

Financial Results for the Fiscal Year Ended March 31, 2020

Fukoku Mutual Life Insurance Company (President: Yoshiteru Yoneyama) announces financial results for the fiscal year ended March 31, 2020.

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Attached: Supplementary Materials for the fiscal year ended March 31, 2020

Financial Summary for the Fiscal Year Ended March 31, 2020

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 March 31, 2020			
		Number of policies		Amount		Number of policies		Amount	
		(Thousands)	Changes (%, Pre-FYE)	(100 millions of yen)	Changes (%, Pre-FYE)	(Thousands)	Changes (%, Pre-FYE)	(100 millions of yen)	Changes (%, Pre-FYE)
	Individual insurance	3,179	100.0	226,080	99.3	3,184	100.1	224,295	99.2
	Individual annuities	657	95.7	25,523	95.6	627	95.4	24,560	96.2
	Subtotal	3,837	99.2	251,603	98.9	3,811	99.3	248,855	98.9
	Group insurance	—	—	173,064	101.4	—	—	176,052	101.7
	Group annuities	—	—	21,890	100.4	—	—	22,334	102.0

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

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

(ii) New Policies

Year ended March 31, 2019		Total				New business		Net increase by conversion	
		Number of policies		Amount		Amount		Amount	
		(Thousands)	Changes (%, YoY)	(100 millions of yen)	Changes (%, YoY)	(100 millions of yen)	Changes (%, YoY)	(100 millions of yen)	Changes (%, YoY)
	Individual insurance	351	96.8	15,445	111.8	13,293	100.6	2,151	359.8
	Individual annuities	7	102.7	215	101.9	228	101.7	(12)	—
	Subtotal	358	96.9	15,660	111.7	13,521	100.6	2,138	365.7
	Group insurance	—	—	566	164.9	566	164.9	—	—
	Group annuities	—	—	0	0.4	0	0.4	—	—

Year ended March 31, 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	354	100.8	15,288	99.0	13,482	101.4	1,805	83.9
	Individual annuities	9	132.7	289	134.6	300	132.0	(11)	—
	Subtotal	364	101.5	15,577	99.5	13,783	101.9	1,793	83.9
	Group insurance	—	—	111	19.7	111	19.7	—	—
	Group annuities	—	—	0	10.2	0	10.2	—	—

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

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

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

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

	Year ended March 31, 2019		Year ended March 31, 2020	
		Changes (%, YoY)		Changes (%, YoY)
Amount of surrender and lapse (100 millions of yen)	12,445	98.0	12,223	98.2
Surrender and lapse ratio (%)	4.89	0.00	4.86	(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 March 31, 2020	
		Changes (%, Pre-FYE)		Changes (%, Pre-FYE)
Individual insurance	2,724	99.2	2,692	98.9
Individual annuities	1,240	95.7	1,158	93.4
Total	3,964	98.0	3,851	97.1
Medical coverage and living benefits	1,120	101.2	1,135	101.3

(ii) New Policies

(100 millions of yen, %)

	Year ended March 31, 2019		Year ended March 31, 2020	
		Changes (%, YoY)		Changes (%, YoY)
Individual insurance	146	98.5	140	95.6
Individual annuities	6	100.1	8	132.3
Total	152	98.6	148	97.1
Medical coverage and living benefits	74	96.6	75	101.4

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

(3) Selected Items of Statements of Operations

(100 millions of yen, %)

	Year ended March 31, 2019		Year ended March 31, 2020	
		Changes (%, YoY)		Changes (%, YoY)
Premium and other income	5,256	92.7	5,335	101.5
Investment income	1,834	105.7	1,950	106.3
Claims and other payments	4,679	93.4	4,391	93.9
Investment expenses	485	122.6	588	121.1
Ordinary profits	533	94.4	488	91.7

(4) Statements of Surplus

(100 millions of yen, %)

	Year ended March 31, 2019		Year ended March 31, 2020	
		Changes (%, YoY)		Changes (%, YoY)
Unappropriated surplus	606	93.9	579	95.5
Reserve for dividends to policyholders	346	89.8	315	91.0
Net surplus	22	99.5	25	117.8
Unappropriated surplus carried forward	237	100.0	237	100.0

Note: Unappropriated surplus for the years ended March 31, 2019 and 2020 included reversal of voluntary surplus reserve of ¥45 million and ¥1 million, respectively.

(5) Total Assets

(100 millions of yen, %)

	As of March 31, 2019		As of March 31, 2020	
		Changes (%, Pre-FYE)		Changes (%, Pre-FYE)
Total assets	66,845	100.9	67,908	101.6

2. Investment Results of General Account Assets

(1) Asset Composition

(Millions of yen, %)

	As of March 31, 2019		As of March 31, 2020	
	Amount	% of total	Amount	% of total
Cash, deposits, and call loans	241,282	3.6 %	515,545	7.7 %
Monetary claims bought	299	0.0	269	0.0
Money held in trust	23,850	0.4	24,156	0.4
Securities	5,499,523	83.2	5,265,401	78.5
Domestic bonds	2,782,013	42.1	2,677,697	39.9
Domestic stocks	672,528	10.2	612,019	9.1
Foreign securities	1,930,616	29.2	1,857,920	27.7
Foreign bonds	1,614,469	24.4	1,580,829	23.6
Foreign stocks and other securities	316,147	4.8	277,091	4.1
Other securities	114,364	1.7	117,764	1.8
Loans	561,138	8.5	565,473	8.4
Policy loans	56,332	0.9	55,339	0.8
Ordinary loans	504,806	7.6	510,133	7.6
Real estate	212,555	3.2	215,305	3.2
Deferred tax assets	—	—	29,397	0.4
Others	76,438	1.2	92,688	1.4
Allowance for possible loan losses	(2,096)	(0.0)	(2,023)	(0.0)
Total	6,612,991	100.0	6,706,213	100.0
Foreign currency denominated assets	2,220,198	33.6	2,159,294	32.2

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)

	Year ended March 31, 2019	Year ended March 31, 2020
Cash, deposits, and call loans	820	274,262
Monetary claims bought	(144)	(29)
Money held in trust	(7,652)	306
Securities	118,693	(234,121)
Domestic bonds	(36,605)	(104,315)
Domestic stocks	(68,299)	(60,509)
Foreign securities	216,747	(72,696)
Foreign bonds	180,012	(33,640)
Foreign stocks and other securities	36,735	(39,055)
Other securities	6,850	3,399
Loans	(32,596)	4,335
Policy loans	(849)	(992)
Ordinary loans	(31,746)	5,327
Real estate	(1,118)	2,749
Deferred tax assets	—	29,397
Others	(9,225)	16,249
Allowance for possible loan losses	(46)	72
Total	68,729	93,222
Foreign currency denominated assets	221,477	(60,903)

(3) Investment Income

(Millions of yen)

	Year ended March 31, 2019	Year ended March 31, 2020
Interest, dividends and other income	151,190	153,374
Interest on deposits	35	36
Interest and dividends on securities	126,834	129,290
Interest on loans	9,329	8,766
Income from real estate for rent	14,876	15,267
Other interest and dividends	114	13
Gains on money held in trust, net	–	314
Gains on trading securities, net	3,276	–
Gains on sales of securities	27,729	35,410
Gains on sales of domestic bonds	1,424	20,386
Gains on sales of domestic stocks	24,393	11,143
Gains on sales of foreign securities	1,911	2,987
Other gains on sales of securities	–	892
Gains on derivative instruments, net	–	5,577
Reversal of allowance for possible loan losses	–	70
Other investment income	315	289
Total	182,511	195,037

(4) Investment Expenses

(Millions of yen)

	Year ended March 31, 2019	Year ended March 31, 2020
Interest expenses	3,864	3,860
Losses on money held in trust, net	371	–
Losses on trading securities, net	–	4,979
Losses on sales of securities	11,610	1,935
Losses on sales of domestic bonds	1,582	47
Losses on sales of domestic stocks	2,563	643
Losses on sales of foreign securities	7,464	1,244
Losses on valuation of securities	39	13,342
Losses on valuation of domestic stocks	39	6,689
Losses on valuation of foreign securities	–	5,876
Other losses on valuation of securities	–	776
Losses on derivative instruments, net	5,875	–
Foreign exchange losses, net	13,396	17,543
Provision of allowance for possible loan losses	88	–
Write-offs of loans	–	262
Depreciation of real estate for rent and other assets	4,165	4,288
Other investment expenses	9,186	8,698
Total	48,599	54,912

(5) Net Investment Income

(Millions of yen)

	Year ended March 31, 2019	Year ended March 31, 2020
Net investment income	133,911	140,125

(6) Other Information on Investments

(i) Investment Yield by Asset Categories

(%)

	Year ended March 31, 2019	Year ended March 31, 2020
Cash, deposits, and call loans	0.00	0.00
Monetary claims bought	1.37	1.13
Money held in trust	(1.33)	1.32
Securities	2.48	2.59
Domestic bonds	1.58	2.37
Domestic stocks	9.51	5.34
Foreign securities	2.25	2.30
Foreign bonds	2.04	2.26
Foreign stocks and other securities	3.48	2.57
Loans	1.62	1.50
Ordinary loans	1.36	1.24
Real estate	2.16	2.42
Total	2.14	2.20
Overseas investments	2.02	2.28

Notes: 1. Investment yield above are calculated by dividing the net investment income by the average daily balance on a book value basis.

