November 24, 2016

Financial Results for the Six Months Ended September 30, 2016

Fukoku Mutual Life Insurance Company (President: Yoshiteru Yoneyama) announces financial results for the six months ended September 30, 2016.

[Contents]

1. Business Highlights …… P. 1

2. Investment Results of General Account Assets …… P. 3

3. Non-consolidated Balance Sheets …… P. 10

4. Non-consolidated Statements of Operations …… P. 11

5. Non-consolidated Statements of Changes in Net Assets …… P .12

6. Breakdown of Ordinary Profits (Fundamental Profit) …… P. 21

7. Disclosed Claims Based on Categories of Obligors …… P. 22

8. Risk-monitored Loans …… P. 23

9. Solvency Margin Ratio …… P. 24

10. Status of Separate Account …… P. 25

11. Status of the Company, Subsidiaries and Affiliates …… P. 32

Attached: Supplementary Materials for the Six Months Ended September 30, 2016

Financial Summary for the Six Months Ended September 30, 2016

1. Business Highlights

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

(i) Policies in Force

		As of March 31, 2016		As of September 30, 2016			
		Number of policies (Thousands)	Amount (100 millions of yen)	Number of policies (Thousands)	Changes (%, Pre-FYE)	Amount (100 millions of yen)	Changes (%, Pre-FYE)
	Individual insurance	3,109	234,174	3,135	100.8	233,016	99.5
	Individual annuities	715	27,833	707	98.8	27,452	98.6
Subtotal		3,825	262,008	3,842	100.4	260,468	99.4
Group insurance		—	169,723	—	—	171,554	101.1
Group annuities		—	21,189	—	—	21,519	101.6

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

(ii) New Policies

Six months ended September 30, 2015		Total		New business	Net increase by conversion
		Number of policies (Thousands)	Amount (100 millions of yen)	Amount (100 millions of yen)	Amount (100 millions of yen)
	Individual insurance	177	8,145	7,477	668
	Individual annuities	15	531	541	(9)
Subtotal		192	8,677	8,018	658
Group insurance		—	178	178	—
Group annuities		—	30	30	—

Six months ended September 30, 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	196	110.7	7,677	94.2	7,189	96.2	487	72.9
	Individual annuities	10	70.4	411	77.4	419	77.5	(8)	—
Subtotal		206	107.5	8,088	93.2	7,609	94.9	479	72.8
Group insurance		—	—	55	30.9	55	30.9	—	—
Group annuities		—	—	14	46.9	14	46.9	—	—

Notes: 1. Number of new policies is the sum of new business and policies after conversion.
2. Amount of new policies for individual annuities, both new business and net increase by conversion, is equal to the funds to be held at the time annuity payments are to commence and special riders for term insurance attached to individual annuities.
3. Amount for group annuities is equal to the initial premium payment.

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

	Six months ended September 30, 2015	Six months ended September 30, 2016	
			Changes (%, YoY)
Amount of surrender and lapse (100 millions of yen)	6,725	6,445	95.8
Surrender and lapse ratio (%)	2.53	2.46	(0.07)

Notes: 1. The amount of lapse is not offset by the amount of reinstatement which was once lapsed.
2. The column of "Changes" of surrender and lapse ratio is increase-decrease points over year.

(2) Annualized Premiums

(i) Policies in Force

(100 millions of yen except percentage)

	As of March 31, 2016	As of September 30, 2016	
			Changes (%, Pre-FYE)
Individual insurance	2,748	2,756	100.3
Individual annuities	1,322	1,322	100.0
Total	4,071	4,079	100.2
Medical coverage and living benefits	1,075	1,084	100.9

(ii) New Policies

(100 millions of yen except percentage)

	Six months ended September 30, 2015	Six months ended September 30, 2016	
			Changes (%, Pre-FYE)
Individual insurance	99	100	101.3
Individual annuities	18	13	73.1
Total	118	114	96.9
Medical coverage and living benefits	34	39	113.3

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)

	Six months ended September 30, 2015	Six months ended September 30, 2016	
			Changes (%, Pre-FYE)
Premium and other income	3,131	3,237	103.4
Investment income	888	990	111.6
Claims and other payments	3,298	2,639	80.0
Investment expenses	231	438	189.7
Ordinary profits	496	378	76.4

(4) Total Assets

(100 millions of yen except percentage)

	As of March 31, 2016	As of September 30, 2016	
			Changes (%, Pre-FYE)
Total assets	64,898	64,379	99.2

2. Investment Results of General Account Assets

(1) Asset Composition

(Millions of yen)

	As of March 31, 2016		As of September 30, 2016	
	Amount	% of total	Amount	% of total
Cash, deposits, call loans	312,405	4.9 %	323,781	5.1 %
Monetary claims bought	813	0.0	784	0.0
Money held in trust	87,793	1.4	29,103	0.5
Securities	5,017,719	78.3	5,073,281	79.7
Domestic bonds	2,659,186	41.5	2,692,697	42.3
Domestic stocks	570,386	8.9	561,450	8.8
Foreign securities	1,700,012	26.5	1,715,263	26.9
Foreign bonds	1,505,637	23.5	1,517,051	23.8
Foreign stocks and other securities	194,374	3.0	198,211	3.1
Other securities	88,134	1.4	103,870	1.6
Loans	693,680	10.8	649,817	10.2
Policy loans	61,437	1.0	60,742	1.0
Ordinary loans	632,242	9.9	589,075	9.3
Real estate	212,879	3.3	213,611	3.4
Others	87,309	1.4	78,280	1.2
Allowance for possible loan losses	(1,850)	(0.0)	(1,768)	(0.0)
Total	6,410,750	100.0	6,366,891	100.0
Foreign currency denominated assets	1,875,134	29.2	1,934,979	30.4

(2) Changes (Increase/Decrease) in Assets

(Millions of yen)

	Six months ended September 30, 2015	Six months ended September 30, 2016
Cash, deposits, call loans	(96,912)	11,375
Monetary claims bought	(28)	(29)
Money held in trust	(584)	(58,689)
Securities	(7,011)	55,561
Domestic bonds	(143,667)	33,510
Domestic stocks	(55,280)	(8,936)
Foreign securities	189,270	15,250
Foreign bonds	224,390	11,413
Foreign stocks and other securities	(35,119)	3,836
Other securities	2,665	15,736
Loans	(29,696)	(43,862)
Policy loans	(948)	(695)
Ordinary loans	(28,747)	(43,167)
Real estate	(11,391)	731
Others	16,462	(9,029)
Allowance for possible loan losses	(0)	82
Total	(129,162)	(43,859)
Foreign currency denominated assets	311,612	59,845

(3) Investment Income

(Millions of yen)

	Six months ended September 30, 2015	Six months ended September 30, 2016
Interest, dividends and other income	66,359	62,832
Interest from deposits	13	10
Interest and dividends from securities	52,625	50,012
Interest from loans	6,893	5,875
Income from real estate for rent	6,705	6,871
Other interest and dividends	121	62
Gains on sales of securities	22,293	6,241
Gains on sales of domestic bonds	18,310	5,915
Gains on sales of domestic stocks	674	301
Gains on sales of foreign securities	3,308	24
Gain on derivative instruments, net	—	29,914
Reversal of allowance for possible loan losses	—	81
Other investment income	177	22
Total	88,829	99,091

(4) Investment Expenses

(Millions of yen)

	Six months ended September 30, 2015	Six months ended September 30, 2016
Interest expenses	2,389	1,918
Losses on money held in trust, net	556	1,896
Losses on trading securities, net	2,064	24,395
Losses on sales of securities	3,343	150
Losses on sales of domestic stocks	845	149
Losses on sales of foreign securities	2,497	0
Losses on valuation of securities	—	174
Losses on valuation of foreign securities	—	174
Losses on derivative instruments, net	4,803	—
Foreign exchange losses, net	2,322	9,351
Provision for allowance for possible loan losses	19	—
Depreciation of real estate for rent and other assets	2,148	2,122
Other investment expenses	2,851	2,679
Total	20,498	42,686

(5) Net Investment Income

(Millions of yen)

	Six months ended September 30, 2015	Six months ended September 30, 2016
Net investment income	68,331	56,405

(6) Net Valuation Gains/Losses on Trading Securities

(Millions of yen)

	As of March 31, 2016		As of September 30, 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	319,809	(36,617)	227,091	(27,226)

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

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

(Millions of yen)

