

Financial Results for the Six Months Ended September 30, 2017

Fukoku Mutual Life Insurance Company (President: Yoshiteru Yoneyama) announces financial results for the six months ended September 30, 2017.

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Attached: Supplementary Materials for the Six Months Ended September 30, 2017

1. Business Highlights

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

(i) Policies in Force

	As of March 31, 2017			As of September 30, 2017			
	Number of policies (Thousands)	Amount (100 millions of yen)	Number of policies (Thousands)	Amount		Changes (%, Pre-FYE)	Changes (%, Pre-FYE)
				(100 millions of yen)	(100 millions of yen)		
Individual insurance	3,171	231,606	3,175	100.1	229,801	99.2	
Individual annuities	719	27,903	703	97.8	27,276	97.8	
Subtotal	3,890	259,509	3,878	99.7	257,077	99.1	
Group insurance	—	171,515	—	—	168,876	98.5	
Group annuities	—	21,567	—	—	21,726	100.7	

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, 2016	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	196	7,677	7,189	487
Individual annuities	10	411	419	(8)
Subtotal	206	8,088	7,609	479
Group insurance	—	55	55	—
Group annuities	—	14	14	—

Six months ended September 30, 2017	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	180	91.8	6,979	90.9	6,691	93.1	288	59.2
Individual annuities	3	28.4	90	22.1	97	23.3	(7)	—
Subtotal	183	88.6	7,070	87.4	6,789	89.2	281	58.7
Group insurance	—	—	315	573.7	315	573.7	—	—
Group annuities	—	—	158	1,121.0	158	1,121.0	—	—

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

2. Amount of new policies for individual annuities, both new business and net increase by conversion, is equal to the funds to be held at the time annuity payments are to commence 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, 2016		Six months ended September 30, 2017	
	Amount (100 millions of yen)	Changes (%, YoY)	Amount (100 millions of yen)	Changes (%, YoY)
Amount of surrender and lapse (100 millions of yen)	6,445		6,334	98.3
Surrender and lapse ratio (%)	2.46		2.44	(0.02)

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, %)

	As of March 31, 2017	As of September 30, 2017	
			Changes (%, Pre-FYE)
Individual insurance	2,779	2,763	99.4
Individual annuities	1,343	1,320	98.3
Total	4,123	4,083	99.0
Medical coverage and living benefits	1,091	1,099	100.8

(ii) New Policies

(100 millions of yen, %)

	Six months ended September 30, 2016	Six months ended September 30, 2017	
			Changes (%, YoY)
Individual insurance	100	73	73.3
Individual annuities	13	2	20.0
Total	114	76	67.0
Medical coverage and living benefits	39	39	99.1

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

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

3. New policies include net increase by conversion.

(3) Selected Items of Statements of Operations

(100 millions of yen, %)

	Six months ended September 30, 2016	Six months ended September 30, 2017	
			Changes (%, YoY)
Premium and other income	3,237	3,178	98.2
Investment income	990	981	99.0
Claims and other payments	2,639	2,803	106.2
Investment expenses	438	259	59.2
Ordinary profits	378	483	127.7

(4) Total Assets

(100 millions of yen, %)

	As of March 31, 2017	As of September 30, 2017	
			Changes (%, Pre-FYE)
Total assets	65,656	67,355	102.6

2. Investment Results of General Account Assets

(1) Asset Composition

(Millions of yen)

	As of March 31, 2017		As of September 30, 2017	
	Amount	% of total	Amount	% of total
Cash, deposits, call loans	236,274	3.6 %	258,147	3.9 %
Monetary claims bought	753	0.0	462	0.0
Money held in trust	29,787	0.5	30,783	0.5
Securities	5,297,476	81.6	5,482,742	82.4
Domestic bonds	2,843,537	43.8	2,872,867	43.2
Domestic stocks	656,590	10.1	727,794	10.9
Foreign securities	1,702,602	26.2	1,779,853	26.7
Foreign bonds	1,445,002	22.3	1,498,803	22.5
Foreign stocks and other securities	257,599	4.0	281,050	4.2
Other securities	94,745	1.5	102,226	1.5
Loans	627,722	9.7	595,806	9.0
Policy loans	59,238	0.9	58,906	0.9
Ordinary loans	568,483	8.8	536,899	8.1
Real estate	214,427	3.3	212,518	3.2
Others	85,302	1.3	76,853	1.2
Allowance for possible loan losses	(1,776)	(0.0)	(1,843)	(0.0)
Total	6,489,968	100.0	6,655,471	100.0
Foreign currency denominated assets	1,966,868	30.3	2,096,983	31.5

