[40,083]
[Benefits]	[29,672]	[29,811]
[Surrenders]	[12,324]	[13,119]
[Other payments]	[7,225]	[4,370]
Provision of policy reserve and others:	7,938	12,460
Provision of policy reserve	7,935	12,457
Provision of interest portion of reserve for dividends to policyholders	3	3
Investment expenses	11,980	13,621
[Interest expenses]	[965]	[962]
[Losses on money held in trust, net]	[—]	[47]
[Losses on trading securities, net]	[—]	[2,304]
[Losses on sales of securities]	[2,660]	[139]
[Losses on valuation of securities]	[—]	[933]
[Losses on derivative instruments, net]	[3,690]	[—]
[Foreign exchange losses, net]	[2,082]	[5,464]
[Losses on separate accounts, net]	[—]	[82]
Operating expenses	22,274	22,918
Other ordinary expenses	5,419	5,692
Total ordinary expenses	186,796	177,526
Ordinary profits	15,186	19,257
Extraordinary gains:		
Gains on disposal of fixed assets	—	0
Total extraordinary gains	—	0
Extraordinary losses:		
Losses on disposal of fixed assets	11	23
Impairment losses	45	2
Provision of reserve for price fluctuation	863	878
Total extraordinary losses	920	903
Surplus before income taxes	14,266	18,354
Income taxes:		
Current	2,164	3,503
Deferred	(810)	(777)
Total income taxes	1,353	2,726
Net surplus for the period	12,912	15,627

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. As the proposal for appropriation of unappropriated surplus for the fiscal year ended March 31, 2019 was approved by the Board of Representative Member of Policyholders on July 2, 2019, it is included in the non-consolidated balance sheet as of June 30, 2019.

2. The amount of securities lent under lending agreements was ¥298,430 million as of June 30, 2019.

3. Changes in reserve for dividends to policyholders for the three months ended June 30, 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.....	(11,456)
Increase in interest.....	3
Balance at the end of the current period.....	<u>¥ 81,394</u>

4. In accordance with changes in the Articles of Incorporation approved by the Board of Representative Members of Policyholders held on July 2, 2019, during the current fiscal year the Company will newly finance foundation funds of ¥12,000 million pursuant to Article 60 of the Insurance Business Act.

5. Breakdown of Ordinary Profits (Fundamental Profit)

(Millions of yen)

	Three months ended June 30, 2018	Three months ended June 30, 2019
Fundamental profit A	20,561	18,354
Capital gains	4,893	12,692
Gains on money held in trust, net	16	—
Gains on trading securities, net	690	—
Gains on sales of securities	4,186	9,638
Gains on derivative instruments, net	—	3,054
Foreign exchange gains, net	—	—
Other capital gains	—	—
Capital losses	8,432	9,722
Losses on money held in trust, net	—	71
Losses on trading securities, net	—	3,113
Losses on sales of securities	2,660	139
Losses on valuation of securities	—	933
Losses on derivative instruments, net	3,690	—
Foreign exchange losses, net	2,082	5,464
Other capital losses	—	—
Net capital gains (losses) B	(3,539)	2,969
Fundamental profit plus net capital gains (losses) A+B	17,021	21,324
Non-recurring gains	2	—
Reinsurance income	—	—
Reversal of contingency reserve	—	—
Reversal of specific allowance for possible loan losses	2	—
Others	—	—
Non-recurring losses	1,837	2,066
Reinsurance premiums	—	—
Provision for contingency reserve	175	191
Provision of specific allowance for possible loan losses	—	264
Provision of allowance for specified overseas loans	—	—
Write-off of loans	—	—
Others	1,662	1,610
Non-recurring gains (losses) C	(1,834)	(2,066)
Ordinary profits A+B+C	15,186	19,257

- 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): ¥21 million in respect of the three months ended June 30, 2018 and ¥23 million in respect of the three months ended June 30, 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): ¥1,177 million in respect of the three months ended June 30, 2018 and ¥809 million in respect of the three months ended June 30, 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 June 30, 2019
Total solvency margin (A)	1,550,103	1,561,245
Foundation funds and surplus	212,577	219,593
Reserve for price fluctuation	111,279	112,157
Contingency reserve	204,416	204,608
General allowance for possible loan losses	1,608	1,748
(Net unrealized gains (losses) on securities (before tax) and deferred hedge gains (losses) (before tax)) × 90%	427,014	423,861
Net unrealized gains on real estate × 85%	138,679	140,022
Excess amount of policy reserve based on full-time Zillmer method	268,240	270,641
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	43,462
Total amount of risk $\sqrt{(R_1 + R_8)^2 + (R_2 + R_3 + R_7)^2} + R_4$ (B)	260,577	261,293
Insurance risk R_1	22,927	22,878
3rd sector insurance risk R_8	9,785	9,815
Assumed investment yield risk R_2	31,373	31,204
Minimum guarantee risk R_7	—	—
Investment risk R_3	221,386	222,265
Business risk R_4	5,709	5,723
Solvency margin ratio $\frac{(A)}{(1/2) \times (B)} \times 100$	1,189.7%	1,195.0%

