

Financial Results for the Six Months Ended September 30, 2019

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

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Attached: Supplementary Materials for the Six Months Ended September 30, 2019

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 September 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	3,179	100.0	225,120	99.6
Individual annuities	657	25,523	640	97.5	24,996	97.9
Subtotal	3,837	251,603	3,819	99.5	250,117	99.4
Group insurance	–	173,064	–	–	175,157	101.2
Group annuities	–	21,890	–	–	22,388	102.3

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

Six months ended September 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	174	7,539	6,577	961
Individual annuities	3	104	111	(7)
Subtotal	177	7,644	6,689	954
Group insurance	–	492	492	–
Group annuities	–	0	0	–

Six months ended September 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	174	100.4	7,486	99.3	6,565	99.8	921	95.8
Individual annuities	4	127.3	133	127.5	139	124.5	(5)	–
Subtotal	179	100.9	7,619	99.7	6,704	100.2	915	95.9
Group insurance	–	–	73	14.9	73	14.9	–	–
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)

	Six months ended September 30, 2018	Six months ended September 30, 2019	
			Changes (%, YoY)
Amount of surrender and lapse (100 millions of yen)	6,151	6,163	100.2
Surrender and lapse ratio (%)	2.42	2.45	0.03

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 September 30, 2019	
			Changes (% Pre-FYE)
Individual insurance	2,724	2,708	99.4
Individual annuities	1,240	1,188	95.8
Total	3,964	3,896	98.3
Medical coverage and living benefits	1,120	1,127	100.6

(ii) New Policies

(100 millions of yen, %)

	Six months ended September 30, 2018	Six months ended September 30, 2019	
			Changes (% YoY)
Individual insurance	76	68	90.1
Individual annuities	3	3	124.6
Total	79	72	91.4
Medical coverage and living benefits	36	37	102.0

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 September 30, 2019	
	Amount	% of total	Amount	% of total
Cash, deposits, and call loans	241,282	3.6 %	344,710	5.1 %
Monetary claims bought	299	0.0	284	0.0
Money held in trust	23,850	0.4	23,574	0.4
Securities	5,499,523	83.2	5,498,283	81.7
Domestic bonds	2,782,013	42.1	2,749,751	40.9
Domestic stocks	672,528	10.2	693,278	10.3
Foreign securities	1,930,616	29.2	1,937,963	28.8
Foreign bonds	1,614,469	24.4	1,628,576	24.2
Foreign stocks and other securities	316,147	4.8	309,387	4.6
Other securities	114,364	1.7	117,290	1.7
Loans	561,138	8.5	565,502	8.4
Policy loans	56,332	0.9	56,044	0.8
Ordinary loans	504,806	7.6	509,457	7.6
Real estate	212,555	3.2	213,966	3.2
Others	76,438	1.2	82,228	1.2
Allowance for possible loan losses	(2,096)	(0.0)	(2,259)	(0.0)
Total	6,612,991	100.0	6,726,291	100.0
Foreign currency denominated assets	2,220,198	33.6	2,234,793	33.2

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)

	Six months ended September 30, 2018	Six months ended September 30, 2019
Cash, deposits, and call loans	(49,392)	103,428
Monetary claims bought	(123)	(14)
Money held in trust	468	(275)
Securities	175,447	(1,239)
Domestic bonds	(27,164)	(32,261)
Domestic stocks	20,736	20,750
Foreign securities	178,520	7,347
Foreign bonds	155,658	14,106
Foreign stocks and other securities	22,862	(6,759)
Other securities	3,354	2,925
Loans	(26,684)	4,364
Policy loans	(292)	(287)
Ordinary loans	(26,391)	4,651
Real estate	(973)	1,411
Others	(294)	5,789
Allowance for possible loan losses	51	(163)
Total	98,500	113,300
Foreign currency denominated assets	202,560	14,595

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

(3) Investment Income

(Millions of yen)

	Six months ended September 30, 2018	Six months ended September 30, 2019
Interest, dividends and other income	74,517	74,076
Interest on deposits	18	11
Interest and dividends on securities	62,255	62,062
Interest on loans	4,760	4,440
Income from real estate for rent	7,425	7,556
Other interest and dividends	57	5
Gains on money held in trust, net	498	–
Gains on trading securities, net	5,380	–
Gains on sales of securities	14,983	17,818
Gains on sales of domestic bonds	859	8,633
Gains on sales of domestic stocks	12,604	7,806
Gains on sales of foreign securities	1,519	486
Other gains on sales of securities	–	892
Gains on derivative instruments, net	–	4,113
Reversal of allowance for possible loan losses	48	–
Other investment income	201	163
Total	95,630	96,172

(4) Investment Expenses

(Millions of yen)

	Six months ended September 30, 2018	Six months ended September 30, 2019
Interest expenses	1,933	1,928
Losses on money held in trust, net	–	254
Losses on trading securities, net	–	3,641
Losses on sales of securities	5,916	534
Losses on sales of domestic bonds	1,416	44
Losses on sales of domestic stocks	391	342
Losses on sales of foreign securities	4,107	147
Losses on valuation of securities	241	795
Losses on valuation of domestic stocks	–	795
Losses on valuation of foreign securities	241	–
Losses on derivative instruments, net	8,754	–
Foreign exchange losses, net	3,939	9,854
Provision of allowance for possible loan losses	–	165
Write-off of loans	–	262
Depreciation of real estate for rent and other assets	2,065	2,051
Other investment expenses	3,791	4,432
Total	26,642	23,921

(5) Net Investment Income

(Millions of yen)

	Six months ended September 30, 2018	Six months ended September 30, 2019
Net investment income	68,987	72,251

(6) Net Valuation Gains/Losses on Trading Securities

(Millions of yen)

	As of March 31, 2019		As of September 30, 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	119,960	(4,530)	109,913	(5,488)

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

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

(Millions of yen)

	As of March 31, 2019					As of September 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	–	757,152	902,331	145,179	145,179	–
Domestic bonds	738,491	878,209	139,718	139,718	–	737,880	882,171	144,291	144,291	–
Foreign bonds	21,028	21,610	581	581	–	19,271	20,159	888	888	–
Monetary claims bought	–	–	–	–	–	–	–	–	–	–
Negotiable certificate of deposits	–	–	–	–	–	–	–	–	–	–
Others	–	–	–	–	–	–	–	–	–	–
Policy-reserve-matching bonds	938,273	1,111,124	172,850	173,088	237	912,608	1,088,196	175,587	176,355	767
Domestic bonds	936,473	1,109,273	172,799	173,037	237	912,608	1,088,196	175,587	176,355	767
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	3,129,385	3,643,662	514,276	549,691	35,414
Domestic bonds	1,020,560	1,098,130	77,569	79,600	2,031	997,850	1,091,134	93,284	93,477	193
Domestic stocks	299,394	603,602	304,208	312,902	8,693	326,755	624,364	297,608	309,580	11,971
Foreign securities	1,735,720	1,808,479	72,758	90,530	17,772	1,724,895	1,828,812	103,916	125,705	21,789
Foreign bonds	1,453,532	1,503,448	49,915	62,862	12,946	1,446,798	1,530,093	83,295	97,941	14,646
Foreign stocks and other securities	282,188	305,030	22,842	27,667	4,825	278,097	298,718	20,621	27,764	7,142
Other securities	78,791	96,605	17,813	19,483	1,669	79,884	99,351	19,467	20,927	1,460
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	4,799,146	5,634,190	835,043	871,225	36,181
Domestic bonds	2,695,525	3,085,613	390,087	392,356	2,268	2,648,339	3,061,502	413,163	414,123	960
Domestic stocks	299,394	603,602	304,208	312,902	8,693	326,755	624,364	297,608	309,580	11,971
Foreign securities	1,758,549	1,831,939	73,390	91,163	17,772	1,744,167	1,848,971	104,804	126,593	21,789
Foreign bonds	1,476,361	1,526,909	50,548	63,495	12,946	1,466,069	1,550,252	84,183	98,829	14,646
Foreign stocks and other securities	282,188	305,030	22,842	27,667	4,825	278,097	298,718	20,621	27,764	7,142
Other securities	78,791	96,605	17,813	19,483	1,669	79,884	99,351	19,467	20,927	1,460
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 September 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	30,832
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	25,147
Total	95,692	95,619

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 ¥1,902 million as of September 30, 2019) are included in their balance sheet carrying amounts.

