

Financial Results for the Nine Months Ended December 31, 2014

Fukoku Mutual Life Insurance Company (President: Yoshiteru Yoneyama) announces financial results for the nine months ended December 31, 2014.

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1. Business Highlights

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

(i) Policies in Force

	As of March 31, 2014		As of December 31, 2014			
	Number of policies (Thousands)	Amount (100 millions of yen)	Number of policies (Thousands)	Amount		
				Changes (%, Pre-FYE)	(100 millions of yen)	Changes (%, Pre-FYE)
Individual insurance	3,044	242,084	3,060	100.5	238,123	98.4
Individual annuities	758	29,487	742	97.9	28,887	98.0
Subtotal	3,802	271,572	3,803	100.0	267,010	98.3
Group insurance	—	165,468	—	—	167,299	101.1
Group annuities	—	20,305	—	—	20,530	101.1

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

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

(ii) New Policies

Nine months ended December 31, 2013	Total		New business	Net increase by conversion
	Number of policies (Thousands)	Amount (100 millions of yen)	Amount (100 millions of yen)	Amount (100 millions of yen)
Individual insurance	276	12,552	12,472	80
Individual annuities	12	398	413	(14)
Subtotal	288	12,950	12,885	65
Group insurance	—	86	86	—
Group annuities	—	0	0	—

Nine months ended December 31, 2014	Total				New business	Net increase by conversion
	Number of policies		Amount		Amount (100 millions of yen)	Amount (100 millions of yen)
	(Thousands)	Changes (%, YoY)	(100 millions of yen)	Changes (%, YoY)		
Individual insurance	268	97.0	12,061	96.1	11,132	929
Individual annuities	14	121.5	502	126.3	516	(13)
Subtotal	283	98.1	12,564	97.0	11,649	915
Group insurance	—	—	40	46.4	40	—
Group annuities	—	—	0	335.3	0	—

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

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

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

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

	Nine months ended December 31, 2013	Nine months ended December 31, 2014	
			Changes (%, YoY)
Amount of surrender and lapse (100 millions of yen)	11,579	10,873	93.9
Surrender and lapse ratio (%)	4.15	4.00	(0.15)

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

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

(2) Annualized Premiums

(i) Policies in Force

(100 millions of yen except percentage)

	As of March 31, 2014	As of December 31, 2014	
			Changes (%, Pre-FYE)
Individual insurance	2,750	2,737	99.5
Individual annuities	1,326	1,324	99.9
Total	4,077	4,062	99.6
Medical coverage and living benefits	1,061	1,066	100.5

(ii) New Policies

(100 millions of yen except percentage)

	Nine months ended December 31, 2013	Nine months ended December 31, 2014	
			Changes (%, Pre-FYE)
Individual insurance	146	141	96.6
Individual annuities	17	21	119.1
Total	164	162	99.1
Medical coverage and living benefits	59	53	90.1

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

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

3. New policies include net increase by conversion.

(3) Selected Items of Statements of Operations

(100 millions of yen except percentage)

	Nine months ended December 31, 2013	Nine months ended December 31, 2014	
			Changes (%, Pre-FYE)
Premium and other income	4,537	4,281	94.3
Investment income	1,627	1,638	100.6
Claims and other payments	3,806	3,699	97.2
Investment expenses	437	415	95.0
Ordinary profits	788	825	104.7

(4) Total Assets

(100 millions of yen except percentage)

	As of March 31, 2014	As of December 31, 2014	
			Changes (%, Pre-FYE)
Total assets	62,147	65,055	104.7

2. Investment Results of General Account Assets

(1) Asset Composition

(Millions of yen)