Note: The amount of real estate is equal to the amounts of land, buildings, and construction in progress.

(2) Changes (Increase/Decrease) in Assets

(Millions of yen)

	As of March 31, 2017	As of September 30, 2017
	Amount	Amount
Cash, deposits, call loans	11,375	21,872
Monetary claims bought	(29)	(291)
Money held in trust	(58,689)	995
Securities	55,561	185,266
Domestic bonds	33,510	29,330
Domestic stocks	(8,936)	71,203
Foreign securities	15,250	77,251
Foreign bonds	11,413	53,800
Foreign stocks and other securities	3,836	23,451
Other securities	15,736	7,480
Loans	(43,862)	(31,916)
Policy loans	(695)	(331)
Ordinary loans	(43,167)	(31,584)
Real estate	731	(1,908)
Others	(9,029)	(8,449)
Allowance for possible loan losses	82	(67)
Total	(43,859)	165,502
Foreign currency denominated assets	59,845	130,115

Note: The amount of real estate is equal to the amounts of land, buildings, and construction in progress.

(3) Investment Income

(Millions of yen)

	Six months ended September 30, 2016	Six months ended September 30, 2017
Interest, dividends and other income	62,832	71,021
Interest from deposits	10	7
Interest and dividends from securities	50,012	58,645
Interest from loans	5,875	5,135
Income from real estate for rent	6,871	7,171
Other interest and dividends	62	61
Gains on money held in trust, net	—	1,084
Gains on trading securities, net	—	8,311
Gains on sales of securities	6,241	12,062
Gains on sales of domestic bonds	5,915	4,621
Gains on sales of domestic stocks	301	1,208
Gains on sales of foreign securities	24	6,232
Gains on derivative instruments, net	29,914	—
Reversal of allowance for possible loan losses	81	—
Other investment income	22	734
Total	99,091	93,214

(4) Investment Expenses

(Millions of yen)

	Six months ended September 30, 2016	Six months ended September 30, 2017
Interest expenses	1,918	2,190
Losses on money held in trust, net	1,896	—
Losses on trading securities, net	24,395	—
Losses on sales of securities	150	1,800
Losses on sales of domestic stocks	149	535
Losses on sales of foreign securities	0	1,196
Other losses on sales of securities	—	68
Losses on valuation of securities	174	—
Losses on valuation of foreign securities	174	—
Losses on derivative instruments, net	—	10,143
Foreign exchange losses, net	9,351	6,298
Provision of allowance for possible loan losses	—	67
Depreciation of real estate for rent and other assets	2,122	2,113
Other investment expenses	2,679	3,333
Total	42,686	25,947

(5) Net Investment Income

(Millions of yen)

	Six months ended September 30, 2016	Six months ended September 30, 2017
Net investment income	56,405	67,267

(6) Net Valuation Gains/Losses on Trading Securities

(Millions of yen)

	As of March 31, 2017		As of September 30, 2017	
	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	208,034	(17,796)	207,196	4,440

