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YEAR ENDED MARCH 31, 2015

ANNUAL REPORT 2015

FUKOKU MUTUAL LIFE INSURANCE COMPANY

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Financial Highlights (Non-consolidated)

	2013	2014	2015	2015
As of March 31,	Millions of yen		Millions of U.S. dollars	
Life insurance in force	¥44,309,547	¥43,704,124	¥43,234,459	\$359,777
Total assets	6,007,231	6,214,796	6,611,952	55,021
Securities	4,633,067	4,877,141	5,240,955	43,612
Loans	907,508	835,860	763,900	6,356
Tangible fixed assets	271,841	232,115	227,591	1,893
Total liabilities	5,579,488	5,720,895	5,914,159	49,214
Policy reserves	5,343,750	5,412,622	5,545,647	46,148
Subordinated bonds	66,187	122,346	118,959	989
Total net assets	427,742	493,900	697,792	5,806
For the years ended March 31,				
Total ordinary revenues	836,736	802,326	867,736	7,220
Premium and other income	647,798	598,367	643,119	5,351
Investment income	178,808	193,044	213,754	1,778
Total ordinary expenditures	767,395	730,426	770,858	6,414
Net surplus for the year	50,822	50,622	69,043	574
Solvency margin ratio (%)	970.8	1,099.9	1,169.3	—
Employees	13,488	12,999	12,677	—

Notes 1. U.S. dollar amounts are converted from yen, for convenience only, at the rate of U.S.\$1=¥120.17, the rate of exchange on March 31, 2015.

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 expressing my sincere gratitude to all our stakeholders for your continued support of Fukoku Life.

In fiscal 2014, ended March 31, 2015, although the Japanese economy suffered from some pull-back following heightened demand leading up to the April 2014 increase in the consumption tax rate, a gradual recovery was evident subsequently.

Financial and capital markets were generally stable. In Japan, amid continued extremely low long-term interest rates, markets remained stable as the yen weakened and stock prices rose. In overseas markets, the gradual reduction in quantitative easing in the United States came to an end, and attention turned to the question of when interest rates would begin to rise. Meanwhile, in the eurozone, monetary easing further advanced, and in January 2015 the European Central Bank embarked on quantitative easing.

Against this backdrop, Fukoku Life worked to ensure that its management and employees maintain a "Customer-Centric" approach in all aspects of its business and operations. This approach embodies our philosophy of "employees providing service in a manner that treats customers as the employees themselves would like to be treated." Further, in accordance with our "Personnel Pledge" –Fukoku Life's 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, we launched sales of the "Income-Guarantee Rider (Decreasing-Term Plan)" as a new rider for our mainstay product "Mirai no Tobira" ("door to the future"), a comprehensive insurance plan with available riders. To coincide with this launch, we also made improvements to our "Life Compass" customer-proposal tool to make it even more user-friendly. By utilizing these products and tools, we are working to enhance our precise consulting sales programs, which are tailored to fit the life plan of each individual customer. Our sales channel strategy comprises the twin pillars of face-to-face sales through customer advisors, and over-the-counter sales through financial institutions by subsidiary Fukokushinrai Life Insurance. Based on these channels, we are committed

to providing products that meet customer needs and enhancing our after-sales service.

In the area of asset management, to ensure the safety and liquidity of assets entrusted to us by our customers, we maintain our focus on public bonds, debentures and other yen-interest-generating assets. 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 our capital adequacy by carrying out financing of additional foundation funds amounting to ¥10.0 billion in August 2014, and by increasing our contingency reserve. As a result, we raised our solvency margin ratio to 1,169.3%, an increase of 69.4 percentage points compared with the end of fiscal 2013 (March 31, 2014). 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, we increased dividends to policyholders for a third consecutive year, and increased reserve for dividend allowances by ¥16.1 billion. While ensuring sufficient internal reserves and balance to maintain financial soundness, we are considering proactive measures in the area of dividends to provide customers with effective reductions in insurance premiums.

As a mutual company, Fukoku Life conducts its life insurance business –which has a strong public-interest nature –in a spirit of mutual assistance. Hence, we aim to put into practice our management philosophy of "protecting the interests of our policyholders." To achieve this goal, Fukoku Life management and employees are committed to demonstrating a "Customer-Centric" approach, while striving to be a company that earns the highest appraisal of its customers.

We look forward to your continued support and cooperation throughout the coming year.

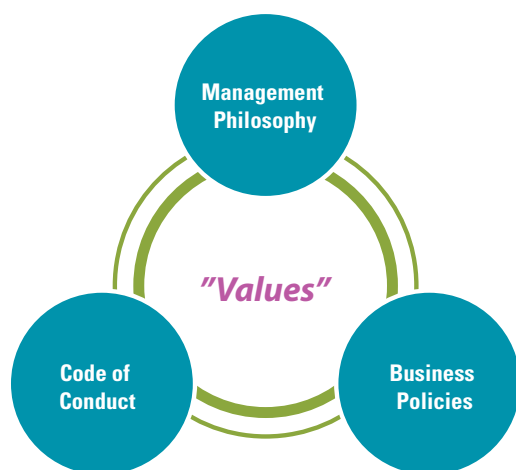
A handwritten signature in black ink, reading "Yoshiteru Yoneyama". The signature is fluid and cursive, with the first name "Yoshiteru" and last name "Yoneyama" clearly distinguishable.

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 providing insurance products that meet customer needs, and by 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 major product in April 2013, called “Mirai no Tobira” (door to the future), which greatly enhances the flexibility of insurance planning. Through this product, we are now able to offer insurance cover planning that meets customer needs even more closely than was possible to date.

Following the 2013 launch of “Mirai no Tobira” (“door to the future”), a comprehensive insurance plan with available riders that greatly enhances flexibility in insurance planning, we have augmented our lineup of available riders that enhance and expand its coverage flexibility. In 2014, we added the “income protection rider <decreasing type>” and in 2015, the “lifestyle disability rider” that protects against the risk of physical disability with easy-to-understand standards based on the public system of identification booklets for people with disabilities.

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 9,776 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 2014

Life Insurance in Force

At fiscal year-end, life insurance in force, which comprises individual life insurance, individual annuities, and group insurance, amounted to ¥43,234.4 billion, down 1.1% compared with the previous fiscal year-end. Within this amount, life insurance for individuals declined 2.2%, to ¥23,684.6 billion, individual annuities edged down 2.6%, to ¥2,871.8 billion. The year-end balance of life insurance in force for groups increased 0.8%, to ¥16,678.0 billion. Group annuities in force (policy reserve) rose 4.6%, to ¥2,123.2 billion.

Annualized Premiums for New Policies and Policies in Force

In the year under review, annualized premiums for new policies increased 0.4%, to ¥22.4 billion. Within this amount, individual insurance was down 3.1%, to ¥19.2 billion, and individual annuities up 28.1%, to ¥3.1 billion. Annualized premiums from medical insurance and living benefit insurance declined 6.8%, to ¥7.0 billion.

Annualized premiums for policies in force edged down 0.3%, ¥406.4 billion. Within this amount, individual insurance decreased 0.5%, to ¥273.6 billion, while individual annuities remained flat, at ¥132.7 billion. Annualized premiums from medical insurance and living benefit insurance rose 0.5%, to ¥106.6 billion.

Premium Income and Payments

In the year under review, premium and other income upturn 7.5%, to ¥643.1 billion. This was mainly attributable to an increase in single-payment whole life insurance within the individual insurance category. Claims and other payments declined 2.7% year on year to ¥490.3 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 increased 9.6%, or ¥3.2 billion, from the previous fiscal year to ¥36.6 billion. This rise was due in part to favorable sales of individual annuity insurance policies by Fukoku Life on a standalone basis, although net new sales of "Mirai no Tobira" policies declined. Also, Fukokushinrai Life Insurance, on a standalone basis, has experienced a recovery in sales of single-payments products since raising its assumed interest rate in 2013. Within this amount, annualized premiums from medical insurance and living benefit insurance fell 6.7%, or ¥0.5 billion, to ¥7.1 billion.

Annualized premiums for policies in force increased 1.4%, or ¥7.7 billion, to ¥564.2 billion. Annualized premiums from medical insurance and living benefit insurance were up 0.5%, or ¥0.4 billion, to ¥108.3 billion.

The total value of premium and other income rose 12.6%, or ¥89.4 billion, to ¥796.4 billion. Over-the-counter sales through financial institutions (from Fukokushinrai Life Insurance) expanded 43.6%, or ¥41.1 billion, to ¥135.5 billion, due to robust sales centered on single-payment whole life insurance.

Assets, Liabilities, and Net Assets

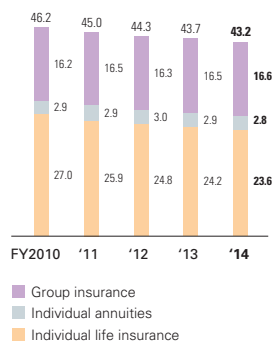
The outstanding balance of non-consolidated total assets, including separate accounts, edged up 6.4%, or ¥397.2 billion, to ¥6,611.9 billion. General account assets, which constitute 98.8% of this total, rose 6.5%, to ¥6,530.2 billion. This was mainly attributable to, in foreign securities, a boost in allocations to hedge against currency risk, mainly U.S. government bonds with superior liquidity as an alternative to Japanese public corporation bonds, as well as increased market values due to yen depreciation. In stocks, in addition to increasing our balance as planned, we recorded valuation gains stemming from rising stock prices. As a result, the year-end balance of securities stood at ¥5,240.9 billion, an increase of ¥363.8 billion, or 7.5%, compared with the previous fiscal year-end.

Total liabilities edged up 3.4%, or ¥193.2 billion, to ¥5,914.1 billion.

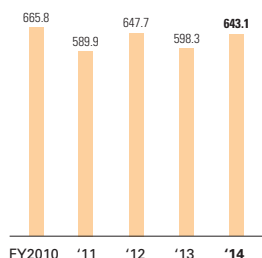
Net assets amounted to ¥697.7 billion, up 41.3% compared with the previous fiscal year-end.

On a consolidated basis, total assets rose 6.5%, to ¥8,326.5 billion, and net assets increased 41.7%, to ¥708.5 billion.

Life insurance in force
(¥ trillions)



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 boosted internal reserves by soliciting additional foundation funds and augmenting the contingency reserve. Foundation funds at a mutual insurer correspond to capital at a joint-stock company. Total foundation funds, including the accumulated foundation funds redeemed, amounted to ¥116.0 billion as of March 31, 2015, due to ¥10.0 billion in additional solicitations. When foundation funds are redeemed (refunded), we are legally required to accumulate as internal reserves a “accumulated foundation funds redeemed” in an amount equivalent to the redemption. Thus the same amount of owned capital as the amount collected is retained even after the redemption of foundation funds.

Solvency Margin

Fukoku Life’s solvency margin ratio at fiscal year-end was 1,169.3%, up 69.4 percentage points compared with the previous fiscal year-end. This rise was attributable to higher owned capital stemming from an increase in the contingency reserve and the provision of an equalizes reserve for dividends to policyholders, as well as to an increase in valuation difference on available-for-sale securities stemming from rising stock prices and ongoing yen depreciation. 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.

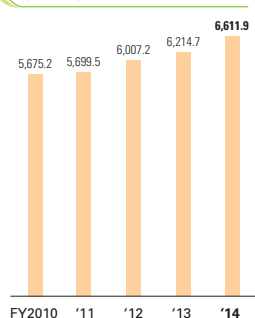


We will continue making every effort to maintain a high solvency margin ratio as one indicator of the added peace of mind we offer our customers.

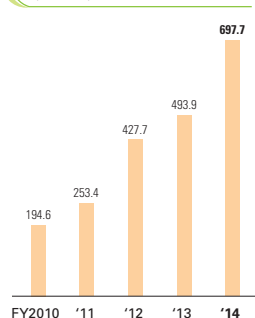
Ratings

Fukoku Life relies on four neutral rating organizations to provide an objective assessment of the Company’s ability to meet insurance payments. As of August 1, 2015, 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.

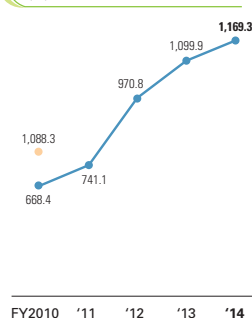
Total assets
(¥ billions)



Net assets
(¥ billions)



Solvency margin ratio
(%)



The figures indicated by the blue line for the fiscal years ended March 31, 2011, 2012, 2013, 2014 and 2015 were calculated using the current standards.