	As of March 31, 2014		As of December 31, 2014	
	Amount	Percentage	Amount	Percentage
Cash, deposits, call loans	183,333	3.0	124,421	1.9
Monetary claims bought	1,011	0.0	884	0.0
Money held in trust	31,981	0.5	34,381	0.5
Securities	4,798,502	78.2	5,194,468	80.9
Domestic bonds	2,876,176	46.9	2,901,958	45.2
Domestic stocks	482,308	7.9	587,439	9.1
Foreign securities	1,365,396	22.3	1,624,836	25.3
Foreign bonds	1,109,910	18.1	1,324,911	20.6
Foreign stocks and other securities	255,485	4.2	299,924	4.7
Other securities	74,621	1.2	80,233	1.2
Loans	835,860	13.6	772,684	12.0
Policy loans	65,206	1.1	63,468	1.0
Ordinary loans	770,654	12.6	709,216	11.0
Real estate	228,183	3.7	224,694	3.5
Others	56,903	0.9	71,017	1.1
Allowance for possible loan losses	(2,281)	(0.0)	(2,047)	(0.0)
Total	6,133,495	100.0	6,420,505	100.0
Foreign currency denominated assets	1,302,072	21.2	1,612,789	25.1

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

(Millions of yen)

	As of March 31, 2014					As of December 31, 2014				
	Book value	Fair value	Gains/losses			Book value	Fair value	Gains/losses		
			Gains	Losses				Gains	Losses	
Held-to-maturity debt securities	843,433	922,909	79,476	79,476	—	819,324	942,279	122,955	122,955	—
Domestic bonds	768,744	845,557	76,813	76,813	—	742,525	862,637	120,112	120,112	—
Foreign bonds	74,689	77,352	2,662	2,662	—	76,799	79,642	2,843	2,843	—
Monetary claims bought	—	—	—	—	—	—	—	—	—	—
Negotiable certificate of deposits	—	—	—	—	—	—	—	—	—	—
Others	—	—	—	—	—	—	—	—	—	—
Policy-reserve-matching bonds	1,210,016	1,294,587	84,570	84,798	227	1,215,275	1,359,352	144,077	144,077	0
Domestic bonds	1,190,715	1,275,012	84,297	84,522	224	1,181,676	1,325,473	143,797	143,797	0
Foreign bonds	19,301	19,575	273	276	2	33,598	33,878	280	280	—
Investments in subsidiaries and affiliates	1,393	1,096	(296)	—	296	1,433	1,275	(157)	5	162
Available-for-sale securities	2,046,003	2,421,417	375,414	379,801	4,387	2,203,027	2,797,312	594,285	596,024	1,738
Domestic bonds	815,104	886,899	71,794	72,132	337	842,018	938,758	96,739	96,956	216
Domestic stocks	269,792	439,094	169,301	171,769	2,467	278,270	544,363	266,092	266,687	594
Foreign securities	905,773	1,028,769	122,996	124,501	1,505	1,030,736	1,243,426	212,690	213,581	890
Foreign bonds	690,428	774,677	84,249	85,398	1,149	804,075	944,935	140,860	141,645	785
Foreign stocks and other securities	215,345	254,092	38,746	39,102	355	226,661	298,491	71,830	71,935	105
Other securities	55,332	66,653	11,321	11,397	76	52,001	70,764	18,762	18,798	35
Money held in trust	—	—	—	—	—	—	—	—	—	—
Monetary claims bought	—	—	—	—	—	—	—	—	—	—
Negotiable certificate of deposits	—	—	—	—	—	—	—	—	—	—
Others	—	—	—	—	—	—	—	—	—	—
Total	4,100,846	4,640,011	539,164	544,075	4,911	4,239,060	5,100,221	861,160	863,061	1,901
Domestic bonds	2,774,564	3,007,469	232,904	233,467	562	2,766,220	3,126,869	360,648	360,865	216
Domestic stocks	269,792	439,094	169,301	171,769	2,467	278,270	544,363	266,092	266,687	594
Foreign securities	1,001,157	1,126,794	125,636	127,440	1,804	1,142,567	1,358,223	215,656	216,709	1,053
Foreign bonds	784,419	871,604	87,185	88,337	1,152	914,473	1,058,456	143,983	144,768	785
Foreign stocks and other securities	216,738	255,189	38,450	39,102	652	228,094	299,767	71,672	71,940	268
Other securities	55,332	66,653	11,321	11,397	76	52,001	70,764	18,762	18,798	35
Money held in trust	—	—	—	—	—	—	—	—	—	—
Monetary claims bought	—	—	—	—	—	—	—	—	—	—
Negotiable certificate of deposits	—	—	—	—	—	—	—	—	—	—
Others	—	—	—	—	—	—	—	—	—	—

