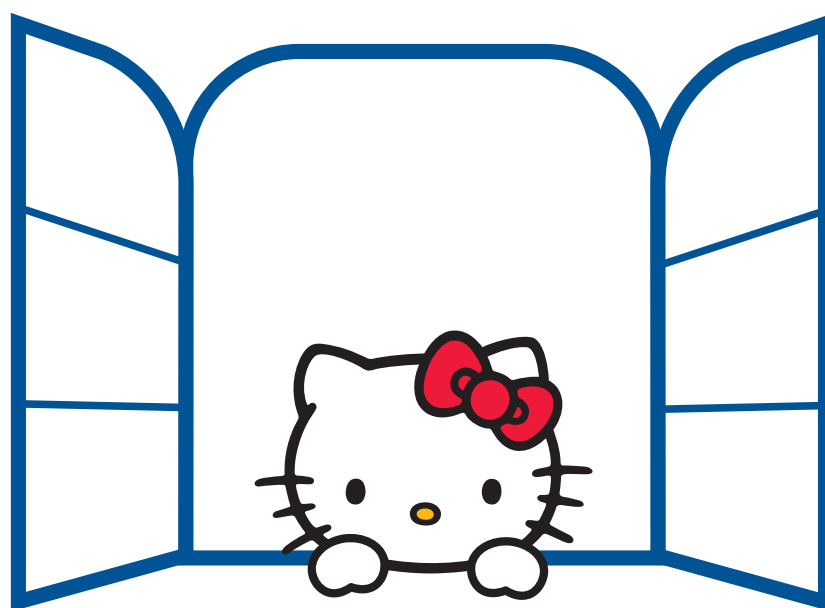


# ANNUAL REPORT 2014

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YEAR ENDED MARCH 31, 2014



★ HELLO KITTY ★ ©1976,2014 SANRIO CO.,LTD. APPROVAL NO.G552012

FUKOKU MUTUAL LIFE INSURANCE COMPANY

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## Financial Highlights (Non-consolidated)

	2012	2013	2014	2014
As of March 31,	Millions of yen		Millions of U.S. dollars	
Life insurance in force .....	¥45,008,889	¥44,309,547	¥43,704,124	\$424,724
Total assets .....	5,699,527	6,007,231	6,214,796	60,384
Securities .....	4,148,127	4,633,067	4,877,141	47,387
Loans .....	1,039,363	907,508	835,860	8,121
Tangible fixed assets .....	276,619	271,841	232,115	2,255
Total liabilities .....	5,446,071	5,579,488	5,720,895	55,585
Policy reserves .....	5,266,726	5,343,750	5,412,622	52,590
Subordinated bonds .....	32,896	66,187	122,346	1,188
Total net assets .....	253,455	427,742	493,900	4,798
For the years ended March 31,				
Total ordinary revenues .....	754,842	836,736	802,326	7,795
Premium and other income .....	589,918	647,798	598,367	5,813
Investment income .....	145,676	178,808	193,044	1,875
Total ordinary expenditures .....	704,413	767,395	730,426	7,097
Net surplus for the year .....	28,778	50,822	50,622	491
Solvency margin ratio (%) .....	741.1	970.8	1,099.9	—
Employees .....	13,502	13,488	12,999	—

Notes 1. U.S. dollar amounts are converted from yen, for convenience only, at the rate of U.S.\$1=¥102.92, the rate of exchange on March 31, 2014.

2. Yen and U.S. dollar amounts are rounded down to the nearest million yen or million dollars.

## Message from the President



**Yoshiteru Yoneyama**  
*President*

I would like to begin by offering my appreciation to all our stakeholders for your continued support of Fukoku Life.

Reflecting on fiscal 2013, ended March 31, 2014, the Japanese economy continued to recover, centered on internal demand. In the financial and capital markets, the Japanese market was exemplified by a weaker yen and high stock prices overall amid continued extremely low long-term interest rates. Overseas, although concerns over the European debt crisis have subsided, the global financial and capital markets wavered in response to the gradual reduction in quantitative easing in the United States.

Against this backdrop, Fukoku Life worked to ensure that our management and employees maintain a “Customer-Centric” approach in all aspects of business and operations, our philosophy of “providing service in a manner that treats customers as you would like to be treated.” Further, in accordance with our “Personnel Pledge,” the basic policy for human resources development, we are working to train and develop personnel able to put the “Customer-Centric” approach into practice.

In insurance sales, considering the current social context in Japan, particularly the decreasing birthrate and aging population, we focused on sectors with significant customer need such as nursing and medical care insurance. In addition, in April 2013 we launched “Mirai no Tobira” (“door to the future”), a comprehensive insurance plan with available riders that greatly enhances flexibility in insurance planning. This new mainstay product allows customers to design detailed insurance coverage that fits their particular circumstances, and has been extremely popular.

In terms of asset management, in the interest of ensuring the safety and liquidity of the assets entrusted to us by customers, we maintain our focus on yen-generating assets

such as public bonds and debentures. To enhance profitability, we make diversified investments in such assets as foreign securities, stocks, and real estate, within the scope of acceptable risk.

To ensure financial soundness, we enhanced capital adequacy by issuing \$500 million in U.S. dollar-denominated perpetual subordinated bonds in September 2013, and by increasing our contingency reserve. As a result, we raised our solvency margin to 1,099.9%, an increase of 129.1 percentage points compared to the end fiscal 2012 (March 31, 2013). We will continue to take steps to further bolster our equity, and provide peace of mind for our customers.

In terms of returning dividends to customers, while ensuring sufficient internal reserves and balance to maintain financial soundness, we are considering proactive measures to provide customers with a substantive reduction in insurance premiums.

Fukoku Life, in a spirit of mutual assistance, and by conducting its highly public-interest life insurance business as a mutual company, puts into practice its management philosophy of “protecting the interests of our policyholders.” To this end, our management and employees are committed to demonstrating a “Customer-Centric” approach, and strive to be a company that earns the highest regard from its customers.

Thank you for your continued support and cooperation throughout this year.

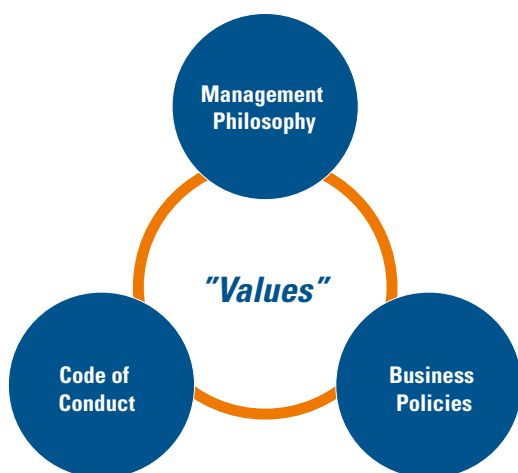
A handwritten signature in black ink that reads "Yoshiteru Yoneyama". The signature is fluid and cursive, written on a light-colored background.

**Yoshiteru Yoneyama**  
*President*

## Values

### Our “Customer-Centric” Values

Possessing “Customer-Centric” values means creating and providing unique services that provide true peace of mind to customers based on the assumption that all employees treat customers as they themselves would like to be treated.



Tomofumi Akiyama  
Chairman of the Board

Yoshiteru Yoneyama  
President

### Management Philosophy

Fukoku Life will continue adhering to its original management philosophy of protecting the interests of policyholders and contributing to society. In addition, we will provide a workplace that enables personal fulfillment so that all executives and employees find their work rewarding.

To protect the interests of our policyholders

To contribute to society

Personal fulfillment

### Code of Conduct

A “Customer-Centric” code of conduct to be reflected in the attitudes of all executives and employees as they carry out their daily business.

#### To us, “Customer-Centric” values means:

- ❖ Valuing teamwork
- ❖ Deserving the trust of each and every customer
- ❖ Being enthusiastic and proud of our work
- ❖ Possessing common sense
- ❖ Continuing to highlight the importance of life insurance
- ❖ Overcoming any kind of difficulty
- ❖ Aiming to create a friendly work environment

### Business Policies

#### 1. Foster personnel with “Customer-Centric” values

With the aim of providing customers with peace of mind, foster confident and proud employees who have the ability to adopt the customer's perspective.

#### 2. Reinforce sales representatives structure

With the aim of providing meticulous services to customers, reinforce the structure under which sales personnel conduct face-to-face sales.

#### 3. Net increase in the number of policyholders

With the aim of earning the trust of more and more customers, strengthen insurance product design, provision, and follow-up services to meet customer needs.

#### 4. Enhance business efficiency

With the aim of achieving stable growth, improve the efficiency of the Company's wide range of business activities.

### Overview

#### Individual Insurance and Annuities

Based on our “Customer-Centric” approach, we endeavor to earn the satisfaction of customers by designing and proposing policies that they truly need and offering comprehensive follow-up services. We believe that such an approach will translate into a net increase in the number of policyholders.

We particularly focused on the sale of products in such areas as nursing care insurance and medical insurance, for which there is a significant level of customer need. We also launched a new major product in April 2013, called “Mirai no Tobira” (door to the future), which greatly enhances the flexibility of insurance planning. Through this new product, we are now able to offer insurance cover planning that meets customer needs even more closely than was possible to date.

#### Sales Channels

Fukoku Life’s products are sold through two major channels: its own sales representatives—called Customer Advisors—and the branches of financial institutions. Our nationwide sales network consists of 62 branches and around 10,098 Customer Advisors promoting insurance and annuities to individuals and companies. We have strengthened our system of face-to-face sales through Customer Advisors in an effort to provide satisfaction when taking out a policy by designing and offering insurance that fits with a customer’s needs, and to ensure that customers continue to hold the policy with peace of mind by expanding our follow-up services. In alliance with Fukuokushinrai Life Insurance Co., Ltd., a subsidiary, we sell our products through shinkin banks with close ties to local communities.

Fukuokushinrai Life Insurance provide ongoing support for the insurance sales activities of their partner financial institutions.

We are also developing other sales channels for such products as educational insurance and individual annuities through insurance shops and websites operated by insurance agencies.

#### Group Insurance

In the area of group insurance, we provide consulting services related to our corporate clients’ benefit programs. In the year under review, we provided program and product proposals that responded to a diverse range of customer needs.

Further, in terms of special accounts for corporate insurance products after retirement, and investment trusts specifically for defined contribution pensions, in addition to conventional financial analysis, we make socially responsible investments (SRIs) in companies that work proactively in such areas as social contribution and environmental protection.

#### Globalization

Fukoku Life’s representative office in Singapore, established in July 2011, was established as the local subsidiary Fukoku Life Research Singapore Pte. Ltd. on April 1, 2014, as the approval period for the representative office had concluded. We already conduct asset management activities in London and New York via subsidiaries, and now we have augmented those activities with a presence in Singapore, which continues to advance as an international financial center. The new subsidiary will continue to conduct research on Asia’s financial and life insurance markets.



# Business Performance in Fiscal 2013

## Life Insurance in Force

At fiscal year-end, life insurance in force, which comprises individual life insurance, individual annuities, and group insurance, amounted to ¥43,704.1 billion, down 1.4% compared with the previous fiscal year-end. Within this amount, life insurance for individuals declined 2.7%, to ¥24,208.4 billion, individual annuities edged down 2.8%, to ¥2,948.7 billion. The year-end balance of life insurance in force for groups increased 1.0%, to ¥16,546.8 billion. Group annuities in force (policy reserve) rose 1.8%, to ¥2,030.5 billion.

## Annualized Premiums for New Policies and Policies in Force

In the year under review, annualized premiums for new policies decreased 16.7%, to ¥22.3 billion. Within this amount, individual insurance was down 4.7%, to ¥19.8 billion, and individual annuities declined 58.5%, to ¥2.4 billion. Annualized premiums from medical insurance and living benefit insurance declined 11.8%, to ¥7.5 billion.

Annualized premiums for policies in force edged down 0.7%, ¥407.7 billion. Within this amount, individual insurance decreased 0.7%, to ¥275.0 billion, while individual annuities fell 0.7%, to ¥132.6 billion. Annualized premiums from medical insurance and living benefit insurance rose 0.8%, to ¥106.1 billion.

## Premium Income and Payments

In the year under review, premium and other income declined 7.6%, to ¥598.3 billion. This was mainly attributable to a decrease in saving products in the individual insurance and annuities sector, stemming from a lowering of the assumed

interest rate in April 2013. Claims and other payments declined 3.2% year on year to ¥503.7 billion, due mainly to a substantial decrease in payment of maturity proceeds for group pure endowment insurance.

## Performance of Fukoku Life Group (Fukoku Life and Fukokushinrai Life Insurance)

The Fukoku Life Group's annualized premiums for new policies declined 25.2%, or ¥11.3 billion, from the previous fiscal year to ¥33.4 billion, due mainly to a decline in sales of permanent policies stemming from a lowering of the assumed interest rate at both companies in April 2013. Within this amount, annualized premiums from medical insurance and living benefit insurance fell 12.0%, or ¥1.0 billion, to ¥7.6 billion.

Annualized premiums for policies in force increased 0.7%, or ¥3.6 billion, to ¥556.5 billion. Annualized premiums from medical insurance and living benefit insurance were up 0.7%, or ¥0.8 billion, to ¥107.8 billion.

The total value of premium and other income declined 18.0%, or ¥155.2 billion, to ¥707.0 billion. Over-the-counter sales through financial institutions (from Fukokushinrai Life Insurance) declined 52.9%, or ¥105.9 billion, to ¥94.3 billion, due mainly to the impact from a lowering of the assumed interest rate in April 2013.

## Assets, Liabilities, and Net Assets

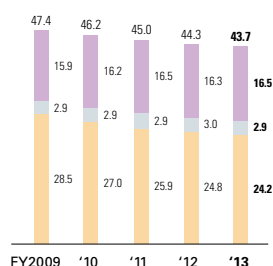
The outstanding balance of non-consolidated total assets, including separate accounts, edged up 3.5%, or ¥207.5 billion, to ¥6,214.7 billion. General account assets, which constitute 98.7% of this total, rose 3.4%, to ¥6,133.4 billion. This was mainly attributable to, in foreign securities, an increase in unhedged foreign bonds, and a boost in allocations to hedge against currency risk, mainly U.S. government bonds with superior liquidity as an alternative for Japanese bonds; and in stocks, valuation gains stemming from rising stock prices. As a result, the year-end balance of securities stood at ¥4,877.1 billion, an increase of ¥244.0 billion, or 5.3%, compared with the previous fiscal year-end.

Total liabilities edged up 2.5%, or ¥141.4 billion, to ¥5,720.8 billion.

Net assets amounted to ¥493.9 billion, up 15.5% compared with the previous fiscal year-end.

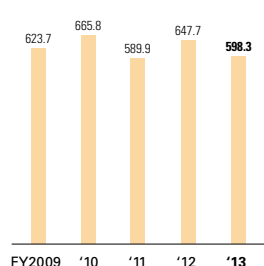
On a consolidated basis, total assets rose 3.7%, to ¥7,817.6 billion, and net assets increased 14.5%, to ¥499.8 billion.

**Life insurance in force**  
(¥ trillions)



■ Group insurance  
■ Individual annuities  
■ Individual life insurance

**Premium and other income**  
(¥ billions)



## Strengthening Our Capital Base

Fukoku Life builds up its internal reserves on an ongoing basis in order to strengthen its capital base. During the subject fiscal year, we added ¥26.8 billion to our contingency reserve, exceeding the statutory provision amount, for a total of ¥1,120.2 billion. The contingency reserve is included within the policy reserves and is a legal reserve set up in preparation for future risks. The reserve for price fluctuation of securities covers potential future losses on stocks and other assets subject to price fluctuation risk. The Company regards both reserves as part of its core capital.

In addition, in September 2013 we enhanced capital adequacy by issuing \$0.5 billion in U.S. dollar-denominated perpetual subordinated debt.



## Solvency Margin

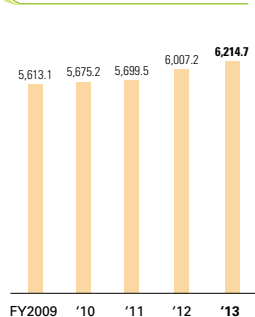
Fukoku Life's solvency margin ratio at fiscal year-end was 1,099.9%, up 129.1 percentage points compared with the previous fiscal year-end. This was due mainly to an increase in owned capital, and an increase in valuation difference on available-for-sale securities stemming from rising stock prices and the weaker yen. The Company's solvency margin far exceeds 200%, the level set as an indicator of financial soundness for life insurance companies, and clearly illustrates our superior ability to meet insurance payments.

We will continue making every effort to maintain a high solvency margin ratio as one indicator of the added peace of mind we offer our customers.

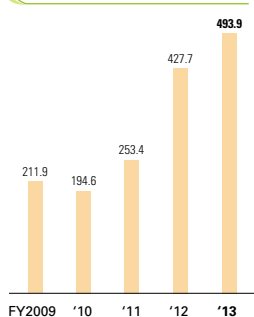
## Ratings

Fukoku Life relies on four neutral rating organizations to provide an objective assessment of the Company's ability to meet insurance payments. As of July 1, 2014, we have received ratings of AA- from Rating and Investment Information, A- from Standard & Poor's, A from Fitch Ratings, and A2 from Moody's. Despite global financial crises in the autumn of 2008 and thereafter, these ratings have not changed from year to year. Going forward, we will continue striving to maintain and further improve our high financial ratings.

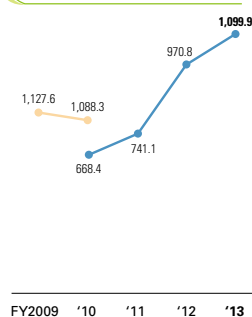
**Total assets**  
(¥ billions)



**Net assets**  
(¥ billions)



**Solvency margin ratio**  
(%)



The figures indicated by the blue line for the fiscal years ended March 31, 2011, 2012, 2013 and 2014, were calculated using the new standards.

## Investment Performance in Fiscal 2013 (General Account)

### Overview

In fiscal 2013, ended March 31, 2014, the Japanese economy continued to recover, led by domestic demand. Public investment expanded mainly driven by Abenomics, and business investment increased moderately, reflecting recovery in corporate profits. As consumer confidence recovered, mainly underpinned by improvement in the employment situation, there was an upturn in private consumption and housing investment ahead of the consumption tax increase. In the financial and capital markets, the Japanese bond market gradually returned to a calm state from the turmoil that immediately followed the introduction of “Quantitative and Qualitative Monetary Easing” by the Bank of Japan in April 2013. Overall, there was a continuation of yen depreciation and rising stock prices in the domestic market, while extremely low long-term interest rates continued on the back of large-scale purchases of Japanese government bonds by the Bank of Japan. Overseas, although concerns over the European debt crisis eased, global financial and capital markets wavered in response to the gradual reduction in quantitative easing in the United States.

With regard to asset management, since domestic interest rates remained at extremely low levels, we mainly increased holdings of hedged foreign bonds as an alternative to domestic bonds. For foreign bonds, we increased holdings, mainly U.S. Treasury bonds, which offer adequate liquidity, while closely monitoring such factors as the domestic-overseas interest rate spread and conditions in overseas bond markets. With regard to domestic stocks, although the book value of these holdings remained largely unchanged, the balance of holdings increased as a result of an increase in

the valuation difference driven by rising stock prices. Meanwhile, in the area of real estate we proceeded with previously planned sales in order to reduce risk and raise yields in improving market conditions.

Investment income from general accounts increased ¥13.8 billion (8.2%), to ¥182.6 billion. Interest, dividends and other income, including that from trading securities, amounted to ¥135.2 billion, an increase of ¥8.6 billion (6.8%) compared with the previous fiscal year, due mainly to an increase in interest from foreign bonds, stemming from the benefit from depreciation of the yen, and increase in the balance held. Gains from trading securities amounted to ¥19.4 billion, a decrease of ¥19.0 billion (49.6%), owing mainly to a fall in valuation gains on foreign bonds resulting from a rise in overseas interest rates. Gains on sales of securities totaled ¥33.4 billion, an increase of ¥25.5 billion (323.1%), due mainly to increased gains on sales of domestic bonds and stocks.

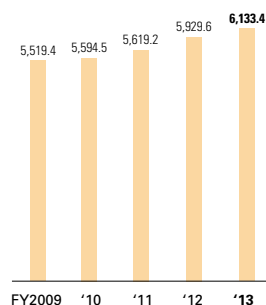
Investment expenses decreased ¥9.6 billion (16.2%), to ¥50.0 billion. Losses on sales of securities totaled ¥9.2 billion, a decrease of ¥1.3 billion (12.3%), mainly due to a decrease in losses on sales of domestic stocks. Losses from derivative instruments amounted to ¥25.1 billion, a decrease of ¥9.6 billion (27.8%). Losses related to hedging currency risk, the majority of this, were largely offset by foreign exchange gains included in gains from trading securities.

As a result, investment income, net of investment expenses, amounted to ¥132.6 billion, an increase of ¥23.5 billion (21.6%) compared with the previous fiscal year.