(8) Fair Value Information on Money Held in Trust

(Millions of yen)

	As of March 31, 2019					As of September 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	–	–	–	23,574	23,574	–	–	–

• Money held in trust for trading purpose

(Millions of yen)

	As of March 31, 2019		As of September 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	22,574	(80)

• 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 September 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 Information on Derivative Instruments (General Account)

(i) Gains and Losses on Derivatives

(Millions of yen)

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)
As of September 30, 2019	Interest- related	Currency- related	Stock- related	Bond- related	Others	Total
Hedge accounting applied	–	(2,553)	–	–	–	(2,553)
Hedge accounting not applied	(435)	304	11	–	–	(120)
Total	(435)	(2,249)	11	–	–	(2,674)

Note: Gains and losses from applying fair value hedge accounting (currency-related losses of ¥3,230 million as of March 31, 2019, and currency-related losses of ¥2,553 million as of September 30, 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, 2019				As of September 30, 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	500,000	340,000	125	(333)	500,000	340,000	23	(435)
[459]					[459]			
Total				(333)				(435)

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

(iii) Currency-related Transactions

(Millions of yen)

	As of March 31, 2019				As of September 30, 2019				
	Notional amount/ contract value	Fair value	Gains (Losses)	Notional amount/ contract value	Fair value	Gains (Losses)	Notional amount/ contract value	Fair value	Gains (Losses)
Over-the-counter transactions									
Currency forward contracts									
Sold	946,124	–	948,571	(2,447)	912,529	–	914,314	(1,785)	
U.S. dollar	563,427	–	568,162	(4,735)	528,224	–	532,003	(3,778)	
Australian dollar	137,386	–	137,455	(69)	125,606	–	125,619	(12)	
Euro	124,056	–	122,763	1,292	119,606	–	117,931	1,674	
Canadian dollar	64,274	–	63,771	503	66,293	–	66,241	51	
British pound	56,978	–	56,417	560	48,312	–	48,328	(15)	
Swedish krona	–	–	–	–	24,485	–	24,190	295	
Bought	–	–	–	–	–	–	–	–	–
Currency options									
Sold									
Call	97,211	–	–	–	105,042	–	–	–	–
U.S. dollar	[352]	–	67	284	[234]	–	36	197	
Put	97,211	–	–	–	105,042	–	–	–	–
U.S. dollar	[352]	–	67	284	[234]	–	36	197	
Put	–	–	–	–	–	–	–	–	–
U.S. dollar	[–]	–	–	–	[–]	–	–	–	–
Bought									
Call	–	–	–	–	–	–	–	–	–
U.S. dollar	[–]	–	–	–	[–]	–	–	–	–
Put	171,400	–	–	–	158,819	–	–	–	–
U.S. dollar	[1,081]	–	238	(842)	[684]	–	22	(661)	
Australian dollar	73,960	–	–	–	118,372	–	–	–	–
Canadian dollar	[352]	–	68	(284)	[262]	–	22	(240)	
British pound	58,680	–	–	–	20,925	–	–	–	–
Swedish krona	[444]	–	123	(321)	[260]	–	0	(259)	
Euro	38,760	–	–	–	19,522	–	–	–	–
U.S. dollar	[283]	–	46	(236)	[161]	–	0	(161)	
Total				(3,004)					(2,249)

Notes: 1. Forward exchange rates are used for exchange rates as of September 30, 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, 2019				As of September 30, 2019				
	Notional amount/ contract value	Fair value	Gains (Losses)	Notional amount/ contract value	Fair value	Gains (Losses)	Notional amount/ contract value	Fair value	Gains (Losses)
Exchange-traded transactions									
Stock index option contracts									
Sold									
Call	–	–	–	–	23,600	–	–	–	–
U.S. dollar	[–]	–	–	–	[37]	–	28	8	
Put	–	–	–	–	–	–	–	–	–
U.S. dollar	[–]	–	–	–	[–]	–	–	–	–
Bought									
Call	–	–	–	–	–	–	–	–	–
U.S. dollar	[–]	–	–	–	[–]	–	–	–	–
Put	–	–	–	–	15,400	–	–	–	–
U.S. dollar	[–]	–	–	–	[32]	–	35	2	
Total				–					11

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

(v) Bond-related Transactions

No ending balance as of March 31, 2019 and September 30, 2019.

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

(Millions of yen)

As of March 31, 2019			As of September 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	125,179	271,904	146,724

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 September 30, 2019
Assets:		
Cash and deposits	66,771	137,542
Call loans	176,000	210,000
Monetary claims bought	299	284
Money held in trust	23,850	23,574
Securities:	5,567,876	5,566,279
[Government bonds]	[2,030,510]	[2,012,905]
[Local government bonds]	[102,277]	[101,436]
[Corporate bonds]	[670,914]	[657,573]
[Stocks]	[696,181]	[716,267]
[Foreign securities]	[1,953,608]	[1,960,785]
Loans:	561,138	565,502
Policy loans	56,332	56,044
Ordinary loans	504,806	509,457
Tangible fixed assets	216,974	218,173
Intangible fixed assets	22,301	21,955
Agency receivables	–	7
Reinsurance receivables	119	14
Other assets:	51,341	57,613
Lease investment assets	666	–
Rest of the other asset	50,674	57,613
Allowance for possible loan losses	(2,096)	(2,259)
Total assets	6,684,576	6,798,688

	As of March 31, 2019	As of September 30, 2019
Liabilities:		
Policy reserves:	5,692,082	5,765,275
Reserve for outstanding claims	20,322	18,778
Policy reserve	5,613,583	5,669,927
Reserve for dividends to policyholders	58,176	76,569
Reinsurance payables	55	63
Subordinated bonds	191,935	191,935
Other liabilities:	51,377	51,232
Corporate income tax payable	4,422	4,683
Asset retirement obligations	2,892	2,922
Rest of the other liabilities	44,062	43,626
Reserve for employees' retirement benefits	24,517	24,074
Reserve for price fluctuation	111,279	113,039
Deferred tax liabilities	2,429	13,290
Deferred tax liabilities for land revaluation	14,225	14,224
Total liabilities	6,087,901	6,173,135
Net assets:		
Foundation funds	10,000	12,000
Accumulated foundation funds redeemed	106,000	116,000
Reserve for revaluation	112	112
Surplus:	133,682	120,669
Legal reserve for future losses	3,071	3,176
Other surplus	130,611	117,493
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	55,517
Total foundation funds, surplus and others	249,794	248,782
Net unrealized gains (losses) on available-for-sale securities, net of tax	342,748	372,639
Revaluation reserve for land, net of tax	4,132	4,130
Total valuation and translation adjustments	346,880	376,770
Total net assets	596,674	625,552
Total liabilities and net assets	6,684,576	6,798,688

4. Non-consolidated Statements of Operations

(Millions of yen)

