

Financial Results for the Six Months Ended September 30, 2020

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

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Attached: Supplementary Materials for the Six Months Ended September 30, 2020

1. Business Highlights

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

(i) Policies in Force

		As of March 31, 2020		As of September 30, 2020			
		Number of policies (Thousands)	Amount (100 millions of yen)	Number of policies		Amount	
				(Thousands)	Changes (%, Pre-FYE)	(100 millions of yen)	Changes (%, Pre-FYE)
	Individual insurance	3,184	224,295	3,176	99.8	223,741	99.8
	Individual annuities	627	24,560	615	98.1	24,094	98.1
	Subtotal	3,811	248,855	3,791	99.5	247,836	99.6
	Group insurance	—	176,052	—	—	174,005	98.8
	Group annuities	—	22,334	—	—	22,570	101.1

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

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

(ii) New Policies

Six months ended September 30, 2019		Total		New business	Net increase by conversion
		Number of policies (Thousands)	Amount (100 millions of yen)	Amount (100 millions of yen)	Amount (100 millions of yen)
	Individual insurance	174	7,486	6,565	921
	Individual annuities	4	133	139	(5)
	Subtotal	179	7,619	6,704	915
	Group insurance	—	73	73	—
	Group annuities	—	0	0	—

Six months ended September 30, 2020		Total				New business		Net increase by conversion	
		Number of policies		Amount		Amount		Amount	
		(Thousands)	Changes (%, YoY)	(100 millions of yen)	Changes (%, YoY)	(100 millions of yen)	Changes (%, YoY)	(100 millions of yen)	Changes (%, YoY)
	Individual insurance	125	71.7	6,354	84.9	4,746	72.3	1,607	174.5
	Individual annuities	2	64.5	84	63.3	88	63.5	(4)	—
	Subtotal	128	71.5	6,438	84.5	4,835	72.1	1,603	175.2
	Group insurance	—	—	19	26.5	19	26.5	—	—
	Group annuities	—	—	0	1,088.2	0	1,088.2	—	—

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)

	Six months ended September 30, 2019	Six months ended September 30, 2020	
			Changes (%, YoY)
Amount of surrender and lapse (100 millions of yen)	6,163	4,653	75.5
Surrender and lapse ratio (%)	2.45	1.87	(0.58)

Notes: 1. The amount of lapse is not offset by the amount of reinstatement which was once lapsed.

2. The column of "Changes" of surrender and lapse ratio is increase-decrease points over year.

(2) Annualized Premiums

(i) Policies in Force

(100 millions of yen, %)

	As of March 31, 2020	As of September 30, 2020	
			Changes (% , Pre-FYE)
Individual insurance	2,692	2,679	99.5
Individual annuities	1,158	1,133	97.9
Total	3,851	3,813	99.0
Medical coverage and living benefits	1,135	1,137	100.2

(ii) New Policies

(100 millions of yen, %)

	Six months ended September 30, 2019	Six months ended September 30, 2020	
			Changes (% , YoY)
Individual insurance	68	51	74.8
Individual annuities	3	2	63.8
Total	72	53	74.2
Medical coverage and living benefits	37	26	69.9

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

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

3. New policies include net increase by conversion.

2. Investment Results of General Account Assets

(1) Asset Composition

(Millions of yen, %)

	As of March 31, 2020		As of September 30, 2020	
	Amount	% of total	Amount	% of total
Cash, deposits, and call loans	515,545	7.7 %	324,081	4.8 %
Monetary claims bought	269	0.0	254	0.0
Money held in trust	24,156	0.4	24,871	0.4
Securities	5,265,401	78.5	5,593,729	82.1
Domestic bonds	2,677,697	39.9	2,749,555	40.3
Domestic stocks	612,019	9.1	690,232	10.1
Foreign securities	1,857,920	27.7	2,011,506	29.5
Foreign bonds	1,580,829	23.6	1,652,372	24.2
Foreign stocks and other securities	277,091	4.1	359,134	5.3
Other securities	117,764	1.8	142,435	2.1
Loans	565,473	8.4	556,623	8.2
Policy loans	55,339	0.8	53,102	0.8
Ordinary loans	510,133	7.6	503,520	7.4
Real estate	215,305	3.2	228,958	3.4
Deferred tax assets	29,397	0.4	2,468	0.0
Others	92,688	1.4	86,018	1.3
Allowance for possible loan losses	(2,023)	(0.0)	(2,310)	(0.0)
Total	6,706,213	100.0	6,814,696	100.0
Foreign currency denominated assets	2,159,294	32.2	2,317,958	34.0

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

(2) Changes (Increase/Decrease) in Assets

(Millions of yen)

	Six months ended September 30, 2019	Six months ended September 30, 2020
Cash, deposits, and call loans	103,428	(191,463)
Monetary claims bought	(14)	(14)
Money held in trust	(275)	715
Securities	(1,239)	328,328
Domestic bonds	(32,261)	71,857
Domestic stocks	20,750	78,213
Foreign securities	7,347	153,586
Foreign bonds	14,106	71,543
Foreign stocks and other securities	(6,759)	82,042
Other securities	2,925	24,670
Loans	4,364	(8,849)
Policy loans	(287)	(2,236)
Ordinary loans	4,651	(6,613)
Real estate	1,411	13,652
Deferred tax assets	—	(26,928)
Others	5,789	(6,669)
Allowance for possible loan losses	(163)	(286)
Total	113,300	108,483
Foreign currency denominated assets	14,595	158,663

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

(3) Investment Income

(Millions of yen)

	Six months ended September 30, 2019	Six months ended September 30, 2020
Interest, dividends and other income	74,076	71,786
Interest on deposits	11	4
Interest and dividends on securities	62,062	59,935
Interest on loans	4,440	4,044
Income from real estate for rent	7,556	7,728
Other interest and dividends	5	74
Gains on money held in trust, net	—	742
Gains on trading securities, net	—	3,154
Gains on sales of securities	17,818	11,456
Gains on sales of domestic bonds	8,633	3,991
Gains on sales of domestic stocks	7,806	6,654
Gains on sales of foreign securities	486	681
Other gains on sales of securities	892	128
Gains on derivative instruments, net	4,113	—
Other investment income	163	70
Total	96,172	87,211

(4) Investment Expenses

(Millions of yen)

	Six months ended September 30, 2019	Six months ended September 30, 2020
Interest expenses	1,928	1,980
Losses on money held in trust, net	254	—
Losses on trading securities, net	3,641	—
Losses on sales of securities	534	729
Losses on sales of domestic bonds	44	—
Losses on sales of domestic stocks	342	488
Losses on sales of foreign securities	147	240
Other losses on sales of securities	—	0
Losses on valuation of securities	795	5,065
Losses on valuation of domestic stocks	795	5,003
Losses on valuation of foreign securities	—	62
Losses on derivative instruments, net	—	4,222
Foreign exchange losses, net	9,854	4,684
Provision of allowance for possible loan losses	165	293
Write-offs of loans	262	—
Depreciation of real estate for rent and other assets	2,051	2,265
Other investment expenses	4,432	4,434
Total	23,921	23,676

(5) Net Investment Income

(Millions of yen)

	Six months ended September 30, 2019	Six months ended September 30, 2020
Net investment income	72,251	63,534

(6) Net Valuation Gains/Losses on Trading Securities

(Millions of yen)

	As of March 31, 2020		As of September 30, 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	89,514	(9,658)	73,977	3,373

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

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

(Millions of yen)