2. Overseas investments represent the total of foreign currency denominated assets and yen denominated assets.

(ii) Average Daily Balance

(Millions of yen)

	Year ended March 31, 2019	Year ended March 31, 2020
Cash, deposits, and call loans	208,360	302,901
Monetary claims bought	351	284
Money held in trust	27,879	23,851
Securities	5,018,992	5,036,435
Domestic bonds	2,739,522	2,675,971
Domestic stocks	377,021	387,301
Foreign securities	1,810,168	1,870,874
Foreign bonds	1,542,378	1,580,558
Foreign stocks and other securities	267,789	290,316
Loans	575,375	565,592
Ordinary loans	518,700	509,800
Real estate	215,266	216,066
Total	6,252,153	6,361,344
Overseas investments	2,182,145	2,244,447

(iii) Net Valuation Gains/Losses on Trading Securities

(Millions of yen)

	As of March 31, 2019		As of March 31, 2020	
	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)	89,514	(9,658)

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

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

(Millions of yen)

	As of March 31, 2019					As of March 31, 2020				
	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	—	757,178	879,712	122,534	122,534	—
Domestic bonds	738,491	878,209	139,718	139,718	—	737,664	858,750	121,085	121,085	—
Foreign bonds	21,028	21,610	581	581	—	19,514	20,962	1,448	1,448	—
Monetary claims bought	—	—	—	—	—	—	—	—	—	—
Negotiable certificate of deposits	—	—	—	—	—	—	—	—	—	—
Others	—	—	—	—	—	—	—	—	—	—
Policy-reserve-matching bonds	938,273	1,111,124	172,850	173,088	237	892,940	1,035,765	142,825	144,107	1,281
Domestic bonds	936,473	1,109,273	172,799	173,037	237	892,940	1,035,765	142,825	144,107	1,281
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	3,056,561	3,450,284	393,722	477,836	84,113
Domestic bonds	1,020,560	1,098,130	77,569	79,600	2,031	955,552	1,038,974	83,421	83,947	525
Domestic stocks	299,394	603,602	304,208	312,902	8,693	333,313	543,104	209,791	232,868	23,077
Foreign securities	1,735,720	1,808,479	72,758	90,530	17,772	1,675,248	1,770,514	95,265	148,498	53,233
Foreign bonds	1,453,532	1,503,448	49,915	62,862	12,946	1,389,520	1,503,075	113,555	138,270	24,715
Foreign stocks and other securities	282,188	305,030	22,842	27,667	4,825	285,728	267,438	(18,289)	10,227	28,517
Other securities	78,791	96,605	17,813	19,483	1,669	92,446	97,690	5,244	12,521	7,277
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	4,706,680	5,365,762	659,082	744,478	85,395
Domestic bonds	2,695,525	3,085,613	390,087	392,356	2,268	2,586,157	2,933,490	347,333	349,140	1,807
Domestic stocks	299,394	603,602	304,208	312,902	8,693	333,313	543,104	209,791	232,868	23,077
Foreign securities	1,758,549	1,831,939	73,390	91,163	17,772	1,694,762	1,791,476	96,713	149,946	53,233
Foreign bonds	1,476,361	1,526,909	50,548	63,495	12,946	1,409,034	1,524,038	115,003	139,719	24,715
Foreign stocks and other securities	282,188	305,030	22,842	27,667	4,825	285,728	267,438	(18,289)	10,227	28,517
Other securities	78,791	96,605	17,813	19,483	1,669	92,446	97,690	5,244	12,521	7,277
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 March 31, 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	30,905	32,410
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	26,725
Total	95,692	97,197

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 ¥1,443 million as of March 31, 2020) are included in their balance sheet carrying amounts.

(v) Fair Value Information on Money Held in Trust

(Millions of yen)

	As of March 31, 2019					As of March 31, 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	23,850	23,850	—	—	—	24,156	24,156	—	—	—

• Money held in trust for trading purpose

(Millions of yen)

	As of March 31, 2019		As of March 31, 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	22,850	0	23,156	0

• 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 March 31, 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 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 March 31, 2020	Interest- related	Currency- related	Stock- related	Bond- related	Others	Total
Hedge accounting applied	—	10,206	—	—	—	10,206
Hedge accounting not applied	(240)	2,988	841	—	—	3,589
Total	(240)	13,194	841	—	—	13,795

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 gains of ¥10,206 million as of March 31, 2020) 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 March 31, 2020			
	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			460,000	460,000		
	[459]		125	(333)	[292]		52	(240)
Total				(333)				(240)

Note: 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 March 31, 2020			
	Notional amount/ contract value	Over 1 year	Fair value	Gains (Losses)	Notional amount/ contract value	Over 1 year	Fair value	Gains (Losses)
Over-the-counter transactions								
Currency forward contracts								
Sold	946,124	—	948,571	(2,447)	926,852	—	913,126	13,726
U.S. dollar	563,427	—	568,162	(4,735)	543,461	—	546,763	(3,301)
Australian dollar	137,386	—	137,455	(69)	122,875	—	111,146	11,728
Euro	124,056	—	122,763	1,292	118,449	—	118,725	(275)
Canadian dollar	64,274	—	63,771	503	68,375	—	64,171	4,203
British pound	56,978	—	56,417	560	44,224	—	43,223	1,001
Swedish krona	—	—	—	—	29,466	—	29,096	369
Bought	—	—	—	—	—	—	—	—
Currency options								
Sold								
Call	97,211	—	—	—	371,074	—	—	—
[352]			67	284	[448]		1,197	(749)
U.S. dollar	97,211	—	—	—	345,340	—	—	—
[352]			67	284	[440]		1,197	(756)
Canadian dollar	—	—	—	—	17,669	—	—	—
[—]			—	—	[4]		0	4
Australian dollar	—	—	—	—	8,065	—	—	—
[—]			—	—	[2]		0	2
Put	—	—	—	—	—	—	—	—
[—]			—	—	[—]		—	—
Bought								
Call	—	—	—	—	—	—	—	—
[—]			—	—	[—]		—	—
Put	171,400	—	—	—	288,760	—	—	—
[1,081]			238	(842)	[449]		667	217
U.S. dollar	73,960	—	—	—	269,648	—	—	—
[352]			68	(284)	[442]		617	175
Canadian dollar	38,760	—	—	—	13,000	—	—	—
[283]			46	(236)	[4]		12	7
Australian dollar	58,680	—	—	—	6,112	—	—	—
[444]			123	(321)	[2]		37	34
Total				(3,004)				13,194

Notes: 1. Forward exchange rates are used for exchange rates as of March 31, 2020.

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 March 31, 2020			
	Notional amount/ contract value	Over 1 year	Fair value	Gains (Losses)	Notional amount/ contract value	Over 1 year	Fair value	Gains (Losses)
Exchange-traded transactions								
Stock index option								
Sold								
Call	—	—	—	—	48,350	—	—	—
[—]			—	—	[119]		7	112
Put	—	—	—	—	—	—	—	—
[—]			—	—	[—]		—	—
Bought								
Call	—	—	—	—	—	—	—	—
[—]			—	—	[—]		—	—
Put	—	—	—	—	30,200	—	—	—
[—]			—	—	[91]		820	729
Total				—				841

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 March 31, 2020.

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

(Millions of yen)

As of March 31, 2019			As of March 31, 2020		
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	125,121	278,475	153,354

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 March 31, 2020		As of March 31, 2019	As of March 31, 2020
Assets:			Liabilities:		
Cash and deposits:	66,771	288,668	Policy reserves:	5,692,082	5,775,716
Cash	172	168	Reserve for outstanding claims	20,322	19,814
Bank deposits	66,599	288,500	Policy reserve	5,613,583	5,694,979
Call loans	176,000	230,000	Reserve for dividends to policyholders	58,176	60,922
Monetary claims bought	299	269	Reinsurance payables	55	86
Money held in trust	23,850	24,156	Subordinated bonds	191,935	191,935
Securities:	5,567,876	5,344,665	Other liabilities:	51,377	122,632
Government bonds	2,030,510	1,932,731	Cash received as collateral under securities lending transactions	–	67,866
Local government bonds	102,277	102,704	Corporate income tax payable	4,422	6,002
Corporate bonds	670,914	664,875	Accounts payable	2,561	2,783
Stocks	696,181	631,989	Accrued expenses	10,802	10,689
Foreign securities	1,953,608	1,894,581	Unearned income	381	361
Other securities	114,384	117,783	Deposits received	5,987	6,079
Loans:	561,138	565,473	Guarantee deposits received	14,041	13,941
Policy loans	56,332	55,339	Derivatives	7,641	7,564
Ordinary loans	504,806	510,133	Cash collateral received for financial instruments	1,051	1,694
Tangible fixed assets:	216,974	219,475	Lease obligations	–	966
Land	125,180	125,118	Asset retirement obligations	2,892	2,754
Buildings	84,441	87,320	Suspense receipts	1,596	1,928
Lease assets	1,241	909	Reserve for employees' retirement benefits	24,517	23,519
Construction in progress	2,933	2,866	Reserve for price fluctuation	111,279	122,745
Other tangible fixed assets	3,177	3,260	Deferred tax liabilities	2,429	–
Intangible fixed assets:	22,301	23,791	Deferred tax liabilities for land revaluation	14,225	14,213
Software	20,891	18,155	Total liabilities	6,087,901	6,250,849
Lease assets	–	873	Net assets:		
Other intangible fixed assets	1,410	4,762	Foundation funds	10,000	12,000
Agency receivables	–	4	Accumulated foundation funds redeemed	106,000	116,000
Reinsurance receivables	119	111	Reserve for revaluation	112	112
Other assets:	51,341	66,881	Surplus:	133,682	123,054
Accounts receivable	5,558	5,973	Legal reserve for future losses	3,071	3,176
Prepaid expenses	1,987	2,508	Other surplus:	130,611	119,878
Accrued income	29,898	28,268	Reserve for redemption of foundation funds	8,000	–
Deposits	2,195	2,239	Reserve for dividend allowances	20,000	20,000
Derivatives	4,302	21,360	Accumulated fund for price fluctuation	41,000	41,000
Suspense payments	3,145	3,381	Reserve for advanced depreciation of real estate for tax purpose	210	209
Lease investment assets	666	–	Other reserves	767	767
Rest of the other asset	3,585	3,148	Unappropriated surplus	60,633	57,901
Deferred tax assets	–	29,397	Total foundation funds, surplus and others	249,794	251,166
Allowance for possible loan losses	(2,096)	(2,023)	Net unrealized gains (losses) on available-for-sale securities, net of tax	342,748	284,752
			Revaluation reserve for land, net of tax	4,132	4,102
			Total valuation and translation adjustments	346,880	288,855
			Total net assets	596,674	540,021
Total assets	6,684,576	6,790,871	Total liabilities and net assets	6,684,576	6,790,871

4. Non-consolidated Statements of Operations

(Millions of yen)