	Six months ended September 30, 2018	Six months ended September 30, 2019
Ordinary revenues:		
Premium and other income	277,997	296,159
[Premium income]	[277,924]	[296,144]
Investment income	99,860	97,142
[Interest, dividends and other income]	[74,517]	[74,076]
[Gains on money held in trust, net]	[498]	[—]
[Gains on trading securities, net]	[5,380]	[—]
[Gains on sales of securities]	[14,983]	[17,818]
[Gains on derivative instruments, net]	[—]	[4,113]
[Gains on separate accounts, net]	[4,229]	[969]
Other ordinary revenues	4,622	5,931
[Reversal of reserve for outstanding claims]	[249]	[1,543]
Total ordinary revenues	382,480	399,233
Ordinary expenses:		
Claims and other payments	237,785	222,461
[Claims]	[66,792]	[53,246]
[Annuities]	[79,531]	[78,903]
[Benefits]	[53,044]	[53,053]
[Surrenders]	[24,562]	[26,175]
[Other payments]	[13,735]	[10,966]
Provision of policy reserve and others:	20,326	56,350
Provision of policy reserve	20,320	56,343
Provision of interest portion of reserve for dividends to policyholders	6	6
Investment expenses	26,642	23,921
[Interest expenses]	[1,933]	[1,928]
[Losses on money held in trust, net]	[—]	[254]
[Losses on trading securities, net]	[—]	[3,641]
[Losses on sales of securities]	[5,916]	[534]
[Losses on valuation of securities]	[241]	[795]
[Losses on derivative instruments, net]	[8,754]	[—]
[Foreign exchange losses, net]	[3,939]	[9,854]
Operating expenses	44,644	46,448
Other ordinary expenses	10,543	10,755
Total ordinary expenses	339,943	359,937
Ordinary profits	42,536	39,295
Extraordinary gains:		
Gains on disposal of fixed assets	1	0
Total extraordinary gains	1	0
Extraordinary losses:		
Losses on disposal of fixed assets	20	33
Impairment losses	68	8
Provision of reserve for price fluctuation	1,730	1,760
Total extraordinary losses	1,819	1,802
Surplus before income taxes	40,718	37,493
Income taxes:		
Current	7,243	6,702
Deferred	(1,113)	(967)
Total income taxes	6,130	5,735
Net surplus for the period	34,588	31,758

5. Non-consolidated Statements of Changes in Net Assets

[For the six months ended September 30, 2018]

(Millions of yen)

	Foundation funds, surplus and others												
	Foundation funds	Accumulated foundation funds redeemed	Reserve for revaluation	Surplus								Total surplus	Total foundation funds, surplus and others
				Other surplus									
				Legal reserve for future losses	Reserve for redemption of foundation funds	Reserve for dividend allowances	Accumulated fund for price fluctuation	Reserve for advanced depreciation of real estate for tax purpose	Other reserves	Unappropriated surplus			
Balance at the beginning of the current period	10,000	106,000	112	2,954	6,000	20,000	41,000	255	767	64,561	135,538	251,650	
Changes in the current period													
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 current period										34,588	34,588	34,588	
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										24	24	24	
Net changes, excluding foundation funds, surplus and others													
Total changes in the current period	-	-	-	117	2,000	-	-	(45)	-	(6,190)	(4,118)	(4,118)	
Balance at the end of the current period	10,000	106,000	112	3,071	8,000	20,000	41,000	210	767	58,371	131,420	247,532	

	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 current period	335,658	4,173	339,831	591,482
Changes in the current period				
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 current period				34,588
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				24
Net changes, excluding foundation funds, surplus and others	35,828	(24)	35,803	35,803
Total changes in the current period	35,828	(24)	35,803	31,685
Balance at the end of the current period	371,486	4,149	375,635	623,168

[For the six months ended September 30, 2019]

(Millions of yen)

	Foundation funds, surplus and others												
	Foundation funds	Accumulated foundation funds redeemed	Reserve for revaluation	Legal reserve for future losses	Surplus							Total surplus	Total foundation funds, surplus and others
					Other surplus								
					Reserve for redemption of foundation funds	Reserve for dividend allowances	Accumulated fund for price fluctuation	Reserve for advanced depreciation of real estate for tax purpose	Other reserves	Unappropriated surplus			
Balance at the beginning of the current period	10,000	106,000	112	3,071	8,000	20,000	41,000	210	767	60,633	133,682	249,794	
Changes in the current period													
Financing of additional foundation funds	12,000											12,000	
Additions to reserve for dividends to policyholders										(34,671)	(34,671)	(34,671)	
Additions to legal reserve for future losses				105						(105)	-	-	
Additions to accumulated foundation funds redeemed		10,000										10,000	
Payment of interest on foundation funds										(100)	(100)	(100)	
Net surplus for the current period										31,758	31,758	31,758	
Redemption of foundation funds	(10,000)											(10,000)	
Additions to reserve for redemption of foundation funds					2,000					(2,000)	-	-	
Reversal of reserve for redemption of foundation funds					(10,000)						(10,000)	(10,000)	
Reversal of reserve for advanced depreciation of real estate for tax purpose								(1)		1	-	-	
Reversal of revaluation reserve for land, net of tax										1	1	1	
Net changes, excluding foundation funds, surplus and others													
Total changes in the current period	2,000	10,000	-	105	(8,000)	-	-	(1)	-	(5,115)	(13,012)	(1,012)	
Balance at the end of the current period	12,000	116,000	112	3,176	-	20,000	41,000	209	767	55,517	120,669	248,782	

	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 current period	342,748	4,132	346,880	596,674
Changes in the current period				
Financing of additional foundation funds				12,000
Additions to reserve for dividends to policyholders				(34,671)
Additions to legal reserve for future losses				-
Additions to accumulated foundation funds redeemed				10,000
Payment of interest on foundation funds				(100)
Net surplus for the current period				31,758
Redemption of foundation funds				(10,000)
Additions to reserve for redemption of foundation funds				-
Reversal of reserve for redemption of foundation funds				(10,000)
Reversal of reserve for advanced depreciation of real estate for tax purpose				-
Reversal of revaluation reserve for land, net of tax				1
Net changes, excluding foundation funds, surplus and others	29,891	(1)	29,890	29,890
Total changes in the current period	29,891	(1)	29,890	28,878
Balance at the end of the current period	372,639	4,130	376,770	625,552

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

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

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

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

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

(4) Depreciation of 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 September 30, 2019 was ¥0 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) 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 and others denominated in foreign currencies, and a designated hedge accounting ("Furiate shori") for foreign currency swaps as a hedge against the risk of foreign exchange fluctuation in relation to bonds denominated in foreign currencies issued by the Company.
- For assessing the effectiveness of hedge used, ratio analysis of comparing the fluctuations in the fair value or cash flows of hedged items and hedging instruments is mainly applied.
- (10) Accounting of unrecognized actuarial differences and unrecognized prior service costs related to employees' retirement benefits is different to the methods used for these items in the consolidated financial statements.
- (11) The Company accounts for consumption taxes by the tax-exclusion method. The consumption taxes on certain assets, which are not deductible from consumption taxes withheld and that are stipulated to be deferred under the Tax Act, are deferred as prepaid expenses and amortized equally over five years. Consumption taxes other than deferred consumption taxes are recognized as an expense when incurred.
- (12) 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 September 30, 2019, the balance of these policy reserves was ¥73,964 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 September 30, 2019, the balance of these policy reserves was ¥13,391 million.
- (13) The software for internal use is amortized based on straight-line method over the estimated useful lives.
- (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 in accordance with "Temporary Treatment of Accounting and Auditing Concerning Policy-reserve-matching Bonds in Insurance Industry" (Industry Audit Committee Report No. 21 issued by the Japanese Institute of Certified Public Accountants on November 16, 2000).
2. The carrying amounts, fair values and their related differences of major financial assets and liabilities in the general account as of September 30, 2019 were as follows:

	(Millions of yen)		
	Carrying amount	Fair value	Difference
Cash and deposits:			
Cash and deposits not treated as securities.....	¥ 134,710	¥ 134,710	¥ –
Total cash and deposits.....	134,710	134,710	–
Call loans.....	210,000	210,000	–
Monetary claims bought:			
Claims treated as loans.....	284	304	20
Total monetary claims bought.....	284	304	20
Money held in trust:			
Trading securities.....	22,574	22,574	–
Total money held in trust.....	22,574	22,574	–
Securities:			
Trading securities.....	87,338	87,338	–
Held-to-maturity debt securities.....	757,152	902,331	145,179
Policy-reserve-matching bonds.....	912,608	1,088,196	175,587
Available-for-sale securities.....	3,643,662	3,643,662	–
Total securities.....	5,400,761	5,721,528	320,766
Loans:			
Policy loans.....	56,044	56,044	(0)
Ordinary loans.....	509,457	537,850	28,392
Total loans.....	565,502	593,894	28,392
Assets total.....	6,333,834	6,683,013	349,179
Subordinated bonds ¹	191,935	200,718	8,783
Liabilities total.....	191,935	200,718	8,783
Derivative instruments²:			
Hedge accounting not applied.....	(120)	(120)	–
Hedge accounting applied.....	(2,553)	(2,553)	–
Total derivative instruments.....	¥ (2,674)	¥ (2,674)	¥ –

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, ¥5,684 million, and ¥27,050 million as of September 30, 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. Notes related to the fair value of investment and rental properties are omitted as no significant change has occurred since the previous fiscal year-end.