Investment Performance in Fiscal 2014 (General Account)

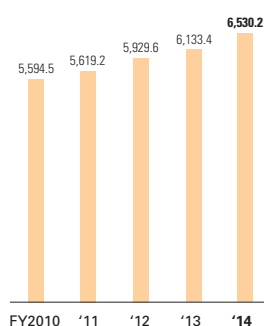
Overview

In fiscal 2014, ended March 31, 2015, the Japanese economy recovered modestly towards the end of the fiscal year after demand weakened early in the fiscal year following the surge in demand ahead of the consumption tax hike in April 2014. After falling steeply on the tax rise, personal consumption gradually recovered, but it lacked strength against the backdrop of decreased real purchasing power. Exports rose in the second half of the year as positive effects from yen depreciation materialized. Capital investment, which companies had previously restrained, increased towards the end of the fiscal year, as such factors as falling crude oil prices helped business sentiment improve. The financial and capital markets remained generally stable over the year. Domestically, whilst the Bank of Japan (BOJ) maintained its policy of quantitative and qualitative easing, the central bank introduced additional measures at the end of October, such as increasing the amount of its purchases of Japanese government bonds. In the international markets, the U.S. Federal Reserve Bank brought its QE3 program of purchasing residential- mortgage backed securities and U.S. Treasury bonds to conclusion in October after the gradual tapering. Thereafter, the markets began to focus on the timing of an interest rate rise. In Europe, the European Central Bank cut its policy interest rates twice by 0.1 percentage point each in June and September, bringing the rate to a historical low of 0.05%. Furthermore, the ECB decided on a policy of quantitative easing involving the purchase of government bonds in January 2015. With regard to our asset management business, we restrained investing in domestic bonds given that domestic interest rates remained at extremely low levels and bond market liquidity was extraordinarily low. Alternatively, we increased investment in exchange-rate-hedged foreign bonds. In particular, we augmented holdings of U.S. Treasury bonds, which offer excellent liquidity. At the same time, whereas

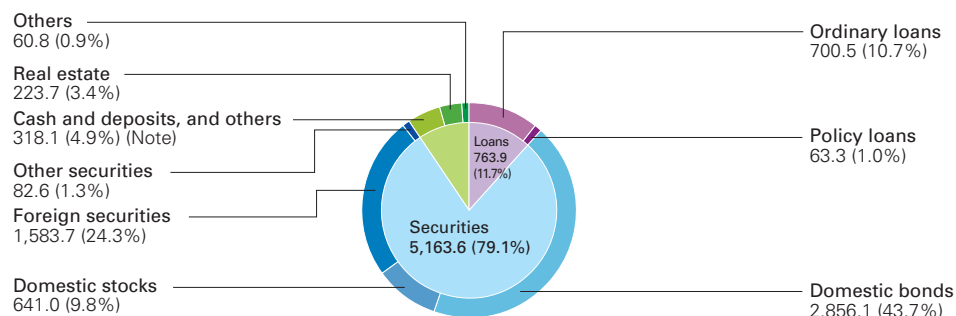
we had held back on investing in domestic stocks since the Lehman Shock, we recommenced the steady acquisition of stocks to diversify our investment assets and improve the profitability as our risk tolerance increased. With the purpose of investing in growth field, we continued to increase our investment in foreign stocks, including mutual fund emerging markets. Thus, the diversification of our investment assets progressed.

Investment income from general accounts increased ¥19.2 billion (10.5%), to ¥201.8 billion. Interest, dividends and other income, including those from trading securities, amounted to ¥145.7 billion, an increase of ¥10.5 billion (7.8%) compared with the previous fiscal year. This rise was due mainly to an increase in interest and dividends, stemming from a higher balance held and the benefit of yen depreciation on interest from foreign bonds, as well as of higher dividends on stocks. Gains from trading securities amounted to ¥35.2 billion, an increase of ¥15.8 billion (81.6%), as lower overseas interest rates and yen depreciation caused substantial valuation gains on foreign bonds. Gains on sales of securities decreased to ¥25.2 billion (24.7%) but still remained high due mainly to planned disposals of domestic and overseas bonds to secure profits by taking advantage of high prices. Investment expenses dropped ¥14.2 billion (28.6%) to ¥35.7 billion. Of this amount, losses on sales of securities totaled ¥1.0 billion (88.4%), down from ¥8.2 billion, thanks to a decrease in losses on sales of stocks and foreign bonds. Losses from derivative instruments amounted to ¥18.6 billion, a decrease of 25.6%. Losses related to hedging currency risks, which accounted for the majority of those from derivative instruments, were largely offset by foreign exchange gains on foreign bonds in trading securities. As a result, net investment income amounted to ¥166.1 billion, an increase of ¥33.5 billion (25.3%) compared with the previous fiscal year.

General account assets
(¥ billions)



Breakdown of general account assets (Fiscal year ended March 31, 2015)
(¥ billions)



Total: ¥6,530.2 billion

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

Domestic Bonds

At fiscal year-end, domestic bonds amounted to ¥2,856.1 billion, a decrease of ¥20.0 billion (0.7%) compared with the end of the previous fiscal year, due to our curbed purchases in response to extremely low domestic interest rates and remarkably low liquidity in the bond markets.

Domestic Stocks

Domestic stocks amounted to ¥641.0 billion, up ¥158.7 billion (32.9%). This rise was due to the planned increase of our investment balance in this category, as well as to valuation gains stemming from rising stock prices.

Foreign Securities

Foreign securities amounted to ¥1,583.7 billion, an increase

of ¥218.3 billion (16.0%) compared with the end of the previous fiscal year. This rise was attributable mainly to our investment in exchange-rate-hedged U.S. Treasury bonds, which offer excellent liquidity, as an alternative to domestic bonds, as well as valuation gains arising from yen depreciation and other factors.

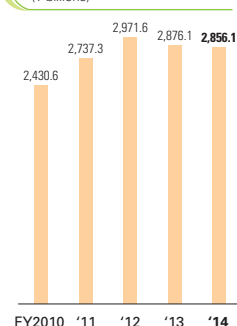
Loans

Loans amounted to ¥763.9 billion, a decrease of ¥71.9 billion (8.6%), as the ultra low interest rates environment kept the business in a difficult position in terms of profitability.

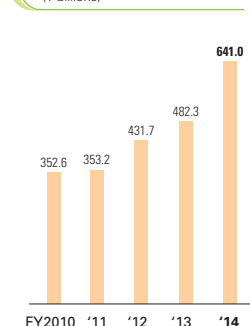
Real Estate

Mainly owing to depreciation, the year-end balance of real estate was down ¥4.3 billion (1.9%), to ¥223.7 billion.

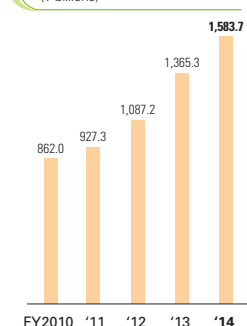
Domestic bonds
(¥ billions)



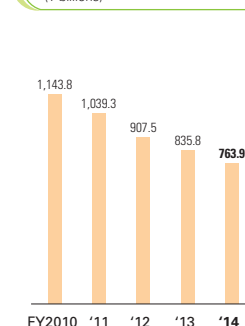
Domestic stocks
(¥ billions)



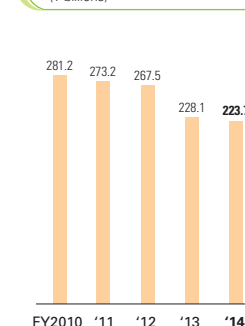
Foreign securities
(¥ billions)



Loans
(¥ billions)



Real estate
(¥ billions)



Investment Policies for Fiscal 2015

Investment Environment

For fiscal 2015, ending March 31, 2016, we anticipate the gradual recovery will continue in the Japanese economy, backed by solid domestic demand. Globally, we expect advanced countries' economies to remain firm, due in part to modest recovery in the United States, while China and other emerging economies are likely to be lackluster. Under such conditions, we expect

a continuation of ultralow interest rates in long-term bonds in Japan as the BOJ sustains its program of quantitative and qualitative easing. We believe stock prices will be underpinned by solid corporate earnings. In exchange rates, we expect yen depreciation against the U.S. dollar to continue because of the discrepancies in the two countries' monetary policies. However, the range of fluctuation could widen depending on the direction of the US monetary policy.

Domestic Bonds

Remaining cautious on domestic bonds, we would continue to monitor interest rate movements.

Domestic Stocks

We intend to selectively invest in undervalued shares in situations where share prices contract.

Foreign Securities

For foreign bonds, we would invest selectively in liquid bonds, while monitoring the spread between domestic and overseas interest rates. In particular, we would increase holdings of hedged

foreign bonds. For foreign stocks, we would increase holdings, centering on shares that are expected to return stable dividends.

Loans

We will continue to make an effort to maintain the profitability of the business by increasing diversity in terms of such factors as borrower and loan period.

Real Estate

We plan to revise our holdings from a medium- to long-term perspective, with the aim of reinforcing our portfolio.

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 business is its first priority in terms of fulfilling its corporate social responsibility (CSR). Furthermore, we believe that the Company should engage proactively in a range of social contribution activities aimed at helping to build a better society.



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 are held at the school and institution for people with disabilities 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 254 Charity Concerts. Visiting Concerts, which were introduced in April 2003, have been held at a total of 207 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 people with disabilities are sold in venue's lobby.

Smile Gallery

In the shopping mall located in the basement of our head office building, we operate the Smile Gallery, which displays artworks created by children attending schools for people with disabilities. 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. To support the economies of this region, we host sales events featuring local produce from Fukushima, Miyagi and Iwate prefectures. Just after the earthquake, these events targeted Company employees, but we later opened them to the general public, encouraging even more people to cooperate in this activity.

Forest Conservation

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 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



World Bank presenting a certificate of appreciation for this investment (from left: Yoshiyuki Arima, Representative, Japan, at the World Bank Treasury; President Yoneyama)



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

employees have taken part in the project. In the year under review, 174 executives, employees, and their family members volunteered their time to take part in these activities.

Other Activities

In March 2014, we invested in sustainable development bonds (SDBs) issued by the World Bank. In addition to ensuring profitability, this investment accords with the Company's management philosophy of contributing to society, and we plan to continue conducting this sort of investment and financing going forward.

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 and support 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.

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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Alliance 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.

In fiscal 2014, we created an original Gotochi Kitty character ("Gotochi" referring to a specific region), which we use in numerous situations to evoke an even greater sense of closeness with customers. 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, 2013, 2014 and 2015

	As of March 31,			
	2013	2014	2015	2015
	Millions of yen			Millions of U.S. dollars
Assets:				
Cash and deposits:				
Cash	¥ 169	¥ 159	¥ 183	\$ 1
Bank deposits	33,396	34,609	96,332	801
	33,566	34,768	96,515	803
Call loans	70,300	148,700	186,500	1,551
Monetary claims bought	1,111	1,011	870	7
Money held in trust	31,322	31,981	34,319	285
Securities:				
Government bonds	2,181,123	2,097,463	2,061,294	17,153
Local government bonds	168,921	157,102	154,616	1,286
Corporate bonds	652,931	654,161	670,380	5,578
Stocks	454,902	504,442	664,735	5,531
Foreign securities	1,108,137	1,389,208	1,607,208	13,374
Other securities	67,050	74,762	82,719	688
	4,633,067	4,877,141	5,240,955	43,612
Loans:				
Policy loans	66,807	65,206	63,311	526
Ordinary loans	840,701	770,654	700,588	5,829
	907,508	835,860	763,900	6,356
Tangible fixed assets:				
Land	160,528	132,912	132,261	1,100
Buildings	105,728	94,991	90,902	756
Lease assets	1,430	1,159	954	7
Construction in progress	1,297	280	630	5
Other tangible fixed assets	2,855	2,771	2,843	23
	271,841	232,115	227,591	1,893
Intangible fixed assets:				
Software	11,378	10,554	10,744	89
Other intangible fixed assets	273	273	272	2
	11,652	10,827	11,017	91
Reinsurance receivables	42	78	105	0
Other assets:				
Accounts receivable	7,479	6,297	9,037	75
Prepaid expenses	1,155	993	898	7
Accrued income	27,005	28,028	28,136	234
Deposits	2,055	1,894	1,837	15
Differential account for futures trading	978	—	241	2
Derivatives	3,473	879	5,134	42
Suspense payments	3,222	2,430	3,108	25
Lease investment assets	868	835	801	6
Other assets	2,780	3,233	2,929	24
	49,020	44,592	52,123	433
Allowance for possible loan losses	(2,201)	(2,281)	(1,948)	(16)
Total assets	¥6,007,231	¥6,214,796	¥6,611,952	\$55,021

As of March 31,

	2013	2014	2015	2015
	Millions of yen		Millions of U.S. dollars	
Liabilities:				
Policy reserves:				
Reserve for outstanding claims	¥ 22,673	¥ 23,067	¥ 21,305	\$ 177
Policy reserve	5,268,768	5,338,547	5,475,030	45,560
Reserve for dividends to policyholders	52,307	51,007	49,311	410
	5,343,750	5,412,622	5,545,647	46,148
Reinsurance payables	86	98	110	0
Subordinated bonds	66,187	122,346	118,959	989
Other liabilities:				
Corporate income tax payable	8,352	11,945	15,851	131
Accounts payable	2,717	2,350	2,911	24
Accrued expenses	11,268	11,112	10,587	88
Unearned income	411	341	357	2
Deposits received	5,289	5,355	5,355	44
Guarantee deposits received	13,584	12,839	12,772	106
Differential account for futures trading	—	216	—	—
Derivatives	3,937	5,223	3,886	32
Asset retirement obligations	2,966	2,951	3,001	24
Suspense receipts	1,284	1,188	1,259	10
	49,813	53,524	55,984	465
Reserve for employees' retirement benefits	44,965	43,112	46,393	386
Reserve for price fluctuation of securities	41,628	44,016	46,534	387
Deferred tax liabilities	16,938	29,245	85,741	713
Deferred tax liabilities for revaluation reserve for land	16,119	15,929	14,787	123
Total liabilities	5,579,488	5,720,895	5,914,159	49,214
Net assets:				
Foundation funds.....	35,000	35,000	30,000	249
Accumulated foundation funds redeemed	71,000	71,000	86,000	715
Reserve for revaluation.....	112	112	112	0
Surplus:				
Legal reserve for future losses.....	2,399	2,485	2,582	21
Other surplus:				
Reserve for redemption of foundation funds	9,000	18,000	12,000	99
Reserve for dividend allowances.....	3,895	3,895	3,895	32
Accumulated fund for price fluctuation	11,000	21,000	31,000	257
Reserve for advanced depreciation of real estate for tax purpose.....	4,114	3,969	262	2
Other reserves.....	767	767	767	6
Unappropriated surplus	71,084	74,662	93,041	774
	99,861	122,294	140,966	1,173
	102,260	124,780	143,548	1,194
Total foundation funds, surplus and others	208,372	230,892	259,660	2,160
Net unrealized gains (losses) on available-for-sale securities, net of tax	215,885	259,861	434,236	3,613
Deferred valuation gains (losses) under hedge accounting.....	62	2	0	0
Revaluation reserve for land, net of tax.....	3,421	3,144	3,894	32
Total valuation and translation adjustments.....	219,370	263,008	438,131	3,645
Total net assets	427,742	493,900	697,792	5,806
Total liabilities and net assets	¥6,007,231	¥6,214,796	¥6,611,952	\$55,021

See notes to the non-consolidated financial statements.