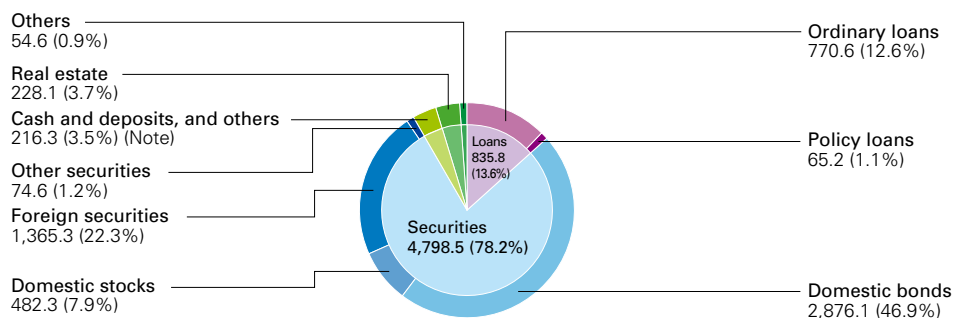
### Domestic Bonds

Domestic bonds amounted to ¥2,876.1 billion, a decrease of ¥95.5 billion (3.2%) compared with the previous fiscal year,

**General account assets**  
(¥ billions)



**Breakdown of general account assets (Fiscal year ended March 31, 2014)**  
(¥ billions)



**Total: ¥6,133.4 billion**

Note: This total includes cash and deposits, call loans, monetary claims bought and money held in trust.

due to our curbed purchases in response mainly to continued extremely low interest rates.

#### Domestic Stocks

Domestic stocks amounted to ¥482.3 billion, an increase of ¥50.5 (11.7%), due to valuation gains stemming from raising stock prices, while the book value remained largely unchanged.

#### Foreign Securities

Foreign securities amounted to ¥1,365.3 billion, a gain of ¥278.1 billion (25.6%), resulting mainly from an increase in currency hedged foreign bonds, mainly U.S. Treasury bonds,

which offer adequate liquidity, as an alternative to domestic bonds, and an increase in unhedged foreign bonds.

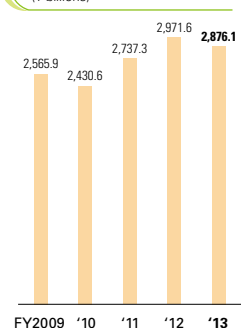
#### Loans

Loans amounted to ¥835.8 billion, a decrease of ¥71.6 billion (7.9%) compared with the end of the previous fiscal year, mainly due to a decline in corporate loans.

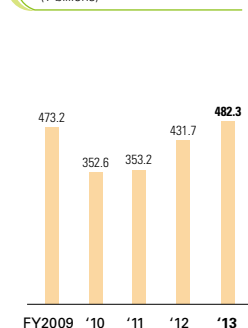
#### Real estate

Real estate amounted to ¥228.1 billion, a decline of ¥39.3 billion (14.7%), mainly due to sales of property aimed at reducing risk and improving profitability.

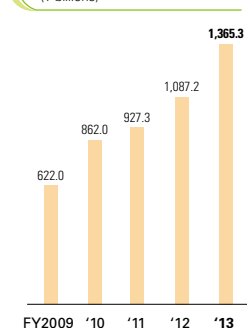
**Domestic bonds**  
(¥ billions)



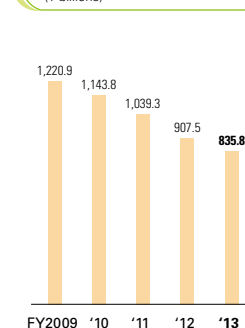
**Domestic stocks**  
(¥ billions)



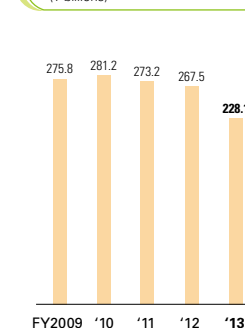
**Foreign securities**  
(¥ billions)



**Loans**  
(¥ billions)



**Real estate**  
(¥ billions)



## Investment Policies for Fiscal 2014

### Investment Environment

For fiscal 2014, ending March 31, 2015, we expect the Japanese economy to temporarily slow down after an increase in demand prior to the increase in consumption tax rate, but subsequently to get back on a recovery track. Overseas, we anticipate advanced economies to remain firm overall, including a moderate recovery in the United States, while China and other

emerging economies are expected to lack strength.

Under such conditions, we anticipate that long-term interest rates will remain low as the Bank of Japan continues its "Quantitative and Qualitative Monetary Easing." We also expect stock prices to remain steady, and the yen to remain weak. However, there may be phases of heightened volatility in the markets, affected by such factors as the direction of the United States' monetary policy and heightening of geopolitical risks.

### Domestic Bonds

We will closely monitor the markets, and carefully increase holdings. In terms of duration, we will maintain our current level of around 11 years.

### Domestic Stocks

We intend to selectively invest in undervalued shares in situations where prices are falling, with the objective of enhancing the portfolio dividend yield.

### Foreign Securities

For foreign bonds, we will increase holdings of hedged foreign

bonds, mainly U.S. Treasury bonds, as an alternative to domestic bonds, while carefully monitoring the spread between domestic and overseas interest rates. For foreign stocks, we will increase holdings in shares that are expected to return stable dividends.

### Loans

We will maintain profitability by ensuring diversity in terms of such factors as borrower and loan period.

### Real Estate

We will sell investment properties, with the aim of containing risk and enhancing profitability.

## Governance System

As a mutual life insurance company, Fukoku Life is engaged in the highly public business of protecting policyholders' rights. Therefore, we are committed to establishing a management system that ensures the soundness of operations, and to enhancing management measures,

including our risk management system and compliance measures. In addition, we employ our internal control systems to ensure the efficient operation of these measures.

### Establishment of Management Control Measures

The Board of Directors makes important business decisions and monitors business execution. The two external directors bring an outside perspective to the deliberations of the Board. In April 2009, Fukoku Life introduced an executive officer system. Under this system, we have separated and strengthened decision-making and business execution functions, with the Board of Directors fulfilling decision-making and supervisory functions. We are striving to strengthen internal controls through the activities of various committees, including the Risk Management Committee and the Compliance Committee, which directly report to the Board of Directors.

### Enhancement of Internal Control System

The Company's Board of Directors has set the terms for the creation of a system of internal controls to ensure the soundness of operations. We are working to enhance the efficiency of operations, strengthen risk management, and promote compliance based on the core policies of our internal control system.

### Risk Management System

Fukoku Life's greatest responsibility from the standpoint of "Customer-Centric" approach is to firmly maintain customer policies and meet expectations over the long term. To ensure that we fulfill these responsibilities, we must accurately understand and analyze the various risks facing the Company, and take appropriate measures to maintain and enhance financial soundness.

Fukoku Life has established a risk management system with close involvement by top management, and makes a continual effort to enhance the sophistication of its risk management in response to the increasingly varied and complex risks of the external business environment. In addition, we are steadily implementing a comprehensive enterprise risk management (ERM) system, including conducting economic value-based risk management (conducting an assessment of assets and liabilities consistent with the market in order to understand and manage as risk the changes in the value of assets and liabilities).

ERM is conducted by the Risk Management Committee, established by the Board of Directors. Several subcommittees have been established under the Risk Management Committee to manage the various risks that arise in business operations, and to conduct asset and liability management (ALM). The Risk Management Committee consolidates and evaluates these risks at the corporate level, and considers the appropriate level of acceptable risk and risk response. Further, the Risk Management Advisory Committee, which supports the Risk Management Committee, mainly conducts risk management for the corporate group, along with companywide stress tests.

The Risk Management Committee is chaired by the president of the Company, with full-time directors and other executives serving as members. Directors also head the subcommittees, providing a risk management structure based on the leadership of top management. The internal auditing department verifies that the risk management system functions effectively.

### Compliance System

As members of the community, all executives and employees undergo ongoing training in compliance-related matters so that they not only observe laws and regulations, but also comply with protocols and social conventions. To this end, as well as improving and reinforcing the compliance system, we hold regular hands-on training programs.

However, we recognize that even the most robust of systems cannot guarantee the complete elimination of improper conduct. We believe that it is important to detect any improper conduct early, deal with it swiftly and appropriately, and make constant improvements and work to rectify the situation in order to prevent a recurrence.

The Compliance Committee, comprised of full-time directors and other executives, and chaired by the President, is mandated by the Board of Directors to promote compliance-related activities. The Chief Compliance Officer and Compliance Officers stationed at our head office ensure the constant monitoring of compliance.

### Protection of Personal Information

As an insurance company that is trusted by its customers, Fukoku Life takes great care in the handling of personal information. We ensure compliance with the Personal Information Protection Law that came into effect in Japan in April 2005, as well as related laws and guidelines. The appropriate management of personal information is also governed by the Company's own privacy policy.



Board of Representative Members of Policyholders

### Contribution to Society

In accordance with the highly public nature of the life insurance business, Fukoku Life believes that the sound management of its core life insurance business is our first priority in terms of fulfilling our corporate social responsibility (CSR). Furthermore, we believe that the Company should engage in a range of activities aimed at helping to build a better society.

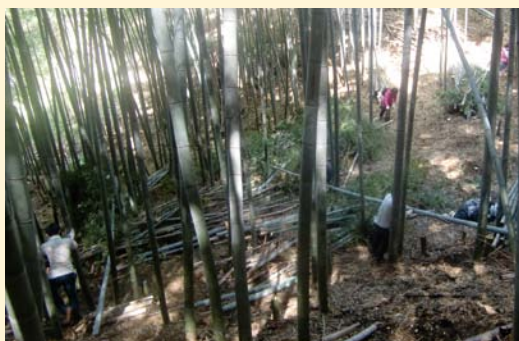
In conducting CSR-related activities, in addition to the Company's CSR programs, we believe it is important for all employees to participate on a voluntary basis.



Visiting Concert



Smile Gallery



Flora Preservation

#### Fukoku Life Concerts

Fukoku Life holds two types of concerts throughout the country: Visiting Concerts and Charity Concerts. Visiting Concerts give children attending schools for the disabled and disabled people living in institutions who cannot easily get the opportunity to hear performances of classical music in concert halls. Charity Concerts are held at concert halls as part of the Company's commitment to fostering community welfare.

A Visiting Concert is held after a Charity Concert has been held. Musicians who performed at the Charity Concert visit a local welfare facility where they play music and improvise as necessary to create an enjoyable musical occasion for residents. Since April 1993, the Company has held 244 Charity Concerts. Visiting Concerts, which were introduced in April 2003, have been held at a total of 196 welfare facilities.

Concerts are organized and run directly by Fukoku Life executives and employees, who collaborate with musicians to plan each program.

At Charity Concerts, members of the audience are asked to make donations, which are given to local welfare groups, and goods made by the disabled are sold from stalls in the hall foyer.

#### Smile Gallery

In the shopping mall located in the basement of our head office building, we opened the Smile Gallery, which displays artworks created by children attending schools for the disabled. As well as providing an opportunity for many people to view these works, the Smile Gallery aims to support these children in their artistic endeavors.

#### Hello Kitty Hospital Visit Program

Under this program, Fukoku Life's brand mascot Hello Kitty—which is a popular character worldwide—makes visits to children's hospitals to help cheer up and encourage patients.

#### Post-Disaster Relief

To provide assistance for people impacted by the Great East Japan Earthquake, we arrange Visiting Concerts at schools for the disabled and other facilities in disaster-affected areas. We also endeavor to support the economies of these communities by inviting shops specializing in locally made produce and goods from these areas to operate stores in the open plaza area of our head office building. Members of the general public as well as Fukoku Life Group executives and employees may purchase products from these stores.

#### Flora Preservation

Recently in Japan, there has been an increase in forests left to grow unchecked due to the lack of people willing to take over forestry businesses. One particular problem is uncontrolled groves of the vigorously growing Moso bamboo, which not only invades forests, but also takes over farmland and causes landslides due to the shallowness of their roots. This bamboo problem is even found on land owned by the Company in



Lehár "The Merry Widow"  
(C)Brigitte Lacombe / Metropolitan Opera

Shizuoka Prefecture. Fukoku Life has set up a forest regeneration project to tackle this problem. The aim of the project is to not only assist forest regeneration by felling bamboo groves, but to also return some bamboo groves to a healthy state. Since 2006, Fukoku Life's executives and employees have taken part in the project. In the year under review, 113 executives, employees, and their family members volunteered their time to take part in these activities.

### Other Activities

The new Osaka Fukoku Mutual Life Insurance Building was completed in October 2010. As well as containing the offices of the Fukoku Life Group, the building has such tenants as universities and companies. We specifically selected tenants that would provide opportunities for interaction and engagement with local communities in such areas as culture and health.

Together with Shochiku Co., Ltd., which is involved with the entertainment business, Fukoku Life is a sponsor of the Metropolitan Opera: Live in High Definition series of screenings, which give members of the general public the opportunity to see some of the finest opera performances in the world.

The Company is a proud sponsor of the Pink Ribbon Campaign, which promotes the importance of the early detection, diagnosis, and treatment of breast cancer. We also participate in the Hello Smile campaign aimed at providing education about prevention of cervical cancer.

Fukoku Life provides space and sales staff to support a mobile bakery business operated by disabled people. Our executives and employees also participate in various other initiatives, including neighborhood cleanup campaigns and collections of PET bottle lids.

## Communicating with Society

We conduct advertising campaigns to raise awareness of Fukoku Life and engage in a variety of corporate communications activities aimed at enhancing the understanding of our operations among a broad range of stakeholders.



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★ HELLO KITTY ★

### Partnership with Sanrio

The Hello Kitty character, owned by Sanrio Co., Ltd., has attained world-wide popularity. Fukoku Life has adopted this widely loved character as its brand mascot, and features Hello Kitty in many communications media, including Fukoku Life posters and brochures, and in video on our website. Fukoku Life also maintains a partnership with Sanrio in relation to two theme parks, Sanrio Puroland and Harmonyland.

### Providing Information

Fukoku Life publishes a variety of materials for its stakeholders. Publications that provide information on the Company's business activities include the Japanese-language annual disclosure report. "Disclosure" (and abridged versions thereof), booklets written for policyholders, and this English-language annual report. Our diverse lineup of public relations and advertising activities include the production of a variety of publications as needed, in order to strengthen the channels of communication between the Company, its policyholders, and its many other customers.

## Non-consolidated Financial Statements

### Non-consolidated Balance Sheets

Fukoku Mutual Life Insurance Company  
As of March 31, 2012, 2013 and 2014

As of March 31,				
	2012	2013	2014	2014
	Millions of yen			Millions of U.S. dollars
<b>Assets:</b>				
Cash and deposits:				
Cash .....	¥ 154	¥ 169	¥ 159	\$ 1
Bank deposits .....	29,191	33,396	34,609	336
	29,345	33,566	34,768	337
Call loans .....	65,600	70,300	148,700	1,444
Monetary claims bought .....	1,351	1,111	1,011	9
Money held in trust .....	35,194	31,322	31,981	310
Securities:				
Government bonds .....	1,991,905	2,181,123	2,097,463	20,379
Local government bonds .....	158,459	168,921	157,102	1,526
Corporate bonds .....	614,449	652,931	654,161	6,356
Stocks .....	377,385	454,902	504,442	4,901
Foreign securities .....	947,574	1,108,137	1,389,208	13,497
Other securities .....	58,354	67,050	74,762	726
	4,148,127	4,633,067	4,877,141	47,387
Loans:				
Policy loans .....	70,164	66,807	65,206	633
Ordinary loans .....	969,199	840,701	770,654	7,487
	1,039,363	907,508	835,860	8,121
Tangible fixed assets:				
Land .....	161,076	160,528	132,912	1,291
Buildings .....	109,935	105,728	94,991	922
Lease assets .....	117	1,430	1,159	11
Construction in progress .....	2,234	1,297	280	2
Other tangible fixed assets .....	3,255	2,855	2,771	26
	276,619	271,841	232,115	2,255
Intangible fixed assets:				
Software .....	8,126	11,378	10,554	102
Other intangible fixed assets .....	446	273	273	2
	8,573	11,652	10,827	105
Reinsurance receivables .....	117	42	78	0
Other assets:				
Accounts receivable .....	10,577	7,479	6,297	61
Prepaid expenses .....	1,249	1,155	993	9
Accrued income .....	23,784	27,005	28,028	272
Deposits .....	2,058	2,055	1,894	18
Differential account for futures trading .....	42	978	—	—
Derivatives .....	1,588	3,473	879	8
Suspense payments .....	6,497	3,222	2,430	23
Lease investment assets .....	—	868	835	8
Other assets .....	4,606	2,780	3,233	31
	50,404	49,020	44,592	433
Deferred tax assets .....	47,130	—	—	—
Allowance for possible loan losses .....	(2,299)	(2,201)	(2,281)	(22)
<b>Total assets</b> .....	<b>¥5,699,527</b>	<b>¥6,007,231</b>	<b>¥6,214,796</b>	<b>\$60,384</b>

As of March 31,

	2012	2013	2014	2014
	Millions of yen			Millions of U.S. dollars
<b>Liabilities:</b>				
Policy reserves:				
Reserve for outstanding claims .....	¥ 22,615	¥ 22,673	¥ 23,067	\$ 224
Policy reserve .....	5,190,141	5,268,768	5,338,547	51,870
Reserve for dividends to policyholders .....	53,969	52,307	51,007	495
	5,266,726	5,343,750	5,412,622	52,590
Reinsurance payables .....	67	86	98	0
Subordinated bonds .....	32,896	66,187	122,346	1,188
Other liabilities:				
Corporate income tax payable .....	1,291	8,352	11,945	116
Accounts payable .....	5,894	2,717	2,350	22
Accrued expenses .....	11,169	11,268	11,112	107
Unearned income .....	435	411	341	3
Deposits received .....	5,301	5,289	5,355	52
Guarantee deposits received .....	13,577	13,584	12,839	124
Differential account for futures trading .....	142	—	216	2
Derivatives .....	6,530	3,937	5,223	50
Asset retirement obligations .....	2,846	2,966	2,951	28
Suspense receipts .....	1,188	1,284	1,188	11
	48,377	49,813	53,524	520
Reserve for employees' retirement benefits .....	46,320	44,965	43,112	418
Reserve for price fluctuation of securities .....	35,488	41,628	44,016	427
Deferred tax liabilities .....	—	16,938	29,245	284
Deferred tax liabilities for revaluation reserve for land .....	16,195	16,119	15,929	154
<b>Total liabilities</b> .....	<b>5,446,071</b>	<b>5,579,488</b>	<b>5,720,895</b>	<b>55,585</b>
<b>Net assets:</b>				
Foundation funds.....	35,000	35,000	35,000	340
Accumulated foundation funds redeemed .....	71,000	71,000	71,000	689
Reserve for revaluation.....	112	112	112	1
Surplus:				
Legal reserve for future losses.....	2,325	2,399	2,485	24
Other surplus:				
Reserve for redemption of foundation funds .....	—	9,000	18,000	174
Reserve for dividend allowances.....	3,895	3,895	3,895	37
Accumulated fund for price fluctuation .....	11,000	11,000	21,000	204
Reserve for advanced depreciation of real estate for tax purpose.....	289	4,114	3,969	38
Other reserves.....	767	767	767	7
Unappropriated surplus .....	57,827	71,084	74,662	725
	73,779	99,861	122,294	1,188
	76,104	102,260	124,780	1,212
Total foundation funds, surplus and others .....	182,216	208,372	230,892	2,243
Net unrealized gains (losses) on available-for-sale securities, net of tax.....	67,684	215,885	259,861	2,524
Deferred valuation gains (losses) under hedge accounting .....	170	62	2	0
Revaluation reserve for land, net of tax.....	3,383	3,421	3,144	30
Total valuation and translation adjustments.....	71,239	219,370	263,008	2,555
<b>Total net assets</b> .....	<b>253,455</b>	<b>427,742</b>	<b>493,900</b>	<b>4,798</b>
<b>Total liabilities and net assets</b> .....	<b>¥5,699,527</b>	<b>¥6,007,231</b>	<b>¥6,214,796</b>	<b>\$60,384</b>

See notes to the non-consolidated financial statements.