	As of March 31, 2016					As of September 30, 2016				
	Book value	Fair value	Gains/losses			Book value	Fair value	Gains/losses		
				Gains	Losses				Gains	Losses
Held-to-maturity debt securities	768,786	936,313	167,526	167,526	—	762,421	930,464	168,043	168,043	—
Domestic bonds	740,989	906,313	165,323	165,323	—	739,544	905,601	166,057	166,057	—
Foreign bonds	27,797	30,000	2,202	2,202	—	22,876	24,863	1,986	1,986	—
Monetary claims bought	—	—	—	—	—	—	—	—	—	—
Negotiable certificate of deposits	—	—	—	—	—	—	—	—	—	—
Others	—	—	—	—	—	—	—	—	—	—
Policy-reserve-matching bonds	1,074,535	1,280,612	206,077	206,077	—	1,038,589	1,244,749	206,159	206,474	314
Domestic bonds	1,044,436	1,250,268	205,832	205,832	—	1,021,290	1,227,283	205,992	206,307	314
Foreign bonds	30,098	30,343	244	244	—	17,299	17,466	166	166	—
Investments in subsidiaries and affiliates	1,433	1,140	(293)	1	294	1,557	1,076	(480)	—	480
Available-for-sale securities	2,419,858	2,889,888	470,029	487,293	17,263	2,624,803	3,022,332	397,528	438,456	40,927
Domestic bonds	735,758	822,513	86,754	87,055	300	799,393	886,516	87,122	88,706	1,583
Domestic stocks	291,475	528,697	237,221	244,234	7,012	304,123	519,831	215,708	225,966	10,257
Foreign securities	1,326,814	1,458,914	132,099	139,958	7,858	1,437,619	1,519,887	82,268	108,686	26,418
Foreign bonds	1,157,841	1,265,973	108,131	111,881	3,750	1,251,024	1,323,233	72,209	89,903	17,694
Foreign stocks and other securities	168,972	192,941	23,968	28,077	4,108	186,595	196,654	10,059	18,783	8,723
Other securities	65,809	79,763	13,953	16,044	2,091	83,667	96,096	12,428	15,097	2,668
Money held in trust	—	—	—	—	—	—	—	—	—	—
Monetary claims bought	—	—	—	—	—	—	—	—	—	—
Negotiable certificate of deposits	—	—	—	—	—	—	—	—	—	—
Others	—	—	—	—	—	—	—	—	—	—
Total	4,264,614	5,107,954	843,340	860,898	17,558	4,427,371	5,198,623	771,251	812,974	41,723
Domestic bonds	2,521,184	2,979,095	457,910	458,211	300	2,560,228	3,019,401	459,173	461,071	1,898
Domestic stocks	291,475	528,697	237,221	244,234	7,012	304,123	519,831	215,708	225,966	10,257
Foreign securities	1,386,144	1,520,398	134,254	142,407	8,153	1,479,352	1,563,293	83,940	110,839	26,898
Foreign bonds	1,215,738	1,326,317	110,578	114,328	3,750	1,291,200	1,365,562	74,362	92,056	17,694
Foreign stocks and other securities	170,406	194,081	23,675	28,078	4,403	188,152	197,730	9,578	18,783	9,204
Other securities	65,809	79,763	13,953	16,044	2,091	83,667	96,096	12,428	15,097	2,668
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, 2016	As of September 30, 2016
Held-to-maturity debt securities	—	—
Unlisted foreign bonds	—	—
Others	—	—
Policy-reserve-matching bonds	—	—
Investments in subsidiaries and affiliates	35,560	35,495
Available-for-sale securities	14,499	13,896
Unlisted domestic stocks (except over-the-counter stocks)	6,127	6,122
Unlisted foreign stocks (except over-the-counter stocks)	—	—
Unlisted foreign bonds	—	—
Others	8,371	7,774
Total	50,060	49,392

(8) Fair Value Information on Money Held in Trust

(Millions of yen)

	As of March 31, 2016					As of September 30, 2016				
	Carrying value on the balance sheet	Fair value	Gains/losses			Carrying value on the balance sheet	Fair value	Gains/losses		
				Gains	Losses				Gains	Losses
Money held in trust	87,793	87,793	–	–	–	29,103	29,103	–	–	–

* Money held in trust for trading purpose

(Millions of yen)

	As of March 31, 2016		As of September 30, 2016	
	Carrying value on the balance sheet	Net valuation gains/losses included in the statements of operations	Carrying value on the balance sheet	Net valuation gains/losses included in the statements of operations
Money held in trust for trading purpose	86,793	(0)	28,103	(80)

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

(Millions of yen)

	As of March 31, 2016					As of September 30, 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, 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
As of September 30, 2016	**Interest-related**	**Currency-related**	**Stock-related**	**Bond-related**	**Others**	**Total**
Hedge accounting applied	–	10,767	(79)	–	–	10,688
Hedge accounting not applied	(1,157)	1,794	–	0	–	637
Total	(1,157)	12,562	(79)	0	–	11,325

Note: Gains and losses from applying fair value hedge accounting (currency- related, gains of ¥18,558 million, stock-related gains of ¥265 million as of March 31, 2016, and currency-related gains of ¥10,767 million, stock-related losses of ¥79 million as of September 30, 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)

	As of March 31, 2016				As of September 30, 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	100,000			320,000	120,000		
	[1,164]		191	(972)	[1,222]		64	(1,157)
Total				(972)				(1,157)

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

(iii) Currency-related Transactions

(Millions of yen)

	As of March 31, 2016				As of September 30, 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	1,375,442	–	1,357,681	17,760	1,207,658	–	1,195,096	12,562
U.S. dollar	1,128,269	–	1,109,234	19,035	996,478	–	986,765	9,712
British Pound	81,926	–	80,870	1,055	73,882	–	71,962	1,919
Euro	76,339	–	76,871	(531)	58,484	–	58,040	443
Canadian dollar	41,782	–	42,490	(707)	42,621	–	42,179	442
Australian dollar	47,124	–	48,215	(1,091)	36,192	–	36,148	43
Bought	–	–	–	–	505	–	505	(0)
Australian dollar	–	–	–	–	505	–	505	(0)
Total				17,760				12,562

Notes: 1. Forward exchange rates are used for exchange rates as of September 30, 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, 2016				As of September 30, 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 stock forward contract								
Sold	823	823	557	265	517	517	597	(79)
Bought	—	—	—	—	—	—	—	—
Total				265				(79)

(v) Bond-related Transactions

(Millions of yen)

	As of March 31, 2016				As of September 30, 2016			
	Notional amount/ contract value		Fair value	Gains (losses)	Notional amount/ contract value		Fair value	Gains (losses)
		Over 1 year				Over 1 year		
Exchange-traded transactions								
Yen bond futures								
Sold	151,069	—	151,300	(231)	—	—	—	—
Bought	—	—	—	—	—	—	—	—
Foreign bond futures								
Sold	38,343	—	38,324	18	34,520	—	34,519	0
Bought	—	—	—	—	—	—	—	—
Total				(212)				0

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

(millions of yen)

As of March 31, 2016			As of September 30, 2016		
Carrying value on the balance sheet	Fair value	Gains (losses)	Carrying value on the balance sheet	Fair value	Gains (losses)
125,312	233,848	108,535	125,289	234,025	108,736

Notes: 1. As of September 30, 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, 2016.

2. 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.

3. Non-consolidated Balance Sheets

(Millions of yen)

	As of March 31, 2016	As of September 30, 2016
Assets:		
Cash and deposits	114,182	125,097
Call loans	200,000	200,000
Monetary claims bought	813	784
Money held in trust	87,793	29,103
Securities	5,091,762	5,140,807
[Government bonds]	[1,881,618]	[1,863,264]
[Local government bonds]	[142,336]	[145,174]
[Corporate bonds]	[663,209]	[713,052]
[Stocks]	[594,312]	[581,535]
[Foreign securities]	[1,722,110]	[1,733,883]
Loans	693,680	649,817
Policy loans	61,437	60,742
Ordinary loans	632,242	589,075
Tangible fixed assets	218,565	219,140
Intangible fixed assets	16,093	18,716
Reinsurance receivables	144	29
Other assets	68,631	56,209
Lease investment assets	767	750
Rest of the other asset	67,863	55,458
Allowance for possible loan losses	(1,850)	(1,768)
Total assets	**6,489,815**	**6,437,938**

	As of March 31, 2016	As of September 30, 2016
Liabilities:		
Policy reserves	5,555,450	5,600,876
Reserve for outstanding claims	20,719	18,058
Policy reserve	5,484,362	5,515,065
Reserve for dividends to policyholders	50,368	67,752
Reinsurance payables	133	152
Subordinated bonds	141,935	141,935
Other liabilities	43,653	45,687
Corporate income tax payable	891	7,197
Asset retirement obligations	3,351	3,383
Rest of the other liabilities	39,410	35,106
Reserve for employees' retirement benefits	26,083	25,698
Reserve for price fluctuation of securities	68,288	69,895
Deferred tax liabilities	33,050	9,316
Deferred tax liabilities for revaluation reserve for land	14,274	14,268
Total liabilities	**5,882,868**	**5,907,829**
Net assets:		
Foundation funds	30,000	10,000
Accumulated foundation funds redeemed	86,000	106,000
Reserve for revaluation	112	112
Surplus	148,284	123,660
Legal reserve for future losses	2,742	2,849
Other surplus	145,542	120,811
Reserve for redemption of foundation funds	18,000	4,000
Reserve for dividend allowances	20,000	20,000
Accumulated fund for price fluctuation	41,000	41,000
Reserve for advanced depreciation of real estate for tax purpose	266	257
Reserve for special account for advanced depreciation of real estate for tax purpose	—	100
Other reserves	767	767
Unappropriated surplus	65,509	54,686
Total foundation funds, surplus and others	264,397	239,772
Net unrealized gains (losses) on available-for-sale securities, net of tax	338,421	286,220
Revaluation reserve for land, net of tax	4,128	4,115
Total valuation and translation adjustments	342,549	290,335
Total net assets	**606,947**	**530,108**
Total liabilities and net assets	**6,489,815**	**6,437,938**

