

## Financial Results for the Three Months Ended June 30, 2020

Fukoku Mutual Life Insurance Company (President: Yoshiteru Yoneyama) announces financial results for the three months ended June 30, 2020.

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# 1. Business Highlights

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

### (i) Policies in Force

		As of March 31, 2020		As of June 30, 2020			
		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	3,184	224,295	3,173	99.7	223,230	99.5
	Individual annuities	627	24,560	620	99.0	24,318	99.0
	Subtotal	3,811	248,855	3,794	99.5	247,548	99.5
	Group insurance	—	176,052	—	—	173,334	98.5
	Group annuities	—	22,334	—	—	22,464	100.6

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

2. Policy amount in force for group annuities is equal to the amount of outstanding policy reserve.

### (ii) New Policies

Three months ended June 30, 2019		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	92	4,012	3,485	526
	Individual annuities	2	62	66	(3)
	Subtotal	94	4,074	3,552	522
	Group insurance	—	64	64	—
	Group annuities	—	0	0	—

Three months ended June 30, 2020		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	48	52.6	2,356	58.7	1,750	50.2	605	115.1
	Individual annuities	1	46.3	29	46.5	31	47.3	(2)	—
	Subtotal	49	52.5	2,385	58.5	1,781	50.2	603	115.5
	Group insurance	—	—	16	25.7	16	25.7	—	—
	Group annuities	—	—	0	799.0	0	799.0	—	—

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

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

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

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

	Three months ended June 30, 2019	Three months ended June 30, 2020	
			Changes (%, YoY)
Amount of surrender and lapse (100 millions of yen)	3,162	2,358	74.6
Surrender and lapse ratio (%)	1.26	0.95	(0.31)

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, 2020	As of June 30, 2020	
			Changes (% , Pre-FYE)
Individual insurance	2,692	2,677	99.5
Individual annuities	1,158	1,146	98.9
Total	3,851	3,824	99.3
Medical coverage and living benefits	1,135	1,133	99.8

### (ii) New Policies

(100 millions of yen, %)

	Three months ended June 30, 2019	Three months ended June 30, 2020	
			Changes (% , YoY)
Individual insurance	34	19	54.7
Individual annuities	1	0	45.3
Total	36	19	54.2
Medical coverage and living benefits	19	9	50.3

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

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

3. New policies include net increase by conversion.

## 2. Investment Results of General Account Assets

### (1) Asset Composition

(Millions of yen, %)

	As of March 31, 2020		As of June 30, 2020	
	Amount	% of total	Amount	% of total
Cash, deposits, and call loans	515,545	7.7 %	348,137	5.1 %
Monetary claims bought	269	0.0	262	0.0
Money held in trust	24,156	0.4	24,369	0.4
Securities	5,265,401	78.5	5,544,797	81.5
Domestic bonds	2,677,697	39.9	2,746,878	40.4
Domestic stocks	612,019	9.1	663,942	9.8
Foreign securities	1,857,920	27.7	1,986,982	29.2
Foreign bonds	1,580,829	23.6	1,650,481	24.3
Foreign stocks and other securities	277,091	4.1	336,501	4.9
Other securities	117,764	1.8	146,993	2.2
Loans	565,473	8.4	573,558	8.4
Policy loans	55,339	0.8	55,218	0.8
Ordinary loans	510,133	7.6	518,340	7.6
Real estate	215,305	3.2	227,065	3.3
Deferred tax assets	29,397	0.4	2,559	0.0
Others	92,688	1.4	83,025	1.2
Allowance for possible loan losses	(2,023)	(0.0)	(2,217)	(0.0)
Total	6,706,213	100.0	6,801,558	100.0
Foreign currency denominated assets	2,159,294	32.2	2,291,412	33.7

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

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

(Millions of yen)