## Non-consolidated Statements of Operations

Fukoku Mutual Life Insurance Company  
For the years ended March 31, 2012, 2013 and 2014

	Years ended March 31,			
	2012	2013	2014	2014
	Millions of yen			Millions of U.S. dollars
Ordinary revenues:				
Premium and other income:				
Premium income .....	¥589,599	¥647,446	¥598,227	\$5,812
Reinsurance income .....	319	352	140	1
	589,918	647,798	598,367	5,813
Investment income:				
Interest, dividends and other income:				
Interest on deposits .....	93	19	7	0
Interest and dividends on securities .....	76,265	83,604	94,534	918
Interest on loans .....	22,163	19,136	17,317	168
Income from real estate for rent .....	14,775	16,041	14,469	140
Other interest and dividends .....	219	217	235	2
	113,517	119,020	126,564	1,229
Gains from money held in trust, net .....	162	1,157	669	6
Gains from trading securities, net .....	12,872	38,498	19,402	188
Gains on sales of securities .....	16,854	7,917	33,499	325
Gains from redemption of securities .....	338	—	—	—
Foreign exchange gains, net .....	—	908	2,212	21
Reversal of allowance for possible loan losses .....	103	—	—	—
Other investment income .....	148	1,230	279	2
Gains from separate accounts, net .....	1,679	10,075	10,417	101
	145,676	178,808	193,044	1,875
Other ordinary revenues:				
Fund receipt from annuity rider .....	1,347	1,071	1,271	12
Fund receipt from deposit of claims paid .....	6,422	5,123	5,083	49
Reversal of reserve for outstanding claims .....	8,438	—	—	—
Reversal of reserve for employees' retirement benefits .....	639	1,351	1,849	17
Others .....	2,399	2,583	2,710	26
	19,247	10,129	10,914	106
Total ordinary revenues .....	754,842	836,736	802,326	7,795
Ordinary expenditures:				
Claims and other payments:				
Claims .....	140,375	168,766	135,639	1,317
Annuities .....	94,983	101,437	134,935	1,311
Benefits .....	127,082	129,048	122,255	1,187
Surrenders .....	94,006	89,348	77,820	756
Other payments .....	26,070	31,283	32,681	317
Reinsurance premiums .....	278	328	385	3
	482,797	520,212	503,718	4,894
Provision for policy reserve and others:				
Provision for reserve for outstanding claims .....	—	58	393	3
Provision for policy reserve .....	57,823	78,627	69,779	677
Interest on accumulated dividends to policyholders .....	83	76	74	0
	¥ 57,906	¥ 78,762	¥ 70,247	\$ 682

	Years ended March 31,			
	2012	2013	2014	2014
	Millions of yen			Millions of U.S. dollars
Investment expenses:				
Interest expenses .....	¥ 1,409	¥ 1,777	¥ 3,633	\$ 35
Losses on sales of securities .....	24,925	10,596	9,289	90
Losses on valuation of securities .....	7,986	1,009	52	0
Losses from derivative instruments, net .....	5,725	34,773	25,116	244
Foreign exchange losses, net .....	1,874	—	—	—
Provision for allowance for possible loan losses .....	—	58	56	0
Depreciation of real estate for rent and other assets .....	6,477	5,802	5,082	49
Other investment expenses .....	6,208	5,658	6,778	65
	54,608	59,677	50,010	485
Operating expenses .....	88,725	88,846	86,203	837
Other ordinary expenditures:				
Claim deposit payments .....	9,746	8,976	8,970	87
Taxes .....	4,831	4,771	4,573	44
Depreciation .....	5,276	5,571	6,023	58
Others .....	520	578	678	6
	20,375	19,897	20,246	196
<b>Total ordinary expenditures</b> .....	<b>704,413</b>	<b>767,395</b>	<b>730,426</b>	<b>7,097</b>
<b>Ordinary profits</b> .....	<b>50,429</b>	<b>69,340</b>	<b>71,900</b>	<b>698</b>
Extraordinary gains:				
Gains on disposal of fixed assets .....	4,645	60	2,005	19
Other extraordinary gains .....	—	193	—	—
<b>Total extraordinary gains</b> .....	<b>4,645</b>	<b>254</b>	<b>2,005</b>	<b>19</b>
Extraordinary losses:				
Losses on disposal of fixed assets .....	160	348	7,314	71
Impairment losses .....	433	600	1,775	17
Provision for reserve for price fluctuation of securities ....	2,056	6,140	2,388	23
Losses on reduction entry of real estate for tax purpose .....	9	—	—	—
<b>Total extraordinary losses</b> .....	<b>2,659</b>	<b>7,088</b>	<b>11,477</b>	<b>111</b>
<b>Surplus before income taxes</b> .....	<b>52,414</b>	<b>62,506</b>	<b>62,427</b>	<b>606</b>
Income taxes:				
Current .....	8,623	13,553	19,208	186
Deferred .....	15,013	(1,870)	(7,403)	(71)
<b>Total income taxes</b> .....	<b>23,636</b>	<b>11,683</b>	<b>11,804</b>	<b>114</b>
<b>Net surplus for the year</b> .....	<b>¥ 28,778</b>	<b>¥ 50,822</b>	<b>¥ 50,622</b>	<b>\$ 491</b>

See notes to the non-consolidated financial statements.

## Non-consolidated Statements of Changes in Net Assets

Fukoku Mutual Life Insurance Company  
For the years ended March 31, 2012, 2013 and 2014

Year ended March 31, 2012	Millions of yen											
	Foundation funds, surplus and others											
	Surplus											
	Other surplus											
	Foundation funds	Accumulated foundation funds redeemed	Reserve for revaluation	Legal reserve for future losses	Reserve for redemption of foundation funds	Reserve for dividend allowances	Accumulated fund for price fluctuation	Reserve for advanced depreciation of real estate for tax purpose	Other reserves	Unappropriated surplus	Total surplus	Total foundation funds, surplus and others
Balance at the beginning of current fiscal year.....	¥40,000	¥46,000	¥112	¥2,249	¥20,000	¥3,895	¥ —	¥296	¥767	¥69,554	¥96,763	¥182,875
Changes in the current fiscal year												
Financing of additional foundation funds .....	20,000										—	20,000
Additions to reserve for dividends to policyholders.....										(24,381)	(24,381)	(24,381)
Additions to legal reserve for future losses .....				76						(76)	—	—
Additions to accumulated foundation funds redeemed.....		25,000									—	25,000
Payment of interest on foundation funds .....										(892)	(892)	(892)
Net surplus for the year.....										28,778	28,778	28,778
Redemption of foundation funds....	(25,000)										—	(25,000)
Additions to reserve for redemption of foundation funds...					5,000					(5,000)	—	—
Reversal of reserve for redemption of foundation funds...					(25,000)						(25,000)	(25,000)
Additions to accumulated fund for price fluctuation .....							11,000			(11,000)	—	—
Reversal of reserve for advanced depreciation of real estate for tax purpose .....								(7)		7	—	—
Reversal of revaluation reserve for land .....										837	837	837
Net changes, excluding foundation funds, surplus and others.....												
Total changes in the current fiscal year .....	(5,000)	25,000	—	76	(20,000)	—	11,000	(7)	—	(11,727)	(20,658)	(658)
Balance at the end of current fiscal year .....	¥35,000	¥71,000	¥112	¥2,325	¥ —	¥3,895	¥11,000	¥289	¥767	¥57,827	¥76,104	¥182,216

Year ended March 31, 2012	Millions of yen				
	Valuation and translation adjustments				
	Total valuation and translation adjustments				
	Net unrealized gains (losses) on available-for-sale securities, net of tax	Deferred valuation gains (losses) under hedge accounting	Revaluation reserve for land, net of tax	Total valuation and translation adjustments	Total net assets
Balance at the beginning of current fiscal year.....	¥9,994	¥365	¥1,366	¥11,726	¥194,601
Changes in the current fiscal year					
Financing of additional foundation funds .....					20,000
Additions to reserve for dividends to policyholders.....					(24,381)
Additions to legal reserve for future losses.....					—
Additions to accumulated foundation funds redeemed.....					25,000
Payment of interest on foundation funds .....					(892)
Net surplus for the year .....					28,778
Redemption of foundation funds.....					(25,000)
Additions to reserve for redemption of foundation funds .....					—
Reversal of reserve for redemption of foundation funds.....					(25,000)
Additions to accumulated fund for price fluctuation .....					—
Reversal of reserve for advanced depreciation of real estate for tax purpose .....					—
Reversal of revaluation reserve for land .....					837
Net changes, excluding foundation funds, surplus and others.....	57,690	(194)	2,016	59,512	59,512
Total changes in the current fiscal year .....	57,690	(194)	2,016	59,512	58,854
Balance at the end of current fiscal year .....	¥67,684	¥170	¥3,383	¥71,239	¥253,455

Millions of yen												
Year ended March 31, 2013	Foundation funds, surplus and others											
	Surplus											
	Foundation funds	Accumulated foundation funds redeemed	Reserve for revaluation	Legal reserve for future losses	Other surplus						Total surplus	Total foundation funds, surplus and others
					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 current fiscal year .....	¥35,000	¥71,000	¥112	¥2,325	¥ —	¥3,895	¥11,000	¥289	¥767	¥57,827	¥76,104	¥182,216
Changes in the current fiscal year												
Additions to reserve for dividends to policyholders .....										(23,989)	(23,989)	(23,989)
Additions to legal reserve for future losses .....				74						(74)	—	—
Payment of interest on foundation funds .....										(621)	(621)	(621)
Net surplus for the year .....										50,822	50,822	50,822
Additions to reserve for redemption of foundation funds...					9,000					(9,000)	—	—
Additions to reserve for advanced depreciation of real estate for tax purpose .....								3,857		(3,857)	—	—
Reversal of reserve for advanced depreciation of real estate for tax purpose .....								(32)		32	—	—
Reversal of revaluation reserve for land .....										(55)	(55)	(55)
Net changes, excluding foundation funds, surplus and others .....												
Total changes in the current fiscal year .....	—	—	—	74	9,000	—	—	3,825	—	13,256	26,155	26,155
Balance at the end of current fiscal year .....	¥35,000	¥71,000	¥112	¥2,399	¥9,000	¥3,895	¥11,000	¥4,114	¥767	¥71,084	¥102,260	¥208,372

Millions of yen					
Year ended March 31, 2013	Valuation and translation adjustments				Total net assets
	Net unrealized gains(losses) on available-for-sale securities, net of tax	Deferred valuation gains (losses) under hedge accounting	Revaluation reserve for land, net of tax	Total valuation and translation adjustments	
Balance at the beginning of current fiscal year .....	¥67,684	¥170	¥3,383	¥71,239	¥253,455
Changes in the current fiscal year					
Additions to reserve for dividends to policyholders .....					(23,989)
Additions to legal reserve for future losses .....					—
Payment of interest on foundation funds .....					(621)
Net surplus for the year .....					50,822
Additions to reserve for redemption of foundation funds ...					—
Additions to reserve for advanced depreciation of real estate for tax purpose .....					—
Reversal of reserve for advanced depreciation of real estate for tax purpose .....					—
Reversal of revaluation reserve for land .....					(55)
Net changes, excluding foundation funds, surplus and others .....	148,200	(107)	38	148,131	148,131
Total changes in the current fiscal year .....	148,200	(107)	38	148,131	174,287
Balance at the end of current fiscal year .....	¥215,885	¥62	¥3,421	¥219,370	¥427,742

Millions of yen												
	Foundation funds, surplus and others											
	Surplus											
					Other surplus							
	Foundation funds	Accumulated foundation funds redeemed	Reserve for revaluation	Legal reserve for future losses	Reserve for redemption of foundation funds	Reserve for dividend allowances	Accumulated fund for price fluctuation	Reserve for advanced depreciation of real estate for tax purpose	Other reserves	Unappropriated surplus	Total surplus	Total foundation funds, surplus and others
Year ended March 31, 2014												
Balance at the beginning of current fiscal year.....	¥35,000	¥71,000	¥112	¥2,399	¥9,000	¥3,895	¥11,000	¥4,114	¥767	¥71,084	¥102,260	¥208,372
Changes in the current fiscal year												
Additions to reserve for dividends to policyholders.....										(27,762)	(27,762)	(27,762)
Additions to legal reserve for future losses .....				86						(86)	—	—
Payment of interest on foundation funds.....										(621)	(621)	(621)
Net surplus for the year.....										50,622	50,622	50,622
Additions to reserve for redemption of foundation funds...					9,000					(9,000)	—	—
Additions to accumulated fund for price fluctuation.....							10,000			(10,000)	—	—
Reversal of reserve for advanced depreciation of real estate for tax purpose .....								(144)		144	—	—
Reversal of revaluation reserve for land .....										281	281	281
Net changes, excluding foundation funds, surplus and others.....												
Total changes in the current fiscal year .....	—	—	—	86	9,000	—	10,000	(144)	—	3,578	22,519	22,519
Balance at the end of current fiscal year .....	¥35,000	¥71,000	¥112	¥2,485	¥18,000	¥3,895	¥21,000	¥3,969	¥767	¥74,662	¥124,780	¥230,892

Millions of yen					
Year ended March 31, 2014	Valuation and translation adjustments				Total net assets
	Net unrealized gains (losses) on available-for-sale securities, net of tax	Deferred valuation gains (losses) under hedge accounting	Revaluation reserve for land, net of tax	Total valuation and translation adjustments	
Balance at the beginning of current fiscal year .....	¥215,885	¥62	¥3,421	¥219,370	¥427,742
Changes in the current fiscal year					
Additions to reserve for dividends to policyholders .....					(27,762)
Additions to legal reserve for future losses .....					—
Payment of interest on foundation funds .....					(621)
Net surplus for the year .....					50,622
Additions to reserve for redemption of foundation funds ..					—
Additions to accumulated fund for price fluctuation .....					—
Reversal of reserve for advanced depreciation of real estate for tax purpose .....					—
Reversal of revaluation reserve for land .....					281
Net changes, excluding foundation funds, surplus and others .....	43,976	(60)	(277)	43,638	43,638
Total changes in the current fiscal year .....	43,976	(60)	(277)	43,638	66,157
Balance at the end of current fiscal year .....	¥259,861	¥2	¥3,144	¥263,008	¥493,900

	Millions of U.S. dollars											
	Foundation funds, surplus and others											
	Surplus											
	Other surplus											
	Foundation funds	Accumulated foundation funds redeemed	Reserve for revaluation	Legal reserve for future losses	Reserve for redemption of foundation funds	Reserve for dividend allowances	Accumulated fund for price fluctuation	Reserve for advanced depreciation of real estate for tax purpose	Other reserves	Unappropriated surplus	Total surplus	Total foundation funds, surplus and others
Year ended March 31, 2014												
Balance at the beginning of current fiscal year.....	\$340	\$689	\$1	\$23	\$87	\$37	\$106	\$39	\$7	\$690	\$993	\$2,024
Changes in the current fiscal year												
Additions to reserve for dividends to policyholders.....										(269)	(269)	(269)
Additions to legal reserve for future losses .....				0						(0)	—	—
Payment of interest on foundation funds.....										(6)	(6)	(6)
Net surplus for the year.....										491	491	491
Additions to reserve for redemption of foundation funds...					87					(87)	—	—
Additions to accumulated fund for price fluctuation.....							97			(97)	—	—
Reversal of reserve for advanced depreciation of real estate for tax purpose .....								(1)		1	—	—
Reversal of revaluation reserve for land .....										2	2	2
Net changes, excluding foundation funds, surplus and others.....												
Total changes in the current fiscal year .....	—	—	—	0	87	—	97	(1)	—	34	218	218
Balance at the end of current fiscal year .....	\$340	\$689	\$1	\$24	\$174	\$37	\$204	\$38	\$7	\$725	\$1,212	\$2,243

Millions of U.S. dollars					
Year ended March 31, 2014	Valuation and translation adjustments				Total net assets
	Net unrealized gains (losses) on available-for-sale securities, net of tax	Deferred valuation gains (losses) under hedge accounting	Revaluation reserve for land, net of tax	Total valuation and translation adjustments	
Balance at the beginning of current fiscal year.....	\$2,097	\$0	\$33	\$2,131	\$4,156
Changes in the current fiscal year					
Additions to reserve for dividends to policyholders.....					(269)
Additions to legal reserve for future losses.....					—
Payment of interest on foundation funds .....					(6)
Net surplus for the year.....					491
Additions to reserve for redemption of foundation funds ...					—
Additions to accumulated fund for price fluctuation.....					—
Reversal of reserve for advanced depreciation of real estate for tax purpose .....					—
Reversal of revaluation reserve for land.....					2
Net changes, excluding foundation funds, surplus and others.....	427	(0)	(2)	424	424
Total changes in the current fiscal year .....	427	(0)	(2)	424	642
Balance at the end of current fiscal year .....	\$2,524	\$0	\$30	\$2,555	\$4,798

## Non-consolidated Statements of Surplus

Fukoku Mutual Life Insurance Company  
For the years ended March 31, 2012, 2013 and 2014

	Years ended March 31,			
	2012	2013	2014	2014
	Millions of yen			Millions of U.S. dollars
<b>Unappropriated surplus</b> .....	¥57,827	¥71,084	¥74,662	\$725
Reversal of voluntary surplus reserve:				
Reversal of reserve for advanced depreciation				
of real estate for tax purpose .....	32	144	3,707	36
	32	144	3,707	36
<b>Total</b> .....	57,859	71,228	78,369	761
<b>Appropriation of surplus:</b>				
Reserve for dividends to policyholders .....	23,989	27,762	31,595	306
Net surplus:				
Legal reserve for future losses .....	74	86	97	0
Interest payment for foundation funds .....	621	621	621	6
Voluntary surplus reserve:				
Reserve for redemption of foundation funds .....	9,000	9,000	9,000	87
Accumulated fund for price fluctuation .....	—	10,000	10,000	97
Reserve for advanced depreciation				
of real estate for tax purpose .....	3,857	—	0	0
	12,857	19,000	19,000	184
	13,552	19,707	19,718	191
<b>Total appropriation of surplus</b> .....	37,542	47,470	51,314	498
<b>Unappropriated surplus carried forward</b> .....	¥20,317	¥23,758	¥27,055	\$262

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

## 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 Law 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 eliminated. As a result, total in yen shown herein do not necessarily agree with the sum of the individual amounts.

#### 2. U.S. Dollar Amounts

The translations of yen amounts into U.S. dollar amounts are included solely for the convenience of the reader and have been made, as a matter of arithmetical computation only, at the rate of ¥102.92 = US\$1.00, the effective rate of exchange at the balance sheet date of March 31, 2014. The translations should not be construed as representations that such yen amounts have been or could in the future be, converted into U.S. dollars at that or any other rates.

### II. Notes to Balance Sheets

#### 1. Significant Accounting Policies

##### (1) Valuation methods of securities

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

Available-for-sale securities whose fair values 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) Valuation methods of derivative instruments

Derivative instruments are stated at fair market value.

##### (3) Revaluation of land

The Company revalued the land for business purposes based on the Law for Revaluation of Land (Law 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 revaluation reserve for land.

- Date of revaluation: March 31, 2002
- Method of revaluation as prescribed for in Article 3 Paragraph 3 of the said Law:  
Calculation is based on the appraisal value for property tax set forth in Article 2 item 3 of the Enforcement Ordinance of the Law 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

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 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 without residual value

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

#### *(5) Foreign currency translation*

Foreign currency-denominated assets and liabilities, 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*

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

- i) For the credits of borrowers who are legally bankrupt such as being in the proceedings of bankruptcy or civil rehabilitation (hereinafter called "legally bankrupt borrowers") and who are substantially bankrupt (hereinafter called "substantially bankrupt borrowers"), the Company provides the remaining amount of credits after the direct write-off described below and the deductions of the amount expected to be collected through the disposal of collateral or the execution of guarantees.
- ii) For the credits of borrowers who are not currently bankrupt but have a high possibility of bankruptcy (hereinafter called "not currently bankrupt borrowers"), the Company provides the amounts deemed as necessary considering the borrowers' ability to pay, within the amounts after deductions of the amount expected to be collected through the disposal of collateral or the execution of guarantees.
- iii) For the credits of borrowers other than the above, the Company provides the amounts calculated by multiplying the borrowers' balance by the actual ratio of bad debt losses on defaults during a certain past period.

All credits are assessed by the relevant departments in accordance with the Company's standards of self-assessment on credit quality. The results of the assessment are reviewed by the audit department, which is independent of business-related divisions. Subsequently, the allowance for possible loan losses are 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 is written-off directly from the borrower's balance as the estimated uncollectible amounts. The amounts written-off as of March 31, 2012, 2013 and 2014 were, ¥287 million, ¥308 million and ¥271 million (US\$2 million), respectively.

#### *(7) Reserve for employees' retirement benefits and method of amortizing retirement benefit expenses*

Reserve for employees' retirement benefits are presented for the employees' retirement benefits based on projected benefit obligation 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 ..... Straight-line basis
- Amortization period of actuarial differences ..... 10 years
- Amortization period of prior service cost ..... 10 years

#### *(8) Reserve for price fluctuation of securities*

Reserve for price fluctuation of securities is calculated in accordance with Article 115 of the Insurance Business Law.

#### *(9) Lease transactions as a lessee*

Finance lease transactions that do not transfer ownership to the lessee whose commencement day was on or before March 31, 2008 continued to be accounted for in a manner similar to accounting treatment for ordinary rental transactions.

#### *(10) Lease transactions as a lessor*

As for the finance lease transactions where the Company is a lessor, the lease fee is recorded in "interest, dividends and other income (other interest and dividends)" at the time of receiving lease fee. The corresponding cost of the lease transactions is recorded in "other investment expenses", which is calculated by deducting an amount equivalent to the interest allocated over the lease term from the lease fee received.