4. Non-consolidated Statements of Operations

(Millions of yen)

	Six months ended September 30, 2015	Six months ended September 30, 2016
Ordinary revenues:		
Premium and other income	313,128	323,700
[Premium income]	[313,014]	[323,632]
Investment income	88,829	99,091
[Interest, dividends and other income]	[66,359]	[62,832]
[Gains on sales of securities]	[22,293]	[6,241]
[Gains on derivative instruments, net]	[－]	[29,914]
Other ordinary revenues	53,665	6,428
[Reversal of reserve for outstanding claims]	[1,987]	[2,660]
[Reversal of policy reserve]	[47,187]	[－]
Total ordinary revenues	**455,623**	**429,221**
Ordinary expenses:		
Claims and other payments	329,857	263,967
[Claims]	[84,623]	[64,344]
[Annuities]	[104,847]	[88,463]
[Benefits]	[55,307]	[51,671]
[Surrenders]	[66,494]	[42,916]
[Other payments]	[18,355]	[16,324]
Provision for policy reserve and others	24	30,717
Provision for policy reserve	—	30,702
Provision for interest on reserve for dividends to policyholders	24	15
Investment expenses	23,102	43,825
[Interest expenses]	[2,389]	[1,918]
[Losses on money held in trust, net]	[556]	[1,896]
[Losses on trading securities, net]	[2,064]	[24,395]
[Losses on sales of securities]	[3,343]	[150]
[Losses on valuation of securities]	[－]	[174]
[Losses on derivative instruments, net]	[4,803]	[－]
[Losses on separate accounts, net]	[2,604]	[1,138]
Operating expenses	42,874	43,337
Other ordinary expenses	10,148	9,489
Total ordinary expenses	**406,006**	**391,338**
Ordinary profits	**49,616**	**37,883**
Extraordinary gains:		
Gains on disposal of fixed assets	1,356	2
Gain on contribution of securities to retirement benefit trust	7,913	—
Others extraordinary gains	—	42
Total extraordinary gains	**9,270**	**45**
Extraordinary losses:		
Losses on disposal of fixed assets	138	24
Impairment losses	208	31
Provision for reserve for price fluctuation of securities	1,411	1,607
Total extraordinary losses	**1,757**	**1,662**
Surplus before income taxes	**57,128**	**36,265**
Income taxes:		
Current	9,474	8,789
Deferred	1,792	(3,438)
Total income taxes	**11,267**	**5,350**
Net surplus for the period	**45,861**	**30,914**

5. Non-consolidated Statements of Changes in Net Assets

[For the six months ended September 30, 2015]

(Millions of yen)

	Foundation funds, surplus and others											
				Surplus								
					Other surplus							
	Foundation funds	Accumulated foundation funds redeemed	Reserve for revaluation	Legal reserve for future losses	Reserve for redemption of foundation funds	Reserve for dividend allowances	Accumulated fund for price fluctuation	Reserve for advanced depreciation of real estate for tax purpose	Other reserves	Unappropriated surplus	Total surplus	Total foundation funds, surplus and others
Balance at the beginning of 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										45,861	45,861	45,861
Additons to reserve for redemption of foundation funds					6,000					(6,000)	–	–
Additions to reserve for dividend allowances						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										58	58	58
Net changes, excluding foundation funds, surplus and others												
Total changes in the current period	–	–	–	160	6,000	16,104	10,000	3	–	(23,362)	8,904	8,904
Balance at the end of the current period	30,000	86,000	112	2,742	18,000	20,000	41,000	266	767	69,678	152,453	268,565

	Valuation and translation adjustments				
	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	Total net assets
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					45,861
Additons to reserve for redemption of foundation funds					–
Additions to reserve for dividend allowances					–
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					58
Net changes, excluding foundation funds, surplus and others	(75,176)	(0)	(57)	(75,234)	(75,234)
Total changes in the current period	(75,176)	(0)	(57)	(75,234)	(66,329)
Balance at the end of the current period	359,060	0	3,836	362,896	631,462

[For the six months ended September 30, 2016]

(Millions of yen)

	Foundation funds, surplus and others												
				Surplus									
					Other surplus								
	Foundation funds	Accumulated foundation funds redeemed	Reserve for revaluation	Legal reserve for future losses	Reserve for redemption of foundation funds	Reserve for dividend allowances	Accumulated fund for price fluctuation	Reserve for advanced depreciation of real estate for tax purpose	Reserve for special account for advanced depreciation of real estate for tax purpose	Other reserves	Unappropriated surplus	Total surplus	Total foundation funds, surplus and others
Balance at the beginning of the current period	30,000	86,000	112	2,742	18,000	20,000	41,000	266	–	767	65,509	148,284	264,397
Changes in the current period													
Additions to reserve for dividends to policyholders											(35,236)	(35,236)	(35,236)
Additions to legal reserve for future losses				106							(106)	–	–
Additons to accumlated foundation funds redeemed		20,000											20,000
Payment of interest on foundation funds											(316)	(316)	(316)
Net surplus for the current period											30,914	30,914	30,914
Redemption of foundation funds	(20,000)												(20,000)
Additions to reserve for redemption of foundation funds					6,000						(6,000)	–	–
Reversal of reserve for redemption of foundation funds					(20,000)							(20,000)	(20,000)
Additions to reserve for advanced depreciation of real estate for tax purpose								2			(2)	–	–
Reversal of reserve for advanced depreciation of real estate for tax purpose								(11)			11	–	–
Additions to reserve for special account for advanced depreciation of real estate for tax purpose									100		(100)	–	–
Reversal of revaluation reserve for land, net of tax											13	13	13
Net changes, excluding foundation funds, surplus and others													
Total changes in the current period	(20,000)	20,000	–	106	(14,000)	–	–	(8)	100	–	(10,822)	(24,624)	(24,624)
Balance at the end of the current period	10,000	106,000	112	2,849	4,000	20,000	41,000	257	100	767	54,686	123,660	239,772

	Valuation and translation adjustments			
	Net unrealized gains (losses) on available-for-sale securities, net of tax	Revaluation reserve for land, net of tax	Total valuation and translation adjustments	Total net assets
Balance at the beginning of the current period	338,421	4,128	342,549	606,947
Changes in the current period				
Additions to reserve for dividends to policyholders				(35,236)
Additions to legal reserve for future losses				–
Additons to accumlated foundation funds redeemed				20,000
Payment of interest on foundation funds				(316)
Net surplus for the current period				30,914
Redemption of foundation funds				(20,000)
Additions to reserve for redemption of foundation funds				–
Reversal of reserve for redemption of foundation funds				(20,000)
Additions to reserve for advanced depreciation of real estate for tax purpose				–
Reversal of reserve for advanced depreciation of real estate for tax purpose				–
Additions to reserve for special account for advanced depreciation of real estate for tax purpose				–
Reversal of revaluation reserve for land, net of tax				13
Net changes, excluding foundation funds, surplus and others	(52,200)	(13)	(52,214)	(52,214)
Total changes in the current period	(52,200)	(13)	(52,214)	(76,838)
Balance at the end of the current period	286,220	4,115	290,335	530,108

Notes to the Non-consolidated Financial Statements

I. Presentation of the Non-consolidated Financial Statements

1. 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. (1) 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 differences between acquisition costs and face values are considered to be an adjustment of interest. Such bonds are stated at amortized cost under the straight-line method, cost being determined by the moving average method.

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

   (3) The Company revalued the land for business purposes based on the Law for Revaluation of Land (Law No.34 promulgated on March 31, 1998). The differences between fair values and book values resulting from the revaluation, net of related taxes, are 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 is calculated by the following methods.

   - Tangible fixed assets (excluding lease assets):Declining-balance method
     However, buildings (excluding building attachments and structures acquired on or before March 31, 2016) acquired on or after April 1, 1998 are depreciated using Straight-line method.
   - Lease assets related to finance lease transactions that do not transfer ownership: Straight-line method over the lease term 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 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 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 value or the amounts collectible through the execution of guarantees are written-off directly from the borrowers' balances as the estimated uncollectible amounts. The amount written-off as of September 30, 2016 was ¥247 million.

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

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

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

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

(9) 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 lease fee. The corresponding cost of the lease transactions is recorded in "Investment expenses", which is calculated by deducting an amount equivalent to the interest allocated over the lease term from the lease fee received.

(10) Hedge accounting is based on "Accounting Standards for Financial Instruments" (ASBJ Statement No. 10, August 11, 2006). The Company applies a fair value 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, 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 mainly applied.

(11) Accounting of unrecognized actuarial gains or losses and unrecognized prior service costs related to employees' retirement benefits is different from the methods used for these items in the consolidated financial statements.

(12) 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 is based on Article 116 of the Insurance Business Law, and the premium reserve is calculated by the following method:

i) In regard to the policies subject to the standard policy reserve, the method as prescribed by the Commissioner of Financial Services Agency (Ministry of Finance Ordinance No. 48, 1996) is applied.