4. The amount of securities lent under lending agreements was ¥308,369 million as of September 30, 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 ¥1,156 million as of September 30, 2019;

- i) The balance of credits to bankrupt borrowers was ¥144 million as of September 30, 2019.
- ii) The balance of delinquent loans was ¥774 million as of September 30, 2019.
- iii) The balance of restructured loans was ¥237 million as of September 30, 2019.
- iv) There was no balance of delinquent loans past 3 months or more as of September 30, 2019.

The direct write-offs related to loans decreased credits to bankrupt borrowers described above by ¥0 million as of September 30, 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 ¥168,789 million as of September 30, 2019.

7. Total assets in separate accounts provided for in Article 118 of the Insurance Business Act were ¥72,397 million as of September 30, 2019. The amounts of separate account liabilities were the same as separate account assets.

8. Changes in reserve for dividends to policyholders for the six months ended September 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.....	(16,285)
Increase in interest.....	6
Balance at the end of the current period.....	<u>¥ 76,569</u>

9. The amount of stocks of subsidiaries was ¥64,787 million as of September 30, 2019.

10. Assets pledged as collateral as of September 30, 2019 were ¥18,529 million of securities and ¥734 million of bank deposits. Secured debts as of September 30, 2019, were ¥5,434 million.

11. 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 ¥0 million as of September 30, 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 ¥26 million as of September 30, 2019.

12. The Company raised additional foundation funds of ¥12,000 million during the six months ended September 30, 2019 in accordance with Article 60 of the Insurance Business Act.

13. In the six months ended September 30, 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.

14. There were unused commitment line agreements under which the Company is the lender of ¥8,434 million as of September 30, 2019.

15. Repayments of subordinated bonds are subordinated to other obligations.

16. The future contribution to the Life Insurance Policyholders Protection Corporation of Japan under Article 259 of the Insurance Business Act was estimated at ¥8,400 million as of September 30, 2019.
The contribution is recognized as operating expenses when contributed.

III. Notes to the Non-consolidated Statements of Operations

1. Major items of gains on sales of securities for the six months ended September 30, 2019 were as follows:

	(Millions of yen)
Domestic bonds.....	¥ 8,633
Domestic stocks and others.....	7,806
Foreign securities.....	486

2. Major items of losses on sales of securities for the six months ended September 30, 2019 were as follows:

	(Millions of yen)
Domestic bonds.....	¥ 44
Domestic stocks and others.....	342
Foreign securities.....	147

3. Major items of losses on valuation of securities for the six months ended September 30, 2019 was as follows:

	(Millions of yen)
Domestic stocks and others.....	¥ 795

4. For the six months ended September 30, 2019, in calculating the reversal of reserve for outstanding claims, a reversal of reserves for outstanding claims reinsured of ¥2 million was deducted. In calculating the provision of policy reserves, a reversal of reserves for policy reserves reinsured of ¥3 million was added.

5. Breakdown of interest, dividends and other income for the six months ended September 30, 2019 was as follows:

	(Millions of yen)
Interest on deposits.....	¥ 11
Interest and dividends on securities.....	62,062
Interest on loans.....	4,440
Income from real estate for rent.....	7,556
Other interest and dividends.....	5
Total.....	<u>¥ 74,076</u>

6. Breakdown of Ordinary Profits (Fundamental Profit)

(Millions of yen)

		Six months ended September 30, 2018	Six months ended September 30, 2019
Fundamental profit	A	47,115	38,620
Capital gains		18,492	21,932
Gains on money held in trust, net		421	–
Gains on trading securities, net		3,087	–
Gains on sales of securities		14,983	17,818
Gains on derivative instruments, net		–	4,113
Foreign exchange gains, net		–	–
Other capital gains		–	–
Capital losses		18,851	16,726
Losses on money held in trust, net		–	316
Losses on trading securities, net		–	5,225
Losses on sales of securities		5,916	534
Losses on valuation of securities		241	795
Losses on derivative instruments, net		8,754	–
Foreign exchange losses, net		3,939	9,854
Other capital losses		–	–
Net capital gains (losses)	B	(359)	5,206
Fundamental profit plus net capital gains (losses)	A+B	46,756	43,826
Non-recurring gains		5	3
Reinsurance income		–	–
Reversal of contingency reserve		–	–
Reversal of specific allowance for possible loan losses		5	3
Others		–	–
Non-recurring losses		4,225	4,533
Reinsurance premiums		–	–
Provision for contingency reserve		433	399
Provision of specific allowance for possible loan losses		–	–
Provision of allowance for specified overseas loans		–	–
Write-off of loans		–	262
Others		3,792	3,871
Non-recurring gains (losses)	C	(4,219)	(4,530)
Ordinary profits	A+B+C	42,536	39,295

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): ¥77 million in respect of the six months ended September 30, 2018 and ¥61 million in respect of the six months ended September 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): ¥2,292 million in respect of the six months ended September 30, 2018 and ¥1,583 million in respect of the six months ended September 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.

7. Disclosed Claims Based on Categories of Obligors

(Millions of yen)

	As of March 31, 2019	As of September 30, 2019
Claims against bankrupt and quasi-bankrupt obligors	175	156
Claims with collection risk	772	767
Claims for special attention	–	237
Subtotal [Percentage of total]	947 [0.11%]	1,161 [0.13%]
Claims against normal obligors	862,815	876,151
Total	863,763	877,313

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.

8. Risk-monitored Loans

(Millions of yen)

	As of March 31, 2019	As of September 30, 2019
Credits to bankrupt borrowers	157	144
Delinquent loans	782	774
Delinquent loans past three months or more	–	–
Restructured loans	–	237
Total [Percentage of total loans]	940 [0.17%]	1,156 [0.20%]

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, 2019 and ¥0 million as of September 30, 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.

9. Solvency Margin Ratio

(Millions of yen)

		As of March 31, 2019	As of September 30, 2019
Total solvency margin	(A)	1,550,103	1,621,689
Foundation funds and surplus		212,577	229,105
Reserve for price fluctuation		111,279	113,039
Contingency reserve		204,416	204,816
General allowance for possible loan losses		1,608	1,777
(Net unrealized gains (losses) on securities (before tax) and deferred hedge gains (losses) (before tax)) × 90%		427,014	464,561
Net unrealized gains on real estate × 85%		138,679	142,590
Excess amount of policy reserve based on full-time Zillmer method		268,240	274,254
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	46,393
Total amount of risk $\sqrt{(R_1 + R_8)^2 + (R_2 + R_3 + R_7)^2} + R_4$	(B)	260,577	265,708
Insurance risk R_1		22,927	22,834
3rd sector insurance risk R_8		9,785	9,835
Assumed investment yield risk R_2		31,373	31,004
Minimum guarantee risk R_7		–	–
Investment risk R_3		221,386	226,832
Business risk R_4		5,709	5,810
Solvency margin ratio	$\frac{(A)}{(1/2) \times (B)} \times 100$	1,189.7%	1,220.6%

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.