#### *(11) Accounting for hedge activities*

Hedge accounting is based on "Accounting Standards for Financial Instruments" (ASBJ Statement No. 10 issued by the Accounting Standards Board of Japan on August 11, 2006).

For the foreign currency forward contracts against the exchange rate fluctuations in the value of foreign currency-denominated bonds classified as available-for-sale securities, which qualify for hedge accounting because of high correlation and effectiveness between the hedging instruments and the hedged items, valuation gains and losses on the foreign currency forward contracts are recorded in the statements of operations.

For the interest rate swaps against the interest rate fluctuations regarding loans, which qualify for hedge accounting because of high correlation and effectiveness between the hedging instruments and the hedged items, valuation gains and losses on the interest rate swaps are deferred until the maturity of the hedged transactions.

The Company applies foreign currency swap appropriated treatment as a hedge for the foreign exchange fluctuation risk

associated with foreign currency denominated bonds issued by the Company.

For judging 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 mostly applied.

#### **(12) Accounting for employees' retirement benefits**

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.

#### **(13) Accounting for consumption taxes**

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 Law, 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.

#### **(14) Policy reserve**

Policy reserve is based on Article 116 of the Insurance Business Law, and the premium reserve at the end of fiscal year is calculated by the following method:

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.

In regard to the policies not subject to the standard policy reserve, the net level premium method is applied.

Based on the provision of paragraph 5, Article 69 of the Enforcement Regulation of the Insurance Business Law, certain individual annuity insurance policies, certain hospitalization riders with surgery benefits and long-term hospitalization benefits, and non-participating educational insurance have funded policy reserves included.

#### **(15) Software**

The software for internal use is amortized based on straight-line method over the estimated useful lives.

#### **(16) Deferred assets**

Discount on bonds is amortized equally over the period for which interest on bonds is fixed. This amount is deducted from bonds.

#### **(17) Policy-reserve-matching bonds**

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).

The amounts of policy-reserve-matching bonds recorded on the balance sheets and the market value of these bonds as of March 31, 2012, 2013 and 2014, were written in Notes No. 4 "Financial Instruments."

## **2. The Principal Accounting Standards Published before March 31, 2014 but not Applied are as follows.**

With the publication of the "Accounting Standard for Retirement Benefits" (ASBJ Statement No. 26, May 17, 2012) and "Guidance on Accounting Standard for Retirement Benefits" (ASBJ Guidance No. 25, May 17, 2012), the method for calculating retirement benefit obligations, current service cost and others will be changed. Application of the standard is mandatory from the beginning of the fiscal year commencing on or after April 1, 2014, and the Company plans to apply the standard from the beginning of fiscal 2014.

The Company is currently evaluating the impact in the fiscal year after the application of the standard.

## **3. Financial Instruments**

Asset management of the general accounts other than the separate accounts stipulated in Article 118 Paragraph 1 of the Insurance Business Law is conducted on the principle of prudent and profitable investments, considering public and social responsibilities of the insurance business. Based on this policy, the Company allocates the fund, securing its liquidity, from the medium-to-long term viewpoints. The Company is diversifying investments in assets such as foreign securities and equity securities within the acceptable range of risk in order to enhance the profitability, although yen-denominated interest bearing assets including debt securities such as Japanese government bonds and loans are the cores of the portfolios. Derivatives are mainly used to mitigate the market risk regarding the securities and loans. Major financial instruments including securities, loans and derivatives are exposed to market risk and credit risk.

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

The carrying amounts, fair values and their related differences of major financial assets and liabilities as of March 31, 2012, 2013 and 2014 were as follows:

(1) Cash, deposits (excluding financial instruments treated as securities based on "Accounting Standards for Financial Instruments" (ASBJ Statement No.10)) 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.

Carrying amounts, fair values and related differences of cash and deposits have been disclosed as of March 31, 2014 since the materiality has increased.

(2) Securities including deposits and monetary claims bought which are treated as securities based on "Accounting Standards for Financial Instruments" (ASBJ Statement No.10) and securities managed as trust assets in money held in trust: The fair values of marketable securities are measured at the quoted market price at the end of fiscal year. The fair values of other securities without the quoted market price 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 ¥35,969 million, ¥8,086 million and ¥7,729 million as of March 31, 2012, ¥35,560 million, ¥7,738 million and ¥7,667 million as of March 31, 2013, and ¥35,560 million (US\$345 million), ¥7,653 million (US\$74 million), and ¥7,967 million (US\$ 77 million) as of March 31, 2014, 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 deadline have not been set up due to the characteristics that the loan is 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 receivable 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 doubtful accounts from the book values before direct write-offs.

(4) Subordinated bonds:

Subordinated bonds issued by the Company are stated at

fair market value.

Carrying amounts, fair values and related differences of subordinated bonds have been disclosed as of March 31, 2014 since the materiality has increased.

(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 options and swaps traded over the counter are based on the quoted prices offered by counterparty financial institutions.
- iii) The fair values of foreign currency forward contracts are determined based on the spot exchange rate and forward contract rate.

#### 4. Investment and Rental Property

The Company holds investment and rental properties such as office buildings in Tokyo and other areas. The carrying amounts and the fair values of investment and rental properties were ¥226,884 million and ¥275,039 million as of March 31, 2012, ¥221,052 million and ¥277,714 million as of March 31, 2013, and ¥182,229 million (US\$1,770 million) and ¥263,688 million (US\$2,562 million) as of March 31, 2014, respectively. The fair value is mainly based on the value calculated by the Company in accordance with real estate appraisal standards which includes some adjustments using the reference prices.

The amount corresponding to asset retirement obligations included in the carrying amount of investment and rental properties were ¥1,355 million, ¥1,275 million and ¥1,192 million (US\$11 million) as of March 31, 2012, 2013 and 2014, respectively.

#### 5. Securities Lent under Lending Agreements

The amount of securities lent under lending agreements were ¥45,887 million and ¥71,815 million (US\$697 million) as of March 31, 2013 and 2014, respectively.

#### 6. Loans Receivable

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, were ¥3,023 million, ¥1,759 million and ¥1,602 million (US\$15 million) as of March 31, 2012, 2013 and 2014, respectively.

- i) The balances of credits to bankrupt borrowers were ¥280 million, ¥217 million and ¥195 million (US\$1 million) as of March 31, 2012, 2013 and 2014, respectively.
- ii) The balances of delinquent loans were ¥689 million, ¥590 million and ¥747 million (US\$7 million) as of March 31, 2012, 2013 and 2014, respectively.
- iii) There were no balances of delinquent loans past 3 months or more as of March 31, 2012, 2013 and 2014.
- iv) The balances of restructured loans were ¥2,053 million, ¥950 million and ¥660 million (US\$6 million) as of March 31, 2012, 2013 and 2014, respectively.

	As of March 31,					
	2012			2013		
	Millions of yen					
	Carrying amount	Fair value	Difference	Carrying amount	Fair value	Difference
Call loans .....	¥ 65,600	¥ 65,600	¥ —	¥ 70,300	¥ 70,300	¥ —
Monetary claims bought:						
Claims treated as loans .....	1,351	1,374	23	1,111	1,136	25
Total monetary claims bought.....	1,351	1,374	23	1,111	1,136	25
Money held in trust:						
Trading securities .....	34,194	34,194	—	30,322	30,322	—
Total money held in trust .....	34,194	34,194	—	30,322	30,322	—
Securities:						
Trading securities .....	214,053	214,053	—	258,193	258,193	—
Held-to-maturity debt securities .....	823,530	852,343	28,812	822,875	902,871	79,996
Policy-reserve-matching bonds .....	684,915	722,269	37,354	1,037,091	1,121,931	84,840
Investments in subsidiaries and affiliates .....	1,393	854	(538)	1,393	948	(444)
Available-for-sale securities .....	2,300,260	2,300,260	—	2,386,795	2,386,795	—
Total securities .....	4,024,152	4,089,780	65,628	4,506,348	4,670,740	164,392
Loans:						
Policy loans .....	70,164	70,163	(0)	66,807	66,807	(0)
Ordinary loans .....	969,199	995,761	26,562	840,701	866,908	26,207
Total loans .....	1,039,363	1,065,924	26,561	907,508	933,716	26,207
Derivative instruments:						
Hedge accounting not applied.....	(1,442)	(1,442)	—	331	331	—
Hedge accounting applied.....	(3,506)	(3,506)	—	(795)	(795)	—
Total derivative instruments.....	¥ (4,948)	¥ (4,948)	¥ —	¥ (463)	¥ (463)	¥ —

As of March 31,						
2014				2014		
Millions of yen				Millions of U.S. dollars		
	Carrying amount	Fair value	Difference	Carrying amount	Fair value	Difference
Cash and deposits:						
Cash and deposits not treated as securities .....	¥ 34,633	¥ 34,633	¥ —	\$ 336	\$ 336	\$ —
Total cash and deposits .....	34,633	34,633	—	336	336	—
Call loans .....	148,700	148,700	—	1,444	1,444	—
Monetary claims bought:						
Claims treated as loans .....	1,011	1,054	43	9	10	0
Total monetary claims bought.....	1,011	1,054	43	9	10	0
Money held in trust:						
Trading securities.....	30,981	30,981	—	301	301	—
Total money held in trust .....	30,981	30,981	—	301	301	—
Securities:						
Trading securities.....	271,060	271,060	—	2,633	2,633	—
Held-to-maturity debt securities.....	843,433	922,909	79,476	8,195	8,967	772
Policy-reserve-matching bonds .....	1,210,016	1,294,587	84,570	11,756	12,578	821
Investments in subsidiaries and affiliates .....	1,393	1,096	(296)	13	10	(2)
Available-for-sale securities.....	2,421,417	2,421,417	—	23,527	23,527	—
Total securities.....	4,747,321	4,911,071	163,750	46,126	47,717	1,591
Loans:						
Policy loans .....	65,206	65,206	(0)	633	633	(0)
Ordinary loans .....	770,654	793,401	22,747	7,487	7,708	221
Total loans.....	835,860	858,608	22,747	8,121	8,342	221
Assets total .....	5,798,508	5,985,049	186,541	56,339	58,152	1,812
Subordinated bonds* <sup>1</sup> .....	122,346	126,900	4,554	1,188	1,233	44
Liabilities total .....	122,346	126,900	4,554	1,188	1,233	44
Derivative instruments* <sup>2</sup> :						
Hedge accounting not applied .....	(1,920)	(1,920)	—	(18)	(18)	—
Hedge accounting applied.....	(2,423)	(2,423)	—	(23)	(23)	—
Total derivative instruments.....	¥ (4,343)	¥ (4,343)	¥ —	\$ (42)	\$ (42)	\$ —

\*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.

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 Law. Moreover, accruing 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 whose accruing 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 payment or repayment 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 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 3 months or more.

The direct write-offs related to loans decreased credits to bankrupt borrowers described above by ¥1 million, ¥1 million and ¥251million (US\$2 million) as of March 31, 2012, 2013 and

2014, respectively.

The direct write-offs related to loans decreased delinquent loans described above by ¥286 million and ¥288 million as of March 31, 2012 and 2013, respectively.

## 7. Accumulated Depreciation of Tangible Fixed Assets

Accumulated depreciation of tangible fixed assets totaled to ¥137,319 million, ¥142,941 million and ¥145,245 million (US\$ 1,411 million) as of March 31, 2012, 2013 and 2014, respectively.

## 8. Separate Accounts

Total assets in separate accounts provided for in Article 118 of the Insurance Business Law were ¥82,053 million, ¥78,815 million and ¥82,680 million (US\$803 million) as of March 31, 2012, 2013 and 2014, respectively. The amounts of separate account liabilities were the same as separate account assets.

## 9. Receivables from/Payables to Subsidiaries

The total amounts of receivables from/payables to subsidiaries were ¥2,592 million and ¥1,544 million as of March 31, 2012, ¥3,400 million and ¥1,415 million as of March 31, 2013, and ¥3,445 million (US\$33 million) and ¥1,324 million (US\$12 million), as of March 31, 2014, respectively.

## 10. Income Taxes

Deferred tax assets and deferred tax liabilities as of March 31, 2012 were ¥83,977 million and ¥33,810 million, respectively. Valuation allowance for deferred tax assets was ¥3,035 million.

Major components of deferred tax assets were ¥48,892 million of policy reserves, ¥14,257 million of reserve for employees' retirement benefits and ¥10,923 million of reserve for price fluctuation of securities as of March 31, 2012.

Major component of deferred tax liabilities was ¥30,097 million of net unrealized gains on available-for-sale securities as of March 31, 2012.

The statutory tax rate and the actual effective tax rate for the year ended March 31, 2012 were 36.2% and 45.1%, respectively. The major differences between the statutory tax rate and the actual effective tax rate were 24.7% of the reduction of deferred tax assets due to the changes in tax rates and (16.6%) of reserve for dividends to the policyholders.

Deferred tax assets and deferred tax liabilities as of March 31, 2013 were ¥85,971 million and ¥99,959 million, respectively. Valuation allowance for deferred tax assets was ¥2,950 million.

## 11. Reserve for Dividends to Policyholders

Changes in reserve for dividends to policyholders were as follows:

	Years ended March 31,			
	2012	2013	2014	2014
	Millions of yen			Millions of U.S. dollars
Balance at the beginning of current fiscal year.....	¥53,205	¥53,969	¥52,307	\$508
Transfer from surplus in previous fiscal year .....	24,381	23,989	27,762	269
Dividends paid in the current fiscal year.....	(23,700)	(25,727)	(29,137)	(283)
Increase in interest.....	83	76	74	0
Balance at the current fiscal year .....	¥53,969	¥52,307	¥51,007	\$495

Major components of deferred tax assets were ¥50,154 million of policy reserves, ¥13,840 million of reserve for employees' retirement benefits and ¥12,813 million of reserve for price fluctuation of securities as of March 31, 2013.

Major component of deferred tax liabilities was ¥95,997 million of net unrealized gains on available-for-sale securities as of March 31, 2013.

The statutory tax rate and the actual effective tax rate for the year ended March 31, 2013 were 33.3% and 18.7%, respectively. The major difference between the statutory tax rate and the actual effective tax rate was (14.8%) of reserve for dividends to the policyholders.

Deferred tax assets and deferred tax liabilities as of March 31, 2014 were ¥91,561 million (US\$889 million) and ¥117,760 million (US\$1,144 million), respectively. Valuation allowance for deferred tax assets was ¥3,046 million (US\$29 million).

Major components of deferred tax assets were ¥56,115 million (US\$545 million) of policy reserves, ¥13,548 million (US\$131 million) of reserve for employees' retirement benefits and ¥13,270 million (US\$128 million) of reserve for price fluctuation of securities as of March 31, 2014.

Major component of deferred tax liabilities was ¥115,552 million (US\$1,122 million) of net unrealized gains on available-for-sale securities as of March 31, 2014.

The statutory tax rate and the actual effective tax rate for the year ended March 31, 2014 were 33.3% and 18.9%, respectively. The major difference between the statutory tax rate and the actual effective tax rate was (16.9%) of reserve for dividends to the policyholders.

Accompanying the promulgation of the "Act for Partial Revision to the Income Tax Act, etc." (Act No. 10, 2014), the effective statutory tax rate used to calculate deferred tax assets and deferred tax liabilities was changed. The Company had previously used an effective statutory tax rate of 33.3% for items expected to be collected or paid in the period from April 1, 2014, to March 31, 2015, and a rate of 30.8% for items expected to be collected or paid on or after April 1, 2015. However, owing to the aforementioned law change, the rate of 30.8% for items expected to be collected or paid after April 1, 2014 is used. As a result of this change in statutory tax rate, deferred tax liabilities increased ¥538 million (US\$5 million), and deferred tax liabilities for revaluation reserve for land decreased ¥3 million (US\$36 thousand). Deferred income taxes increased by ¥538 million (US\$5 million).

## 12. Stocks of Subsidiaries

The amounts of stocks of subsidiaries the Company held as of March 31, 2012, 2013 and 2014 were ¥37,362 million, ¥36,953 million and ¥36,953 million (US\$359 million), respectively.

## 13. Pledged Assets and Secured Debts

Assets pledged as collateral as of March 31, 2012 were ¥24,300 million of securities and ¥397 million of bank deposits. Secured debts as of March 31, 2012 were ¥4,608 million.

Assets pledged as collateral as of March 31, 2013 were ¥26,930 million of securities and ¥163 million of bank deposits. Secured debts as of March 31, 2013 were ¥4,583 million.

Assets pledged as collateral as of March 31, 2014 were ¥28,231 million (US\$274 million) of securities and ¥1,241 million (US\$12 million) of bank deposits. Secured debts as of March 31, 2014 were ¥4,679 million (US\$45 million).

## 14. Policy Reserves for the Reinsurance Contracts

Reserve for outstanding claims for the reinsurance contracts provided in accordance with Article 71 Paragraph 1 of the Enforcement Regulation of the Insurance Business Law (hereinafter called "reserve for outstanding claims for ceded reinsurance") were ¥1 million, ¥1 million and ¥4 million (US\$41 thousand) as of March 31, 2012, 2013 and 2014, respectively.

Policy reserve for the reinsurance contracts provided in accordance with Article 71 Paragraph 1 of the Enforcement Regulation of the Insurance Business Law (hereinafter called "policy reserve for ceded reinsurance") were ¥30 million, ¥30 million and ¥30 million (US\$295 thousand) as of March 31, 2012, 2013 and 2014, respectively.

## 15. Adjustment Items for Redemption of Foundation Funds and Appropriation of Net Surplus

The total amounts of adjustment items for redemption of foundation funds and appropriation of net surplus defined in Article 30 Paragraph 2 of the Enforcement Regulation of the Insurance Business Law were ¥71,351 million, ¥219,482 million and

¥263,120 million (US\$2,556 million) as of March 31, 2012, 2013 and 2014, respectively.

## 16. Commitment Line

As of March 31, 2012, 2013 and 2014, there were unused commitment line agreements under which the Company is the lender of ¥1,023 million, ¥972 million and ¥872 million (US\$8 million), respectively.

## 17. Subordinated Bonds

Repayments of subordinated bonds are subordinated to other obligations.

## 18. Assets Denominated in Foreign Currencies

Assets denominated in foreign currencies as of March 31, 2012, 2013 and 2014 totaled to ¥791,485 million, ¥980,866 million and ¥1,326,050 million (US\$12,884 million), respectively. The principal foreign currency asset amounts were 2,024 million euros and US\$4,693 million as of March 31, 2012, 2,136 million euros and US\$5,007 million as of March 31, 2013, and 2,094 million euros and US\$7,212 million as of March 31, 2014 respectively.

Liabilities denominated in foreign currencies as of March 31, 2012, 2013 and 2014 totaled to ¥33,787 million, ¥37,079 million and ¥43,615 million (US\$423 million), respectively. The principal foreign currency liability amounts as of March 31, 2012, 2013 and 2014 were 306 million euros.

## 19. Contribution to Policyholders Protection Corporation

The future contribution to the Life Insurance Policyholders Protection Corporation of Japan under Article 259 of the Insurance Business Law were estimated at ¥10,731 million, ¥10,972 million and ¥10,534 million (US\$102 million) as of March 31, 2012, 2013 and 2014, respectively. The contributions were charged as operating expenses in the year in which they were paid.

## 20. Reserve for Employees' Retirement Benefits

(1) The reserve for employees' retirement benefits as of March 31, 2012 and 2013 were calculated as follows:

	As of March 31,	
	2012	2013
	Millions of yen	
a. Projected benefit obligation .....	¥(72,872)	¥(72,507)
b. Fair value of pension plan assets.....	17,167	20,006
c. Unfunded benefit obligation (a+b) .....	(55,704)	(52,500)
d. Unrecognized actuarial differences .....	10,021	8,134
e. Unrecognized prior service cost .....	(636)	(598)
f. Reserve for employees' retirement benefits (c+d+e).....	¥(46,320)	¥(44,965)

(2) Gross amount of retirement benefit expenses for the years ended March 31, 2012 and 2013 were as follows:

	Years ended March 31,	
	2012	2013
	Millions of yen	
Service cost .....	¥2,943	¥2,866
Interest cost .....	1,451	1,456
Expected return on pension plan assets .....	(471)	(515)
Amortization of actuarial differences .....	1,218	1,361
Amortization of prior service cost.....	(20)	(38)
	¥5,122	¥5,131

(3) The assumptions used in calculation of the above information were as follows:

	Years ended March 31,	
	2012	2013
Method of attributing the projected benefits to periods of service.....	Straight-line basis	Straight-line basis
Discount rate .....	2.0%	2.0%
Expected rate of return on pension plan assets .....	3.0%	3.0%
Amortization period of actuarial differences .....	10 years	10 years
Amortization period of prior service cost.....	10 years	10 years

## 21. Matters Related to Employees' Retirement Benefits as of March 31, 2014

(1) Overview of employees' retirement benefit system

As a defined benefit plan for office-based employees, the Company has a defined benefit corporate pension plan and retire-

ment lump-sum grants. As a defined contribution plan for these employees, the Company also has a defined contribution pension plan.