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

Based on the provision of Article 69, paragraph 5, of the Enforcement Regulation of the Insurance Business 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 balance sheet date, the balance of these policy reserves was ¥45,172 million.

At the end of the fiscal year ended March 31, 2017, 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 balance sheet date, the balance of these policy reserves was ¥31,842 million.

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

(15) 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. In line with a revision to the Corporation Tax Act, the Company adopted the "Practical Solution on a Change in Depreciation Method Due to Tax Reform 2016" (PITF No. 32, June 17, 2016) from the six months ended September 30, 2016. Accordingly, the method of depreciation was changed from the declining-balance method to the straight-line method for facilities attached to buildings and structures acquired on or after April 1, 2016.

As a result, both ordinary profits and the surplus before income taxes increased by ¥14 million.

3. The carrying amounts, fair values and their related differences of major financial assets and liabilities in the general account as of September 30, 2016 were as follows:

(Millions of yen)

	Carrying amount	Fair value	Difference
Cash and deposits:			
Cash and deposits not treated as securities...	¥ 123,781	¥ 123,781	¥ —
Total cash and deposits….....	123,781	123,781	—
Call loans	200,000	200,000	—
Monetary claims bought:			
Claims treated as loans…….....	784	852	67
Total monetary claims bought….....	784	852	67
Money held in trust:			
Trading securities.....	28,103	28,103	—
Total money held in trust.....	28,103	28,103	—
Securities:			
Trading securities.....	198,988	198,988	—
Held-to-maturity debt securities.....	762,421	930,464	168,043
Policy-reserve-matching bonds.....	1,038,589	1,244,749	206,159
Investments in subsidiaries and affiliates.....	1,557	1,076	(480)
Available-for-sale securities.....	3,022,332	3,022,332	—
Total securities.....	5,023,888	5,397,611	373,722
Loans:			
Policy loans.....	60,742	60,742	(0)
Ordinary loans.....	589,075	622,371	33,295
Total loans.....	649,817	683,113	33,295
Assets total.....	6,026,375	6,433,461	407,086
Subordinated bonds*1.....	141,935	153,821	11,886
Liabilities total….....	141,935	153,821	11,886
Derivative instruments*2:			
Hedge accounting not applied.....	637	637	—
Hedge accounting applied…….....	10,688	10,688	—
Total derivative instruments.....	¥ 11,325	¥ 11,325	¥ —

*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 ¥35,495 million, ¥6,122 million, and ¥7,774 million as of September 30, 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. Notes related to the fair value of investment and rental properties are omitted as no significant change has occurred since the previous fiscal year-end.

5. The amount of securities lent under lending agreements was ¥15,467 million as of September 30, 2016.

6. 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 ¥1,180 million as of September 30, 2016;

i) The balance of credits to bankrupt borrowers was ¥204 million as of September 30, 2016.

ii) The balance of delinquent loans was ¥975 million as of September 30, 2016.

iii) There was no balance of delinquent loans past 3 months or more and restructured loans as of September 30, 2016.

The direct write-offs related to loans decreased credits to bankrupt borrowers described above by ¥247 million as of September 30, 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 for 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 totalled to ¥155,613 million as of September 30, 2016.

8. Total assets in separate accounts provided for in Article 118 of the Insurance Business Law were ¥71,046 million as of September 30, 2016. The amounts of separate account liabilities were the same as separate account assets.

9. Changes in reserve for dividends to policyholders for the six months ended September 30, 2016 were as follows:

	(Millions of yen)
Balance at the beginning of the current period…….....	¥ 50,368
Transfer from surplus in previous period.....	35,236
Dividends paid in the current period.....	(17,868)
Increase in interest.....	15
Balance at the end of the current period.....	¥ 67,752

10. The amount of stocks of subsidiaries was ¥37,053 million as of September 30, 2016.

11. Assets pledged as collateral as of September 30, 2016 were ¥30,345 million of securities and ¥1,417 million of bank deposits. Secured debts as of September 30, 2016, were ¥4,945 million.

12. Reserve for outstanding claims for the reinsurance contracts provided in accordance with Article 71 Paragraph 1 of the Enforcement Regulation of the Insurance Business Law (hereinafter called "reserve for outstanding claims for ceded reinsurance") was ¥3 million as of September 30, 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 September 30, 2016.

13. In line with the redemption of ¥20,000 million in foundation funds, the same amount of reserve for redemption of foundation funds is transferred to accumulated foundation funds redeemed in accordance with Article 56 of the Insurance Business Law.

14. There were unused commitment line agreements under which the Company is the lender of ¥12,000 million as of September 30, 2016.

15. Repayments of subordinated bonds are subordinated to other obligations.

    On October 21, 2016, the Company issued ¥50,000 million in new subordinated bonds.

16. The future contribution to the Life Insurance Policyholders Protection Corporation of Japan under Article 259 of the Insurance Business Law was estimated at ¥9,406 million as of September 30, 2016.

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

17. The "Implementation Guidance on Recoverability of Deferred Tax Assets" (ASBJ Guidance No. 26, March 28, 2016) has been applied from the six months ended September 30, 2016.

III. Notes to Statements of Operations

1. Major items of gains on sales of securities for the six months ended September 30, 2016 were as follows:

	(Millions of yen)
Domestic bonds	¥ 5,915
Domestic stocks and others	301
Foreign securities	24

2. Major items of losses on sales of securities for the six months ended September 30, 2016 were as follows:

	(Millions of yen)
Domestic stocks and others	¥ 149
Foreign securities	0

3. Major items of losses on valuation of securities for the six months ended September 30, 2016 were as follows:

	(Millions of yen)
Foreign securities	¥ 174

4. For the six months ended September 30, 2016, reversal of reserve for outstanding claims for ceded reinsurance considered in calculation of reversal of reserve for outstanding claims was ¥12 million, and reversal of policy reserve for ceded reinsurance considered in calculation of provision for policy reserve was ¥0 million.

5. Breakdown of interest, dividends and other income for the six months ended September 30, 2016 was as follows:

	(Millions of yen)
Interest on deposits	¥ 10
Interest and dividends on securities	50,012
Interest on loans	5,875
Income from real estate for rent	6,871
Other interest and dividends	62
Total	¥ 62,832

6. Breakdown of Ordinary Profits (Fundamental Profit)

(Millions of yen)

		Six months ended September 30, 2015	Six months ended September 30, 2016
Fundamental profit	A	**45,019**	**40,731**
Capital gains		22,293	36,155
Gains on money held in trust, net		—	—
Gains on trading securities, net		—	—
Gains on sales of securities		22,293	6,241
Gains on derivative instruments, net		—	29,914
Foreign exchange gains, net		—	—
Other capital gains		—	—
Capital losses		18,008	39,153
Losses on money held in trust, net		657	1,973
Losses on trading securities, net		6,882	27,504
Losses on sales of securities		3,343	150
Losses on valuation of securities		—	174
Losses on derivative instruments, net		4,803	—
Foreign exchange losses, net		2,322	9,351
Other capital losses		—	—
Net capital gains (losses)	B	4,284	(2,998)
Fundamental profit plus net capital gains (losses)	A+B	49,304	37,733
Non-recurring gains		366	149
Reinsurance income		—	—
Reversal of contingency reserve		366	143
Reversal for specific allowance for possible loan losses		—	5
Others		—	—
Non-recurring losses		54	—
Reinsurance premiums		—	—
Provision for contingency reserve		—	—
Provision for specific allowance for possible loan losses		54	—
Allowance for specified overseas loans		—	—
Write-off of loans		—	—
Others		—	—
Non-recurring gains (losses)	C	312	149
Ordinary profits	A+B+C	49,616	37,883

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): ¥100 million in respect of the six months ended September 30, 2015 and ¥77 million in respect of the six months ended September 30, 2016.

2. The following amounts in respect of gains / losses from trading securities have been excluded from capital gains / losses and included in fundamental profit due to their income nature (being interest and dividend income): ¥4,818 million in respect of the six months ended September 30, 2015 and ¥3,108 million in respect of the six months ended September 30, 2016.

7. Disclosed Claims Based on Categories of Obligors

(Millions of yen)

	As of March 31, 2016	As of September 30, 2016
Claims against bankrupt and quasi-bankrupt obligors	260	218
Claims with collection risk	736	967
Claims for special attention	–	–
Subtotal	996	1,186
[Percentage of total]	[0.14%]	[0.18%]
Claims against normal obligors	714,152	667,164
Total	715,149	668,350

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.

8. Risk-monitored Loans

(Millions of yen)

	As of March 31, 2016	As of September 30, 2016
Credits to bankrupt borrowers	217	204
Delinquent loans	773	975
Delinquent loans past three months or more	—	—
Restructured loans	—	—
Total	990	1,180
[Percentage of total loans]	[0.14%]	[0.18%]

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, 2016 and ¥247 million as of September 30, 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.

