

## Financial Results for the Year Ended March 31, 2016

Fukoku Mutual Life Insurance Company (President: Yoshiteru Yoneyama) announces financial results for the year ended March 31, 2016.

### [Contents]

1. Business Highlights	.....	P.1
2. Policies in Force by Coverage Type	.....	P.3
3. Investment Results of General Account Assets	.....	P.4
4. Non-consolidated Balance Sheets	.....	P.12
5. Non-consolidated Statements of Operations	.....	P.13
6. Breakdown of Ordinary Profits (Fundamental Profit)	.....	P.24
7. Non-consolidated Statements of Changes in Net Assets	.....	P.25
8. Non-consolidated Statements of Surplus	.....	P.27
9. Disclosed Claims Based on Categories of Obligors	.....	P.28
10. Risk-monitored Loans	.....	P.29
11. Solvency Margin Ratio	.....	P.30
12. Status of Separate Account	.....	P.31
13. Status of the Company, Subsidiaries and Affiliates	.....	P.39

Attached: Supplementary Materials for the Year Ended March 31, 2016

# Financial Summary for the Year Ended March 31, 2016

## 1. Business Highlights

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

#### (i) Policies in Force

		As of March 31, 2015				As of March 31, 2016			
		Number of policies		Amount		Number of policies		Amount	
		(Thousands)	Changes (%, Pre-FYE)	(100 millions of yen)	Changes (%, Pre-FYE)	(Thousands)	Changes (%, Pre-FYE)	(100 millions of yen)	Changes (%, Pre-FYE)
	Individual insurance	3,066	100.7	236,846	97.8	3,109	101.4	234,174	98.9
	Individual annuities	739	97.5	28,718	97.4	715	96.8	27,833	96.9
Subtotal		3,805	100.1	265,564	97.8	3,825	100.5	262,008	98.7
Group insurance		—	—	166,780	100.8	—	—	169,723	101.8
Group annuities		—	—	21,232	104.6	—	—	21,189	99.8

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

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

#### (ii) New Policies

Year ended March 31, 2015		Total				New business		Net increase by conversion	
		Number of policies		Amount		Amount		Amount	
		(Thousands)	Changes (%, Pre-FYE)	(100 millions of yen)	Changes (%, Pre-FYE)	(Thousands)	Changes (%, Pre-FYE)	(100 millions of yen)	Changes (%, Pre-FYE)
	Individual insurance	355	98.1	15,649	98.0	14,513	91.3	1,136	1,590.2
	Individual annuities	21	125.8	724	128.3	744	127.6	(19)	—
Subtotal		377	99.4	16,374	99.0	15,257	92.6	1,116	2,110.4
Group insurance		—	—	132	24.0	132	24.0	—	—
Group annuities		—	—	0	145.2	0	145.2	—	—

Year ended March 31, 2016		Total				New business		Net increase by conversion	
		Number of policies		Amount		Amount		Amount	
		(Thousands)	Changes (%, YoY)	(100 millions of yen)	Changes (%, YoY)	(100 millions of yen)	Changes (%, YoY)	(100 millions of yen)	Changes (%, YoY)
	Individual insurance	358	101.0	16,316	104.3	14,915	102.8	1,400	123.2
	Individual annuities	28	128.1	1,009	139.2	1,029	138.2	(20)	—
Subtotal		386	102.6	17,325	105.8	15,945	104.5	1,379	123.6
Group insurance		—	—	452	340.7	452	340.7	—	—
Group annuities		—	—	30	13,528.6	30	13,528.6	—	—

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

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

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

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

	Year ended March 31, 2015		Year ended March 31, 2016	
		Changes (%, YoY)		Changes (%, YoY)
Amount of surrender and lapse (100 millions of yen)	14,399	93.4	13,417	93.2
Surrender and lapse ratio (%)	5.30	(0.22)	5.05	(0.25)

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, 2015		As of March 31, 2016	
		Changes (%, Pre-FYE)		Changes (%, Pre-FYE)
Individual insurance	2,736	99.5	2,748	100.4
Individual annuities	1,327	100.0	1,322	99.7
Total	4,064	99.7	4,071	100.2
Medical coverage and living benefits	1,066	100.5	1,075	100.8

### (ii) New Policies

(100 millions of yen except percentage)

	Year ended March 31, 2015		Year ended March 31, 2016	
		Changes (%, Pre-FYE)		Changes (%, Pre-FYE)
Individual insurance	192	96.9	200	104.2
Individual annuities	31	128.1	34	107.2
Total	224	100.4	234	104.6
Medical coverage and living benefits	70	93.2	70	100.0

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)

	Year ended March 31, 2015		Year ended March 31, 2016	
		Changes (%, Pre-FYE)		Changes (%, Pre-FYE)
Premium and other income	6,431	107.5	6,180	96.1
Investment income	2,137	110.7	1,866	87.3
Claims and other payments	4,903	97.3	5,905	120.4
Investment expenses	357	71.4	478	134.1
Ordinary profits	968	134.7	603	62.3

## (4) Statements of Surplus

(100 millions of yen except percentage)

	Year ended March 31, 2015		Year ended March 31, 2016	
		Changes (%, Pre-FYE)		Changes (%, Pre-FYE)
Unappropriated surplus	930	118.7	655	70.4
Reserve for dividends to policyholders	366	116.2	352	96.0
Net surplus	325	165.3	65	20.0
Unappropriated surplus carried forward	237	87.8	237	100.0

Note: Unappropriated surplus for the years ended March 31, 2015 and 2016 included reversal of voluntary surplus reserve of ¥3 million and ¥11 million, respectively.

## (5) Total Assets

(100 millions of yen except percentage)

	Year ended March 31, 2015		Year ended March 31, 2016	
		Changes (%, Pre-FYE)		Changes (%, Pre-FYE)
Total assets	66,119	106.4	64,898	98.2

## 2. Policies in Force by Coverage Type

[As of March 31, 2016]

(Thousands of number, 100 millions of yen)

	Individual insurance		Individual annuities		Group insurance		Total	
	Number	Amount	Number	Amount	Number	Amount	Number	Amount
Death coverage								
Illness and accident	2,161	160,713	—	682	17,430	169,698	19,591	331,095
Accident	1,019	22,054	197	543	2,400	5,524	3,616	28,122
Others	—	—	—	—	1	5	1	5
Survival coverage	948	58,453	715	27,140	6	24	1,670	85,617
Hospitalization coverage								
Accident	1,438	84	—	—	985	3	2,424	87
Illness	1,437	84	—	—	—	—	1,437	84
Others	1,961	94	—	—	1	0	1,963	94
Injury coverage	1,322	—	3	—	1,177	—	2,503	—
Surgical coverage	3,343	—	—	—	—	—	3,343	—
Disability coverage	260	15,007	0	10	—	—	260	15,017

(Thousands of number, 100 millions of yen)

	Group annuities		Worker's asset formation insurance and annuities		Total	
	Number	Amount	Number	Amount	Number	Amount
Survival coverage	9,642	21,189	16	352	9,658	21,541

(Thousands of number, millions of yen)

	Medical care insurance	
	Number	Amount
Hospitalization coverage	287	98

(Thousands of number, millions of yen)

	Group disability insurance	
	Number	Amount
Disability coverage	5	82

- Notes: 1. Number of group insurance, group annuities, worker's asset formation insurance and annuities, medical care insurance and group disability insurance show the number of insured.
2. Amounts in survival coverage for individual insurance and group insurance (other than annuity rider) show the sum of survival benefits, survival claims and nursing care benefits. Amounts in survival coverage for individual annuities, annuity rider for group insurance, worker's asset formation annuities (other than worker's asset formation funding annuities) show the sum of (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. Amounts in survival coverage for group annuities, worker's asset formation insurance and worker's asset formation funding annuities show the amount of outstanding policy reserve.
3. Amounts in hospitalization coverage show daily hospitalization benefits.
4. Amount in hospitalization coverage for medical care insurance shows daily hospitalization benefits due to illness.
5. Amount for group disability insurance shows monthly disability benefits.

### 3. Investment Results of General Account Assets

#### (1) Asset Composition

(Millions of yen)

	As of March 31, 2015		As of March 31, 2016	
	Amount	Percentage	Amount	Percentage
Cash, deposits, call loans	282,969	4.3	312,405	4.9
Monetary claims bought	870	0.0	813	0.0
Money held in trust	34,319	0.5	87,793	1.4
Securities	5,163,610	79.1	5,017,719	78.3
Domestic bonds	2,856,151	43.7	2,659,186	41.5
Domestic stocks	641,066	9.8	570,386	8.9
Foreign securities	1,583,778	24.3	1,700,012	26.5
Foreign bonds	1,287,302	19.7	1,505,637	23.5
Foreign stocks and other securities	296,475	4.5	194,374	3.0
Other securities	82,614	1.3	88,134	1.4
Loans	763,900	11.7	693,680	10.8
Policy loans	63,311	1.0	61,437	1.0
Ordinary loans	700,588	10.7	632,242	9.9
Real estate	223,794	3.4	212,879	3.3
Others	62,750	1.0	87,309	1.4
Allowance for possible loan losses	(1,948)	( 0.0)	(1,850)	( 0.0)
Total	6,530,267	100.0	6,410,750	100.0
Foreign currency denominated assets	1,572,701	24.1	1,875,134	29.2

#### (2) Changes (Increase/Decrease) in Assets

(Millions of yen)

	Year ended March 31, 2015	Year ended March 31, 2016
Cash, deposits, call loans	99,636	29,435
Monetary claims bought	(140)	(57)
Money held in trust	2,338	53,473
Securities	365,107	(145,891)
Domestic bonds	(20,025)	(196,964)
Domestic stocks	158,757	(70,680)
Foreign securities	218,382	116,233
Foreign bonds	177,391	218,334
Foreign stocks and other securities	40,990	(102,100)
Other securities	7,993	5,520
Loans	(71,960)	(70,219)
Policy loans	(1,895)	(1,873)
Ordinary loans	(70,065)	(68,345)
Real estate	(4,389)	(10,914)
Others	5,847	24,559
Allowance for possible loan losses	333	97
Total	396,771	(119,516)
Foreign currency denominated assets	270,628	302,432

### (3) Investment Income

(Millions of yen)

	Year ended March 31, 2015	Year ended March 31, 2016
Interest, dividends and other income	136,700	137,324
Interest from deposits	14	27
Interest and dividends from securities	107,138	110,276
Interest from loans	15,464	13,343
Income from real estate for rent	13,832	13,444
Other interest and dividends	251	231
Gains on trading account securities	—	—
Gains from money held in trust, net	2,349	11,332
Gains from trading securities, net	35,232	—
Gains on sales of securities	25,221	37,548
Gains on sales of domestic bonds	8,746	30,067
Gains on sales of domestic stocks	3,458	2,934
Gains on sales of foreign securities	12,940	4,546
Others	76	—
Gain on redemption of securities	—	—
Gain on derivative instruments, net	—	—
Foreign exchange gains, net	2,041	—
Reversal of allowance for possible loan losses	270	77
Other investment income	69	360
Total	201,885	186,642

### (4) Investment Expenses

(Millions of yen)

	Year ended March 31, 2015	Year ended March 31, 2016
Interest expenses	4,252	4,314
Losses on trading account securities	—	—
Losses from money held in trust, net	—	—
Losses from trading securities, net	—	12,422
Losses on sales of securities	1,075	5,820
Losses on sales of domestic bonds	0	—
Losses on sales of domestic stocks	259	2,701
Losses on sales of foreign securities	815	3,119
Others	—	—
Losses on valuation of securities	0	—
Losses on valuation of domestic bonds	—	—
Losses on valuation of domestic stocks	0	—
Losses on valuation of foreign securities	—	—
Other losses on valuation of securities	—	—
Losses on redemption of securities	—	—
Losses from derivative instruments, net	18,679	3,549
Foreign exchange losses, net	—	8,600
Provision for allowance for possible loan losses	—	—
Write-off of loans	—	—
Depreciation of real estate for rent and other assets	4,877	4,482
Other investment expenses	6,831	6,340
Total	35,715	45,532

### (5) Net Investment Income

(Millions of yen)

	Year ended March 31, 2015	Year ended March 31, 2016
Net investment income	166,169	141,110

## (6) Other Information on Investments

### (i) Investment Yield by Asset Categories

(%)

	Year ended March 31, 2015	Year ended March 31, 2016
Cash, deposits, call loans	(0.02)	0.06
Monetary claims bought	1.48	1.45
Money held in trust	7.35	32.88
Securities	3.27	2.57
Domestic bonds	2.45	2.09
Domestic stocks	3.31	3.53
Foreign securities	4.77	3.17
Foreign bonds	4.57	2.36
Foreign stocks and other securities	5.67	7.94
Loans	1.97	1.83
Ordinary loans	1.77	1.60
Real estate	2.28	2.41
Total	2.87	2.40
Overseas investments	5.65	2.88

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

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

### (ii) Average Daily Balance

(Millions of yen)

	Year ended March 31, 2015	Year ended March 31, 2016
Cash, deposits, call loans	167,043	185,218
Monetary claims bought	936	841
Money held in trust	31,987	34,465
Securities	4,410,141	4,540,109
Domestic bonds	2,781,691	2,641,549
Domestic stocks	320,654	329,310
Foreign securities	1,244,991	1,497,783
Foreign bonds	1,022,805	1,281,227
Foreign stocks and other securities	222,186	216,556
Loans	796,926	734,390
Ordinary loans	732,738	672,149
Real estate	228,699	216,949
Total	5,795,874	5,883,829
Overseas investments	1,339,832	1,699,826

### (iii) Net Valuation Gains/Losses on Trading Securities

(Millions of yen)

	As of March 31, 2015		As of March 31, 2016	
	Carrying value on the balance sheet	Net valuation gains/losses included in the statement of operations	Carrying value on the balance sheet	Net valuation gains/losses included in the statement of operations
Trading securities	354,399	25,399	319,809	(36,617)

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

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

(Millions of yen)