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

(2) Defined benefit plan

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

	As of March 31,	
	2014	2014
	Millions of yen	Millions of U.S. dollars
Retirement benefit obligation at the beginning of current fiscal year.....	¥72,507	\$704
Service cost .....	2,838	27
Interest cost .....	1,448	14
Actuarial difference occurred during the fiscal year .....	171	1
Retirement benefits payments.....	(5,347)	(51)
Retirement benefit obligation at the end of current fiscal year .....	¥71,618	\$695

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

	As of March 31,	
	2014	2014
	Millions of yen	Millions of U.S. dollars
Pension plan assets at the beginning of current fiscal year .....	¥20,006	\$194
Expected return on pension plan assets .....	600	5
Actuarial difference occurred during the fiscal year .....	1,333	12
Contributions by the employer .....	2,309	22
Retirement benefits payments.....	(1,405)	(13)
Pension plan assets at the end of current fiscal year .....	¥22,844	\$221

iii) Reconciliation of end of balance of retirement benefit obligation and pension plan assets with reserve for employees' retirement benefits presented on the balance sheets

	As of March 31,	
	2014	2014
	Millions of yen	Millions of U.S. dollars
a. Funded plan retirement benefit obligation.....	¥ 29,130	\$ 283
b. Pension plan assets.....	(22,844)	(221)
c. (a+b) .....	6,285	61
d. Unfunded plan retirement benefit obligation.....	42,487	412
e. Unrecognized actuarial differences .....	(6,212)	(60)
f. Unrecognized prior service cost.....	551	5
g. Reserve for employees' retirement benefits (c+d+e+f) .....	¥ 43,112	\$ 418

iv) Breakdown of retirement benefit gains and losses

	As of March 31,	
	2014	2014
	Millions of yen	Millions of U.S. dollars
Service cost.....	¥2,838	\$27
Interest cost .....	1,448	14
Expected return on pension plan assets .....	(600)	(5)
Amortization of actuarial differences .....	759	7
Amortization of prior service cost.....	(47)	(0)
Retirement benefit expenses related to defined benefit plan.....	¥4,399	\$42

v) Breakdown of main pension plan assets

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

	As of March 31,	
	2014	
Life insurance general account.....	45.2%	
Domestic bonds .....	16.7%	
Domestic stocks.....	16.7%	
Foreign stocks .....	14.4%	
Foreign bonds.....	6.1%	
Cash and deposits .....	0.9%	
Others .....	0.0%	
Total.....	100.0%	

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

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

were as follows:

- Discount rate ..... 2.0%
- Expected long-term rate of return on pension plan assets ..... 3.0%

(3) Defined contribution plan

The required contribution amount by the Company to the defined contribution plan was ¥184 million (US\$1 million).

vii) Underlying actuarial assumptions

Main underlying actuarial assumptions as of March 31, 2014,

### III. Notes to Statements of Operations

#### 1. Transactions with Subsidiaries

The total amounts of revenues and expenditures in connection with subsidiaries were ¥966 million and ¥7,682 million for the year ended March 31, 2012, ¥1,427 million and ¥7,738 million

for the year ended March 31, 2013, and ¥854 million (US\$8 million) and ¥8,351 million (US\$81 million) for the year ended March 31, 2014, respectively.

#### 2. Gains on Sales of Securities

Major items of gains on sales of securities were as follows:

	Years ended March 31,			
	2012	2013	2014	2014
	Millions of yen			Millions of U.S. dollars
Domestic bonds .....	¥11,747	¥4,732	¥17,369	\$168
Domestic stocks and others.....	3,780	2,220	13,029	126
Foreign securities .....	¥ 1,326	¥ 862	¥ 2,658	\$ 25

#### 3. Losses on Sales of Securities

Major items of losses on sales of securities were as follows:

	Years ended March 31,			
	2012	2013	2014	2014
	Millions of yen			Millions of U.S. dollars
Domestic bonds .....	¥ 1,324	¥1,208	¥ 32	\$ 0
Domestic stocks and others.....	17,027	5,729	3,617	35
Foreign securities .....	¥ 6,573	¥3,429	¥5,639	\$54

#### 4. Losses on Valuation of Securities

Major items of losses on valuation of securities were as follows:

	Years ended March 31,			
	2012	2013	2014	2014
	Millions of yen			Millions of U.S. dollars
Domestic bonds .....	¥1,444	¥ —	¥ —	\$ —
Domestic stocks and others.....	¥6,017	¥1,009	¥52	\$ 0

#### 5. Policy Reserves for the Reinsurance Contracts

For the year ended March 31, 2012, reversal of reserve for outstanding claims for ceded reinsurance considered in calculation of reversal of reserve for outstanding claims was ¥40 million and reversal of policy reserve for ceded reinsurance considered in calculation of provision for policy reserve was ¥1 million.

For the year ended March 31, 2013, provision for reserve for outstanding claims for ceded reinsurance considered in calculation of provision for reserve for outstanding claims was

¥0 million and reversal of policy reserve for ceded reinsurance considered in calculation of provision for policy reserve was ¥0 million.

For the year ended March 31, 2014, provision for reserve for outstanding claims for ceded reinsurance considered in calculation of provision for reserve for outstanding claims was ¥2 million (US\$22 thousand) and provision for policy reserve for ceded reinsurance considered in calculation of reversal of policy reserve was ¥0 million (US\$2 thousand).

## 6. Gains (Losses) from Trading Securities

Major items of gains (losses) from trading securities were as follows:

	Years ended March 31,			
	2012	2013	2014	2014
	Millions of yen			Millions of U.S. dollars
Interest, dividends and other income .....	¥7,556	¥ 7,532	¥ 8,652	\$ 84
Gains (Losses) on sales of trading securities .....	(977)	258	(0)	(0)
Gains (Losses) on valuation of trading securities .....	8,474	33,508	7,200	69

## 7. Gains (Losses) from Money Held in Trust

Gains (Losses) from money held in trust for the years ended March 31, 2012 and 2013 included valuation gains of ¥0 million and valuation gains of ¥0 million, respectively.

## 8. Gains (Losses) from Derivative Instruments

Gains (Losses) from derivative instruments for the years ended March 31, 2012, 2013 and 2014 included valuation losses of ¥4,273 million, valuation gains of ¥1,774 million and valuation gains of ¥2,251 million (US\$21 million), respectively.

## 9. Impairment Losses of Fixed Assets

For the year ended March 31, 2013 and 2014, impairment losses of fixed assets were as follows:

### (1) Method of grouping

Real estate and other assets used for insurance business operations are classified as one asset group as a whole. Other assets such as real estate for rent and unused real estate are classified as one group individually.

### (2) Background of recognizing the impairment losses

Profitability of certain real estate for rent dropped down significantly due to a decrease in the level of rental income and a declining trend of market prices of land. The Company reduced its book values of such real estate for rent and unused real estate to their recoverable amounts. The amounts reduced were recognized as impairment losses and included in the extraordinary losses.

### (3) Asset groups recognized impairment losses and losses by fixed assets

	Years ended March 31,		
	2013	2014	2014
	Millions of yen		Millions of U.S. dollars
Real estate for rent:			
Land .....	¥183	¥1,541	\$14
Buildings and others .....	26	140	1
Total real estate for rent (i) .....	210	1,682	16
Unused real estate:			
Land .....	177	35	0
Buildings and others .....	212	58	0
Total unused real estate (ii) .....	390	93	0
Total:			
Land .....	361	1,577	15
Buildings and others .....	239	198	1
Total (i) + (ii) .....	¥600	¥1,775	\$17

\* Figures for March 31, 2013, are omitted owing to their minor level of importance.

### (4) Calculation method of recoverable amount

Recoverable amount is based on net sales value. Net sales value is determined based on appraisal value, posted price or road rate.

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## Report of Independent Auditors

### **Report of Independent Auditors**

The Board of Directors of Fukoku Mutual Life Insurance Company

We have audited the accompanying non-consolidated balance sheets of Fukoku Mutual Life Insurance Company (the “Company”) as of March 31, 2014, 2013 and 2012, and the related non-consolidated statements of operations, and changes in net assets, and the non-consolidated proposed appropriations of surplus for the years then ended, and notes, all expressed in Japanese yen.

#### *Management’s Responsibility for the Non-consolidated Financial Statements*

Management is responsible for the preparation and fair presentation of these non-consolidated financial statements in conformity with accounting principles generally accepted in Japan, and for such internal control as management determines is necessary to enable the preparation and fair presentation of non-consolidated financial statements that are free from material misstatement, whether due to fraud or error.

#### *Auditor’s Responsibility*

Our responsibility is to express an opinion independently on these non-consolidated financial statements based on our audits. We conducted our audits in conformity with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the nonconsolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the non-consolidated financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the non-consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the Company’s preparation and fair presentation of the non-consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company’s internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the non-consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

#### *Opinion*

In our opinion, the non-consolidated financial statements referred to above present fairly, in all material respects, the non-consolidated financial position of Fukoku Mutual Life Insurance Company as of March 31, 2014, 2013 and 2012, and the non-consolidated results of its operations for the years then ended in conformity with the applicable Japanese laws and regulations and accounting principles for non-consolidated financial statements generally accepted in Japan.

#### *Interest*

Our firm and the engagement partners do not have any interest in the Company for which disclosure is required under the provisions of the Certified Public Accountants Act.

#### *Convenience Translation*

The amounts expressed in U.S. dollars, which are provided solely for the convenience of the reader, have been translated on the basis set forth in Note I.2 to the accompanying non-consolidated financial statements with respect to the year ended March 31, 2014.

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Tokyo, Japan

May 20, 2014

*Kisaragi Audit Corporation*

Kisaragi Audit Corporation

# Consolidated Financial Statements

## Consolidated Balance Sheets

Fukoku Mutual Life Insurance Company and consolidated subsidiaries  
As of March 31, 2012, 2013 and 2014

As of March 31,				
	2012	2013	2014	2014
	Millions of yen			Millions of U.S. dollars
<b>Assets:</b>				
Cash and deposits .....	¥ 73,260	¥ 72,868	¥ 91,021	\$ 884
Call loans .....	65,600	70,300	148,700	1,444
Monetary claims bought .....	1,351	1,111	1,011	9
Money held in trust .....	35,194	31,322	31,981	310
Securities .....	5,422,669	6,108,723	6,406,927	62,251
Loans .....	1,042,359	910,657	839,244	8,154
Tangible fixed assets:				
Land.....	161,076	160,528	132,912	1,291
Buildings.....	110,051	105,882	95,148	924
Lease assets.....	117	1,430	1,159	11
Construction in progress .....	2,234	1,297	280	2
Other tangible fixed assets.....	3,348	3,089	2,992	29
	276,828	272,228	232,492	2,258
Intangible fixed assets:				
Software.....	8,696	12,321	11,339	110
Goodwill.....	4,618	3,855	3,091	30
Lease assets.....	761	2,271	1,659	16
Other intangible fixed assets.....	453	279	279	2
	14,529	18,727	16,369	159
Agency receivables.....	7	6	1	0
Reinsurance receivables .....	123	56	94	0
Other assets .....	56,062	54,698	51,065	496
Deferred tax assets .....	48,211	362	1,041	10
Allowance for possible loan losses .....	(2,468)	(2,201)	(2,281)	(22)
<b>Total assets .....</b>	<b>¥7,033,729</b>	<b>¥7,538,862</b>	<b>¥7,817,668</b>	<b>\$75,958</b>

See notes to the consolidated financial statements.

As of March 31,

	2012	2013	2014	2014
	Millions of yen		Millions of U.S. dollars	
<b>Liabilities:</b>				
Policy reserves:				
Reserve for outstanding claims .....	¥ 24,149	¥ 24,663	¥ 25,170	\$ 244
Policy reserve .....	6,510,809	6,779,259	6,918,429	67,221
Reserve for dividends to policyholders .....	53,969	52,307	51,007	495
Reserve for dividends to policyholders (subsidiary).....	648	697	735	7
	6,589,577	6,856,928	6,995,343	67,968
Agency payables .....	560	375	339	3
Reinsurance payables .....	88	113	113	1
Subordinated bonds .....	32,896	66,187	122,346	1,188
Other liabilities .....	50,593	53,918	57,036	554
Reserve for employees' retirement benefits .....	46,384	45,153	—	—
Net defined benefit liabilities .....	—	—	48,840	474
Reserve for price fluctuation of securities .....	38,183	46,625	50,325	488
Deferred tax liabilities .....	—	16,938	27,502	267
Deferred tax liabilities for revaluation reserve for land .....	16,195	16,119	15,929	154
<b>Total liabilities</b> .....	6,774,480	7,102,360	7,317,778	71,101
<b>Net assets:</b>				
Foundation funds .....	35,000	35,000	35,000	340
Accumulated foundation funds redeemed .....	71,000	71,000	71,000	689
Reserve for revaluation .....	112	112	112	1
Consolidated surplus .....	77,183	102,904	126,584	1,229
Total foundation funds, surplus and others .....	183,295	209,016	232,696	2,260
Net unrealized gains (losses) on available-for-sale securities, net of tax .....	68,806	219,719	263,161	2,556
Deferred valuation gains (losses) under hedge accounting .....	170	62	2	0
Revaluation reserve for land, net of tax .....	3,383	3,421	3,144	30
Foreign currency translation adjustment .....	(828)	(635)	(261)	(2)
Accumulated remeasurements of defined benefit plans .....	—	—	(3,918)	(38)
Total accumulated other comprehensive income .....	71,532	222,569	262,127	2,546
Minority interests .....	4,421	4,916	5,066	49
<b>Total net assets</b> .....	259,249	436,502	499,890	4,857
<b>Total liabilities and net assets</b> .....	¥7,033,729	¥7,538,862	¥7,817,668	\$75,958

See notes to the consolidated financial statements.

## Consolidated Statements of Operations

Fukoku Mutual Life Insurance Company and consolidated subsidiaries  
For the years ended March 31, 2012, 2013 and 2014

	Years ended March 31,			
	2012	2013	2014	2014
	Millions of yen			Millions of U.S. dollars
<b>Ordinary revenues:</b>				
Premium and other income .....	¥ 950,986	¥ 862,225	¥ 707,044	\$6,869
Investment income:				
Interest, dividends and other income .....	131,529	139,897	149,176	1,449
Gains from money held in trust, net .....	162	1,157	669	6
Gains from trading securities, net .....	12,872	38,498	19,402	188
Gains on sales of securities .....	19,630	8,290	34,672	336
Gains from redemption of securities .....	338	—	—	—
Foreign exchange gains, net .....	—	907	2,214	21
Reversal of allowance for possible loan losses .....	57	—	—	—
Other investment income .....	156	1,230	279	2
Gains from separate accounts, net .....	1,679	10,075	10,417	101
	166,427	200,056	216,832	2,106
Other ordinary revenues .....	20,396	10,854	11,743	114
<b>Total ordinary revenues</b> .....	<b>1,137,810</b>	<b>1,073,135</b>	<b>935,620</b>	<b>9,090</b>
<b>Ordinary expenditures:</b>				
Claims and other payments:				
Claims .....	142,771	171,223	138,689	1,347
Annuities .....	95,211	101,713	135,437	1,315
Benefits .....	133,356	136,427	131,069	1,273
Surrenders .....	107,691	109,133	114,188	1,109
Other payments .....	26,800	32,179	33,444	324
	505,831	550,677	552,830	5,371
Provision for policy reserve and others:				
Provision for reserve for outstanding claims .....	—	514	507	4
Provision for policy reserve .....	394,895	268,449	139,169	1,352
Interest on accumulated dividends to policyholders .....	83	76	74	0
Interest on accumulated dividends to policyholders (subsidiary).....	0	0	0	0
	394,979	269,040	139,752	1,357
Investment expenses:				
Interest expenses.....	1,423	1,801	3,655	35
Losses on sales of securities .....	26,405	10,790	9,289	90
Losses on valuation of securities .....	9,222	1,009	52	0
Losses from derivative instruments, net .....	5,725	34,773	25,116	244
Foreign exchange losses, net .....	1,876	—	—	—
Provision for allowance for possible loan losses .....	—	74	56	0
Depreciation of real estate for rent and other assets .....	6,477	5,802	5,082	49
Other investment expenses .....	5,607	4,820	5,751	55
	56,740	59,072	49,005	476
Operating expenses .....	103,441	99,232	95,278	925
Other ordinary expenditures .....	22,985	22,244	22,313	216
<b>Total ordinary expenditures</b> .....	<b>1,083,978</b>	<b>1,000,266</b>	<b>859,179</b>	<b>8,348</b>
<b>Ordinary profits</b> .....	<b>¥ 53,832</b>	<b>¥ 72,868</b>	<b>¥ 76,441</b>	<b>\$ 742</b>

	Years ended March 31,			
	2012	2013	2014	2014
	Millions of yen			Millions of U.S. dollars
<b>Extraordinary gains:</b>				
Gains on disposal of fixed assets .....	¥ 4,645	¥ 60	¥ 2,005	\$ 19
Gain on change in equity .....	55	—	—	—
<b>Total extraordinary gains</b> .....	<b>4,700</b>	<b>60</b>	<b>2,005</b>	<b>19</b>
<b>Extraordinary losses:</b>				
Losses on disposal of fixed assets .....	161	395	7,314	71
Impairment losses .....	433	600	1,775	17
Provision for reserve for price fluctuation of securities ....	4,318	8,441	3,700	35
Losses on reduction entry of real estate for tax purpose..	9	—	—	—
Other extraordinary losses .....	—	2	—	—
<b>Total extraordinary losses</b> .....	<b>4,923</b>	<b>9,439</b>	<b>12,791</b>	<b>124</b>
<b>Provision for reserve for dividends to policyholders (subsidiary)</b> .....	<b>440</b>	<b>455</b>	<b>542</b>	<b>5</b>
<b>Surplus before income taxes</b> .....	<b>53,168</b>	<b>63,034</b>	<b>65,112</b>	<b>632</b>
<b>Income taxes:</b>				
Current .....	9,859	15,138	20,867	202
Deferred .....	14,823	(2,499)	(7,773)	(75)
<b>Total income taxes</b> .....	<b>24,683</b>	<b>12,639</b>	<b>13,093</b>	<b>127</b>
<b>Net surplus before minority interests</b> .....	<b>28,485</b>	<b>50,395</b>	<b>52,019</b>	<b>505</b>
<b>Minority interests</b> .....	<b>93</b>	<b>128</b>	<b>236</b>	<b>2</b>
<b>Net surplus for the year</b> .....	<b>¥28,391</b>	<b>¥50,267</b>	<b>¥51,782</b>	<b>\$503</b>

See notes to the consolidated financial statements.

## Consolidated Statements of Comprehensive Income

Fukoku Mutual Life Insurance Company and consolidated subsidiaries  
For the years ended March 31, 2012, 2013 and 2014

	Years ended March 31,			
	2012	2013	2014	2014
	Millions of yen			Millions of U.S. dollars
Net surplus before minority interests.....	¥28,485	¥ 50,395	¥52,019	\$505
Other comprehensive income:				
Net unrealized gains (losses) on available-for-sale securities, net of tax.....	58,955	151,291	43,367	421
Deferred valuation gains (losses) under hedge accounting .....	(194)	(107)	(60)	(0)
Revaluation reserve for land, net of tax.....	2,854	(17)	3	0
Foreign currency translation adjustment .....	(67)	193	373	3
	61,548	151,359	43,684	424
Comprehensive income attributable to:				
Parent company.....	89,784	201,248	95,541	928
Minority interests .....	248	507	162	1
	¥90,033	¥201,755	¥95,703	\$929

See notes to the consolidated financial statements.