9. Solvency Margin Ratio

(Millions of yen)

	As of March 31, 2016	As of September 30, 2016
Total solvency margin (A)	1,374,588	1,313,042
Foundation funds and surplus	226,683	220,057
Reserve for price fluctuation of securities	68,288	69,895
Contingency reserve	150,573	150,429
Allowance for possible loan losses	1,251	1,175
(Net unrealized gains (losses) on securities (before tax) and deferred hedge gains (losses) (before tax)) × 90%	423,026	357,775
Net unrealized gains on real estate × 85%	105,577	106,908
Excess amount of policy reserve based on full-time Zillmer method	236,087	237,748
Qualifying subordinated debt	141,935	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	40,165	46,117
Total amount of risk $\sqrt{(R_1+R_8)^2+(R_2+R_3+R_7)^2}+R_4$ (B)	207,983	219,180
Insurance risk R_1	24,616	24,295
3rd sector insurance risk R_8	9,577	9,642
Assumed investment yield risk R_2	33,481	33,220
Minimum guarantee risk R_7	0	0
Investment risk R_3	166,913	178,344
Business risk R_4	4,691	4,910
Solvency margin ratio $\frac{(A)}{(1/2) \times (B)} \times 100$	1,321.8%	1,198.1%

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.

10. Status of Separate Account

(1) Separate Account Assets by Products

(Millions of yen)

	As of March 31, 2016	As of September 30, 2016
	Amount	Amount
Individual variable insurance	—	—
Individual variable annuities	67	43
Group annuities	78,997	71,003
Total	79,065	71,046

(2) Individual Variable Insurance (Separate Account)

The Company has not sold the individual variable insurance.

(3) Individual Variable Annuities (Separate Account)

(i) Policies in Force

(Millions of yen except number of policies)

	As of March 31, 2016		As of September 30, 2016	
	Number of policies	Amount	Number of policies	Amount
Individual variable annuities	23	64	15	38
Total	23	64	15	38

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

(Millions of yen)

	As of March 31, 2016		As of September 30, 2016	
	Amount	Percentage	Amount	Percentage
Cash, deposits, call loans	26	39.1%	15	36.3%
Securities	41	60.9%	27	63.7%
Domestic bonds	—	—	—	—
Domestic stocks	—	—	—	—
Foreign securities	—	—	—	—
Foreign bonds	—	—	—	—
Foreign stocks and other securities	—	—	—	—
Other securities	41	60.9%	27	63.7%
Loans	—	—	—	—
Others	—	—	—	—
Allowance for possible loan losses	—	—	—	—
Total	67	100.0%	43	100.0%

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

(Millions of yen)

	Six months ended September 30, 2015	Six months ended September 30, 2016
	Amount	Amount
Interest, dividends and other income	14	2
Gains on sales of securities	–	–
Gains on valuation of securities	17	6
Gains on redemption of securities	–	–
Gains on derivative instruments	–	–
Foreign exchange gains, net	–	–
Other investment income	0	0
Losses on sales of securities	–	–
Losses on valuation of securities	32	10
Losses on redemption of securities	–	–
Losses on derivative instruments	–	–
Foreign exchange losses, net	–	–
Other investment expenses	–	–
Net investment income	(0)	(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, 2016		As of September 30, 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	41	(22)	27	(3)

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, 2016		As of September 30, 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	393,852	(43,873)	294,618	(30,079)

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, 2016					As of September 30, 2016				
	Book value	Fair value	Gains/losses			Book value	Fair value	Gains/losses		
				Gains	Losses				Gains	Losses
Held-to-maturity debt securities	768,786	936,313	167,526	167,526	–	762,421	930,464	168,043	168,043	–
Domestic bonds	740,989	906,313	165,323	165,323	–	739,544	905,601	166,057	166,057	–
Foreign bonds	27,797	30,000	2,202	2,202	–	22,876	24,863	1,986	1,986	–
Monetary claims bought	–	–	–	–	–	–	–	–	–	–
Negotiable certificate of deposits	–	–	–	–	–	–	–	–	–	–
Others	–	–	–	–	–	–	–	–	–	–
Policy-reserve-matching bonds	1,074,535	1,280,612	206,077	206,077	–	1,038,589	1,244,749	206,159	206,474	314
Domestic bonds	1,044,436	1,250,268	205,832	205,832	–	1,021,290	1,227,283	205,992	206,307	314
Foreign bonds	30,098	30,343	244	244	–	17,299	17,466	166	166	–
Investments in subsidiaries and affiliates	1,433	1,140	(293)	1	294	1,557	1,076	(480)	–	480
Available-for-sale securities	2,419,858	2,889,888	470,029	487,293	17,263	2,624,803	3,022,332	397,528	438,456	40,927
Domestic bonds	735,758	822,513	86,754	87,055	300	799,393	886,516	87,122	88,706	1,583
Domestic stocks	291,475	528,697	237,221	244,234	7,012	304,123	519,831	215,708	225,966	10,257
Foreign securities	1,326,814	1,458,914	132,099	139,958	7,858	1,437,619	1,519,887	82,268	108,686	26,418
Foreign bonds	1,157,841	1,265,973	108,131	111,881	3,750	1,251,024	1,323,233	72,209	89,903	17,694
Foreign stocks and other securities	168,972	192,941	23,968	28,077	4,108	186,595	196,654	10,059	18,783	8,723
Other securities	65,809	79,763	13,953	16,044	2,091	83,667	96,096	12,428	15,097	2,668
Money held in trust	–	–	–	–	–	–	–	–	–	–
Monetary claims bought	–	–	–	–	–	–	–	–	–	–
Negotiable certificate of deposits	–	–	–	–	–	–	–	–	–	–
Others	–	–	–	–	–	–	–	–	–	–
Total	4,264,614	5,107,954	843,340	860,898	17,558	4,427,371	5,198,623	771,251	812,974	41,723
Domestic bonds	2,521,184	2,979,095	457,910	458,211	300	2,560,228	3,019,401	459,173	461,071	1,898
Domestic stocks	291,475	528,697	237,221	244,234	7,012	304,123	519,831	215,708	225,966	10,257
Foreign securities	1,386,144	1,520,398	134,254	142,407	8,153	1,479,352	1,563,293	83,940	110,839	26,898
Foreign bonds	1,215,738	1,326,317	110,578	114,328	3,750	1,291,200	1,365,562	74,362	92,056	17,694
Foreign stocks and other securities	170,406	194,081	23,675	28,078	4,403	188,152	197,730	9,578	18,783	9,204
Other securities	65,809	79,763	13,953	16,044	2,091	83,667	96,096	12,428	15,097	2,668
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, 2016			As of September 30, 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	768,786	936,313	167,526	762,421	930,464	168,043
Domestic bonds	740,989	906,313	165,323	739,544	905,601	166,057
Foreign bonds	27,797	30,000	2,202	22,876	24,863	1,986
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, 2016			As of September 30, 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	1,064,535	1,270,612	206,077	1,026,490	1,232,964	206,474
Domestic bonds	1,044,436	1,250,268	205,832	1,009,191	1,215,498	206,307
Foreign bonds	20,098	20,343	244	17,299	17,466	166
Others	—	—	—	—	—	—
Bonds whose fair value does not exceed the carrying value on the balance sheet	10,000	10,000	—	12,099	11,784	(314)
Domestic bonds	—	—	—	12,099	11,784	(314)
Foreign bonds	10,000	10,000	—	—	—	—
Others	—	—	—	—	—	—

・Available-for-sale Securities

(Millions of yen)

	As of March 31, 2016			As of September 30, 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	2,161,431	2,648,724	487,293	2,028,014	2,466,471	438,456
Domestic bonds	707,189	794,245	87,055	739,774	828,480	88,706
Domestic stocks	245,523	489,757	244,234	241,485	467,451	225,966
Foreign securities	1,166,940	1,306,899	139,958	1,009,132	1,117,819	108,686
Foreign bonds	1,028,891	1,140,772	111,881	914,873	1,004,777	89,903
Foreign stocks	138,049	166,126	28,077	94,259	113,042	18,783
Other securities	41,778	57,822	16,044	37,622	52,719	15,097
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	258,426	241,163	(17,263)	596,789	555,861	(40,927)
Domestic bonds	28,568	28,268	(300)	59,619	58,036	(1,583)
Domestic stocks	45,952	38,939	(7,012)	62,637	52,380	(10,257)
Foreign securities	159,873	152,014	(7,858)	428,486	402,068	(26,418)
Foreign bonds	128,950	125,200	(3,750)	336,150	318,456	(17,694)
Foreign stocks	30,922	26,814	(4,108)	92,335	83,612	(8,723)
Other securities	24,031	21,940	(2,091)	46,045	43,376	(2,668)
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, 2016	As ofSeptember 30, 2016
Held-to-maturity bonds	—	—
Unlisted foreign bonds	—	—
Others	—	—
Policy-reserve-matching bonds	—	—
Investments in subsidiaries and affiliates	35,560	35,495
Available-for-sale securities	14,499	13,896
Unlisted domestic stocks (except over-the-counter stocks)	6,127	6,122
Unlisted foreign stocks (except over-the-counter stocks)	—	—
Unlisted foreign bonds	—	—
Others	8,371	7,774
Total	50,060	49,392

(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, 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
As of September 30, 2016	**Interest-related**	**Currency-related**	**Stock-related**	**Bond-related**	**Others**	**Total**
Hedge accounting applied	—	10,767	(79)	—	—	10,688
Hedge accounting not applied	(1,157)	1,792	—	0	—	635
Total	(1,157)	12,560	(79)	0	—	11,323