Non-consolidated Statements of Operations

Fukoku Mutual Life Insurance Company
For the years ended March 31, 2013, 2014 and 2015

	Years ended March 31,			
	2013	2014	2015	2015
	Millions of yen			Millions of U.S. dollars
Ordinary revenues:				
Premium and other income:				
Premium income	¥647,446	¥598,227	¥642,774	\$5,348
Reinsurance income	352	140	345	2
	647,798	598,367	643,119	5,351
Investment income:				
Interest, dividends and other income:				
Interest on deposits	19	7	14	0
Interest and dividends on securities	83,604	94,534	107,138	891
Interest on loans	19,136	17,317	15,464	128
Income from real estate for rent	16,041	14,469	13,832	115
Other interest and dividends	217	235	251	2
	119,020	126,564	136,700	1,137
Gains from money held in trust, net	1,157	669	2,349	19
Gains from trading securities, net	38,498	19,402	35,232	293
Gains on sales of securities	7,917	33,499	25,221	209
Foreign exchange gains, net	908	2,212	2,041	16
Reversal of allowance for possible loan losses	—	—	270	2
Other investment income	1,230	279	69	0
Gains from separate accounts, net	10,075	10,417	11,869	98
	178,808	193,044	213,754	1,778
Other ordinary revenues:				
Fund receipt from annuity rider	1,071	1,271	457	3
Fund receipt from deposit of claims paid	5,123	5,083	4,300	35
Reversal of reserve for outstanding claims	—	—	1,761	14
Reversal of reserve for employees' retirement benefits	1,351	1,849	1,481	12
Others	2,583	2,710	2,860	23
	10,129	10,914	10,861	90
Total ordinary revenues	836,736	802,326	867,736	7,220
Ordinary expenditures:				
Claims and other payments:				
Claims	168,766	135,639	112,311	934
Annuities	101,437	134,935	155,577	1,294
Benefits	129,048	122,255	118,484	985
Surrenders	89,348	77,820	75,594	629
Other payments	31,283	32,681	27,954	232
Reinsurance premiums	328	385	440	3
	520,212	503,718	490,362	4,080
Provision for policy reserve and others:				
Provision for reserve for outstanding claims	58	393	—	—
Provision for policy reserve	78,627	69,779	136,482	1,135
Interest on accumulated dividends to policyholders	76	74	54	0
	¥ 78,762	¥ 70,247	¥136,537	\$1,136

	Years ended March 31,			
	2013	2014	2015	2015
	Millions of yen			Millions of U.S. dollars
Investment expenses:				
Interest expenses	¥ 1,777	¥ 3,633	¥ 4,252	\$ 35
Losses on sales of securities	10,596	9,289	1,075	8
Losses on valuation of securities	1,009	52	0	0
Losses from derivative instruments, net	34,773	25,116	18,679	155
Provision for allowance for possible loan losses	58	56	—	—
Depreciation of real estate for rent and other assets	5,802	5,082	4,877	40
Other investment expenses	5,658	6,778	6,831	56
	59,677	50,010	35,715	297
Operating expenses	88,846	86,203	86,365	718
Other ordinary expenditures:				
Claim deposit payments	8,976	8,970	8,900	74
Taxes	4,771	4,573	6,069	50
Depreciation	5,571	6,023	6,205	51
Others	578	678	701	5
	19,897	20,246	21,877	182
Total ordinary expenditures	767,395	730,426	770,858	6,414
Ordinary profits	69,340	71,900	96,877	806
Extraordinary gains:				
Gains on disposal of fixed assets	60	2,005	6	0
Other extraordinary gains	193	—	—	—
Total extraordinary gains	254	2,005	6	0
Extraordinary losses:				
Losses on disposal of fixed assets	348	7,314	165	1
Impairment losses	600	1,775	698	5
Provision for reserve for price fluctuation of securities	6,140	2,388	2,518	20
Total extraordinary losses	7,088	11,477	3,382	28
Surplus before income taxes	62,506	62,427	93,501	778
Income taxes:				
Current	13,553	19,208	27,169	226
Deferred	(1,870)	(7,403)	(2,711)	(22)
Total income taxes	11,683	11,804	24,458	203
Net surplus for the year	¥ 50,822	¥ 50,622	¥ 69,043	\$ 574

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, 2013, 2014 and 2015

Year ended March 31, 2013	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	¥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

Year ended March 31, 2013	Millions of yen				
	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	¥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

Year ended March 31, 2014	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.....	¥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

Year ended March 31, 2014	Millions of yen				
	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.....	¥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 yen											
	Foundation funds, surplus and others											
	Surplus											
	Other surplus											
Year ended March 31, 2015	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	¥35,000	¥71,000	¥112	¥2,485	¥18,000	¥3,895	¥21,000	¥3,969	¥767	¥74,662	¥124,780	¥230,892
Cumulative effects of changes in accounting policies										(3,297)	(3,297)	(3,297)
Restated balance	35,000	71,000	112	2,485	18,000	3,895	21,000	3,969	767	71,365	121,482	227,595
Changes in the current fiscal year												
Issuance of foundation funds	10,000											10,000
Additions to reserve for dividends to policyholders										(31,595)	(31,595)	(31,595)
Additions to legal reserve for future losses				97						(97)		
Additions to accumulated foundation funds redeemed		15,000										15,000
Payment of interest on foundation funds										(621)	(621)	(621)
Net surplus for the year										69,043	69,043	69,043
Redemption of foundation funds	(15,000)											(15,000)
Additions to reserve for redemption of foundation funds					9,000					(9,000)		
Reversal of reserve for redemption of foundation funds					(15,000)						(15,000)	(15,000)
Additions to accumulated fund for price fluctuation							10,000			(10,000)		
Additions to reserve for advanced depreciation of real estate for tax purpose								0		(0)		
Reversal of reserve for advanced depreciation of real estate for tax purpose								(3,707)		3,707		
Reversal of revaluation reserve for land										239	239	239
Net changes, excluding foundation funds, surplus and others												
Total changes in the current fiscal year	(5,000)	15,000	—	97	(6,000)	—	10,000	(3,707)	—	21,675	22,065	32,065
Balance at the end of current fiscal year	¥30,000	¥86,000	¥112	¥2,582	¥12,000	¥3,895	¥31,000	¥262	¥767	¥93,041	¥143,548	¥259,660

	Millions of yen				
	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
Year ended March 31, 2015					
Balance at the beginning of current fiscal year	¥259,861	¥2	¥3,144	¥263,008	¥493,900
Cumulative effects of changes in accounting policies					(3,297)
Restated balance	259,861	2	3,144	263,008	490,603
Changes in the current fiscal year					
Issuance of foundation funds					10,000
Additions to reserve for dividends to policyholders					(31,595)
Additions to legal reserve for future losses					—
Additions to accumulated foundation funds redeemed					15,000
Payment of interest on foundation funds					(621)
Net surplus for the year					69,043
Redemption of foundation funds					(15,000)
Additions to reserve for redemption of foundation funds ..					—
Reversal of reserve for redemption of foundation funds ..					(15,000)
Additions to accumulated fund for price fluctuation					—
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					239
Net changes, excluding foundation funds, surplus and others	174,375	(2)	750	175,123	175,123
Total changes in the current fiscal year	174,375	(2)	750	175,123	207,188
Balance at the end of current fiscal year	¥434,236	¥0	¥3,894	¥438,131	¥697,792

	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, 2015												
Balance at the beginning of current fiscal year	\$291	\$590	\$0	\$20	\$149	\$32	\$174	\$33	\$6	\$621	\$1,038	\$1,921
Cumulative effects of changes in accounting policies										(27)	(27)	(27)
Restated balance	291	590	0	20	149	32	174	33	6	593	1,010	1,893
Changes in the current fiscal year												
Issuance of foundation funds	83											83
Additions to reserve for dividends to policyholders										(262)	(262)	(262)
Additions to legal reserve for future losses				0						(0)		
Additions to accumulated foundation funds redeemed		124										124
Payment of interest on foundation funds										(5)	(5)	(5)
Net surplus for the year										574	574	574
Redemption of foundation funds	(124)											(124)
Additions to reserve for redemption of foundation funds ..					74					(74)		
Reversal of reserve for redemption of foundation funds					(124)						(124)	(124)
Additions to accumulated fund for price fluctuation							83			(83)		
Additions to reserve for advanced depreciation of real estate for tax purpose								0		(0)		
Reversal of reserve for advanced depreciation of real estate for tax purpose								(30)		30		
Reversal of revaluation reserve for land										1	1	1
Net changes, excluding foundation funds, surplus and others												
Total changes in the current fiscal year	(41)	124	—	0	(49)	—	83	(30)	—	180	183	266
Balance at the end of current fiscal year	\$249	\$715	\$0	\$21	\$99	\$32	\$257	\$2	\$6	\$774	\$1,194	\$2,160

Millions of U.S. dollars					
	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	
Year ended March 31, 2015					
Balance at the beginning of current fiscal year	\$2,162	\$0	\$26	\$2,188	\$4,110
Cumulative effects of changes in accounting policies					(27)
Restated balance	2,162	0	26	2,188	4,082
Changes in the current fiscal year					
Issuance of foundation funds					83
Additions to reserve for dividends to policyholders					(262)
Additions to legal reserve for future losses					—
Additions to accumulated foundation funds redeemed					124
Payment of interest on foundation funds					(5)
Net surplus for the year					574
Redemption of foundation funds					(124)
Additions to reserve for redemption of foundation funds ..					—
Reversal of reserve for redemption of foundation funds ..					(124)
Additions to accumulated fund for price fluctuation					—
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					1
Net changes, excluding foundation funds, surplus and others	1,451	(0)	6	1,457	1,457
Total changes in the current fiscal year	1,451	(0)	6	1,457	1,724
Balance at the end of current fiscal year	\$3,613	\$0	\$32	\$3,645	\$5,806

Non-consolidated Statements of Surplus

Fukoku Mutual Life Insurance Company
For the years ended March 31, 2013, 2014 and 2015

	Years ended March 31,			
	2013	2014	2015	2015
	Millions of yen			Millions of U.S. dollars
Unappropriated surplus	¥71,084	¥74,662	¥93,041	\$774
Reversal of voluntary surplus reserve:				
Reversal of reserve for advanced depreciation				
of real estate for tax purpose	144	3,707	3	0
	144	3,707	3	0
Total	71,228	78,369	93,044	774
Appropriation of surplus:				
Reserve for dividends to policyholders	27,762	31,595	36,698	305
Net surplus:				
Legal reserve for future losses	86	97	160	1
Interest payment for foundation funds	621	621	316	2
Voluntary surplus reserve:				
Reserve for redemption of foundation funds	9,000	9,000	6,000	49
Equalized reserve for dividends to policyholders	—	—	16,104	134
Accumulated fund for price fluctuation	10,000	10,000	10,000	83
Reserve for advanced depreciation				
of real estate for tax purpose	—	0	7	0
	19,000	19,000	32,111	267
	19,707	19,718	32,588	271
Total appropriation of surplus	47,470	51,314	69,286	576
Unappropriated surplus carried forward	¥23,758	¥27,055	¥23,758	\$197

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 ¥120.17 = US\$1.00, the effective rate of exchange at the balance sheet date of March 31, 2015. 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, 2013, 2014 and 2015 were ¥308 million, ¥271 million and ¥247million (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 Benefit formula
- 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, 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 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, 2013, 2014 and 2015, were written in Notes No. 4 "Financial Instruments."