	Year ended March 31, 2019	Year ended March 31, 2020
Ordinary revenues:		
Premium and other income:	525,605	533,527
Premium income	525,407	533,396
Reinsurance income	198	130
Investment income:	183,473	195,037
Interest, dividends and other income:	151,190	153,374
Interest on deposits	35	36
Interest and dividends on securities	126,834	129,290
Interest on loans	9,329	8,766
Income from real estate for rent	14,876	15,267
Other interest and dividends	114	13
Gains on money held in trust, net	—	314
Gains on trading securities, net	3,276	—
Gains on sales of securities	27,729	35,410
Gains on derivative instruments, net	—	5,577
Reversal of allowance for possible loan losses	—	70
Other investment income	315	289
Gains on separate accounts, net	962	—
Other ordinary revenues:	9,220	13,306
Fund receipt from annuity rider	730	5,397
Proceeds from deferred insurance	4,771	3,420
Reversal of reserve for outstanding claims	—	508
Reversal of reserve for employees' retirement benefits	898	996
Others	2,820	2,984
Total ordinary revenues	718,300	741,870
Ordinary expenses:		
Claims and other payments:	467,917	439,176
Claims	104,702	93,315
Annuities	160,900	157,816
Benefits	111,533	110,820
Surrenders	63,787	51,404
Other payments	26,754	25,588
Reinsurance premiums	239	230
Provision of policy reserve and others:	36,434	81,409
Provision of reserve for outstanding claims	1,026	—
Provision of policy reserves	35,395	81,396
Provision of interest portion of reserve for dividends to policyholders	12	13
Investment expenses:	48,599	58,867
Interest expenses	3,864	3,860
Losses on money held in trust, net	371	—
Losses on trading securities, net	—	4,979
Losses on sales of securities	11,610	1,935
Losses on valuation of securities	39	13,342
Losses on derivative instruments, net	5,875	—
Foreign exchange losses, net	13,396	17,543
Provision of allowance for possible loan losses	88	—
Write-offs of loans	—	262
Depreciation of real estate for rent and other assets	4,165	4,288
Other investment expenses	9,186	8,698
Losses on separate accounts, net	—	3,955
Operating expenses	90,655	92,072
Other ordinary expenses:	21,377	21,444
Deferred annuity payments	5,595	4,669
Taxes	6,220	6,788
Depreciation	8,615	8,879
Others	945	1,106
Total ordinary expenses	664,984	692,970
Ordinary profits	53,315	48,899
Extraordinary gains:		
Gains on disposal of fixed assets	3	5
Others	60	—
Total extraordinary gains	63	5
Extraordinary losses:		
Losses on disposal of fixed assets	142	181
Impairment losses	228	38
Provision of reserve for price fluctuation	15,481	11,466
Total extraordinary losses	15,851	11,685
Surplus before income taxes	37,527	37,219
Income taxes:		
Current	11,752	13,646
Deferred	(11,059)	(10,540)
Total income taxes	693	3,106
Net surplus for the year	36,834	34,113

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 fiscal year. Costs of their sales are determined by the moving average method. Net unrealized gains or losses on these available-for-sale securities, net of taxes, are recorded as a separate component of net assets.

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 amounts 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 amounts expected to be collected through the disposal of collateral or the execution of guarantees.
- iii) For the credits of borrowers other than the above, the Company provides the amounts calculated by multiplying the borrowers' balance by the actual ratio of bad debt losses on defaults during a certain past period.

All credits are assessed by the relevant departments in accordance with the Company's standards of self-assessment on credit quality. The results of the assessment are reviewed by the audit department, which is independent of business-related divisions. Subsequently, the allowance for possible loan losses is provided based on the results of these assessments.

For the credits of legally bankrupt borrowers and substantially bankrupt borrowers, the amounts remaining after deductions of collateral value or the amounts collectible through the execution of guarantees are written-off directly from the borrowers' balances as the estimated uncollectible amounts. The amount written-off as of March 31, 2020 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 March 31, 2020, the balance of these policy reserves was ¥74,007 million.
- The Company also funded additional policy reserves for certain individual annuity insurance policies, whole life insurance policies that include distribution of surplus every five years, new cancer riders and highly advanced medical riders. As of March 31, 2020, the balance of these policy reserves was ¥29,605 million.
- (13) Depreciation of intangible fixed assets is calculated by the following methods.
- Software: Straight-line method over the estimated useful lives.
 - Lease assets related to finance lease transactions that do not transfer ownership: Straight-line method over the lease term with no residual value.
- (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. Primary accounting standards that have been issued by the end of the fiscal year ended March 31, 2020 but have not been applied are as follows.

Methods of calculating the fair value will be revised in response to the announcements of accounting standards such as “Accounting Standard for Fair Value Measurement” (ASBJ Statement No. 30, July 4, 2019), “Accounting Standard for Financial Instruments” (ASBJ Statement No. 10, July 4, 2019) and “Implementation Guidance on Accounting Standard for Fair Value Measurement” (ASBJ Guidance No. 31, July 4, 2019).

These accounting standards and this guidance must be applied at the beginning of the fiscal year starting on April 1, 2021 and the Company plans to apply these accounting standards and this guidance at the beginning of the fiscal year ending March 31, 2022.

The Company is currently in the process of evaluating the effects of applying these accounting standards and this guidance for the fiscal year ending March 31, 2022.

3. Asset management of the general accounts other than the separate accounts stipulated in Article 118 Paragraph 1 of the Insurance Business Act is conducted on the principle of prudent and profitable investments, considering public and social responsibilities of the insurance business. Based on this policy, the Company allocates the fund, securing its liquidity, from the medium-to-long term viewpoints. The Company is diversifying investments in assets such as foreign securities, stocks and real estates within the acceptable range of risks in order to enhance the profitability, although yen-denominated interest bearing assets including debt securities such as Japanese government bonds and loans are the cores of the portfolios under the asset liability management. Derivatives are mainly used to hedge the market risk regarding spot-priced assets and liabilities.

Major financial instruments including securities, loans and derivatives are exposed to market risk and credit risk.

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

The carrying amounts, fair values and their related differences of major financial assets and liabilities in the general account as of March 31, 2020 were as follows:

(Millions of yen)

	Carrying amount	Fair value	Difference
Cash and deposits:			
Cash and deposits not treated as securities.....	¥ 285,545	¥ 285,545	¥ –
Total cash and deposits.....	285,545	285,545	–
Call loans.....	230,000	230,000	–
Monetary claims bought:			
Claims treated as loans.....	269	287	17
Total monetary claims bought.....	269	287	17
Money held in trust:			
Trading securities.....	23,156	23,156	–
Total money held in trust.....	23,156	23,156	–
Securities:			
Trading securities.....	66,357	66,357	–
Held-to-maturity debt securities.....	757,178	879,712	122,534
Policy-reserve-matching bonds.....	892,940	1,035,765	142,825
Available-for-sale securities.....	3,450,284	3,450,284	–
Total securities.....	5,166,760	5,432,119	265,359
Loans:			
Policy loans.....	55,339	55,339	(0)
Ordinary loans.....	510,133	536,915	26,781
Total loans.....	565,473	592,254	26,781
Assets total.....	6,271,205	6,563,363	292,158
Subordinated bonds ¹	191,935	186,062	(5,872)
Cash received as collateral under securities lending transactions.....	67,866	67,866	–
Liabilities total.....	259,801	253,929	(5,872)
Derivative instruments ² :			
Hedge accounting not applied.....	3,589	3,589	–
Hedge accounting applied.....	10,206	10,206	–
Total derivative instruments.....	¥ 13,795	¥ 13,795	¥ –

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 ¥28,169 million as of March 31, 2020, 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) Cash received as collateral under securities lending transactions:

The fair values of cash received as collateral under securities lending transactions are based on their book values since fair values approximate book values due to their short maturities.

(6) 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.

4. The Company holds investment and rental properties such as office buildings in Tokyo and other areas. The carrying amounts and the fair values of investment and rental properties were ¥174,688 million and ¥321,383 million as of March 31, 2020, respectively. The fair value is mainly based on the value calculated by the Company in accordance with real estate appraisal standards which includes some adjustments using the reference prices.

The amount corresponding to asset retirement obligations included in the carrying amount of investment and rental properties was ¥588 million as of March 31, 2020.

5. The amount of securities lent under lending agreements was ¥345,897 million as of March 31, 2020.

6. 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 ¥1,079 million as of March 31, 2020;

- i) The balance of credits to bankrupt borrowers was ¥153 million as of March 31, 2020.
- ii) The balance of delinquent loans was ¥698 million as of March 31, 2020.
- iii) The balance of restructured loans was ¥227 million as of March 31, 2020.
- iv) There was no balance of delinquent loans past 3 months or more as of March 31, 2020.

The direct write-offs related to loans decreased credits to bankrupt borrowers described above by ¥0 million as of March 31, 2020.

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 of 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.

7. Accumulated depreciation of tangible fixed assets were ¥171,812 million as of March 31, 2020.

8. Total assets in separate accounts provided for in Article 118 of the Insurance Business Act were ¥84,658 million as of March 31, 2020. The amounts of separate account liabilities were the same as separate account assets.

9. The total amounts of receivables from/payables to subsidiaries were ¥3,155 million and ¥1,834 million as of March 31, 2020, respectively.

10. Deferred tax assets and deferred tax liabilities as of March 31, 2020 were ¥149,590 million and ¥114,839 million, respectively. Valuation allowance for deferred tax assets was ¥5,353 million.

Major components of deferred tax assets were ¥93,815 million of policy reserves, ¥34,368 million of reserve for price fluctuation and ¥11,812 million of reserve for employees' retirement benefits as of March 31, 2020.

Major component of deferred tax liabilities was ¥110,413 million of net unrealized gains on available-for-sale securities as of March 31, 2020.

The statutory tax rate and the actual effective tax rate for the year ended March 31, 2020 were 28.0% and 8.3%, respectively. The difference between the statutory tax rate and the actual effective tax rate was attributable mainly to -23.7% of reserve for dividends to policyholders.

11. Changes in reserve for dividends to policyholders for the year ended March 31, 2020 were as follows:

	(Millions of yen)
Balance at the beginning of the fiscal year.....	¥ 58,176
Transfer from surplus in the previous fiscal year.....	34,671
Dividend payments to policyholders during the fiscal year.....	(31,938)
Increase in interest.....	13
Balance at the end of the fiscal year.....	<u>¥ 60,922</u>

12. The amount of stocks of subsidiaries was ¥64,787 million as of March 31, 2020.
13. Assets pledged as collateral as of March 31, 2020 were ¥78,124 million of securities and ¥690 million of bank deposits. Secured debts as of March 31, 2020, were ¥73,400 million.
- These amounts include ¥63,247 million of investments in securities deposited and ¥67,866 million of cash received as collateral under securities lending transactions secured by cash as of March 31, 2020.
14. Reserve for outstanding claims for the reinsurance contracts provided in accordance with Article 71 Paragraph 1 of the Enforcement Regulation of the Insurance Business Act (hereinafter called “reserve for outstanding claims for ceded reinsurance”) was ¥0 million as of March 31, 2020.
- 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 ¥29 million as of March 31, 2020.
15. The total amounts of adjustment items for redemption of foundation funds and appropriation of net surplus defined in Article 30 Paragraph 2 of the Enforcement Regulation of the Insurance Business Act was ¥288,967 million as of March 31, 2020.
16. The Company raised additional foundation funds of ¥12,000 million during the fiscal year ended March 31, 2020 in accordance with Article 60 of the Insurance Business Act.
17. In the fiscal year ended March 31, 2020, 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.
18. There were unused commitment line agreements under which the Company is the lender of ¥9,407 million as of March 31, 2020.
19. Repayments of subordinated bonds are subordinated to other obligations.
20. 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 March 31, 2020.
- The contribution is recognized as operating expenses when contributed.
21. Matters Related to Employees’ Retirement Benefits as of March 31, 2020
- (1) Overview of Employees’ Retirement Benefit Plan
- As for a defined benefit plan for office-based employees, the Company has a defined benefit corporate pension plan and retirement lump-sum payments. As for a defined contribution plan for these employees, the Company also has a defined contribution pension plan.