	As of March 31, 2015					As of March 31, 2016				
	Book value	Fair value	Gains/losses			Book value	Fair value	Gains/losses		
			Gains	Losses				Gains	Losses	
Held-to-maturity debt securities	811,903	926,148	114,245	114,245	—	768,786	936,313	167,526	167,526	—
Domestic bonds	742,337	853,785	111,448	111,448	—	740,989	906,313	165,323	165,323	—
Foreign bonds	69,565	72,362	2,797	2,797	—	27,797	30,000	2,202	2,202	—
Monetary claims bought	—	—	—	—	—	—	—	—	—	—
Negotiable certificate of deposits	—	—	—	—	—	—	—	—	—	—
Others	—	—	—	—	—	—	—	—	—	—
Policy-reserve-matching bonds	1,215,695	1,346,650	130,954	131,004	50	1,074,535	1,280,612	206,077	206,077	—
Domestic bonds	1,174,597	1,305,280	130,683	130,733	50	1,044,436	1,250,268	205,832	205,832	—
Foreign bonds	41,098	41,369	270	270	—	30,098	30,343	244	244	—
Investments in subsidiaries and affiliates	1,433	1,236	(196)	3	200	1,433	1,140	(293)	1	294
Available-for-sale securities	2,150,593	2,760,905	610,311	611,672	1,360	2,419,858	2,889,888	470,029	487,293	17,263
Domestic bonds	807,550	892,795	85,245	85,269	24	735,758	822,513	86,754	87,055	300
Domestic stocks	279,549	597,167	317,617	317,842	225	291,475	528,697	237,221	244,234	7,012
Foreign securities	1,010,329	1,197,021	186,692	187,788	1,096	1,326,814	1,458,914	132,099	139,958	7,858
Foreign bonds	784,142	901,979	117,837	118,593	756	1,157,841	1,265,973	108,131	111,881	3,750
Foreign stocks and other securities	226,187	295,042	68,854	69,194	340	168,972	192,941	23,968	28,077	4,108
Other securities	53,164	73,920	20,756	20,771	15	65,809	79,763	13,953	16,044	2,091
Money held in trust	—	—	—	—	—	—	—	—	—	—
Monetary claims bought	—	—	—	—	—	—	—	—	—	—
Negotiable certificate of deposits	—	—	—	—	—	—	—	—	—	—
Others	—	—	—	—	—	—	—	—	—	—
Total	4,179,626	5,034,941	855,314	856,926	1,611	4,264,614	5,107,954	843,340	860,898	17,558
Domestic bonds	2,724,485	3,051,862	327,377	327,451	74	2,521,184	2,979,095	457,910	458,211	300
Domestic stocks	279,549	597,167	317,617	317,842	225	291,475	528,697	237,221	244,234	7,012
Foreign securities	1,122,427	1,311,990	189,563	190,859	1,296	1,386,144	1,520,398	134,254	142,407	8,153
Foreign bonds	894,806	1,015,712	120,906	121,662	756	1,215,738	1,326,317	110,578	114,328	3,750
Foreign stocks and other securities	227,621	296,278	68,657	69,197	540	170,406	194,081	23,675	28,078	4,403
Other securities	53,164	73,920	20,756	20,771	15	65,809	79,763	13,953	16,044	2,091
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, 2015	As of March 31, 2016
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	17,031	14,499
Unlisted domestic stocks (except over-the-counter stocks)	8,338	6,127
Unlisted foreign stocks (except over-the-counter stocks)	—	—
Unlisted foreign bonds	—	—
Others	8,693	8,371
Total	52,592	50,060



( v ) Fair Value Information on Money Held in Trust

(Millions of yen)

	As of March 31, 2015					As of March 31, 2016				
	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	34,319	34,319	—	—	—	87,793	87,793	—	—	—

\* Money held in trust for trading purpose

(Millions of yen)

	As of March 31, 2015		As of March 31, 2016	
	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	33,319	(0)	86,793	(0)

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

(Millions of yen)

	As of March 31, 2015					As of March 31, 2016				
	Book value	Fair value	Gains/losses			Book value	Fair value	Gains/losses		
				Gains	Losses				Gains	Losses
Money held in trust for held-to-maturity	—	—	—	—	—	—	—	—	—	—
Money held in trust for policy-reserve-matching	—	—	—	—	—	—	—	—	—	—
Money held in trust for available-for-sale	—	—	—	—	—	—	—	—	—	—

## (reference) Fair Value Information on Derivative Instruments (General Account)

### (i) Gains and Losses on Derivatives

(Millions of yen)

As of March 31, 2015	Interest-related	Currency-related	Stock-related	Bond-related	Others	Total
Hedge accounting applied	0	820	—	—	—	821
Hedge accounting not applied	(460)	685	—	200	—	426
Total	(459)	1,506	—	200	—	1,247
As of March 31, 2016	Interest-related	Currency-related	Stock-related	Bond-related	Others	Total
Hedge accounting applied	—	18,558	265	—	—	18,823
Hedge accounting not applied	(972)	(797)	—	(212)	—	(1,982)
Total	(972)	17,760	265	(212)	—	16,841

Note: Gains and losses from applying fair value hedge accounting (currency-related, gains of ¥820 million as of March 31, 2015, and currency-related gains of ¥18,558 million, stock-related gains of ¥265 million as of March 31, 2016) included in gains and losses with hedge accounting applied, and gains and losses with hedge accounting not applied are reported in the statements of operations.

### (ii) Interest-related Transactions

(Millions of yen)

(in millions of yen)

	As of March 31, 2015				As of March 31, 2016			
	Notional amount/ contract value	Over 1 year	Fair value	Gains (losses)	Notional amount/ contract value	Over 1 year	Fair value	Gains (losses)
Over-the-counter transactions								
Yen interest rate swap contracts								
Receipt fixed, payment floating	85	—	0	0	—	—	—	—
Payment fixed, receipt floating	—	—	—	—	—	—	—	—
Yen interest rate swaption contracts								
Sold								
Receipt fixed, payment floating	—	—	—	—	—	—	—	—
Payment fixed, receipt floating	[ — ]	—	—	—	[ — ]	—	—	—
Bought								
Receipt fixed, payment floating	—	—	—	—	—	—	—	—
Payment fixed, receipt floating	[ — ]	—	—	—	[ — ]	—	—	—
Total	300,000	200,000	828	(460)	300,000	100,000	191	(972)
Average fixed rate (receipt)	[ 1,289 ]				[ 1,164 ]			
Total				(459)				(972)

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

### (reference) Interest rate swap contracts by contractual maturity dates

(Millions of yen)

	As of March 31, 2015			As of March 31, 2016		
	1 year or shorter	Over 1 year to 3 years	Over 3 years	1 year or shorter	Over 1 year to 3 years	Over 3 years
Yen interest rate swap contracts						
Notional amount (receipts fixed, payments floating)	85	—	—	—	—	—
Average fixed rate (receipt)	2.47%	—	—	—	—	—
Average floating rate (payment)	1.06%	—	—	—	—	—
Notional amount (receipts floating, payments fixed)	—	—	—	—	—	—
Average floating rate (receipt)	—	—	—	—	—	—
Average fixed rate (payment)	—	—	—	—	—	—

## (iii) Currency-related Transactions

(Millions of yen)

	As of March 31, 2015				As of March 31, 2016			
	Notional amount/ contract value	Over 1 year	Fair value	Gains (losses)	Notional amount/ contract value	Over 1 year	Fair value	Gains (losses)
Over-the-counter transactions								
Currency forward contracts								
Sold	724,640	—	723,134	1,505	1,375,442	—	1,357,681	17,760
U.S. dollar	458,741	—	459,295	(553)	1,128,269	—	1,109,234	19,035
British Pound	111,979	—	111,083	896	81,926	—	80,870	1,055
Euro	78,873	—	78,384	488	76,339	—	76,871	(531)
Australian dollar	46,477	—	45,954	522	47,124	—	48,215	(1,091)
Canadian dollar	28,568	—	28,415	153	41,782	—	42,490	(707)
Bought	59	—	60	0	—	—	—	—
U.S. dollar	59	—	60	0	—	—	—	—
Total				1,506				17,760

Notes: 1. Forward exchange rates are used for exchange rates as of March 31, 2016.

2. Regarding assets and liabilities which are denominated in foreign currencies but have fixed settlement in yen under currency forward contracts and are reported in yen amounts in the balance sheet, those currency forward contracts are excluded from the table above.

## (iv) Stock-related Transactions

(Millions of yen)

	As of March 31, 2015				As of March 31, 2016			
	Notional amount/ contract value	Over 1 year	Fair value	Gains (losses)	Notional amount/ contract value	Over 1 year	Fair value	Gains (losses)
Over-the-counter transactions								
Yen stock forward contract								
Sold	—	—	—	—	823	823	557	265
Bought	—	—	—	—	—	—	—	—
Total				—				265

## (v) Bond-related Transactions

(Millions of yen)

	As of March 31, 2015				As of March 31, 2016			
	Notional amount/ contract value	Over 1 year	Fair value	Gains (losses)	Notional amount/ contract value	Over 1 year	Fair value	Gains (losses)
Exchange-traded transactions								
Yen bond futures								
Sold	294,876	—	294,440	436	151,069	—	151,300	(231)
Bought	—	—	—	—	—	—	—	—
Foreign bond futures								
Sold	40,083	—	40,318	(235)	38,343	—	38,324	18
Bought	—	—	—	—	—	—	—	—
Total				200				(212)

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

(millions of yen)

As of March 31, 2015			As of March 31, 2016		
Carrying value on the balance sheets	Fair value	Gains (losses)	Carrying value on the balance sheets	Fair value	Gains (losses)
132,263	235,337	103,073	125,312	233,848	108,535

Notes: 1. As of March 31, 2016, fair value is based on the appraisal value by the real-estate appraiser, the appraisal value for property tax as of January 1, 2016 and the road rate as of January 1, 2015.

2. As of March 31, 2015, fair value is based on the appraisal value by the real-estate appraiser, the appraisal value for property tax as of January 1, 2015 and the road rate as of January 1, 2014.

## 4. Non-consolidated Balance Sheets

(Millions of yen)

	As of March 31, 2015	As of March 31, 2016		As of March 31, 2015	As of March 31, 2016
<b>Assets:</b>			<b>Liabilities:</b>		
Cash and deposits	96,515	114,182	Policy reserves	5,545,647	5,555,450
Cash	183	182	Reserve for outstanding claims	21,305	20,719
Bank deposits	96,332	113,999	Policy reserve	5,475,030	5,484,362
Call loans	186,500	200,000	Reserve for dividends to policyholders	49,311	50,368
Monetary claims bought	870	813	Reinsurance payables	110	133
Money held in trust	34,319	87,793	Subordinated bonds	118,959	141,935
Securities	5,240,955	5,091,762	Other liabilities	55,984	43,653
Government bonds	2,061,294	1,881,618	Corporate income tax payable	15,851	891
Local government bonds	154,616	142,336	Accounts payable	2,911	3,869
Corporate bonds	670,380	663,209	Accrued expenses	10,587	10,281
Stocks	664,735	594,312	Unearned income	357	362
Foreign securities	1,607,208	1,722,110	Deposits received	5,355	5,625
Other securities	82,719	88,175	Guarantee deposits received	12,772	12,929
Loans	763,900	693,680	Differential account for futures trading	—	99
Policy loans	63,311	61,437	Derivatives	3,886	5,037
Ordinary loans	700,588	632,242	Asset retirement obligations	3,001	3,351
Tangible fixed assets	227,591	218,565	Suspense receipts	1,259	1,204
Land	132,261	125,310	Reserve for employees' retirement benefits	46,393	26,083
Buildings	90,902	85,978	Reserve for price fluctuation of securities	46,534	68,288
Lease assets	954	2,324	Deferred tax liabilities	85,741	33,050
Construction in progress	630	1,590	Deferred tax liabilities for revaluation reserve for land	14,787	14,274
Other tangible fixed assets	2,843	3,360	<b>Total liabilities</b>	<b>5,914,159</b>	<b>5,882,868</b>
Intangible fixed assets	11,017	16,093	<b>Net assets:</b>		
Software	10,744	10,526	Foundation funds	30,000	30,000
Other intangible fixed assets	272	5,567	Accumulated foundation funds redeemed	86,000	86,000
Reinsurance receivables	105	144	Reserve for revaluation	112	112
Other assets	52,123	68,631	Surplus	143,548	148,284
Accounts receivable	9,037	8,585	Legal reserve for future losses	2,582	2,742
Prepaid expenses	898	1,053	Other surplus	140,966	145,542
Accrued income	28,136	27,731	Reserve for redemption of foundation funds	12,000	18,000
Deposits	1,837	2,239	Reserve for dividend allowances	3,895	20,000
Differential account for futures trading	241	761	Accumulated fund for price fluctuation	31,000	41,000
Derivatives	5,134	21,877	Reserve for advanced depreciation of real estate for tax purpose	262	266
Suspense payments	3,108	2,192	Other reserves	767	767
Lease investment assets	801	767	Unappropriated surplus	93,041	65,509
Rest of the other asset	2,929	3,421	Total foundation funds, surplus and others	259,660	264,397
Allowance for possible loan losses	(1,948)	(1,850)	Net unrealized gains (losses) on available-for-sale securities, net of tax	434,236	338,421
			Deferred valuation gains (losses) under hedge accounting, net of tax	0	—
			Revaluation reserve for land, net of tax	3,894	4,128
			Total valuation and translation adjustments	438,131	342,549
			<b>Total net assets</b>	<b>697,792</b>	<b>606,947</b>
<b>Total assets</b>	<b>6,611,952</b>	<b>6,489,815</b>	<b>Total liabilities and net assets</b>	<b>6,611,952</b>	<b>6,489,815</b>

## 5. Non-consolidated Statements of Operations

(Millions of yen)

	Year ended March 31, 2015	Year ended March 31, 2016
<b>Ordinary revenues:</b>		
Premium and other income	643,119	618,073
Premium income	642,774	617,742
Reinsurance income	345	331
Investment income	213,754	186,642
Interest, dividends and other income	136,700	137,324
Interest on deposits	14	27
Interest and dividends on securities	107,138	110,276
Interest on loans	15,464	13,343
Income from real estate for rent	13,832	13,444
Other interest and dividends	251	231
Gains from money held in trust, net	2,349	11,332
Gains from trading securities, net	35,232	—
Gains on sales of securities	25,221	37,548
Foreign exchange gains, net	2,041	—
Reversal of allowance for possible loan losses	270	77
Other investment income	69	360
Gains from separate accounts, net	11,869	—
Other ordinary revenues	10,861	9,606
Fund receipt from annuity rider	457	656
Fund receipt from deposit of claims paid	4,300	3,741
Reversal of reserve for outstanding claims	1,761	586
Reversal of reserve for employees' retirement benefits	1,481	1,641
Others	2,860	2,980
<b>Total ordinary revenues</b>	<b>867,736</b>	<b>814,323</b>
<b>Ordinary expenses:</b>		
Claims and other payments	490,362	590,510
Claims	112,311	126,262
Annuities	155,577	202,982
Benefits	118,484	119,535
Surrenders	75,594	110,088
Other payments	27,954	31,163
Reinsurance premiums	440	477
Provision for policy reserve and others	136,537	9,379
Provision for policy reserve	136,482	9,332
Interest on accumulated dividends to policyholders	54	47
Investment expenses	35,715	47,886
Interest expenses	4,252	4,314
Losses on trading securities	—	12,422
Losses on sales of securities, net	1,075	5,820
Losses on valuation of securities	0	—
Losses from derivative instruments, net	18,679	3,549
Foreign exchange losses, net	—	8,600
Depreciation of real estate for rent and other assets	4,877	4,482
Other investment expenses	6,831	6,340
Losses on separate accounts, net	—	2,354
Operating expenses	86,365	86,500
Other ordinary expenses	21,877	19,702
Claim deposit payments	8,900	6,327
Taxes	6,069	6,061
Depreciation	6,205	6,499
Others	701	814
<b>Total ordinary expenses</b>	<b>770,858</b>	<b>753,979</b>
<b>Ordinary profits</b>	<b>96,877</b>	<b>60,344</b>
<b>Extraordinary gains:</b>		
Gains on disposal of fixed assets	6	1,503
Gain on contribution of securities to retirement benefit trust	—	7,913
State subsidy and others	—	140
<b>Total extraordinary gains</b>	<b>6</b>	<b>9,557</b>
<b>Extraordinary losses:</b>		
Losses on disposal of fixed assets	165	266
Impairment losses	698	242
Provision of reserve for price fluctuation of securities	2,518	21,754
<b>Total extraordinary losses</b>	<b>3,382</b>	<b>22,263</b>
<b>Surplus before income taxes</b>	<b>93,501</b>	<b>47,638</b>
<b>Income taxes:</b>		
Current	27,169	14,390
Deferred	(2,711)	(8,304)
<b>Total income taxes</b>	<b>24,458</b>	<b>6,086</b>
<b>Net surplus for the year</b>	<b>69,043</b>	<b>41,551</b>

# 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 rounded down. 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. 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 values are stated at fair market values based on the market prices at the balance sheet date. Costs of their sales are determined by the moving average method. Net unrealized gains or losses on these available-for-sale securities, net of taxes, are recorded as a separate component of net assets.