2. Accounting changes and corrections of past errors

Notes for the fiscal year ended March 31, 2015

From the year ended March 31, 2015, in accordance with the Accounting Standard for Retirement Benefits (ASBJ Statement No. 26, May 17, 2012) and the Guidance on Accounting Standard for Retirement Benefits (ASBJ Guidance No. 25, May 17, 2012), the Company changed from a straight-line basis to a benefit formula as the method for allocation of projected retirement benefits. The Company also changed the method used for determining the discount rate from a discount rate based on the estimated average period until the payment of retirement ben-

efits to a single weighted average discount rate reflecting the estimated payment period and the amount for each estimated period.

As a result, compared with the previous method, unappropriated surplus at the start of the period ended March 31, 2015, decreased by ¥3,297 million (\$27 million). In addition, in the year ended March 31, 2015, ordinary profits and surplus before income taxes increased by ¥39 million (\$329 thousand).

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

Notes for the fiscal year ended March 31, 2014

With the publication of "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.

4. 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 hedge the market risk regarding spot-priced assets. 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, 2013, 2014 and 2015 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.
- (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 ¥35,560 million, ¥7,738 million and ¥7,667 million as of March 31, 2013, ¥35,560 million, ¥7,653 million and ¥7,967 million as of March 31, 2014, and ¥35,560 million (US\$295 million), ¥8,338 million (US\$69 million), and ¥8,693 million (US\$ 72 million) as of March 31, 2015, 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.
- (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 ¥221,052 million and ¥277,714 million as of March 31, 2013, ¥182,229 million and ¥263,688 million as of March 31, 2014, and ¥177,598 million (US\$1,477 million) and ¥274,268 million (US\$2,282 million) as of March 31, 2015, 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 ¥1,275 million, ¥1,192 million, and ¥1,105 million (US\$9 million) as of March 31, 2013, 2014 and 2015, respectively.

6. Securities Lent under Lending Agreements

The amount of securities lent under lending agreements were ¥45,887 million, ¥71,815 million, and ¥50,418 million (US\$419 million) as of March 31, 2013, 2014 and 2015, 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 ¥1,759 million, ¥1,602 million, and ¥1,409 million (US\$11 million) as of March 31, 2013, 2014 and 2015, respectively.

- i) The balances of credits to bankrupt borrowers were ¥217 million, ¥195 million, and ¥194 million (US\$1 million) as of March 31, 2013, 2014 and 2015, respectively.
ii) The balances of delinquent loans were ¥590 million, ¥747 million, and ¥844 million (US\$7 million) as of March 31, 2013, 2014 and 2015, respectively.
iii) There were no balances of delinquent loans past 3 months or more as of March 31, 2013, 2014 and 2015.
iv) The balances of restructured loans were ¥950 million, ¥660 million and ¥370 million (US\$3 million) as of March 31, 2013, 2014 and 2015, respectively.

Credits to bankrupt borrowers represent loans, excluding the bal-

As of March 31,						
2013			2014			
Millions of yen						
	Carrying amount	Fair value	Difference	Carrying amount	Fair value	Difference
Cash and deposits:						
Cash and deposits not treated as securities	¥ —	¥ —	¥ —	¥ 34,633	¥ 34,633	¥ —
Total cash and deposits	—	—	—	34,633	34,633	—
Call loans	70,300	70,300	—	148,700	148,700	—
Monetary claims bought:						
Claims treated as loans	1,111	1,136	25	1,011	1,054	43
Total monetary claims bought	1,111	1,136	25	1,011	1,054	43
Money held in trust:						
Trading securities	30,322	30,322	—	30,981	30,981	—
Total money held in trust	30,322	30,322	—	30,981	30,981	—
Securities:						
Trading securities	258,193	258,193	—	271,060	271,060	—
Held-to-maturity debt securities	822,875	902,871	79,996	843,433	922,909	79,476
Policy-reserve-matching bonds	1,037,091	1,121,931	84,840	1,210,016	1,294,587	84,570
Investments in subsidiaries and affiliates	1,393	948	(444)	1,393	1,096	(296)
Available-for-sale securities	2,386,795	2,386,795	—	2,421,417	2,421,417	—
Total securities	4,506,348	4,670,740	164,392	4,747,321	4,911,071	163,750
Loans:						
Policy loans	66,807	66,807	(0)	65,206	65,206	(0)
Ordinary loans	840,701	866,908	26,207	770,654	793,401	22,747
Total loans	907,508	933,716	26,207	835,860	858,608	22,747
Assets total	—	—	—	5,798,508	5,985,049	186,541
Subordinated bonds* ¹	—	—	—	122,346	126,900	4,554
Liabilities total	—	—	—	122,346	126,900	4,554
Derivative instruments* ² :						
Hedge accounting not applied	331	331	—	(1,920)	(1,920)	—
Hedge accounting applied	(795)	(795)	—	(2,423)	(2,423)	—
Total derivative instruments	¥ (463)	¥ (463)	¥ —	¥ (4,343)	¥ (4,343)	¥ —

As of March 31,						
2015			2015			
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	¥ 96,469	¥ 96,469	¥ —	\$ 802	\$ 802	\$ —
Total cash and deposits	96,469	96,469	—	802	802	—
Call loans	186,500	186,500	—	1,551	1,551	—
Monetary claims bought:						
Claims treated as loans	870	918	47	7	7	0
Total monetary claims bought	870	918	47	7	7	0
Money held in trust:						
Trading securities	33,319	33,319	—	277	277	—
Total money held in trust	33,319	33,319	—	277	277	—
Securities:						
Trading securities	321,079	321,079	—	2,671	2,671	—
Held-to-maturity debt securities	811,903	926,148	114,245	6,756	7,706	950
Policy-reserve-matching bonds	1,215,695	1,346,650	130,954	10,116	11,206	1,089
Investments in subsidiaries and affiliates	1,433	1,236	(196)	11	10	(1)
Available-for-sale securities	2,760,905	2,760,905	—	22,974	22,974	—
Total securities	5,111,017	5,356,020	245,003	42,531	44,570	2,038
Loans:						
Policy loans	63,311	63,311	(0)	526	526	(0)
Ordinary loans	700,588	724,679	24,090	5,829	6,030	200
Total loans	763,900	787,990	24,090	6,356	6,557	200
Assets total	6,192,077	6,461,219	269,141	51,527	53,767	2,239
Subordinated bonds*1	118,959	122,282	3,322	989	1,017	27
Liabilities total	118,959	122,282	3,322	989	1,017	27
Derivative instruments*2:						
Hedge accounting not applied	426	426	—	3	3	—
Hedge accounting applied	821	821	—	6	6	—
Total derivative instruments	¥ 1,247	¥ 1,247	¥ —	\$ 10	\$ 10	\$ —

*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.

ances 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 or of 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, ¥251 million and ¥247 million (US\$2 million) as of March 31, 2013, 2014 and 2015, respectively.

8. Accumulated Depreciation of Tangible Fixed Assets

Accumulated depreciation of tangible fixed assets totaled to ¥142,941 million, ¥145,245 million and ¥149,879 million (US\$1,247 million) as of March 31, 2013, 2014 and 2015, respectively.

9. Separate Accounts

Total assets in separate accounts provided for in Article 118 of the Insurance Business Law were ¥78,815 million, ¥82,680 million and ¥83,004 million (US\$690 million) as of March 31, 2013, 2014 and 2015, respectively. The amounts of separate account liabilities were the same as separate account assets.

10. Receivables from/Payables to Subsidiaries

The total amounts of receivables from/payables to subsidiaries were ¥3,400 million and ¥1,415 million as of March 31, 2013, ¥3,445 million and ¥1,324 million as of March 31, 2014, and ¥3,200 million (US\$26 million) and ¥1,870 million (US\$15 million) as of March 31, 2015, respectively.

11. Income Taxes

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.

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 and ¥117,760 million, respectively. Valuation allowance for deferred tax assets was ¥3,046 million.

Major components of deferred tax assets were ¥56,115

million of policy reserves, ¥13,548 million of reserve for employees' retirement benefits and ¥13,270 million of reserve for price fluctuation of securities as of March 31, 2014.

Major component of deferred tax liabilities was ¥115,552 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.

Deferred tax assets and deferred tax liabilities as of March 31, 2015 were ¥95,962 million (US\$798 million) and ¥178,133 million (US\$1,482 million), respectively. Valuation allowance for deferred tax assets was ¥3,570 million (US\$29 million).

Major components of deferred tax assets were ¥60,473 million (US\$503 million) of policy reserves, ¥13,425 million (US\$111 million) of reserve for price fluctuation of securities and ¥13,384 million (US\$111 million) of reserve for employees' retirement benefits as of March 31, 2015.

Major component of deferred tax liabilities was ¥176,074 million (US\$1,465 million) of net unrealized gains on available-for-sale securities as of March 31, 2015.

The statutory tax rate and the actual effective tax rate for the year ended March 31, 2015 were 30.8% and 26.2%, respectively. The difference between the statutory tax rate and the actual effective tax rate was mainly attributable to -11.0% adjustment relating to reserve for dividends to the policyholders, and +6.5% adjustment relating to the write-down of deferred tax assets at end of period.

Accompanying the promulgation of the "Act for Partial Revision to the Income Tax Act, etc." (Act No. 9, 2015), 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 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 applied was changed to 28.9%. As a result of this change in statutory tax rate, deferred tax liabilities decreased by ¥5,735 million (US\$47 million), and deferred tax liabilities for revaluation reserve for land decreased by ¥989 million (US\$8 million). Deferred income taxes increased by ¥6,043 million (US\$50 million).

12. Reserve for Dividends to Policyholders

Changes in reserve for dividends to policyholders were as follows:

	Years ended March 31,			
	2013	2014	2015	2015
	Millions of yen			Millions of U.S. dollars
Balance at the beginning of current fiscal year.....	¥53,969	¥52,307	¥51,007	\$424
Transfer from surplus in previous fiscal year	23,989	27,762	31,595	262
Dividends paid in the current fiscal year.....	(25,727)	(29,137)	(33,346)	(277)
Increase in interest.....	76	74	54	0
Balance at the current fiscal year	¥52,307	¥51,007	¥49,311	\$410

13. Stocks of Subsidiaries

The amounts of stocks of subsidiaries the Company held were ¥36,953 million, ¥36,953 million and ¥36,994 million (US\$307 million) as of March 31, 2013, 2014 and 2015, respectively.

14. Pledged Assets and Secured Debts

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 of securities and ¥1,241 million of bank deposits. Secured debts as of March 31, 2014 were ¥4,679 million.

Assets pledged as collateral as of March 31, 2015 were ¥33,691 million (US\$280 million) of securities and ¥1,542 million (US\$12 million) of bank deposits. Secured debts as of March 31, 2015 were ¥4,807 million (US\$40 million).

15. 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, ¥4 million and ¥50 million (US\$418 thousand) as of March 31, 2013, 2014 and 2015, 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\$257 thousand) as of March 31, 2013, 2014 and 2015, respectively.

16. 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 ¥219,482 million, ¥263,120 million and

¥438,243 million (US\$3,646 million) as of March 31, 2013, 2014 and 2015, respectively.

17. Additional foundation funds

Notes for the fiscal year ended March 31, 2015

In accordance with Article 60 of the Insurance Business Law, the Company carried out financing of additional foundation funds totaling ¥10,000 million (US\$83 million).

18. Accumulated foundation funds redeemed

Notes for the fiscal year ended March 31, 2015

Accompanying the redemption of foundation funds totaling ¥15,000 million (US\$124 million), in accordance with Article 56 of the Insurance Business Law, the Company transferred the same amount from reserve for redemption of foundation funds to additions to accumulated foundation funds redeemed.

19. Commitment Line

There were unused commitment line agreements under which the Company is the lender of ¥972 million, ¥872 million and ¥12,372 million (US\$102 million) as of March 31, 2013, 2014 and 2015, respectively.

20. Subordinated Bonds

Repayments of subordinated bonds are subordinated to other obligations.

21. 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 ¥10,972 million, ¥10,534 million and ¥10,372 million (US\$86 million) as of March 31, 2013, 2014 and 2015, respectively. The contributions were charged as operating expenses in the year in which they were paid.