	As of March 31, 2020					As of June 30, 2020				
	Book value	Fair value	Gains/Losses			Book value	Fair value	Gains/Losses		
				Gains	Losses				Gains	Losses
Held-to-maturity debt securities	757,178	879,712	122,534	122,534	—	756,791	875,644	118,853	118,853	—
Domestic bonds	737,664	858,750	121,085	121,085	—	737,404	854,892	117,488	117,488	—
Foreign bonds	19,514	20,962	1,448	1,448	—	19,387	20,752	1,364	1,364	—
Monetary claims bought	—	—	—	—	—	—	—	—	—	—
Negotiable certificate of deposits	—	—	—	—	—	—	—	—	—	—
Others	—	—	—	—	—	—	—	—	—	—
Policy-reserve-matching bonds	892,940	1,035,765	142,825	144,107	1,281	882,185	1,013,467	131,282	135,053	3,771
Domestic bonds	892,940	1,035,765	142,825	144,107	1,281	882,185	1,013,467	131,282	135,053	3,771
Foreign bonds	—	—	—	—	—	—	—	—	—	—
Investments in subsidiaries and affiliates	—	—	—	—	—	—	—	—	—	—
Available-for-sale securities	3,056,561	3,450,284	393,722	477,836	84,113	3,250,008	3,743,196	493,187	542,063	48,875
Domestic bonds	955,552	1,038,974	83,421	83,947	525	1,039,286	1,119,254	79,967	83,084	3,116
Domestic stocks	333,313	543,104	209,791	232,868	23,077	344,526	595,028	250,502	270,826	20,324
Foreign securities	1,675,248	1,770,514	95,265	148,498	53,233	1,752,782	1,902,129	149,347	170,978	21,631
Foreign bonds	1,389,520	1,503,075	113,555	138,270	24,715	1,436,723	1,574,552	137,828	147,789	9,961
Foreign stocks and other securities	285,728	267,438	(18,289)	10,227	28,517	316,058	327,577	11,518	23,189	11,670
Other securities	92,446	97,690	5,244	12,521	7,277	113,413	126,783	13,370	17,173	3,802
Money held in trust	—	—	—	—	—	—	—	—	—	—
Monetary claims bought	—	—	—	—	—	—	—	—	—	—
Negotiable certificate of deposits	—	—	—	—	—	—	—	—	—	—
Others	—	—	—	—	—	—	—	—	—	—
Total	4,706,680	5,365,762	659,082	744,478	85,395	4,888,985	5,632,308	743,322	795,969	52,646
Domestic bonds	2,586,157	2,933,490	347,333	349,140	1,807	2,658,876	2,987,614	328,738	335,626	6,888
Domestic stocks	333,313	543,104	209,791	232,868	23,077	344,526	595,028	250,502	270,826	20,324
Foreign securities	1,694,762	1,791,476	96,713	149,946	53,233	1,772,169	1,922,881	150,711	172,343	21,631
Foreign bonds	1,409,034	1,524,038	115,003	139,719	24,715	1,456,111	1,595,304	139,193	149,154	9,961
Foreign stocks and other securities	285,728	267,438	(18,289)	10,227	28,517	316,058	327,577	11,518	23,189	11,670
Other securities	92,446	97,690	5,244	12,521	7,277	113,413	126,783	13,370	17,173	3,802
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, 2020	As of June 30, 2020
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	32,410	32,486
Unlisted domestic stocks (except over-the-counter stocks)	5,684	5,683
Unlisted foreign stocks (except over-the-counter stocks)	—	—
Unlisted foreign bonds	—	—
Others	26,725	26,802
Total	97,197	97,273

Note: In this table, domestic and overseas investment partnerships are included in “Others” within “Available-for-sale securities.” However, unrealized gains on available-for-sale securities corresponding to these holdings by domestic and overseas investment partnerships (¥1,443 million as of March 31, 2020 and ¥774 million as of June 30, 2020) are included in their balance sheet carrying amounts.

### (3) Fair Value Information on Money Held in Trust

(Millions of yen)

	As of March 31, 2020					As of June 30, 2020				
	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	24,156	24,156	—	—	—	24,369	24,369	—	—	—

#### • Money held in trust for trading purpose

(Millions of yen)

	As of March 31, 2020		As of June 30, 2020	
	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	23,156	0	23,369	129

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

(Millions of yen)

	As of March 31, 2020					As of June 30, 2020				
	Book value	Fair value	Gains/Losses			Book value	Fair value	Gains/Losses		
				Gains	Losses				Gains	Losses
Money held in trust for held-to-maturity	—	—	—	—	—	—	—	—	—	—
Money held in trust for policy-reserve-matching	—	—	—	—	—	—	—	—	—	—
Money held in trust for available-for-sale	—	—	—	—	—	—	—	—	—	—

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

(Millions of yen)