Available-for-sale securities whose market value are deemed extremely difficult to obtain are stated at cost, cost being determined by the moving average method, except for public and corporate bonds including foreign bonds, of which the difference between acquisition cost and face value is considered to be an adjustment of interest. Such bonds are stated at amortized cost under the straight-line method, cost being determined by the moving average method.

#### (2) Valuation Methods of Derivative Instruments

Derivative instruments are stated at fair market value.

#### (3) Revaluation of Land

The Company revalues 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 are written-off directly from the borrowers' balances as the estimated uncollectible amounts. The amount written-off as of March 31, 2016 was ¥247 million.

#### (7) Reserve for Employees' Retirement Benefits and Method of Amortizing Retirement Benefit Expenses

Reserve for employees' retirement benefits is presented based on projected benefit obligations and pension plan assets at the balance sheet date.

The Company uses the following methods for amortizing retirement benefit obligations and retirement benefit expenses:

- |                                                                |                       |
|----------------------------------------------------------------|-----------------------|
| • Method for allocation of projected retirement benefits ..... | Benefit formula basis |
| • Amortization period of actuarial gains and losses.....       | 10 years              |
| • Amortization period of prior service cost.....               | 10 years              |

In the fiscal period, the Company contributed a portion of its securities to establish a trust account for retirement benefits amounting to ¥18,666 million and recognized a gain on contribution of securities to retirement benefit trust amounting to ¥7,913 million as an extraordinary gain.



(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 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.

(10) Accounting for Hedge Activities

Hedge accounting is based on "Accounting Standards for Financial Instruments" (ASBJ Statement No. 10, August 11, 2006). The Company applies a market price hedge accounting as a hedge against the risk of foreign exchange fluctuation in relation to foreign currency denominated bonds and against the risk of price fluctuation in relation to domestic stocks, a deferral hedge accounting as a hedge against the risk of interest rate fluctuation in relation to loans extended by the Company, and a designated hedge accounting ("Furiate shori") for foreign currency swaps as a hedge against the risk of foreign exchange fluctuation in relation to foreign currency denominated bonds issued by the Company.

For assessing the effectiveness of hedge used, ratio analysis of comparing the fluctuations in the fair value or cash flows of hedged items and hedging instruments is mostly applied.

(11) 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.

(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:

- i) In regard to the policies subject to the standard policy reserve, the method as prescribed by the Commissioner of Financial Services Agency (Ministry of Finance Ordinance No. 48, 1996) is applied.
- ii) In regard to the policies not subject to the standard policy reserve, the net level premium method is applied.

Based on the provision of Article 69, paragraph 5, of the Enforcement Regulation of the Insurance Business Law, the Company includes additional funded policy reserves as follows.

At the end of the fiscal year ended March 31, 2013, among individual annuity insurance policies with an assumed interest rate of 5.00% or higher, policies that have an annuity commencement date on or prior to March 31, 2013 (excluding wife's annuity insurance additional rider), the Company reduced the assumed interest rate to 1.00% and funded additional policy reserves. Furthermore, for certain hospitalization riders with surgery benefits and long-term hospitalization benefits, the Company funded additional policy reserves. At the end of the current fiscal year, the balance of these policy reserves was ¥47,438 million.

At the end of the current fiscal year, among individual annuity insurance policies with an assumed interest rate of 5.00% or higher, policies that have an annuity commencement date from April 1, 2013, through March 31, 2017 (excluding wife's annuity insurance additional rider), the Company reduced the assumed interest rate of policy reserve to 1.00% and funded additional policy reserves. Furthermore, for certain whole life insurance policies that include distribution of surplus every five years the Company funded additional policy reserves. At the end of the current fiscal year, the balance of these policy reserves was ¥33,100 million. As a result, compared with a situation in which the Company did not carry out this additional funding, provisions to policy reserves increased by ¥33,100 million, and ordinary profits and surplus before income taxes both decreased by ¥33,100 million.

(14) Software

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

(15) 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).

## 2. Principal Accounting Standards Published before March 31, 2016 but not Applied

In accordance with the issuance of “Implementation Guidance on Recoverability of Deferred Tax Assets” (ASBJ Guidance No. 26, March 28, 2016), the method of accounting treatment relating to the recoverability of deferred tax assets has been revised.

Compulsory application of this revised guidance is from fiscal years beginning on or after April 1, 2016. The Company plans to apply this standard from the beginning of the fiscal year ending March 31, 2017.

The Company is currently evaluating the impact of the application of this guidance in the initial fiscal year of its application.

## 3. Financial Instruments

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

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

The carrying amounts, fair values and their related differences of major financial assets and liabilities as of March 31, 2016 were as follows:

	Carrying amount	Fair value	Difference
			(Millions of yen)
Cash and deposits:			
Cash and deposits not treated as securities...	¥ 112,405	¥ 112,405	¥ —
Total cash and deposits.....	112,405	112,405	—
Call loans	200,000	200,000	—
Monetary claims bought:			
Claims treated as loans.....	813	881	67
Total monetary claims bought.....	813	881	67
Money held in trust:			
Trading securities.....	86,793	86,793	—
Total money held in trust.....	86,793	86,793	—
Securities:			
Trading securities.....	233,015	233,015	—
Held-to-maturity debt securities.....	768,786	936,313	167,526
Policy-reserve-matching bonds.....	1,074,535	1,280,612	206,077
Investments in subsidiaries and affiliates.....	1,433	1,140	(293)
Available-for-sale securities.....	2,889,888	2,889,888	—
Total securities.....	4,967,659	5,340,969	373,310
Loans:			
Policy loans.....	61,437	61,437	(0)
Ordinary loans.....	632,242	664,774	32,531
Total loans.....	693,680	726,212	32,531
Assets total.....	6,061,352	6,467,262	405,910
Subordinated bonds*1.....	141,935	148,943	7,008
Liabilities total.....	141,935	148,943	7,008
Derivative instruments*2:			
Hedge accounting not applied.....	(1,982)	(1,982)	—
Hedge accounting applied.....	18,823	18,823	—
Total derivative instruments.....	¥ 16,841	¥ 16,841	¥ —

\*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.

- (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 prices at the balance sheet date. The fair values of other securities without the quoted market prices are based on the prices reasonably calculated such as the prices offered by the information vendors or counterparty financial institutions.

Investments in subsidiaries and affiliates, unlisted stocks and investments in partnerships whereby partnership assets consist of unlisted stocks whose fair values are deemed extremely difficult to obtain, are excluded from above securities. The carrying amounts of investments in subsidiaries and affiliates, unlisted stocks and investments in partnerships were ¥35,560 million, ¥6,127 million, and ¥8,371 million as of March 31, 2016, respectively.

- (3) Loans and monetary claims bought treated as loans:

The fair values of policy loans are deemed to approximate book values, considering estimated repayment period and interest rate conditions since their repayment deadlines have not been set up

due to the characteristics that the loans are limited to the amount of cash surrender values. Therefore, the book values are used as the fair values of policy loans.

The fair values of floating interest rate loans among the ordinary loans and monetary claims bought treated as loans approximate the book values because the market interest rates are reflected in future cash flows in a short period. Therefore, the fair values of floating interest rate loans and monetary claims bought treated as loans are based on their book values. The fair values of fixed interest rate loans are measured by discounting the future cash flows to the present values.

The fair values of loans 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 values.

(5) Derivative instruments:

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

#### 4. Investment and Rental Property

The Company holds investment and rental properties such as office buildings in Tokyo and other areas. The carrying amounts and the fair values of investment and rental properties were ¥170,027 million and ¥276,629 million as of March 31, 2016, respectively. The fair value is mainly based on the value calculated by the Company in accordance with real estate appraisal standards which includes some adjustments using the reference prices.

The amount corresponding to asset retirement obligations included in the carrying amount of investment and rental properties was ¥1,119 million as of March 31, 2016.

#### 5. Securities Lent under Lending Agreements

The amount of securities lent under lending agreements was ¥18,189 million as of March 31, 2016.

#### 6. Loans Receivable

The total amounts of credits to bankrupt borrowers, delinquent loans, delinquent loans past 3 months or more and restructured loans, which were included in loans, was ¥990 million as of March 31, 2016;

- i) The balance of credits to bankrupt borrowers was ¥217 million as of March 31, 2016.
- ii) The balance of delinquent loans was ¥773 million as of March 31, 2016.
- iii) There was no balance of delinquent loans past 3 months or more and restructured loans as of March 31, 2016.

The direct write-offs related to loans decreased credits to bankrupt borrowers described above by ¥247 million as of March 31, 2016.

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, accrued interest on these loans is not recorded as income after determining that principal or interest on these loans is unlikely to be collected due to the significant delay in repayment of principal or interest payment or for some other reasons.

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

Delinquent loans past 3 months or more are loans for which interest payments or repayments of principal are delinquent for 3 months or more from the due date under the terms of the related loan agreements, excluding those loans classified as credits to bankrupt borrowers and delinquent loans.

Restructured loans are loans which certain concessions favorable to borrowers, such as interest reduction or exemption, 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.

## 7. Accumulated Depreciation of Tangible Fixed Assets

Accumulated depreciation of tangible fixed assets totalled to ¥152,678 million as of March 31, 2016.

## 8. Separate Accounts

Total assets in separate accounts provided for in Article 118 of the Insurance Business Law were ¥79,065 million as of March 31, 2016. The amounts of separate account liabilities were the same as separate account assets.

## 9. Receivables from/Payables to Subsidiaries

The total amounts of receivables from/payables to subsidiaries were ¥2,486 million and ¥2,752 million as of March 31, 2016, respectively.

## 10. Income Taxes

Deferred tax assets and deferred tax liabilities as of March 31, 2016 were ¥108,997 million and ¥139,188 million, respectively. Valuation allowance for deferred tax assets was ¥2,859 million.

Major components of deferred tax assets were ¥69,311 million of policy reserves, ¥19,120 million of reserve for price fluctuation of securities and ¥12,530 million of reserve for employees' retirement benefits as of March 31, 2016.

Major component of deferred tax liabilities was ¥131,608 million of net unrealized gains on available-for-sale securities as of March 31, 2016.

The statutory tax rate and the actual effective tax rate for the year ended March 31, 2016 were 28.9% and 12.8%, respectively. The difference between the statutory tax rate and the actual effective tax rate was attributable mainly to -21.3% of reserve for dividends to the policyholders, and +6.1% of the tax rate adjustment of deferred tax assets at the end of period.

Accompanying the enactment of the Act on Partial Amendment to the Income Tax Act, etc. (Act No. 15, 2016) by the National Diet on March 29, 2016, the effective statutory tax rate of 28.9%, which was used for calculating deferred tax assets and deferred tax liabilities, has been revised to 28.2% for items expected to be collected or paid during the period from April 1, 2016, to March 31, 2018. For items expected to be collected or paid on or later than April 1, 2018, the rate has been revised to 28.0%. Based on these changes, deferred tax liabilities decreased by ¥1,076 million, and deferred tax liabilities for revaluation reserve for land decreased by ¥433 million. Income taxes—deferred increased by ¥2,918 million.

## 11. Reserve for Dividends to Policyholders

Changes in reserve for dividends to policyholders for the year ended March 31, 2016 were as follows:

	(Millions of yen)
Balance at the beginning of current period.....	¥ 49,311
Transfer from surplus in previous period.....	36,698
Dividends paid in the current period.....	(35,688)
Increase in interest.....	47
Balance at the end of current period.....	<u>¥ 50,368</u>

## 12. Stocks of Subsidiaries

The amount of stocks of subsidiaries was ¥36,994 million as of March 31, 2016.

## 13. Pledged Assets and Secured Debts

Assets pledged as collateral as of March 31, 2016 were ¥26,284 million of securities and ¥1,279 million of bank deposits. Secured debts as of March 31, 2016 were ¥4,906 million.

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

Reserve for outstanding claims for the reinsurance contracts provided in accordance with Article 71 Paragraph 1 of the Enforcement Regulation of the Insurance Business Law (hereinafter called "reserve for outstanding claims for ceded reinsurance") was ¥15 million as of March 31, 2016.

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") was ¥29 million as of March 31, 2016.

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

The total amounts of adjustment items for redemption of foundation funds and appropriation of net surplus defined in Article 30 Paragraph 2 of the Enforcement Regulation of the Insurance Business Law was ¥342,662 million as of March 31, 2016.

#### 16. Commitment Line

There were unused commitment line agreements under which the Company is the lender of ¥12,172 million as of March 31, 2016.

#### 17. Subordinated Bonds

Repayments of subordinated bonds are subordinated to other obligations.

#### 18. 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 was estimated at ¥10,356 million as of March 31, 2016.

The contribution was charged as operating expenses in the year in which it was paid.

#### 19. Matters Related to Employees' Retirement Benefits as of March 31, 2016

##### (1) Overview of Employees' Retirement Benefit Plan

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

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

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

##### (2) Defined Benefit Plan

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

	(Millions of yen)
Retirement benefit obligation at the beginning of current period.....	¥ 76,725
Service cost.....	3,067
Interest cost.....	1,073
Actuarial differences occurred during the period.....	9,106
Retirement benefit payments.....	(4,787)
Retirement benefit obligation at the end of current period.....	<u>¥ 85,184</u>

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

	(Millions of yen)
Pension plan assets at the beginning of current period.....	¥ 26,114
Expected return on pension plan assets.....	783
Actuarial differences occurred during the period.....	(1,987)
Contributions by the employer.....	2,380
Retirement benefit payments.....	(1,322)
Contribution amount on establishment of retirement benefit trust.....	18,666
Pension plan assets at the end of current period.....	<u>¥ 44,636</u>

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

	(Millions of yen)
a. Funded plan retirement benefit obligation.....	¥ 73,675
b. Pension plan assets.....	(44,636)
c. (a+b) .....	29,039
d. Unfunded plan retirement benefit obligation.....	11,509
e. Unrecognized actuarial differences.....	(14,864)
f. Unrecognized prior service cost.....	399
g. Reserve for employees' retirement benefits (c+d+e+f).....	¥ 26,083

iv) Breakdown of retirement benefit gains and losses

	(Millions of yen)
Service cost.....	¥ 3,067
Interest cost.....	1,073
Expected return on pension plan assets.....	(783)
Amortization of actuarial differences.....	921
Amortization of prior service cost.....	(76)
Retirement benefit expenses related to defined benefit plan.....	¥ 4,202

v) Breakdown of pension plan assets

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

Domestic stocks.....	48.5%
Life insurance general account.....	33.7%
Domestic bonds.....	7.7%
Foreign stocks.....	6.7%
Foreign bonds.....	2.9%
Others.....	0.6%
Total.....	100.0%

Within the total of pension assets, 39.8% of this amount is accounted for by the retirement benefit trust established in relation to the retirement lump-sum payments plan for sales employees.