## Consolidated Statements of Cash Flows

Fukoku Mutual Life Insurance Company and consolidated subsidiaries  
For the years ended March 31, 2012, 2013 and 2014

	Years ended March 31,			
	2012	2013	2014	2014
	Millions of yen			Millions of U.S. dollars
<b>Cash flows from operating activities:</b>				
Surplus before income taxes .....	¥ 53,168	¥ 63,034	¥ 65,112	\$ 632
Depreciation of real estate for rent and other assets .....	6,477	5,802	5,082	49
Depreciation .....	5,802	6,528	7,109	69
Impairment losses .....	433	600	1,775	17
Amortization of goodwill .....	763	763	763	7
Increase (decrease) in reserve for outstanding claims .....	(8,643)	514	507	4
Increase (decrease) in policy reserve .....	394,895	268,449	139,169	1,352
Interest on accumulated dividends to policyholders .....	83	76	74	0
Interest on accumulated dividends to policyholders (subsidiary) .....	0	0	0	0
Provision for reserve for dividends to policyholders (subsidiary) .....	440	455	542	5
Increase (decrease) in allowance for possible loan losses ....	(196)	(74)	80	0
Increase (decrease) in reserve for employees' retirement benefits .....	(3,768)	(1,231)	—	—
Increase (decrease) in net defined benefit liabilities.....	—	—	(1,973)	(19)
Increase (decrease) in reserve for price fluctuation of securities .....	4,318	8,441	3,700	35
Interest, dividends and other income .....	(131,529)	(139,897)	(149,176)	(1,449)
(Gains) losses on securities .....	6,670	(11,447)	(30,702)	(298)
Interest expenses .....	1,423	1,801	3,655	35
Foreign exchange (gains) losses, net .....	1,876	(907)	(2,214)	(21)
(Gains) losses on tangible fixed assets .....	(4,496)	174	5,130	49
(Increase) decrease in agency receivables .....	(2)	0	5	0
(Increase) decrease in reinsurance receivables .....	51	67	(37)	(0)
(Increase) decrease in other assets except from investing and financing activities .....	(1,365)	145	(880)	(8)
Increase (decrease) in agency payables .....	(1,124)	(184)	(36)	(0)
Increase (decrease) in reinsurance payables .....	(12)	24	(0)	(0)
Increase (decrease) in other liabilities except from investing and financing activities .....	2,364	(1,494)	(2,568)	(24)
Others .....	18,780	16,632	17,015	165
Subtotal .....	346,411	218,275	62,135	603
Interest, dividends and other income received .....	140,383	146,798	159,741	1,552
Interest paid .....	(1,439)	(1,392)	(3,430)	(33)
Dividends to policyholders paid .....	(23,700)	(25,727)	(29,137)	(283)
Dividends to policyholders paid (subsidiary) .....	(446)	(406)	(504)	(4)
Corporate income tax (paid) refunded .....	(19,825)	(7,647)	(17,291)	(168)
Net cash provided by (used in) operating activities (I) ....	441,382	329,899	171,511	1,666
<b>Cash flows from investing activities:</b>				
(Increase) decrease in deposits .....	84	(191)	(684)	(6)
Proceeds from sales and redemption of monetary claims bought .....	73	220	98	0
Payments for increase in money held in trust .....	(9,800)	—	(2,000)	(19)
Proceeds from decrease in money held in trust .....	7,929	5,034	1,999	19
Payments for purchase of securities .....	(1,758,975)	(1,048,127)	(867,499)	(8,428)
Proceeds from sales and redemption of securities .....	1,066,150	638,224	700,791	6,809
Payments for additions to loans .....	(101,397)	(94,197)	(86,787)	(843)
Proceeds from collections of loans .....	193,911	214,939	148,350	1,441
Proceeds from settlement of derivatives .....	(9,825)	(37,627)	(21,671)	(210)
Others .....	(2,328)	(24,962)	(20,399)	(198)
Subtotal (IIa) .....	(614,177)	(346,686)	(147,800)	(1,436)
(I+IIa) .....	¥ (172,795)	¥ (16,787)	¥ 23,710	\$ 230

	Years ended March 31,			
	2012	2013	2014	2014
	Millions of yen			Millions of U.S. dollars
Payments for purchase of tangible fixed assets .....	¥ (3,226)	¥ (4,704)	¥ (4,607)	\$ (44)
Proceeds from sales of tangible fixed assets .....	7,078	444	30,441	295
Payments for purchase of intangible fixed assets .....	(2,225)	(3,616)	(2,777)	(26)
Proceeds from sales of intangible fixed assets .....	—	173	—	—
Payments for stocks of subsidiaries and affiliates with change of scope of consolidation .....	—	(330)	—	—
Net cash provided by (used in) investing activities .....	(612,551)	(354,721)	(124,744)	(1,212)
<b>Cash flows from financing activities:</b>				
Financing of subordinated bonds .....	—	30,000	49,870	484
Financing of additional foundation funds .....	20,000	—	—	—
Redemption of foundation funds .....	(25,000)	—	—	—
Interest payment for foundation funds .....	(892)	(621)	(621)	(6)
Proceeds from stock issuance to minority shareholders .....	1,999	—	—	—
Dividends paid to minority interests .....	(12)	(12)	(12)	(0)
Payments for lease obligations .....	(252)	(518)	(752)	(7)
Net cash provided by (used in) financing activities .....	(4,157)	28,847	48,483	471
<b>Effect of exchange rate changes on cash and cash equivalents .....</b>	<b>(108)</b>	<b>67</b>	<b>526</b>	<b>5</b>
<b>Net increase (decrease) in cash and cash equivalents .....</b>	<b>(175,434)</b>	<b>4,091</b>	<b>95,777</b>	<b>930</b>
<b>Cash and cash equivalents at the beginning of the year ..</b>	<b>313,939</b>	<b>138,504</b>	<b>142,596</b>	<b>1,385</b>
<b>Cash and cash equivalents at the end of the year .....</b>	<b>¥ 138,504</b>	<b>¥ 142,596</b>	<b>¥ 238,373</b>	<b>\$ 2,316</b>

See notes to the consolidated financial statements.

## Consolidated Statements of Changes in Net Assets

Fukoku Mutual Life Insurance Company and consolidated subsidiaries  
For the years ended March 31, 2012, 2013 and 2014

Year ended March 31, 2012	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 current fiscal year.....	¥40,000	¥46,000	¥112	¥98,228	¥184,340
Changes in the current fiscal year					
Financing of additional foundation funds .....	20,000				20,000
Additions to reserve for dividends to policyholders....				(24,381)	(24,381)
Additions to accumulated foundation funds redeemed .....		25,000			25,000
Payment of interest on foundation funds .....				(892)	(892)
Net surplus for the year .....				28,391	28,391
Redemption of foundation funds.....	(25,000)				(25,000)
Reversal of reserve for redemption of foundation funds.....				(25,000)	(25,000)
Reversal of revaluation reserve for land .....				837	837
Net changes, excluding foundation funds, surplus and others .....					
Total changes in the current fiscal year .....	(5,000)	25,000	—	(21,045)	(1,045)
Balance at the end of current fiscal year .....	¥35,000	¥71,000	¥112	¥77,183	¥183,295

Year ended March 31, 2012	Millions of yen							
	Accumulated other comprehensive income						Minority interests	Total net assets
	Net unrealized gains (losses) on available-for-sale securities, net of tax	Deferred valuation gains (losses) under hedge accounting	Revaluation reserve for land, net of tax	Foreign currency translation adjustment	Accumulated remeasurements of defined benefit plans	Total accumulated other comprehensive income		
Balance at the beginning of current fiscal year .....	¥10,006	¥365	¥1,366	¥(761)	¥ —	¥10,977	¥2,378	¥197,696
Changes in the current fiscal year								
Financing of additional foundation funds .....								20,000
Additions to reserve for dividends to policyholders .....								(24,381)
Additions to accumulated foundation funds redeemed .....								25,000
Payment of interest on foundation funds.....								(892)
Net surplus for the year .....								28,391
Redemption of foundation funds.....								(25,000)
Reversal of reserve for redemption of foundation funds .....								(25,000)
Reversal of revaluation reserve for land.....								837
Net changes, excluding foundation funds, surplus and others .....	58,799	(194)	2,016	(67)	—	60,555	2,043	62,598
Total changes in the current fiscal year.....	58,799	(194)	2,016	(67)	—	60,555	2,043	61,553
Balance at the end of current fiscal year.....	¥68,806	¥170	¥3,383	¥(828)	¥ —	¥71,532	¥4,421	¥259,249

Year ended March 31, 2013	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 current fiscal year.....	¥35,000	¥71,000	¥112	¥77,183	¥183,295
Changes in the current fiscal year					
Additions to reserve for dividends to policyholders....				(23,989)	(23,989)
Payment of interest on foundation funds.....				(621)	(621)
Net surplus for the year.....				50,267	50,267
Reversal of revaluation reserve for land .....				(55)	(55)
Change of scope of consolidation .....				120	120
Net changes, excluding foundation funds, surplus and others .....					
Total changes in the current fiscal year .....	—	—	—	25,721	25,721
Balance at the end of current fiscal year .....	¥35,000	¥71,000	¥112	¥102,904	¥209,016

Year ended March 31, 2013	Millions of yen							
	Accumulated other comprehensive income						Minority interests	Total net assets
	Net unrealized gains (losses) on available-for-sale securities, net of tax	Deferred valuation gains (losses) under hedge accounting	Revaluation reserve for land, net of tax	Foreign currency translation adjustment	Accumulated remeasurements of defined benefit plans	Total accumulated other comprehensive income		
Balance at the beginning of current fiscal year .....	¥68,806	¥170	¥3,383	¥(828)	¥ —	¥71,532	¥4,421	¥259,249
Changes in the current fiscal year								
Additions to reserve for dividends to policyholders .....								(23,989)
Payment of interest on foundation funds.....								(621)
Net surplus for the year.....								50,267
Reversal of revaluation reserve for land.....								(55)
Change of scope of consolidation .....								120
Net changes, excluding foundation funds, surplus and others .....	150,912	(107)	38	193	—	151,036	495	151,531
Total changes in the current fiscal year.....	150,912	(107)	38	193	—	151,036	495	177,252
Balance at the end of current fiscal year.....	¥219,719	¥62	¥3,421	¥(635)	¥ —	¥222,569	¥4,916	¥436,502

Year ended March 31, 2014	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 current fiscal year.....	¥35,000	¥71,000	¥112	¥102,904	¥209,016
Changes in the current fiscal year					
Additions to reserve for dividends to policyholders....				(27,762)	(27,762)
Payment of interest on foundation funds .....				(621)	(621)
Net surplus for the year .....				51,782	51,782
Reversal of revaluation reserve for land .....				281	281
Net changes, excluding foundation funds, surplus and others .....					
Total changes in the current fiscal year .....	—	—	—	23,679	23,679
Balance at the end of current fiscal year .....	¥35,000	¥71,000	¥112	¥126,584	¥232,696

Year ended March 31, 2014	Millions of yen							
	Accumulated other comprehensive income							Total net assets
	Net unrealized gains (losses) on available-for-sale securities, net of tax	Deferred valuation gains (losses) under hedge accounting	Revaluation reserve for land, net of tax	Foreign currency translation adjustment	Accumulated remeasurements of defined benefit plans	Total accumulated other comprehensive income	Minority interests	
Balance at the beginning of current fiscal year .....	¥219,719	¥62	¥3,421	¥(635)	¥ —	¥222,569	¥4,916	¥436,502
Changes in the current fiscal year								
Additions to reserve for dividends to policyholders .....								(27,762)
Payment of interest on foundation funds.....								(621)
Net surplus for the year .....								51,782
Reversal of revaluation reserve for land.....								281
Net changes, excluding foundation funds, surplus and others .....	43,441	(60)	(277)	373	(3,918)	39,558	149	39,708
Total changes in the current fiscal year.....	43,441	(60)	(277)	373	(3,918)	39,558	149	63,388
Balance at the end of current fiscal year.....	¥263,161	¥2	¥3,144	¥(261)	¥(3,918)	¥262,127	¥5,066	¥499,890

Year ended March 31, 2014	Millions of U.S. dollars				
	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 current fiscal year.....	\$340	\$689	\$1	\$999	\$2,030
Changes in the current fiscal year					
Additions to reserve for dividends to policyholders....				(269)	(269)
Payment of interest on foundation funds.....				(6)	(6)
Net surplus for the year.....				503	503
Reversal of revaluation reserve for land.....				2	2
Net changes, excluding foundation funds, surplus and others.....					
Total changes in the current fiscal year.....	—	—	—	230	230
Balance at the end of current fiscal year.....	\$340	\$689	\$1	\$1,229	\$2,260

Year ended March 31, 2014	Millions of U.S. dollars							
	Accumulated other comprehensive income							Total net assets
	Net unrealized gains (losses) on available-for-sale securities, net of tax	Deferred valuation gains (losses) under hedge accounting	Revaluation reserve for land, net of tax	Foreign currency translation adjustment	Accumulated remeasurements of defined benefit plans	Total accumulated other comprehensive income	Minority interests	
Balance at the beginning of current fiscal year.....	\$2,134	\$0	\$33	\$(6)	\$ —	\$2,162	\$47	\$4,241
Changes in the current fiscal year								
Additions to reserve for dividends to policyholders.....								(269)
Payment of interest on foundation funds.....								(6)
Net surplus for the year.....								503
Reversal of revaluation reserve for land.....								2
Net changes, excluding foundation funds, surplus and others.....	422	(0)	(2)	3	(38)	384	1	385
Total changes in the current fiscal year.....	422	(0)	(2)	3	(38)	384	1	615
Balance at the end of current fiscal year.....	\$2,556	\$0	\$30	\$(2)	\$(38)	\$2,546	\$49	\$4,857

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## 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 Law 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 eliminated. As a result, total in yen shown herein do not necessarily agree with the sum of the individual amounts.

#### 2. U.S. Dollar Amounts

The translations of yen amounts into U.S. dollar amounts are included solely for the convenience of the reader and have been made, as a matter of arithmetical computation only, at the rate of ¥102.92 = US\$1.00, the effective rate of exchange at the balance sheet date of March 31, 2014. The translations should not be construed as representations that such yen amounts have been or could in the future be, converted into U.S. dollars at that or any other rates.

#### 3. Principles of Consolidation

##### (1) Scope of consolidation

Consolidated subsidiaries for the year ended March 31, 2012 are listed below:

- Fukoku Shinyo Hosho Company Limited.
- Fukoku Capital Management, Inc.
- Fukokushinrai Life Insurance Company
- Fukoku Information Systems Co., Ltd.
- Fukoku Life International (U.K.) Limited
- Fukoku Life International (America) Inc.

Consolidated subsidiaries for the year ended March 31, 2013 and 2014 are listed below:

- Fukoku Capital Management, Inc.
- Fukokushinrai Life Insurance Company
- Fukoku Information Systems Co., Ltd.
- Fukoku Life International (U.K.) Limited
- Fukoku Life International (America) Inc.

Effective for the fiscal year ended March 31, 2013, owing to the sale of all shares of Fukoku Shinyo Hosho Company Limited, on the October 31, 2012, the Company excluded it from scope of consolidation.

Major unconsolidated subsidiary is Fukoku Seimei Building Company Limited.

Seven 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 year and surplus and is sufficiently insignificant to reasonable judgement on its impact on the financial position and results of operation of the Company's group.

##### (2) Application of equity method

Unconsolidated subsidiaries (such as Fukoku Seimei Building Company Limited, etc.) are insignificant in their impact on net surplus and surplus, and also immaterial as a whole, therefore, application of equity method is withheld.

There are no affiliates for the years ended March 31, 2012, 2013 and 2014.

##### (3) Fiscal year of consolidated subsidiaries

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

##### (4) Amortization of goodwill

Goodwill is amortized by the straight-line method over a period of 10 years and in case of the immaterial amount of goodwill, such amount is fully charged to operating expenses when incurred.

##### (5) Valuation of subsidiary's assets and liabilities on acquisition

On acquisition of a subsidiary, all of the subsidiary's assets and liabilities that exist at the date of acquisition are recorded at their fair value.

## II. Notes to Balance Sheets

### 1. Significant Accounting Policies

#### (1) Valuation methods of securities

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

Available-for-sale securities whose fair values 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) Valuation methods of derivative instruments

Derivative instruments are stated at fair market value.

#### (3) Revaluation of land

The Company revalued the land for business purposes based on the Law for Revaluation of Land (Law 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 revaluation reserve for land.

- Date of revaluation: March 31, 2002
- Method of revaluation as prescribed for in Article 3 Paragraph

3 of the said Law:

Calculation is based on the appraisal value for property tax set forth in Article 2 item 3 of the Enforcement Ordinance of the Law 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

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 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 without residual value  
Other tangible fixed assets acquired for ¥100,000 or more but less than ¥200,000 are depreciated equally over three years.

#### (5) Foreign currency translation

Foreign currency-denominated assets and liabilities are translated into Japanese yen at the effective exchange rate prevailing at the balance sheet date.

#### (6) Allowance for possible loan losses

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

- i) For the credits of borrowers who are legally bankrupt such as being in the proceedings of bankruptcy or civil rehabilitation (hereinafter called "legally bankrupt borrowers") and who are substantially bankrupt (hereinafter called "substantially bankrupt borrowers"), the Company provides the remaining amount of credits after the direct write-off described below and the deductions of the amount expected to be collected through the disposal of collateral or the execution of guarantees.
- ii) For the credits of borrowers who are not currently bankrupt but have a high possibility of bankruptcy (hereinafter called "not currently bankrupt borrowers"), the Company provides the amounts deemed as necessary considering the borrowers' ability to pay, within the amounts after deductions of the amount expected to be collected through the disposal of collateral or the execution of guarantees.
- iii) For the credits of borrowers other than the above, the Company provides the amounts calculated by multiplying the borrowers' balance by the actual ratio of bad debt losses on defaults during a certain past period.

All credits are assessed by the relevant departments in accordance with the Company's standards of self-assessment on credit quality. The results of the assessment are reviewed by the audit department, which is independent of business-related divisions. Subsequently, the allowance for possible loan losses are 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 is written-off directly from the borrower's balance as the estimated uncollectible amounts. The amounts written-off as of March 31, 2012, 2013 and 2014 were ¥332 million, ¥308 million and ¥271 million (US\$2 million), respectively.

#### **(7) Accounting of employees' retirement benefits**

Net defined benefit liabilities are presented for the employees' retirement benefits after deducting pension plan assets from retirement benefit obligations, based on estimated amounts as of the balance sheet date.

The Company uses the following methods of accounting in relation to retirement benefits.

- Method for allocation of projected retirement benefits ..... Straight-line basis
- Amortization period of actuarial differences ..... 10 years
- Amortization period of prior service cost..... 10 years

#### **(8) Reserve for price fluctuation of securities**

Reserve for price fluctuation of securities is calculated in accordance with Article 115 of the Insurance Business Law.

#### **(9) Lease transactions as a lessee**

Finance lease transactions that do not transfer ownership to the lessee whose commencement day was on or before March 31, 2008 continued to be accounted for in a manner similar to accounting treatment for ordinary rental transactions.

#### **(10) Lease transactions as a lessor**

As for the finance lease transactions where the Company is a lessor, the lease fee is recorded in "interest, dividends and other income (other interest and dividends)" at the time of receiving lease fee. The corresponding cost of the lease transactions is recorded in "other investment expenses," which is calculated by deducting an amount equivalent to the interest allocated over the lease term from the lease fee received.

#### **(11) Accounting for hedge activities**

Hedge accounting is based on "Accounting Standards for Financial Instruments" (ASBJ Statement No. 10 issued by the Accounting Standards Board of Japan on August 11, 2006).

For the foreign currency forward contracts against the exchange rate fluctuations in the value of foreign currency-denominated bonds classified as available-for-sale securities, which

qualify for hedge accounting because of high correlation and effectiveness between the hedging instruments and the hedged items, valuation gains and losses on the foreign currency forward contracts are recorded in the statements of operations.

For the interest rate swaps against the interest rate fluctuations regarding loans, which qualify for hedge accounting because of high correlation and effectiveness between the hedging instruments and the hedged items, valuation gains and losses on the interest rate swaps are deferred until the maturity of the hedged transactions.

The Company applies foreign currency swap appropriated treatment as a hedge for the foreign exchange fluctuation risk associated with foreign currency denominated bonds issued by the Company.

For judging 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 mostly applied.

#### **(12) Accounting for consumption taxes**

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 Law, 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.

#### **(13) Policy reserve**

Policy reserve is based on Article 116 of the Insurance Business Law, and the premium reserve at the end of fiscal year is calculated by the following method:

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.

In regard to the policies not subject to the standard policy reserve, the net level premium method is applied.

Based on the provision of paragraph 5, Article 69 of the Enforcement Regulation of the Insurance Business Law, the Company's certain individual annuity insurance policies, certain hospitalization riders with surgery benefits and long-term hospitalization benefits, and non-participating educational insurance have funded policy reserves included.

#### **(14) Amortization method for intangible fixed assets**

Intangible fixed assets are amortized as follows:

- i) Software  
Software for internal use is amortized based on a straight-line method over the estimated useful lives.
- ii) Lease assets  
Lease assets are amortized based on a straight-line method over the lease term.

#### **(15) Deferred assets**

Discount on bonds is amortized equally over the period for which interest on bonds is fixed. This amount is deducted from bonds.

#### **(16) Policy-reserve-matching bonds**

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 by the Company 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).

The amounts of policy-reserve-matching bonds recorded on the balance sheets and the market value of these bonds as of March 31, 2012, 2013 and 2014 were written in Notes No. 4 "Financial Instruments."

### **2. Accounting Changes and Error Corrections and Its Implementation**

- (1) Effective from the fiscal year ended March 31, 2014, in accordance with the "Accounting Standard for Retirement Benefits" (Accounting Standards Board of Japan (ASBJ) Statement No. 26, May 17, 2012, excluding the provision of article 35) and the "Guidance on Accounting Standard for Retirement Benefits" (ASBJ Guidance No. 25, May 17, 2012, excluding the provision of article 67), the Company has changed its method of presenting net defined benefit liabilities. These liabilities are presented after deducting pension plan assets from retirement benefit obligations. Unrecognized actuarial differences and unrecognized prior service cost are presented within net defined benefit liabilities.