Note: Gains and losses from applying fair value hedge accounting (currency- related, gains of ¥18,558 million, stock-related gains of ¥265 million as of March 31, 2016, and currency-related gains of ¥10,767 million, stock-related losses of ¥79 million as of September 30, 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) Hedge Accounting not Applied

・Interest-related Transactions

(Millions of yen)

	As of March 31, 2016				As of September 30, 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 swaption contracts								
Sold								
Receipt fixed, payment floating	—	—	—	—	—	—	—	—
	[—]				[—]			
Payment fixed, receipt floating	—	—	—	—	—	—	—	—
	[—]				[—]			
Bought								
Receipt fixed, payment floating	—	—	—	—	—	—	—	—
	[—]				[—]			
Payment fixed, receipt floating	300,000	100,000			320,000	120,000		
	[1,164]		191	(972)	[1,222]		64	(1,157)
Total				(972)				(1,157)

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

・Currency-related Transactions

(Millions of yen)

	As of March 31, 2016				As of September 30, 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	331,876	—	332,676	(800)	223,268	—	221,476	1,792
US dollar	192,187	—	191,366	821	116,799	—	116,052	746
British Pound	34,101	—	34,100	1	29,611	—	28,835	776
Australian dollar	36,929	—	37,485	(555)	26,492	—	26,540	(48)
Canadian dollar	32,451	—	32,992	(540)	25,578	—	25,339	239
Euro	36,197	—	36,724	(526)	24,768	—	24,689	79
Danish krone	—	—	—	—	6	—	6	(0)
Swiss franc	—	—	—	—	4	—	4	0
Swedish krona	8	—	8	(0)	2	—	2	(0)
Hong Kong dollar	—	—	—	—	2	—	2	(0)
Singapore dollar	—	—	—	—	2	—	2	(0)
Bought	100	—	101	1	505	—	505	(0)
Australian dollar	—	—	—	—	505	—	505	(0)
Euro	100	—	101	1	—	—	—	—
Total				(799)				1,792

Notes: 1. Forward exchange rates are used for exchange rates as of September 30, 2016.

・Stock-related Transactions

No ending balance as of March 31, 2016 and September 30, 2016.

・Bond-related Transactions

(Millions of yen)

	As of March 31, 2016				As of September 30, 2016			
	Notional amount/ contract value		Fair value	Gains (losses)	Notional amount/ contract value		Fair value	Gains (losses)
		Over 1 year				Over 1 year		
Exchange-traded transactions								
Yen bond futures								
Sold	151,069	–	151,300	(231)	–	–	–	–
Bought	–	–	–	–	–	–	–	–
Foreign bond futures								
Sold	38,343	–	38,324	18	34,520	–	34,519	0
Bought	–	–	–	–	–	–	–	–
Total				(212)				0

(iii) Hedge Accounting Applied

・Interest-related Transactions

No ending balance as of March 31, 2016 and September 30, 2016

・Currency-related Transactions (Millions of yen)

		As of March 31, 2016				As of September 30, 2016			
Method of hedge accounting	Hedging instruments	Hedged items	Notional amount / contract value	Over 1 year	Fair value	Hedged items	Notional amount / contract value	Over 1 year	Fair value
Fair value hedge method	Currency forward contracts	Foreign currency-denominated bonds				Foreign currency-denominated bonds			
	Sold		1,045,083	—	1,026,525		984,764	—	973,996
	(US dollar)		936,723	—	918,504		879,901	—	870,937
	(British Pound)		47,937	—	46,883		44,302	—	43,159
	(Euro)		40,849	—	40,862		33,805	—	33,441
	(Canadian dollar)		9,359	—	9,527		17,054	—	16,851
	(Australian dollar)		10,213	—	10,748		9,700	—	9,607
	Bought		—	—	—		—	—	—
Total									

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

		As of March 31, 2016				As of September 30, 2016			
Method of hedge accounting	Hedging instruments	Hedged items	Notional amount / contract value	Over 1 year	Fair value	Hedged items	Notional amount / contract value	Over 1 year	Fair value
Fair value hedge method	Stock forward contracts	Domestic stocks				Domestic stocks			
	Sold		823	823	557		517	517	597
	Bought		—	—	—		—	—	—
Total									

・Bond-related Transactions

No ending balance as of March 31, 2016 and September 30, 2016.

11. Status of the Company, Subsidiaries and Affiliates

(1) Selected Financial Data

(100 millions of yen)

	Six months ended September 30, 2015	Six months ended September 30, 2016
Ordinary revenues	5,054	5,044
Ordinary profits	506	395
Net surplus attributable to the parent company	460	314
Comprehensive income	(286)	(202)

	As of March 31, 2016	As of September 30, 2016
Total assets	83,306	83,164
Solvency margin ratio	1,341.5%	1,218.9%

(2) Scope of Consolidation and Application of Equity Method

Number of consolidated subsidiaries: 6*

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

Number of affiliates accounted for under the equity method: 0

* Added Fukoku Life Investments Singapore Pte. Ltd.

(3) Consolidated Balance Sheets

(Millions of yen)

	As of March 31, 2016	As of September 30, 2016
Assets:		
Cash and deposits	172,049	180,919
Call loans	200,000	200,000
Monetary claims bought	813	784
Money held in trust	87,793	29,103
Securities	6,859,234	6,948,226
Loans	697,056	653,192
Tangible fixed assets	218,974	219,540
Intangible fixed assets	20,941	23,251
Agency receivables	2	1
Reinsurance receivables	144	29
Other assets	75,308	62,996
Net defined benefit asset	—	12
Deferred tax assets	137	137
Allowance for possible loan losses	(1,851)	(1,768)
Total assets	**8,330,606**	**8,316,428**

	As of March 31, 2016	As of September 30, 2016
Liabilities:		
Policy reserves	7,361,627	7,444,901
Reserve for outstanding claims	23,003	20,325
Policy reserve	7,287,604	7,356,281
Reserve for dividends to policyholders	50,368	67,752
Reserve for dividends to policyholders (subsidiary)	650	543
Agency payables	480	199
Reinsurance payables	146	182
Subordinated bonds	141,935	141,935
Other liabilities	45,940	47,715
Net defined benefit liabilities	40,649	39,107
Reserve for price fluctuation of securities	77,289	79,078
Deferred tax liabilities	30,837	7,433
Deferred tax liabilities for revaluation reserve for land	14,274	14,268
Total liabilities	**7,713,180**	**7,774,823**
Net assets:		
Foundation funds	30,000	10,000
Accumulated foundation funds redeemed	86,000	106,000
Reserve for revaluation	112	112
Consolidated surplus	151,251	127,170
Total foundation funds, surplus and others	267,363	243,282
Net unrealized gains (losses) on available-for-sale securities, net of tax	349,884	297,762
Revaluation reserve for land, net of tax	4,128	4,115
Foreign currency translation adjustment	(115)	(589)
Accumulated remeasurements of defined benefit plans	(10,414)	(9,611)
Total accumulated other comprehensive income	343,482	291,676
Non-controlling interests	6,578	6,645
Total net assets	**617,425**	**541,604**
Total liabilities and net assets	**8,330,606**	**8,316,428**

(4) Consolidated Statements of Operations and Comprehensive Income

[Consolidated Statements of Operations]

(Millions of yen)

	Six months ended September 30, 2015	Six months ended September 30, 2016
Ordinary revenues:		
Premium and other income	398,230	385,780
Investment income	100,634	111,743
[Interest, dividends and other income]	[78,141]	[74,807]
[Gains on sales of securities]	[22,320]	[6,922]
[Gains on derivative instruments, net]	[－]	[29,914]
Other ordinary revenues	6,610	6,881
[Reversal of reserve for outstanding claims]	[1,615]	[2,678]
Total ordinary revenues	**505,474**	**504,406**
Ordinary expenses:		
Claims and other payments	361,682	293,525
[Claims]	[86,859]	[66,647]
[Annuities]	[105,386]	[89,096]
[Benefits]	[60,468]	[57,447]
[Surrenders]	[90,262]	[63,595]
[Other payments]	[18,396]	[16,406]
Provision for policy reserve and others	10,574	68,691
Provision for policy reserve	10,549	68,676
Provision for interest on reserve for dividends to policyholders	24	15
Provision for interest on reserve for dividends to policyholders (subsidiary)	0	0
Investment expenses	22,486	43,242
[Interest expenses]	[2,394]	[1,921]
[Losses on money held in trust, net]	[556]	[1,896]
[Losses on trading securities, net]	[2,064]	[24,395]
[Losess on sales of securities]	[3,343]	[150]
[Losses on valuation of securities]	[－]	[174]
[Losses on derivative instruments, net]	[4,803]	[－]
[Losses on separate accounts, net]	[2,604]	[1,138]
Operating expenses	48,610	48,778
Other ordinary expenses	11,457	10,641
Total ordinary expenses	**454,811**	**464,879**
Ordinary profits	**50,662**	**39,526**
Extraordinary gains:		
Gains on disposal of fixed assets	1,356	2
Gain on contribution of securities to retirement benefit trust	7,913	－
Others extraordinary gains	－	42
Total extraordinary gains	**9,270**	**45**
Extraordinary losses:		
Losses on disposal of fixed assets	138	25
Impairment losses	208	31
Provision for reserve for price fluctuation of securities	1,583	1,789
Total extraordinary losses	**1,930**	**1,846**
Provision for reserve for dividends to policyholders (subsidiary)	**239**	**225**
Surplus before income taxes	**57,762**	**37,499**
Income taxes:		
Current	9,920	9,384
Deferred	1,719	(3,453)
Total income taxes	**11,640**	**5,930**
Net surplus	**46,122**	**31,569**
Net surplus attributable to non-controlling interests	**71**	**141**
Net surplus attributable to the parent company	**46,050**	**31,427**