As of March 31, 2020			As of June 30, 2020		
Carrying value on the balance sheet	Fair value	Gains (Losses)	Carrying value on the balance sheet	Fair value	Gains (Losses)
125,121	278,475	153,354	135,057	288,636	153,579

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, 2020	As of June 30, 2020
<b>Assets:</b>		
Cash and deposits	288,668	127,830
Call loans	230,000	224,000
Monetary claims bought	269	262
Money held in trust	24,156	24,369
Securities:	5,344,665	5,628,717
[Government bonds]	[1,932,731]	[1,998,370]
[Local government bonds]	[102,704]	[99,404]
[Corporate bonds]	[664,875]	[671,952]
[Stocks]	[631,989]	[684,797]
[Foreign securities]	[1,894,581]	[2,027,179]
Loans:	565,473	573,558
Policy loans	55,339	55,218
Ordinary loans	510,133	518,340
Tangible fixed assets	219,475	231,184
Intangible fixed assets	23,791	23,211
Agency receivables	4	3
Reinsurance receivables	111	3
Other assets	66,881	57,910
Deferred tax assets	29,397	2,559
Allowance for possible loan losses	(2,023)	(2,217)
<b>Total assets</b>	<b>6,790,871</b>	<b>6,891,395</b>
	As of March 31, 2020	As of June 30, 2020
<b>Liabilities:</b>		
Policy reserves:	5,775,716	5,817,145
Reserve for outstanding claims	19,814	18,211
Policy reserve	5,694,979	5,715,293
Reserve for dividends to policyholders	60,922	83,640
Reinsurance payables	86	80
Subordinated bonds	191,935	191,935
Other liabilities:	122,632	133,631
Corporate income tax payable	6,002	57
Lease obligations	966	951
Asset retirement obligations	2,754	2,767
Rest of the other liabilities	112,908	129,855
Reserve for employees' retirement benefits	23,519	23,486
Reserve for price fluctuation	122,745	123,647
Deferred tax liabilities for land revaluation	14,213	14,213
<b>Total liabilities</b>	<b>6,250,849</b>	<b>6,304,139</b>
<b>Net assets:</b>		
Foundation funds	12,000	12,000
Accumulated foundation funds redeemed	116,000	116,000
Reserve for revaluation	112	112
Surplus:	123,054	98,785
Legal reserve for future losses	3,176	3,271
Other surplus:	119,878	95,514
Reserve for redemption of foundation funds	–	2,400
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	209	207
Other reserves	767	767
Unappropriated surplus	57,901	31,139
Total foundation funds, surplus and others	251,166	226,897
Net unrealized gains (losses) on available-for-sale securities, net of tax	284,752	356,124
Revaluation reserve for land, net of tax	4,102	4,232
Total valuation and translation adjustments	288,855	360,357
<b>Total net assets</b>	<b>540,021</b>	<b>587,255</b>
<b>Total liabilities and net assets</b>	<b>6,790,871</b>	<b>6,891,395</b>

## 4. Non-consolidated Statements of Operations

(Millions of yen)

	Three months ended June 30, 2019	Three months ended June 30, 2020
<b>Ordinary revenues:</b>		
Premium and other income	143,779	130,194
[Premium income]	[143,770]	[130,190]
Investment income	48,812	42,253
[Interest, dividends and other income]	[36,005]	[32,267]
[Gains on money held in trust, net]	[-]	[224]
[Gains on trading securities, net]	[-]	[2,035]
[Gains on sales of securities]	[9,638]	[1,523]
[Gains on derivative instruments, net]	[3,054]	[-]
[Gains on separate accounts, net]	[-]	[6,148]
Other ordinary revenues	4,192	4,144
[Reversal of reserve for outstanding claims]	[2,157]	[1,602]
<b>Total ordinary revenues</b>	<b>196,783</b>	<b>176,593</b>
<b>Ordinary expenses:</b>		
Claims and other payments	122,832	108,292
[Claims]	[35,392]	[24,182]
[Annuities]	[40,083]	[38,152]
[Benefits]	[29,811]	[28,992]
[Surrenders]	[13,119]	[10,042]
[Other payments]	[4,370]	[6,870]
Provision of policy reserve and others:	12,460	20,317
Provision of policy reserves	12,457	20,313
Provision of interest portion of reserve for dividends to policyholders	3	3
Investment expenses	13,621	11,919
[Interest expenses]	[962]	[964]
[Losses on money held in trust, net]	[47]	[-]
[Losses on trading securities, net]	[2,304]	[-]
[Losses on sales of securities]	[139]	[109]
[Losses on valuation of securities]	[933]	[118]
[Losses on derivative instruments, net]	[-]	[3,573]
[Foreign exchange losses, net]	[5,464]	[3,387]
[Losses on separate accounts, net]	[82]	[-]
Operating expenses	22,918	22,271
Other ordinary expenses	5,692	5,558
<b>Total ordinary expenses</b>	<b>177,526</b>	<b>168,358</b>
<b>Ordinary profits</b>	<b>19,257</b>	<b>8,234</b>
<b>Extraordinary gains:</b>		
Gains on disposal of fixed assets	0	0
<b>Total extraordinary gains</b>	<b>0</b>	<b>0</b>
<b>Extraordinary losses:</b>		
Losses on disposal of fixed assets	23	70
Impairment losses	2	-
Provision of reserve for price fluctuation	878	902
Others	-	271
<b>Total extraordinary losses</b>	<b>903</b>	<b>1,244</b>
<b>Surplus before income taxes</b>	<b>18,354</b>	<b>6,990</b>
<b>Income taxes:</b>		
Current	3,503	64
Deferred	(777)	(585)
<b>Total income taxes</b>	<b>2,726</b>	<b>(520)</b>
<b>Net surplus for the period</b>	<b>15,627</b>	<b>7,511</b>