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

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

(Millions of yen)

	As of March 31, 2014	As of December 31, 2014
Held-to-maturity debt securities	—	—
Unlisted foreign bonds	—	—
Others	—	—
Policy-reserve-matching bonds	—	—
Investments in subsidiaries and affiliates	35,560	35,560
Available-for-sale securities	15,620	16,984
Unlisted domestic stocks (except over-the-counter stocks)	7,653	7,515
Unlisted foreign stocks (except over-the-counter stocks)	—	—
Unlisted foreign bonds	—	—
Others	7,967	9,468
Total	51,181	52,545

(3) Fair Value Information on Money Held in Trust

(Millions of yen)

	As of March 31, 2014					As of December 31, 2014				
	Carrying value on balance sheets	Fair value	Gains/losses			Carrying value on balance sheets	Fair value	Gains/losses		
				Gains	Losses				Gains	Losses
Money held in trust	31,981	31,981	—	—	—	34,381	34,381	—	—	—

* Money held in trust for trading purpose

(Millions of yen)

	As of March 31, 2014		As of December 31, 2014	
	Carrying value on balance sheets	Net valuation gains/losses included in the statements of operations	Carrying value on balance sheets	Net valuation gains/losses included in the statements of operations
Money held in trust for trading purpose	30,981	—	33,381	576

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

(Millions of yen)

	As of March 31, 2014					As of December 31, 2014				
	Book value	Fair value	Gains/losses			Book value	Fair value	Gains/losses		
				Gains	Losses				Gains	Losses
Money held in trust for held-to-maturity	—	—	—	—	—	—	—	—	—	—
Money held in trust for policy-reserve-matching	—	—	—	—	—	—	—	—	—	—
Money held in trust for available-for-sale	—	—	—	—	—	—	—	—	—	—

(reference) Fair Value of Real Estate (Land and Leaseholds)

(millions of yen)

As of March 31, 2014			As of December 31, 2014		
Carrying value on the balance sheets	Fair value	Gains (losses)	Carrying value on the balance sheets	Fair value	Gains (losses)
132,914	223,067	90,152	132,570	223,388	90,818

Notes: 1. As of December 31, 2014, fair value is based on the appraisal value by the real-estate appraiser, the appraisal value for property tax and the road rate as of January 1, 2014.

2. As of March 31, 2014, fair value is based on the appraisal value by the real-estate appraiser, the appraisal value for property tax as of January 1, 2014 and the road rate as of January 1, 2013.

3. Non-consolidated Balance Sheets

(Millions of yen)