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

[Consolidated Statement of Comprehensive Income]

(Millions of yen)

	Six months ended September 30, 2015	Six months ended September 30, 2016
Net surplus	46,122	31,569
Other comprehensive income	(74,734)	(51,782)
Net unrealized gains (losses) on available-for-sale securities, net of tax	(75,093)	(52,111)
Deferred valuation gains (losses) under hedge accounting, net of tax	(0)	—
Revaluation reserve for land, net of tax	0	—
Foreign currency translation adjustments	57	(473)
Remeasurements of defined benefit plan, net of tax	300	803
Comprehensive income	(28,612)	(20,213)
Comprehensive income attributable to the parent company	(28,694)	(20,365)
Comprehensive income attributable to non-controlling interests	82	152

(5) Consolidated Statements of Cash Flows

(Millions of yen)

	Six months ended September 30, 2015	Six months ended September 30, 2016
Cash flows from operating activities:		
Surplus before income taxes	57,762	37,499
Depreciation of real estate for rent and other assets	2,148	2,122
Depreciation	3,690	3,731
Impairment losses	208	31
Amortization of goodwill	381	381
(Gains) Losses on contribution of securities to retirement benefit trust	(7,913)	—
Increase (Decrease) in reserve for outstanding claims	(1,615)	(2,678)
Increase (Decrease) in policy reserve	10,549	68,676
Interest on accumulated dividends to policyholders	24	15
Interest on accumulated dividends to policyholders (subsidiary)	0	0
Provision for reserve for dividends to policyholders (subsidiary)	239	225
Increase (Decrease) in allowance for possible loan losses	0	(83)
Increase (Decrease) in net defined benefit liabilities	(739)	(438)
Increase (Decrease) in reserve for price fluctuation of securities	1,583	1,789
Interest, dividends and other income	(78,141)	(74,807)
(Gains) Losses on securities, net	(8,948)	(9,081)
Interest expenses	2,394	1,921
Foreign exchange (gains) losses, net	2,324	9,347
(Gains) Losses on tangible fixed assets, net	(1,222)	21
Others	4,591	3,998
Subtotal	(12,681)	42,672
Interest, dividends and other income received	85,707	81,369
Interest paid	(3,022)	(1,906)
Dividends to policyholders paid	(18,390)	(17,868)
Dividends to policyholders paid (subsidiary)	(381)	(333)
Corporate income tax (paid) refunded	(18,334)	(2,118)
Net cash provided by (used in) operating activities (a)	32,896	101,814
Cash flows from investing activities:		
(Increase) Decrease in deposits	(13)	196
Proceeds from sales and redemption of monetary claims bought	28	29
Decrease in money held in trust	—	56,658
Payments for purchase of securities	(624,289)	(522,166)
Proceeds from sales and redemption of securities	462,730	219,883
Payments for additions to loans	(32,306)	(21,448)
Proceeds from collections of loans	57,356	61,135
Proceeds from and payment for settlements of derivatives, net	(15,516)	145,119
Others	(1,974)	(2,148)
Subtotal (b)	(153,985)	(62,740)
(a + b)	[(121,088)]	[39,074]
Payments for purchase of tangible fixed assets	(2,552)	(4,018)
Proceeds from sales of tangible fixed assets	10,784	11
Payments for purchase of intangible fixed assets	(1,376)	(5,296)
Net cash provided by (used in) investing activities	(147,129)	(72,044)
Cash flows from financing activities:		
Financing of subordinated bonds	62,065	—
Redemption of subordinated bonds	(40,326)	—
Redemption of foundation funds	—	(20,000)
Interest payment for foundation funds	(316)	(316)
Dividends paid to non-controlling interests	(13)	(85)
Payments for lease obligations	(271)	(250)
Net cash provided by (used in) financing activities	21,137	(20,652)
Effect of exchange rate changes on cash and cash equivalents	(155)	169
Net increase (decrease) in cash and cash equivalents	(93,251)	9,287
Cash and cash equivalents at the beginning of the period	339,246	370,458
Increase (decrease) in cash and cash equivalents resulting from change of scope of consolidation	—	70
Cash and cash equivalents at the end of the period	245,995	379,816

(6) Consolidated Statements of Changes in Net Assets

[For the six months ended September 30, 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	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				46,050	46,050
Reversal of revaluation reserve for land, net of tax				58	58
Net changes, excluding foundation funds, surplus and others					
Total changes in the current period	—	—	—	9,093	9,093
Balance at the end of the current period	30,000	86,000	112	155,036	271,148

	Accumulated other comprehensive income							
	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	Non-controlling interests	Total net assets
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								46,050
Reversal of revaluation reserve for land, net of tax								58
Net changes, excluding foundation funds, surplus and others	(75,103)	(0)	(57)	57	300	(74,802)	68	(74,734)
Total changes in the current period	(75,103)	(0)	(57)	57	300	(74,802)	68	(65,640)
Balance at the end of the current period	365,006	0	3,836	5	(2,699)	366,148	5,644	642,941

[For the six months ended September 30, 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	151,251	267,363
Changes in the current period					
Additions to reserve for dividends to policyholders				(35,236)	(35,236)
Addtions to accumulated foundation funds redeemed		20,000			20,000
Payment of interest on foundation funds				(316)	(316)
Net surplus attributable to the parent company for the current period				31,427	31,427
Redemption of foundation funds	(20,000)				(20,000)
Reversal of reserve for redemption of foundation funds				(20,000)	(20,000)
Reversal of revaluation reserve for land, net of tax				13	13
Change of scope of consolidation				30	30
Net changes, excluding foundation funds, surplus and others					
Total changes in the current period	(20,000)	20,000	—	(24,081)	(24,081)
Balance at the end of the current period	10,000	106,000	112	127,170	243,282

	Accumulated other comprehensive income						
	Net unrealized gains (losses) on available-for-sale securities, net of tax	Revaluation reserve for land, net of tax	Foreign currency translation adjustments	Accumulated remeasurements of defined benefit plans	Total accumulated other comprehensive income	Non-controlling interests	Total net assets
Balance at the beginning of the current period	349,884	4,128	(115)	(10,414)	343,482	6,578	617,425
Changes in the current period							
Additions to reserve for dividends to policyholders							(35,236)
Addtions to accumulated foundation funds redeemed							20,000
Payment of interest on foundation funds							(316)
Net surplus attributable to the parent company for the current period							31,427
Redemption of foundation funds							(20,000)
Reversal of reserve for redemption of foundation funds							(20,000)
Reversal of revaluation reserve for land, net of tax							13
Change of scope of consolidation							30
Net changes, excluding foundation funds, surplus and others	(52,122)	(13)	(473)	803	(51,806)	66	(51,740)
Total changes in the current period	(52,122)	(13)	(473)	803	(51,806)	66	(75,821)
Balance at the end of the current period	297,762	4,115	(589)	(9,611)	291,676	6,645	541,604

Notes to the Consolidated Financial Statements

I. Presentation of the Consolidated Financial Statements

1. 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 rounded down. As a result, total in yen shown herein do not necessarily agree with the sum of the individual amounts.

2. (1) Consolidated subsidiaries as of September 30, 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.
   Fukoku Life Investments Singapore Pte. Ltd.

   Fukoku Life Investments Singapore Pte. Ltd. has been included in the scope of consolidation from the six months ended September 30, 2016 due to its significance.

   Major unconsolidated subsidiary is Fukoku Business Service Company Limited.

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

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

   There are no affiliates for the six months ended September 30, 2016.

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

II. Notes to Balance Sheets

1. (1) 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 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 differences between acquisition costs and face values are considered to be an adjustment of interest. Such bonds are stated at amortized cost under the straight-line method, cost being determined by the moving average method.

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

(3) The Company revalued the land for business purposes based on the Law for Revaluation of Land (Law No.34 promulgated on March 31, 1998). The differences between fair values and book values resulting from the revaluation, net of related taxes, are 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 is calculated by the following methods.

- Tangible fixed assets (excluding lease assets):Declining-balance method
  However, buildings (excluding building attachments and structures acquired on or before March 31, 2016) acquired on or after April 1, 1998 are depreciated using Straight-line method.
- Lease assets related to finance lease transactions that do not transfer ownership: Straight-line method over the lease term 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 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 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 value or the amounts collectible through the execution of guarantees are written-off directly from the borrowers' balances as the estimated uncollectible amounts. The amount written-off as of September 30, 2016 was ¥247 million.