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

To fulfil our efforts to comply with these requirements, we have prepared financial statements for the three months ended June 30, 2020 in accordance with the first- and third-quarter announcement format model created by The Life Insurance Association of Japan (the “Quarterly Reporting Model”) and generally accepted standards for preparation of quarterly financial statements in Japan. As the Quarterly Reporting Model is prepared for the purpose of fulfilling the obligation above to make an effort to disclose information, disclosures in the Quarterly Reporting Model differ from those prescribed by the regulations concerning terminology, formats, and preparation methods of quarterly financial statements and other reports.

2. As the proposal for appropriation of unappropriated surplus for the fiscal year ended March 31, 2020 was approved by the Board of Representative Member of Policyholders on July 2, 2020, it is included in the non-consolidated balance sheet as of June 30, 2020.

3. The amount of securities lent under lending agreements was ¥432,015 million as of June 30, 2020.

4. Changes in reserve for dividends to policyholders for the three months ended June 30, 2020 were as follows:

	(Millions of yen)
Balance at the beginning of the current period.....	¥ 60,922
Transfer from surplus in the previous fiscal year.....	31,547
Dividend payments to policyholders during the current period.....	(8,833)
Increase in interest.....	3
Balance at the end of the current period.....	<u>¥ 83,640</u>

## III. Notes to the Non-consolidated Statements of Operations

1. “Others” within “Extraordinary losses” consists of expenses associated with salary guaranties provided to sales representatives as a countermeasure aimed at preventing the spread of COVID-19.

## 5. Breakdown of Ordinary Profits (Fundamental Profit)

(Millions of yen)

	Three months ended June 30, 2019	Three months ended June 30, 2020
<b>Fundamental profit</b> A	<b>18,354</b>	<b>13,930</b>
Capital gains	12,692	3,199
Gains on money held in trust, net	—	210
Gains on trading securities, net	—	1,466
Gains on sales of securities	9,638	1,523
Gains on derivative instruments, net	3,054	—
Foreign exchange gains, net	—	—
Other capital gains	—	—
Capital losses	9,722	7,188
Losses on money held in trust, net	71	—
Losses on trading securities, net	3,113	—
Losses on sales of securities	139	109
Losses on valuation of securities	933	118
Losses on derivative instruments, net	—	3,573
Foreign exchange losses, net	5,464	3,387
Other capital losses	—	—
Net capital gains (losses) B	2,969	(3,989)
Fundamental profit plus net capital gains (losses) A+B	21,324	9,941
Non-recurring gains	—	1
Reinsurance income	—	—
Reversal of contingency reserve	—	—
Reversal of specific allowance for possible loan losses	—	1
Others	—	—
Non-recurring losses	2,066	1,707
Reinsurance premiums	—	—
Provision for contingency reserve	191	193
Provision of specific allowance for possible loan losses	264	—
Provision of allowance for specified overseas loans	—	—
Write-offs of loans	—	—
Others	1,610	1,513
Non-recurring gains (losses) C	(2,066)	(1,706)
Ordinary profits A+B+C	19,257	8,234

- 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): ¥23 million in respect of the three months ended June 30, 2019 and ¥14 million in respect of the three months ended June 30, 2020.
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): ¥809 million in respect of the three months ended June 30, 2019 and ¥569 million in respect of the three months ended June 30, 2020.
3. Other non-recurring losses represent the losses relating to provision of the additional policy reserves in accordance with Article 69, Paragraph 5 of the Enforcement Regulations of the Insurance Business Act.