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, 2017					As of September 30, 2017				
	Book value	Fair value	Gains/losses			Book value	Fair value	Gains/losses		
				Gains	Losses				Gains	Losses
Held-to-maturity debt securities	764,914	908,680	143,766	143,766	—	760,857	902,392	141,534	141,534	—
Domestic bonds	739,830	882,479	142,649	142,649	—	739,577	879,967	140,390	140,390	—
Foreign bonds	25,084	26,201	1,116	1,116	—	21,280	22,424	1,143	1,143	—
Monetary claims bought	—	—	—	—	—	—	—	—	—	—
Negotiable certificate of deposits	—	—	—	—	—	—	—	—	—	—
Others	—	—	—	—	—	—	—	—	—	—
Policy-reserve-matching bonds	1,008,212	1,166,744	158,531	161,427	2,895	982,130	1,138,999	156,869	159,738	2,869
Domestic bonds	1,002,413	1,160,832	158,418	161,313	2,895	978,030	1,134,819	156,788	159,657	2,869
Foreign bonds	5,799	5,912	113	113	—	4,099	4,180	81	81	—
Investments in subsidiaries and affiliates	—	—	—	—	—	—	—	—	—	—
Available-for-sale securities	2,796,789	3,256,735	459,945	484,808	24,862	2,928,792	3,471,449	542,656	557,020	14,364
Domestic bonds	997,892	1,067,639	69,746	74,152	4,405	1,057,042	1,126,449	69,406	71,967	2,560
Domestic stocks	302,413	587,201	284,787	289,023	4,235	315,353	658,315	342,961	345,746	2,784
Foreign securities	1,426,510	1,516,052	89,542	104,688	15,146	1,484,116	1,595,548	111,432	119,333	7,901
Foreign bonds	1,207,319	1,268,525	61,205	73,765	12,559	1,254,584	1,324,820	70,236	76,960	6,724
Foreign stocks and other securities	219,190	247,527	28,336	30,922	2,586	229,532	270,728	41,195	42,372	1,176
Other securities	69,973	85,842	15,868	16,944	1,075	72,279	91,134	18,855	19,973	1,118
Money held in trust	—	—	—	—	—	—	—	—	—	—
Monetary claims bought	—	—	—	—	—	—	—	—	—	—
Negotiable certificate of deposits	—	—	—	—	—	—	—	—	—	—
Others	—	—	—	—	—	—	—	—	—	—
Total	4,569,917	5,332,161	762,243	790,001	27,757	4,671,781	5,512,840	841,059	858,293	17,233
Domestic bonds	2,740,136	3,110,951	370,814	378,115	7,300	2,774,651	3,141,236	366,585	372,014	5,429
Domestic stocks	302,413	587,201	284,787	289,023	4,235	315,353	658,315	342,961	345,746	2,784
Foreign securities	1,457,394	1,548,166	90,772	105,918	15,146	1,509,496	1,622,153	112,657	120,558	7,901
Foreign bonds	1,238,203	1,300,639	62,436	74,995	12,559	1,279,964	1,351,425	71,461	78,185	6,724
Foreign stocks and other securities	219,190	247,527	28,336	30,922	2,586	229,532	270,728	41,195	42,372	1,176
Other securities	69,973	85,842	15,868	16,944	1,075	72,279	91,134	18,855	19,973	1,118
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, 2017	As of September 30, 2017
Held-to-maturity debt securities	—	—
Unlisted foreign bonds	—	—
Others	—	—
Policy-reserve-matching bonds	—	—
Investments in subsidiaries and affiliates	64,837	64,837
Available-for-sale securities	22,044	24,164
Unlisted domestic stocks (except over-the-counter stocks)	6,109	6,198
Unlisted foreign stocks (except over-the-counter stocks)	—	—
Unlisted foreign bonds	—	—
Others	15,934	17,966
Total	86,881	89,001

Note: In this table, domestic and overseas investment partnerships are included in "Others" within "Available-for-sale securities." However, unrealized gains on available-for-sale securities corresponding to these holdings by domestic and overseas investment partnerships (¥1,484 million as of March 31, 2017 and ¥1,891 million as of September 30, 2017) are included in their balance sheet carrying amounts.