As of March 31, 2014, in accordance with transitional treatment as stipulated in article 37 of the Accounting Standard for Retirement Benefits, the impact of the changes in accounting policies is included in accumulated remeasurements of defined benefit plans in accumulated other comprehensive income.

As a result, the Company recognized ¥48,840 million (US\$ 474 million) as net defined benefit liabilities, and accumulated other comprehensive income decreased by ¥3,918 million (US\$ 38 million).

### **3. The Principal Accounting Standards Published before March 31, 2014 but not Applied are as follows.**

- (1) With the publication of the "Accounting Standard for Retirement Benefits" (ASBJ Statement No. 26, May 17, 2012) and "Guidance on Accounting Standard for Retirement Benefits" (ASBJ Guidance No. 25, May 17, 2012), the method for calculating retirement benefit obligations, current service cost and others will be changed.

Compulsory application of this standard is from the commencement of fiscal years beginning on or after April 1, 2014. The Company plans to apply this standard from the start of the fiscal year ending March 31, 2015.

The Company and its consolidated subsidiaries are currently evaluating the impact in the consolidated fiscal years after the application of the standards.

- (2) With the publication of the "Revised Accounting Standard for Business Combinations" (Accounting Standards Board of Japan (ASBJ) Statement No. 21, September 13, 2013), the "Revised Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures" (ASBJ Guidance No.10, September 13, 2013), and the "Revised Accounting Standard for Consolidated Financial Statements" (ASBJ Statement No. 22, September 13, 2013), the accounting treatment for handling amount differences stemming from changes in a parent company's ownership interest in a subsidiary when the parent company retains control over the subsidiary as well as the treatment of acquisition-related costs in a business combination were revised. In addition, the names of items presented in the consolidated financial statements were revised.

Compulsory application of these standards is from the commencement of fiscal years beginning on or after April 1, 2015. The Company plans to apply this standard from the start of the fiscal year ending March 31, 2016.

The Company is currently evaluating the impact in the consolidated fiscal years after the application of these standards.

### **4. Financial Instruments**

Asset management of the Company's general accounts other than the separate accounts stipulated in Article 118 Paragraph 1 of the Insurance Business Law is conducted on the principle of prudent and profitable investments, considering public and social responsibilities of the insurance business. Based on this policy, the Company allocates the fund, securing its liquidity, from the medium-to-long term viewpoints. The Company is diversifying investments in assets such as foreign securities and equity securities within the acceptable range of risk in order to enhance the profitability, although yen-denominated interest bearing assets including debt securities such as Japanese government bonds and loans are the cores of the portfolios. Derivatives are mainly used to mitigate the market risk regarding the securities and loans. Major financial instruments including securities, loans and derivatives are exposed to market risk and credit risk.

The Company manages its asset management risk by establishing internal control systems including various rules pursuant to the "Three Basic Rules related to Enterprise Risk Management" established by the Board of Directors. Specifically, the Company eliminates excessive risk deviating from the basic principle and secures the safety of the assets by utilizing control functions of the Financial and Investment Risk Management Department towards the asset management sections, monitoring the status of market risk and credit risk

periodically on a daily or monthly basis. In addition, the Company quantifies the market risk and credit risk using value-at-risk (VaR) method in order to control the possible maximum losses which may arise from the holding assets within a certain range of risk buffers.

The carrying amounts, fair values and their related differences of major financial assets and liabilities as of March 31, 2012, 2013 and 2014, were as follows:

(1) Cash, deposits (excluding financial instruments treated as securities based on "Accounting Standards for Financial Instruments" (ASBJ Statement No.10)) 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.

Carrying amounts, fair values and related differences of cash, deposits and call loans have been disclosed as of March 31, 2014 since the materiality has increased.

(2) Securities including deposits and monetary claims bought which are treated as securities based on "Accounting Standards for Financial Instruments" (ASBJ Statement No.10) and securities managed as trust assets in money held in trust: The fair values of marketable securities are measured at the

	As of March 31,					
	2012			2013		
	Millions of yen					
	Carrying amount	Fair value	Difference	Carrying amount	Fair value	Difference
Monetary claims bought:						
Claims treated as loans .....	¥ 1,351	¥ 1,374	¥ 23	¥ 1,111	¥ 1,136	¥ 25
Total monetary claims bought.....	1,351	1,374	23	1,111	1,136	25
Money held in trust:						
Trading securities .....	34,194	34,194	—	30,322	30,322	—
Total money held in trust .....	34,194	34,194	—	30,322	30,322	—
Securities:						
Trading securities .....	214,053	214,053	—	258,193	258,193	—
Held-to-maturity debt securities .....	1,179,852	1,218,634	38,781	1,230,032	1,348,605	118,573
Policy-reserve-matching bonds .....	1,461,155	1,522,287	61,132	1,888,162	2,036,166	148,003
Available-for-sale securities.....	2,479,204	2,479,204	—	2,640,657	2,640,657	—
Total securities.....	5,334,265	5,434,179	99,914	6,017,045	6,283,622	266,577
Loans:						
Policy loans .....	73,176	73,176	(0)	69,956	69,956	(0)
Ordinary loans .....	969,182	995,689	26,506	840,701	866,908	26,207
Total loans .....	1,042,359	1,068,865	26,506	910,657	936,865	26,207
Derivative instruments:						
Hedge accounting not applied.....	(1,442)	(1,442)	—	331	331	—
Hedge accounting applied.....	(3,506)	(3,506)	—	(795)	(795)	—
Total derivative instruments.....	¥ (4,948)	¥ (4,948)	¥ —	¥ (463)	¥ (463)	¥ —

	As of March 31,					
	2014			2014		
	Millions of yen			Millions of U.S. dollars		
	Carrying amount	Fair value	Difference	Carrying amount	Fair value	Difference
Cash and deposits:						
Cash and deposits not treated as securities.....	¥ 90,886	¥ 90,886	¥ —	\$ 883	\$ 883	\$ —
Total cash and deposits.....	90,886	90,886	—	883	883	—
Call loans.....	148,700	148,700	—	1,444	1,444	—
Monetary claims bought:						
Claims treated as loans.....	1,011	1,054	43	9	10	0
Total monetary claims bought.....	1,011	1,054	43	9	10	0
Money held in trust:						
Trading securities.....	30,981	30,981	—	301	301	—
Total money held in trust.....	30,981	30,981	—	301	301	—
Securities:						
Trading securities.....	271,060	271,060	—	2,633	2,633	—
Held-to-maturity debt securities.....	1,265,332	1,379,802	114,470	12,294	13,406	1,112
Policy-reserve-matching bonds.....	2,071,506	2,214,902	143,395	20,127	21,520	1,393
Available-for-sale securities.....	2,704,248	2,704,248	—	26,275	26,275	—
Total securities.....	6,312,148	6,570,014	257,865	61,330	63,836	2,505
Loans:						
Policy loans.....	68,590	68,590	(0)	666	666	(0)
Ordinary loans.....	770,654	793,401	22,747	7,487	7,708	221
Total loans.....	839,244	861,991	22,747	8,154	8,375	221
Assets total.....	7,422,971	7,703,628	280,656	72,123	74,850	2,726
Subordinated bonds*1.....	122,346	126,900	4,554	1,188	1,233	44
Liabilities total.....	122,346	126,900	4,554	1,188	1,233	44
Derivative instruments*2:						
Hedge accounting not applied.....	(1,920)	(1,920)	—	(18)	(18)	—
Hedge accounting applied.....	(2,423)	(2,423)	—	(23)	(23)	—
Total derivative instruments.....	¥ (4,343)	¥ (4,343)	¥ —	\$ (42)	\$ (42)	\$ —

\*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.

quoted market price at the end of fiscal year. The fair values of other securities without the quoted market price 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 ¥398 million, ¥8,086 million and ¥7,729 million as of March 31, 2012, ¥519 million, ¥7,738 million and ¥7,667 million as of March 31, 2013, and ¥519 million (US\$5 million), ¥7,653 million (US\$74 million) and ¥7,967 million (US\$77 million) as of March 31, 2014, 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 deadline have not been set up due to the characteristics that the loan is 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 receivable 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 doubtful accounts from the book values before direct write-offs.

(4) Subordinated bonds:

Subordinated bonds issued by the Company are stated at fair market value.

Carrying amounts, fair values and related differences of subordinated bonds have been disclosed as of March 31, 2014 since the materiality has increased.

(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 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.

## 5. Investment and Rental Property

The Company holds investment and rental properties such as office buildings in Tokyo and other areas. The carrying amounts and the fair values of investment and rental properties were ¥223,191 million and ¥271,525 million as of March 31, 2012, ¥216,722 million and ¥273,809 million as of March 31, 2013 and ¥180,400 million (US\$1,752 million) and ¥261,345 million (US\$2,539 million) as of March 31, 2014, respectively. The fair value is mainly based on the value calculated by the Company in accordance with real estate appraisal standards which includes some adjustments using the reference prices.

The amount corresponding to asset retirement obligations included in the carrying amount of investment and rental properties were ¥1,334 million, ¥1,256 million and ¥1,176 million (US\$11 million) as of March 31, 2012, 2013 and 2014, respectively.

## 6. Securities Lent under Lending Agreements

The amount of securities lent under lending agreements were ¥45,887 million and ¥71,815 million (US\$697 million) as of March 31, 2013 and 2014, respectively.

## 7. Loans Receivable

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, were ¥3,019 million, ¥1,759 million and ¥1,603 million (US\$15 million) as of March 31, 2012, 2013 and 2014, respectively.

- i) The balances of credits to bankrupt borrowers were ¥270 million, ¥218 million and ¥195 million (US\$1 million) as of March 31, 2012, 2013 and 2014, respectively.
- ii) The balances of delinquent loans were ¥683 million, ¥590 million and ¥747 million (US\$7 million) as of March 31, 2012, 2013 and 2014, respectively.
- iii) There were no balances of delinquent loans past 3 months or more as of March 31, 2012, 2013 and 2014.
- iv) The balances of restructured loans were ¥2,064 million, ¥950 million, and ¥660 million (US\$6 million) as of March 31, 2012, 2013 and 2014, respectively.

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 Law. Moreover, accruing 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 whose accruing 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 payment or repayment 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 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 3 months or more.

The direct write-offs related to loans decreased credits to bankrupt borrowers described above by ¥12 million, ¥1 million and ¥251 million (US\$1 million) as of March 31, 2012, 2013 and 2014, respectively.

The direct write-offs related to loans decreased delinquent loans described above by ¥291 million and ¥288 million as of March 31, 2012 and 2013, respectively.

## 8. Accumulated Depreciation of Tangible Fixed Assets

Accumulated depreciation of tangible fixed assets totaled to ¥137,618 million, ¥143,241 million and ¥145,599 million (US\$1,414 million) as of March 31, 2012, 2013 and 2014, respectively.

## 9. Separate Accounts

Total assets in separate accounts provided for in Article 118 of the Insurance Business Law were ¥82,053 million, ¥78,815 million and ¥82,680 million (US\$803 million) as of March 31, 2012, 2013 and 2014, respectively. The amounts of separate account liabilities were the same as separate account assets.

## 10. Receivables from/Payables to Unconsolidated Subsidiaries

The total amounts of receivables from/payables to unconsolidated subsidiaries were ¥2,432 million and ¥177 million as of March 31, 2012, ¥3,247 million and ¥184 million as of March 31, 2013, and ¥3,288 million (US\$31 million) and ¥182 million (US\$1 million) as of March 31, 2014, respectively.

## 11. Income Taxes

Deferred tax assets and deferred tax liabilities as of March 31, 2012 were ¥85,897 million and ¥34,529 million, respectively. Valuation allowance for deferred tax assets was ¥3,155 million.

Major components of deferred tax assets were ¥49,440 million of policy reserves, ¥14,279 million of reserve for employees' retirement benefits and ¥11,752 million of reserve for price fluctuation of securities as of March 31, 2012.

Major component of deferred tax liabilities was ¥30,806 million of net unrealized gains on available-for-sale securities as of March 31, 2012.

The statutory tax rate and the actual effective tax rate for the year ended March 31, 2012 were 36.2% and 46.4%, respectively. The major differences between the statutory tax rate and the actual effective tax rate were 24.9% of the reduction of deferred tax assets due to the changes in tax rates and (16.3%) of reserve for dividends to the policyholders.

Deferred tax assets and deferred tax liabilities as of March 31, 2013 were ¥88,575 million and ¥102,048 million, respectively. Valuation allowance for deferred tax assets was ¥3,103 million.

Major components of deferred tax assets were ¥50,755 million of policy reserves, ¥14,351 million of reserve for price fluctuation of securities and ¥13,859 million of reserve for employees' retirement benefits as of March 31, 2013.

Major component of deferred tax liabilities was ¥98,080 million of net unrealized gains on available-for-sale securities as of March 31, 2013.

The statutory tax rate and the actual effective tax rate for the year ended March 31, 2013 were 33.3% and 20.1%, respectively. The major differences between the statutory tax rate and the actual effective tax rate was (14.7%) of reserve for dividends to the policyholders.

Deferred tax assets and deferred tax liabilities as of March 31, 2014 were ¥96,261 million (US\$935 million) and ¥119,541 million (US\$1,161 million), respectively. Valuation allowance for deferred tax assets was ¥3,181 million (US\$30 million).

Major components of deferred tax assets were ¥56,752 million (US\$551 million) of policy reserves, ¥15,490 million (US\$150 million) of reserve for price fluctuation of securities and ¥15,035 million (US\$146 million) of net defined benefit liabilities as of March 31, 2014.

Major component of deferred tax liabilities was ¥117,327 million (US\$1,139 million) of net unrealized gains on available-for-sale securities as of March 31, 2014.

The statutory tax rate and the actual effective tax rate for the year ended March 31, 2014 were 33.3% and 20.1%, respectively. The major differences between the statutory tax rate and the actual effective tax rate was (16.2%) of reserve for dividends to the policyholders.

Accompanying the promulgation of the "Act for Partial Revision to the Income Tax Act, etc." (Act No. 10, 2014), the effective statutory tax rate used to calculate deferred tax assets and deferred tax liabilities was changed. The Company had previously used an effective statutory tax rate of 33.3% for items expected to be collected or paid in the period from April 1, 2014, to March 31, 2015, and a rate of 30.8% for items expected to be collected or paid on or after April 1, 2015. However, owing to the aforementioned law change, the rate of 30.8% for items expected to be collected or paid after April 1, 2014 is used. As a result of this change in statutory tax rate, deferred tax assets decreased ¥22 million (US\$219 thousand), deferred tax liabilities

increased ¥538 million (US\$5 million), and deferred tax liabilities for revaluation reserve for land decreased ¥3 million (US\$36

thousand). Deferred income taxes increased by ¥561 million (US\$5 million).

## 12. Reserve for Dividends to Policyholders

Changes in reserve for dividends to policyholders were as follows:

	Years ended March 31,			
	2012	2013	2014	2014
	Millions of yen			Millions of U.S. dollars
Balance at the beginning of current fiscal year.....	¥53,205	¥53,969	¥52,307	\$508
Transfer from surplus in previous fiscal year.....	24,381	23,989	27,762	269
Dividends paid in the current fiscal year.....	(23,700)	(25,727)	(29,137)	(283)
Increase in interest.....	83	76	74	0
Balance at the current fiscal year.....	¥53,969	¥52,307	¥51,007	\$495

## 13. Reserve for Dividends to Policyholders (Fukokushinrai Life Insurance Company)

Changes in reserve for dividends to policyholders were as follows:

	Years ended March 31,			
	2012	2013	2014	2014
	Millions of yen			Millions of U.S. dollars
Balance at the beginning of current fiscal year.....	¥654	¥648	¥697	\$6
Dividends paid in the current fiscal year.....	(446)	(406)	(504)	(4)
Increase in interest.....	0	0	0	0
Provision for reserve for dividends to policyholders.....	440	455	542	5
Balance at the current fiscal year.....	¥648	¥697	¥735	\$7

## 14. Stocks of Unconsolidated Subsidiaries

The amounts of stocks of unconsolidated subsidiaries the Company held as of March 31, 2012, 2013 and 2014 were ¥398 million, ¥519 million and ¥519 million (US\$5 million), respectively.

## 15. Pledged Assets and Secured Debts

Assets pledged as collateral as of March 31, 2012 were ¥24,300 million of securities and ¥397 million of bank deposits. Secured debts as of March 31, 2012 were ¥4,608 million.

Assets pledged as collateral as of March 31, 2013 were ¥26,930 million of securities and ¥163 million of bank deposits. Secured debts as of March 31, 2013 were ¥4,583 million.

Assets pledged as collateral as of March 31, 2014 were ¥28,231 million (US\$274 million) of securities and ¥1,241 million (US\$12 million) of bank deposits. Secured debts as of March 31, 2014 were ¥4,679 million (US\$45 million).

## 16. Policy Reserves for the Reinsurance Contracts

Reserve for outstanding claims for the reinsurance contracts provided in accordance with Article 71 Paragraph 1 of the Enforcement Regulation of the Insurance Business Law (hereinafter called "reserve for outstanding claims for ceded reinsurance")

were ¥5 million, ¥1 million and ¥4 million (US\$41 thousand) as of March 31, 2012, 2013 and 2014, respectively.

Policy reserve for the reinsurance contracts provided in accordance with Article 71 Paragraph 1 of the Enforcement Regulation of the Insurance Business Law (hereinafter called "policy reserve for ceded reinsurance") were ¥53 million, ¥52 million and ¥50 million (US\$487 thousand), as of March 31, 2012, 2013 and 2014, respectively.

## 17. Commitment Line

As of March 31, 2012, 2013 and 2014, there were unused commitment line agreements under which the Company is the lender of ¥1,023 million, ¥972 million and ¥872 million (US\$8 million), respectively.

## 18. Subordinated Bonds

Repayments of subordinated bonds are subordinated to other obligations.

## 19. Contribution to Policyholders Protection Corporation

The future contribution to the Life Insurance Policyholders Protection Corporation of Japan under Article 259 of the Insurance

Business Law were estimated at ¥11,754 million, ¥12,561 million and ¥12,453 million (US\$120 million) as of March 31, 2012,

2013 and 2014, respectively. The contributions were charged as operating expenses in the year in which they were paid.

## 20. Reserve for Employees' Retirement Benefits

(1) The reserve for employees' retirement benefits as of March 31, 2012 and 2013, were calculated as follows:

	As of March 31,	
	2012	2013
	Millions of yen	
a. Projected benefit obligation .....	¥(72,936)	¥(72,695)
b. Fair value of pension plan assets.....	17,167	20,006
c. Unfunded benefit obligation (a+b) .....	(55,768)	(52,689)
d. Unrecognized actuarial differences .....	10,021	8,134
e. Unrecognized prior service cost .....	(636)	(598)
f. Reserve for employees' retirement benefits (c+d+e).....	¥(46,384)	¥(45,153)

(2) Gross amount of retirement benefit expenses for the years ended March 31, 2012 and 2013 were as follows:

	Years ended March 31,	
	2012	2013
	Millions of yen	
Service cost .....	¥2,965	¥2,892
Interest cost .....	1,451	1,456
Expected return on pension plan assets .....	(471)	(515)
Amortization of actuarial differences .....	1,218	1,361
Amortization of prior service cost.....	(20)	(38)
	¥5,143	¥5,156

(3) The Company's assumptions used in calculation of the above information were as follows:

	Years ended March 31,	
	2012	2013
	Millions of yen	
Method of attributing the projected benefits to periods of service.....	Straight-line basis	Straight-line basis
Discount rate .....	2.0%	2.0%
Expected rate of return on pension plan assets .....	3.0%	3.0%
Amortization period of actuarial differences .....	10 years	10 years
Amortization period of prior service cost.....	10 years	10 years

## 21. Matters Related to Employees' Retirement Benefits as of March 31, 2014

### (1) Overview of employees' retirement benefit system

As a defined benefit plan for office-based employees, the Company and its consolidated subsidiaries have a defined benefit

corporate pension plan and retirement lump-sum grants. As a defined contribution plan for these employees, the Company also has a defined contribution pension plan.