	As of March 31, 2020					As of September 30, 2020				
	Book value	Fair value	Gains/Losses			Book value	Fair value	Gains/Losses		
				Gains	Losses				Gains	Losses
Held-to-maturity debt securities	757,178	879,712	122,534	122,534	—	756,194	873,045	116,850	116,850	—
Domestic bonds	737,664	858,750	121,085	121,085	—	737,057	852,678	115,621	115,621	—
Foreign bonds	19,514	20,962	1,448	1,448	—	19,137	20,366	1,228	1,228	—
Monetary claims bought	—	—	—	—	—	—	—	—	—	—
Negotiable certificate of deposits	—	—	—	—	—	—	—	—	—	—
Others	—	—	—	—	—	—	—	—	—	—
Policy-reserve-matching bonds	892,940	1,035,765	142,825	144,107	1,281	876,388	1,005,677	129,289	132,857	3,568
Domestic bonds	892,940	1,035,765	142,825	144,107	1,281	876,388	1,005,677	129,289	132,857	3,568
Foreign bonds	—	—	—	—	—	—	—	—	—	—
Investments in subsidiaries and affiliates	—	—	—	—	—	—	—	—	—	—
Available-for-sale securities	3,056,561	3,450,284	393,722	477,836	84,113	3,321,044	3,812,610	491,565	539,841	48,275
Domestic bonds	955,552	1,038,974	83,421	83,947	525	1,050,734	1,127,901	77,166	80,249	3,082
Domestic stocks	333,313	543,104	209,791	232,868	23,077	369,438	621,319	251,880	272,697	20,816
Foreign securities	1,675,248	1,770,514	95,265	148,498	53,233	1,795,586	1,941,550	145,963	167,592	21,628
Foreign bonds	1,389,520	1,503,075	113,555	138,270	24,715	1,461,431	1,591,337	129,905	140,034	10,129
Foreign stocks and other securities	285,728	267,438	(18,289)	10,227	28,517	334,154	350,212	16,057	27,557	11,499
Other securities	92,446	97,690	5,244	12,521	7,277	105,285	121,840	16,555	19,303	2,748
Money held in trust	—	—	—	—	—	—	—	—	—	—
Monetary claims bought	—	—	—	—	—	—	—	—	—	—
Negotiable certificate of deposits	—	—	—	—	—	—	—	—	—	—
Others	—	—	—	—	—	—	—	—	—	—
Total	4,706,680	5,365,762	659,082	744,478	85,395	4,953,627	5,691,333	737,705	789,549	51,844
Domestic bonds	2,586,157	2,933,490	347,333	349,140	1,807	2,664,180	2,986,257	322,077	328,728	6,651
Domestic stocks	333,313	543,104	209,791	232,868	23,077	369,438	621,319	251,880	272,697	20,816
Foreign securities	1,694,762	1,791,476	96,713	149,946	53,233	1,814,723	1,961,916	147,192	168,820	21,628
Foreign bonds	1,409,034	1,524,038	115,003	139,719	24,715	1,480,569	1,611,703	131,134	141,263	10,129
Foreign stocks and other securities	285,728	267,438	(18,289)	10,227	28,517	334,154	350,212	16,057	27,557	11,499
Other securities	92,446	97,690	5,244	12,521	7,277	105,285	121,840	16,555	19,303	2,748
Money held in trust	—	—	—	—	—	—	—	—	—	—
Monetary claims bought	—	—	—	—	—	—	—	—	—	—
Negotiable certificate of deposits	—	—	—	—	—	—	—	—	—	—
Others	—	—	—	—	—	—	—	—	—	—

Note: The table above includes assets which are considered appropriate to deem as securities under the Financial Instruments and Exchange Law.

- Book value of securities without fair value are as follows:

(Millions of yen)

	As of March 31, 2020	As of September 30, 2020
Held-to-maturity debt securities	—	—
Unlisted foreign bonds	—	—
Others	—	—
Policy-reserve-matching bonds	—	—
Investments in subsidiaries and affiliates	64,787	64,787
Available-for-sale securities	32,410	32,852
Unlisted domestic stocks (except over-the-counter stocks)	5,684	5,683
Unlisted foreign stocks (except over-the-counter stocks)	—	—
Unlisted foreign bonds	—	—
Others	26,725	27,168
Total	97,197	97,639

Note: In this table, domestic and overseas investment partnerships are included in “Others” within “Available-for-sale securities.” However, unrealized gains on available-for-sale securities corresponding to these holdings by domestic and overseas investment partnerships (¥1,443 million as of March 31, 2020 and ¥791 million as of September 30, 2020) are included in their balance sheet carrying amounts.

(8) Fair Value Information on Money Held in Trust

(Millions of yen)

	As of March 31, 2020					As of September 30, 2020				
	Carrying value on the balance sheet	Fair value	Gains/losses			Carrying value on the balance sheet	Fair value	Gains/losses		
				Gains	Losses				Gains	Losses
Money held in trust	24,156	24,156	—	—	—	24,871	24,871	—	—	—

• Money held in trust for trading purpose

(Millions of yen)

	As of March 31, 2020		As of September 30, 2020	
	Carrying value on the balance sheet	Net valuation gains/losses included in the statements of operations	Carrying value on the balance sheet	Net valuation gains/losses included in the statements of operations
Money held in trust for trading purpose	23,156	0	23,871	279

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

(Millions of yen)

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

Reference: Fair Value Information on Derivative Instruments (General Account)

(i) Gains and Losses on Derivatives

(Millions of yen)

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
As of September 30, 2020	Interest-related	Currency-related	Stock-related	Bond-related	Others	Total
Hedge accounting applied	—	2,884	—	—	—	2,884
Hedge accounting not applied	(273)	951	(68)	—	—	609
Total	(273)	3,835	(68)	—	—	3,493

Note: Gains and losses from applying fair value hedge accounting (currency-related gains of ¥10,206 million as of March 31, 2020, and currency-related gains of ¥2,884 million as of September 30, 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, 2020				As of September 30, 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	460,000	460,000			460,000	460,000		
[]	[]				[]			
Total				(240)				(273)

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

(iii) Currency-related Transactions

(Millions of yen)

	As of March 31, 2020				As of September 30, 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	926,852	—	913,126	13,726	993,873	—	990,055	3,818
U.S. dollar	543,461	—	546,763	(3,301)	612,201	—	608,366	3,835
Australian dollar	122,875	—	111,146	11,728	144,582	—	145,343	(760)
Euro	118,449	—	118,725	(275)	104,859	—	105,837	(978)
Canadian dollar	68,375	—	64,171	4,203	70,989	—	70,276	713
Swedish krona	29,466	—	29,096	369	32,602	—	31,665	936
British pound	44,224	—	43,223	1,001	28,637	—	28,565	71
Bought	—	—	—	—	—	—	—	—
Currency options								
Sold								
Call	371,074	—			260,777	—		
	[448]		1,197	(749)	[310]		106	204
U.S. dollar	345,340	—			239,831	—		
	[440]		1,197	(756)	[266]		88	177
Australian dollar	8,065	—			12,381	—		
	[2]		0	2	[24]		12	11
Canadian dollar	17,669	—			8,565	—		
	[4]		0	4	[20]		5	15
Put	—	—			—	—		
	[—]		—	—	[—]		—	—
Bought								
Call	—	—			—	—		
	[—]		—	—	[—]		—	—
Put	288,760	—			203,151	—		
	[449]		667	217	[310]		123	(186)
U.S. dollar	269,648	—			186,885	—		
	[442]		617	175	[266]		106	(159)
Australian dollar	6,112	—			9,503	—		
	[2]		37	34	[24]		10	(13)
Canadian dollar	13,000	—			6,762	—		
	[4]		12	7	[20]		6	(13)
Total				13,194				3,835

Notes: 1. Forward exchange rates are used for exchange rates as of September 30, 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, 2020				As of September 30, 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 option								
Sold								
Call	48,350	—			67,750	—		
	[119]		7	112	[410]		265	145
Put	—	—			—	—		
	[—]		—	—	[—]		—	—
Bought								
Call	—	—			—	—		
	[—]		—	—	[—]		—	—
Put	30,200	—			43,062	—		
	[91]		820	729	[361]		147	(213)
Total				841				(68)

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

(v) Bond-related Transactions

No ending balance as of March 31, 2020 and September 30, 2020.

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

(Millions of yen)

As of March 31, 2020			As of September 30, 2020		
Carrying value on the balance sheet	Fair value	Gains (Losses)	Carrying value on the balance sheet	Fair value	Gains (Losses)
125,121	278,475	153,354	137,388	291,728	154,340

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

3. Non-consolidated Balance Sheets

(Millions of yen)

	As of March 31, 2020	As of September 30, 2020
Assets:		
Cash and deposits	288,668	147,634
Call loans	230,000	180,000
Monetary claims bought	269	254
Money held in trust	24,156	24,871
Securities:	5,344,665	5,681,397
[Government bonds]	[1,932,731]	[1,988,167]
[Local government bonds]	[102,704]	[98,888]
[Corporate bonds]	[664,875]	[685,687]
[Stocks]	[631,989]	[712,709]
[Foreign securities]	[1,894,581]	[2,053,488]
Loans:	565,473	556,623
Policy loans	55,339	53,102
Ordinary loans	510,133	503,520
Tangible fixed assets	219,475	232,974
Intangible fixed assets	23,791	23,979
Agency receivables	4	11
Reinsurance receivables	111	28
Other assets	66,881	58,962
Prepaid pension costs	—	37
Deferred tax assets	29,397	2,468
Allowance for possible loan losses	(2,023)	(2,310)
Total assets	6,790,871	6,906,934