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

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

vii) Underlying actuarial assumptions

Main underlying actuarial assumptions as of March 31, 2016, were as follows:

Discount rate.....	0.6%
Expected long-term rate of return on pension plan assets	
Defined Benefit Plan.....	3.0%
Retirement benefit trust.....	0.0%

(3) Defined Contribution Plan

The contribution amount by the Company to the defined contribution plan was ¥187 million.

### III. Notes to Statements of Operations

#### 1. Transactions with Subsidiaries

The total amounts of revenues and expenses in connection with subsidiaries were ¥1,749 million and ¥8,584 million for the year ended March 31, 2016.

#### 2. Gains on Sales of Securities

Major items of gains on sales of securities for the year ended March 31, 2016 were as follows:

	(Millions of yen)
Domestic bonds.....	¥ 30,067
Domestic stocks and others.....	2,934
Foreign securities.....	4,546

#### 3. Losses on Sales of Securities

Major items of losses on sales of securities for the year ended March 31, 2016 were as follows:

	(Millions of yen)
Domestic stocks and others.....	¥ 2,701
Foreign securities.....	3,119

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

For the year ended March 31, 2016, reversal of reserve for outstanding claims for ceded reinsurance considered in calculation of reversal of reserve for outstanding claims was ¥35 million and reversal of policy reserve for ceded reinsurance considered in calculation of provision for policy reserve was ¥1 million.

#### 5. (Losses) Gains on Trading Securities

Major items of (losses)gains on trading securities for the year ended March 31, 2016 were as follows:

	(Millions of yen)
Interest, dividends and other income.....	¥ 9,034
Gains (Losses) from sales of trading securities.....	12,821
(Losses) Gains on valuation of trading securities.....	(36,617)

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

Gains (Losses) from money held in trust for the years ended March 31, 2016 included valuation losses of ¥0 million.

#### 7. Gain (Losses) from Derivative Instruments

Gains (Losses) from derivative instruments for the year ended March 31, 2016 included valuation losses of (¥2,428 million).



## 6. Breakdown of Ordinary Profits (Fundamental Profit)

(Millions of yen)

	Year ended March 31, 2015	Year ended March 31, 2016
<b>Fundamental profit</b> A	<b>93,183</b>	<b>92,329</b>
Capital gains	55,601	48,666
Gains from money held in trust, net	2,181	11,118
Gains from trading securities, net	26,157	—
Gains on sales of securities	25,221	37,548
Gains from derivative instruments, net	—	—
Foreign exchange gains, net	2,041	—
Other capital gains	—	—
Capital losses	19,754	39,428
Losses from money held in trust, net	—	—
Losses from trading securities, net	—	21,456
Losses on sales of securities	1,075	5,820
Losses on valuation of securities	0	—
Losses from derivative instruments, net	18,679	3,549
Foreign exchange losses, net	—	8,600
Other capital losses	—	—
Net capital gains (losses) B	35,846	9,238
Fundamental profit plus net capital gains (losses) A+B	129,030	101,568
Non-recurring gains	78	—
Reinsurance income	—	—
Reversal of contingency reserve	—	—
Reversal for specific allowance for possible loan losses	78	—
Others	—	—
Non-recurring losses	32,232	41,224
Reinsurance premiums	—	—
Provision for contingency reserve	32,231	8,050
Provision for specific allowance for possible loan losses	—	73
Allowance for specified overseas loans	—	—
Write-off of loans	—	—
Others	1	33,100
Non-recurring gains (losses) C	(32,153)	(41,224)
Ordinary profits A+B+C	96,877	60,344

- 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): ¥168 million in respect of the year ended March 31, 2015 and ¥213 million in respect of the year ended March 31, 2016.
2. The following amounts in respect of gains / losses from trading securities have been excluded from gains / losses and included in fundamental profit due to their income nature (being interest and dividend income): ¥9,075 million in respect of the year ended March 31, 2015 and ¥9,034 million in respect of the year ended March 31, 2016.
3. Other non-recurring losses represent the losses relating to provision of the additional policy reserves in accordance with Article 69, Paragraph 5 of the Enforcement Regulations of the Insurance Business Act.

## 7. Non-consolidated Statements of Changes in Net Assets

[For the year ended March 31, 2015]

(Millions of yen)

(millions of yen)

	Foundation funds, surplus and others											
	Foundation funds	Accumulated foundation funds redeemed	Reserve for revaluation	Surplus								Total foundation funds, surplus and others
				Legal reserve for future losses	Other surplus					Total surplus		
					Reserve for redemption of foundation funds	Reserve for dividend allowance	Accumulated fund for price fluctuation	Reserve for advanced depreciation of real estate for tax purpose	Other reserves		Unappropriated surplus	
Balance at the beginning of the current period	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 period												
Financing of additional 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 current period										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, net of tax										239	239	239
Net changes, excluding foundation funds, surplus and others												
Total changes in the current period	(5,000)	15,000	—	97	(6,000)	—	10,000	(3,707)	—	21,675	22,065	32,065
Balance at the end of the current period	30,000	86,000	112	2,582	12,000	3,895	31,000	262	767	93,041	143,548	259,660

	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, net of tax	Revaluation reserve for land, net of tax	Total valuation and translation adjustments		
Balance at the beginning of the current period	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 period						
Financing of additional 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 current period					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, net of tax					239	
Net changes, excluding foundation funds, surplus and others	174,375	(2)	750	175,123	175,123	
Total changes in the current period	174,375	(2)	750	175,123	207,188	
Balance at the end of the current period	434,236	0	3,894	438,131	697,792	

[For the year ended March 31, 2016]

(Millions of yen)

	Foundation funds, surplus and others											
	Foundation funds	Accumulated foundation funds redeemed	Reserve for revaluation	Surplus								Total foundation funds, surplus and others
				Legal reserve for future losses	Other surplus						Total surplus	
					Reserve for redemption of foundation funds	Reserve for dividend allowance	Accumulated fund for price fluctuation	Reserve for advanced depreciation of real estate for tax purpose	Other reserves	Unappropriated surplus		
Balance at the beginning of the current period	30,000	86,000	112	2,582	12,000	3,895	31,000	262	767	93,041	143,548	259,660
Changes in the current period												
Additions to reserve for dividends to policyholders										(36,698)	(36,698)	(36,698)
Additions to legal reserve for future losses				160						(160)	—	—
Payment of interest on foundation funds										(316)	(316)	(316)
Net surplus for the current period										41,551	41,551	41,551
Additions to reserve for redemption of foundation funds					6,000					(6,000)	—	—
Additions to reserve for dividend allowance						16,104				(16,104)	—	—
Additions to accumulated fund for price fluctuation							10,000			(10,000)	—	—
Addition to reserve for advanced depreciation of real estate for tax purpose								7		(7)	—	—
Reversal of reserve for advanced depreciation of real estate for tax purpose								(3)		3	—	—
Reversal of revaluation reserve for land, net of tax										199	199	199
Net changes, excluding foundation funds, surplus and others												
Total changes in the current period	—	—	—	160	6,000	16,104	10,000	3	—	(27,531)	4,736	4,736
Balance at the end of the current period	30,000	86,000	112	2,742	18,000	20,000	41,000	266	767	65,509	148,284	264,397

	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, net of tax	Revaluation reserve for land, net of tax	Total valuation and translation adjustments	
Balance at the beginning of the current period	434,236	0	3,894	438,131	697,792
Changes in the current period					
Additions to reserve for dividends to policyholders					(36,698)
Additions to legal reserve for future losses					—
Payment of interest on foundation funds					(316)
Net surplus for the current period					41,551
Additions to reserve for redemption of foundation funds					—
Additions to reserve for dividend allowance					—
Additions to accumulated fund for price fluctuation					—
Addition 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, net of tax					199
Net changes, excluding foundation funds, surplus and others	(95,815)	(0)	234	(95,581)	(95,581)
Total changes in the current period	(95,815)	(0)	234	(95,581)	(90,845)
Balance at the end of the current period	338,421	—	4,128	342,549	606,947

## 8. Non-consolidated Statements of Surplus

(Millions of Yen)

	Year ended March 31, 2015	Year ended March 31, 2016
Unappropriated surplus	93,041	65,509
Reversal of voluntary surplus reserve	3	11
Reversal of reserve for advanced depreciation of real estate for tax purpose	3	11
Total	93,044	65,521
Appropriation of surplus	69,286	41,762
Reserve for dividends to policyholders	36,698	35,236
Net surplus	32,588	6,526
Legal reserve for future losses	160	106
Interest payment for foundation funds	316	316
Voluntary surplus reserve	32,111	6,103
Reserve for redemption of foundation funds	6,000	6,000
Equalized reserve for dividends to policyholders	16,104	—
Accumulated fund for price fluctuation	10,000	—
Reserve for advanced depreciation of real estate for tax purpose	7	2
Reserve for special account for advanced depreciation of real estate	—	100
Unappropriated surplus carried forward	23,758	23,758

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

## 9. Disclosed Claims Based on Categories of Obligors

(Millions of yen)

	As of March 31, 2015	As of March 31, 2016
Claims against bankrupt and quasi-bankrupt obligors	207	260
Claims with collection risk	837	736
Claims for special attention	370	—
Subtotal	1,415	996
[Percentage of total]	[0.17%]	[0.14%]
Claims against normal obligors	816,618	714,152
Total	818,034	715,149

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

## 10. Risk-monitored Loans

(Millions of yen)

	As of March 31, 2015	As of March 31, 2016
Credits to bankrupt borrowers	194	217
Delinquent loans	844	773
Delinquent loans past three months or more	—	—
Restructured loans	370	—
Total	1,409	990
[Percentage of total loans]	[0.18%]	[0.14%]

- Notes: 1. For the credits of legally bankrupt borrowers and substantially bankrupt borrowers, the amounts remaining after deductions of collateral value or the amounts collectible through the execution of guarantees is written-off directly from the borrower's balance as the estimated uncollectible amounts. The amounts written-off related to credits to bankrupt borrowers were ¥247 million as of March 31, 2015 and ¥247 million as of March 31, 2016.
2. Credits to bankrupt borrowers represent loans which are subject to bankruptcy, corporate reorganization or rehabilitation or other similar, including but not limited to foreign, proceedings. Accruing interest of these loans is not recorded as income after determining that principal 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.
3. Delinquent loans are credits whose accruing interest is not recorded as income due to the same reasons as described in note 2 above, and exclude credits to bankrupt borrowers and loans for which interest payments have been suspended and rescheduled to assist and support the borrowers in the restructuring of their business.
4. Delinquent loans past three months or more are loans for which interest payment or repayment of principal are delinquent for three months or more from the due date under the terms of the related loan agreements, excluding those loans classified as credits to bankrupt borrowers and delinquent loans.
5. Restructured loans are loans for which certain concessions favorable to borrowers, such as interest reduction or exemptions, rescheduling of due date of principal or interest payment, waiver of claim or other terms, have been negotiated for the purpose of assisting and supporting the borrowers in the restructuring of their business. This category excludes loans classified as credits to bankrupt borrowers, delinquent loans and delinquent loans past three months or more.

## 11. Solvency Margin Ratio

(Millions of yen)

	As of March 31, 2015	As of March 31, 2016
<b>Total solvency margin (A)</b>	<b>1,397,205</b>	<b>1,374,588</b>
Foundation funds and surplus	220,996	226,683
Reserve for price fluctuation of securities	46,534	68,288
Contingency reserve	142,523	150,573
Allowance for possible loan losses	1,403	1,251
(Net unrealized gains (losses) on securities (before tax) and deferred hedge gains (losses) (before tax)) × 90%	549,280	423,026
Net unrealized gains on real estate × 85%	99,173	105,577
Excess amount of policy reserve based on full-time Zillmer method	197,683	236,087
Qualifying subordinated debt	118,959	141,935
The amount of "excess amount of policy reserve based on full-time Zillmer method" and "qualifying subordinated debt" excluded from the calculation of solvency margin	—	—
Deductible items	(19,000)	(19,000)
Others	39,652	40,165
<b>Total amount of risk <math>\sqrt{(R_1 + R_2)^2 + (R_3 + R_4 + R_5)^2} + R_6</math> (B)</b>	<b>238,962</b>	<b>207,983</b>
Insurance risk $R_1$	25,494	24,616
3rd sector insurance risk $R_2$	9,575	9,577
Assumed investment yield risk $R_3$	35,851	33,481
Minimum guarantee risk $R_4$	0	0
Investment risk $R_5$	195,142	166,913
Business risk $R_6$	5,321	4,691
<b>Solvency margin ratio</b> $\frac{(A)}{(1/2) \times (B)} \times 100$	<b>1,169.3%</b>	<b>1,321.8%</b>

Notes: 1. The figures above are calculated based on Articles 86 and 87 of the Enforcement Regulation of the Insurance Business Law and Ministry of Finance No. 50, 1996.

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

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

## 12. Status of Separate Account

### (1) Separate Account Assets by Products

(Millions of yen)

	As of March 31, 2015	As of March 31, 2016
	Amount	Amount
Individual variable insurance	—	—
Individual variable annuities	149	67
Group annuities	82,855	78,997
Total	83,004	79,065

### (2) Individual Variable Insurance (Separate Account)

The Company has not sold the individual variable insurance.

### (3) Individual Variable Annuities (Separate Account)

#### (i) Policies in Force

(Millions of yen)

	As of March 31, 2015		As of March 31, 2016	
	Number	Amount	Number	Amount
Individual variable annuities	43	136	23	64
Total	43	136	23	64

#### (ii) Breakdown of Separate Account Assets for Individual Variable Annuities

(Millions of yen)

	As of March 31, 2015		As of March 31, 2016	
	Amount	Percentage	Amount	Percentage
Cash, deposits, call loans	44	30.0%	26	39.1%
Securities	104	70.0%	41	60.9%
Domestic bonds	—	—	—	—
Domestic stocks	—	—	—	—
Foreign securities	—	—	—	—
Foreign bonds	—	—	—	—
Foreign stocks and other securities	—	—	—	—
Other securities	104	70.0%	41	60.9%
Loans	—	—	—	—
Others	—	—	—	—
Allowance for possible loan losses	—	—	—	—
Total	149	100.0%	67	100.0%



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

(Millions of yen)

	Year ended March 31, 2015	Year ended March 31, 2016
	Amount	Amount
Interest, dividends and other income	13	22
Gains on sales of securities	—	—
Gains on redemption of securities	—	—
Gains on valuation of securities	32	10
Foreign exchange gains, net	—	—
Gains from derivative instruments	—	—
Other investment income	—	0
Losses on sales of securities	—	—
Losses on redemption of securities	—	—
Losses on valuation of securities	27	32
Foreign exchange losses, net	—	—
Losses from derivative instruments	—	—
Other investment expenses	—	0
Net investment income	18	0

## (iv) Fair Value Information on Securities in Separate Account for Individual Variable Annuities

\* Net Valuation Gains/Losses on Trading Securities

(Millions of yen)

	As of March 31, 2015		As of March 31, 2016	
	Carrying value on balance sheet	Net valuation gains/losses included in the statements of operations	Carrying value on balance sheet	Net valuation gains/losses included in the statements of operations
Trading securities	104	5	41	(22)

Note: The Company had no balances of money held in trust and derivative instruments.