10. Status of Separate Account

(1) Separate Account Assets by Products

(Millions of yen)

	As of March 31, 2019		As of September 30, 2019	
	Amount		Amount	
Individual variable insurance	–		–	
Individual variable annuities	23		23	
Group annuities	71,561		72,373	
Total	71,585		72,397	

(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, 2019		As of September 30, 2019	
	Number of policies	Amount	Number of policies	Amount
Individual variable annuities	8	20	8	20
Total	8	20	8	20

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

(Millions of yen)

	As of March 31, 2019		As of September 30, 2019	
	Amount	Percentage	Amount	Percentage
Cash, deposits, call loans	4	18.1%	4	17.3%
Securities	19	81.9	19	82.7
Domestic bonds	–	–	–	–
Domestic stocks	–	–	–	–
Foreign securities	–	–	–	–
Foreign bonds	–	–	–	–
Foreign stocks and other securities	–	–	–	–
Other securities	19	81.9	19	82.7
Loans	–	–	–	–
Others	–	–	–	–
Allowance for possible loan losses	–	–	–	–
Total	23	100.0	23	100.0

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

(Millions of yen)

	Six months ended September 30, 2018	Six months ended September 30, 2019
	Amount	Amount
Interest, dividends and other income	1	0
Gains on sales of securities	–	–
Gains on valuation of securities	8	6
Gains on redemption of securities	–	–
Gains on derivative instruments	–	–
Foreign exchange gains, net	–	–
Other investment income	0	–
Losses on sales of securities	–	–
Losses on valuation of securities	8	5
Losses on redemption of securities	–	–
Losses on derivative instruments	–	–
Foreign exchange losses, net	–	–
Other investment expenses	–	–
Net investment income	0	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, 2019		As of September 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
Trading securities	19	(2)	19	0

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

Reference: Fair Value Information on Securities (Total of General Account and Separate Account)
Net Valuation Gains/Losses on Trading Securities

(Millions of yen)

	As of March 31, 2019		As of September 30, 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	188,313	(6,623)	177,908	(5,522)

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, 2019					As of September 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	–	757,152	902,331	145,179	145,179	–
Domestic bonds	738,491	878,209	139,718	139,718	–	737,880	882,171	144,291	144,291	–
Foreign bonds	21,028	21,610	581	581	–	19,271	20,159	888	888	–
Monetary claims bought	–	–	–	–	–	–	–	–	–	–
Negotiable certificate of deposits	–	–	–	–	–	–	–	–	–	–
Others	–	–	–	–	–	–	–	–	–	–
Policy-reserve-matching bonds	938,273	1,111,124	172,850	173,088	237	912,608	1,088,196	175,587	176,355	767
Domestic bonds	936,473	1,109,273	172,799	173,037	237	912,608	1,088,196	175,587	176,355	767
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	3,129,385	3,643,662	514,276	549,691	35,414
Domestic bonds	1,020,560	1,098,130	77,569	79,600	2,031	997,850	1,091,134	93,284	93,477	193
Domestic stocks	299,394	603,602	304,208	312,902	8,693	326,755	624,364	297,608	309,580	11,971
Foreign securities	1,735,720	1,808,479	72,758	90,530	17,772	1,724,895	1,828,812	103,916	125,705	21,789
Foreign bonds	1,453,532	1,503,448	49,915	62,862	12,946	1,446,798	1,530,093	83,295	97,941	14,646
Foreign stocks and other securities	282,188	305,030	22,842	27,667	4,825	278,097	298,718	20,621	27,764	7,142
Other securities	78,791	96,605	17,813	19,483	1,669	79,884	99,351	19,467	20,927	1,460
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	4,799,146	5,634,190	835,043	871,225	36,181
Domestic bonds	2,695,525	3,085,613	390,087	392,356	2,268	2,648,339	3,061,502	413,163	414,123	960
Domestic stocks	299,394	603,602	304,208	312,902	8,693	326,755	624,364	297,608	309,580	11,971
Foreign securities	1,758,549	1,831,939	73,390	91,163	17,772	1,744,167	1,848,971	104,804	126,593	21,789
Foreign bonds	1,476,361	1,526,909	50,548	63,495	12,946	1,466,069	1,550,252	84,183	98,829	14,646
Foreign stocks and other securities	282,188	305,030	22,842	27,667	4,825	278,097	298,718	20,621	27,764	7,142
Other securities	78,791	96,605	17,813	19,483	1,669	79,884	99,351	19,467	20,927	1,460
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, 2019			As of September 30, 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	759,519	899,819	140,300	757,152	902,331	145,179
Domestic bonds	738,491	878,209	139,718	737,880	882,171	144,291
Foreign bonds	21,028	21,610	581	19,271	20,159	888
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, 2019			As of September 30, 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	929,094	1,102,182	173,088	890,451	1,066,806	176,355
Domestic bonds	927,294	1,100,331	173,037	890,451	1,066,806	176,355
Foreign bonds	1,799	1,850	50	–	–	–
Others	–	–	–	–	–	–
Bonds whose fair value does not exceed the carrying value on the balance sheet	9,179	8,942	(237)	22,156	21,389	(767)
Domestic bonds	9,179	8,942	(237)	22,156	21,389	(767)
Foreign bonds	–	–	–	–	–	–
Others	–	–	–	–	–	–

[Available-for-sale Securities]

(Millions of yen)

	As of March 31, 2019			As of September 30, 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	2,368,764	2,871,281	502,516	2,583,671	3,133,362	549,691
Domestic bonds	876,036	955,637	79,600	986,197	1,079,675	93,477
Domestic stocks	236,860	549,763	312,902	258,861	568,441	309,580
Foreign securities	1,198,845	1,289,376	90,530	1,285,810	1,411,515	125,705
Foreign bonds	981,761	1,044,624	62,862	1,112,590	1,210,532	97,941
Foreign stocks	217,084	244,752	27,667	173,219	200,983	27,764
Other securities	57,021	76,505	19,483	52,802	73,730	20,927
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	765,702	735,535	(30,166)	545,714	510,299	(35,414)
Domestic bonds	144,524	142,493	(2,031)	11,652	11,459	(193)
Domestic stocks	62,533	53,839	(8,693)	67,894	55,922	(11,971)
Foreign securities	536,874	519,102	(17,772)	439,085	417,296	(21,789)
Foreign bonds	471,771	458,824	(12,946)	334,207	319,561	(14,646)
Foreign stocks	65,103	60,278	(4,825)	104,878	97,735	(7,142)
Other securities	21,769	20,100	(1,669)	27,082	25,621	(1,460)
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, 2019	As of September 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	30,832
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	25,147
Total	95,692	95,619

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 ¥1,902 million as of September 30, 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, 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)
As of September 30, 2019	Interest- related	Currency- related	Stock- related	Bond- related	Others	Total
Hedge accounting applied	–	(2,553)	–	–	–	(2,553)
Hedge accounting not applied	(435)	304	11	–	–	(120)
Total	(435)	(2,249)	11	–	–	(2,674)

Note: Gains and losses from applying fair value hedge accounting (currency-related losses of ¥3,230 million as of March 31, 2019, and currency-related losses of ¥2,553 million as of September 30, 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, 2019				As of September 30, 2019			
	Notional amount/ contract value	Fair value	Gains (Losses)	Gains (Losses)	Notional amount/ contract value	Fair value	Gains (Losses)	Gains (Losses)
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	500,000	340,000			500,000	340,000		
[459]			125	(333)	[459]		23	(435)
Total				(333)				(435)

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

[Currency-related Transactions]

(Millions of yen)

	As of March 31, 2019				As of September 30, 2019			
	Notional amount/ contract value	Fair value	Gains (Losses)	Notional amount/ contract value	Fair value	Gains (Losses)		
								Over 1 year
Over-the-counter transactions								
Currency forward contracts								
Sold	138,780	–	137,997	783	125,049	–	124,280	768
U.S. dollar	59,882	–	59,821	60	53,033	–	52,693	339
British pound	25,684	–	25,304	380	23,269	–	23,187	82
Canadian dollar	21,063	–	20,944	118	20,589	–	20,712	(122)
Australian dollar	19,166	–	19,215	(48)	15,674	–	15,647	26
Euro	12,983	–	12,710	272	12,482	–	12,039	442
Bought	–	–	–	–	–	–	–	–
Currency options								
Sold								
Call	97,211	–	–	–	105,042	–	–	–
U.S. dollar	[352]	–	67	284	[234]	–	36	197
Put	97,211	–	–	–	105,042	–	–	–
U.S. dollar	[352]	–	67	284	[234]	–	36	197
Put	–	–	–	–	–	–	–	–
U.S. dollar	[–]	–	–	–	[–]	–	–	–
Bought								
Call	–	–	–	–	–	–	–	–
U.S. dollar	[–]	–	–	–	[–]	–	–	–
Put	171,400	–	–	–	158,819	–	–	–
U.S. dollar	[1,081]	–	238	(842)	[684]	–	22	(661)
Australian dollar	[73,960]	–	–	–	[118,372]	–	–	–
Canadian dollar	[352]	–	68	(284)	[262]	–	22	(240)
Euro	[58,680]	–	–	–	[20,925]	–	–	–
Other	[444]	–	123	(321)	[260]	–	0	(259)
Other	[38,760]	–	–	–	[19,522]	–	–	–
Other	[283]	–	46	(236)	[161]	–	0	(161)
Total				226				304

Notes: 1. Forward exchange rates are used for exchange rates as of September 30, 2019.