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

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

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

(2) Defined Benefit Plan

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

	(Millions of yen)
Retirement benefit obligation at the beginning of the fiscal year.....	¥ 87,060
Service cost.....	3,434
Interest cost.....	520
Actuarial differences occurred during the fiscal year.....	1,308
Retirement benefit payments.....	(4,386)
Retirement benefit obligation at the end of the fiscal year.....	<u>¥ 87,938</u>

ii) Reconciliation of beginning and end of balance of pension plan assets

	(Millions of yen)
Pension plan assets at the beginning of the fiscal year.....	¥ 54,880
Expected return on pension plan assets.....	858
Actuarial differences occurred during the fiscal year.....	(3,071)
Contributions by the employer.....	2,711
Retirement benefit payments.....	(1,675)
Pension plan assets at the end of the fiscal year.....	<u>¥ 53,704</u>

iii) Reconciliation of retirement benefit obligation and pension plan assets with reserve for employees' retirement benefits presented on the non-consolidated balance sheet

	(Millions of yen)
a. Funded plan retirement benefit obligation.....	¥ 76,625
b. Pension plan assets.....	(53,704)
c. (a + b).....	22,920
d. Unfunded plan retirement benefit obligation.....	11,313
e. Unrecognized actuarial differences.....	(10,809)
f. Unrecognized prior service cost.....	95
g. Reserve for employees' retirement benefits (c + d + e + f).....	<u>¥ 23,519</u>

iv) Breakdown of retirement benefit gains and losses

	(Millions of yen)
Service cost.....	¥ 3,434
Interest cost.....	520
Expected return on pension plan assets.....	(858)
Amortization of actuarial differences.....	1,404
Amortization of prior service cost.....	(76)
Retirement benefit expenses related to defined benefit plan.....	<u>¥ 4,425</u>

v) Breakdown of pension plan assets

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

Domestic stocks.....	41.3%
Life insurance general account.....	35.5%
Domestic bonds.....	10.0%
Foreign stocks.....	6.9%
Foreign bonds.....	3.2%
Others.....	3.1%
Total.....	<u>100.0%</u>

Within the total of pension assets, 35.4% of this amount is accounted for by the retirement benefit trust established in relation to the retirement lump-sum payments plan for sales employees.

vi) Method for setting the expected long-term rate of return

To set the expected long-term rate of return on pension plan assets, the Company takes into account the present and future allocation of pension plan assets, and the present and expected future long-term rate of return on a variety of assets that makes up the pension assets.

vii) Underlying actuarial assumptions

Main underlying actuarial assumptions as of March 31, 2020, were as follows:

Discount rate.....	0.6%
Expected long-term rate of return on pension plan assets	
Defined Benefit Plan.....	2.5%
Retirement benefit trust.....	0.0%

(3) Defined Contribution Plan

The required contribution amount by the Company to the defined contribution plan was ¥216 million as of March 31, 2020.

III. Notes to the Non-consolidated Statements of Operations

1. The total amounts of revenues and expenses in connection with subsidiaries were ¥909 million and ¥8,331 million for the year ended March 31, 2020.

2. The details of gains on sales of securities for the year ended March 31, 2020 were as follows:

	(Millions of yen)
Domestic bonds.....	¥ 20,386
Domestic stocks and others.....	11,143
Foreign securities.....	2,987
Others.....	892

3. The details of losses on sales of securities for the year ended March 31, 2020 were as follows:

	(Millions of yen)
Domestic bonds.....	¥ 47
Domestic stocks and others.....	643
Foreign securities.....	1,244

4. The details of losses on valuation of securities for the year ended March 31, 2020 were as follows:

	(Millions of yen)
Domestic stocks and others.....	¥ 6,689
Foreign securities.....	5,876
Others.....	776

5. For the year ended March 31, 2020, 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 ¥0 million was added.

6. The details of losses on trading securities for the year ended March 31, 2020 were as follows:

	(Millions of yen)
Interest, dividends and other income.....	¥ 2,946
Gains on sales of trading securities.....	0
Gains on redemption of trading securities.....	1,731
Losses on valuation of trading securities.....	(9,658)

7. Gains on money held in trust for the year ended March 31, 2020 included valuation gains of ¥0 million.

8. Gains on derivative instruments for the year ended March 31, 2020 included valuation gains of ¥3,696 million.

5. Breakdown of Ordinary Profits (Fundamental Profit)

(Millions of yen)

	Year ended March 31, 2019	Year ended March 31, 2020
Fundamental profit A	91,292	83,473
Capital gains	27,729	41,183
Gains on money held in trust, net	—	196
Gains on trading securities, net	—	—
Gains on sales of securities	27,729	35,410
Gains on derivative instruments, net	—	5,577
Foreign exchange gains, net	—	—
Other capital gains	—	—
Capital losses	32,374	40,747
Losses on money held in trust, net	503	—
Losses on trading securities, net	949	7,926
Losses on sales of securities	11,610	1,935
Losses on valuation of securities	39	13,342
Losses on derivative instruments, net	5,875	—
Foreign exchange losses, net	13,396	17,543
Other capital losses	—	—
Net capital gains (losses) B	(4,645)	435
Fundamental profit plus net capital gains (losses) A+B	86,647	83,909
Non-recurring gains	17	0
Reinsurance income	—	—
Reversal of contingency reserve	—	—
Reversal of specific allowance for possible loan losses	17	0
Others	—	—
Non-recurring losses	33,349	35,009
Reinsurance premiums	—	—
Provision for contingency reserve	17,366	10,597
Provision of specific allowance for possible loan losses	—	—
Provision of allowance for specified overseas loans	—	—
Write-off of loans	—	262
Others	15,982	24,149
Non-recurring gains (losses) C	(33,331)	(35,009)
Ordinary profits A+B+C	53,315	48,899

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): ¥131 million in respect of the year ended March 31, 2019 and ¥118 million in respect of the year ended March 31, 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): ¥4,225 million in respect of the year ended March 31, 2019 and ¥2,946 million in respect of the year ended March 31, 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. Non-consolidated Statements of Changes in Net Assets

[For the year ended March 31, 2019]

(Millions of yen)

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

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

[For the year ended March 31, 2020]

(Millions of yen)

(millions of yen)

	Foundation funds, surplus and others											
	Foundation funds	Accumulated foundation funds redeemed	Reserve for revaluation	Surplus								Total foundation funds, surplus and others
				Legal reserve for future losses	Other surplus						Total surplus	
					Reserve for redemption of foundation funds	Reserve for dividend allowances	Accumulated fund for price fluctuation	Reserve for advanced depreciation of real estate for tax purpose	Other reserves	Unappropriated surplus		
Balance at the beginning of the fiscal year	10,000	106,000	112	3,071	8,000	20,000	41,000	210	767	60,633	133,682	249,794
Changes in the fiscal year												
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 fiscal year										34,113	34,113	34,113
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										29	29	29
Net changes, excluding foundation funds, surplus and others												
Total changes in the fiscal year	2,000	10,000	—	105	(8,000)	—	—	(1)	—	(2,731)	(10,628)	1,371
Balance at the end of the fiscal year	12,000	116,000	112	3,176	—	20,000	41,000	209	767	57,901	123,054	251,166

	Valuation and translation adjustments			Total net assets
	Net unrealized gains (losses) on available-for-sale securities, net of tax	Revaluation reserve for land, net of tax	Total valuation and translation adjustments	
Balance at the beginning of the fiscal year	342,748	4,132	346,880	596,674
Changes in the fiscal year				
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 fiscal year				34,113
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				29
Net changes, excluding foundation funds, surplus and others	(57,995)	(29)	(58,025)	(58,025)
Total changes in the fiscal year	(57,995)	(29)	(58,025)	(56,653)
Balance at the end of the fiscal year	284,752	4,102	288,855	540,021

7. Non-consolidated Statements of Surplus

(Millions of yen)

	Year ended March 31, 2019	Year ended March 31, 2020
Unappropriated surplus	60,633	57,901
Reversal of voluntary surplus reserve	1	1
Reversal of reserve for advanced depreciation of real estate for tax purpose	1	1
Total	60,635	57,903
Appropriation of surplus	36,876	34,144
Reserve for dividends to policyholders	34,671	31,547
Net surplus	2,205	2,597
Legal reserve for future losses	105	95
Interest payment for foundation funds	100	102
Voluntary surplus reserve	2,000	2,400
Reserve for redemption of foundation funds	2,000	2,400
Unappropriated surplus carried forward	23,758	23,758

Note: Net surplus is calculated by deducting reserve for dividends to policyholders from the sum of unappropriated surplus and reversal of voluntary surplus reserve.

8. Disclosed Claims Based on Categories of Obligors

(Millions of yen)

	As of March 31, 2019	As of March 31, 2020
Claims against bankrupt and quasi-bankrupt obligors	175	173
Claims with collection risk	772	684
Claims for special attention	—	227
Subtotal [Percentage of total]	947 [0.11%]	1,085 [0.12%]
Claims against normal obligors	862,815	913,829
Total	863,763	914,914

- Notes: 1. Claims against bankrupt and quasi-bankrupt obligors are loans to borrowers who are subject to bankruptcy, corporate reorganization 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 favor of the borrower, including renegotiated schedule and/or waivers, in each case, other than the loans described in note 1 or 2 above.
4. Claims against normal obligors are all other loans.

9. Risk-monitored Loans

(Millions of yen)

	As of March 31, 2019	As of March 31, 2020
Credits to bankrupt borrowers	157	153
Delinquent loans	782	698
Delinquent loans past three months or more	—	—
Restructured loans	—	227
Total [Percentage of total loans]	940 [0.17%]	1,079 [0.19%]

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 March 31, 2020.

2. Credits to bankrupt borrowers represent loans which are subject to bankruptcy, corporate reorganization or rehabilitation or other similar, including but not limited to foreign, proceedings. Accruing interest of these loans is not recorded as income after determining that principal or interest on these loans is unlikely to be collected due to the significant delay in repayment of principal or interest payment or for some other reasons.

3. Delinquent loans are credits whose accruing interest is not recorded as income due to the same reasons as described in note 2 above, and exclude credits to bankrupt borrowers and loans for which interest payments have been suspended and rescheduled to assist and support the borrowers in the restructuring of their business.

4. Delinquent loans past three months or more are loans for which interest payment or repayment of principal are delinquent for three months or more from the due date under the terms of the related loan agreements, excluding those loans classified as credits to bankrupt borrowers and delinquent loans.

5. Restructured loans are loans for which certain concessions favorable to borrowers, such as interest reduction or exemptions, rescheduling of due date of principal or interest payment, waiver of claim or other terms, have been negotiated for the purpose of assisting and supporting the borrowers in the restructuring of their business. This category excludes loans classified as credits to bankrupt borrowers, delinquent loans and delinquent loans past three months or more.