(8) Fair Value Information on Money Held in Trust

(Millions of yen)

	As of March 31, 2017					As of September 30, 2017				
	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	29,787	29,787	—	—	—	30,783	30,783	—	—	—

• Money held in trust for trading purpose

(Millions of yen)

	As of March 31, 2017		As of September 30, 2017	
	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	28,787	0	289,783	438

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

(Millions of yen)

	As of March 31, 2017					As of September 30, 2017				
	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, 2017	Interest-related	Currency-related	Stock-related	Bond-related	Others	Total
Hedge accounting applied	—	13,542	(440)	—	—	13,102
Hedge accounting not applied	(500)	1,116	—	(80)	—	535
Total	(500)	14,659	(440)	(80)	—	13,638
As of September 30, 2017	Interest-related	Currency-related	Stock-related	Bond-related	Others	Total
Hedge accounting applied	—	(16,853)	(555)	—	—	(17,409)
Hedge accounting not applied	(587)	(2,775)	—	223	—	(3,139)
Total	(587)	(19,628)	(555)	223	—	(20,548)

Note: Gains and losses from applying fair value hedge accounting (currency-related, gains of ¥13,542 million, stock-related losses of ¥440 million as of March 31, 2017, and currency-related losses of ¥16,853 million, stock-related losses of ¥555 million as of September 30, 2017) 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, 2017				As of September 30, 2017			
	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	[—]	—	—	[—]	—	—	—	—
	320,000	160,000	192	(500)	320,000	160,000	105	(587)
	[692]				[692]			
Total				(500)				(587)

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

(iii) Currency-related Transactions

(Millions of yen)

	As of March 31, 2017				As of September 30, 2017			
	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								
U.S. dollar	1,182,216	—	1,167,557	14,659	1,086,880	—	1,106,509	(19,628)
Canadian dollar	949,252	—	936,300	12,951	884,436	—	899,862	(15,426)
Euro	72,311	—	71,359	951	79,282	—	80,552	(1,270)
British Pound	48,704	—	48,167	537	48,352	—	49,428	(1,075)
Australian dollar	77,101	—	77,008	92	41,398	—	43,106	(1,708)
	34,847	—	34,721	125	33,411	—	33,558	(146)
Bought	—	—	—	—	—	—	—	—
Total				14,659				(19,628)

Notes: 1. Forward exchange rates are used for exchange rates as of September 30, 2017.

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, 2017				As of September 30, 2017			
	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	517	517	958	(440)	1,153	1,153	1,709	(555)
Bought	—	—	—	—	—	—	—	—
Total				(440)				(555)

(v) Bond-related Transactions

(Millions of yen)

	As of March 31, 2017				As of September 30, 2017			
	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								
Foreign bond futures								
Sold	36,815	—	36,896	(80)	24,063	—	23,840	223
Bought	—	—	—	—	—	—	—	—
Total				(80)				223

Reference: Fair Value of Real Estate (Land and Leaseholds)

(Millions of yen)

As of March 31, 2017			As of September 30, 2017		
Carrying value on the balance sheet	Fair value	Gains (losses)	Carrying value on the balance sheet	Fair value	Gains (losses)
125,278	241,184	115,905	124,981	241,321	116,339

Notes: 1. As of September 30, 2017, fair value is based on the appraisal value by the real-estate appraiser, the appraisal value for property tax as of January 1, 2017 and the road rate as of January 1, 2017.

2. As of March 31, 2017, fair value is based on the appraisal value by the real-estate appraiser, the appraisal value for property tax as of January 1, 2017 and the road rate as of January 1, 2016.

4. Non-consolidated Statements of Operations

(Millions of yen)