22. Reserve for Employees' Retirement Benefits

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

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

(2) Gross amount of retirement benefit expenses for the year ended March 31, 2013 was as follows:

	Year ended March 31, 2013
	Millions of yen
Service cost	¥2,866
Interest cost	1,456
Expected return on pension plan assets	(515)
Amortization of actuarial differences	1,361
Amortization of prior service cost	(38)
	¥5,131

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

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

23. Matters Related to Employees' Retirement Benefits as of March 31, 2014 and 2015

(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	2015	2015
	Millions of yen		Millions of U.S. dollars
Retirement benefit obligation at the beginning of current fiscal year	¥72,507	¥71,618	\$595
Cumulative effects of changes in accounting policies	—	4,763	39
Balance at the beginning of the current fiscal year after reflecting changes in accounting	—	76,381	635
Service cost	2,838	3,088	25
Interest cost	1,448	1,068	8
Actuarial difference occurred during the fiscal year	171	788	6
Retirement benefits payments	(5,347)	(4,601)	(38)
Retirement benefit obligation at the end of current fiscal year	¥71,618	¥76,725	\$638

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

	As of March 31,		
	2014	2015	2015
	Millions of yen		Millions of U.S. dollars
Pension plan assets at the beginning of current fiscal year	¥20,006	¥22,844	\$190
Expected return on pension plan assets	600	685	5
Actuarial difference occurred during the fiscal year	1,333	1,530	12
Contributions by the employer	2,309	2,339	19
Retirement benefits payments	(1,405)	(1,285)	(10)
Pension plan assets at the end of current fiscal year	¥22,844	¥26,114	\$217

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	2015	2015
			Millions of U.S. dollars
	Millions of yen		
a. Funded plan retirement benefit obligation.....	¥ 29,130	¥ 32,625	\$271
b. Pension plan assets.....	(22,844)	(26,114)	(217)
c. (a+b)	6,285	6,510	54
d. Unfunded plan retirement benefit obligation.....	42,487	44,100	366
e. Unrecognized actuarial differences	(6,212)	(4,692)	(39)
f. Unrecognized prior service cost.....	551	475	3
g. Reserve for employees' retirement benefits (c+d+e+f)	¥ 43,112	¥ 46,393	\$386

iv) Breakdown of retirement benefit gains and losses

As of March 31,

	2014	2015	2015
			Millions of U.S. dollars
	Millions of yen		
Service cost.....	¥2,838	¥3,088	\$25
Interest cost	1,448	1,068	8
Expected return on pension plan assets	(600)	(685)	(5)
Amortization of actuarial differences	759	778	6
Amortization of prior service cost.....	(47)	(76)	(0)
Retirement benefit expenses related to defined benefit plan	¥4,399	¥4,173	\$34

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	2015
Life insurance general account.....	45.2%	49.1%
Domestic stocks.....	16.7%	18.3%
Domestic bonds	16.7%	13.5%
Foreign stocks	14.4%	13.1%
Foreign bonds.....	6.1%	5.3%
Others.....	0.9%	0.6%
Total.....	100.0%	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.

vii) Underlying actuarial assumptions

Main underlying actuarial assumptions as of March 31, 2014 and 2015 were as follows:

As of March 31,

	2014	2015
Discount rate	2.0%	1.4%
Expected long-term rate of return on pension plan assets.....	3.0%	3.0%

(3) Defined contribution plan

The required contribution amounts by the Company to the defined contribution plan were ¥184 million and 185 million (US\$1 million) as of March 31, 2014 and 2015.

Starting from the year ended March 31, 2014, the Company began disclosing the required contribution amount to the defined contribution plan.

III. Notes to Statements of Operations

1. Transactions with Subsidiaries

The total amounts of revenues and expenditures in connection with subsidiaries were ¥1,427 million and ¥7,738 million for the year ended March 31, 2013, ¥854 million and ¥8,351 million for

the year ended March 31, 2014 and ¥856 million (US\$7 million) and ¥8,453 million (US\$70 million) for the year ended March 31, 2015, respectively.

2. Gains on Sales of Securities

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

	Years ended March 31,			
	2013	2014	2015	2015
	Millions of yen			Millions of U.S. dollars
Domestic bonds	¥4,732	¥17,369	¥ 8,746	\$ 72
Domestic stocks and others.....	2,220	13,029	3,458	28
Foreign securities	¥ 862	¥ 2,658	¥12,940	\$107

3. Losses on Sales of Securities

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

	Years ended March 31,			
	2013	2014	2015	2015
	Millions of yen			Millions of U.S. dollars
Domestic bonds	¥1,208	¥ 32	¥ 0	\$0
Domestic stocks and others.....	5,729	3,617	259	2
Foreign securities	¥3,429	¥5,639	¥815	\$6

4. Losses on Valuation of Securities

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

	Years ended March 31,			
	2013	2014	2015	2015
	Millions of yen			Millions of U.S. dollars
Domestic bonds	¥ —	¥—	¥ —	\$ —
Domestic stocks and others.....	¥1,009	¥52	¥ 0	\$ 0

5. Policy Reserves for the Reinsurance Contracts

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

For the year ended March 31, 2015, provision for reserve for outstanding claims for ceded reinsurance considered in calculation of reversal for reserve for outstanding claims was ¥46 million (US\$383 thousand), and provision for policy reserve for ceded reinsurance considered in calculation of provision of policy reserve was ¥0 million (US\$4 thousand).

6. Gains (Losses) from Trading Securities

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

	Years ended March 31,			
	2013	2014	2015	2015
	Millions of yen			Millions of U.S. dollars
Interest, dividends and other income	¥ 7,532	¥8,652	¥ 9,075	\$ 75
Gains (Losses) on sales of trading securities	258	(0)	2	0
Gains (Losses) on valuation of trading securities	¥33,508	¥7,200	¥25,399	\$211

7. Gains (Losses) from Money Held in Trust

Gains (Losses) from money held in trust for the years ended March 31, 2013, 2014 and 2015 included valuation gains of ¥0 million, valuation gains of ¥0 million and valuation losses of ¥0 million (US\$0 thousand), respectively.

8. Gains (Losses) from Derivative Instruments

Gains (Losses) from derivative instruments for the years ended March 31, 2013, 2014 and 2015 included valuation gains of ¥1,774 million, valuation gains of ¥2,251 million and valuation gains of ¥2,346 million (US\$19 million), respectively.

9. Impairment Losses of Fixed Assets

For the year ended March 31, 2013, 2014 and 2015, 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	2015	2015
	Millions of yen			Millions of U.S. dollars
Real estate for rent:				
Land.....	¥183	¥1,541	¥296	\$2
Buildings and others	26	140	136	1
Total real estate for rent (i)	210	1,682	432	3
Unused real estate:				
Land.....	177	35	235	1
Buildings and others	212	58	30	0
Total unused real estate (ii)	390	93	266	2
Total:				
Land.....	361	1,577	531	4
Buildings and others	239	198	167	1
Total (i)+(ii)	600	¥1,775	¥698	\$5

(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.

Report of Independent Auditors

Report of Independent Auditors

May 20, 2015

The Board of Directors of
Fukoku Mutual Life Insurance Company

Kisaragi Audit Corporation


Designated and engagement partner

Certified Public Accountant


Yoshio Sato

Designated and engagement partner

Certified Public Accountant


Masashi Okubo

We have audited the accompanying non-consolidated balance sheets of Fukoku Mutual Life Insurance Company (the "Company") as of March 31, 2015, 2014 and 2013, 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 non-consolidated 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, 2015, 2014 and 2013, 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, 2015.

Consolidated Financial Statements

Consolidated Balance Sheets

Fukoku Mutual Life Insurance Company and consolidated subsidiaries
As of March 31, 2013, 2014 and 2015

As of March 31,				
	2013	2014	2015	2015
	Millions of yen			Millions of U.S. dollars
Assets:				
Cash and deposits	¥ 72,868	¥ 91,021	¥ 154,319	\$ 1,284
Call loans	70,300	148,700	186,500	1,551
Monetary claims bought	1,111	1,011	870	7
Money held in trust	31,322	31,981	34,319	285
Securities	6,108,723	6,406,927	6,881,578	57,265
Loans	910,657	839,244	767,293	6,385
Tangible fixed assets:				
Land.....	160,528	132,912	132,261	1,100
Buildings.....	105,882	95,148	91,048	757
Lease assets.....	1,430	1,159	954	7
Construction in progress	1,297	280	630	5
Other tangible fixed assets.....	3,089	2,992	3,025	25
	272,228	232,492	227,919	1,896
Intangible fixed assets:				
Software.....	12,321	11,339	11,613	96
Goodwill.....	3,855	3,091	2,328	19
Lease assets.....	2,271	1,659	1,102	9
Other intangible fixed assets.....	279	279	279	2
	18,727	16,369	15,323	127
Agency receivables.....	6	1	4	0
Reinsurance receivables	56	94	107	0
Other assets	54,698	51,065	59,659	496
Deferred tax assets	362	1,041	640	5
Allowance for possible loan losses	(2,201)	(2,281)	(1,948)	(16)
Total assets	¥7,538,862	¥7,817,668	¥8,326,588	\$69,290

See notes to the consolidated financial statements.

As of March 31,

	2013	2014	2015	2015
	Millions of yen			Millions of U.S. dollars
Liabilities:				
Policy reserves:				
Reserve for outstanding claims	¥ 24,663	¥ 25,170	¥ 23,501	\$ 195
Policy reserve	6,779,259	6,918,429	7,160,599	59,587
Reserve for dividends to policyholders	52,307	51,007	49,311	410
Reserve for dividends to policyholders (subsidiary).....	697	735	707	5
	6,856,928	6,995,343	7,234,120	60,199
Agency payables	375	339	377	3
Reinsurance payables	113	113	125	1
Subordinated bonds	66,187	122,346	118,959	989
Other liabilities	53,918	57,036	59,240	492
Reserve for employees' retirement benefits	45,153	—	—	—
Net defined benefit liabilities	—	48,840	50,691	421
Reserve for price fluctuation of securities	46,625	50,325	55,177	459
Deferred tax liabilities	16,938	27,502	84,524	703
Deferred tax liabilities for revaluation reserve for land	16,119	15,929	14,787	123
Total liabilities	7,102,360	7,317,778	7,618,005	63,393
Net assets:				
Foundation funds	35,000	35,000	30,000	249
Accumulated foundation funds redeemed	71,000	71,000	86,000	715
Reserve for revaluation	112	112	112	0
Consolidated surplus	102,904	126,584	145,942	1,214
Total foundation funds, surplus and others	209,016	232,696	262,054	2,180
Net unrealized gains (losses) on available-for-sale securities, net of tax	219,719	263,161	440,109	3,662
Deferred valuation gains (losses) under hedge accounting	62	2	0	0
Revaluation reserve for land, net of tax	3,421	3,144	3,894	32
Foreign currency translation adjustment	(635)	(261)	(52)	(0)
Accumulated remeasurements of defined benefit plans	—	(3,918)	(3,000)	(24)
Total accumulated other comprehensive income	222,569	262,127	440,951	3,669
Minority interests	4,916	5,066	5,576	46
Total net assets	436,502	499,890	708,582	5,896
Total liabilities and net assets	¥7,538,862	¥7,817,668	¥8,326,588	\$69,290

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, 2013, 2014 and 2015

	Years ended March 31,			
	2013	2014	2015	2015
	Millions of yen			Millions of U.S. dollars
Ordinary revenues:				
Premium and other income	¥ 862,225	¥ 707,044	¥ 796,458	\$6,627
Investment income:				
Interest, dividends and other income	139,897	149,176	159,905	1,330
Gains from money held in trust, net	1,157	669	2,349	19
Gains from trading securities, net	38,498	19,402	35,232	293
Gains on sales of securities	8,290	34,672	27,310	227
Foreign exchange gains, net	907	2,214	2,041	16
Reversal of allowance for possible loan losses	—	—	270	2
Other investment income	1,230	279	59	0
Gains from separate accounts, net	10,075	10,417	11,869	98
	200,056	216,832	239,037	1,989
Other ordinary revenues	10,854	11,743	11,728	97
Total ordinary revenues	1,073,135	935,620	1,047,224	8,714
Ordinary expenditures:				
Claims and other payments:				
Claims	171,223	138,689	116,788	971
Annuities	101,713	135,437	156,377	1,301
Benefits	136,427	131,069	128,295	1,067
Surrenders	109,133	114,188	116,806	972
Other payments	32,179	33,444	28,694	238
	550,677	552,830	546,964	4,551
Provision for policy reserve and others:				
Provision for reserve for outstanding claims	514	507	—	—
Provision for policy reserve	268,449	139,169	242,170	2,015
Interest on accumulated dividends to policyholders	76	74	54	0
Interest on accumulated dividends to policyholders (subsidiary).....	0	0	0	0
	269,040	139,752	242,225	2,015
Investment expenses:				
Interest expenses.....	1,801	3,655	4,267	35
Losses on sales of securities	10,790	9,289	1,075	8
Losses on valuation of securities	1,009	52	0	0
Losses from derivative instruments, net	34,773	25,116	18,679	155
Provision for allowance for possible loan losses	74	56	—	—
Depreciation of real estate for rent and other assets	5,802	5,082	4,877	40
Other investment expenses	4,820	5,751	5,673	47
	59,072	49,005	34,572	287
Operating expenses	99,232	95,278	97,209	808
Other ordinary expenditures	22,244	22,313	24,646	205
Total ordinary expenditures	1,000,266	859,179	945,618	7,869
Ordinary profits	¥ 72,868	¥ 76,441	¥ 101,606	\$ 845

	Years ended March 31,			
	2013	2014	2015	2015
	Millions of yen			Millions of U.S. dollars
Extraordinary gains:				
Gains on disposal of fixed assets	¥ 60	¥ 2,005	¥ 6	\$ 0
Total extraordinary gains	60	2,005	6	0
Extraordinary losses:				
Losses on disposal of fixed assets	395	7,314	167	1
Impairment losses	600	1,775	698	5
Provision for reserve for price fluctuation of securities	8,441	3,700	4,851	40
Other extraordinary losses	2	—	—	—
Total extraordinary losses	9,439	12,791	5,718	47
Provision for reserve for dividends to policyholders (subsidiary)	455	542	483	4
Surplus before income taxes	63,034	65,112	95,411	793
Income taxes:				
Current	15,138	20,867	28,933	240
Deferred	(2,499)	(7,773)	(3,318)	(27)
Total income taxes	12,639	13,093	25,614	213
Net surplus before minority interests	50,395	52,019	69,796	580
Minority interests	128	236	163	1
Net surplus for the year	¥50,267	¥51,782	¥69,633	\$579