**(reference) Fair Value Information on Securities (Total of General Account and Separate Account)**

**Net Valuation Gains/Losses on Trading Securities**

(Millions of yen)

	As of March 31, 2015		As of March 31, 2016	
	Carrying value on balance sheet	Net valuation gains/losses included in the statement of operations	Carrying value on balance sheet	Net valuation gains/losses included in the statement of operations
Trading securities	431,744	29,449	393,852	(43,873)

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

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

(Millions of yen)

	As of March 31, 2015					As of March 31, 2016				
	Book value	Fair value	Gains/losses			Book value	Fair value	Gains/losses		
			Gains	Losses				Gains	Losses	
Held-to-maturity debt securities	811,903	926,148	114,245	114,245	—	768,786	936,313	167,526	167,526	—
Domestic bonds	742,337	853,785	111,448	111,448	—	740,989	906,313	165,323	165,323	—
Foreign bonds	69,565	72,362	2,797	2,797	—	27,797	30,000	2,202	2,202	—
Monetary claims bought	—	—	—	—	—	—	—	—	—	—
Negotiable certificate of deposits	—	—	—	—	—	—	—	—	—	—
Others	—	—	—	—	—	—	—	—	—	—
Policy-reserve-matching bonds	1,215,695	1,346,650	130,954	131,004	50	1,074,535	1,280,612	206,077	206,077	—
Domestic bonds	1,174,597	1,305,280	130,683	130,733	50	1,044,436	1,250,268	205,832	205,832	—
Foreign bonds	41,098	41,369	270	270	—	30,098	30,343	244	244	—
Investments in subsidiaries and affiliates	1,433	1,236	(196)	3	200	1,433	1,140	(293)	1	294
Available-for-sale securities	2,150,593	2,760,905	610,311	611,672	1,360	2,419,858	2,889,888	470,029	487,293	17,263
Domestic bonds	807,550	892,795	85,245	85,269	24	735,758	822,513	86,754	87,055	300
Domestic stocks	279,549	597,167	317,617	317,842	225	291,475	528,697	237,221	244,234	7,012
Foreign securities	1,010,329	1,197,021	186,692	187,788	1,096	1,326,814	1,458,914	132,099	139,958	7,858
Foreign bonds	784,142	901,979	117,837	118,593	756	1,157,841	1,265,973	108,131	111,881	3,750
Foreign stocks and other securities	226,187	295,042	68,854	69,194	340	168,972	192,941	23,968	28,077	4,108
Other securities	53,164	73,920	20,756	20,771	15	65,809	79,763	13,953	16,044	2,091
Money held in trust	—	—	—	—	—	—	—	—	—	—
Monetary claims bought	—	—	—	—	—	—	—	—	—	—
Negotiable certificate of deposits	—	—	—	—	—	—	—	—	—	—
Others	—	—	—	—	—	—	—	—	—	—
Total	4,179,626	5,034,941	855,314	856,926	1,611	4,264,614	5,107,954	843,340	860,898	17,558
Domestic bonds	2,724,485	3,051,862	327,377	327,451	74	2,521,184	2,979,095	457,910	458,211	300
Domestic stocks	279,549	597,167	317,617	317,842	225	291,475	528,697	237,221	244,234	7,012
Foreign securities	1,122,427	1,311,990	189,563	190,859	1,296	1,386,144	1,520,398	134,254	142,407	8,153
Foreign bonds	894,806	1,015,712	120,906	121,662	756	1,215,738	1,326,317	110,578	114,328	3,750
Foreign stocks and other securities	227,621	296,278	68,657	69,197	540	170,406	194,081	23,675	28,078	4,403
Other securities	53,164	73,920	20,756	20,771	15	65,809	79,763	13,953	16,044	2,091
Money held in trust	—	—	—	—	—	—	—	—	—	—
Monetary claims bought	—	—	—	—	—	—	—	—	—	—
Negotiable certificate of deposits	—	—	—	—	—	—	—	—	—	—
Others	—	—	—	—	—	—	—	—	—	—

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

• Held-to-maturity Debt Securities

(Millions of yen)

	As of March 31, 2015			As of March 31, 2016		
	Carrying value on the balance sheet	Fair value	Differences	Carrying value on the balance sheet	Fair value	Differences
Securities whose fair value exceeds the carrying value on the balance sheet	811,903	926,148	114,245	768,786	936,313	167,526
Domestic bonds	742,337	853,785	111,448	740,989	906,313	165,323
Foreign bonds	69,565	72,362	2,797	27,797	30,000	2,202
Money claims bought	—	—	—	—	—	—
Negotiable certificate of deposits	—	—	—	—	—	—
Others	—	—	—	—	—	—
Securities whose fair value does not exceed the carrying value on the balance sheet	—	—	—	—	—	—
Domestic bonds	—	—	—	—	—	—
Foreign bonds	—	—	—	—	—	—
Money claims bought	—	—	—	—	—	—
Negotiable certificate of deposits	—	—	—	—	—	—
Others	—	—	—	—	—	—

• Policy-reserve-matching Bonds

(Millions of yen)

	As of March 31, 2015			As of March 31, 2016		
	Carrying value on the balance sheet	Fair value	Differences	Carrying value on the balance sheet	Fair value	Differences
Bonds whose fair value exceeds the carrying value on the balance sheet	1,194,892	1,325,896	131,004	1,064,535	1,270,612	206,077
Domestic bonds	1,163,793	1,294,527	130,733	1,044,436	1,250,268	205,832
Foreign bonds	31,098	31,369	270	20,098	20,343	244
Others	—	—	—	—	—	—
Bonds whose fair value does not exceed the carrying value on the balance sheet	20,803	20,753	(50)	10,000	10,000	—
Domestic bonds	10,803	10,753	(50)	—	—	—
Foreign bonds	10,000	10,000	—	10,000	10,000	—
Others	—	—	—	—	—	—

• Available-for-sale Securities

(Millions of yen)

	As of March 31, 2015			As of March 31, 2016		
	Book value	Carrying value on the balance sheet	Differences	Book value	Carrying value on the balance sheet	Differences
Securities whose carrying value on the balance sheet exceeds the book value	2,087,739	2,699,411	611,672	2,161,431	2,648,724	487,293
Domestic bonds	800,549	885,818	85,269	707,189	794,245	87,055
Domestic stocks	270,078	587,921	317,842	245,523	489,757	244,234
Foreign securities	964,096	1,151,884	187,788	1,166,940	1,306,899	139,958
Foreign bonds	756,771	875,365	118,593	1,028,891	1,140,772	111,881
Foreign stocks	207,324	276,519	69,194	138,049	166,126	28,077
Other securities	53,015	73,787	20,771	41,778	57,822	16,044
Money held in trust	—	—	—	—	—	—
Money claims bought	—	—	—	—	—	—
Negotiable certificate of deposits	—	—	—	—	—	—
Others	—	—	—	—	—	—
Securities whose carrying value on the balance sheet does not exceed the book value	62,854	61,493	(1,360)	258,426	241,163	(17,263)
Domestic bonds	7,001	6,977	(24)	28,568	28,268	(300)
Domestic stocks	9,470	9,245	(225)	45,952	38,939	(7,012)
Foreign securities	46,233	45,137	(1,096)	159,873	152,014	(7,858)
Foreign bonds	27,370	26,614	(756)	128,950	125,200	(3,750)
Foreign stocks	18,862	18,522	(340)	30,922	26,814	(4,108)
Other securities	148	133	(15)	24,031	21,940	(2,091)
Money held in trust	—	—	—	—	—	—
Money claims bought	—	—	—	—	—	—
Negotiable certificate of deposits	—	—	—	—	—	—
Others	—	—	—	—	—	—

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

(Millions of yen)

	As of March 31, 2015	As of March 31, 2016
Held-to-maturity bonds	—	—
Unlisted foreign bonds	—	—
Others	—	—
Policy-reserve-matching bonds	—	—
Investments in subsidiaries and affiliates	35,560	35,560
Available-for-sale securities	17,031	14,499
Unlisted domestic stocks (except over-the-counter stocks)	8,338	6,127
Unlisted foreign stocks (except over-the-counter stocks)	—	—
Unlisted foreign bonds	—	—
Others	8,693	8,371
Total	52,592	50,060

• Policy-reserve-matching Bonds

(Millions of yen)

	As of March 31, 2015			As of March 31, 2016		
	Carrying value on the balance sheet	Fair value	Differences	Carrying value on the balance sheet	Fair value	Differences
Bonds whose fair value exceeds the carrying value on the balance sheet	1,194,892	1,325,896	131,004	1,064,535	1,270,612	206,077
Domestic bonds	1,163,793	1,294,527	130,733	1,044,436	1,250,268	205,832
Foreign bonds	31,098	31,369	270	20,098	20,343	244
Others	—	—	—	—	—	—
Bonds whose fair value does not exceed the carrying value on the balance sheet	20,803	20,753	(50)	10,000	10,000	—
Domestic bonds	10,803	10,753	(50)	—	—	—
Foreign bonds	10,000	10,000	—	10,000	10,000	—
Others	—	—	—	—	—	—

• Available-for-sale Securities

(Millions of yen)

	As of March 31, 2015			As of March 31, 2016		
	Book value	Carrying value on the balance sheet	Differences	Book value	Carrying value on the balance sheet	Differences
Securities whose carrying value on the balance sheet exceeds the book value	2,087,739	2,699,411	611,672	2,161,431	2,648,724	487,293
Domestic bonds	800,549	885,818	85,269	707,189	794,245	87,055
Domestic stocks	270,078	587,921	317,842	245,523	489,757	244,234
Foreign securities	964,096	1,151,884	187,788	1,166,940	1,306,899	139,958
Foreign bonds	756,771	875,365	118,593	1,028,891	1,140,772	111,881
Foreign stocks	207,324	276,519	69,194	138,049	166,126	28,077
Other securities	53,015	73,787	20,771	41,778	57,822	16,044
Money held in trust	—	—	—	—	—	—
Money claims bought	—	—	—	—	—	—
Negotiable certificate of deposits	—	—	—	—	—	—
Others	—	—	—	—	—	—
Securities whose carrying value on the balance sheet does not exceed the book value	62,854	61,493	(1,360)	258,426	241,163	(17,263)
Domestic bonds	7,001	6,977	(24)	28,568	28,268	(300)
Domestic stocks	9,470	9,245	(225)	45,952	38,939	(7,012)
Foreign securities	46,233	45,137	(1,096)	159,873	152,014	(7,858)
Foreign bonds	27,370	26,614	(756)	128,950	125,200	(3,750)
Foreign stocks	18,862	18,522	(340)	30,922	26,814	(4,108)
Other securities	148	133	(15)	24,031	21,940	(2,091)
Money held in trust	—	—	—	—	—	—
Money claims bought	—	—	—	—	—	—
Negotiable certificate of deposits	—	—	—	—	—	—
Others	—	—	—	—	—	—

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

(Millions of yen)

	As of March 31, 2015	As of March 31, 2016
Held-to-maturity bonds	—	—
Unlisted foreign bonds	—	—
Others	—	—
Policy-reserve-matching bonds	—	—
Investments in subsidiaries and affiliates	35,560	35,560
Available-for-sale securities	17,031	14,499
Unlisted domestic stocks (except over-the-counter stocks)	8,338	6,127
Unlisted foreign stocks (except over-the-counter stocks)	—	—
Unlisted foreign bonds	—	—
Others	8,693	8,371
Total	52,592	50,060

(reference) Fair Value Information on Derivative Instruments (Total of General Account and Separate Account)

(i) Gains and Losses on Derivatives

(Millions of yen)

As of March 31, 2015	Interest-related	Currency-related	Stock-related	Bond-related	Others	Total
Hedge accounting applied	0	820	—	—	—	821
Hedge accounting not applied	(460)	685	—	200	—	426
Total	(459)	1,506	—	200	—	1,247
As of March 31, 2016	Interest-related	Currency-related	Stock-related	Bond-related	Others	Total
Hedge accounting applied	—	18,558	265	—	—	18,823
Hedge accounting not applied	(972)	(799)	—	(212)	—	(1,983)
Total	(972)	17,759	265	(212)	—	16,840

Note: Gains and losses from applying fair value hedge accounting (currency-related, gains of ¥820 million as of March 31, 2015, and currency-related gains of ¥18,558 million, stock-related gains of ¥265 million as of March 31, 2016) included in gains and losses with hedge accounting not applied are reported in the statements of operations.

(ii) Hedge Accounting not Applied

• Interest-related Transactions

(Millions of yen)

Interest-related transactions		As of March 31, 2015				As of March 31, 2016			
		Notional amount/ contract value		Fair value	Gains (losses)	Notional amount/ contract value		Fair value	Gains (losses)
		Over 1 year				Over 1 year			
Over-the-counter transactions									
Yen interest rate swaption contracts									
Sold									
Receipt fixed, payment floating		—	—			—	—		
		[ — ]		—	—	[ — ]		—	—
Payment fixed, receipt floating		—	—			—	—		
		[ — ]		—	—	[ — ]		—	—
Bought									
Receipt fixed, payment floating		—	—			—	—		
		[ — ]		—	—	[ — ]		—	—
Payment fixed, receipt floating		300,000	200,000			300,000	100,000		
		[ 1,289 ]		828	(460)	[ 1,164 ]		191	(972)
Total					(460)				(972)

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

• Currency-related Transactions

(Millions of yen)

		As of March 31, 2015				As of March 31, 2016			
		Notional amount/ contract value		Fair value	Gains (losses)	Notional amount/ contract value		Fair value	Gains (losses)
			Over 1 year				Over 1 year		
Over-the-counter transactions									
Currency forward contracts									
Sold		200,640	—	199,955	685	331,876	—	332,676	(800)
US dollar		35,215	—	34,887	327	192,187	—	191,366	821
Australian dollar		34,774	—	34,479	295	36,929	—	37,485	(555)
Euro		42,190	—	42,585	(394)	36,197	—	36,724	(526)
British Pound		59,875	—	59,571	303	34,101	—	34,100	1
Canadian dollar		28,568	—	28,415	153	32,451	—	32,992	(540)
Swedish krona		9	—	9	0	8	—	8	(0)
Norwegian krone		6	—	6	0	—	—	—	—
Bought		193	—	193	0	100	—	101	1
Euro		19	—	19	(0)	100	—	101	1
US dollar		154	—	155	0	—	—	—	—
Swiss franc		7	—	7	(0)	—	—	—	—
Swedish krona		6	—	6	(0)	—	—	—	—
Danish krone		2	—	2	(0)	—	—	—	—
British Pound		1	—	1	0	—	—	—	—
Total					685				(799)

Notes: 1. Forward exchange rates are used for exchange rates as of March 31, 2016.