	As of March 31, 2020	As of September 30, 2020
Liabilities:		
Policy reserves:	5,775,716	5,830,401
Reserve for outstanding claims	19,814	18,256
Policy reserve	5,694,979	5,733,490
Reserve for dividends to policyholders	60,922	78,654
Reinsurance payables	86	68
Subordinated bonds	191,935	191,935
Other liabilities:	122,632	117,574
Corporate income tax payable	6,002	2,367
Lease obligations	966	893
Asset retirement obligations	2,754	2,779
Rest of the other liabilities	112,908	111,533
Reserve for employees' retirement benefits	23,519	23,260
Reserve for price fluctuation	122,745	124,582
Deferred tax liabilities for land revaluation	14,213	14,209
Total liabilities	6,250,849	6,302,031
Net assets:		
Foundation funds	12,000	12,000
Accumulated foundation funds redeemed	116,000	116,000
Reserve for revaluation	112	112
Surplus:	123,054	117,865
Legal reserve for future losses	3,176	3,271
Other surplus:	119,878	114,594
Reserve for redemption of foundation funds	—	2,400
Reserve for dividend allowances	20,000	20,000
Accumulated fund for price fluctuation	41,000	41,000
Reserve for advanced depreciation of real estate for tax purpose	209	207
Other reserves	767	767
Unappropriated surplus	57,901	50,219
Total foundation funds, surplus and others	251,166	245,977
Net unrealized gains (losses) on available-for-sale securities, net of tax	284,752	354,703
Revaluation reserve for land, net of tax	4,102	4,221
Total valuation and translation adjustments	288,855	358,924
Total net assets	540,021	604,902
Total liabilities and net assets	6,790,871	6,906,934

4. Non-consolidated Statements of Operations

(Millions of yen)

	Six months ended September 30, 2019	Six months ended September 30, 2020
Ordinary revenues:		
Premium and other income	296,159	248,472
[Premium income]	[296,144]	[248,449]
Investment income	97,142	96,096
[Interest, dividends and other income]	[74,076]	[71,786]
[Gains on money held in trust, net]	[—]	[742]
[Gains on trading securities, net]	[—]	[3,154]
[Gains on sales of securities]	[17,818]	[11,456]
[Gains on derivative instruments, net]	[4,113]	[—]
[Gains on separate accounts, net]	[969]	[8,885]
Other ordinary revenues	5,931	6,102
[Reversal of reserve for outstanding claims]	[1,543]	[1,557]
Total ordinary revenues	399,233	350,671
Ordinary expenses:		
Claims and other payments	222,461	199,304
[Claims]	[53,246]	[40,795]
[Annuities]	[78,903]	[74,267]
[Benefits]	[53,053]	[50,274]
[Surrenders]	[26,175]	[20,604]
[Other payments]	[10,966]	[13,245]
Provision of policy reserve and others:	56,350	38,517
Provision of policy reserves	56,343	38,511
Provision of interest portion of reserve for dividends to policyholders	6	6
Investment expenses	23,921	23,676
[Interest expenses]	[1,928]	[1,980]
[Losses on money held in trust, net]	[254]	[—]
[Losses on trading securities, net]	[3,641]	[—]
[Losses on sales of securities]	[534]	[729]
[Losses on valuation of securities]	[795]	[5,065]
[Losses on derivative instruments, net]	[—]	[4,222]
[Foreign exchange losses, net]	[9,854]	[4,684]
Operating expenses	46,448	45,357
Other ordinary expenses	10,755	10,661
Total ordinary expenses	359,937	317,517
Ordinary profits	39,295	33,153
Extraordinary gains:		
Gains on disposal of fixed assets	0	0
Total extraordinary gains	0	0
Extraordinary losses:		
Losses on disposal of fixed assets	33	130
Impairment losses	8	15
Provision of reserve for price fluctuation	1,760	1,837
Others	—	709
Total extraordinary losses	1,802	2,693
Surplus before income taxes	37,493	30,460
Income taxes:		
Current	6,702	4,195
Deferred	(967)	(315)
Total income taxes	5,735	3,880
Net surplus for the period	31,758	26,580

5. Non-consolidated Statements of Changes in Net Assets

[For the six months ended September 30, 2019]

(Millions of yen)

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

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

[For the six months ended September 30, 2020]

(Millions of yen)

	Foundation funds, surplus and others												
	Foundation funds	Accumulated foundation funds redeemed	Reserve for revaluation	Surplus								Total surplus	Total foundation funds, surplus and others
				Legal reserve for future losses	Other surplus								
					Reserve for redemption of foundation funds	Reserve for dividend allowances	Accumulated fund for price fluctuation	Reserve for advanced depreciation of real estate for tax purpose	Other reserves	Unappropriated surplus			
Balance at the beginning of the current period	12,000	116,000	112	3,176	—	20,000	41,000	209	767	57,901	123,054	251,166	
Changes in the current period													
Additions to reserve for dividends to policyholders										(31,547)	(31,547)	(31,547)	
Additions to legal reserve for future losses				95						(95)	—	—	
Payment of interest on foundation funds										(102)	(102)	(102)	
Net surplus for the current period										26,580	26,580	26,580	
Additions to reserve for redemption of foundation funds					2,400					(2,400)	—	—	
Reversal of reserve for advanced depreciation of real estate for tax purpose								(1)		1	—	—	
Reversal of revaluation reserve for land, net of tax										(118)	(118)	(118)	
Net changes, excluding foundation funds, surplus and others													
Total changes in the current period	—	—	—	95	2,400	—	—	(1)	—	(7,681)	(5,188)	(5,188)	
Balance at the end of the current period	12,000	116,000	112	3,271	2,400	20,000	41,000	207	767	50,219	117,865	245,977	

	Valuation and translation adjustments			Total net assets
	Net unrealized gains (losses) on available-for-sale securities, net of tax	Revaluation reserve for land, net of tax	Total valuation and translation adjustments	
Balance at the beginning of the current period	284,752	4,102	288,855	540,021
Changes in the current period				
Additions to reserve for dividends to policyholders				(31,547)
Additions to legal reserve for future losses				—
Payment of interest on foundation funds				(102)
Net surplus for the current period				26,580
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				(118)
Net changes, excluding foundation funds, surplus and others	69,950	118	70,069	70,069
Total changes in the current period	69,950	118	70,069	64,881
Balance at the end of the current period	354,703	4,221	358,924	604,902

Notes to the Non-consolidated Financial Statements

I. Presentation of the Non-consolidated Financial Statements

1. Basis of presentation

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

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

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

II. Notes to the Non-consolidated Balance Sheets

1. (1) The valuation of securities, including cash and deposits and monetary claims bought which are equivalent to securities, and securities managed as trust assets in money held in trust, is as follows:

- i) Trading securities are stated at fair market value. Costs of their sales are determined by the moving average method.
- ii) Held-to-maturity debt securities are stated at amortized cost under the straight-line method, cost being determined by the moving average method.
- iii) Policy-reserve-matching bonds are stated at amortized cost under the straight-line method, cost being determined by the moving average method in accordance with “Temporary Treatment of Accounting and Auditing Concerning Policy-reserve-matching Bonds in the Insurance Industry” (Industry Audit Committee Report No.21 issued by the Japanese Institute of Certified Public Accountants on November 16, 2000).
- iv) Investments in subsidiaries and affiliates are stated at cost, cost being determined by the moving average method.
- v) Available-for-sale securities with fair market value are stated at fair market value based on the market prices at the end of the current period. Costs of their sales are determined by the moving average method. Net unrealized gains or losses on these available-for-sale securities, net of taxes, are recorded as a separate component of net assets. Available-for-sale securities whose market value are deemed extremely difficult to obtain are stated at cost, cost being determined by the moving average method, except for public and corporate bonds including foreign bonds, of which the difference between acquisition cost and face value is considered to be an adjustment of interest. Such bonds are stated at amortized cost under the straight-line method, cost being determined by the moving average method.

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

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

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

(4) Depreciation of tangible fixed assets is calculated by the following methods.

- Tangible fixed assets (excluding lease assets): Declining-balance method

However, buildings (excluding building attachments and structures acquired on or before March 31, 2016) acquired on or after April 1, 1998 are depreciated using Straight-line method.

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

Other tangible fixed assets acquired for ¥100,000 or more but less than ¥200,000 are depreciated equally over three years.

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

(6) Allowance for possible loan losses is provided in accordance with the Company's standards of self-assessment and write-offs and reserves on credit quality:

- i) For the credits of borrowers who are legally bankrupt such as being in the proceedings of bankruptcy or civil rehabilitation (hereinafter called "legally bankrupt borrowers") and who are substantially bankrupt (hereinafter called "substantially bankrupt borrowers"), the Company provides the remaining 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 September 30, 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 September 30, 2020, the balance of these policy reserves was ¥73,415 million.
- The Company also funded additional policy reserves for certain individual annuity insurance policies, whole life insurance policies that include distribution of surplus every five years, new cancer riders and highly advanced medical riders. As of September 30, 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. The carrying amounts, fair values and their related differences of major financial assets and liabilities in the general account as of September 30, 2020 were as follows:

	Carrying amount	Fair value	(Millions of yen) Difference
Cash and deposits:			
Cash and deposits not treated as securities.....	¥144,081	¥144,081	¥—
Total cash and deposits.....	144,081	144,081	—
Call loans.....	180,000	180,000	—
Monetary claims bought:			
Claims treated as loans.....	254	271	16
Total monetary claims bought.....	254	271	16
Money held in trust:			
Trading securities.....	23,871	23,871	—
Total money held in trust.....	23,871	23,871	—
Securities:			
Trading securities.....	50,105	50,105	—
Held-to-maturity debt securities.....	756,194	873,045	116,850
Policy-reserve-matching bonds.....	876,388	1,005,677	129,289
Available-for-sale securities.....	3,812,610	3,812,610	—
Total securities.....	5,495,299	5,741,438	246,139
Loans:			
Policy loans.....	53,102	53,102	(0)
Ordinary loans.....	503,520	529,043	25,522
Total loans.....	556,623	582,146	25,522
Assets total.....	6,400,131	6,671,809	271,678
Subordinated bonds ¹	191,935	195,790	3,855
Liabilities total.....	191,935	195,790	3,855
Derivative instruments ² :			
Hedge accounting not applied.....	609	609	—
Hedge accounting applied.....	2,884	2,884	—
Total derivative instruments.....	¥3,493	¥3,493	¥—

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, ¥5,683 million, and ¥27,959 million as of September 30, 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) Derivative instruments:

- i) The fair values of the futures and options traded at the exchange are measured at the settlement price of the exchange.
- ii) The fair values of forward contracts, options and swaps traded over the counter are based on the quoted prices offered by counterparty financial institutions.
- iii) The fair values of foreign currency forward contracts are determined based on the spot exchange rate and forward contract rate.