10. Solvency Margin Ratio

(Millions of yen)

	As of March 31, 2019	As of March 31, 2020
Total solvency margin (A)	1,550,103	1,537,878
Foundation funds and surplus	212,577	217,313
Reserve for price fluctuation	111,279	122,745
Contingency reserve	204,416	215,014
General allowance for possible loan losses	1,608	1,538
(Net unrealized gains (losses) on securities (before tax) and deferred hedge gains (losses) (before tax)) × 90%	427,014	355,650
Net unrealized gains on real estate × 85%	138,679	145,920
Excess amount of policy reserve based on full-time Zillmer method	268,240	294,153
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	40,391
Total amount of risk $\sqrt{(R_1 + R_8)^2 + (R_2 + R_3 + R_7)^2} + R_4$ (B)	260,577	238,265
Insurance risk R_1	22,927	22,732
3rd sector insurance risk R_8	9,785	9,911
Assumed investment yield risk R_2	31,373	30,568
Minimum guarantee risk R_7	—	—
Investment risk R_3	221,386	200,132
Business risk R_4	5,709	5,266
Solvency margin ratio $\frac{(A)}{(1/2) \times (B)} \times 100$	1,189.7%	1,290.8%

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

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

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

11. Status of Separate Account

(1) Separate Account Assets by Products

(Millions of yen)

	As of March 31, 2019	As of March 31, 2020
	Amount	Amount
Individual variable insurance	—	—
Individual variable annuities	23	22
Group annuities	71,561	84,635
Total	71,585	84,658

(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 March 31, 2020	
	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 March 31, 2020	
	Amount	Percentage	Amount	Percentage
Cash, deposits, call loans	4	18.1%	3	17.7%
Securities	19	81.9	18	82.3
Domestic bonds	—	—	—	—
Domestic stocks	—	—	—	—
Foreign securities	—	—	—	—
Foreign bonds	—	—	—	—
Foreign stocks and other securities	—	—	—	—
Other securities	19	81.9	18	82.3
Loans	—	—	—	—
Others	—	—	—	—
Allowance for possible loan losses	—	—	—	—
Total	23	100.0	22	100.0

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

(Millions of yen)

	Year ended March 31, 2019	Year ended March 31, 2020
	Amount	Amount
Interest, dividends and other income	2	0
Gains on sales of securities	—	—
Gains on redemption of securities	—	—
Gains on valuation of securities	5	5
Foreign exchange gains, net	—	—
Gains on derivative instruments	—	—
Other investment income	0	—
Losses on sales of securities	—	—
Losses on redemption of securities	—	—
Losses on valuation of securities	8	5
Foreign exchange losses, net	—	—
Losses on derivative instruments	—	—
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 March 31, 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
Trading securities	19	(2)	18	(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 March 31, 2020	
	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)	168,778	(15,692)

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 March 31, 2020				
	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	—	757,178	879,712	122,534	122,534	—
Domestic bonds	738,491	878,209	139,718	139,718	—	737,664	858,750	121,085	121,085	—
Foreign bonds	21,028	21,610	581	581	—	19,514	20,962	1,448	1,448	—
Monetary claims bought	—	—	—	—	—	—	—	—	—	—
Negotiable certificate of deposits	—	—	—	—	—	—	—	—	—	—
Others	—	—	—	—	—	—	—	—	—	—
Policy-reserve-matching bonds	938,273	1,111,124	172,850	173,088	237	892,940	1,035,765	142,825	144,107	1,281
Domestic bonds	936,473	1,109,273	172,799	173,037	237	892,940	1,035,765	142,825	144,107	1,281
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	3,056,561	3,450,284	393,722	477,836	84,113
Domestic bonds	1,020,560	1,098,130	77,569	79,600	2,031	955,552	1,038,974	83,421	83,947	525
Domestic stocks	299,394	603,602	304,208	312,902	8,693	333,313	543,104	209,791	232,868	23,077
Foreign securities	1,735,720	1,808,479	72,758	90,530	17,772	1,675,248	1,770,514	95,265	148,498	53,233
Foreign bonds	1,453,532	1,503,448	49,915	62,862	12,946	1,389,520	1,503,075	113,555	138,270	24,715
Foreign stocks and other securities	282,188	305,030	22,842	27,667	4,825	285,728	267,438	(18,289)	10,227	28,517
Other securities	78,791	96,605	17,813	19,483	1,669	92,446	97,690	5,244	12,521	7,277
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	4,706,680	5,365,762	659,082	744,478	85,395
Domestic bonds	2,695,525	3,085,613	390,087	392,356	2,268	2,586,157	2,933,490	347,333	349,140	1,807
Domestic stocks	299,394	603,602	304,208	312,902	8,693	333,313	543,104	209,791	232,868	23,077
Foreign securities	1,758,549	1,831,939	73,390	91,163	17,772	1,694,762	1,791,476	96,713	149,946	53,233
Foreign bonds	1,476,361	1,526,909	50,548	63,495	12,946	1,409,034	1,524,038	115,003	139,719	24,715
Foreign stocks and other securities	282,188	305,030	22,842	27,667	4,825	285,728	267,438	(18,289)	10,227	28,517
Other securities	78,791	96,605	17,813	19,483	1,669	92,446	97,690	5,244	12,521	7,277
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 March 31, 2020		
	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	757,178	879,712	122,534
Domestic bonds	738,491	878,209	139,718	737,664	858,750	121,085
Foreign bonds	21,028	21,610	581	19,514	20,962	1,448
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 March 31, 2020		
	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	855,085	999,192	144,107
Domestic bonds	927,294	1,100,331	173,037	855,085	999,192	144,107
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)	37,854	36,572	(1,281)
Domestic bonds	9,179	8,942	(237)	37,854	36,572	(1,281)
Foreign bonds	—	—	—	—	—	—
Others	—	—	—	—	—	—

[Available-for-sale Securities]

(Millions of yen)

	As of March 31, 2019			As of March 31, 2020		
	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	2,271,365	2,749,202	477,836
Domestic bonds	876,036	955,637	79,600	916,214	1,000,161	83,947
Domestic stocks	236,860	549,763	312,902	220,830	453,699	232,868
Foreign securities	1,198,845	1,289,376	90,530	1,105,570	1,254,068	148,498
Foreign bonds	981,761	1,044,624	62,862	1,039,135	1,177,405	138,270
Foreign stocks	217,084	244,752	27,667	66,434	76,662	10,227
Other securities	57,021	76,505	19,483	28,750	41,272	12,521
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)	785,195	701,081	(84,113)
Domestic bonds	144,524	142,493	(2,031)	39,338	38,812	(525)
Domestic stocks	62,533	53,839	(8,693)	112,483	89,405	(23,077)
Foreign securities	536,874	519,102	(17,772)	569,678	516,445	(53,233)
Foreign bonds	471,771	458,824	(12,946)	350,385	325,669	(24,715)
Foreign stocks	65,103	60,278	(4,825)	219,293	190,775	(28,517)
Other securities	21,769	20,100	(1,669)	63,695	56,417	(7,277)
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 March 31, 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	30,905	32,410
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	26,725
Total	95,692	97,197

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 ¥1,443 million as of March 31, 2020) 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 March 31, 2020	Interest- related	Currency- related	Stock- related	Bond- related	Others	Total
Hedge accounting applied	—	10,206	—	—	—	10,206
Hedge accounting not applied	(240)	2,988	841	—	—	3,589
Total	(240)	13,194	841	—	—	13,795

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 gains of ¥10,206 million as of March 31, 2020) 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 March 31, 2020			
	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			460,000	460,000		
[459]			125	(333)	[292]		52	(240)
Total				(333)				(240)

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 March 31, 2020			
	Notional amount/ contract value	Fair value	Gains (Losses)		Notional amount/ contract value	Fair value	Gains (Losses)	
	Over 1 year				Over 1 year			
Over-the-counter transactions								
Currency forward contracts								
Sold	138,780	—	137,997	783	108,353	—	104,832	3,521
U.S. dollar	59,882	—	59,821	60	39,465	—	39,663	(197)
British pound	25,684	—	25,304	380	24,224	—	23,335	888
Canadian dollar	21,063	—	20,944	118	22,746	—	21,396	1,349
Australian dollar	19,166	—	19,215	(48)	12,956	—	11,536	1,419
Euro	12,983	—	12,710	272	8,882	—	8,821	61
Other	—	—	—	—	78	—	78	(0)
Bought	—	—	—	—	233	—	232	(1)
Euro	—	—	—	—	153	—	152	(1)
U.S. dollar	—	—	—	—	79	—	79	(0)
Currency options								
Sold								
Call	97,211	—			371,074	—		
U.S. dollar	[352]	67	284	[448]	1,197	(749)		
Canadian dollar	[352]	67	284	[440]	1,197	(756)		
Australian dollar	[—]	—	—	[4]	0	4		
Put	[—]	—	—	[2]	0	2		
Bought								
Call	[—]	—	—	[—]	—	—		
Put	171,400	—		288,760	—			
U.S. dollar	[1,081]	238	(842)	[449]	667	217		
Canadian dollar	[352]	68	(284)	[442]	617	175		
Australian dollar	[283]	46	(236)	[4]	12	7		
Total	[444]	123	(321)	[2]	37	34		
Total			226				2,988	

Notes: 1. Forward exchange rates are used for exchange rates as of March 31, 2020.

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 March 31, 2020			
	Notional amount/ contract value	Fair value	Gains (Losses)		Notional amount/ contract value	Fair value	Gains (Losses)	
	Over 1 year				Over 1 year			
Exchange-traded transactions								
Stock index options								
Sold								
Call	—	—	—	48,350	—			
Put	[—]	—	—	[119]	7	112		
Bought								
Call	[—]	—	—	[—]	—	—		
Put	[—]	—	—	30,200	—			
Total	[—]	—	—	[91]	820	729		
Total			—				841	

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 March 31, 2020.

(iii) Hedge Accounting Applied

[Interest-related Transactions]

No ending balance as of March 31, 2019 and March 31, 2020.

[Currency-related Transactions]

(Millions of yen)

(millions of yen)									
Method of hedge accounting	Hedging instruments	As of March 31, 2019				As of March 31, 2020			
		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				Foreign			
	Sold	currency-	807,349	—	810,580	currency-	819,040	—	808,834
	U.S. dollar	denominated	503,551	—	508,347	denominated	504,167	—	507,270
	Australian dollar	bonds	118,220	—	118,240	bonds	109,919	—	99,610
	Euro		111,073	—	110,053		109,789	—	110,124
	Canadian dollar		43,211	—	42,826		45,629	—	42,775
	Swedish krona		—	—	—		29,466	—	29,096
	British pound		31,293	—	31,112		20,069	—	19,956
	Bought		—	—	—		—	—	—
Total									

Notes: 1. Forward exchange rates are used for exchange rates as of March 31, 2020.

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 March 31, 2020.

[Bond-related Transactions]

No ending balance as of March 31, 2019 and March 31, 2020.