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 June 30, 2019
	Amount	Amount
Individual variable insurance	—	—
Individual variable annuities	23	23
Group annuities	71,561	71,720
Total	71,585	71,744

(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 June 30, 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)

	Three months ended June 30, 2018	Three months ended June 30, 2019
Ordinary revenues	2,163	2,316
Ordinary profits	155	194
Net surplus attributable to the parent company	123	156
Comprehensive income	308	141

	As of March 31, 2019	As of June 30, 2019
Total assets	85,147	85,330
Solvency margin ratio	1,236.4%	1,241.9%

(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 June 30, 2019
Assets:		
Cash and deposits	153,017	149,493
Call loans	176,000	210,000
Monetary claims bought	299	291
Money held in trust	23,850	23,792
Securities	7,287,916	7,254,927
Loans	564,778	565,304
Tangible fixed assets	217,393	218,011
Intangible fixed assets	34,254	33,106
Agency receivables	1	0
Reinsurance receivables	173	24
Other assets	58,813	79,541
Net defined benefit asset	177	196
Deferred tax assets	185	872
Allowance for possible loan losses	(2,096)	(2,499)
Total assets	8,514,764	8,533,064
	As of March 31, 2019	As of June 30, 2019
Liabilities:		
Policy reserves:	7,476,860	7,515,578
Reserve for outstanding claims	24,584	21,467
Policy reserve	7,393,634	7,412,378
Reserve for dividends to policyholders	58,176	81,394
Reserve for dividends to policyholders (subsidiary)	465	338
Agency payables	117	130
Reinsurance payables	88	68
Subordinated bonds	191,935	191,935
Other liabilities	62,838	63,260
Net defined benefit liabilities	32,470	31,976
Reserve for price fluctuation	121,357	122,324
Deferred tax liabilities	1,743	1,060
Deferred tax liabilities for land revaluation	14,225	14,225
Total liabilities	7,901,637	7,940,560
Net assets:		
Foundation funds	10,000	10,000
Accumulated foundation funds redeemed	106,000	106,000
Reserve for revaluation	112	112
Consolidated surplus	137,669	118,561
Total foundation funds, surplus and others	253,781	234,673
Net unrealized gains (losses) on available-for-sale securities, net of tax	352,453	350,594
Revaluation reserve for land, net of tax	4,132	4,132
Foreign currency translation adjustment	(496)	(454)
Accumulated remeasurements of defined benefit plans	(5,517)	(5,278)
Total accumulated other comprehensive income	350,571	348,994
Non-controlling interests	8,774	8,836
Total net assets	613,127	592,503
Total liabilities and net assets	8,514,764	8,533,064

(4) Consolidated Statements of Operations and Comprehensive Income

[Consolidated Statements of Operations]

(Millions of yen)