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

[Stock-related Transactions]

(Millions of yen)

	As of March 31, 2019				As of September 30, 2019			
	Notional amount/ contract value	Fair value	Gains (Losses)	Notional amount/ contract value	Fair value	Gains (Losses)		
								Over 1 year
Exchange-traded transactions								
Stock index options								
Sold								
Call	–	–	–	–	23,600	–	–	–
U.S. dollar	[–]	–	–	–	[37]	–	28	8
Put	–	–	–	–	–	–	–	–
U.S. dollar	[–]	–	–	–	[–]	–	–	–
Bought								
Call	–	–	–	–	–	–	–	–
U.S. dollar	[–]	–	–	–	[–]	–	–	–
Put	–	–	–	–	15,400	–	–	–
U.S. dollar	[–]	–	–	–	[32]	–	35	2
Total				–				11

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

[Bond-related Transactions]

No ending balance as of March 31, 2019 and September 30, 2019.

(iii) Hedge Accounting Applied

[Interest-related Transactions]

No ending balance as of March 31, 2019 and September 30, 2019.

[Currency-related Transactions]

(Millions of yen)

Method of hedge accounting	Hedging instruments	As of March 31, 2019			As of September 30, 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	Foreign currency-denominated bonds							
	Sold		807,349	–	810,580	Foreign currency-denominated bonds	787,480	–	790,033
	U.S. dollar		503,551	–	508,347		475,191	–	479,309
	Australian dollar		118,220	–	118,240		109,932	–	109,971
	Euro		111,073	–	110,053		107,124	–	105,891
	Canadian dollar		43,211	–	42,826		45,703	–	45,529
	British pound		31,293	–	31,112		25,043	–	25,141
	Swedish krona		–	–	–		24,485	–	24,190
	Bought		–	–		–	–	–	
	Total								

Notes: 1. Forward exchange rates are used for exchange rates as of September 30, 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]

No ending balance as of March 31, 2019 and September 30, 2019.

[Bond-related Transactions]

No ending balance as of March 31, 2019 and September 30, 2019.

11. Status of the Company, Subsidiaries and Affiliates

(1) Selected Financial Data

(100 million of yen)

	Six months ended September 30, 2018	Six months ended September 30, 2019
Ordinary revenues	4,107	4,657
Ordinary profits	433	395
Net surplus attributable to the parent company	340	316
Comprehensive income	690	628

	As of March 31, 2019	As of September 30, 2019
Total assets	85,147	86,259
Solvency margin ratio	1,236.4%	1,265.6%

(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 September 30, 2019
Assets:		
Cash and deposits	153,017	249,617
Call loans	176,000	210,000
Monetary claims bought	299	284
Money held in trust	23,850	23,574
Securities	7,287,916	7,258,925
Loans	564,778	569,152
Tangible fixed assets	217,393	218,635
Intangible fixed assets	34,254	32,659
Agency receivables	1	0
Reinsurance receivables	173	14
Other assets	58,813	64,884
Net defined benefit asset	177	216
Deferred tax assets	185	220
Allowance for possible loan losses	(2,096)	(2,260)
Total assets	8,514,764	8,625,926
	As of March 31, 2019	As of September 30, 2019
Liabilities:		
Policy reserves:	7,476,860	7,546,719
Reserve for outstanding claims	24,584	22,460
Policy reserve	7,393,634	7,447,317
Reserve for dividends to policyholders	58,176	76,569
Reserve for dividends to policyholders (subsidiary)	465	372
Agency payables	117	108
Reinsurance payables	88	72
Subordinated bonds	191,935	191,935
Other liabilities	62,838	61,949
Net defined benefit liabilities	32,470	31,380
Reserve for price fluctuation	121,357	123,292
Deferred tax liabilities	1,743	13,069
Deferred tax liabilities for land revaluation	14,225	14,224
Total liabilities	7,901,637	7,982,752
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	124,555
Total foundation funds, surplus and others	253,781	252,668
Net unrealized gains (losses) on available-for-sale securities, net of tax	352,453	383,166
Revaluation reserve for land, net of tax	4,132	4,130
Foreign currency translation adjustments	(496)	(558)
Accumulated remeasurements of defined benefit plans	(5,517)	(5,038)
Total accumulated other comprehensive income	350,571	381,699
Non-controlling interests	8,774	8,806
Total net assets	613,127	643,174
Total liabilities and net assets	8,514,764	8,625,926

(4) Consolidated Statements of Operations and Comprehensive Income

[Consolidated Statements of Operations]

(Millions of yen)

	Six months ended September 30, 2018	Six months ended September 30, 2019
Ordinary revenues:		
Premium and other income	293,442	349,725
Investment income	112,354	108,987
[Interest, dividends and other income]	[86,296]	[85,464]
[Gains on money held in trust, net]	[498]	[–]
[Gains on trading securities, net]	[5,380]	[–]
[Gains on sales of securities]	[15,698]	[18,276]
[Gains on derivative instruments, net]	[–]	[4,113]
[Gains on separate accounts, net]	[4,229]	[969]
Other ordinary revenues	4,982	7,039
[Reversal of reserve for outstanding claims]	[–]	[2,124]
Total ordinary revenues	410,780	465,751
Ordinary expenses:		
Claims and other payments	277,519	284,951
[Claims]	[69,881]	[56,785]
[Annuities]	[90,790]	[115,550]
[Benefits]	[59,782]	[59,196]
[Surrenders]	[43,121]	[42,197]
[Other payments]	[13,760]	[11,048]
Provision of policy reserve and others:	2,217	53,689
Provision of reserve for outstanding claims	225	–
Provision of policy reserve	1,985	53,683
Provision of interest portion of reserve for dividends to policyholders	6	6
Provision of interest portion of reserve for dividends to policyholders (subsidiary)	0	0
Investment expenses	25,959	23,296
[Interest expenses]	[1,948]	[1,941]
[Losses on money held in trust, net]	[–]	[254]
[Losses on trading securities, net]	[–]	[3,641]
[Losses on sales of securities]	[5,916]	[534]
[Losses on valuation of securities]	[241]	[795]
[Losses on derivative instruments, net]	[8,754]	[–]
[Foreign exchange losses, net]	[3,940]	[9,859]
Operating expenses	48,860	50,924
Other ordinary expenses	12,920	13,369
Total ordinary expenses	367,477	426,231
Ordinary profits	43,303	39,520
Extraordinary gains:		
Gains on disposal of fixed assets	1	0
Total extraordinary gains	1	0
Extraordinary losses:		
Losses on disposal of fixed assets	20	34
Impairment losses	68	8
Provision of reserve for price fluctuation	1,908	1,934
Total extraordinary losses	1,997	1,978
Provision of reserve for dividends to policyholders (subsidiary)	187	109
Surplus before income taxes	41,119	37,432
Income taxes:		
Current	7,501	6,910
Deferred	(449)	(1,080)
Total income taxes	7,051	5,829
Net surplus for the period	34,068	31,602
Net loss attributable to non-controlling interests	7	54
Net surplus attributable to the parent company	34,075	31,657