	As of March 31, 2014	As of December 31, 2014
Assets:		
Cash and deposits	34,768	23,379
Call loans	148,700	101,100
Monetary claims bought	1,011	884
Money held in trust	31,981	34,381
Securities	4,877,141	5,277,418
[Government bonds]	[2,097,463]	[2,097,012]
[Local government bonds]	[157,102]	[159,854]
[Corporate bonds]	[654,161]	[677,417]
[Stocks]	[504,442]	[612,977]
[Foreign securities]	[1,389,208]	[1,649,819]
Loans	835,860	772,684
Policy loans	65,206	63,468
Ordinary loans	770,654	709,216
Tangible fixed assets	232,115	228,470
Intangible fixed assets	10,827	10,537
Reinsurance receivables	78	197
Other assets	44,592	58,592
Allowance for possible loan losses	(2,281)	(2,047)
Total assets	6,214,796	6,505,597
	As of March 31, 2014	As of December 31, 2014
Liabilities:		
Policy reserves	5,412,622	5,445,558
Reserve for outstanding claims	23,067	19,234
Policy reserve	5,338,547	5,366,198
Reserve for dividends to policyholders	51,007	60,125
Reinsurance payables	98	122
Subordinated bonds	122,346	123,822
Other liabilities	53,524	64,273
Corporate income tax payable	11,945	6,927
Asset retirement obligations	2,951	2,994
Other liabilities	38,628	54,351
Reserve for employees' retirement benefits	43,112	46,829
Reserve for price fluctuation of securities	44,016	45,900
Deferred tax liabilities	29,245	95,520
Deferred tax liabilities for revaluation reserve for land	15,929	15,859
Total liabilities	5,720,895	5,837,885
Net assets:		
Foundation funds	35,000	30,000
Accumulated foundation funds redeemed	71,000	86,000
Reserve for revaluation	112	112
Surplus	124,780	137,142
Legal reserve for future losses	2,485	2,582
Other surplus	122,294	134,560
Reserve for redemption of foundation funds	18,000	12,000
Reserve for dividend allowances	3,895	3,895
Accumulated fund for price fluctuation	21,000	31,000
Reserve for advanced depreciation of real estate for tax purpose	3,969	262
Other reserves	767	767
Unappropriated surplus	74,662	86,635
Total foundation funds, surplus and others	230,892	253,254
Net unrealized gains (losses) on available-for-sale securities, net of tax	259,861	411,364
Deferred valuation gains (losses) under hedge accounting	2	1
Revaluation reserve for land, net of tax	3,144	3,090
Total valuation and translation adjustments	263,008	414,456
Total net assets	493,900	667,711
Total liabilities and net assets	6,214,796	6,505,597

4. Non-consolidated Statements of Operations

(Millions of yen)

	Nine months ended December 31, 2013	Nine months ended December 31, 2014
Ordinary revenues:		
Premium and other income	453,775	428,121
[Premium income]	[453,713]	[427,881]
Investment income	162,778	163,824
[Interest, dividends and other income]	[91,396]	[97,652]
[Gains from money held in trust, net]	[1,096]	[2,429]
[Gains from trading securities, net]	[22,199]	[42,875]
[Gains on sales of securities]	[32,422]	[7,683]
[Gains from separate accounts, net]	[11,854]	[9,487]
Other ordinary revenues	11,212	10,442
[Reversal of reserve for outstanding claims]	[3,119]	[3,833]
Total ordinary revenues	627,766	602,387
Ordinary expenditures:		
Claims and other payments	380,686	369,988
[Claims]	[112,220]	[88,472]
[Annuities]	[99,261]	[115,867]
[Benefits]	[90,894]	[87,718]
[Surrenders]	[58,900]	[58,014]
[Other payments]	[19,122]	[19,586]
Provision for policy reserve and others	45,135	27,695
Provision for policy reserve	45,079	27,651
Interest on accumulated dividends to policyholders	56	44
Investment expenses	43,770	41,584
[Interest expenses]	[2,562]	[3,265]
[Losses on sales of securities]	[5,747]	[451]
[Losses on valuation of securities]	[285]	[99]
[Losses from derivative instruments, net]	[27,486]	[30,565]
Operating expenses	64,261	64,485
Other ordinary expenditures	15,060	16,045
Total ordinary expenditures	548,915	519,799
Ordinary profits	78,850	82,588
Extraordinary gains:		
Gains on disposal of fixed assets	2,004	6
Total extraordinary gains	2,004	6
Extraordinary losses:		
Losses on disposal of fixed assets	7,231	71
Impairment losses	1,608	318
Provision for reserve for price fluctuation of securities	1,795	1,884
Total extraordinary losses	10,634	2,274
Surplus before income taxes	70,220	80,321
Income taxes:		
Current	17,778	17,194
Deferred	(1,101)	302
Total income taxes	16,676	17,497
Net surplus for the period	53,543	62,823

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.

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.

II. Notes to Balance Sheets

1. Accounting Changes and Error Corrections and Its Implementation

In accordance with "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), effective from the three months ended June 30, 2014, the Company changed its method for allocation of projected retirement benefits from the straight-line basis to the benefit formula basis. In addition, the Company changed its method for determining the discount rate from the discount rate based on the average period until the estimated payment date of retirement benefits to the method that uses the single weighted average discount rate reflecting the estimated payment period for retirement benefits and the estimated amount for each period.