	Three months ended June 30, 2018	Three months ended June 30, 2019
Ordinary revenues:		
Premium and other income	163,630	171,457
Investment income	48,210	54,833
[Interest, dividends and other income]	[39,968]	[41,569]
[Gains on money held in trust, net]	[38]	[—]
[Gains on trading securities, net]	[1,868]	[—]
[Gains on sales of securities]	[4,671]	[10,095]
[Gains on derivative instruments, net]	[—]	[3,054]
[Gains on separate accounts, net]	[1,617]	[—]
Other ordinary revenues	4,514	5,404
[Reversal of reserve for outstanding claims]	[2,121]	[3,116]
Total ordinary revenues	216,355	231,695
Ordinary expenses:		
Claims and other payments	156,796	148,102
[Claims]	[51,219]	[37,417]
[Annuities]	[44,248]	[52,604]
[Benefits]	[32,929]	[32,911]
[Surrenders]	[21,089]	[20,695]
[Other payments]	[7,232]	[4,399]
Provision of policy reserve and others:	1,395	18,747
Provision of policy reserve	1,392	18,744
Provision of interest portion of reserve for dividends to policyholders	3	3
Provision of interest portion of reserve for dividends to policyholders (subsidiary)	0	0
Investment expenses	11,640	13,311
[Interest expenses]	[973]	[968]
[Losses on money held in trust, net]	[—]	[47]
[Losses on trading securities, net]	[—]	[2,304]
[Losses on sales of securities]	[2,660]	[139]
[Losses on valuation of securities]	[—]	[933]
[Losses on derivative instruments, net]	[3,690]	[—]
[Foreign exchange losses, net]	[2,083]	[5,468]
[Losses on separate accounts, net]	[—]	[82]
Operating expenses	24,301	25,031
Other ordinary expenses	6,647	7,014
Total ordinary expenses	200,780	212,207
Ordinary profits	15,574	19,488
Extraordinary gains:		
Gains on disposal of fixed assets	—	0
Total extraordinary gains	—	0
Extraordinary losses:		
Losses on disposal of fixed assets	11	24
Impairment losses	45	2
Provision of reserve for price fluctuation	952	966
Total extraordinary losses	1,009	993
Provision of reserve for dividends to policyholders (subsidiary)	94	55
Surplus before income taxes	14,470	18,439
Income taxes:		
Current	2,250	3,617
Deferred	(144)	(830)
Total income taxes	2,105	2,786
Net surplus for the period	12,365	15,652
Net surplus (loss) attributable to non-controlling interests	12	(11)
Net surplus attributable to the parent company	12,353	15,663

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

[Consolidated Statements of Comprehensive Income]

(Millions of yen)

	Three months ended June 30, 2018	Three months ended June 30, 2019
Net surplus	12,365	15,652
Other comprehensive income:	18,454	(1,495)
Net unrealized gains (losses) on available-for-sale securities, net of tax	18,236	(1,776)
Foreign currency translation adjustments	(85)	41
Remeasurements of defined benefit plan, net of tax	303	239
Comprehensive income:	30,819	14,157
Comprehensive income attributable to the parent company	30,809	14,086
Comprehensive income attributable to non-controlling interests	10	70

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. As the proposal for appropriation of unappropriated surplus for the fiscal year ended March 31, 2019 was approved by the Board of Representative Member of Policyholders on July 2, 2019, it is included in the non-consolidated balance sheet as of June 30, 2019.

2. The amount of securities lent under lending agreements was ¥298,430 million as of June 30, 2019.

3. Changes in reserve for dividends to policyholders for the three months ended June 30, 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.....	(11,456)
Increase in interest.....	3
Balance at the end of the current period.....	<u>¥ 81,394</u>

4. Changes in reserve for dividends to policyholders (Fukokushinrai Life Insurance Co., Ltd.) for the three months ended June 30, 2019 were as follows:

	(Millions of yen)
Balance at the beginning of the current period.....	¥ 465
Dividend payments to policyholders during the current period.....	(182)
Increase in interest.....	0
Provision of reserve for dividends to policyholders.....	55
Balance at the end of the current period.....	<u>¥ 338</u>

5. In accordance with changes in the Articles of Incorporation approved by the Board of Representative Members of Policyholders held on July 2, 2019, during the current fiscal year the Company will newly finance foundation funds of ¥12,000 million pursuant to Article 60 of the Insurance Business Act.

III. Notes to the Consolidated Statements of Operations

1. For the three months ended June 30, 2019, the total amount of depreciation, including depreciation of real estate for rent, was ¥4,110 million.

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

(Millions of yen)

	As of March 31, 2019	As of June 30, 2019
Total solvency margin (A)	1,633,028	1,645,607
Foundation funds and surplus	225,497	232,575
Reserve for price fluctuation	121,357	122,324
Contingency reserve	206,629	206,846
Catastrophe loss reserve	—	—
General allowance for possible loan losses	1,608	1,748
(Net unrealized gains (losses) on securities (before tax) and deferred hedge gains (losses) (before tax)) × 90%	439,727	437,456
Net unrealized gains on real estate × 85%	138,679	140,022
Sum of unrecognized actuarial differences and unrecognized prior service cost	(7,662)	(7,330)
Excess amount of policy reserve based on full-time Zillmer method	270,629	273,009
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	47,020
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	265,010
Insurance risk R_1	23,369	23,317
General insurance risk R_5	—	—
Catastrophe risk R_6	—	—
3rd sector insurance risk R_8	9,903	9,933
Small amount and short-term insurance risk R_9	—	—
Assumed investment yield risk R_2	31,752	31,582
Minimum guarantee risk R_7	—	—
Investment risk R_3	224,456	225,480
Business risk R_4	5,789	5,806
Solvency margin ratio $\frac{(A)}{(1/2) \times (B)} \times 100$	1,236.4%	1,241.9%

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.