3. Notes related to the fair value of investment and rental properties are omitted as no significant change has occurred since the previous fiscal year-end.

4. The amount of securities lent under lending agreements was ¥455,591 million as of September 30, 2020.

5. The total amounts of credits to bankrupt borrowers, delinquent loans, delinquent loans past 3 months or more and restructured loans, which were included in loans, was ¥963 million as of September 30, 2020;

- i) The balance of credits to bankrupt borrowers was ¥147 million as of September 30, 2020.
- ii) The balance of delinquent loans was ¥590 million as of September 30, 2020.
- iii) The balance of restructured loans was ¥226 million as of September 30, 2020.
- iv) There was no balance of delinquent loans past 3 months or more as of September 30, 2020.

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

6. Accumulated depreciation of tangible fixed assets were ¥174,402 million as of September 30, 2020.

7. Total assets in separate accounts provided for in Article 118 of the Insurance Business Act were ¥92,238 million as of September 30, 2020. The amounts of separate account liabilities were the same as separate account assets.

8. Changes in reserve for dividends to policyholders for the six months ended September 30, 2020 were as follows:

	(Millions of yen)
Balance at the beginning of the current period.....	¥60,922
Transfer from surplus in the previous fiscal year.....	31,547
Dividend payments to policyholders during the current period.....	(13,823)
Increase in interest.....	6
Balance at the end of the current period.....	<u>¥78,654</u>

9. The amount of stocks of subsidiaries was ¥64,787 million as of September 30, 2020.

10. Assets pledged as collateral as of September 30, 2020 were ¥75,053 million of securities and ¥712 million of bank deposits. Secured debts as of September 30, 2020, were ¥71,667 million.

These amounts include ¥61,456 million of investments in securities deposited and ¥65,937 million of cash received as collateral under securities lending transactions secured by cash as of September 30, 2020.

11. Reserve for outstanding claims for the reinsurance contracts provided in accordance with Article 71 Paragraph 1 of the Enforcement Regulation of the Insurance Business Act (hereinafter called “reserve for outstanding claims for ceded reinsurance”) was ¥1 million as of September 30, 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 ¥27 million as of September 30, 2020.

12. There were unused commitment line agreements under which the Company is the lender of ¥9,038 million as of September 30, 2020.
13. Repayments of subordinated bonds are subordinated to other obligations.
At a Board of Directors meeting on October 29, 2020, a resolution was passed to issue subordinated bonds of up to ¥50,000 million during the fiscal year ending March 31, 2021.
14. The future contribution to the Life Insurance Policyholders Protection Corporation of Japan under Article 259 of the Insurance Business Act was estimated at ¥7,946 million as of September 30, 2020.
The contribution is recognized as operating expenses when contributed.

III. Notes to the Non-consolidated Statements of Operations

1. The details of gains on sales of securities for the six months ended September 30, 2020 were as follows:

(Millions of yen)

Domestic bonds.....	¥3,991
Domestic stocks and others.....	6,654
Foreign securities.....	681
Others.....	128

2. The details of losses on sales of securities for the six months ended September 30, 2020 were as follows:

(Millions of yen)

Domestic stocks and others.....	¥488
Foreign securities.....	240
Others.....	0

3. The details of losses on valuation of securities for the six months ended September 30, 2020 were as follows:

(Millions of yen)

Domestic stocks and others.....	¥5,003
Foreign securities.....	62

4. For the six months ended September 30, 2020, in calculating the reversal of reserve for outstanding claims, a provision of reserves for outstanding claims reinsured of ¥1 million was added. In calculating the provision of policy reserves, a reversal of reserves for policy reserves reinsured of ¥2 million was added.

5. Breakdown of interest, dividends and other income for the six months ended September 30, 2020 were as follows:

(Millions of yen)

Interest on deposits.....	¥4
Interest and dividends on securities.....	59,935
Interest on loans.....	4,044
Income from real estate for rent.....	7,728
Other interest and dividends.....	74
Total.....	<u>¥71,786</u>

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

6. Breakdown of Ordinary Profits (Fundamental Profit)

(Millions of yen)

	Six months ended September 30, 2019	Six months ended September 30, 2020
Fundamental profit A	38,620	37,095
Capital gains	21,932	14,224
Gains on money held in trust, net	—	690
Gains on trading securities, net	—	2,077
Gains on sales of securities	17,818	11,456
Gains on derivative instruments, net	4,113	—
Foreign exchange gains, net	—	—
Other capital gains	—	—
Capital losses	16,726	14,701
Losses on money held in trust, net	316	—
Losses on trading securities, net	5,225	—
Losses on sales of securities	534	729
Losses on valuation of securities	795	5,065
Losses on derivative instruments, net	—	4,222
Foreign exchange losses, net	9,854	4,684
Other capital losses	—	—
Net capital gains (losses) B	5,206	(476)
Fundamental profit plus net capital gains (losses) A+B	43,826	36,618
Non-recurring gains	3	4
Reinsurance income	—	—
Reversal of contingency reserve	—	—
Reversal of specific allowance for possible loan losses	3	4
Others	—	—
Non-recurring losses	4,533	3,469
Reinsurance premiums	—	—
Provision for contingency reserve	399	192
Provision of specific allowance for possible loan losses	—	—
Provision of allowance for specified overseas loans	—	—
Write-offs of loans	262	—
Others	3,871	3,276
Non-recurring gains (losses) C	(4,530)	(3,465)
Ordinary profits A+B+C	39,295	33,153

- 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): ¥61 million in respect of the six months ended September 30, 2019 and ¥52 million in respect of the six months ended September 30, 2020.
2. The following amounts in respect of gains / losses on trading securities have been excluded from capital gains / losses and included in fundamental profit due to their income nature (being interest and dividend income): ¥1,583 million in respect of the six months ended September 30, 2019 and ¥1,077 million in respect of the six months ended September 30, 2020.
3. Other non-recurring losses represent the losses relating to provision of the additional policy reserves in accordance with Article 69, Paragraph 5 of the Enforcement Regulations of the Insurance Business Act.

7. Disclosed Claims Based on Categories of Obligors

(Millions of yen)

	As of March 31, 2020	As of September 30, 2020
Claims against bankrupt and quasi-bankrupt obligors	173	166
Claims with collection risk	684	576
Claims for special attention	227	226
Subtotal [Percentage of total]	1,085 [0.12 %]	969 [0.10 %]
Claims against normal obligors	913,829	1,015,184
Total	914,914	1,016,153

- Notes: 1. Claims against bankrupt and quasi-bankrupt obligors are loans to borrowers who are subject to bankruptcy, corporate reorganisation or rehabilitation or other similar proceedings and other borrowers in serious financial difficulties.
2. Claims with collection risk are loans to obligors (other than bankrupt and quasi-bankrupt obligors) with deteriorated financial condition and results of operations from which it is unlikely that the principal and interest on the loans will be recovered.
3. Claims for special attention are loans on which principal and / or interest are past due for three months or more and loans with a concessionary interest rate, as well as loans with renegotiated conditions in 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.

8. Risk-monitored Loans

(Millions of yen)

	As of March 31, 2020	As of September 30, 2020
Credits to bankrupt borrowers	153	147
Delinquent loans	698	590
Delinquent loans past three months or more	—	—
Restructured loans	227	226
Total [Percentage of total loans]	1,079 [0.19 %]	963 [0.17 %]

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 ¥0 million as of March 31, 2020 and ¥0 million as of September 30, 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.