As a result of these changes, compared with the previous method, at the beginning of the nine months ended December 31, 2014, surplus decreased by ¥3,297 million. Ordinary profits and surplus before income taxes for the nine months ended December 31, 2014 increased by ¥29 million.

2. Securities Lent under Lending Agreements

The amount of securities lent under lending agreements was ¥51,437 million as of December 31, 2014.

3. Reserve for Dividends to Policyholders

Changes in reserve for dividends to policyholders for the nine months ended December 31, 2014 were as follows:

	(Millions of yen)
Balance at the beginning of current period	¥ 51,007
Transfer from surplus in previous fiscal year	31,595
Dividends paid in the current period	(22,522)
Increase in interest	44
Balance at the end of current period	<u>¥ 60,125</u>

4. Additional Foundation Funds

The Company raised additional foundation funds of ¥10,000 million during the nine months ended December 31, 2014 in accordance with Article 60 of the Insurance Business Law.

5. Redemption of Foundation Funds

In the nine months ended December 31, 2014, in connection with the redemption of foundation funds of ¥15,000 million, the Company reversed the reserve for redemption of foundation funds and provided the equivalent amount for accumulated foundation funds redeemed in accordance with Article 56 of the Insurance Business Law.

5. Breakdown of Ordinary Profits (Fundamental Profit)

(Millions of yen)

		Nine months ended December 31, 2013	Nine months ended December 31, 2014
Fundamental profit	A	60,086	64,350
Capital gains		52,551	49,373
Gains from money held in trust, net		934	2,283
Gains from trading securities, net		15,627	35,972
Gains on sales of securities		32,422	7,683
Gains from derivative instruments, net		—	—
Foreign exchange gains, net		3,566	3,435
Other capital gains		—	—
Capital losses		33,519	31,116
Losses from money held in trust, net		—	—
Losses from trading securities, net		—	—
Losses on sales of securities		5,747	451
Losses on valuation of securities		285	99
Losses from derivative instruments, net		27,486	30,565
Foreign exchange losses, net		—	—
Other capital losses		—	—
Net capital gains (losses)	B	19,031	18,257
Fundamental profit plus net capital gains (losses)	A+B	79,117	82,607
Non-recurring gains		—	15
Reinsurance income		—	—
Reversal of contingency reserve		—	—
Reversal for specific allowance for possible loan losses		—	15
Other non-recurring gains		—	—
Non-recurring losses		266	34
Reinsurance premiums		—	—
Provision for contingency reserve		17	34
Provision for specific allowance for possible loan losses		249	—
Allowance for specified overseas loans		—	—
Write-off of loans		—	—
Other non-recurring losses		—	—
Non-recurring gains (losses)	C	(266)	(19)
Ordinary profits	A+B+C	78,850	82,588

Notes: 1. The following amounts in respect of gains / losses from money held in trust have been excluded from capital gains / losses and included in fundamental profit due to their income nature (being interest and dividend income): ¥162 million in respect of the nine months ended December 31, 2013 and ¥146 million in respect of the nine months ended December 31, 2014.

2. The following amounts in respect of gains / losses from trading securities have been excluded from capital gains / losses and included in fundamental profit due to their income nature (being interest and dividend income): ¥6,571 million in respect of the nine months ended December 31, 2013 and ¥6,903 million in respect of the nine months ended December 31, 2014.

6. Solvency Margin Ratio

(Millions of yen)

	As of March 31, 2014	As of December 31, 2014
Total solvency margin (A)	1,109,068	1,361,330
Foundation funds and surplus	196,835	227,646
Reserve for price fluctuation of securities	44,016	45,900
Contingency reserve	110,291	110,326
Allowance for possible loan losses	1,594	1,400
Net unrealized gains on available-for-sale securities x 90%	337,872	534,857
Net unrealized gains on real estate x 85%	90,719	94,255
Excess amount of policy reserve based on full-time Zillmer method	193,088	196,186
Qualifying subordinated debt	122,346	123,822
The amount of "excess amount of policy reserve based on full-time Zillmer method" and "qualifying subordinated debt" excluded from the calculation of solvency margin	—	—
Deductible items	(19,000)	(19,000)
Others	31,303	45,933
Total amount of risk $\sqrt{(R_1 + R_8)^2 + (R_2 + R_3 + R_4)^2} + R_7$ (B)	201,663	231,510
Insurance risk R_1	26,371	25,751
3rd sector insurance risk R_8	9,631	9,598
Assumed investment yield risk R_2	35,884	35,821
Minimum guarantee risk R_7	0	0
Investment risk R_3	157,866	187,732
Business risk R_4	4,595	5,178
Solvency margin ratio $\frac{(A)}{(1/2) \times (B)} \times 100$	1,099.9%	1,176.0%