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

[Consolidated Statements of Comprehensive Income]

(Millions of yen)

	Six months ended September 30, 2018	Six months ended September 30, 2019
Net surplus	34,068	31,602
Other comprehensive income:	34,997	31,225
Net unrealized gains (losses) on available-for-sale securities, net of tax	34,481	30,809
Foreign currency translation adjustments	(90)	(62)
Remeasurements of defined benefit plan, net of tax	606	478
Comprehensive income:	69,066	62,827
Comprehensive income attributable to the parent company	69,213	62,786
Comprehensive income attributable to non-controlling interests	(147)	41

(5) Consolidated Statements of Cash Flows

(Millions of yen)

	Six months ended September 30, 2018	Six months ended September 30, 2019
Cash flows from operating activities:		
Surplus before income taxes	41,119	37,432
Depreciation of real estate for rent and other assets	2,065	2,051
Depreciation	5,950	6,223
Impairment losses	68	8
Amortization of goodwill	18	–
Increase (decrease) in reserve for outstanding claims	225	(2,124)
Increase (decrease) in policy reserve	1,985	53,683
Provision of interest on reserve for dividends to policyholders	6	6
Provision of interest on reserve for dividends to policyholders (subsidiary)	0	0
Provision of reserve for dividends to policyholders (subsidiary)	187	109
Increase (decrease) in allowance for possible loan losses	(51)	163
Increase (decrease) in net defined benefit liabilities	(373)	(464)
Increase (decrease) in reserve for price fluctuation	1,908	1,934
Interest, dividends and other income	(86,296)	(85,464)
Losses (gains) on securities, net	(10,894)	(18,132)
Interest expenses	1,948	1,941
Foreign exchange losses (gains), net	3,940	9,859
Losses (gains) on tangible fixed assets, net	15	29
Others	(1,425)	900
Subtotal	(39,601)	8,158
Interest, dividends and other income received	89,650	90,507
Interest expenses paid	(1,934)	(1,930)
Dividends to policyholders paid	(16,172)	(16,285)
Dividends to policyholders paid (subsidiary)	(252)	(202)
Corporate income tax (paid) refunded	(4,915)	(6,534)
Net cash provided by (used in) operating activities [a]	26,773	73,712
Cash flows from investing activities:		
Net decrease (increase) in deposits	(29)	(369)
Proceeds from sales and redemption of monetary claims bought	123	14
Increase in money held in trust	(2,000)	(1,000)
Decrease in money held in trust	2,000	1,000
Payments for purchase of securities	(416,483)	(281,479)
Proceeds from sales and redemption of securities	350,901	330,595
Payments for additions to loans	(30,230)	(37,636)
Proceeds from collections of loans	53,028	28,923
Proceeds from and payments for settlements of derivatives, net	(26,910)	27,341
Others	(3,045)	(3,733)
Subtotal [b]	(72,644)	63,655
[a + b]	(45,870)	137,367
Payments for purchase of tangible fixed assets	(2,489)	(4,409)
Proceeds from sales of tangible fixed assets	61	103
Payments for purchase of intangible fixed assets	(2,273)	(3,156)
Net cash provided by (used in) investing activities	(77,346)	56,192
Cash flows from financing activities:		
Financing of additional foundation funds	–	12,000
Redemption of foundation funds	–	(10,000)
Payment of interest on foundation funds	(100)	(100)
Dividends paid to non-controlling interests	(7)	(9)
Payments for lease obligations	(1,435)	(1,538)
Net cash provided by (used in) financing activities	(1,544)	351
Effect of exchange rate changes on cash and cash equivalents	(83)	(5)
Net increase (decrease) in cash and cash equivalents	(52,200)	130,251
Cash and cash equivalents at the beginning of the period	332,599	328,124
Cash and cash equivalents at the end of the period	280,398	458,375

(6) Consolidated Statements of Changes in Net Assets

[For the six months ended September 30, 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 current period	10,000	106,000	112	139,621	255,733
Changes in the current period					
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 current period				34,075	34,075
Reversal of revaluation reserve for land, net of tax				24	24
Net changes, excluding foundation funds, surplus and others					
Total changes in the current period	—	—	—	(4,631)	(4,631)
Balance at the end of the current period	10,000	106,000	112	134,989	251,102

	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 current period	344,585	4,173	(377)	(6,055)	342,326	8,690	606,750
Changes in the current period							
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 current period							34,075
Reversal of revaluation reserve for land, net of tax							24
Net changes, excluding foundation funds, surplus and others	34,622	(24)	(90)	606	35,113	(155)	34,958
Total changes in the current period	34,622	(24)	(90)	606	35,113	(155)	30,327
Balance at the end of the current period	379,208	4,149	(467)	(5,449)	377,440	8,534	637,077

[For the six months ended September 30, 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 current period	10,000	106,000	112	137,669	253,781
Changes in the current period					
Financing of additional foundation funds	12,000				12,000
Additions to reserve for dividends to policyholders				(34,671)	(34,671)
Additions to accumulated foundation funds redeemed		10,000			10,000
Payment of interest on foundation funds				(100)	(100)
Net surplus attributable to the parent company for the current period				31,657	31,657
Redemption of foundation funds	(10,000)				(10,000)
Reversal of reserve for redemption of foundation funds				(10,000)	(10,000)
Reversal of revaluation reserve for land, net of tax				1	1
Net changes, excluding foundation funds, surplus and others					
Total changes in the current period	2,000	10,000	-	(13,113)	(1,113)
Balance at the end of the current period	12,000	116,000	112	124,555	252,668

	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 current period	352,453	4,132	(496)	(5,517)	350,571	8,774	613,127
Changes in the current period							
Financing of additional foundation funds							12,000
Additions to reserve for dividends to policyholders							(34,671)
Additions to accumulated foundation funds redeemed							10,000
Payment of interest on foundation funds							(100)
Net surplus attributable to the parent company for the current period							31,657
Redemption of foundation funds							(10,000)
Reversal of reserve for redemption of foundation funds							(10,000)
Reversal of revaluation reserve for land, net of tax							1
Net changes, excluding foundation funds, surplus and others	30,713	(1)	(62)	478	31,128	32	31,160
Total changes in the current period	30,713	(1)	(62)	478	31,128	32	30,046
Balance at the end of the current period	383,166	4,130	(558)	(5,038)	381,699	8,806	643,174

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 September 30, 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 six months ended September 30, 2019.

(3) Interim closing dates of consolidated subsidiaries

Among the subsidiaries to be consolidated, interim closing dates of overseas subsidiaries are June 30. For the preparation of consolidated financial statements, financial statements as of that date are used and concerning any important transaction taking place in between June 30 and the consolidated closing date, necessary adjustments for consolidation are made.

II. Notes to the Consolidated Balance Sheets

1. (1) The valuation of securities, including cash and deposits and monetary claims bought which are equivalent to securities, and securities managed as trust assets in money held in trust, is as follows:
- i) Trading securities are stated at fair market value. Costs of their sales are determined by the moving average method.
 - ii) Held-to-maturity debt securities are stated at amortized cost under the straight-line method, cost being determined by the moving average method.
 - iii) Policy-reserve-matching bonds are stated at amortized cost under the straight-line method, cost being determined by the moving average method in accordance with “Temporary Treatment of Accounting and Auditing Concerning Policy-reserve-matching Bonds in the Insurance Industry” (Industry Audit Committee Report No.21 issued by the Japanese Institute of Certified Public Accountants on November 16, 2000).
 - iv) Investments in unconsolidated subsidiaries and affiliates which are not accounted for under the equity method are stated at cost, cost being determined by the moving average method.
 - v) Available-for-sale securities with fair market value are stated at fair market value based on the market prices at the end of the current period. Costs of their sales are determined by the moving average method. Net unrealized gains or losses on these available-for-sale securities, net of taxes, are recorded as a separate component of net assets.