• Stock-related Transactions

No ending balance as of March 31, 2015 and 2016.

• Bond-related Transactions

(Millions of yen)

	As of March 31, 2015				As of March 31, 2016			
	Notional amount/ contract value	Over 1 year	Fair value	Gains (losses)	Notional amount/ contract value	Over 1 year	Fair value	Gains (losses)
Exchange-traded transactions								
Yen bond futures								
Sold	294,876	—	294,440	436	151,069	—	151,300	(231)
Bought	—	—	—	—	—	—	—	—
Foreign bond futures								
Sold	40,083	—	40,318	(235)	38,343	—	38,324	18
Bought	—	—	—	—	—	—	—	—
Total				200				(212)

### (iii) Hedge Accounting Applied

#### • Interest-related Transactions

(Millions of yen)

Interest-related Transactions										(Millions of yen)
		As of March 31, 2015				As of March 31, 2016				
Method of hedge accounting	Hedging instruments	Hedged items	Notional amount / contract value		Fair value	Hedged items	Notional amount / contract value		Fair value	
				Over 1 year				Over 1 year		
Deferral hedge method	Yen interest rate swap contracts	Loans								
	Receipt fixed, payment floating		85	—	0		—	—	—	
	Payment fixed, receipt floating		—	—	—		—	—	—	
Total										

(reference) Interest rate swap contracts by contractual maturity dates

(Millions of yen)

		As of March 31, 2015			As of March 31, 2016		
Yen interest rate swap contracts		1 year or shorter	Over 1 year to 3 years	Over 3 years	1 year or shorter	Over 1 year to 3 years	Over 3 years
Notional amount (receipts fixed, payments floating)		85	—	—	—	—	—
Average fixed rate (receipt)		2.47%	—	—	—	—	—
Average floating rate (payment)		1.06%	—	—	—	—	—
Notional amount (receipts floating, payments fixed)		—	—	—	—	—	—
Average floating rate (receipt)		—	—	—	—	—	—
Average fixed rate (payment)		—	—	—	—	—	—

#### • Currency-related Transactions

(Millions of yen)

Currency-related Transactions		As of March 31, 2015				As of March 31, 2016			
Method of hedge accounting	Hedging instruments	Hedged items	Notional amount / contract value		Fair value	Hedged items	Notional amount / contract value		Fair value
				Over 1 year				Over 1 year	
Fair value hedge method	Currency forward contracts	Foreign currency-denominated bonds				Foreign currency-denominated bonds			
	Sold		524,133	—	523,313		1,045,083	—	1,026,525
	(US dollar)		423,638	—	424,519		936,723	—	918,504
	(British Pound)		52,110	—	51,518		47,937	—	46,883
	(Euro)		36,682	—	35,799		40,849	—	40,862
	(Australian dollar)		11,702	—	11,475		10,213	—	10,748
	(Canadian dollar)		—	—	—		9,359	—	9,527
	Bought		—	—	—		—	—	—
Total									

Notes 1. Forward exchange rates are used for exchange rates as of March 31, 2016.

2. Regarding assets and liabilities which are denominated in foreign currencies but have fixed settlement in yen under currency forward contracts and are reported in yen amounts in the balance sheet, those currency forward contracts are excluded from the table above.

#### • Stock-related Transactions

(Millions of yen)

Stock-related Transactions										(millions of yen)
		As of March 31, 2015				As of March 31, 2016				
Method of hedge accounting	Hedging instruments	Hedged items	Notional amount / contract value		Fair value	Hedged items	Notional amount / contract value		Fair value	
				Over 1 year				Over 1 year		
Fair value hedge method	Stock forward contracts					Domestic stocks				
	Sold		—	—	—		823	823	557	
	Bought		—	—	—		—	—	—	
Total										

#### • Bond-related Transactions

No ending balance as of March 31, 2015 and 2016.

## 13. Status of the Company, Subsidiaries and Affiliates

### (1) Selected Financial Data

(Millions of yen)

	Year ended March 31, 2015	Year ended March 31, 2016
Ordinary revenues	1,047,224	1,010,478
Ordinary profits	101,606	63,151
Net surplus attributable to the parent company	69,633	42,124
Comprehensive income	249,218	(54,123)

Notes: From the year ended March 31, 2016, "Net surplus" is presented as

"Net surplus attributable to the parent company."

	As of March 31, 2015	As of March 31, 2016
Total assets	8,326,588	8,330,606
Solvency margin ratio	1,195.7%	1,341.5%

### (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, 2015	As of March 31, 2016		As of March 31, 2015	As of March 31, 2016
<b>Assets:</b>			<b>Liabilities:</b>		
Cash and deposits	154,319	172,049	Policy reserves	7,234,120	7,361,627
Call loans	186,500	200,000	Reserve for outstanding claims	23,501	23,003
Monetary claims bought	870	813	Policy reserve	7,160,599	7,287,604
Money held in trust	34,319	87,793	Reserve for dividends to policyholders	49,311	50,368
Securities	6,881,578	6,859,234	Reserve for dividends to policyholders (subsidiary)	707	650
Loans	767,293	697,056	Agency payables	377	480
Tangible fixed assets	227,919	218,974	Reinsurance payables	125	146
Land	132,261	125,310	Subordinated bonds	118,959	141,935
Buildings	91,048	86,217	Other liabilities	59,240	45,940
Lease assets	954	2,324	Net defined benefit liabilities	50,691	40,649
Construction in progress	630	1,590	Reserve for price fluctuation of securities	55,177	77,289
Other tangible fixed assets	3,025	3,531	Deferred tax liabilities	84,524	30,837
Intangible fixed assets	15,323	20,941	Deferred tax liabilities for revaluation reserve for land	14,787	14,274
Software	11,613	11,259	<b>Total liabilities</b>	<b>7,618,005</b>	<b>7,713,180</b>
Goodwill	2,328	1,564	<b>Net assets:</b>		
Lease assets	1,102	658	Foundation funds	30,000	30,000
Other intangible fixed assets	279	7,457	Accumulated foundation funds redeemed	86,000	86,000
Agency receivables	4	2	Reserve for revaluation	112	112
Reinsurance receivables	107	144	Consolidated surplus	145,942	151,251
Other assets	59,659	75,308	Total foundation funds, surplus and others	262,054	267,363
Deferred tax assets	640	137	Net unrealized gains (losses) on available-for-sale securities, net of tax	440,109	349,884
Allowance for possible loan losses	(1,948)	(1,851)	Deferred valuation gains (losses) under hedge accounting, net of tax	0	—
			Revaluation reserve for land, net of tax	3,894	4,128
			Foreign currency translation adjustment	(52)	(115)
			Accumulated remeasurements of defined benefit plans	(3,000)	(10,414)
			Total accumulated other comprehensive income	440,951	343,482
			Non-controlling interests	5,576	6,578
			<b>Total net assets</b>	<b>708,582</b>	<b>617,425</b>
<b>Total assets</b>	<b>8,326,588</b>	<b>8,330,606</b>	<b>Total liabilities and net assets</b>	<b>8,326,588</b>	<b>8,330,606</b>

Notes: From the year ended March 31, 2016, "Minority interests" is presented as "Non-controlling interests."

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

[Consolidated Statements of Operations]

(Millions of yen)

	Year ended March 31, 2015	Year ended March 31, 2016
<b>Ordinary revenues:</b>		
Premium and other income	796,458	788,854
Investment income	239,037	210,908
Interest, dividends and other income	159,905	160,709
Gains from money held in trust, net	2,349	11,332
Gains from trading securities, net	35,232	—
Gains on sales of securities	27,310	38,438
Foreign exchange gains, net	2,041	—
Reversal of allowance for possible loan losses	270	77
Other investment income	59	350
Gains from separate accounts, net	11,869	—
Other ordinary revenues	11,728	10,715
<b>Total ordinary revenues</b>	<b>1,047,224</b>	<b>1,010,478</b>
<b>Ordinary expenses:</b>		
Claims and other payments	546,964	653,164
Claims	116,788	130,954
Annuities	156,377	204,136
Benefits	128,295	130,191
Surrenders	116,806	155,996
Other payments	28,694	31,884
Provision for policy reserve and others	242,225	127,052
Provision for policy reserve	242,170	127,004
Interest on accumulated dividends to policyholders	54	47
Interest on accumulated dividends to policyholders (subsidiary)	0	0
Investment expenses	34,572	46,596
Interest expenses	4,267	4,324
Losses on trading securities, net	—	12,422
Losses on sales of securities	1,075	5,820
Losses on valuation of securities	0	—
Losses from derivative instruments, net	18,679	3,549
Foreign exchange losses, net	—	8,603
Depreciation of real estate for rent and other assets	4,877	4,482
Other investment expenses	5,673	5,038
Losses on separate accounts, net	—	2,354
Operating expenses	97,209	98,078
Other ordinary expenses	24,646	22,435
<b>Total ordinary expenses</b>	<b>945,618</b>	<b>947,327</b>
<b>Ordinary profits</b>	<b>101,606</b>	<b>63,151</b>
<b>Extraordinary gains:</b>		
Gains on disposal of fixed assets	6	1,503
Gain on contribution of securities to retirement benefit trust	—	7,913
State subsidy and others	—	140
<b>Total extraordinary gains</b>	<b>6</b>	<b>9,557</b>
<b>Extraordinary losses:</b>		
Losses on disposal of fixed assets	167	283
Impairment losses	698	242
Provision of reserve for price fluctuation of securities	4,851	22,111
<b>Total extraordinary losses</b>	<b>5,718</b>	<b>22,637</b>
<b>Provision for reserve for dividends to policyholders (subsidiary)</b>	<b>483</b>	<b>422</b>
<b>Surplus before income taxes</b>	<b>95,411</b>	<b>49,647</b>
<b>Income taxes:</b>		
Current	28,933	15,619
Deferred	(3,318)	(8,336)
<b>Total income taxes</b>	<b>25,614</b>	<b>7,282</b>
<b>Net surplus</b>	<b>69,796</b>	<b>42,364</b>
<b>Net surplus attributable to non-controlling interests</b>	<b>163</b>	<b>240</b>
<b>Net surplus attributable to the parent company</b>	<b>69,633</b>	<b>42,124</b>

Notes: From the year ended March 31, 2016, "Net surplus before minority interests," "Minority interests" and "Net surplus" are presented as "Net surplus," "Net surplus attributable to non-controlling interests" and "Net surplus attributable to the parent company," respectively.

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

[Consolidated Statement of Comprehensive Income]

(Millions of yen)

	Year ended March 31, 2015	Year ended March 31, 2016
Net surplus	69,796	42,364
Other comprehensive income	179,422	(96,487)
Net unrealized gains (losses) on available-for-sale securities, net of tax	177,308	(89,444)
Deferred valuation gains (losses) under hedge accounting, net of tax	(2)	(0)
Revaluation reserve for land, net of tax	989	433
Foreign currency translation adjustments	208	(62)
Remeasurements of defined benefit plan, net of tax	918	(7,414)
Comprehensive income	249,218	(54,123)
Comprehensive income attributable to the parent company	248,696	(55,144)
Comprehensive income attributable to non-controlling interests	522	1,021

Notes: From the year ended March 31, 2016, "Net surplus before minority interests," and "Comprehensive income attributable to minority interests" are presented as "Net surplus," and "Comprehensive income attributable to non-controlling interests," respectively.

## (5) Consolidated Statements of Cash Flows

(Millions of yen)

	Year ended March 31, 2015	Year ended March 31, 2016
<b>Cash flows from operating activities:</b>		
Surplus before income taxes	95,411	49,647
Depreciation of real estate for rent and other assets	4,877	4,482
Depreciation	7,323	7,425
Impairment losses	698	242
Amortization of goodwill	763	763
(Gains) Losses on contribution of securities to retirement benefit trust	—	(7,913)
Increase (Decrease) in reserve for outstanding claims	(1,669)	(498)
Increase (Decrease) in policy reserve	242,170	127,004
Interest on accumulated dividends to policyholders	54	47
Interest on accumulated dividends to policyholders (subsidiary)	0	0
Provision for reserve for dividends to policyholders (subsidiary)	483	422
Increase (Decrease) in allowance for possible loan losses	(333)	(96)
Increase (Decrease) in net defined benefit liabilities	(1,467)	(1,623)
Increase (Decrease) in reserve for price fluctuation of securities	4,851	22,111
Interest, dividends and other income	(159,905)	(160,709)
(Gains) Losses on securities	(57,006)	(25,624)
Interest expenses	4,267	4,324
Foreign exchange (gains) losses, net	(2,041)	8,602
(Gains) Losses on tangible fixed assets, net	144	(1,231)
(Increase) Decrease in agency receivables	(3)	1
(Increase) Decrease in reinsurance receivables	(12)	(37)
(Increase) Decrease in other assets except from investing and financing activities	(2,196)	(1,037)
Increase (Decrease) in agency payables	37	103
Increase (Decrease) in reinsurance payables	12	21
Increase (Decrease) in other liabilities except from investing and financing activities	(76)	1,626
Others	15,712	15,518
Subtotal	152,096	43,574
Interest, dividends and other income received	171,494	172,162
Interest paid	(4,308)	(4,943)
Dividends to policyholders paid	(33,346)	(35,688)
Dividends to policyholders paid (subsidiary)	(511)	(479)
Corporate income tax (paid) refunded	(25,145)	(31,682)
Net cash provided by (used in) operating activities (I)	260,278	142,943
<b>Cash flows from investing activities:</b>		
(Increase) Decrease in deposits	(146)	(73)
Proceeds from sales and redemption of monetary claims bought	141	57
Payments for purchase of securities	(673,696)	(1,050,013)
Proceeds from sales and redemption of securities	550,835	821,187
Payments for additions to loans	(58,621)	(71,613)
Proceeds from collections of loans	121,587	132,491
Proceeds from and payments for settlement of derivatives, net	(81,890)	45,173
Others	(4,636)	(4,093)
Subtotal (IIa)	(146,427)	(126,884)
(I+IIa)	[ 113,851 ]	[ 16,059 ]
Payments for purchase of tangible fixed assets	(3,357)	(7,838)
Proceeds from sales of tangible fixed assets	147	11,410
Payments for purchase of intangible fixed assets	(3,343)	(8,925)
Net cash provided by (used in) investing activities	(152,980)	(132,237)
<b>Cash flows from financing activities:</b>		
Financing of subordinated bonds	—	62,065
Redemption of subordinated bonds	—	(40,326)
Financing of additional foundation funds	10,000	—
Redemption of foundation funds	(15,000)	—
Interest payment for foundation funds	(621)	(316)
Dividends paid to non-controlling interests	(12)	(19)
Payments for lease obligations	(740)	(520)
Net cash provided by (used in) financing activities	(6,374)	20,883
<b>Effect of exchange rate changes on cash and cash equivalents</b>	(50)	(377)
<b>Net increase (decrease) in cash and cash equivalents</b>	100,872	31,212
<b>Cash and cash equivalents at the beginning of the year</b>	238,373	339,246
<b>Cash and cash equivalents at the end of the year</b>	339,246	370,458

Notes: From the year ended March 31, 2016, "Dividends paid to minority interests" is presented as "Dividends paid to non-controlling interests."