Notes: 1. The figures above as of March 31, 2014, are calculated based on Articles 86 and 87 of the Enforcement Regulations of the Insurance Business Law, as well as Ministry of Finance Ordinance No. 50, 1996. Figures as of December 31, 2014, are calculated pursuant to these standards.

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

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

7. Status of Separate Account

(1) Separate Account Assets by Products

(Millions of yen)

	As of March 31, 2014	As of December 31, 2014
	Amount	Amount
Individual variable insurance	—	—
Individual variable annuities	272	155
Group annuities	82,408	86,277
Total	82,680	86,432

(2) Policies in Force

(i) Individual Variable Insurance (Separate Account)

The Company has not sold the individual variable insurance.

(ii) Individual Variable Annuities (Separate Account)

(Millions of yen)

	As of March 31, 2014		As of December 31, 2014	
	Number	Amount	Number	Amount
Individual variable annuities	81	265	46	146
Total	81	265	46	146

8. Status of the Company, Subsidiaries and Affiliates

(1) Selected Financial Data

(Millions of yen)

	Nine months ended December 31, 2013	Nine months ended December 31, 2014
Ordinary revenues	716,530	732,541
Ordinary profits	82,605	86,751
Net surplus for the period	55,112	64,706
Comprehensive income	118,187	220,736

	As of March 31, 2014	As of December 31, 2014
Total assets	7,817,668	8,189,362
Solvency margin ratio	1,120.0%	1,202.2%

(2) Scope of consolidation and application of equity method

Number of consolidated subsidiaries: 5

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

Number of affiliates accounted for under the equity method: 0

(3) Consolidated Balance Sheets

(Millions of yen)

	As of March 31, 2014	As of December 31, 2014
Assets:		
Cash and deposits	91,021	83,900
Call loans	148,700	101,100
Monetary claims bought	1,011	884
Money held in trust	31,981	34,381
Securities	6,406,927	6,884,636
Loans	839,244	776,125
Tangible fixed assets	232,492	228,813
Intangible fixed assets	16,369	15,197
Agency receivables	1	1
Reinsurance receivables	94	197
Other assets	51,065	66,068
Deferred tax assets	1,041	102
Allowance for possible loan losses	(2,281)	(2,047)
Total assets	7,817,668	8,189,362

	As of March 31, 2014	As of December 31, 2014
Liabilities:		
Policy reserves	6,995,343	7,101,727
Reserve for outstanding claims	25,170	20,980
Policy reserve	6,918,429	7,019,953
Reserve for dividends to policyholders	51,007	60,125
Reserve for dividends to policyholders (subsidiary)	735	667
Agency payables	339	316
Reinsurance payables	113	137
Subordinated bonds	122,346	123,822
Other liabilities	57,036	68,334
Net defined benefit liabilities	48,840	52,042
Reserve for price fluctuation of securities	50,325	52,454
Deferred tax liabilities	27,502	94,566
Deferred tax liabilities for revaluation reserve for land	15,929	15,859
Total liabilities	7,317,778	7,509,261
Net assets:		
Foundation funds	35,000	30,000
Accumulated foundation funds redeemed	71,000	86,000
Reserve for revaluation	112	112
Consolidated surplus	126,584	140,830
Total foundation funds, surplus and others	232,696	256,942
Net unrealized gains (losses) on available-for-sale securities, net of tax	263,161	417,991
Deferred valuation gains (losses) under hedge accounting	2	1
Revaluation reserve for land, net of tax	3,144	3,090
Foreign currency translation adjustment	(261)	(202)
Accumulated remeasurements of defined benefit plans	(3,918)	(3,554)
Total accumulated other comprehensive income	262,127	417,326
Minority interests	5,066	5,831
Total net assets	499,890	680,100
Total liabilities and net assets	7,817,668	8,189,362