9. Solvency Margin Ratio

(Millions of yen)

	As of March 31, 2020	As of September 30, 2020
Total solvency margin (A)	1,537,878	1,647,751
Foundation funds and surplus	217,313	227,912
Reserve for price fluctuation	122,745	124,582
Contingency reserve	215,014	215,207
General allowance for possible loan losses	1,538	1,835
(Net unrealized gains (losses) on securities (before tax) and deferred hedge gains (losses) (before tax)) × 90%	355,650	443,121
Net unrealized gains on real estate × 85%	145,920	146,855
Excess amount of policy reserve based on full-time Zillmer method	294,153	299,122
Qualifying subordinated debt	191,935	191,935
The amount of "excess amount of policy reserve based on full-time Zillmer method" and "qualifying subordinated debt" excluded from the calculation of solvency margin	—	—
Deductible items	(46,783)	(46,783)
Others	40,391	43,963
Total amount of risk $\sqrt{(R_1 + R_8)^2 + (R_2 + R_3 + R_7)^2} + R_4$ (B)	238,265	267,876
Insurance risk R_1	22,732	22,458
3rd sector insurance risk R_8	9,911	9,878
Assumed investment yield risk R_2	30,568	30,254
Minimum guarantee risk R_7	—	—
Investment risk R_3	200,132	229,771
Business risk R_4	5,266	5,847
Solvency margin ratio $\frac{(A)}{(1/2) \times (B)} \times 100$	1,290.8 %	1,230.2 %

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

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

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

10. Status of Separate Account

(1) Separate Account Assets by Products

(Millions of yen)

	As of March 31, 2020	As of September 30, 2020
	Amount	Amount
Individual variable insurance	—	—
Individual variable annuities	22	25
Group annuities	84,635	92,213
Total	84,658	92,238

(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, 2020		As of September 30, 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, 2020		As of September 30, 2020	
	Amount	Percentage	Amount	Percentage
Cash, deposits, call loans	3	17.7 %	4	18.0 %
Securities	18	82.3	20	82.0
Domestic bonds	—	—	—	—
Domestic stocks	—	—	—	—
Foreign securities	—	—	—	—
Foreign bonds	—	—	—	—
Foreign stocks and other securities	—	—	—	—
Other securities	18	82.3	20	82.0
Loans	—	—	—	—
Others	—	—	—	—
Allowance for possible loan losses	—	—	—	—
Total	22	100.0	25	100.0

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

(Millions of yen)

	Six months ended September 30, 2019	Six months ended September 30, 2020
	Amount	Amount
Interest, dividends and other income	0	0
Gains on sales of securities	—	—
Gains on valuation of securities	6	7
Gains on redemption of securities	—	—
Gains on derivative instruments	—	—
Foreign exchange gains, net	—	—
Other investment income	—	—
Losses on sales of securities	—	—
Losses on valuation of securities	5	5
Losses on redemption of securities	—	—
Losses on derivative instruments	—	—
Foreign exchange losses, net	—	—
Other investment expenses	—	—
Net investment income	0	2

(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, 2020		As of September 30, 2020	
	Carrying value on the balance sheet	Net valuation gains/losses included in the statements of operations	Carrying value on the balance sheet	Net valuation gains/losses included in the statements of operations
Trading securities	18	(0)	20	2

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, 2020		As of September 30, 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	168,778	(15,692)	161,645	11,117

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, 2020					As of September 30, 2020				
	Book value	Fair value	Gains/Losses			Book value	Fair value	Gains/Losses		
			Gains	Losses				Gains	Losses	
Held-to-maturity debt securities	757,178	879,712	122,534	—	—	756,194	873,045	116,850	—	—
Domestic bonds	737,664	858,750	121,085	121,085	—	737,057	852,678	115,621	115,621	—
Foreign bonds	19,514	20,962	1,448	1,448	—	19,137	20,366	1,228	1,228	—
Monetary claims bought	—	—	—	—	—	—	—	—	—	—
Negotiable certificate of deposits	—	—	—	—	—	—	—	—	—	—
Others	—	—	—	—	—	—	—	—	—	—
Policy-reserve-matching bonds	892,940	1,035,765	142,825	144,107	1,281	876,388	1,005,677	129,289	132,857	3,568
Domestic bonds	892,940	1,035,765	142,825	144,107	1,281	876,388	1,005,677	129,289	132,857	3,568
Foreign bonds	—	—	—	—	—	—	—	—	—	—
Investments in subsidiaries and affiliates	—	—	—	—	—	—	—	—	—	—
Available-for-sale securities	3,056,561	3,450,284	393,722	477,836	84,113	3,321,044	3,812,610	491,565	539,841	48,275
Domestic bonds	955,552	1,038,974	83,421	83,947	525	1,050,734	1,127,901	77,166	80,249	3,082
Domestic stocks	333,313	543,104	209,791	232,868	23,077	369,438	621,319	251,880	272,697	20,816
Foreign securities	1,675,248	1,770,514	95,265	148,498	53,233	1,795,586	1,941,550	145,963	167,592	21,628
Foreign bonds	1,389,520	1,503,075	113,555	138,270	24,715	1,461,431	1,591,337	129,905	140,034	10,129
Foreign stocks and other securities	285,728	267,438	(18,289)	10,227	28,517	334,154	350,212	16,057	27,557	11,499
Other securities	92,446	97,690	5,244	12,521	7,277	105,285	121,840	16,555	19,303	2,748
Money held in trust	—	—	—	—	—	—	—	—	—	—
Monetary claims bought	—	—	—	—	—	—	—	—	—	—
Negotiable certificate of deposits	—	—	—	—	—	—	—	—	—	—
Others	—	—	—	—	—	—	—	—	—	—
Total	4,706,680	5,365,762	659,082	744,478	85,395	4,953,627	5,691,333	737,705	789,549	51,844
Domestic bonds	2,586,157	2,933,490	347,333	349,140	1,807	2,664,180	2,986,257	322,077	328,728	6,651
Domestic stocks	333,313	543,104	209,791	232,868	23,077	369,438	621,319	251,880	272,697	20,816
Foreign securities	1,694,762	1,791,476	96,713	149,946	53,233	1,814,723	1,961,916	147,192	168,820	21,628
Foreign bonds	1,409,034	1,524,038	115,003	139,719	24,715	1,480,569	1,611,703	131,134	141,263	10,129
Foreign stocks and other securities	285,728	267,438	(18,289)	10,227	28,517	334,154	350,212	16,057	27,557	11,499
Other securities	92,446	97,690	5,244	12,521	7,277	105,285	121,840	16,555	19,303	2,748
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, 2020			As of September 30, 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	757,178	879,712	122,534	756,194	873,045	116,850
Domestic bonds	737,664	858,750	121,085	737,057	852,678	115,621
Foreign bonds	19,514	20,962	1,448	19,137	20,366	1,228
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, 2020			As of September 30, 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	855,085	999,192	144,107	791,394	924,252	132,857
Domestic bonds	855,085	999,192	144,107	791,394	924,252	132,857
Foreign bonds	—	—	—	—	—	—
Others	—	—	—	—	—	—
Bonds whose fair value does not exceed the carrying value on the balance sheet	37,854	36,572	(1,281)	84,993	81,424	(3,568)
Domestic bonds	37,854	36,572	(1,281)	84,993	81,424	(3,568)
Foreign bonds	—	—	—	—	—	—
Others	—	—	—	—	—	—

[Available-for-sale Securities]

(Millions of yen)

	As of March 31, 2020			As of September 30, 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	2,271,365	2,749,202	477,836	2,667,419	3,207,261	539,841
Domestic bonds	916,214	1,000,161	83,947	921,077	1,001,327	80,249
Domestic stocks	220,830	453,699	232,868	254,486	527,183	272,697
Foreign securities	1,105,570	1,254,068	148,498	1,437,909	1,605,501	167,592
Foreign bonds	1,039,135	1,177,405	138,270	1,223,776	1,363,811	140,034
Foreign stocks	66,434	76,662	10,227	214,133	241,690	27,557
Other securities	28,750	41,272	12,521	53,945	73,248	19,303
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	785,195	701,081	(84,113)	653,624	605,349	(48,275)
Domestic bonds	39,338	38,812	(525)	129,656	126,574	(3,082)
Domestic stocks	112,483	89,405	(23,077)	114,952	94,135	(20,816)
Foreign securities	569,678	516,445	(53,233)	357,676	336,048	(21,628)
Foreign bonds	350,385	325,669	(24,715)	237,655	227,526	(10,129)
Foreign stocks	219,293	190,775	(28,517)	120,021	108,521	(11,499)
Other securities	63,695	56,417	(7,277)	51,339	48,591	(2,748)
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, 2020	As of September 30, 2020
Held-to-maturity debt securities	—	—
Unlisted foreign bonds	—	—
Others	—	—
Policy-reserve-matching bonds	—	—
Investments in subsidiaries and affiliates	64,787	64,787
Available-for-sale securities	32,410	32,852
Unlisted domestic stocks (except over-the-counter stocks)	5,684	5,683
Unlisted foreign stocks (except over-the-counter stocks)	—	—
Unlisted foreign bonds	—	—
Others	26,725	27,168
Total	97,197	97,639

Note: In this table, domestic and overseas investment partnerships are included in “Others” within “Available-for-sale securities.”