	Six months ended September 30, 2016	Six months ended September 30, 2017
Ordinary revenues:		
Premium and other income	323,700	317,834
[Premium income]	[323,632]	[317,752]
Investment income	99,091	98,139
[Interest, dividends and other income]	[62,832]	[71,021]
[Gains on money held in trust, net]	[—]	[1,084]
[Gains on trading securities, net]	[—]	[8,311]
[Gains on sales of securities]	[6,241]	[12,062]
[Gains on derivative instruments, net]	[29,914]	[—]
[Gains on separate accounts, net]	[—]	[4,924]
Other ordinary revenues	6,428	4,758
[Reversal of reserve for outstanding claims]	[2,660]	[480]
Total ordinary revenues	429,221	420,732
Ordinary expenses:		
Claims and other payments	263,967	280,394
[Claims]	[64,344]	[85,851]
[Annuities]	[88,463]	[82,817]
[Benefits]	[51,671]	[50,449]
[Surrenders]	[42,916]	[45,413]
[Other payments]	[16,324]	[15,730]
Provision of policy reserve and others	30,717	12,722
Provision of policy reserve	30,702	12,716
Provision of interest portion of reserve for dividends to policyholders	15	5
Investment expenses	43,825	25,947
[Interest expenses]	[1,918]	[2,190]
[Losses on money held in trust, net]	[1,896]	[—]
[Losses on trading securities, net]	[24,395]	[—]
[Losses on sales of securities]	[150]	[1,800]
[Losses on valuation of securities]	[174]	[—]
[Losses on derivative instruments, net]	[—]	[10,143]
[Foreign exchange losses, net]	[9,351]	[6,298]
[Losses on separate accounts, net]	[1,138]	[—]
Operating expenses	43,337	44,069
Other ordinary expenses	9,489	9,227
Total ordinary expenses	391,338	372,360
Ordinary profits	37,883	48,371
Extraordinary gains:		
Gains on disposal of fixed assets	2	244
Others	42	—
Total extraordinary gains	45	244
Extraordinary losses:		
Losses on disposal of fixed assets	24	58
Impairment losses	31	140
Provision of reserve for price fluctuation	1,607	1,647
Losses on advanced depreciation of real estate for tax purpose	—	3
Total extraordinary losses	1,662	1,848
Surplus before income taxes	36,265	46,767
Income taxes:		
Current	8,789	8,596
Deferred	(3,438)	105
Total income taxes	5,350	8,702
Net surplus for the period	30,914	38,065

5. Non-consolidated Statements of Changes in Net Assets

[For the six months ended September 30, 2016]

(Millions of yen)

	Foundation funds, surplus and others													Total foundation funds, surplus and others
	Foundation funds	Accumulated foundation funds redeemed	Reserve for revaluation	Surplus									Total surplus	
				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			
												Other surplus		
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)	—	—	
Additions to accumulated 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)	
Addition 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	—	—	
Addition 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				—
Additions to accumulated 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)
Addition to reserve for advanced depreciation of real estate for tax purpose				—
Reversal of reserve for advanced depreciation of real estate for tax purpose				—
Addition 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

[For the six months ended September 30, 2017]

(Millions of yen)

	Foundation funds, surplus and others													Total foundation funds, surplus and others
	Foundation funds	Accumulated foundation funds redeemed	Reserve for revaluation	Surplus								Total surplus		
				Legal reserve for future losses	Other surplus									
					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			
Balance at the beginning of the current period	10,000	106,000	112	2,849	4,000	20,000	41,000	257	100	767	60,453	129,427	245,539	
Changes in the current period														
Additions to reserve for dividends to policyholders											(34,592)	(34,592)	(34,592)	
Additions to legal reserve for future losses				105							(105)	—	—	
Payment of interest on foundation funds											(100)	(100)	(100)	
Net surplus for the current period											38,065	38,065	38,065	
Additions to reserve for redemption of foundation funds					2,000						(2,000)	—	—	
Reversal of reserve for advanced depreciation of real estate for tax purpose								(1)			1	—	—	
Reversal of reserve for special account for advanced depreciation of real estate for tax purpose									(100)		100	—	—	
Reversal of revaluation reserve for land, net of tax											(85)	(85)	(85)	
Net changes, excluding foundation funds, surplus and others														
Total changes in the current period	—	—	—	105	2,000	—	—	(1)	(100)	—	1,284	3,287	3,287	
Balance at the end of the current period	10,000	106,000	112	2,954	6,000	20,000	41,000	255	—	767	61,737	132,714	248,827	