12. Status of the Company, Subsidiaries and Affiliates

(1) Selected Financial Data

(100 million of yen)

	Year ended March 31, 2019	Year ended March 31, 2020
Ordinary revenues	7,967	8,644
Ordinary profits	551	500
Net surplus attributable to the parent company	367	343
Comprehensive income	451	(275)

	As of March 31, 2019	As of March 31, 2020
Total assets	85,147	85,744
Solvency margin ratio	1,236.4%	1,331.7%

(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 March 31, 2020		As of March 31, 2019	As of March 31, 2020
Assets:			Liabilities:		
Cash and deposits	153,017	415,816	Policy reserves:	7,476,860	7,515,143
Call loans	176,000	230,000	Reserve for outstanding claims	24,584	23,620
Monetary claims bought	299	269	Policy reserve	7,393,634	7,430,271
Money held in trust	23,850	24,156	Reserve for dividends to policyholders	58,176	60,922
Securities	7,287,916	6,977,554	Reserve for dividends to policyholders (subsidiary)	465	328
Loans	564,778	569,127	Agency payables	117	114
Tangible fixed assets:	217,393	219,883	Reinsurance payables	88	103
Land	125,180	125,118	Subordinated bonds	191,935	191,935
Buildings	84,624	87,480	Other liabilities	62,838	132,340
Lease assets	1,241	933	Net defined benefit liabilities	32,470	34,614
Construction in progress	2,933	2,866	Reserve for price fluctuation	121,357	133,162
Other tangible fixed assets	3,413	3,484	Deferred tax liabilities	1,743	0
Intangible fixed assets:	34,254	33,359	Deferred tax liabilities for land revaluation	14,225	14,213
Software	23,169	19,889	Total liabilities	7,901,637	8,021,628
Lease assets	9,532	8,666	Net assets:		
Other intangible fixed assets	1,553	4,803	Foundation funds	10,000	12,000
Agency receivables	1	0	Accumulated foundation funds redeemed	106,000	116,000
Reinsurance receivables	173	124	Reserve for revaluation	112	112
Other assets	58,813	74,059	Consolidated surplus	137,669	127,315
Net defined benefit assets	177	255	Total foundation funds, surplus and others	253,781	255,427
Deferred tax assets	185	31,885	Net unrealized gains (losses) on available- for-sale securities, net of tax	352,453	292,980
Allowance for possible loan losses	(2,096)	(2,024)	Revaluation reserve for land, net of tax	4,132	4,102
			Foreign currency translation adjustment	(496)	(480)
			Accumulated remeasurements of defined benefit plans	(5,517)	(7,714)
			Total accumulated other comprehensive income	350,571	288,888
			Non-controlling interests	8,774	8,523
			Total net assets	613,127	552,839
Total assets	8,514,764	8,574,467	Total liabilities and net assets	8,514,764	8,574,467

(4) Consolidated Statements of Operations and Comprehensive Income

[Consolidated Statements of Operations]

	(Millions of yen)	
	Year ended March 31, 2019	Year ended March 31, 2020
Ordinary revenues:		
Premium and other income	577,450	629,956
Investment income	208,598	219,379
Interest, dividends and other income	174,763	175,964
Gains on money held in trust, net	—	314
Gains on trading securities, net	3,276	—
Gains on sales of securities	29,281	37,162
Gains on derivative instruments, net	—	5,577
Reversal of allowance for possible loan losses	—	70
Other investment income	315	289
Gains on separate accounts, net	962	—
Other ordinary revenues	10,685	15,067
Total ordinary revenues	796,734	864,402
Ordinary expenses:		
Claims and other payments	564,389	592,144
Claims	110,872	100,635
Annuities	200,064	260,181
Benefits	125,198	123,451
Surrenders	101,023	81,760
Other payments	27,231	26,116
Provision of policy reserve and others:	4,291	36,650
Provision of reserve for outstanding claims	2,418	—
Provision of policy reserves	1,860	36,637
Provision of interest portion of reserve for dividends to policyholders	12	13
Provision of interest portion of reserve for dividends to policyholders (subsidiary)	0	0
Investment expenses	47,271	57,587
Interest expenses	3,892	3,885
Losses on money held in trust, net	371	—
Losses on trading securities, net	—	4,979
Losses on sales of securities	11,610	1,935
Losses on valuation of securities	39	13,342
Losses on derivative instruments, net	5,875	—
Foreign exchange losses, net	13,397	17,547
Provision of allowance for possible loan losses	88	—
Write-offs of loans	—	262
Depreciation of real estate for rent and other assets	4,165	4,288
Other investment expenses	7,829	7,389
Losses on separate accounts, net	—	3,955
Operating expenses	99,232	100,850
Other ordinary expenses	26,362	27,141
Total ordinary expenses	741,547	814,374
Ordinary profits	55,187	50,028
Extraordinary gains:		
Gains on disposal of fixed assets	3	5
Others	60	—
Total extraordinary gains	63	5
Extraordinary losses:		
Losses on disposal of fixed assets	213	183
Impairment losses	228	38
Provision of reserve for price fluctuation	15,836	11,804
Total extraordinary losses	16,278	12,026
Provision of reserve for dividends to policyholders (subsidiary)	337	172
Surplus before income taxes	38,635	37,834
Income taxes:		
Current	12,345	14,183
Deferred	(10,450)	(10,666)
Total income taxes	1,895	3,516
Net surplus	36,739	34,317
Net surplus (loss) attributable to non-controlling interests	1	(70)
Net surplus attributable to the parent company	36,738	34,388

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

[Consolidated Statements of Comprehensive Income]

(Millions of yen)

	Year ended March 31, 2019	Year ended March 31, 2020
Net surplus	36,739	34,317
Other comprehensive income:	8,376	(61,825)
Net unrealized gains (losses) on available-for-sale securities, net of tax	7,957	(59,644)
Foreign currency translation adjustments	(119)	16
Remeasurements of defined benefit plan, net of tax	538	(2,197)
Comprehensive income:	45,116	(27,507)
Comprehensive income attributable to the parent company	45,024	(27,264)
Comprehensive income attributable to non-controlling interests	92	(242)

(5) Consolidated Statements of Cash Flows

(Millions of yen)

	Year ended March 31, 2019	Year ended March 31, 2020
Cash flows from operating activities:		
Surplus before income taxes	38,635	37,834
Depreciation of real estate for rent and other assets	4,165	4,288
Depreciation	12,147	12,559
Impairment losses	228	38
Amortization of goodwill	37	—
Increase (decrease) in reserve for outstanding claims	2,418	(963)
Increase (decrease) in policy reserve	1,860	36,637
Provision of interest portion of reserve for dividends to policyholders	12	13
Provision of interest portion of reserve for dividends to policyholders (subsidiary)	0	0
Provision of reserve for dividends to policyholders (subsidiary)	337	172
Increase (decrease) in allowance for possible loan losses	46	(72)
Increase (decrease) in net defined benefit liabilities	(870)	(985)
Increase (decrease) in reserve for price fluctuation	15,836	11,804
Interest, dividends and other income	(174,763)	(175,964)
Losses (gains) on securities, net	(15,622)	(18,840)
Interest expenses	3,892	3,885
Foreign exchange losses (gains), net	13,397	17,547
Losses (gains) on tangible fixed assets, net	145	144
Decrease (increase) in agency receivable	(1)	1
Decrease (increase) in reinsurance receivable	47	49
Decrease (increase) in other assets except from investing and financing activities	(878)	(181)
Increase (decrease) in agency payable	47	(3)
Increase (decrease) in reinsurance payable	13	14
Increase (decrease) in other liabilities except from investing and financing activities	915	(50)
Others	18,544	18,415
Subtotal	(79,406)	(53,655)
Interest, dividends and other income received	178,314	181,158
Interest expenses paid	(3,866)	(3,861)
Dividends to policyholders paid	(33,862)	(31,938)
Dividends to policyholders paid (subsidiary)	(412)	(309)
Corporate income tax (paid) refunded	(10,790)	(12,443)
Net cash provided by (used in) operating activities [a]	49,976	78,950
Cash flows from investing activities:		
Net decrease (increase) in deposits	138	(401)
Proceeds from sales and redemption of monetary claims bought	144	29
Increase in money held in trust	(2,000)	(1,000)
Decrease in money held in trust	9,263	1,000
Payments for purchase of securities	(644,228)	(547,377)
Proceeds from sales and redemption of securities	607,481	741,782
Payments for additions to loans	(89,212)	(92,007)
Proceeds from collections of loans	113,336	78,936
Proceeds from and payments for settlements of derivatives, net	(28,014)	14,231
Increase (decrease) in cash received as collateral under securities lending transactions	—	67,866
Others	(6,735)	(6,860)
Subtotal [b]	(39,825)	256,199
[a + b]	10,151	335,150
Payments for purchase of tangible fixed assets	(6,398)	(9,644)
Proceeds from sales of tangible fixed assets	95	148
Payments for purchase of intangible fixed assets	(5,119)	(7,423)
Net cash provided by (used in) investing activities	(51,247)	239,280
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	(2,915)	(3,223)
Net cash provided by (used in) financing activities	(3,023)	(1,333)
Effect of exchange rate changes on cash and cash equivalents	(180)	(514)
Net increase (decrease) in cash and cash equivalents	(4,475)	316,383
Cash and cash equivalents at the beginning of the fiscal year	332,599	328,124
Cash and cash equivalents at the end of the fiscal year	328,124	644,507

(6) Consolidated Statements of Changes in Net Assets

[For the year ended March 31, 2019]

(Millions of yen)

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

	Accumulated other comprehensive income					Non-controlling interests	Total net assets
	Net unrealized gains (losses) on available-for-sale securities, net of tax	Revaluation reserve for land, net of tax	Foreign currency translation adjustments	Accumulated remeasurements of defined benefit plans	Total accumulated other comprehensive income		
Balance at the beginning of the fiscal year	344,585	4,173	(377)	(6,055)	342,326	8,690	606,750
Changes in the fiscal year							
Additions to reserve for dividends to policyholders							(38,630)
Payment of interest on foundation funds							(100)
Net surplus attributable to the parent company for the fiscal year							36,738
Reversal of revaluation reserve for land, net of tax							41
Net changes, excluding foundation funds, surplus and others	7,867	(41)	(119)	538	8,244	84	8,329
Total changes in the fiscal year	7,867	(41)	(119)	538	8,244	84	6,377
Balance at the end of the fiscal year	352,453	4,132	(496)	(5,517)	350,571	8,774	613,127

[For the year ended March 31, 2020]

(Millions of yen)

	Foundation funds, surplus and others				
	Foundation funds	Accumulated foundation funds redeemed	Reserve for revaluation	Consolidated surplus	Total foundation funds, surplus and others
Balance at the beginning of the fiscal year	10,000	106,000	112	137,669	253,781
Changes in the fiscal year					
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 fiscal year				34,388	34,388
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				29	29
Net changes, excluding foundation funds, surplus and others					
Total changes in the fiscal year	2,000	10,000	—	(10,353)	1,646
Balance at the end of the fiscal year	12,000	116,000	112	127,315	255,427

	Accumulated other comprehensive income					Non-controlling interests	Total net assets
	Net unrealized gains (losses) on available-for-sale securities, net of tax	Revaluation reserve for land, net of tax	Foreign currency translation adjustments	Accumulated remeasurements of defined benefit plans	Total accumulated other comprehensive income		
Balance at the beginning of the fiscal year	352,453	4,132	(496)	(5,517)	350,571	8,774	613,127
Changes in the fiscal year							
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 fiscal year							34,388
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							29
Net changes, excluding foundation funds, surplus and others	(59,472)	(29)	16	(2,197)	(61,683)	(251)	(61,934)
Total changes in the fiscal year	(59,472)	(29)	16	(2,197)	(61,683)	(251)	(60,288)
Balance at the end of the fiscal year	292,980	4,102	(480)	(7,714)	288,888	8,523	552,839

Notes to the Consolidated Financial Statements

I. Presentation of the Consolidated Financial Statements

1. Basis of Presentation

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

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

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

2. Principles of Consolidation

(1) Scope of Consolidation

Consolidated subsidiaries as of March 31, 2020 are listed below:

Fukoku Capital Management, Inc.