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, 2013, 2014 and 2015

	Years ended March 31,			
	2013	2014	2015	2015
	Millions of yen			Millions of U.S. dollars
Net surplus before minority interests	¥ 50,395	¥52,019	¥ 69,796	\$ 580
Other comprehensive income:				
Net unrealized gains (losses) on available-for-sale securities, net of tax.....	151,291	43,367	177,308	1,475
Deferred valuation gains (losses) under hedge accounting, net of tax.....	(107)	(60)	(2)	(0)
Revaluation reserve for land, net of tax.....	(17)	3	989	8
Foreign currency translation adjustment	193	373	208	1
Remeasurements of defined benefit plans, net of tax...	—	—	918	7
	151,359	43,684	179,422	1,493
Comprehensive income attributable to:				
Parent company.....	201,248	95,541	248,696	2,069
Minority interests	507	162	522	4
	¥201,755	¥95,703	¥249,218	\$2,073

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, 2013, 2014 and 2015

	Years ended March 31,			
	2013	2014	2015	2015
	Millions of yen			Millions of U.S. dollars
Cash flows from operating activities:				
Surplus before income taxes	¥ 63,034	¥ 65,112	¥ 95,411	\$ 793
Depreciation of real estate for rent and other assets	5,802	5,082	4,877	40
Depreciation	6,528	7,109	7,323	60
Impairment losses	600	1,775	698	5
Amortization of goodwill	763	763	763	6
Increase (decrease) in reserve for outstanding claims	514	507	(1,669)	(13)
Increase (decrease) in policy reserve	268,449	139,169	242,170	2,015
Interest on accumulated dividends to policyholders	76	74	54	0
Interest on accumulated dividends to policyholders (subsidiary)	0	0	0	0
Provision for reserve for dividends to policyholders (subsidiary)	455	542	483	4
Increase (decrease) in allowance for possible loan losses	(74)	80	(333)	(2)
Increase (decrease) in reserve for employees' retirement benefits	(1,231)	—	—	—
Increase (decrease) in net defined benefit liabilities.....	—	(1,973)	(1,467)	(12)
Increase (decrease) in reserve for price fluctuation of securities	8,441	3,700	4,851	40
Interest, dividends and other income	(139,897)	(149,176)	(159,905)	(1,330)
(Gains) losses on securities	(11,447)	(30,702)	(57,006)	(474)
Interest expenses	1,801	3,655	4,267	35
Foreign exchange (gains) losses, net	(907)	(2,214)	(2,041)	(16)
(Gains) losses on tangible fixed assets	174	5,130	144	1
(Increase) decrease in agency receivables	0	5	(3)	(0)
(Increase) decrease in reinsurance receivables	67	(37)	(12)	(0)
(Increase) decrease in other assets except from investing and financing activities	145	(880)	(2,196)	(18)
Increase (decrease) in agency payables	(184)	(36)	37	0
Increase (decrease) in reinsurance payables	24	(0)	12	0
Increase (decrease) in other liabilities except from investing and financing activities	(1,494)	(2,568)	(76)	(0)
Others	16,632	17,015	15,712	130
Subtotal	218,275	62,135	152,096	1,265
Interest, dividends and other income received	146,798	159,741	171,494	1,427
Interest paid	(1,392)	(3,430)	(4,308)	(35)
Dividends to policyholders paid	(25,727)	(29,137)	(33,346)	(277)
Dividends to policyholders paid (subsidiary)	(406)	(504)	(511)	(4)
Corporate income tax (paid) refunded	(7,647)	(17,291)	(25,145)	(209)
Net cash provided by (used in) operating activities (I)	329,899	171,511	260,278	2,165
Cash flows from investing activities:				
(Increase) decrease in deposits	(191)	(684)	(146)	(1)
Proceeds from sales and redemption of monetary claims bought	220	98	141	1
Payments for increase in money held in trust	—	(2,000)	—	—
Proceeds from decrease in money held in trust	5,034	1,999	—	—
Payments for purchase of securities	(1,048,127)	(867,499)	(673,696)	(5,606)
Proceeds from sales and redemption of securities	638,224	700,791	546,073	4,544
Payments for additions to loans	(94,197)	(86,787)	(58,621)	(487)
Proceeds from collections of loans	214,939	148,350	121,587	1,011
Proceeds from settlement of derivatives	(37,627)	(21,671)	(21,481)	(178)
Others	(24,962)	(20,399)	(60,284)	(501)
Subtotal (IIa)	(346,686)	(147,800)	(146,427)	(1,218)
(I+IIa)	¥ (16,787)	¥ 23,710	¥ 113,851	\$ 947

	Years ended March 31,			
	2013	2014	2015	2015
	Millions of yen			Millions of U.S. dollars
Payments for purchase of tangible fixed assets	¥ (4,704)	¥ (4,607)	¥ (3,357)	\$ (27)
Proceeds from sales of tangible fixed assets	444	30,441	147	1
Payments for purchase of intangible fixed assets	(3,616)	(2,777)	(3,343)	(27)
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	(354,721)	(124,744)	(152,980)	(1,273)
Cash flows from financing activities:				
Financing of subordinated bonds	30,000	49,870	—	—
Financing of additional foundation funds	—	—	10,000	83
Redemption of foundation funds	—	—	(15,000)	(124)
Interest payment for foundation funds	(621)	(621)	(621)	(5)
Dividends paid to minority interests	(12)	(12)	(12)	(0)
Payments for lease obligations	(518)	(752)	(740)	(6)
Net cash provided by (used in) financing activities	28,847	48,483	(6,374)	(53)
Effect of exchange rate changes on cash and cash equivalents	67	526	(50)	(0)
Net increase (decrease) in cash and cash equivalents	4,091	95,777	100,872	839
Cash and cash equivalents at the beginning of the year ..	138,504	142,596	238,373	1,983
Cash and cash equivalents at the end of the year	¥ 142,596	¥ 238,373	¥ 339,246	\$ 2,823

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, 2013, 2014 and 2015

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

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
Year ended March 31, 2015					
Balance at the beginning of current fiscal year.....	¥35,000	¥71,000	¥112	¥126,584	¥232,696
Cumulative effects of changes in accounting policiess.....				(3,297)	(3,297)
Restated balance.....	35,000	71,000	112	123,286	229,399
Changes in the current fiscal year					
Issuance of foundation funds	10,000				10,000
Additions to reserve for dividends to policyholders.....				(31,595)	(31,595)
Additions to accumulated foundation funds redeemed.....		15,000			15,000
Payment of interest on foundation funds				(621)	(621)
Net surplus for the year.....				69,633	69,633
Redemption of foundation funds.....	(15,000)				(15,000)
Reversal of reserve for redemption of foundation funds.....				(15,000)	(15,000)
Reversal of revaluation reserve for land				239	239
Net changes, excluding foundation funds, surplus and others.....					
Total changes in the current fiscal year	(5,000)	15,000	—	22,655	32,655
Balance at the end of current fiscal year	¥30,000	¥86,000	¥112	¥145,942	¥262,054

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	
Year ended March 31, 2015								
Balance at the beginning of current fiscal year.....	¥263,161	¥2	¥3,144	¥(261)	¥(3,918)	¥262,127	¥5,066	¥499,890
Cumulative effects of changes in accounting policies								(3,297)
Restated balance.....	263,161	2	3,144	(261)	(3,918)	262,127	5,066	496,593
Changes in the current fiscal year								
Issuance of foundation funds								10,000
Additions to reserve for dividends to policyholders								(31,595)
Additions to accumulated foundation funds redeemed								15,000
Payment of interest on foundation funds.....								(621)
Net surplus for the year.....								69,633
Redemption of foundation funds.....								(15,000)
Reversal of reserve for redemption of foundation funds.....								(15,000)
Reversal of revaluation reserve for land.....								239
Net changes, excluding foundation funds, surplus and others.....	176,948	(2)	750	208	918	178,823	510	179,333
Total changes in the current fiscal year.....	176,948	(2)	750	208	918	178,823	510	211,988
Balance at the end of current fiscal year.....	¥440,109	¥0	¥3,894	¥ (52)	¥(3,000)	¥440,951	¥5,576	¥708,582

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
Year ended March 31, 2015					
Balance at the beginning of current fiscal year.....	\$291	\$590	\$0	\$1,053	\$1,936
Cumulative effects of changes in accounting policiess.....				(27)	(27)
Restated balance.....	291	590	0	1,025	1,908
Changes in the current fiscal year					
Issuance of foundation funds	83				83
Additions to reserve for dividends to policyholders.....				(262)	(262)
Additions to accumulated foundation funds redeemed.....		124			124
Payment of interest on foundation funds				(5)	(5)
Net surplus for the year				579	579
Redemption of foundation funds.....	(124)				(124)
Reversal of reserve for redemption of foundation funds.....				(124)	(124)
Reversal of revaluation reserve for land				1	1
Net changes, excluding foundation funds, surplus and others.....					
Total changes in the current fiscal year	(41)	124	—	188	271
Balance at the end of current fiscal year	\$249	\$715	\$0	\$1,214	\$2,180

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	
Year ended March 31, 2015								
Balance at the beginning of current fiscal year	\$2,189	\$0	\$26	\$(2)	\$(32)	\$2,181	\$42	\$4,159
Cumulative effects of changes in accounting policies								(27)
Restated balance.....	2,189	0	26	(2)	(32)	2,181	42	4,132
Changes in the current fiscal year								
Issuance of foundation funds								83
Additions to reserve for dividends to policyholders								(262)
Additions to accumulated foundation funds redeemed								124
Payment of interest on foundation funds.....								(5)
Net surplus for the year								579
Redemption of foundation funds.....								(124)
Reversal of reserve for redemption of foundation funds.....								(124)
Reversal of revaluation reserve for land.....								1
Net changes, excluding foundation funds, surplus and others.....	1,472	(0)	6	1	7	1,488	4	1,492
Total changes in the current fiscal year.....	1,472	(0)	6	1	7	1,488	4	1,764
Balance at the end of current fiscal year.....	\$3,662	\$0	\$32	\$(0)	\$(24)	\$3,669	\$46	\$5,896

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 Fukuoku 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 ¥120.17 = US\$1.00, the effective rate of exchange at the balance sheet date of March 31, 2015. 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, 2013, 2014 and 2015 are listed below:

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

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

Major unconsolidated subsidiary is Fukuoku 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 Fukuoku 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, 2013, 2014 and 2015.

(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 (excluding the shares of unconsolidated subsidiaries and affiliates) are translated into Japanese yen at the effective exchange rate prevailing at the balance sheet date. The shares of unconsolidated subsidiaries and affiliates are translated into Japanese yen at the effective exchange rate prevailing on the day the shares were acquired.

(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, 2013, 2014 and 2015 were ¥308 million, ¥271 million and ¥247 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 Benefit formula
- 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 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, 2013, 2014 and 2015 were written in Notes No. 4 "Financial Instruments."

2. Accounting changes and corrections of past errors

(1) Notes for the fiscal year ended March 31, 2014

Effective from the fiscal year ended March 31, 2014, in accordance with "Accounting Standard for Retirement Benefits" (Accounting Standards Board of Japan (ASBJ) Statement No. 26, May 17, 2012, excluding the provision of article 35) and "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 as net defined benefit liabilities and accumulated other comprehensive income decreased by ¥3,918 million.

(2) Notes for the fiscal year ended March 31, 2015

Effective from the fiscal year ended March 31, 2015, in accordance with "Accounting Standard for Retirement Benefits" (Accounting Standards Board of Japan (ASBJ) Statement No. 26, May 17, 2012, and "Guidance on Accounting Standard for Retirement Benefits" (ASBJ Guidance No. 25, May 17, 2012), the Company and its consolidated subsidiaries changed from a straight-line basis to a benefit formula as the method for allocation of projected retirement benefits. The Company and its consolidated subsidiaries also changed the method used for determining the discount rate from a discount rate based on the estimated average period until the payment of retirement benefits to a single weighted average discount rate reflecting the estimated payment period and the amount for each estimated period.

As a result, compared with the previous method, unappropriated surplus at the start of the period ended March 31, 2015, decreased by ¥3,297 million (\$27 million). In addition, in the year ended March 31, 2015, ordinary profits and surplus before income taxes increased by ¥39 million (\$329 thousand).