However, unrealized gains on available-for-sale securities corresponding to these holdings by domestic and overseas investment partnerships (¥1,443 million as of March 31, 2020 and ¥791 million as of September 30, 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, 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
As of September 30, 2020	Interest- related	Currency- related	Stock- related	Bond- related	Others	Total
Hedge accounting applied	—	2,884	—	—	—	2,884
Hedge accounting not applied	(273)	951	(68)	—	—	609
Total	(273)	3,835	(68)	—	—	3,493

Note: Gains and losses from applying fair value hedge accounting (currency-related gains of ¥10,206 million as of March 31, 2020, and currency-related gains of ¥2,884 million as of September 30, 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, 2020				As of September 30, 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	460,000	460,000			460,000	460,000		
[292]		52	(240)		[292]	19	(273)	
Total				(240)				(273)

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

[Currency-related Transactions]

(Millions of yen)

	As of March 31, 2020				As of September 30, 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	108,353	—	104,832	3,521	85,189	—	84,255	934
U.S. dollar	39,465	—	39,663	(197)	36,737	—	36,340	396
Canadian dollar	22,746	—	21,396	1,349	22,538	—	22,117	420
British pound	24,224	—	23,335	888	16,465	—	16,323	141
Australian dollar	12,956	—	11,536	1,419	8,032	—	7,982	49
Euro	8,882	—	8,821	61	1,415	—	1,490	(74)
Others	78	—	78	(0)	—	—	—	—
Bought	233	—	232	(1)	—	—	—	—
Euro	153	—	152	(1)	—	—	—	—
U.S. dollar	79	—	79	(0)	—	—	—	—
Currency options								
Sold								
Call	371,074	—			260,777	—		
[448]			1,197	(749)	[310]		106	204
U.S. dollar	345,340	—			239,831	—		
[440]			1,197	(756)	[266]		88	177
Australian dollar	8,065	—			12,381	—		
[2]			0	2	[24]		12	11
Canadian dollar	17,669	—			8,565	—		
[4]			0	4	[20]		5	15
Put	—	—			—	—		
[—]			—	—	[—]		—	—
Bought								
Call	—	—			—	—		
[—]			—	—	[—]		—	—
Put	288,760	—			203,151	—		
[449]			667	217	[310]		123	(186)
U.S. dollar	269,648	—			186,885	—		
[442]			617	175	[266]		106	(159)
Australian dollar	6,112	—			9,503	—		
[2]			37	34	[24]		10	(13)
Canadian dollar	13,000	—			6,762	—		
[4]			12	7	[20]		6	(13)
Total				2,988				951

Notes: 1. Forward exchange rates are used for exchange rates as of September 30, 2020.

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

[Stock-related Transactions]

(Millions of yen)

	As of March 31, 2020				As of September 30, 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 options								
Sold								
Call	48,350	—			67,750	—		
[119]			7	112	[410]		265	145
Put	—	—			—	—		
[—]			—	—	[—]		—	—
Bought								
Call	—	—			—	—		
[—]			—	—	[—]		—	—
Put	30,200	—			43,062	—		
[91]			820	729	[361]		147	(213)
Total				841				(68)

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

[Bond-related Transactions]

No ending balance as of March 31, 2020 and September 30, 2020.

(iii) Hedge Accounting Applied

[Interest-related Transactions]

No ending balance as of March 31, 2020 and September 30, 2020.

[Currency-related Transactions]

(Millions of yen)

Method of hedge accounting	Hedging instruments	As of March 31, 2020				As of September 30, 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-	819,040	—	808,834	currency-	908,684	—	905,799
	U.S. dollar	denominated	504,167	—	507,270	denominated	575,464	—	572,025
	Australian dollar	bonds	109,919	—	99,610	bonds	136,550	—	137,361
	Euro		109,789	—	110,124		103,443	—	104,346
	Canadian dollar		45,629	—	42,775		48,451	—	48,158
	Swedish krona		29,466	—	29,096		32,602	—	31,665
	British pound		20,609	—	19,956		12,172	—	12,242
	Bought		—	—	—		—	—	—
Total									

Notes: 1. Forward exchange rates are used for exchange rates as of September 30, 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, 2020 and September 30, 2020.

[Bond-related Transactions]

No ending balance as of March 31, 2020 and September 30, 2020.

11. Status of the Company, Subsidiaries and Affiliates

(1) Selected Financial Data

(100 million of yen)

	Six months ended September 30, 2019	Six months ended September 30, 2020
Ordinary revenues	4,657	4,666
Ordinary profits	395	338
Net surplus attributable to the parent company	316	267
Comprehensive income	628	969

	As of March 31, 2020	As of September 30, 2020
Total assets	85,744	85,882
Solvency margin ratio	1,331.7 %	1,273.3 %

(2) Scope of Consolidation and Application of Equity Method

Number of consolidated subsidiaries: 6

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

Number of affiliates accounted for under the equity method: 0

(3) Consolidated Balance Sheets

(Millions of yen)

	As of March 31, 2020	As of September 30, 2020
Assets:		
Cash and deposits	415,816	276,835
Call loans	230,000	180,000
Monetary claims bought	269	254
Money held in trust	24,156	24,871
Securities	6,977,554	7,212,425
Loans	569,127	560,045
Tangible fixed assets	219,883	233,367
Intangible fixed assets	33,359	31,974
Agency receivables	0	0
Reinsurance receivables	124	29
Other assets	74,059	65,567
Net defined benefit assets	255	334
Deferred tax assets	31,885	4,844
Allowance for possible loan losses	(2,024)	(2,310)
Total assets	8,574,467	8,588,241

	As of March 31, 2020	As of September 30, 2020
Liabilities:		
Policy reserves:	7,515,143	7,468,191
Reserve for outstanding claims	23,620	22,095
Policy reserve	7,430,271	7,367,135
Reserve for dividends to policyholders	60,922	78,654
Reserve for dividends to policyholders (subsidiary)	328	306
Agency payables	114	141
Reinsurance payables	103	89
Subordinated bonds	191,935	191,935
Other liabilities	132,340	126,823
Net defined benefit liabilities	34,614	33,529
Reserve for price fluctuation	133,162	135,158
Deferred tax liabilities	0	0
Deferred tax liabilities for land revaluation	14,213	14,209
Total liabilities	8,021,628	7,970,078
Net assets:		
Foundation funds	12,000	12,000
Accumulated foundation funds redeemed	116,000	116,000
Reserve for revaluation	112	112
Consolidated surplus	127,315	122,325
Total foundation funds, surplus and others	255,427	250,437
Net unrealized gains (losses) on available-for-sale securities, net of tax	292,980	362,675
Revaluation reserve for land, net of tax	4,102	4,221
Foreign currency translation adjustments	(480)	(605)
Accumulated remeasurements of defined benefit plans	(7,714)	(7,094)
Total accumulated other comprehensive income	288,888	359,196
Non-controlling interests	8,523	8,527
Total net assets	552,839	618,162
Total liabilities and net assets	8,574,467	8,588,241

(4) Consolidated Statements of Operations and Comprehensive Income

[Consolidated Statements of Operations]

(Millions of yen)

	Six months ended September 30, 2019	Six months ended September 30, 2020
Ordinary revenues:		
Premium and other income	349,725	288,946
Investment income	108,987	107,671
[Interest, dividends and other income]	[85,464]	[82,012]
[Gains on money held in trust, net]	[—]	[742]
[Gains on trading securities, net]	[—]	[3,154]
[Gains on sales of securities]	[18,276]	[12,805]
[Gains on derivative instruments, net]	[4,113]	[—]
[Gains on separate accounts, net]	[969]	[8,885]
Other ordinary revenues	7,039	69,997
[Reversal of reserve for outstanding claims]	[2,124]	[1,525]
[Reversal of policy reserve]	[—]	[63,135]
Total ordinary revenues	465,751	466,615
Ordinary expenses:		
Claims and other payments	284,951	346,665
[Claims]	[56,785]	[44,521]
[Annuities]	[115,550]	[199,530]
[Benefits]	[59,196]	[55,628]
[Surrenders]	[42,197]	[33,421]
[Other payments]	[11,048]	[13,389]
Provision of policy reserve and others:	53,689	6
Provision of policy reserves	53,683	—
Provision of interest portion of reserve for dividends to policyholders	6	6
Provision of interest portion of reserve for dividends to policyholders (subsidiary)	0	0
Investment expenses	23,296	23,047
[Interest expenses]	[1,941]	[1,991]
[Losses on money held in trust, net]	[254]	[—]
[Losses on trading securities, net]	[3,641]	[—]
[Losses on sales of securities]	[534]	[729]
[Losses on valuation of securities]	[795]	[5,065]
[Losses on derivative instruments, net]	[—]	[4,222]
[Foreign exchange losses, net]	[9,859]	[4,684]
Operating expenses	50,924	49,566
Other ordinary expenses	13,369	13,446
Total ordinary expenses	426,231	432,732
Ordinary profits	39,520	33,883
Extraordinary gains:		
Gains on disposal of fixed assets	0	0
Total extraordinary gains	0	0
Extraordinary losses:		
Losses on disposal of fixed assets	34	130
Impairment losses	8	15
Provision of reserve for price fluctuation	1,934	1,996
Others	—	709
Total extraordinary losses	1,978	2,852
Provision of reserve for dividends to policyholders (subsidiary)	109	97
Surplus before income taxes	37,432	30,933
Income taxes:		
Current	6,910	4,448
Deferred	(1,080)	(331)
Total income taxes	5,829	4,117
Net surplus for the period	31,602	26,816
Net surplus (loss) attributable to non-controlling interests	(54)	37
Net surplus attributable to the parent company	31,657	26,778