Fukokushinrai Life Insurance Co., Ltd.

Fukoku Information Systems Co., Ltd.

Fukoku Life International (U.K.) Ltd.

Fukoku Life International (America) Inc.

Fukoku Life Investments Singapore Pte. Ltd.

Major unconsolidated subsidiary is Fukoku Business Service Company Limited.

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

(2) Application of Equity Method

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

There are no affiliates for the year ended March 31, 2020.

(3) Fiscal Year of Consolidated Subsidiaries

Among the subsidiaries to be consolidated, fiscal year-end of overseas subsidiaries are December 31. For the preparation of consolidated financial statements, financial statements as of that date are used and concerning any important transaction taking place in between December 31 and the consolidated closing date, necessary adjustments for consolidation are made.

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 fiscal year. Costs of their sales are determined by the moving average method. Net unrealized gains or losses on these available-for-sale securities, net of taxes, are recorded as a separate component of net assets.

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 amounts 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 amounts expected to be collected through the disposal of collateral or the execution of guarantees.
 - iii) For the credits of borrowers other than the above, the Company provides the amounts calculated by multiplying the borrowers’ balance by the actual ratio of bad debt losses on defaults during a certain past period.

All credits are assessed by the relevant departments in accordance with the Company’s standards of self- assessment on credit quality. The results of the assessment are reviewed by the audit department, which is independent of business-related divisions. Subsequently, the allowance for possible loan losses is provided based on the results of these assessments.

For the credits of legally bankrupt borrowers and substantially bankrupt borrowers, the amounts remaining after deductions of collateral value or the amounts collectible through the execution of guarantees are written-off directly from the borrowers’ balances as the estimated uncollectible amounts. The amount written-off as of March 31, 2020 was ¥0 million.

- (7) Net defined benefit liabilities, 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 March 31, 2020, the balance of these policy reserves was ¥74,007 million.

The Company also funded additional policy reserves for certain individual annuity insurance policies, whole life insurance policies that include distribution of surplus every five years, new cancer riders and highly advanced medical riders. As of March 31, 2020, the balance of these policy reserves was ¥29,605 million.

(12) Depreciation of intangible fixed assets is calculated by the following methods.

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

(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. Primary accounting standards that have been issued by the end of the consolidated fiscal year ended March 31, 2020 but have not been applied are as follows.

Methods of calculating the fair value will be revised in response to the announcements of accounting standards such as “Accounting Standard for Fair Value Measurement” (ASBJ Statement No. 30, July 4, 2019), “Accounting Standard for Financial Instruments” (ASBJ Statement No. 10, July 4, 2019) and “Implementation Guidance on Accounting Standard for Fair Value Measurement” (ASBJ Guidance No. 31, July 4, 2019).

These accounting standards and this guidance must be applied at the beginning of the fiscal year starting on April 1, 2021 and the Company plans to apply these accounting standards and this guidance at the beginning of the fiscal year ending March 31, 2022.

The Company is currently in the process of evaluating the effects of applying these accounting standards and this guidance for the consolidated fiscal year ending March 31, 2022.

3. Asset management of the general accounts other than the separate accounts stipulated in Article 118 Paragraph 1 of the Insurance Business Act is conducted on the principle of prudent and profitable investments by the Company, considering public and social responsibilities of the insurance business. Based on this policy, the Company allocates the fund, securing its liquidity, from the medium-to-long term viewpoints. The Company is diversifying investments in assets such as foreign securities, stocks and real estates within the acceptable range of risk in order to enhance the profitability, although yen-denominated interest bearing assets including debt securities such as Japanese government bonds and loans are the cores of the portfolios under the asset liability management. Derivatives are mainly used to hedge the market risk regarding spot-priced assets and liabilities.

Major financial instruments including securities, loans and derivatives are exposed to market risk and credit risk.

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

The carrying amounts, fair values and their related differences of major financial assets and liabilities in the general account as of March 31, 2020 were as follows:

	(Millions of yen)		
	Carrying amount	Fair value	Difference
Cash and deposits:			
Cash and deposits not treated as securities.....	¥ 412,693	¥ 412,693	¥ –
Total cash and deposits.....	412,693	412,693	–
Call loans.....	230,000	230,000	–
Monetary claims bought:			
Claims treated as loans.....	269	287	17
Total monetary claims bought.....	269	287	17
Money held in trust:			
Trading securities.....	23,156	23,156	–
Total money held in trust.....	23,156	23,156	–
Securities:			
Trading securities.....	66,357	66,357	–
Held-to-maturity debt securities.....	1,274,337	1,498,490	224,153
Policy-reserve-matching bonds.....	1,750,094	1,954,843	204,748
Available-for-sale securities.....	3,773,242	3,773,242	–
Total securities.....	6,864,032	7,292,934	428,902
Loans:			
Policy loans.....	58,993	58,993	(0)
Ordinary loans.....	510,133	536,915	26,781
Total loans.....	569,127	595,908	26,781
Assets total.....	8,099,279	8,554,980	455,701
Subordinated bonds ¹	191,935	186,062	(5,872)
Cash received as collateral under securities lending transactions.....	67,866	67,866	–
Liabilities total.....	259,801	253,929	(5,872)
Derivative instruments ² :			
Hedge accounting not applied.....	3,589	3,589	–
Hedge accounting applied.....	10,206	10,206	–
Total derivative instruments.....	¥ 13,795	¥ 13,795	¥ –

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 ¥28,169 million as of March 31, 2020, 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) Cash received as collateral under securities lending transactions:

The fair values of cash received as collateral under securities lending transactions are based on their book values since fair values approximate book values due to their short maturities.

- (6) 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.

4. The Company holds investment and rental properties such as office buildings in Tokyo and other areas. The carrying amounts and the fair values of investment and rental properties were ¥173,454 million and ¥320,155 million as of March 31, 2020, respectively. The fair value is mainly based on the value calculated by the Company in accordance with real estate appraisal standards which includes some adjustments using the reference prices.

The amount corresponding to asset retirement obligations included in the carrying amount of investment and rental properties was ¥587 million as of March 31, 2020.

5. The amount of securities lent under lending agreements was ¥345,897 million as of March 31, 2020.

6. 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 ¥1,099 million as of March 31, 2020:

- i) The balance of credits to bankrupt borrowers was ¥173 million as of March 31, 2020.
- ii) The balance of delinquent loans was ¥698 million as of March 31, 2020.
- iii) The balance of restructured loans was ¥227 million as of March 31, 2020.
- iv) There was no balance of delinquent loans past 3 months or more as of March 31, 2020.

The direct write-offs related to loans decreased credits to bankrupt borrowers described above by ¥0 million as of March 31, 2020.

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.

7. Accumulated depreciation of tangible fixed assets were ¥172,539 million as of March 31, 2020.

8. Total assets in separate accounts provided for in Article 118 of the Insurance Business Act were ¥84,658 million as of March 31, 2020. The amounts of separate account liabilities were the same as separate account assets.

9. The total amounts of receivables from/payables to unconsolidated subsidiaries were ¥3,065 million and ¥40 million as of March 31, 2020, respectively.

10. Deferred tax assets and deferred tax liabilities as of March 31, 2020 were ¥156,847 million and ¥119,398 million, respectively. Valuation allowance for deferred tax assets was ¥5,563 million.

Major components of deferred tax assets were ¥94,544 million of policy reserves, ¥37,285 million of reserve for price fluctuation and ¥14,928 million of net defined benefit liability as of March 31, 2020.

Major component of deferred tax liabilities was ¥114,139 million of net unrealized gains on available-for-sale securities as of March 31, 2020.

The statutory tax rate and the actual effective tax rate for the year ended March 31, 2020 were 28.0% and 9.3%, respectively. The difference between the statutory tax rate and the actual effective tax rate was attributable mainly to -23.3% of reserve for dividends to policyholders.

11. Changes in reserve for dividends to policyholders for the year ended March 31, 2020 were as follows:

	(Millions of yen)
Balance at the beginning of the fiscal year.....	¥ 58,176
Transfer from surplus in the previous fiscal year.....	34,671
Dividend payments to policyholders during the fiscal year.....	(31,938)
Increase in interest.....	13
Balance at the end of the fiscal year.....	<u>¥ 60,922</u>

12. Changes in reserve for dividends to policyholders (Fukokushinrai Life Insurance Co., Ltd.) for the year ended March 31, 2020 were as follows:

	(Millions of yen)
Balance at the beginning of the fiscal year.....	¥ 465
Dividend payments to policyholders during the fiscal year.....	(309)
Increase in interest.....	0
Provision of reserve for dividends to policyholders.....	172
Balance at the end of the fiscal year.....	<u>¥ 328</u>

13. The amount of stocks of unconsolidated subsidiaries was ¥404 million as of March 31, 2020.

14. Assets pledged as collateral as of March 31, 2020 were ¥78,124 million of securities and ¥690 million of bank deposits. Secured debts as of March 31, 2020, were ¥73,400 million.

These amounts include ¥63,247 million of investments in securities deposited and ¥67,866 million of cash received as collateral under securities lending transactions secured by cash as of March 31, 2020.

15. 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 ¥1 million as of March 31, 2020.

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 ¥48 million as of March 31, 2020.

16. The Company raised additional foundation funds of ¥12,000 million during the fiscal year ended March 31, 2020 in accordance with Article 60 of the Insurance Business Act.
17. In the fiscal year ended March 31, 2020, 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.
18. There were unused commitment line agreements under which the Company is the lender of ¥9,407 million as of March 31, 2020.
19. Repayments of subordinated bonds are subordinated to other obligations.
20. 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 March 31, 2020.
The contribution is recognized as operating expenses when contributed.