## (6) Consolidated Statements of Changes in Net Assets

[For the year ended March 31, 2015]

(Millions of yen)

	Foundation funds, surplus and others				
	Foundation funds	Accumulated foundation funds redeemed	Reserve for revaluation	Consolidated surplus	Total foundation funds, surplus and others
Balance at the beginning of the current period	35,000	71,000	112	126,584	232,696
Cumulative effects of changes in accounting policies				(3,297)	(3,297)
Restated balance	35,000	71,000	112	123,286	229,399
Changes in the current period					
Financing of additional 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 attributable to the parent company for the current period				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, net of tax				239	239
Net changes, excluding foundation funds, surplus and others					
Total changes in the current period	(5,000)	15,000	—	22,655	32,655
Balance at the end of the current period	30,000	86,000	112	145,942	262,054

	Accumulated other comprehensive income						Non-controlling interests	Total net assets
	Net unrealized gains (losses) on available-for-sale securities, net of tax	Deferred valuation gains (losses) under hedge accounting, net of tax	Revaluation reserve for land, net of tax	Foreign currency translation adjustments	Accumulated remeasurements of defined benefit plans	Total accumulated other comprehensive income		
Balance at the beginning of the current period	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 period								
Financing of additional 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 attributable to the parent company for the current period								69,633
Redemption of foundation funds								(15,000)
Reversal of reserve for redemption of foundation funds								(15,000)
Reversal of revaluation reserve for land, net of tax								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 period	176,948	(2)	750	208	918	178,823	510	211,988
Balance at the end of the current period	440,109	0	3,894	(52)	(3,000)	440,951	5,576	708,582

**[For the year ended March 31, 2016]**

(Millions of yen)

	Foundation funds, surplus and others				
	Foundation funds	Accumulated foundation funds redeemed	Reserve for revaluation	Consolidated surplus	Total foundation funds, surplus and others
Balance at the beginning of the current period	30,000	86,000	112	145,942	262,054
Changes in the current period					
Additions to reserve for dividends to policyholders				(36,698)	(36,698)
Payment of interest on foundation funds				(316)	(316)
Net surplus attributable to the parent company for the current period				42,124	42,124
Reversal of revaluation reserve for land, net of tax				199	199
Net changes, excluding foundation funds, surplus and others					
Total changes in the current period	—	—	—	5,309	5,309
Balance at the end of the current period	30,000	86,000	112	151,251	267,363

	Accumulated other comprehensive income						Non-controlling interests	Total net assets
	Net unrealized gains (losses) on available-for-sale securities, net of tax	Deferred valuation gains (losses) under hedge accounting, net of tax	Revaluation reserve for land, net of tax	Foreign currency translation adjustments	Accumulated remeasurements of defined benefit plans	Total accumulated other comprehensive income		
Balance at the beginning of the current period	440,109	0	3,894	(52)	(3,000)	440,951	5,576	708,582
Changes in the current period								
Additions to reserve for dividends to policyholders								(36,698)
Payment of interest on foundation funds								(316)
Net surplus attributable to the parent company for the current period								42,124
Reversal of revaluation reserve for land, net of tax								199
Net changes, excluding foundation funds, surplus and others	(90,225)	(0)	234	(62)	(7,414)	(97,468)	1,002	(96,466)
Total changes in the current period	(90,225)	(0)	234	(62)	(7,414)	(97,468)	1,002	(91,157)
Balance at the end of the current period	394,884	—	4,128	(115)	(10,414)	343,482	6,578	617,425

Notes: From the year ended March 31, 2016, "Net surplus," and "Minority interests" are presented as "Net surplus attributable to the parent company," and "Non-controlling interests," respectively.

# Notes to the Consolidated Financial Statements

## I. Presentation of the Consolidated Financial Statements

### 1. Basis of Presentation

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

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

Amounts of less than one million yen have been eliminated. As a result, total in yen shown herein do not necessarily agree with the sum of the individual amounts.

### 2. Principles of Consolidation

#### (1) Scope of Consolidation

Consolidated subsidiaries as of March 31, 2016 are listed below:

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

Major unconsolidated subsidiary is Fukoku Seimei Building Company Limited.

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

#### (2) Application of Equity method

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

There are no affiliates for the year ended March 31, 2016.

#### (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.

## 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 balance sheet date. 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, except for investments in unconsolidated subsidiaries and affiliates are translated into Japanese yen at the effective exchange rate prevailing at the balance sheet date. Investments in unconsolidated subsidiaries and affiliates are translated into Japanese yen at the exchange rate on the date of acquisition.

#### (6) Allowance for Possible Loan Losses

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 is provided based on the results of these assessments.

For the credits of legally bankrupt borrowers and substantially bankrupt borrowers, the amounts remaining after deductions of collateral values or the amounts collectible through the executions of guarantees are written-off directly from the borrowers' balances as the estimated uncollectible amounts. The amount written-off as of March 31, 2016 was ¥247 million.

#### (7) Accounting of Employees' Retirement Benefits

Net defined benefit liabilities are presented 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 basis |
| • Amortization period of actuarial gains and losses.....      | 10 years              |
| • Amortization period of prior service cost.....              | 10 years              |

In the fiscal period, the Company contributed a portion of its securities to establish a trust account for retirement benefits amounting to ¥18,666 million and recognized a gain on contribution of securities to retirement benefit trust amounting to ¥7,913 million as an extraordinary gain.

#### (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 Lessor

As for the finance lease transactions where the Company is a lessor, the lease fee is recorded in "Interest, dividends and other income" at the time of receiving the 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.

(10) Accounting for Hedge Activities

Hedge accounting is based on "Accounting Standards for Financial Instruments" (ASBJ Statement No. 10, August 11, 2006). The Company applies foreign currency swaps mainly as a hedge against the risk of foreign exchange fluctuation in relation to foreign currency-denominated bonds, a market price hedge as hedge against the risk of price fluctuation in relation to domestic stocks, a deferred hedge as hedge against the risk of interest rate fluctuation in relation to loans extended by the Company, and a hedge against the risk foreign exchange fluctuation in relation to 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.

(11) 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.

(12) 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:

- i) In regard to the policies subject to the standard policy reserve, the method as prescribed by the Commissioner of Financial Services Agency (Ministry of Finance Ordinance No. 48, 1996) is applied.
- ii) In regard to the policies not subject to the standard policy reserve, the net level premium method is applied.

Based on the provision of Article 69, paragraph 5, of the Enforcement Regulation of the Insurance Business Law, the Company includes additional funded policy reserves as follows.

At the end of the fiscal year ended March 31, 2013, among individual annuity insurance policies with an assumed interest rate of 5.00% or higher, policies that have an annuity commencement date on or prior to March 31, 2013 (excluding wife's annuity insurance additional rider), the Company reduced the assumed interest rate to 1.00% and funded additional policy reserves. Furthermore, for certain hospitalization riders with surgery benefits and long-term hospitalization benefits, the Company funded additional policy reserves. At the end of the current fiscal year, the balance of these policy reserves was ¥47,438 million.

At the end of the current fiscal year, among individual annuity insurance policies with an assumed interest rate of 5.00% or higher, policies that have an annuity commencement date from April 1, 2013, through March 31, 2017 (excluding wife's annuity insurance additional rider), the Company reduced the assumed interest rate of policy reserve to 1.00% and funded additional policy reserves. Furthermore, for certain whole life insurance policies that include distribution of surplus every five years the Company funded additional policy reserves. At the end of the current fiscal year, the balance of these policy reserves was ¥33,100 million. As a result, compared with a situation in which the Company did not carry out this additional funding, provisions to policy reserves increased by ¥33,100 million, and ordinary profits and surplus before income taxes both decreased by ¥33,100 million.

(13) 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.

(14) 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).

## **2. Accounting Changes and Corrections of Past Errors**

From April 1, 2015, the Company applied the “Revised Accounting Standard for Business Combinations” (ASBJ Statement No. 21, September 13, 2013), “Revised Accounting Standard for Consolidated Financial Statements” (ASBJ Statement No. 22, September 13, 2013), “Revised Accounting Standard for Business Divestitures” (ASBJ Statement No. 7, September 13, 2013), and related guidance. As a result, the changes in the Company’s ownership interest in a subsidiary is accounted for as consolidated surplus, as long as the Company retains control over the subsidiary, and the acquisition-related costs are accounted for as expenses in the period when the costs are incurred. With regard to business combinations executed on or after April 1, 2015, the Company has changed the accounting method to reflect adjustments to the allocation of acquisition cost under provisional accounting treatment on the consolidated financial statements of the period in which the relevant business combinations became or will become effective. In addition, the Company has changed the presentation of interim net surplus and the presentation of minority interests has been changed to non-controlling interests.

In the Consolidated Statements of Cash Flows for the year ended March 31, 2016, with regard to cash flows relating to the acquisition and sale of stocks of subsidiaries and affiliates that do not affect the scope of consolidation, these are classified within cash flows from financing activities. With regard to cash flows relating to acquisition-related expenses of subsidiaries and affiliates for which a change in the scope of consolidation occurs, or expenses stemming from the acquisition or sale of stocks of subsidiaries and affiliates that do not affect the scope of consolidation, the Company has changed the presentation of such expenses to be classified within cash flows from operating activities.

The Company has applied these revised accounting standards prospectively in accordance with transitional provisions in paragraph 58-2 (4) of the Accounting Standard for Business Combinations, paragraph 44-5 (4) of the Accounting Standard for Consolidated Financial Statements and paragraph 57-4 (4) of the Accounting Standard for Business Divestitures.

These accounting changes have no impact on ordinary profits or surplus before income taxes for the year ended March 31, 2016. These accounting changes have no impact on consolidated surplus as of March 31, 2016.

## **3. Principal Accounting Standards Published before March 31, 2016 but not Applied**

In accordance with the issuance of “Implementation Guidance on Recoverability of Deferred Tax Assets” (ASBJ Guidance No. 26, March 28, 2016), the method of accounting treatment relating to the recoverability of deferred tax assets has been revised.

Compulsory application of this revised guidance is from fiscal years beginning on or after April 1, 2016. The Company plans to apply this standard from the beginning of the fiscal year ending March 31, 2017.

The Company is currently evaluating the impact of the application of this guidance in the initial fiscal year of its application.

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

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

The carrying amounts, fair values and their related differences of major financial assets and liabilities as of March 31, 2016, were as follows:

	Carrying amount	Fair value	Difference
			(Millions of yen)
Cash and deposits:			
Cash and deposits not treated as securities...	¥ 170,272	¥ 170,272	¥ —
Total cash and deposits.....	170,272	170,272	—
Call loans.....	200,000	200,000	—
Monetary claims bought:			
Claims treated as loans.....	813	881	67
Total monetary claims bought.....	813	881	67
Money held in trust:			
Trading securities.....	86,793	86,793	—
Total money held in trust.....	86,793	86,793	—
Securities:			
Trading securities.....	233,015	233,015	—
Held-to-maturity debt securities.....	1,237,993	1,521,976	283,983
Policy-reserve-matching bonds.....	2,105,736	2,419,734	313,998
Investments in subsidiaries and affiliates.....	40	41	1
Available-for-sale securities.....	3,193,386	3,193,386	—
Total securities.....	6,770,172	7,368,155	597,982
Loans:			
Policy loans.....	64,813	64,813	(0)
Ordinary loans.....	632,242	664,774	32,531
Total loans.....	697,056	729,587	32,531
Assets total.....	7,925,108	8,555,690	630,581
Subordinated bonds* <sup>1</sup> .....	141,935	148,943	7,008
Liabilities total.....	141,935	148,943	7,008
Derivative instruments* <sup>2</sup> :			
Hedge accounting not applied.....	(1,982)	(1,982)	—
Hedge accounting applied.....	18,823	18,823	—
Total derivative instruments.....	¥ 16,841	¥ 16,841	¥ —

\*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.

- (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 prices at the balance sheet date. The fair values of other securities without the quoted market prices are based on the prices reasonably calculated such as the prices offered by the information vendors or counterparty financial institutions.

Investments in unconsolidated subsidiaries and affiliates, unlisted stocks and investments in partnerships whereby partnership assets consist of unlisted stocks whose fair values are deemed extremely difficult to obtain, are excluded from above securities. The carrying amounts of investments in unconsolidated subsidiaries and affiliates, unlisted stocks and investments in partnerships were ¥519 million, ¥6,127 million and ¥8,371 million as of March 31, 2016.

(3) Loans and monetary claims bought treated as loans:

The fair values of policy loans are deemed to approximate book values, considering estimated repayment period and interest rate conditions since their repayment deadlines have not been set up due to the characteristics that the loans are limited to the amount of cash surrender values. Therefore, the book values are used as the fair values of policy loans.

The fair values of floating interest rate loans among the ordinary loans and monetary claims bought treated as loans approximate the book values because the market interest rates are reflected in future cash flows in a short period. Therefore, the fair values of floating interest rate loans and monetary claims bought treated as loans are based on their book values. The fair values of fixed interest rate loans are measured by discounting the future cash flows to the present values.

The fair values of loans 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 values.

(5) Derivative instruments:

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

## 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 ¥168,709 million and ¥275,299 million as of March 31, 2016, respectively. The fair value is mainly based on the value calculated by the Company in accordance with real estate appraisal standards which includes some adjustments using the reference prices.

The amount corresponding to asset retirement obligations included in the carrying amount of investment and rental properties was ¥1,117 million as of March 31, 2016.

## 6. Securities Lent under Lending Agreements

The amount of securities lent under lending agreements was ¥18,189 million as of March 31, 2016.

## 7. Loans Receivable

The total amount of credits to bankrupt borrowers, delinquent loans, delinquent loans past 3 months or more and restructured loans, which were included in loans, was ¥997 million as of March 31, 2016.

- i) The balance of credits to bankrupt borrowers was ¥223 million as of March 31, 2016.
- ii) The balance of delinquent loans was ¥773 million as of March 31, 2016.
- iii) There was no balance of delinquent loans past 3 months or more and restructured loans as of March 31, 2016.

The direct write-offs related to loans decreased the credits to bankrupt borrowers described above by ¥247 million as of March 31, 2016.

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, accrued interest on these loans is not recorded as income after

determining that principal of or interest on these loans is unlikely to be collected due to the significant delay in repayment of principal or interest payment or for some other reasons.

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

Delinquent loans past 3 months or more are loans for which interest payments or repayments of principal are delinquent for 3 months or more from the due date under the terms of the related loan agreements, excluding those loans classified as credits to bankrupt borrowers and delinquent loans.

Restructured loans are loans which certain concessions favorable to borrowers, such as interest reduction or exemption, 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.

## **8. Accumulated Depreciation of Tangible Fixed Assets**

Accumulated depreciation of tangible fixed assets totaled to ¥153,103 million as of March 31, 2016.

## **9. Separate Accounts**

Total assets in separate accounts provided for in Article 118 of the Insurance Business Law were ¥79,065 million as of March 31, 2016. The amounts of separate account liabilities were the same as separate account assets.