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

[Consolidated Statements of Comprehensive Income]

(Millions of yen)

	Six months ended September 30, 2019	Six months ended September 30, 2020
Net surplus	31,602	26,816
Other comprehensive income:	31,225	70,159
Net unrealized gains (losses) on available-for-sale securities, net of tax	30,809	69,665
Foreign currency translation adjustments	(62)	(125)
Remeasurements of defined benefit plan, net of tax	478	620
Comprehensive income:	62,827	96,975
Comprehensive income attributable to the parent company	62,786	96,968
Comprehensive income attributable to non-controlling interests	41	7

(5) Consolidated Statements of Cash Flows

(Millions of yen)

	Six months ended September 30, 2019	Six months ended September 30, 2020
Cash flows from operating activities:		
Surplus before income taxes	37,432	30,933
Depreciation of real estate for rent and other assets	2,051	2,265
Depreciation	6,223	6,528
Impairment losses	8	15
Increase (decrease) in reserve for outstanding claims	(2,124)	(1,525)
Increase (decrease) in policy reserve	53,683	(63,135)
Provision of interest portion of reserve for dividends to policyholders	6	6
Provision of interest portion of reserve for dividends to policyholders (subsidiary)	0	0
Provision of reserve for dividends to policyholders (subsidiary)	109	97
Increase (decrease) in allowance for possible loan losses	163	286
Increase (decrease) in net defined benefit liabilities	(464)	(303)
Increase (decrease) in reserve for price fluctuation	1,934	1,996
Interest, dividends and other income	(85,464)	(82,012)
Losses (gains) on securities, net	(18,132)	(15,570)
Interest expenses	1,941	1,991
Foreign exchange losses (gains), net	9,859	4,684
Losses (gains) on tangible fixed assets, net	29	86
Others	900	6,830
Subtotal	8,158	(106,824)
Interest, dividends and other income received	90,507	85,627
Interest expenses paid	(1,930)	(1,978)
Dividends to policyholders paid	(16,285)	(13,823)
Dividends to policyholders paid (subsidiary)	(202)	(119)
Corporate income tax (paid) refunded	(6,534)	(8,086)
Net cash provided by (used in) operating activities [a]	73,712	(45,205)
Cash flows from investing activities:		
Net decrease (increase) in deposits	(369)	(5,019)
Proceeds from sales and redemption of monetary claims bought	14	14
Increase in money held in trust	(1,000)	(1,500)
Decrease in money held in trust	1,000	1,500
Payments for purchase of securities	(281,479)	(483,229)
Proceeds from sales and redemption of securities	330,595	364,068
Payments for additions to loans	(37,636)	(43,781)
Proceeds from collections of loans	28,923	49,629
Proceeds from and payments for settlements of derivatives, net	27,341	(1,669)
Increase (decrease) in cash received as collateral under securities lending transactions	—	(1,929)
Others	(3,733)	(3,963)
Subtotal [b]	63,655	(125,879)
[a + b]	137,367	(171,085)
Payments for purchase of tangible fixed assets	(4,409)	(17,926)
Proceeds from sales of tangible fixed assets	103	89
Payments for purchase of intangible fixed assets	(3,156)	(3,075)
Net cash provided by (used in) investing activities	56,192	(146,791)
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)	(102)
Dividends paid to non-controlling interests	(9)	(3)
Payments for lease obligations	(1,538)	(1,684)
Net cash provided by (used in) financing activities	351	(1,789)
Effect of exchange rate changes on cash and cash equivalents	(5)	(124)
Net increase (decrease) in cash and cash equivalents	130,251	(193,911)
Cash and cash equivalents at the beginning of the period	328,124	644,507
Cash and cash equivalents at the end of the period	458,375	450,596

(6) Consolidated Statements of Changes in Net Assets

[For the six months ended September 30, 2019]

(Millions of yen)

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

	Accumulated other comprehensive income					Non-controlling interests	Total net assets
	Net unrealized gains (losses) on available-for-sale securities, net of tax	Revaluation reserve for land, net of tax	Foreign currency translation adjustments	Accumulated remeasurements of defined benefit plans	Total accumulated other comprehensive income		
Balance at the beginning of the current period	352,453	4,132	(496)	(5,517)	350,571	8,774	613,127
Changes in the current period							
Financing of additional foundation funds							12,000
Additions to reserve for dividends to policyholders							(34,671)
Additions to accumulated foundation funds redeemed							10,000
Payment of interest on foundation funds							(100)
Net surplus attributable to the parent company for the current period							31,657
Redemption of foundation funds							(10,000)
Reversal of reserve for redemption of foundation funds							(10,000)
Reversal of revaluation reserve for land, net of tax							1
Net changes, excluding foundation funds, surplus and others	30,713	(1)	(62)	478	31,128	32	31,160
Total changes in the current period	30,713	(1)	(62)	478	31,128	32	30,046
Balance at the end of the current period	383,166	4,130	(558)	(5,038)	381,699	8,806	643,174

[For the six months ended September 30, 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 current period	12,000	116,000	112	127,315	255,427
Changes in the current period					
Additions to reserve for dividends to policyholders				(31,547)	(31,547)
Payment of interest on foundation funds				(102)	(102)
Net surplus attributable to the parent company for the current period				26,778	26,778
Reversal of revaluation reserve for land, net of tax				(118)	(118)
Net changes, excluding foundation funds, surplus and others					
Total changes in the current period	—	—	—	(4,990)	(4,990)
Balance at the end of the current period	12,000	116,000	112	122,325	250,437

	Accumulated other comprehensive income					Non-controlling interests	Total net assets
	Net unrealized gains (losses) on available-for-sale securities, net of tax	Revaluation reserve for land, net of tax	Foreign currency translation adjustments	Accumulated remeasurements of defined benefit plans	Total accumulated other comprehensive income		
Balance at the beginning of the current period	292,980	4,102	(480)	(7,714)	288,888	8,523	552,839
Changes in the current period							
Additions to reserve for dividends to policyholders							(31,547)
Payment of interest on foundation funds							(102)
Net surplus attributable to the parent company for the current period							26,778
Reversal of revaluation reserve for land, net of tax							(118)
Net changes, excluding foundation funds, surplus and others	69,695	118	(125)	620	70,308	4	70,312
Total changes in the current period	69,695	118	(125)	620	70,308	4	65,322
Balance at the end of the current period	362,675	4,221	(605)	(7,094)	359,196	8,527	618,162

Notes to the Consolidated Financial Statements

I. Presentation of the Consolidated Financial Statements

1. Basis of Presentation

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

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

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

2. Principles of Consolidation

(1) Scope of Consolidation

Consolidated subsidiaries as of September 30, 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 six months ended September 30, 2020.

(3) Interim Closing Dates of Consolidated Subsidiaries

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

II. Notes to the Consolidated Balance Sheets

1. (1) The valuation of securities, including cash and deposits and monetary claims bought which are equivalent to securities, and securities managed as trust assets in money held in trust, is as follows:

- i) Trading securities are stated at fair market value. Costs of their sales are determined by the moving average method.
- ii) Held-to-maturity debt securities are stated at amortized cost under the straight-line method, cost being determined by the moving average method.
- iii) Policy-reserve-matching bonds are stated at amortized cost under the straight-line method, cost being determined by the moving average method in accordance with “Temporary Treatment of Accounting and Auditing Concerning Policy-reserve-matching Bonds in the Insurance Industry” (Industry Audit Committee Report No.21 issued by the Japanese Institute of Certified Public Accountants on November 16, 2000).
- iv) Investments in unconsolidated subsidiaries and affiliates which are not accounted for under the equity method are stated at cost, cost being determined by the moving average method.
- v) Available-for-sale securities with fair market value are stated at fair market value based on the market prices at the end of the current period. Costs of their sales are determined by the moving average method. Net unrealized gains or losses on these available-for-sale securities, net of taxes, are recorded as a separate component of net assets.
Available-for-sale securities whose market value are deemed extremely difficult to obtain are stated at cost, cost being determined by the moving average method, except for public and corporate bonds including foreign bonds, of which the difference between acquisition cost and face value is considered to be an adjustment of interest. Such bonds are stated at amortized cost under the straight-line method, cost being determined by the moving average method.