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

- (2) Derivative instruments are stated at fair market value.
- (3) The Company revalued the land used in the operations based on the Act for Revaluation of Land (Act No.34 promulgated on March 31, 1998). The difference between fair value and book value resulting from the revaluation, net of related taxes, is recorded as revaluation reserve for land as a separate component of net assets and the related tax is recorded as deferred tax liabilities for land revaluation.
- Date of revaluation: March 31, 2002
 - Method of revaluation as prescribed for in Article 3 Paragraph 3 of the said Act:
Calculation is based on the appraisal value for property tax set forth in Article 2 item 3 of the Enforcement Ordinance of the Act for Revaluation of Land (Government Ordinance No.119 promulgated on March 31, 1998) and the road rate set forth in Article 2 item 4 of the said Ordinance with certain reasonable adjustments.
- (4) Depreciation of the Company’s tangible fixed assets is calculated by the following methods.
- Tangible fixed assets (excluding lease assets): Declining-balance method
However, buildings (excluding building attachments and structures acquired on or before March 31, 2016) acquired on or after April 1, 1998 are depreciated using Straight-line method.
 - Lease assets related to finance lease transactions that do not transfer ownership: Straight-line method over the lease term with no residual value.
- Other tangible fixed assets acquired for ¥100,000 or more but less than ¥200,000 are depreciated equally over three years.

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

(6) Allowance for possible loan losses 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 September 30, 2019 was ¥0 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) 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 and others denominated in foreign currencies, and a designated hedge accounting (“Furiate shori”) for foreign currency swaps as a hedge against the risk of foreign exchange fluctuation in relation to bonds denominated in foreign currencies issued by the Company.

For assessing the effectiveness of hedge used, ratio analysis of comparing the fluctuations in the fair value or cash flows of hedged items and hedging instruments is mainly applied.

(10) The Company accounts for consumption taxes by the tax-exclusion method. The consumption taxes on certain assets, which are not deductible from consumption taxes withheld and that are stipulated to be deferred under the Tax Act, are deferred as prepaid expenses and amortized equally over five years. Consumption taxes other than deferred consumption taxes are recognized as an expense when incurred.

(11) 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 September 30, 2019, the balance of these policy reserves was ¥73,964 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 September 30, 2019, the balance of these policy reserves was ¥13,391 million.

(12) 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.

(13) 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. The carrying amounts, fair values and their related differences of major financial assets and liabilities in the general account as of September 30, 2019 were as follows:

	(Millions of yen)		
	Carrying amount	Fair value	Difference
Cash and deposits:			
Cash and deposits not treated as securities.....	¥ 246,785	¥ 246,785	¥ –
Total cash and deposits.....	246,785	246,785	–
Call loans	210,000	210,000	–
Monetary claims bought:			
Claims treated as loans.....	284	304	20
Total monetary claims bought.....	284	304	20
Money held in trust:			
Trading securities.....	22,574	22,574	–
Total money held in trust.....	22,574	22,574	–
Securities:			
Trading securities.....	87,338	87,338	–
Held-to-maturity debt securities.....	1,274,938	1,537,813	262,874
Policy-reserve-matching bonds.....	1,824,195	2,078,211	254,015
Available-for-sale securities.....	3,971,317	3,971,317	–
Total securities.....	7,157,790	7,674,680	516,890
Loans:			
Policy loans.....	59,694	59,694	(0)
Ordinary loans.....	509,457	537,850	28,392
Total loans.....	569,152	597,544	28,392
Assets total.....	8,206,588	8,751,890	545,302
Subordinated bonds ¹	191,935	200,718	8,783
Liabilities total.....	191,935	200,718	8,783
Derivative instruments ² :			
Hedge accounting not applied.....	(120)	(120)	–
Hedge accounting applied.....	(2,553)	(2,553)	–
Total derivative instruments.....	¥ (2,674)	¥ (2,674)	¥ –

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, ¥5,684 million, and ¥27,050 million as of September 30, 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. Notes related to the fair value of investment and rental properties are omitted as no significant change has occurred since the previous fiscal year-end.

4. The amount of securities lent under lending agreements was ¥308,369 million as of September 30, 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 ¥1,172 million as of September 30, 2019:

- i) The balance of credits to bankrupt borrowers was ¥160 million as of September 30, 2019.
- ii) The balance of delinquent loans was ¥774 million as of September 30, 2019.
- iii) The balance of restructured loans was ¥237 million as of September 30, 2019.
- iv) There was no balance of delinquent loans past 3 months or more as of September 30, 2019.

The direct write-offs related to loans decreased credits to bankrupt borrowers described above by ¥0 million as of September 30, 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 ¥169,458 million as of September 30, 2019.

7. Total assets in separate accounts provided for in Article 118 of the Insurance Business Act were ¥72,397 million as of September 30, 2019. The amounts of separate account liabilities were the same as separate account assets.

8. Changes in reserve for dividends to policyholders for the six months ended September 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.....	(16,285)
Increase in interest.....	6
Balance at the end of the current period.....	<u>¥ 76,569</u>

9. Changes in reserve for dividends to policyholders (Fukokushinrai Life Insurance Co., Ltd.) for the six months ended September 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.....	(202)
Increase in interest.....	0
Provision of reserve for dividends to policyholders.....	109
Balance at the end of the current period.....	<u>¥ 372</u>

10. The amount of stocks of unconsolidated subsidiaries was ¥404 million as of September 30, 2019.
11. Assets pledged as collateral as of September 30, 2019 were ¥18,529 million of securities and ¥734 million of bank deposits. Secured debts as of September 30, 2019, were ¥5,434 million.
12. 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 ¥0 million as of September 30, 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 ¥44 million as of September 30, 2019.
13. The Company raised additional foundation funds of ¥12,000 million during the six months ended September 30, 2019 in accordance with Article 60 of the Insurance Business Act.
14. In the six months ended September 30, 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.
15. There were unused commitment line agreements under which the Company is the lender of ¥8,434 million as of September 30, 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 ¥10,385 million as of September 30, 2019.
- The contribution is recognized as operating expenses when contributed.

III. Notes to the Consolidated Statements of Operations

1. For the six months ended September 30, 2019, in calculating the reversal of reserve for outstanding claims, a reversal of reserves for outstanding claims reinsured of ¥69 million was deducted. In calculating the provision of policy reserves, a reversal of reserves for policy reserves reinsured of ¥9 million was added.

IV. Notes to the Consolidated Statements of Cash Flows

1. Cash and cash equivalents as of September 30, 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 September 30, 2019 were as follows:

	(Millions of yen)
Cash and deposits.....	¥ 249,617
Call loans.....	210,000
Monetary claims bought.....	284
Time deposits maturing over 3 months of the date of acquisition.....	(100)
Foreign currency deposits maturing over 3 months of the date of acquisition.....	(1,141)
Monetary claims bought maturing over 3 months of the date of acquisition.....	(284)
Cash and cash equivalents.....	<u>¥ 458,375</u>

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

(Millions of yen)

	As of March 31, 2019	As of September 30, 2019
Total solvency margin (A)	1,633,028	1,706,372
Foundation funds and surplus	225,497	241,909
Reserve for price fluctuation	121,357	123,292
Contingency reserve	206,629	207,084
Catastrophe loss reserve	–	–
General allowance for possible loan losses	1,608	1,777
(Net unrealized gains (losses) on securities (before tax) and deferred hedge gains (losses) (before tax)) × 90%	439,727	478,309
Net unrealized gains on real estate × 85%	138,679	142,590
Sum of unrecognized actuarial differences and unrecognized prior service cost	(7,662)	(6,998)
Excess amount of policy reserve based on full-time Zillmer method	270,629	276,603
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	49,868
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	269,637
Insurance risk R_1	23,369	23,272
General insurance risk R_5	–	–
Catastrophe risk R_6	–	–
3rd sector insurance risk R_8	9,903	9,955
Small amount and short-term insurance risk R_9	–	–
Assumed investment yield risk R_2	31,752	31,379
Minimum guarantee risk R_7	–	–
Investment risk R_3	224,456	230,259
Business risk R_4	5,789	5,897
Solvency margin ratio $\frac{(A)}{(1/2) \times (B)} \times 100$	1,236.4%	1,265.6%

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.