3. The Principal Accounting Standards Published before March 31, 2014 and 2015 but not Applied are as follows.

(1) Notes for the fiscal year ended March 31, 2014

With the publication of "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) Notes for the fiscal year ended March 31, 2015

With the publication of "Accounting Standard for Business Combinations" (Accounting Standards Board of Japan (ASBJ) Statement No. 21, September 13, 2013), "Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures" (ASBJ Guidance No.10, September 13, 2013), and "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 hedge the market risk regarding spot-priced assets. 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, 2013, 2014 and 2015, were as follows:

	As of March 31,					
	2013			2014		
	Millions of yen					
	Carrying amount	Fair value	Difference	Carrying amount	Fair value	Difference
Cash and deposits:						
Cash and deposits not treated as securities	¥ —	¥ —	¥ —	¥ 90,886	¥ 90,886	¥ —
Total cash and deposits	—	—	—	90,886	90,886	—
Call loans	—	—	—	148,700	148,700	—
Monetary claims bought:						
Claims treated as loans.....	1,111	1,136	25	1,011	1,054	43
Total monetary claims bought.....	1,111	1,136	25	1,011	1,054	43
Money held in trust:						
Trading securities.....	30,322	30,322	—	30,981	30,981	—
Total money held in trust	30,322	30,322	—	30,981	30,981	—
Securities:						
Trading securities.....	258,193	258,193	—	271,060	271,060	—
Held-to-maturity debt securities.....	1,230,032	1,348,605	118,573	1,265,332	1,379,802	114,470
Policy-reserve-matching bonds	1,888,162	2,036,166	148,003	2,071,506	2,214,902	143,395
Available-for-sale securities.....	2,640,657	2,640,657	—	2,704,248	2,704,248	—
Total securities.....	6,017,045	6,283,622	266,577	6,312,148	6,570,014	257,865
Loans:						
Policy loans	69,956	69,956	(0)	68,590	68,590	(0)
Ordinary loans	840,701	866,908	26,207	770,654	793,401	22,747
Total loans.....	910,657	936,865	26,207	839,244	861,991	22,747
Assets total.....	—	—	—	7,422,971	7,703,628	280,656
Subordinated bonds* ¹	—	—	—	122,346	126,900	4,554
Liabilities total.....	—	—	—	122,346	126,900	4,554
Derivative instruments* ² :						
Hedge accounting not applied	331	331	—	(1,920)	(1,920)	—
Hedge accounting applied.....	(795)	(795)	—	(2,423)	(2,423)	—
Total derivative instruments.....	¥ (463)	¥ (463)	¥ —	¥ (4,343)	¥ (4,343)	¥ —

	As of March 31,					
	2015			2015		
	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	¥ 154,273	¥ 154,273	¥ —	\$ 1,283	\$ 1,283	\$ —
Total cash and deposits	154,273	154,273	—	1,283	1,283	—
Call loans	186,500	186,500	—	1,551	1,551	—
Monetary claims bought:						
Claims treated as loans	870	918	47	7	7	0
Total monetary claims bought	870	918	47	7	7	0
Money held in trust:						
Trading securities	33,319	33,319	—	277	277	—
Total money held in trust	33,319	33,319	—	277	277	—
Securities:						
Trading securities	321,079	321,079	—	2,671	2,671	—
Held-to-maturity debt securities	1,278,101	1,453,799	175,697	10,635	12,097	1,462
Policy-reserve-matching bonds	2,124,231	2,330,260	206,029	17,676	19,391	1,714
Investments in subsidiaries and affiliates	40	43	3	0	0	0
Available-for-sale securities	3,063,228	3,063,228	—	25,490	25,490	—
Total securities	6,786,681	7,168,411	381,730	56,475	59,652	3,176
Loans:						
Policy loans	66,704	66,704	(0)	555	555	(0)
Ordinary loans	700,588	724,679	24,090	5,829	6,030	200
Total loans	767,293	791,383	24,090	6,385	6,585	200
Assets total	7,928,939	8,334,807	405,868	65,981	69,358	3,377
Subordinated bonds*1	118,959	122,282	3,322	989	1,017	27
Liabilities total	118,959	122,282	3,322	989	1,017	27
Derivative instruments*2:						
Hedge accounting not applied	426	426	—	3	3	—
Hedge accounting applied	821	821	—	6	6	—
Total derivative instruments	¥ 1,247	¥ 1,247	¥ —	\$ 10	\$ 10	\$ —

*1 The fair value of derivative instruments that are currency swaps under designated hedge accounting is included in the fair value of subordinated bonds because it is accounted for as an integral part of the subordinated bonds that are the hedge items.

*2 Assets and liabilities generated by derivative instruments are offset and presented net. Net liabilities in total are presented in brackets.

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

- (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 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 ¥519 million, ¥7,738 million and ¥7,667 million as of March 31, 2013, ¥519 million, ¥7,653 million and ¥7,967 million as of March 31, 2014 and ¥519 million (US\$4 million), ¥8,338 million (US\$69 million) and ¥8,693 million (US\$72 million) as of March 31, 2015, 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, for values and related differences of subordinated bonds have been disclosed as of March 31, 2014.

- (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 ¥216,722 million and ¥273,809 million as of March 31, 2013, ¥180,400 million and ¥261,345 million as of March 31, 2014 and ¥175,807 million (US\$1,462 million) and ¥271,909 million (US\$2,262 million) as of March 31, 2015, 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 ¥1,256 million, ¥1,176, million and ¥1,090 million (US\$9 million) as of March 31, 2013, 2014 and 2015, respectively.

6. Securities Lent under Lending Agreements

The amount of securities lent under lending agreements were ¥45,887 million, ¥71,815 million and ¥50,418 million (US\$419 million) as of March 31, 2013, 2014 and 2015, 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 ¥1,759 million, ¥1,603 million and ¥1,414 million (US\$11 million) as of March 31, 2013, 2014 and 2015, respectively.

- i) The balances of credits to bankrupt borrowers were ¥218 million, ¥195 million and ¥199 million (US\$1 million) as of March 31, 2013, 2014 and 2015, respectively.
- ii) The balances of delinquent loans were ¥590 million, ¥747 million and ¥844 million (US\$7 million) as of March 31, 2013, 2014 and 2015, respectively.
- iii) There were no balances of delinquent loans past 3 months or more as of March 31, 2013, 2014 and 2015, respectively.
- iv) The balances of restructured loans were ¥950 million, ¥660 million and ¥370 million (US\$3 million) as of March 31, 2013, 2014 and 2015, 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 ¥1 million, ¥251 million and ¥247 million (US\$2 million) as of March 31, 2013, 2014 and 2015, respectively.

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

8. Accumulated Depreciation of Tangible Fixed Assets

Accumulated depreciation of tangible fixed assets totaled to ¥143,241 million, ¥145,599 million and ¥150,284 million (US\$1,250 million) as of March 31, 2013, 2014 and 2015, respectively.

9. Separate Accounts

Total assets in separate accounts provided for in Article 118 of the Insurance Business Law were ¥78,815 million, ¥82,680 million and ¥83,004 million (US\$690 million) as of March 31, 2013, 2014 and 2015, 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 ¥3,247 million and ¥184 million as of March 31, 2013, ¥3,288 million and ¥182 million as of March 31, 2014 and ¥3,045 million (US\$25 million) and ¥185 million (US\$1 million) as of March 31, 2015, respectively.

11. Income Taxes

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 and ¥119,541 million, respectively. Valuation allowance for deferred tax assets was ¥3,181 million.

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

Major component of deferred tax liabilities was ¥117,327 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.

Deferred tax assets and deferred tax liabilities as of March 31, 2015 were ¥100,730 million (US\$838 million) and ¥180,921 million (US\$1,505 million), respectively. Valuation allowance for deferred tax assets was ¥3,693 million (US\$30 million).

Major components of deferred tax assets were ¥61,093 million (US\$508 million) of policy reserves, ¥15,918 million (US\$132 million) of reserve for price fluctuation of securities and ¥14,627 million (US\$121 million) of net defined benefit liabilities as of March 31, 2015.

Major component of deferred tax liabilities was ¥178,857 million (US\$1,488 million) of net unrealized gains on available-for-sale securities as of March 31, 2015.

The statutory tax rate and the actual effective tax rate for the year ended March 31, 2015 were 30.8% and 26.8%, respectively. The major differences between the statutory tax rate and the actual effective tax rate was (10.8%) of reserve for dividends to the policyholders and +6.6% of the write-down of deferred tax assets at end of period.

Accompanying the promulgation of the "Act for Partial Revision to the Income Tax Act, etc." (Act No. 9, 2015), 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 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 28.9% is used. As a result of this change in statutory tax rate, deferred tax assets decreased ¥44 million (US\$373 thousand), deferred tax liabilities decreased by ¥5,735 million (US\$47 million), and deferred tax liabilities for revaluation reserve for land decreased by ¥989 million (US\$8 million). Deferred income taxes increased by ¥6,274 million (US\$52 million).

12. Reserve for Dividends to Policyholders

Changes in reserve for dividends to policyholders were as follows:

	Years ended March 31,			
	2013	2014	2015	2015
	Millions of yen			Millions of U.S. dollars
Balance at the beginning of current fiscal year.....	¥53,969	¥52,307	¥51,007	\$424
Transfer from surplus in previous fiscal year	23,989	27,762	31,595	262
Dividends paid in the current fiscal year.....	(25,727)	(29,137)	(33,346)	(277)
Increase in interest.....	76	74	54	0
Balance at the current fiscal year	¥52,307	¥51,007	¥49,311	\$410

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

Changes in reserve for dividends to policyholders were as follows:

	Years ended March 31,			
	2013	2014	2015	2015
	Millions of yen			Millions of U.S. dollars
Balance at the beginning of current fiscal year.....	¥648	¥697	¥735	\$6
Dividends paid in the current fiscal year.....	(406)	(504)	(511)	(4)
Increase in interest.....	0	0	0	0
Provision for reserve for dividends to policyholders.....	455	542	483	4
Balance at the current fiscal year	¥697	¥735	¥707	\$5

14. Stocks of Unconsolidated Subsidiaries

The amounts of stocks of unconsolidated subsidiaries the Company held as of March 31, 2013, 2014 and 2015 were ¥519 million, ¥519 million and ¥560 million (US\$4 million), respectively.

15. Pledged Assets and Secured Debts

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 of securities and ¥1,241 million of bank deposits. Secured debts as of March 31, 2014 were ¥4,679 million.

Assets pledged as collateral as of March 31, 2015 were ¥33,691 million (US\$280 million) of securities and ¥1,542 million (US\$12 million) of bank deposits. Secured debts as of March 31, 2015 were ¥4,807 million (US\$40 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 ¥1 million, ¥4 million and ¥50 million (US\$418 thousand) as of March 31, 2013, 2014 and 2015, respectively.

Policy reserve for the reinsurance contracts provided in ac-

cordance with Article 71 Paragraph 1 of the Enforcement Regulation of the Insurance Business Law (hereinafter called "policy reserve for ceded reinsurance") were ¥52 million, ¥50 million and ¥51 million (US\$431 thousand) as of March 31, 2013, 2014 and 2015, respectively.

17. Additional foundation funds

Notes for the fiscal year ended March 31, 2015

In accordance with Article 60 of the Insurance Business Law, the Company carried out financing of additional foundation funds totaling ¥10,000 million (US\$83 million).

18. Accumulated foundation funds redeemed

Notes for the fiscal year ended March 31, 2015

Accompanying the redemption of foundation funds totaling ¥15,000 million (US\$124 million), in accordance with Article 56 of the Insurance Business Law, the Company transferred the same amount from reserve for redemption of foundation funds to accumulated foundation funds redeemed.

19. Commitment Line

As of March 31, 2013, 2014 and 2015, there were unused commitment line agreements under which the Company is the lender of ¥972 million, ¥872 million and ¥2,372 million (US\$19 million), respectively.

20. Subordinated Bonds

Repayments of subordinated bonds are subordinated to other obligations.

21. Contribution to Policyholders Protection Corporation

The future contribution to the Life Insurance Policyholders Pro-

tection Corporation of Japan under Article 259 of the Insurance Business Law were estimated at ¥12,561 million, ¥12,453 million and ¥12,395 million (US\$103 million) as of March 31, 2013, 2014 and 2015, respectively. The contributions were charged as operating expenses in the year in which they were paid.