(4) Consolidated Statements of Operations and Comprehensive Income
[Consolidated Statements of Operations]

(Millions of yen)

	Nine months ended December 31, 2013	Nine months ended December 31, 2014
Ordinary revenues:		
Premium and other income	523,460	537,907
Investment income	180,912	183,296
[Interest, dividends and other income]	[108,372]	[115,046]
[Gains from money held in trust, net]	[1,096]	[2,429]
[Gains from trading securities, net]	[22,199]	[42,875]
[Gains on sales of securities]	[33,579]	[9,771]
[Gains from separate accounts, net]	[11,854]	[9,487]
Other ordinary revenues	12,157	11,336
[Reversal of reserve for outstanding claims]	[3,535]	[4,190]
Total ordinary revenues	716,530	732,541
Ordinary expenditures:		
Claims and other payments	414,830	413,203
[Claims]	[114,411]	[91,714]
[Annuities]	[99,608]	[116,440]
[Benefits]	[97,241]	[94,839]
[Surrenders]	[83,901]	[90,088]
[Other payments]	[19,260]	[19,671]
Provision for policy reserve and others	88,811	101,569
Provision for policy reserve	88,754	101,524
Interest on accumulated dividends to policyholders	56	44
Interest on accumulated dividends to policyholders (subsidiary)	0	0
Investment expenses	43,027	40,749
[Interest expenses]	[2,579]	[3,276]
[Losses on sales of securities]	[5,747]	[451]
[Losses on valuation of securities]	[285]	[99]
[Losses from derivative instruments, net]	[27,486]	[30,565]
Operating expenses	70,776	72,303
Other ordinary expenditures	16,479	17,963
Total ordinary expenditures	633,925	645,789
Ordinary profits	82,605	86,751
Extraordinary gains:		
Gains on disposal of fixed assets	2,004	6
Total extraordinary gains	2,004	6
Extraordinary losses:		
Losses on disposal of fixed assets	7,231	72
Impairment losses	1,608	318
Provision for reserve for price fluctuation of securities	2,025	2,129
Total extraordinary losses	10,865	2,520
Provision for reserve for dividends to policyholders (subsidiary)	370	392
Surplus before income taxes	73,373	83,844
Income taxes:		
Current	19,079	18,628
Deferred	(1,091)	196
Total income taxes	17,988	18,825
Net surplus before minority interests	55,385	65,019
Minority interests	272	312
Net surplus for the period	55,112	64,706

Consolidated Statements of Operations and Comprehensive Income (Continued)
 [Consolidated Statements of Comprehensive Income]

(Millions of yen)

	Nine months ended December 31, 2013	Nine months ended December 31, 2014
Net surplus before minority interests	55,385	65,019
Other comprehensive income	62,802	155,717
Net unrealized gains (losses) on available-for-sale securities, net of tax	62,639	155,295
Deferred valuation gains (losses) under hedge accounting	(47)	(1)
Foreign currency translation adjustment	210	58
Remeasurements of defined benefit plans, net of tax	—	364
Comprehensive income	118,187	220,736
Comprehensive income attributable to parent company	118,063	219,959
Comprehensive income attributable to minority interests	124	777

Notes to the Consolidated Financial Statements

I. Presentation of the Consolidated Financial Statements

1. Basis of Presentation

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

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.

II. Notes to Balance Sheets

1. Accounting Changes and Error Corrections and Its Implementation

In accordance with "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), effective from the three months ended June 30, 2014, the Company changed its method for allocation of projected retirement benefits from the straight-line basis to the benefit formula basis. In addition, the Company changed its method for determining the discount rate from the discount rate based on the average period until the estimated payment date of retirement benefits to the method that uses the single weighted average discount rate reflecting the estimated payment period for retirement benefits and the estimated amount for each period.