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

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

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

(4) Depreciation of the Company’s tangible fixed assets is calculated by the following methods.

- Tangible fixed assets (excluding lease assets): Declining-balance method
However, buildings (excluding building attachments and structures acquired on or before March 31, 2016) acquired on or after April 1, 1998 are depreciated using Straight-line method.
- Lease assets related to finance lease transactions that do not transfer ownership: Straight-line method over the lease term with no residual value.

Other tangible fixed assets acquired for ¥100,000 or more but less than ¥200,000 are depreciated equally over three years.

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

(6) Allowance for possible loan losses for the Company is provided in accordance with the standards of self-assessment and write-offs and reserves on credit quality:

- i) For the credits of borrowers who are legally bankrupt such as being in the proceedings of bankruptcy or civil rehabilitation (hereinafter called “legally bankrupt borrowers”) and who are substantially bankrupt (hereinafter called “substantially bankrupt borrowers”), the Company provides the remaining 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 September 30, 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 September 30, 2020, the balance of these policy reserves was ¥73,415 million.

The Company also funded additional policy reserves for certain individual annuity insurance policies, whole life insurance policies that include distribution of surplus every five years, new cancer riders and highly advanced medical riders. As of September 30, 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. The carrying amounts, fair values and their related differences of major financial assets and liabilities in the general account as of September 30, 2020 were as follows:

	(Millions of yen)		
	Carrying amount	Fair value	Difference
Cash and deposits:			
Cash and deposits not treated as securities.....	¥273,282	¥273,282	¥—
Total cash and deposits.....	273,282	273,282	—
Call loans.....	180,000	180,000	—
Monetary claims bought:			
Claims treated as loans.....	254	271	16
Total monetary claims bought.....	254	271	16
Money held in trust:			
Trading securities.....	23,871	23,871	—
Total money held in trust.....	23,871	23,871	—
Securities:			
Trading securities.....	50,105	50,105	—
Held-to-maturity debt securities.....	1,275,131	1,486,667	211,535
Policy-reserve-matching bonds.....	1,651,867	1,837,579	185,711
Available-for-sale securities.....	4,113,604	4,113,604	—
Total securities.....	7,090,709	7,487,956	397,247
Loans:			
Policy loans.....	56,525	56,524	(0)
Ordinary loans.....	503,520	529,043	25,522
Total loans.....	560,045	585,568	25,522
Assets total.....	8,128,164	8,550,950	422,786
Subordinated bonds ¹	191,935	195,790	3,855
Liabilities total.....	191,935	195,790	3,855
Derivative instruments ² :			
Hedge accounting not applied.....	609	609	—
Hedge accounting applied.....	2,884	2,884	—
Total derivative instruments.....	¥3,493	¥3,493	¥—

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, ¥5,683 million, and ¥27,959 million as of September 30, 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) Derivative instruments:

- i) The fair values of the futures and options traded at the exchange are measured at the settlement price of the exchange.
- ii) The fair values of forward contracts, options and swaps traded over the counter are based on the quoted prices offered by counterparty financial institutions.
- iii) The fair values of foreign currency forward contracts are determined based on the spot exchange rate and forward contract rate.

3. Notes related to the fair value of investment and rental properties are omitted as no significant change has occurred since the previous fiscal year-end.

4. The amount of securities lent under lending agreements was ¥455,591 million as of September 30, 2020.

5. The total amounts of credits to bankrupt borrowers, delinquent loans, delinquent loans past 3 months or more and restructured loans, which were included in loans, was ¥986 million as of September 30, 2020:

- i) The balance of credits to bankrupt borrowers was ¥169 million as of September 30, 2020.
- ii) The balance of delinquent loans was ¥590 million as of September 30, 2020.
- iii) The balance of restructured loans was ¥226 million as of September 30, 2020.
- iv) There was no balance of delinquent loans past 3 months or more as of September 30, 2020.

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

6. Accumulated depreciation of tangible fixed assets were ¥175,193 million as of September 30, 2020.

7. Total assets in separate accounts provided for in Article 118 of the Insurance Business Act were ¥92,238 million as of September 30, 2020. The amounts of separate account liabilities were the same as separate account assets.

8. Changes in reserve for dividends to policyholders for the six months ended September 30, 2020 were as follows:

	(Millions of yen)
Balance at the beginning of the current period.....	¥60,922
Transfer from surplus in the previous fiscal year.....	31,547
Dividend payments to policyholders during the current period.....	(13,823)
Increase in interest.....	6
Balance at the end of the current period.....	<u>¥78,654</u>

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

	(Millions of yen)
Balance at the beginning of the current period.....	¥328
Dividend payments to policyholders during the current period.....	(119)
Increase in interest.....	0
Provision of reserve for dividends to policyholders.....	97
Balance at the end of the current period.....	<u>¥306</u>

10. The amount of stocks of unconsolidated subsidiaries was ¥404 million as of September 30, 2020.
11. Assets pledged as collateral as of September 30, 2020 were ¥75,053 million of securities and ¥712 million of bank deposits. Secured debts as of September 30, 2020, were ¥71,667 million.
These amounts include ¥61,456 million of investments in securities deposited and ¥65,937 million of cash received as collateral under securities lending transactions secured by cash as of September 30, 2020.
12. Reserve for outstanding claims for the reinsurance contracts provided in accordance with Article 71 Paragraph 1 of the Enforcement Regulation of the Insurance Business Act (hereinafter called “reserve for outstanding claims for ceded reinsurance”) was ¥2 million as of September 30, 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 ¥43 million as of September 30, 2020.
13. There were unused commitment line agreements under which the Company is the lender of ¥9,038 million as of September 30, 2020.
14. Repayments of subordinated bonds are subordinated to other obligations.
At a Board of Directors meeting on October 29, 2020, a resolution was passed to issue subordinated bonds of up to ¥50,000 million during the fiscal year ending March 31, 2021.
15. The future contribution to the Life Insurance Policyholders Protection Corporation of Japan under Article 259 of the Insurance Business Act was estimated at ¥9,833 million as of September 30, 2020.
The contribution is recognized as operating expenses when contributed.

III. Notes to the Consolidated Statements of Operations

1. For the six months ended September 30, 2020, in calculating the reversal of reserve for outstanding claims, a provision of reserves for outstanding claims reinsured of ¥0 million was added. In calculating the reversal of policy reserves, a reversal of reserves for policy reserves reinsured of ¥5 million was deducted.
2. "Others" within "Extraordinary losses" consists of expenses associated with salary guaranties provided to sales representatives as a countermeasure aimed at preventing the spread of COVID-19.

IV. Notes to the Consolidated Statements of Cash Flows

1. Cash and cash equivalents as of September 30, 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 September 30, 2020 were as follows:

	(Millions of yen)
Cash and deposits.....	¥276,835
Call loans.....	180,000
Monetary claims bought.....	254
Time deposits maturing over 3 months of the date of acquisition.....	(5,100)
Foreign currency deposits maturing over 3 months of the date of acquisition.....	(1,139)
Monetary claims bought maturing over 3 months of the date of acquisition.....	(254)
Cash and cash equivalents.....	<u>¥450,596</u>

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

(Millions of yen)

	As of March 31, 2020	As of September 30, 2020
Total solvency margin (A)	1,616,409	1,727,334
Foundation funds and surplus	230,289	241,102
Reserve for price fluctuation	133,162	135,158
Contingency reserve	217,331	217,545
Catastrophe loss reserve	—	—
General allowance for possible loan losses	1,538	1,835
(Net unrealized gains (losses) on securities (before tax) and deferred hedge gains (losses) (before tax)) × 90%	366,504	453,655
Net unrealized gains on real estate × 85%	145,920	146,855
Sum of unrecognized actuarial differences and unrecognized prior service cost	(10,714)	(9,853)
Excess amount of policy reserve based on full-time Zillmer method	296,497	301,496
Qualifying subordinated debt	191,935	191,935
The amount of "excess amount of policy reserve based on full-time Zillmer method" and "qualifying subordinated debt" excluded from the calculation of solvency margin	—	—
Deductible items	—	—
Others	43,944	47,603
Total amount of risk $\sqrt{(\sqrt{R_1^2 + R_5^2 + R_8 + R_9})^2 + (R_2 + R_3 + R_7)^2} + R_4 + R_6$ (B)	242,753	271,316
Insurance risk R_1	23,169	22,874
General insurance risk R_5	—	—
Catastrophe risk R_6	—	—
3rd sector insurance risk R_8	10,033	10,012
Small amount and short-term insurance risk R_9	—	—
Assumed investment yield risk R_2	30,934	30,604
Minimum guarantee risk R_7	—	—
Investment risk R_3	204,120	232,741
Business risk R_4	5,365	5,924
Solvency margin ratio $\frac{(A)}{(1/2) \times (B)} \times 100$	1,331.7 %	1,273.3 %

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.