21. Matters Related to Employees' Retirement Benefits as of March 31, 2020

(1) Overview of Employees' Retirement Benefit Plan

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

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

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

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

(2) Defined Benefit Plan

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

	(Millions of yen)
Retirement benefit obligation at the beginning of the fiscal year.....	¥ 87,382
Service cost.....	3,535
Interest cost.....	520
Actuarial differences occurred during the fiscal year.....	1,308
Retirement benefit payments.....	(4,391)
Retirement benefit obligation at the end of the fiscal year.....	<u>¥ 88,356</u>

ii) Reconciliation of beginning and end of balance of pension plan assets	(Millions of yen)
Pension plan assets at the beginning of the fiscal year.....	¥ 55,090
Expected return on pension plan assets.....	858
Actuarial differences occurred during the fiscal year.....	(3,071)
Contributions by the employer.....	2,794
Retirement benefit payments.....	(1,677)
Others.....	2
Pension plan assets at the end of the fiscal year.....	<u>¥ 53,996</u>

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

	(Millions of yen)
a. Funded plan retirement benefit obligation.....	¥ 76,662
b. Pension plan assets.....	<u>(53,996)</u>
c. (a + b).....	22,665
d. Unfunded plan retirement benefit obligation.....	<u>11,693</u>
e. Net amount of liabilities and assets presented on the consolidated balance sheet.....	<u>34,359</u>
f. Net defined benefit liabilities.....	34,614
g. Net defined benefit assets.....	<u>(255)</u>
h. Net amount of liabilities and assets presented on the consolidated balance sheet.....	<u>¥ 34,359</u>

iv) Breakdown of retirement benefit gains and losses

	(Millions of yen)
Service cost.....	¥ 3,535
Interest cost.....	520
Expected return on pension plan assets.....	(858)
Amortization of actuarial differences.....	1,404
Amortization of prior service cost.....	(76)
Others.....	<u>(2)</u>
Retirement benefit expenses related to defined benefit plan.....	<u>¥ 4,523</u>

v) Remeasurements of defined benefit plan

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

	(Millions of yen)
Amortization of actuarial differences.....	¥ (2,975)
Amortization of prior service cost.....	<u>(76)</u>
Total.....	<u>¥ (3,051)</u>

vi) Accumulated remeasurements of defined benefit plan

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

	(Millions of yen)
Unrecognized actuarial differences.....	¥ (10,809)
Unrecognized prior service cost.....	<u>95</u>
Total.....	<u>¥ (10,714)</u>

vii) Breakdown of pension plan assets

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

Domestic stocks.....	41.1%
Life insurance general account.....	35.8%
Domestic bonds.....	9.9%
Foreign stocks.....	6.9%
Foreign bonds.....	3.2%
Others.....	3.1%
Total.....	<u>100.0%</u>

Within the total of pension assets, 35.2% of this amount is accounted for by the retirement benefit trust established in relation to the retirement lump-sum payments plan for sales employees.

viii) Method for setting the expected long-term rate of return

To set the expected long-term rate of return on pension plan assets, the Company takes into account the present and future allocation of pension plan assets, and the present and expected future long-term rate of return on a variety of assets that makes up the pension assets.

ix) Underlying actuarial assumptions

Main underlying actuarial assumptions as of March 31, 2020, were as follows:

Discount rate.....	0.6%
Expected long-term rate of return on pension plan assets	
Defined Benefit Plan.....	2.5%
Retirement benefit trust.....	0.0%

(3) Defined Contribution Plan

The required contribution amount by the Company and its consolidated subsidiaries to the defined contribution plan was ¥331 million as of March 31, 2020.

III. Notes to the Consolidated Statements of Operations

1. The total amounts of revenues and expenses in connection with unconsolidated subsidiaries were ¥75 million and ¥1,201 million for the year ended March 31, 2020.
2. For the year ended March 31, 2020, in calculating the reversal of reserve for outstanding claims, a reversal of reserves for outstanding claims reinsured of ¥68 million was deducted. In calculating the provision of policy reserves, a reversal of reserves for policy reserves reinsured of ¥5 million was added.

IV. Notes to the Consolidated Statements of Comprehensive Income

1. Other Comprehensive Income

The reclassification adjustments and tax effect amounts related to other comprehensive income for the year ended March 31, 2020 were as follows:

i) Net unrealized gains (losses) on available-for-sale securities, net of tax

	(Millions of yen)
Amount incurred during the fiscal year.....	¥ (63,412)
Reclassification adjustments.....	(18,165)
Before tax adjustments.....	(81,578)
Tax effects.....	21,934
Net unrealized gains (losses) on available-for-sale securities, net of tax....	¥ (59,644)

ii) Foreign currency translation adjustments

	(Millions of yen)
Amount incurred during the fiscal year.....	¥ 16
Reclassification adjustments.....	—
Before tax adjustments.....	16
Tax effects.....	—
Foreign currency translation adjustments.....	¥ 16

iii) Remeasurements of defined benefit plans, net of tax

	(Millions of yen)
Amount incurred during the fiscal year.....	¥ (4,380)
Reclassification adjustments.....	1,328
Before tax adjustments.....	(3,051)
Tax effects.....	854
Remeasurements of defined benefit plans, net of tax.....	(2,197)
Total other comprehensive income.....	¥(61,825)

V. Notes to the Consolidated Statements of Cash Flows

1. Cash and cash equivalents as of March 31, 2020 consist of "Cash," "Deposits in transfer account," "Current deposits," "Ordinary deposits," "Notice deposits," "Time deposits maturing within 3 months of the date of acquisition," "Foreign currency deposits maturing within 3 months of the date of acquisition," "Negotiable certificate of deposits maturing within 3 months of the date of acquisition," "Call loans" and "Monetary claims bought maturing within 3 months of the date of acquisition."

2. Reconciliations of cash and cash equivalents in the consolidated statements of cash flows to the consolidated balance sheet accounts as of March 31, 2020 were as follows:

	(Millions of yen)
Cash and deposits.....	¥ 415,816
Call loans.....	230,000
Monetary claims bought.....	269
Time deposits maturing over 3 months of the date of acquisition.....	(100)
Foreign currency deposits maturing over 3 months of the date of acquisition.....	(1,209)
Monetary claims bought maturing over 3 months of the date of acquisition.....	(269)
Cash and cash equivalents.....	¥644,507

(7) Risk-monitored Loans

(Millions of yen)

	As of March 31, 2019	As of March 31, 2020
Credits to bankrupt borrowers	172	173
Delinquent loans	782	698
Delinquent loans past three months or more	—	—
Restructured loans	—	227
Total [Percentage of total loans]	954 [0.17%]	1,099 [0.19%]

- 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 March 31, 2020.
2. Credits to bankrupt borrowers represent loans which are subject to bankruptcy, corporate reorganization or rehabilitation or other similar, including but not limited to foreign, proceedings. Accruing interest of these loans is not recorded as income after determining that principal or interest on these loans is unlikely to be collected due to the significant delay in repayment of principal or interest payment or for some other reasons.
3. Delinquent loans are credits whose accruing interest is not recorded as income due to the same reasons as described in note 2 above, and exclude credits to bankrupt borrowers and loans for which interest payments have been suspended and rescheduled to assist and support the borrowers in the restructuring of their business.
4. Delinquent loans past three months or more are loans for which interest payment or repayment of principal are delinquent for three months or more from the due date under the terms of the related loan agreements, excluding those loans classified as credits to bankrupt borrowers and delinquent loans.
5. Restructured loans are loans for which certain concessions favorable to borrowers, such as interest reduction or exemptions, rescheduling of due date of principal or interest payment, waiver of claim or other terms, have been negotiated for the purpose of assisting and supporting the borrowers in the restructuring of their business. This category excludes loans classified as credits to bankrupt borrowers, delinquent loans and delinquent loans past three months or more.

(8) Status of Insurance Claims Paying Ability of the Company and Insurance Subsidiaries
(Consolidated Solvency Margin Ratio)

		(Millions of yen)	
		As of March 31, 2019	As of March 31, 2020
Total solvency margin	(A)	1,633,028	1,616,409
Foundation funds and surplus		225,497	230,289
Reserve for price fluctuation		121,357	133,162
Contingency reserve		206,629	217,331
Catastrophe loss reserve		—	—
General allowance for possible loan losses		1,608	1,538
(Net unrealized gains (losses) on securities (before tax) and deferred hedge gains (losses) (before tax)) × 90%		439,727	366,504
Net unrealized gains on real estate × 85%		138,679	145,920
Sum of unrecognized actuarial differences and unrecognized prior service cost		(7,662)	(10,714)
Excess amount of policy reserve based on full-time Zillmer method		270,629	296,497
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	43,944
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	242,753
Insurance risk R_1		23,369	23,169
General insurance risk R_5		—	—
Catastrophe risk R_6		—	—
3rd sector insurance risk R_8		9,903	10,033
Small amount and short-term insurance risk R_9		—	—
Assumed investment yield risk R_2		31,752	30,934
Minimum guarantee risk R_7		—	—
Investment risk R_3		224,456	204,120
Business risk R_4		5,789	5,365
Solvency margin ratio	$\frac{(A)}{(1/2) \times (B)} \times 100$	1,236.4%	1,331.7%

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.

(9) Status of Insurance Claims Paying Ability of Insurance Subsidiaries
(Solvency Margin Ratio)

[Fukokushinrai Life Insurance Company]

(Millions of yen)

	As of March 31, 2019	As of March 31, 2020
Total solvency margin (A)	102,253	100,841
Foundation funds and surplus	69,935	70,119
Reserve for price fluctuation	10,078	10,417
Contingency reserve	2,212	2,316
General allowance for possible loan losses	0	0
(Net unrealized gains (losses) on securities (before tax) and deferred hedge gains (losses) (before tax)) × 90%	14,147	12,090
Net unrealized gains on real estate × 85%	—	—
Excess amount of policy reserve based on full-time Zillmer method	2,389	2,344
Qualifying subordinated debt	—	—
The amount of "excess amount of policy reserve based on full-time Zillmer method" and "qualifying subordinated debt" excluded from the calculation of solvency margin	—	—
Deductible items	—	—
Others	3,490	3,553
Total amount of risk $\sqrt{(R_1 + R_8)^2 + (R_2 + R_3 + R_7)^2} + R_4$ (B)	20,907	20,831
Insurance risk R_1	451	444
3rd sector insurance risk R_8	117	122
Assumed investment yield risk R_2	378	365
Minimum guarantee risk R_7	—	—
Investment risk R_3	20,099	20,038
Business risk R_4	420	419
Solvency margin ratio $\frac{(A)}{(1/2) \times (B)} \times 100$	978.1%	968.1%

Note: 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.