22. Reserve for Employees' Retirement Benefits

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

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

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

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

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

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

23. Matters Related to Employees' Retirement Benefits as of March 31, 2014 and 2015

(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	2015	2015
	Millions of yen		Millions of U.S. dollars
Retirement benefit obligation at the beginning of current fiscal year.....	¥72,695	¥71,685	\$596
Cumulative effects of changes in accounting policies.....	—	4,763	39
Balance at the beginning of the current fiscal year after reflecting changes in accounting.....	—	76,448	636
Service cost.....	2,852	3,106	25
Interest cost.....	1,448	1,068	8
Actuarial difference occurred during the fiscal year.....	171	788	6
Retirement benefits payments.....	(5,349)	(4,605)	(38)
Others.....	(134)	—	—
Retirement benefit obligation at the end of current fiscal year.....	¥71,685	¥76,806	\$639

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

	As of March 31,		
	2014	2015	2015
	Millions of yen		Millions of U.S. dollars
Pension plan assets at the beginning of current fiscal year.....	¥20,006	¥22,844	\$190
Expected return on pension plan assets.....	600	685	5
Actuarial difference occurred during the fiscal year.....	1,333	1,530	12
Contributions by the employer.....	2,309	2,339	19
Retirement benefits payments.....	(1,405)	(1,285)	(10)
Pension plan assets at the end of current fiscal year.....	¥22,844	¥26,114	\$217

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	2015	2015
	Millions of yen		Millions of U.S. dollars
a. Funded plan retirement benefit obligation.....	¥ 29,130	¥ 32,625	\$ 271
b. Pension plan assets.....	(22,844)	(26,114)	(217)
c. (a+b).....	6,285	6,510	54
d. Unfunded plan retirement benefit obligation.....	42,554	44,181	367
e. Net amount of liabilities and assets presented on the consolidated balance sheets.....	48,840	50,691	421
f. Net defined benefit liabilities.....	48,840	50,691	421
g. Net defined benefit assets.....	—	—	—
h. Net amount of liabilities and assets presented on the consolidated balance sheets.....	¥ 48,840	¥ 50,691	\$ 421

iv) Breakdown of retirement benefit gains and losses

	As of March 31,		
	2014	2015	2015
	Millions of yen		Millions of U.S. dollars
Service cost.....	¥2,852	¥3,106	\$25
Interest cost.....	1,448	1,068	8
Expected return on pension plan assets.....	(600)	(685)	(5)
Amortization of actuarial differences.....	759	778	6
Amortization of prior service cost.....	(47)	(76)	(0)
Retirement benefit expenses related to defined benefit plan.....	¥4,413	¥4,192	\$34

v) Accumulated adjustments of defined benefit plan

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

	As of March 31,		
	2014	2015	2015
	Millions of yen		Millions of U.S. dollars
Amortization of actuarial differences	—	¥1,520	\$12
Amortization of prior service cost	—	(76)	(0)
Total	—	¥1,444	\$12

vi) Accumulated remeasurements of defined benefit plan

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

	As of March 31,		
	2014	2015	2015
	Millions of yen		Millions of U.S. dollars
Unrecognized actuarial differences	¥(6,212)	¥(4,692)	\$(39)
Unrecognized prior service cost	551	475	3
Total	¥(5,661)	¥(4,217)	\$(35)

vii) 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	2015
Life insurance general account	45.2%	49.1%
Domestic stocks	16.7%	18.3%
Domestic bonds	16.7%	13.5%
Foreign stocks	14.4%	13.1%
Foreign bonds	6.1%	5.3%
Others	0.9%	0.6%
Total	100.0%	100.0%

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

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

ix) Underlying actuarial assumptions

Main underlying actuarial assumptions as of March 31, 2014 and 2015 were as follows:

	As of March 31,	
	2014	2015
Discount rate	2.0%	1.4%
Expected long-term rate of return on pension plan assets	3.0%	3.0%

(3) Defined contribution plan

The required contribution amounts by the Company and its subsidiaries to the defined contribution plan were ¥255 million and ¥267million (US\$2million).

Starting from the year ended March 31, 2014, the Company began disclosing the required contribution amount to the defined contribution plan.

III. Notes to Statements of Operations

1. Transactions with Unconsolidated Subsidiaries

The total amounts of revenues and expenditures in connection with unconsolidated subsidiaries were ¥97 million and ¥3,054 million for the year ended March 31, 2013, and ¥106 million and ¥2,973 million for the year ended March 31, 2014, and ¥112 million (US\$938 thousand) and ¥2,962 million (US\$24 million) for the year ended March 31, 2015, respectively.

2. Policy Reserves for the Reinsurance Contracts

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 and reversal of policy reserve for ceded reinsurance considered in calculation of provision for policy reserve was ¥2 million.

For the year ended March 31, 2015, provision for reserve

for outstanding claims for ceded reinsurance considered in calculation of reversal of reserve for outstanding claims was ¥46 million (US\$383 thousand), and provision for policy reserve for ceded reinsurance considered in calculation of provision for policy reserve was ¥1 million (US\$14 thousand).

3. Impairment Losses of Fixed Assets

For the year ended March 31, 2013, 2014 and 2015, 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	2015	2015
	Millions of yen			Millions of U.S. dollars
Real estate for rent:				
Land.....	¥183	¥1,541	¥296	\$2
Buildings and others.....	26	140	136	1
Total real estate for rent (i)	210	1,682	432	3
Unused real estate:				
Land.....	177	35	235	1
Buildings and others.....	212	58	30	0
Total unused real estate (ii).....	390	93	266	2
Total:				
Land.....	361	1,577	531	4
Buildings and others.....	239	198	167	1
Total (i)+(ii)	600	¥1,775	¥698	\$5

* 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 reclassification adjustments and tax effect amounts related to other comprehensive income were as follows:

	Years ended March 31,			
	2013	2014	2015	2015
	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	¥214,928	¥ 87,278	¥259,364	\$2,158
Reclassification adjustments.....	3,637	(24,665)	(20,525)	(170)
Before tax adjustment.....	218,566	62,613	238,838	1,987
Tax effects.....	(67,274)	(19,246)	(61,530)	(512)
Net unrealized gains (losses) on available-for-sale securities, net of tax	151,291	43,367	177,308	1,475
Deferred valuation gains (losses) under hedge accounting, net of tax				
Amount incurred during the fiscal year	(0)	(18)	(0)	(0)
Reclassification adjustments.....	(160)	(71)	(2)	(0)
Before tax adjustment.....	(161)	(90)	(2)	(0)
Tax effects.....	53	30	0	0
Deferred valuation gains (losses) under hedge accounting, net of tax	(107)	(60)	(2)	(0)
Revaluation reserve for land, net of tax				
Amount incurred during the fiscal year	—	—	—	—
Reclassification adjustments.....	—	—	—	—
Before tax adjustment.....	—	—	—	—
Tax effects.....	(17)	3	989	8
Revaluation reserve for land, net of tax.....	(17)	3	989	8
Foreign currency translation adjustment				
Amount incurred during the fiscal year	193	373	208	1
Reclassification adjustments.....	—	—	—	—
Before tax adjustment.....	193	373	208	1
Tax effects.....	—	—	—	—
Foreign currency translation adjustment.....	193	373	208	1
Remeasurements of defined benefit plans, net of tax				
Amount incurred during the fiscal year	—	—	741	6
Reclassification adjustments.....	—	—	702	5
Before tax adjustment.....	—	—	1,444	12
Tax effects.....	—	—	(525)	(4)
Remeasurements of defined benefit plans, net of tax.....	—	—	918	7
Total other comprehensive income	¥151,359	¥ 43,684	¥179,422	\$1,493

V. Notes to Statements of Cash Flows

1. Scope of Cash and Cash Equivalents

Cash and cash equivalents as of March 31, 2013, 2014 and 2015 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, 2013, 2014 and 2015 were as follows:

	As of March 31,			
	2013	2014	2015	2015
	Millions of yen			Millions of U.S. dollars
Cash and deposits	¥ 72,868	¥ 91,021	¥154,319	\$1,284
Call loans	70,300	148,700	186,500	1,551
Monetary claims bought.....	1,111	1,011	870	7
Time deposits maturing over 3 months of the date of acquisition	(200)	(300)	(300)	(2)
Foreign currency deposits maturing over 3 months of the date of acquisition	(371)	(1,047)	(1,273)	(10)
Monetary claims bought maturing over 3 months of the date of acquisition.....	(1,111)	(1,011)	(870)	(7)
Cash and cash equivalents	¥142,596	¥238,373	¥339,246	\$2,823

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, 2015, 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 year, March 31, 2015 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, 2015.

4. Supplementary information (None)

5. Other special information (None)

May 19, 2015
Yoshiteru Yoneyama
President
Fukoku Mutual Life Insurance Company

Report of Independent Auditors

Report of Independent Auditors

May 20, 2015

The Board of Directors of
Fukoku Mutual Life Insurance Company

Kisaragi Audit Corporation


Designated and engagement partner

Certified Public Accountant


Yoshio Sato

Designated and engagement partner

Certified Public Accountant


Masashi Okubo

< 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, 2015, 2014 and 2013, 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, 2015, 2014 and 2013, 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, 2015.

<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, 2015 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, 2015 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.

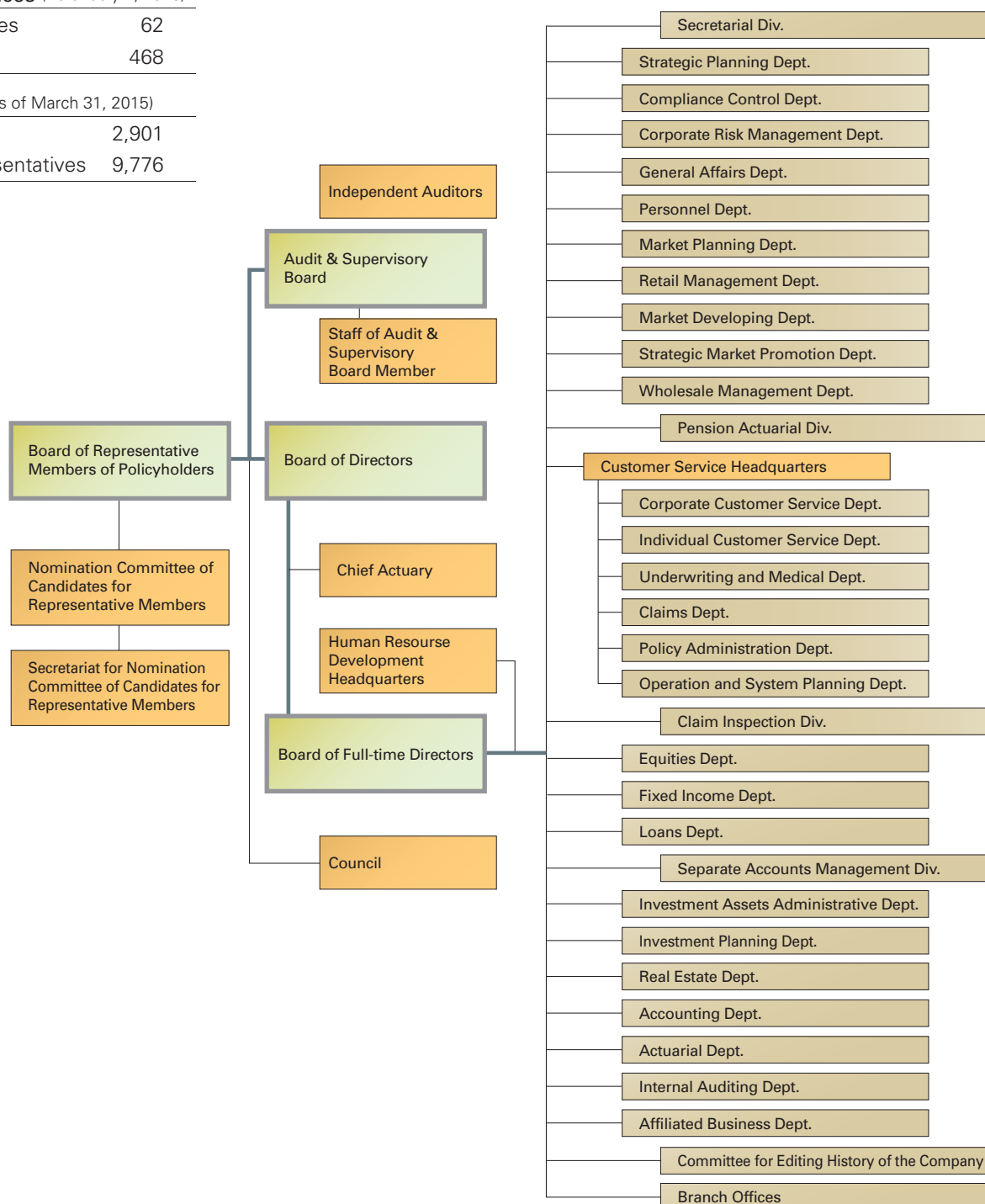
Corporate Organization

Domestic Offices (As of July 2, 2015)

Branch Offices	62
Field Offices	468

Employees (As of March 31, 2015)

Office Staff	2,901
Sales Representatives	9,776



Directors, Audit & Supervisory Board Members 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

Audit & Supervisory Board Member
Yoshizumi Nezu***

Audit & Supervisory Board Member
Mitsuo Ohashi***

Audit & Supervisory Board Member
Yoshikazu Sashida***

Audit & Supervisory Board Member (Standing)
Akio Imai

Audit & Supervisory Board Member (Standing)
Kei Yoshizawa

Managing Executive Officer
Kenji Sakurai

Executive Officer
Toshimitsu Furuhashi

Executive Officer
Yasuyuki Kitamura

Executive Officer
Kazuyoshi Hasegawa

Executive Officer
Osamu Suzuki

Executive Officer
Shinji Nakao

Executive Officer
Naoyuki Torii

Executive Officer
Masato Nakazuru

Executive Officer
Chikashi Ichikawa

*Representative Director

**External Directors

***External Audit & Supervisory Board Member

(As of July 2, 2015)

Directory

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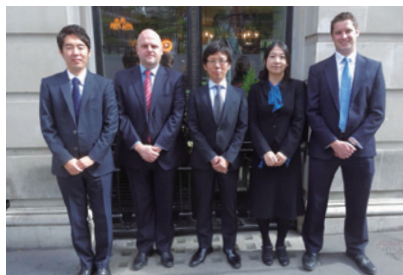
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Fukoku Life International (U.K.) Ltd.

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



Fukoku Life International (America) Inc.

From left : A. Chang , H. Oizumi , S. Lester ,
M. Xu and T. Ogino



Fukoku Life Research Singapore Pte. Ltd.

From left : Y. Yoshida , A. Sato , T. Aoyama



▲ Tokyo Head Office



▲ Osaka Fukoku Mutual Life Insurance Building