As a result of these changes, compared with the previous method, at the beginning of the nine months ended December 31, 2014, surplus decreased by ¥3,297 million. Ordinary profits and surplus before income taxes for the nine months ended December 31, 2014 increased by ¥29 million.

2. Securities Lent under Lending Agreements

The amount of securities lent under lending agreements was ¥51,437 million as of December 31, 2014.

3. Reserve for Dividends to Policyholders

Changes in reserve for dividends to policyholders for the nine months ended December 31, 2014 were as follows:

	(Millions of yen)
Balance at the beginning of current period	¥ 51,007
Transfer from surplus in previous fiscal year	31,595
Dividends paid in the current period	(22,522)
Increase in interest	44
Balance at the end of current period	<u>¥ 60,125</u>

4. Reserve for Dividends to Policyholders (Fukokushinrai Life Insurance Company, Ltd.)

Changes in reserve for dividends to policyholders for the nine months ended December 31, 2014 were as follows:

	(Millions of yen)
Balance at the beginning of current period	¥ 735
Dividends paid in the current period	(460)
Increase in interest	0
Provision for reserve for dividends to policyholders	392
Balance at the end of current period	<u>¥ 667</u>

5. Additional Foundation Funds

The Company raised additional foundation funds of ¥10,000 million during the nine months ended December 31, 2014 in accordance with Article 60 of the Insurance Business Law.

6. Redemption of Foundation Funds

In the nine months ended December 31, 2014, in connection with the redemption of foundation funds of ¥15,000 million, the Company reversed the reserve for redemption of foundation funds and provided the equivalent amount for accumulated foundation funds redeemed in accordance with Article 56 of the Insurance Business Law.

III. Notes to Statements of Operations

1. Depreciation and Amortization of Goodwill

For the nine months ended December 31, 2014, the total amount of depreciation and depreciation of real estate for rent and other assets was ¥8,886 million and the amount of amortization of goodwill was ¥572 million.

(5) Consolidated Solvency Margin Ratio

(Millions of yen)

	As of March 31, 2014	As of December 31, 2014
Total solvency margin (A)	1,143,749	1,406,291
Foundation funds and surplus	201,167	235,241
Reserve for price fluctuation of securities	50,325	52,454
Contingency reserve	112,094	112,237
Catastrophe loss reserve	—	—
Allowance for possible loan losses	1,594	1,400
Net unrealized gains on available - for - sale securities x 90%	343,140	545,056
Net unrealized gains on real estate x 85%	90,719	94,255
Sum of unrecognized actuarial differences and unrecognized prior service cost	(5,661)	(5,134)
Excess amount of policy reserve based on full-time Zillmer method	195,290	198,434
Qualifying subordinated debt	122,346	123,822
The amount of "excess amount of policy reserve based on full-time Zillmer method" and "qualifying subordinated debt" excluded from the calculation of solvency margin	—	—
Deductible items	—	—
Others	32,732	48,521
Total amount of risk $\sqrt{(\sqrt{(R_1^2 + R_5^2 + R_8 + R_9)^2 + (R_2 + R_3 + R_7)^2} + R_4 + R_6)}$ (B)	204,232	233,939
Insurance risk R_1	26,983	26,369
General insurance risk R_5	—	—
Catastrophe risk R_6	—	—
3rd sector insurance risk R_8	9,748	9,713
Small amount and short-term insurance risk R_9	—	—
Assumed investment yield risk R_2	36,260	36,204
Minimum guarantee risk R_7	0	0
Investment risk R_3	159,903	189,632
Business risk R_4	4,657	5,238
Solvency margin ratio $\frac{(A)}{(1/2) \times (B)} \times 100$	1,120.0%	1,202.2%

Notes: 1. The figures above as of March 31, 2014, are calculated based on Article 86 Paragraph 2 and Article 88 of the Enforcement Regulations of the Insurance Business Law, as well as Financial Services Agency Ordinance No. 23, 2011. Figures as of December 31, 2014, are calculated pursuant to these standards.

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