## 6. Solvency Margin Ratio

(Millions of yen)

	As of March 31, 2020	As of June 30, 2020
Total solvency margin (A)	1,537,878	1,630,036
Foundation funds and surplus	217,313	216,700
Reserve for price fluctuation	122,745	123,647
Contingency reserve	215,014	215,208
General allowance for possible loan losses	1,538	1,735
(Net unrealized gains (losses) on securities (before tax) and deferred hedge gains (losses) (before tax)) × 90%	355,650	444,565
Net unrealized gains on real estate × 85%	145,920	146,222
Excess amount of policy reserve based on full-time Zillmer method	294,153	297,080
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	40,391	39,724
Total amount of risk $\sqrt{(R_1 + R_8)^2 + (R_2 + R_3 + R_7)^2} + R_4$ (B)	238,265	262,039
Insurance risk $R_1$	22,732	22,483
3rd sector insurance risk $R_8$	9,911	9,863
Assumed investment yield risk $R_2$	30,568	30,390
Minimum guarantee risk $R_7$	—	—
Investment risk $R_3$	200,132	223,868
Business risk $R_4$	5,266	5,732
Solvency margin ratio $\frac{(A)}{(1/2) \times (B)} \times 100$	1,290.8%	1,244.1%

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

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

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

## 7. Status of Separate Account

### (1) Separate Account Assets by Products

(Millions of yen)

	As of March 31, 2020	As of June 30, 2020
	Amount	Amount
Individual variable insurance	—	—
Individual variable annuities	22	24
Group annuities	84,635	89,812
Total	84,658	89,836

### (2) Policies in Force

#### (i) Individual Variable Insurance

The Company has not sold the individual variable insurance.

#### (ii) Individual Variable Annuities

(Millions of yen except number of policies)

	As of March 31, 2020		As of June 30, 2020	
	Number of policies	Amount	Number of policies	Amount
Individual variable annuities	8	20	8	20
Total	8	20	8	20

## 8. Status of the Company, Subsidiaries and Affiliates

### (1) Selected Financial Data

(100 millions of yen)

	Three months ended June 30, 2019	Three months ended June 30, 2020
Ordinary revenues	2,316	2,109
Ordinary profits	194	84
Net surplus attributable to the parent company	156	74
Comprehensive income	141	786

	As of March 31, 2020	As of June 30, 2020
Total assets	85,744	86,370
Solvency margin ratio	1,331.7%	1,283.9%

### (2) Scope of Consolidation and Application of Equity Method

Number of consolidated subsidiaries: 6

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

Number of affiliates accounted for under the equity method: 0

## (3) Consolidated Balance Sheets

(Millions of yen)

	As of March 31, 2020	As of June 30, 2020
<b>Assets:</b>		
Cash and deposits	415,816	279,687
Call loans	230,000	224,000
Monetary claims bought	269	262
Money held in trust	24,156	24,369
Securities	6,977,554	7,200,017
Loans	569,127	577,063
Tangible fixed assets	219,883	231,562
Intangible fixed assets	33,359	32,044
Agency receivables	0	0
Reinsurance receivables	124	5
Other assets	74,059	64,875
Net defined benefit assets	255	275
Deferred tax assets	31,885	5,121
Allowance for possible loan losses	(2,024)	(2,217)
<b>Total assets</b>	<b>8,574,467</b>	<b>8,637,067</b>