(7) Net defined benefit liabilities, supposed to be incurred as of September 30, 2016, are presented for the employees' retirement benefits after deducting pension plan assets from retirement benefit obligations, based on estimated amounts as of the balance sheet date.

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

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

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

(9) 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 lease fee. The corresponding cost of the lease transactions is recorded in “Investment expenses”, which is calculated by deducting an amount equivalent to the interest allocated over the lease term from the lease fee received.

(10) Hedge accounting is based on "Accounting Standards for Financial Instruments" (ASBJ Statement No. 10, August 11, 2006). The Company applies a fair value 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, 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 mainly applied.

(11) The Company accounts for consumption taxes by the tax-exclusion method. The consumption taxes on certain assets, which are not deductible from consumption taxes withheld and that are stipulated to be deferred under the Tax 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 is based on Article 116 of the Insurance Business Law, and the premium reserve is calculated by the following method:

i) In regard to the policies subject to the standard policy reserve, the method as prescribed by the Commissioner of Financial Services Agency (Ministry of Finance Ordinance No. 48, 1996) is applied.

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

Based on the provision of Article 69, paragraph 5, of the Enforcement Regulation of the Insurance Business 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 balance sheet date, the balance of these policy reserves was ¥45,172 million.

At the end of the fiscal year ended March 31, 2017, 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 balance sheet date, the balance of these policy reserves was ¥31,842 million.

(13) Intangible fixed assets are amortized as follows:

i) Software for internal use is amortized based on a straight-line method over the estimated useful lives.

ii) Lease assets are amortized based on a straight-line method over the lease term.

(14) Of the bonds corresponding to the sub-groups of individual insurance and annuities which are set by insurance types and investment policies, the bonds that are held to match the duration of liabilities are classified as policy-reserve-matching bonds in accordance with “Temporary Treatment of Accounting and Auditing Concerning Policy-reserve-matching Bonds in Insurance Industry” (Industry Audit Committee Report No. 21 issued by the Japanese Institute of Certified Public Accountants on November 16, 2000).

2. In line with a revision to the Corporation Tax Act, the Company adopted the "Practical Solution on a Change in Depreciation Method Due to Tax Reform 2016" (PITF No. 32, June 17, 2016) from the six months ended September 30, 2016. Accordingly, the method of depreciation was changed from the declining-balance method to the straight-line method for facilities attached to buildings and structures acquired on or after April 1, 2016.

As a result, both ordinary profits and the surplus before income taxes increased by ¥14 million.

3. The carrying amounts, fair values and their related differences of major financial assets and liabilities as of September 30, 2016 were as follows:

(Millions of yen)

	Carrying amount	Fair value	Difference
Cash and deposits:			
Cash and deposits not treated as securities...	¥ 179,603	¥ 179,603	¥ —
Total cash and deposits….....	179,603	179,603	—
Call loans	200,000	200,000	—
Monetary claims bought:			
Claims treated as loans…….....	784	852	67
Total monetary claims bought….....	784	852	67
Money held in trust:			
Trading securities.....	28,103	28,103	—
Total money held in trust.....	28,103	28,103	—
Securities:			
Trading securities.....	198,988	198,988	—
Held-to-maturity debt securities.....	1,232,390	1,521,630	289,240
Policy-reserve-matching bonds.....	2,114,890	2,429,389	314,498
Available-for-sale securities.....	3,320,079	3,320,079	—
Total securities.....	6,866,348	7,470,087	603,738
Loans:			
Policy loans.....	64,117	64,117	(0)
Ordinary loans.....	589,075	622,371	33,295
Total loans.....	653,192	686,488	33,295
Assets total.....	7,928,033	8,565,135	637,102
Subordinated bonds*1.....	141,935	153,821	11,886
Liabilities total….....	141,935	153,821	11,886
Derivative instruments*2:			
Hedge accounting not applied.....	637	637	—
Hedge accounting applied…….....	10,688	10,688	—
Total derivative instruments.....	¥ 11,325	¥ 11,325	¥ —

*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 ¥454 million, ¥6,122 million, and ¥7,774 million as of September 30, 2016, respectively.

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

5. The amount of securities lent under lending agreements was ¥15,467 million as of September 30, 2016.

6. 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 ¥1,189 million as of September 30, 2016;

i) The balance of credits to bankrupt borrowers was ¥213 million as of September 30, 2016.

ii) The balance of delinquent loans was ¥975 million as of September 30, 2016.

iii) There was no balance of delinquent loans past 3 months or more and restructured loans as of September 30, 2016.

The direct write-offs related to loans decreased credits to bankrupt borrowers described above by ¥247 million as of September 30, 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 for 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 totalled to ¥156,070 million as of September 30, 2016.

8. Total assets in separate accounts provided for in Article 118 of the Insurance Business Law were ¥71,046 million as of September 30, 2016. The amounts of separate account liabilities were the same as separate account assets.

9. Changes in reserve for dividends to policyholders for the six months ended September 30, 2016 were as follows:

	(Millions of yen)
Balance at the beginning of the current period…….....	¥ 50,368
Transfer from surplus in previous period.....	35,236
Dividends paid in the current period.....	(17,868)
Increase in interest.....	15
Balance at the end of the current period.....	¥ 67,752

10. Changes in reserve for dividends to policyholders (Fukokushinrai Life Insurance Co., Ltd.) for the six months ended September 30, 2016 were as follows:

	(Millions of yen)
Balance at the beginning of the current period.....	¥ 650
Dividends paid in the current period.....	(333)
Increase in interest.....	0
Provision for reserve for dividends to policyholders.....	225
Balance at the end of the current period.....	¥ 543

11. The amount of stocks of unconsolidated subsidiaries was ¥454 million as of September 30, 2016.

12. Assets pledged as collateral as of September 30, 2016 were ¥30,345 million of securities and ¥1,417 million of bank deposits. Secured debts as of September 30, 2016 were ¥4,945 million.

13. 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 ¥3 million as of September 30, 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 ¥50 million as of September 30, 2016.

14. In line with the redemption of ¥20,000 million in foundation funds, the same amount of reserve for redemption of foundation funds is transferred to accumulated foundation funds redeemed in accordance with Article 56 of the Insurance Business Law.

15. There were unused commitment line agreements under which the Company is the lender of ¥2,000 million as of September 30, 2016.

16. Repayments of subordinated bonds are subordinated to other obligations.

    On October 21, 2016, the Company issued ¥50,000 million in new subordinated bonds.

17. The future contribution to the Life Insurance Policyholders Protection Corporation of Japan under Article 259 of the Insurance Business Law was estimated at ¥11,474 million as of September 30, 2016.

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

18. The "Implementation Guidance on Recoverability of Deferred Tax Assets" (ASBJ Guidance No. 26, March 28, 2016) has been applied from the six months ended September 30, 2016.

III. Notes to Statements of Operations

1. For the six months ended September 30, 2016, reversal of reserve for outstanding claims for ceded reinsurance considered in calculation of reversal of reserve for outstanding claims was ¥12 million, and reversal of policy reserve for ceded reinsurance considered in calculation of provision for policy reserve was ¥0 million.

IV. Notes to Statements of Cash Flows

1. Cash and cash equivalents as of September 30, 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 in the consolidated statements of cash flows to the consolidated balance sheet accounts as of September 30, 2016 were as follows:

	(Millions of yen)
Cash and deposits	¥ 180,919
Call loans	200,000
Monetary claims bought	784
Time deposits maturing over 3 months of the date of acquisition	(100)
Foreign currency deposits maturing over 3 months of the date of acquisition	(1,003)
Monetary claims bought maturing over 3 months of the date of acquisition	(784)
Cash and cash equivalents	¥ 379,816

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

(Millions of yen)

	As of March 31, 2016	As of September 30, 2016
Total solvency margin (A)	1,417,685	1,359,038
Foundation funds and surplus	234,905	229,225
Reserve for price fluctuation of securities	77,289	79,078
Contingency reserve	152,554	152,470
Catastrophe loss reserve	—	—
Allowance for possible loan losses	1,251	1,175
(Net unrealized gains (losses) on securities (before tax) and deferred hedge gains (losses) (before tax)) × 90%	437,678	372,518
Net unrealized gains on real estate × 85%	105,577	106,908
Sum of unrecognized actuarial differences and unrecognized prior service cost	(14,465)	(13,349)
Excess amount of policy reserve based on full-time Zillmer method	238,473	240,211
Qualifying subordinated debt	141,935	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	42,485	48,864
Total amount of risk $\sqrt{(\sqrt{(R_1^2+R_5^2)}+R_8+R_9)^2+(R_2+R_3+R_7)^2}+R_4+R_6$ (B)	211,354	222,977
Insurance risk R_1	25,164	24,850
General insurance risk R_5	—	—
Catastrophe risk R_6	—	—
3rd sector insurance risk R_8	9,690	9,752
Small amount and short-term insurance risk R_9	—	—
Assumed investment yield risk R_2	33,872	33,614
Minimum guarantee risk R_7	0	0
Investment risk R_3	169,750	181,603
Business risk R_4	4,769	4,996
Solvency margin ratio $\frac{(A)}{(1/2)\times(B)}\times 100$	1,341.5%	1,218.9%

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.