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

### (2) Defined benefit plan

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

	As of March 31,	
	2014	2014
	Millions of yen	Millions of U.S. dollars
Retirement benefit obligation at the beginning of current fiscal year.....	¥72,695	\$706
Service cost.....	2,852	27
Interest cost.....	1,448	14
Actuarial difference occurred during the fiscal year.....	171	1
Retirement benefits payments.....	(5,349)	(51)
Others.....	(134)	(1)
Retirement benefit obligation at the end of current fiscal year.....	¥71,685	\$696

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

	As of March 31,	
	2014	2014
	Millions of yen	Millions of U.S. dollars
Pension plan assets at the beginning of current fiscal year.....	¥20,006	\$194
Expected return on pension plan assets.....	600	5
Actuarial difference occurred during the fiscal year.....	1,333	12
Contributions by the employer.....	2,309	22
Retirement benefits payments.....	(1,405)	(13)
Pension plan assets at the end of current fiscal year.....	¥22,844	\$221

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

	As of March 31,	
	2014	2014
	Millions of yen	Millions of U.S. dollars
a. Funded plan retirement benefit obligation.....	¥ 29,130	\$ 283
b. Pension plan assets.....	(22,844)	(221)
c. (a+b).....	6,285	61
d. Unfunded plan retirement benefit obligation.....	42,554	413
e. Net amount of liabilities and assets presented on the consolidated balance sheets.....	48,840	474
f. Net defined benefit liabilities.....	48,840	474
g. Net defined benefit assets.....	—	—
h. Net amount of liabilities and assets presented on the consolidated balance sheets.....	¥ 48,840	\$ 474

#### iv) Breakdown of retirement benefit gains and losses

	As of March 31,	
	2014	2014
	Millions of yen	Millions of U.S. dollars
Service cost.....	¥2,852	\$27
Interest cost.....	1,448	14
Expected return on pension plan assets.....	(600)	(5)
Amortization of actuarial differences.....	759	7
Amortization of prior service cost.....	(47)	(0)
Retirement benefit expenses related to defined benefit plan.....	¥4,413	\$42

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

	As of March 31,	
	2014	2014
	Millions of yen	Millions of U.S. dollars
Unrecognized actuarial differences .....	¥(6,212)	\$(60)
Unrecognized prior service cost .....	551	5
Total .....	¥(5,661)	\$(55)

vi) Breakdown of main pension plan assets  
The breakdown of main asset categories as a percentage of total pension plan assets is as follows:

	As of March 31,	
	2014	
Life insurance general account .....	45.2%	
Domestic bonds .....	16.7%	
Domestic stocks .....	16.7%	
Foreign stocks .....	14.4%	
Foreign bonds .....	6.1%	
Cash and deposits .....	0.9%	
Others .....	0.0%	
Total .....	100.0%	

vii) Method for setting the expected long-term rate of return  
To set the expected long-term rate of return on pension plan assets, the Company takes into account the present and future allocation of pension plan assets, and the present and expected future long-term rate of return on the diverse range of assets that makes up the pension assets.

viii) Underlying actuarial assumptions  
Main underlying actuarial assumptions as of March 31, 2014, were as follows:

- Discount rate ..... 2.0%
- Expected long-term rate of return on pension plan assets ..... 3.0%

### (3) Defined contribution plan

The required contribution amount by the Company and its subsidiaries to the defined contribution plan was ¥255 million.

## III. Notes to Statements of Operations

### 1. Transactions with Unconsolidated Subsidiaries

The total amounts of revenues and expenditures in connection with unconsolidated subsidiaries were ¥96 million and ¥2,884 million for the year ended March 31, 2012, ¥97 million and ¥3,054 million for the year ended March 31, 2013, and ¥106 million (US\$1 million) and ¥2,973 million (US\$28 million) for the year ended March 31, 2014, respectively.

### 2. Policy Reserves for the Reinsurance Contracts

For the year ended March 31, 2012, reversal of reserve for outstanding claims for ceded reinsurance considered in calculation of reversal of reserve for outstanding claims was ¥36 million and reversal of policy reserve for ceded reinsurance considered in calculation of provision for policy reserve was ¥1 million.

For the year ended March 31, 2013, reversal of reserve for outstanding claims for ceded reinsurance considered in calculation of provision for reserve for outstanding claims was ¥3 million and reversal of policy reserve for ceded reinsurance considered in calculation of provision for policy reserve was ¥1 million.

For the year ended March 31, 2014, provision for reserve for outstanding claims for ceded reinsurance considered in calculation of provision for reserve for outstanding claims was ¥2 million (US\$22 thousand) and reversal of policy reserve for ceded reinsurance considered in calculation of provision for policy reserve was ¥2 million (US\$20 thousand).

### 3. Impairment Losses of Fixed Assets

For the year ended March 31, 2013 and 2014, impairment losses of fixed assets by the Company were as follows:

#### (1) Method of grouping

Real estate and other assets used for insurance business operations are classified as one asset group as a whole. Other assets such as real estate for rent and unused real estate are classified

as one group individually.

**(2) Background of recognizing the impairment losses**

Profitability of certain real estate for rent dropped down significantly due to a decrease in the level of rental income and a declining trend of market prices of land. The Company reduced its book values of such real estate for rent and unused real estate to their recoverable amounts. The amounts reduced were recognized as impairment losses and included in the extraordinary losses.

**(3) Asset groups recognized impairment losses and losses by fixed assets**

	Years ended March 31,		
	2013	2014	2014
	Millions of yen		Millions of U.S. dollars
Real estate for rent:			
Land.....	¥183	¥1,541	\$14
Buildings and others.....	26	140	1
Total real estate for rent (i) .....	210	1,682	16
Unused real estate:			
Land.....	177	35	0
Buildings and others.....	212	58	0
Total unused real estate (ii).....	390	93	0
Total:			
Land.....	361	1,577	15
Buildings and others.....	239	198	1
Total (i)+(ii) .....	¥600	¥1,775	\$17

\* Figures for March 31, 2013, are omitted owing to their minor level of importance.

**(4) Calculation method of recoverable amount**

Recoverable amount is based on net sales value. Net sales value is determined based on appraisal value, posted price or road rate.

## IV. Notes to Statement of Comprehensive Income

### 1. Other Comprehensive Income

The amounts recycled and tax effect amounts related to other comprehensive income were as follows:

	Years ended March 31,			
	2012	2013	2014	2014
	Millions of yen			Millions of U.S. dollars
Net unrealized gains (losses) on available-for-sale securities, net of tax				
Amount incurred during the fiscal year .....	¥69,198	¥214,928	¥87,278	\$848
Amount recycled .....	14,702	3,637	(24,665)	(239)
Before tax adjustment.....	83,901	218,566	62,613	608
Tax effects .....	(24,946)	(67,274)	(19,246)	(187)
Net unrealized gains (losses) on available-for-sale securities, net of tax .....	58,955	151,291	43,367	421
Deferred valuation gains (losses) under hedge accounting, net of tax				
Amount incurred during the fiscal year .....	14	(0)	(18)	(0)
Amount recycled .....	(330)	(160)	(71)	(0)
Before tax adjustment.....	(316)	(161)	(90)	(0)
Tax effects .....	122	53	30	0
Deferred valuation gains (losses) under hedge accounting, net of tax .....	(194)	(107)	(60)	(0)
Revaluation reserve for land, net of tax				
Amount incurred during the fiscal year .....	—	—	—	—
Amount recycled .....	—	—	—	—
Before tax adjustment.....	—	—	—	—
Tax effects .....	2,854	(17)	3	0
Revaluation reserve for land, net of tax.....	2,854	(17)	3	0
Foreign currency translation adjustment				
Amount incurred during the fiscal year .....	(67)	193	373	3
Amount recycled .....	—	—	—	—
Before tax adjustment.....	(67)	193	373	3
Tax effects .....	—	—	—	—
Foreign currency translation adjustment.....	(67)	193	373	3
Total other comprehensive income .....	¥61,548	¥151,359	¥43,684	\$424

## V. Notes to Statements of Cash Flows

### 1. Scope of Cash and Cash Equivalents

Cash and cash equivalents as of March 31, 2012, 2013 and 2014 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

Reconciliations of cash and cash equivalents in the consolidated

statements of cash flows to the consolidated balance sheets accounts as of March 31, 2012, 2013 and 2014 were as follows:

	As of March 31,			
	2012	2013	2014	2014
	Millions of yen			Millions of U.S. dollars
Cash and deposits .....	¥ 73,260	¥ 72,868	¥ 91,021	\$ 884
Call loans .....	65,600	70,300	148,700	1,444
Monetary claims bought.....	1,351	1,111	1,011	9
Time deposits maturing over 3 months of the date of acquisition .....	(200)	(200)	(300)	(2)
Foreign currency deposits maturing over 3 months of the date of acquisition .....	(155)	(371)	(1,047)	(10)
Monetary claims bought maturing over 3 months of the date of acquisition.....	(1,351)	(1,111)	(1,011)	(9)
Cash and cash equivalents .....	¥138,504	¥142,596	¥238,373	\$2,316

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## Management's Report on Internal Control over Financial Reporting

### 1. Matters relating to the basic framework of internal control over financial reporting

Yoshiteru Yoneyama, President of Fukoku Mutual Life Insurance Company (the "Company"), is responsible for the design and operation of internal control over financial reporting for the Company's financial statements, namely, consolidated balance sheets and the related consolidated statements of operations, comprehensive income, cash flows, changes in net assets and a summary of significant accounting policies and other explanatory information for the year ended March 31, 2014, prepared in accordance with Article 110 Paragraph 2 of the Insurance Business Law. The Company designs and operates its internal control over financial reporting in accordance with the basic framework of internal control set forth in the "Standards and Practice Standards for Management Assessment and Audit concerning Internal Control Over Financial Reporting (Council Opinions)" issued by the Business Accounting Council of the Financial Service Agency of Japan.

Internal control aims at achieving the objectives to a reasonable extent with the organized and integrated function of individual components of internal control as a whole. Therefore, internal control over financial reporting cannot always ensure the prevention or detection of misstatements in the presentation of financial reporting.

### 2. Matters relating to the scope of assessment, the basis date of assessment and the assessment procedures

The Company performed an assessment of internal control over financial reporting for its consolidated financial statements as of the end of the fiscal years, March 31, 2014 in accordance with generally accepted assessment standards in Japan for internal control over financial reporting.

In the assessment of internal control over financial reporting, the Company first assessed internal controls that have a material impact on overall consolidated financial reporting ("company-level controls") and, based on the results, the Company selected the business processes to be assessed. In assessing those business processes, the Company analyzed selected business processes, identified a key control that would have a material impact on the reliability of financial reporting, and assessed the establishment and operation with regard to the key control. The Company assessed the effectiveness of internal control by the aforementioned procedures.

For the Company and its consolidated subsidiaries, the Company determined the scope of assessment of internal control over financial reporting from the perspective of their materiality to the reliability of financial reporting. The materiality to the reliability of financial reporting is determined in light of their degree of quantitative and qualitative impact. The Company rationally determined the scope of assessment of internal controls incorporated into business processes ("process-level controls") based on the results of assessment of company-level controls regarding the Company and one consolidated subsidiary. Other than those indicated above, four consolidated subsidiaries were determined to be immaterial from quantitative and qualitative perspectives. Consequently, they are excluded from the scope of assessment of company-level controls.

With respect to the scope of assessment of process-level controls, the locations or business units were selected in descending order of ordinary revenues (after elimination of inter-company transactions) in the previous fiscal year until their combined amount reached about two-thirds of consolidated ordinary revenues. As a result, the Company was selected as "significant locations or business units". At selected significant locations and business units (the Company), business processes related to accounting items that were closely associated with the company's business objectives, including securities, ordinary loans and policy reserves, as well as premium and other income and claims and other payments, which have a material impact on the calculation of policy reserves, were determined to be within the scope of assessment. Furthermore, at selected significant locations and business units and any other locations and business units, added to the scope of assessment were business processes relating to important accounting items that have a high possibility of material misstatements and involve estimates and judgments, and business processes relating to businesses or operations dealing with high-risk transactions.

### 3. Matters relating to the results of the assessment

As a result of performing the assessment, the Company concluded that the design and operation of internal control over financial reporting for the Company were effective as of March 31, 2014.

### 4. Supplementary Information (None)

May 20, 2014  
Yoshiteru Yoneyama  
President  
Fukoku Mutual Life Insurance Company

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## Report of Independent Auditors

### Report of Independent Auditors

The Board of Directors of Fukoku Mutual Life Insurance Company

#### <Financial Statements Audit>

We have audited the accompanying consolidated balance sheets of Fukoku Mutual Life Insurance Company (the “Company”) and its consolidated subsidiaries as of March 31, 2014, 2013 and 2012, and the related consolidated statements of operations, comprehensive income, and cash flows, and changes in net assets for the years then ended, and notes all expressed in Japanese yen.

#### *Management’s Responsibility for the Consolidated Financial Statements*

Management is responsible for the preparation and fair presentation of these consolidated financial statements in conformity with accounting principles generally accepted in Japan, and for such internal control as management determines is necessary to enable the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

#### *Auditor’s Responsibility*

Our responsibility is to express an opinion independently on these consolidated financial statements based on our audits. We conducted our audits in conformity with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the Company’s preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company’s internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

#### *Opinion*

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Fukoku Mutual Life Insurance Company and its consolidated subsidiaries as of March 31, 2014, 2013 and 2012, and the consolidated results of their operations and their cash flows for the years then ended, in conformity with the applicable Japanese laws and regulations and accounting principles for consolidated financial statements generally accepted in Japan.

#### *Convenience Translation*

The amounts expressed in U.S. dollars, which are provided solely for the convenience of the reader, have been translated on the basis set forth in Note I.2 to the accompanying consolidated financial statements with respect to the year ended March 31, 2014.

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#### <Internal Control Audit>

We also have audited management's report on internal control over financial reporting, namely, the accompanying consolidated balance sheets of the Company and its consolidated subsidiaries as of March 31, 2014 and the related consolidated statements of operations, comprehensive income, and cash flows, and changes in net assets for the year then ended, and notes.

#### *Management's Responsibility for the Report on Internal Control*

Management is responsible for designing and operating effective internal control over financial reporting and for the preparation and fair presentation of its report on internal control in conformity with assessment standards for internal control over financial reporting generally accepted in Japan.

There is a possibility that misstatements may not be completely prevented or detected by internal control over financial reporting.

#### *Auditor's Responsibility*

Our responsibility is to express an opinion on management's report on internal control based on our internal control audit. We conducted our internal control audit in accordance with auditing standards for internal control over financial reporting generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether management's report on internal control is free from material misstatement.

An internal control audit involves performing procedures to obtain audit evidence about the results of the assessment of internal control over financial reporting in management's report on internal control. The procedures selected depend on our judgment, including the significance of effects on reliability of financial reporting. An internal control audit includes examining representations on the scope, procedures and results of the assessment of internal control over financial reporting made by management, as well as evaluating the overall presentation of management's report on internal control.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

#### *Opinion*

In our opinion, management's report on internal control referred to above, which represents that the internal control over financial reporting of the consolidated financial statements of Fukoku Mutual Life Insurance Company as of March 31, 2014 is effectively maintained, presents fairly, in all material respects, the results of the assessment of internal control over financial reporting in conformity with assessment standards for internal control over financial reporting generally accepted in Japan.

#### *Interest*

Our firm and the engagement partners do not have any interest in the Company for which disclosure is required under the provisions of the Certified Public Accountants Act.

Tokyo, Japan

May 20, 2014

*Kisaragi Audit Corporation*

Kisaragi Audit Corporation

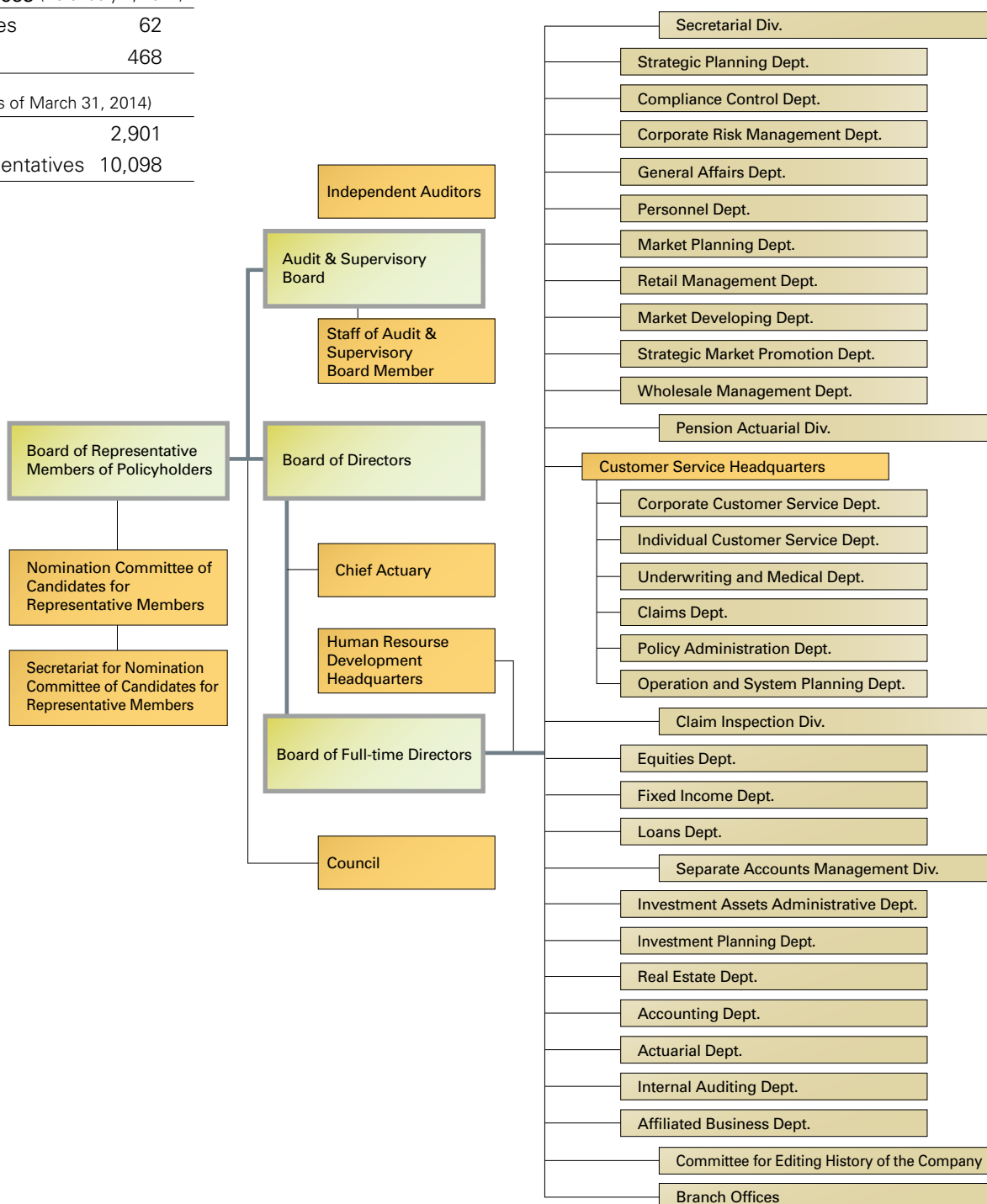
## Corporate Organization

### Domestic Offices (As of July 2, 2014)

Branch Offices	62
Field Offices	468

### Employees (As of March 31, 2014)

Office Staff	2,901
Sales Representatives	10,098



### Directors, Statutory Auditors and Executive Officers

*Chairman of the Board*  
**Tomofumi Akiyama**

*President and Chief Executive Officer*  
**Yoshiteru Yoneyama\***

*Deputy President and Executive Officer*  
**Katsumasa Furuya**

*Director and Managing Executive Officer*  
**Kenji Hirai**

*Director and Managing Executive Officer*  
**Tadashi Akikawa**

*Director and Managing Executive Officer*  
**Hitoshi Sakai**

*Director and Managing Executive Officer*  
**Toshihide Fujiwara**

*Director and Managing Executive Officer*  
**Yuuki Sakurai**

*Director*  
**Kozo Isshiki\*\***

*Director*  
**Kazuo Tanabe\*\***

*Director and Executive Officer*  
**Toshikatsu Hayashi**

*Statutory Auditor*  
**Yoshizumi Nezu\*\*\***

*Statutory Auditor*  
**Mitsuo Ohashi\*\*\***

*Statutory Auditor*  
**Yoshikazu Sashida\*\*\***

*Statutory Auditor (Standing)*  
**Akio Imai**

*Statutory Auditor (Standing)*  
**Kei Yoshizawa**

*Managing Executive Officer*  
**Kenji Sakurai**

*Executive Officer*  
**Toshimitsu Furuhashi**

*Executive Officer*  
**Takanobu Futaba**

*Executive Officer*  
**Yasuyuki Kitamura**

*Executive Officer*  
**Kazuyoshi Hasegawa**

*Executive Officer*  
**Kohei Kawasaki**

*Executive Officer*  
**Osamu Suzuki**

*Executive Officer*  
**Shinji Nakao**

*Executive Officer*  
**Naoyuki Torii**

\*Representative Director

\*\*External Directors

\*\*\*External Statutory Auditors

(As of July 2, 2014)

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## Directory

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### Fukoku Life International (U.K.) Ltd.

From left : D. Hachigo , K. Sato , A. Sato ,  
T. Keevil and J. Doran



### Fukoku Life International (America) Inc.

From left : A. Chang , T. Ogino , S. Lester ,  
Y. Shigeta and M. Xu



### Fukoku Life Research Singapore Pte. Ltd.

From Left : J. Lim , S. Narue and Y. Yoshida



▲ Tokyo Head Office



▲ Osaka Fukoku Mutual Life Insurance Building