## **10. Receivables from/Payables to Unconsolidated Subsidiaries**

The total amounts of receivables from/payables to unconsolidated subsidiaries were ¥2,347 million and ¥171 million as of March 31, 2016, respectively.

## **11. Income Taxes**

Deferred tax assets and deferred tax liabilities as of March 31, 2016 were ¥116,641 million and ¥144,360 million, respectively. Valuation allowance for deferred tax assets was ¥2,981 million.

Major components of deferred tax assets were ¥69,933 million of policy reserves, ¥21,641 million of reserve for price fluctuation of securities and ¥16,610 million of net defined benefit liabilities as of March 31, 2016.

Major component of deferred tax liabilities was ¥136,763 million of net unrealized gains on available-for-sale securities as of March 31, 2016.

The statutory tax rate and the actual effective tax rate for the year ended March 31, 2016 were 28.9% and 14.7%, respectively. The difference between the statutory tax rate and the actual effective tax rate was attributable mainly to -20.5% of reserve for dividends to the policyholders and +6.1% of the tax rate adjustment of deferred tax assets at the end of period.

Accompanying the enactment of the Act on Partial Amendment to the Income Tax Act, etc. (Act No. 15, 2016) by the National Diet on March 29, 2016, the effective statutory tax rate of 28.9%, which was used for calculating deferred tax assets and deferred tax liabilities, has been revised to 28.2% for items expected to be collected or paid during the period from April 1, 2016, to March 31, 2018. For items expected to be collected or paid on or later than April 1, 2018, the rate has been revised to 28.0%.

Based on these changes, deferred tax assets decreased ¥8 million, deferred tax liabilities decreased by ¥1,134 million, and deferred tax liabilities for revaluation reserve for land decreased by ¥433 million. Income taxes-deferred increased by ¥3,025 million.

## 12. Reserve for Dividends to Policyholders

Changes in reserve for dividends to policyholders for the year ended March 31, 2016 were as follows:

	(Millions of yen)
Balance at the beginning of the current period.....	¥ 49,311
Transfer from surplus in previous period.....	36,698
Dividends paid in the current period.....	(35,688)
Increase in interest.....	47
Balance at the end of the current period.....	<u>¥ 50,368</u>

## 13. Reserve for Dividends to Policyholders (Fukokushinrai Life Insurance Co., Ltd.)

Changes in reserve for dividends to policyholders for the year ended March 31, 2016 were as follows:

	(Millions of yen)
Balance at the beginning of the current period.....	¥ 707
Dividends paid in the current period.....	(479)
Increase in interest.....	0
Provision for reserve for dividends to policyholders.....	422
Balance at the end of the current period.....	<u>¥ 650</u>

## 14. Stocks of Unconsolidated Subsidiaries

The amount of stocks of unconsolidated subsidiaries was ¥560 million as of March 31, 2016.

## 15. Pledged Assets and Secured Debts

Assets pledged as collateral as of March 31, 2016 were ¥26,284 million of securities and ¥1,279 million of bank deposits.

Secured debts as of March 31, 2016 were ¥4,906 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") was ¥15 million as of March 31, 2016.

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") was ¥51 million as of March 31, 2016.

## 17. Commitment Line

As of March 31, 2016, there were unused commitment line agreements under which the Company is the lender of ¥2,172 million.

## 18. Subordinated Bonds

Repayments of subordinated bonds are subordinated to other obligations.

## 19. Contribution to Policyholders Protection Corporation

The future contribution to the Life Insurance Policyholders Protection Corporation of Japan under Article 259 of the Insurance Business Law was estimated at ¥12,450 million as of March 31, 2016. The contribution was charged as operating expenses in the year in which it was paid.

## 20. Matters Related to Employees' Retirement Benefits as of March 31, 2016

### (1) Overview of Employees' Retirement Benefit Plan

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

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

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

### (2) Defined Benefit Plan

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

	(Millions of yen)
Retirement benefit obligation at the beginning of current period.....	¥ 76,806
Service cost.....	3,088
Interest cost.....	1,073
Actuarial differences occurred during the period.....	9,106
Retirement benefit payments.....	(4,787)
Retirement benefit obligation at the end of current period.....	<u>¥ 85,285</u>

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

	(Millions of yen)
Pension plan assets at the beginning of current period.....	¥ 26,114
Expected return on pension plan assets.....	783
Actuarial differences occurred during the period.....	(1,987)
Contributions by the employer.....	2,380
Retirement benefit payments.....	(1,322)
Contribution amount on establishment of retirement benefit trust.....	18,666
Pension plan assets at the end of current period.....	<u>¥ 44,636</u>

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

	(Millions of yen)
a. Funded plan retirement benefit obligation.....	¥ 73,675
b. Pension plan assets.....	(44,636)
c. (a+b) .....	29,039
d. Unfunded plan retirement benefit obligation.....	11,610
e. Net amount of liabilities and assets presented on the consolidated balance sheet.....	<u>40,649</u>
f. Net defined benefit liabilities.....	40,649
g. Net defined benefit assets.....	—
h. Net amount of liabilities and assets presented on the consolidated balance sheet.....	<u>¥ 40,649</u>

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

	(Millions of yen)
Service cost.....	¥ 3,088
Interest cost.....	1,073
Expected return on pension plan assets.....	(783)
Amortization of actuarial differences.....	921
Amortization of prior service cost.....	(76)
Retirement benefit expenses related to defined benefit plan.....	<u>¥ 4,223</u>



v) Remeasurements of defined benefit plan

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

	(Millions of yen)
Amortization of actuarial differences.....	¥ (10,172)
Amortization of prior service cost.....	(76)
Total.....	<u>(10,248)</u>

vi) Accumulated remeasurements of defined benefit plan

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

	(Millions of yen)
Unrecognized actuarial differences.....	¥(14,864)
Unrecognized prior service cost.....	399
Total.....	<u>(14,465)</u>

vii) Breakdown of pension plan assets

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

Domestic stocks.....	48.5%
Life insurance general account.....	33.7%
Domestic bonds.....	7.7%
Foreign stocks.....	6.7%
Foreign bonds.....	2.9%
Others.....	0.6%
Total.....	<u>100.0%</u>

Within the total of pension assets, 39.8% of this amount is accounted for by the retirement benefit trust established in relation to the retirement lump-sum payments plan for sales employees.

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

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

ix) Underlying actuarial assumptions

Main underlying actuarial assumptions as of March 31, 2016 were as follows:

Discount rate.....	0.6%
Expected long-term rate of return on pension plan assets	
Defined Benefit Plan.....	3.0%
Retirement benefit trust.....	0.0%

(3) Defined Contribution Plan

The required contribution amount by the Company and its subsidiaries to the defined contribution plan was ¥279million.

### III. Notes to Statements of Operations

#### 1. Transactions with Unconsolidated Subsidiaries

The total amounts of revenues and expenses in connection with unconsolidated subsidiaries were ¥430 million and ¥2,879 million for the year ended March 31, 2016.

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

For the year ended March 31, 2016, reversal of reserve for outstanding claims for ceded reinsurance considered in calculation of reversal of reserve for outstanding claims was ¥35 million and provision of policy reserve for ceded reinsurance considered in calculation of provision for policy reserve was ¥0 million.

### IV. Notes to Statement of Comprehensive Income

#### 1. Other Comprehensive Income

The reclassification adjustments and tax effect amounts related to other comprehensive income for the year ended March 31, 2016 were as follows:

	(Millions of yen)
i) Net unrealized gains (losses) on available-for-sale securities, net of tax	
Amount incurred during the period.....	¥(90,971)
Reclassification adjustments.....	(40,566)
Before tax adjustments.....	(131,538)
Tax effects.....	42,094
Net unrealized gains (losses) on available-for-sale securities, net of tax...	(89,444)
ii) Deferred valuation gains (losses) under hedge accounting, net of tax	
Amount incurred during the period.....	¥ (0)
Reclassification adjustments.....	(0)
Before tax adjustments.....	(0)
Tax effects.....	0
Deferred valuation gains (losses) under hedge accounting, net of tax.....	(0)
iii) Revaluation reserve for land, net of tax	
Amount incurred during the period.....	¥—
Reclassification adjustments.....	—
Before tax adjustments.....	—
Tax effects.....	433
Revaluation reserve for land, net of tax.....	433
iv) Foreign currency translation adjustments	
Amount incurred during the period.....	¥ (62)
Reclassification adjustments.....	—
Before tax adjustments.....	(62)
Tax effects.....	—
Foreign currency translation adjustments.....	(62)

v) Remeasurements of defined benefit plans, net of tax

Amount incurred during the period.....	¥ (11,093)
Reclassification adjustments.....	845
Before tax adjustments.....	(10,248)
Tax effects.....	2,833
Remeasurements of defined benefit plans, net of tax.....	(7,414)
Total other comprehensive income.....	¥(96,487)

## V. Notes to Statements of Cash Flows

### 1. Scope of Cash and Cash Equivalents

Cash and cash equivalents as of March 31, 2016 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 sheet accounts as of March 31, 2016 were as follows:

	(Millions of yen)
Cash and deposits.....	¥ 172,049
Call loans.....	200,000
Monetary claims bought.....	813
Time deposits maturing over 3 months of the date of acquisition.....	(300)
Foreign currency deposits maturing over 3 months of the date of acquisition....	(1,291)
Monetary claims bought maturing over 3 months of the date of acquisition.....	(813)
Cash and cash equivalents.....	¥ 370,458

### 3. Reclassification

Previously, foreign exchange gains and losses accompanying sales and redemption of securities and foreign exchange gains and losses accompanying settlements of derivatives were included in "Others" within cash flows from investing activities. However, owing to an increase in materiality of these items in the year ended March 31, 2016, these items are presented as part of "Proceeds from sales and redemption of securities" and "Proceeds from and payments for settlement of derivatives, net" respectively.

In the year ended March 31, 2015, as components of "Others" within cash flows from investing activities, foreign exchange gains accompanying sales and redemption of securities amounted to ¥4,761 million, and foreign exchange losses accompanying settlement of derivatives amounted to ¥60,409 million.

## (7) Risk-monitored Loans

(Millions of yen)

	As of March 31, 2015	As of March 31, 2016
Credits to bankrupt borrowers	199	223
Delinquent loans	844	773
Delinquent loans past three months or more	—	—
Restructured loans	370	—
Total	1,414	997
[Percentage of total loans]	[0.18%]	[0.14%]

- Notes: 1. For the credits of legally bankrupt borrowers and substantially bankrupt borrowers, the amounts remaining after deductions of collateral value or the amounts collectible through the execution of guarantees is written-off directly from the borrower's balance as the estimated uncollectible amounts. The amounts written-off related to credits to bankrupt borrowers were ¥247million as of March 31, 2015, and ¥247 million as of March 31, 2016.
2. Credits to bankrupt borrowers represent loans which are subject to bankruptcy, corporate reorganization or rehabilitation or other similar, including but not limited to foreign, proceedings. Accruing interest of these loans is not recorded as income after determining that principal 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.
3. Delinquent loans are credits whose accruing interest is not recorded as income due to the same reasons as described in note 2 above, and exclude credits to bankrupt borrowers and loans for which interest payments have been suspended and rescheduled to assist and support the borrowers in the restructuring of their business.
4. Delinquent loans past three months or more are loans for which interest payment or repayment of principal are delinquent for three months or more from the due date under the terms of the related loan agreements, excluding those loans classified as credits to bankrupt borrowers and delinquent loans.
5. Restructured loans are loans for which certain concessions favorable to borrowers, such as interest reduction or exemptions, rescheduling of due date of principal or interest payment, waiver of claim or other terms, have been negotiated for the purpose of assisting and supporting the borrowers in the restructuring of their business. This category excludes loans classified as credits to bankrupt borrowers, delinquent loans and delinquent loans past three months or more.

## (8) Status of Insurance Claims Paying Ability of the Company and Insurance Subsidiaries

(Millions of yen)

	As of March 31, 2015	As of March 31, 2016
<b>Total solvency margin (A)</b>	<b>1,441,649</b>	<b>1,417,685</b>
Foundation funds and surplus	227,256	234,905
Reserve for price fluctuation of securities	55,177	77,289
Contingency reserve	144,417	152,554
Catastrophe loss reserve	—	—
Allowance for possible loan losses	1,403	1,251
(Net unrealized gains (losses) on securities (before tax) and deferred hedge gains (losses) (before tax)) × 90%	558,124	437,678
Net unrealized gains on real estate × 85%	99,173	105,577
Sum of unrecognized actuarial differences and unrecognized prior service cost	(4,217)	(14,465)
Excess amount of policy reserve based on full-time Zillmer method	199,957	238,473
Qualifying subordinated debt	118,959	141,935
The amount of "excess amount of policy reserve based on full-time Zillmer method" and "qualifying subordinated debt" excluded from the calculation of solvency margin	—	—
Deductible items	—	—
Others	41,397	42,485
<b>Total amount of risk (B)</b>	<b>241,122</b>	<b>211,354</b>
Insurance risk <i>R</i>	26,074	25,164
General insurance risk <i>R</i>	—	—
Catastrophe risk <i>R</i>	—	—
3rd sector insurance risk <i>R</i>	9,689	9,690
Small amount and short-term insurance risk <i>R</i>	—	—
Assumed investment yield risk <i>R</i>	36,236	33,872
Minimum guarantee risk <i>R</i>	0	0
Investment risk <i>R</i>	196,781	169,750
Business risk <i>R</i>	5,375	4,769
<b>Solvency margin ratio</b> $\frac{(A)}{(1/2) \times (B)} \times 100$	<b>1,195.7%</b>	<b>1,341.5%</b>

Notes: 1. Above figures are calculated based on Articles 86-2 and 88 of the Enforcement Regulation of the Insurance Business Law and Notification of the Financial Services Agency No.23,2011.

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

## (9) Status of Insurance Claims Paying Ability of Insurance Subsidiaries

(Solvency Margin Ratio)

(Fukokushinrai Life Insurance Company)

(Millions of yen)

	As of March 31, 2015	As of March 31, 2016
Total solvency margin (A)	58,593	69,244
Common stock and others	35,223	36,875
Reserve for price fluctuation of securities	8,643	9,000
Contingency reserve	1,893	1,981
Allowance for possible loan losses	0	0
(Net unrealized gains (losses) on securities (before tax) and deferred hedge gains (losses) (before tax)) × 90%	8,812	16,681
Net unrealized gains on real estate × 85%	—	—
Excess amount of policy reserve based on full-time Zillmer method	2,274	2,385
Qualifying subordinated debt	—	—
The amount of "excess amount of policy reserve based on full-time Zillmer method" and "qualifying subordinated debt" excluded from the calculation of solvency margin	—	—
Deductible items	—	—
Others	1,745	2,319
Total amount of risk $\sqrt{(R_1 + R_8)^2 + (R_2 + R_3 + R_7)^2} + R_4$ (B)	18,984	20,455
Insurance risk $R_1$	606	570
3rd sector insurance risk $R_8$	114	112
Assumed investment yield risk $R_2$	384	391
Minimum guarantee risk $R_7$	—	—
Investment risk $R_3$	18,199	19,638
Business risk $R_4$	386	414
Solvency margin ratio $\frac{(A)}{(1/2) \times (B)} \times 100$	617.2%	677.0%

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