	As of March 31, 2020	As of June 30, 2020
<b>Liabilities:</b>		
Policy reserves:	7,515,143	7,520,043
Reserve for outstanding claims	23,620	21,835
Policy reserve	7,430,271	7,414,279
Reserve for dividends to policyholders	60,922	83,640
Reserve for dividends to policyholders (subsidiary)	328	287
Agency payables	114	67
Reinsurance payables	103	90
Subordinated bonds	191,935	191,935
Other liabilities	132,340	142,528
Net defined benefit liabilities	34,614	34,171
Reserve for price fluctuation	133,162	134,146
Deferred tax liabilities	0	40
Deferred tax liabilities for land revaluation	14,213	14,213
<b>Total liabilities</b>	<b>8,021,628</b>	<b>8,037,238</b>
<b>Net assets:</b>		
Foundation funds	12,000	12,000
Accumulated foundation funds redeemed	116,000	116,000
Reserve for revaluation	112	112
Consolidated surplus	127,315	103,020
Total foundation funds, surplus and others	255,427	231,132
Net unrealized gains (losses) on available-for-sale securities, net of tax	292,980	363,959
Revaluation reserve for land, net of tax	4,102	4,232
Foreign currency translation adjustment	(480)	(593)
Accumulated remeasurements of defined benefit plans	(7,714)	(7,385)
Total accumulated other comprehensive income	288,888	360,213
Non-controlling interests	8,523	8,482
<b>Total net assets</b>	<b>552,839</b>	<b>599,828</b>
<b>Total liabilities and net assets</b>	<b>8,574,467</b>	<b>8,637,067</b>

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

[Consolidated Statements of Operations]

(Millions of yen)

	Three months ended June 30, 2019	Three months ended June 30, 2020
<b>Ordinary revenues:</b>		
Premium and other income	171,457	142,470
Investment income	54,833	47,920
[Interest, dividends and other income]	[41,569]	[37,322]
[Gains on money held in trust, net]	[—]	[224]
[Gains on trading securities, net]	[—]	[2,035]
[Gains on sales of securities]	[10,095]	[2,135]
[Gains on derivative instruments, net]	[3,054]	[—]
[Gains on separate accounts, net]	[—]	[6,148]
Other ordinary revenues	5,404	20,606
[Reversal of reserve for outstanding claims]	[3,116]	[1,784]
[Reversal of reserve for policy reserve]	[—]	[15,991]
<b>Total ordinary revenues</b>	<b>231,695</b>	<b>210,998</b>
<b>Ordinary expenses:</b>		
Claims and other payments	148,102	159,849
[Claims]	[37,417]	[26,041]
[Annuities]	[52,604]	[78,806]
[Benefits]	[32,911]	[31,579]
[Surrenders]	[20,695]	[16,424]
[Other payments]	[4,399]	[6,926]
Provision of policy reserve and others:	18,747	3
Provision of policy reserves	18,744	—
Provision of interest portion of reserve for dividends to policyholders	3	3
Provision of interest portion of reserve for dividends to policyholders (subsidiary)	0	0
Investment expenses	13,311	11,609
[Interest expenses]	[968]	[969]
[Losses on money held in trust, net]	[47]	[—]
[Losses on trading securities, net]	[2,304]	[—]
[Losses on sales of securities]	[139]	[109]
[Losses on valuation of securities]	[933]	[118]
[Losses on derivative instruments, net]	[—]	[3,573]
[Foreign exchange losses, net]	[5,468]	[3,387]
[Losses on separate accounts, net]	[82]	[—]
Operating expenses	25,031	24,175
Other ordinary expenses	7,014	6,896
<b>Total ordinary expenses</b>	<b>212,207</b>	<b>202,534</b>
<b>Ordinary profits</b>	<b>19,488</b>	<b>8,463</b>
<b>Extraordinary gains:</b>		
Gains on disposal of fixed assets	0	0
<b>Total extraordinary gains</b>	<b>0</b>	<b>0</b>
<b>Extraordinary losses:</b>		
Losses on disposal of fixed assets	24	70
Impairment losses	2	—
Provision of reserve for price fluctuation	966	983
Others	—	271
<b>Total extraordinary losses</b>	<b>993</b>	<b>1,326</b>
<b>Provision of reserve for dividends to policyholders (subsidiary)</b>	<b>55</b>	<b>49</b>
<b>Surplus before income taxes</b>	<b>18,439</b>	<b>7,088</b>
<b>Income taxes:</b>		
Current	3,617	171
Deferred	(830)	(576)
<b>Total income taxes</b>	<b>2,786</b>	<b>(404)</b>
<b>Net surplus for the period</b>	<b>15,652</b>	<b>7,493</b>
<b>Net surplus (loss) attributable to non-controlling interests</b>	<b>(11)</b>	<b>8</b>
<b>Net surplus attributable to the parent company</b>	<b>15,663</b>	<b>7,485</b>

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

[Consolidated Statements of Comprehensive Income]

(Millions of yen)

	Three months ended June 30, 2019	Three months ended June 30, 2020
Net surplus	15,652	7,493
Other comprehensive income:	(1,495)	71,149
Net unrealized gains (losses) on available-for-sale securities, net of tax	(1,776)	70,933
Foreign currency translation adjustments	41	(113)
Remeasurements of defined benefit plan, net of tax	239	329
Comprehensive income:	14,157	78,642
Comprehensive income attributable to the parent company	14,086	78,680
Comprehensive income attributable to non-controlling interests	70	(37)



# Notes to the Consolidated Financial Statements

## I. Presentation of the Consolidated Financial Statements

### 1. Basis of Presentation

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

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

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

## II. Notes to the Consolidated Balance Sheets

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

To fulfil our efforts to comply with these requirements, we have prepared consolidated financial statements for the three months ended June 30, 2020 in accordance with the first- and third-quarter announcement format model created by The Life Insurance Association of Japan (the “Quarterly Reporting Model”) and generally accepted standards for preparation of quarterly consolidated financial statements in Japan. As the Quarterly Reporting Model is prepared for the purpose of fulfilling the obligation above to make an effort to disclose information, disclosures in the Quarterly Reporting Model differ from those prescribed by the regulations concerning terminology, formats, and preparation methods of quarterly consolidated financial statements and other reports.

2. As the proposal for appropriation of unappropriated surplus for the fiscal year ended March 31, 2020 was approved by the Board of Representative Member of Policyholders on July 2, 2020, it is included in the consolidated balance sheet as of June 30, 2020.
3. The amount of securities lent under lending agreements was ¥432,015 million as of June 30, 2020.
4. Changes in reserve for dividends to policyholders for the three months ended June 30, 2020 were as follows:

	(Millions of yen)
Balance at the beginning of the current period.....	¥60,922
Transfer from surplus in the previous fiscal year.....	31,547
Dividend payments to policyholders during the current period.....	(8,833)
Increase in interest.....	3
Balance at the end of the current period.....	<u>¥83,640</u>

5. Changes in reserve for dividends to policyholders (Fukokushinrai Life Insurance Co., Ltd.) for the three months ended June 30, 2020 were as follows:

	(Millions of yen)
Balance at the beginning of the current period.....	¥328
Dividend payments to policyholders during the current period.....	(90)
Increase in interest.....	0
Provision of reserve for dividends to policyholders.....	49
Balance at the end of the current period.....	<u>¥287</u>

### **III. Notes to the Consolidated Statements of Operations**

1. For the three months ended June 30, 2020, the total amount of depreciation, including depreciation of real estate for rent, was ¥4,378 million.
2. “Others” within “Extraordinary losses” consists of expenses associated with salary guaranties provided to sales representatives as a countermeasure aimed at preventing the spread of COVID-19.

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

(Millions of yen)

	As of March 31, 2020	As of June 30, 2020
Total solvency margin (A)	1,616,409	1,708,575
Foundation funds and surplus	230,289	229,586
Reserve for price fluctuation	133,162	134,146
Contingency reserve	217,331	217,531
Catastrophe loss reserve	—	—
General allowance for possible loan losses	1,538	1,735
(Net unrealized gains (losses) on securities (before tax) and deferred hedge gains (losses) (before tax)) × 90%	366,504	454,932
Net unrealized gains on real estate × 85%	145,920	146,222
Sum of unrecognized actuarial differences and unrecognized prior service cost	(10,714)	(10,257)
Excess amount of policy reserve based on full-time Zillmer method	296,497	299,416
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	43,944	43,327
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)	242,753	266,146
Insurance risk $R_1$	23,169	22,899
General insurance risk $R_5$	—	—
Catastrophe risk $R_6$	—	—
3rd sector insurance risk $R_8$	10,033	9,996
Small amount and short-term insurance risk $R_9$	—	—
Assumed investment yield risk $R_2$	30,934	30,750
Minimum guarantee risk $R_7$	—	—
Investment risk $R_3$	204,120	227,486
Business risk $R_4$	5,365	5,822
Solvency margin ratio $\frac{(A)}{(1/2) \times (B)} \times 100$	1,331.7%	1,283.9%

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

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