	Valuation and translation adjustments			Total net assets
	Net unrealized gains (losses) on available-for-sale securities, net of tax	Revaluation reserve for land, net of tax	Total valuation and translation adjustments	
Balance at the beginning of the current period	333,545	4,107	337,652	583,192
Changes in the current period				
Additions to reserve for dividends to policyholders				(34,592)
Additions to legal reserve for future losses				—
Payment of interest on foundation funds				(100)
Net surplus for the current period				38,065
Additions to reserve for redemption of foundation funds				—
Reversal of reserve for advanced depreciation of real estate for tax purpose				—
Reversal of reserve for special account for advanced depreciation of real estate for tax purpose				—
Reversal of revaluation reserve for land, net of tax				(85)
Net changes, excluding foundation funds, surplus and others	60,027	85	60,112	60,112
Total changes in the current period	60,027	85	60,112	63,399
Balance at the end of the current period	393,572	4,193	397,765	646,592

Notes to the Non-consolidated Financial Statements

I. Presentation of the Non-consolidated Financial Statements

1. Basis of presentation

The accompanying non-consolidated financial statements have been prepared from the accounts maintained by Fukoku Mutual Life Insurance Company (the “Company”) in accordance with the provisions set forth in the Insurance Business Act 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, the totals do not add up.

II. Notes to the Non-consolidated 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 the Insurance Industry” (Industry Audit Committee Report No.21 issued by the Japanese Institute of Certified Public Accountants on November 16, 2000).
- iv) Investments in subsidiaries and affiliates are stated at cost, cost being determined by the moving average method.
- v) Available-for-sale securities with fair market value are stated at fair market value based on the market prices at the end of the current period. Costs of their sales are determined by the moving average method. Net unrealized gains or losses on these available-for-sale securities, net of taxes, are recorded as a separate component of net assets.

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

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

(3) The Company revalued the land used in the operations based on the Act for Revaluation of Land (Act No.34 promulgated on March 31, 1998). The difference between fair value and book value resulting from the revaluation, net of related taxes, is recorded as revaluation reserve for land as a separate component of net assets and the related tax is recorded as deferred tax liabilities for land revaluation.

- Date of revaluation: March 31, 2002
- Method of revaluation as prescribed for in Article 3 Paragraph 3 of the said Act:
Calculation is based on the appraisal value for property tax set forth in Article 2 item 3 of the Enforcement Ordinance of the Act 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 with no residual value.

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

- (5) Assets and liabilities denominated in foreign currencies, 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, 2017 was ¥1 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 is calculated in accordance with Article 115 of the Insurance Business Act.

- (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 "Other investment expenses", which is calculated by deducting an amount equivalent to the interest allocated over the lease term from the lease fee received.

- (10) 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 bonds denominated in foreign currencies 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 bonds denominated in foreign currencies 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 differences and unrecognized prior service costs related to employees' retirement benefits is different to the methods used for these items in the consolidated financial statements.
- (12) 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 Act, 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 Act, 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 Act, 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. As of September 30, 2017, the balance of these policy reserves was ¥40,723 million.

At the end of the fiscal year ended March 31, 2016, 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. As of September 30, 2017, the balance of these policy reserves was ¥28,363 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. The carrying amounts, fair values and their related differences of major financial assets and liabilities in the general account as of September 30, 2017 were as follows:

	Carrying amount	Fair value	(Millions of yen)	
			Differences	
Cash and deposits:				
Cash and deposits not treated as securities.....	¥60,147	¥60,147	¥	–
Total cash and deposits.....	60,147	60,147		–
Call loans	198,000	198,000		–
Monetary claims bought:				
Claims treated as loans.....	462	491		29
Total monetary claims bought.....	462	491		29
Money held in trust:				
Trading securities.....	29,783	29,783		–
Total money held in trust.....	29,783	29,783		–
Securities:				
Trading securities.....	177,412	177,412		–
Held-to-maturity debt securities.....	760,857	902,392		141,534
Policy-reserve-matching bonds.....	982,130	1,138,999		156,869
Available-for-sale securities.....	3,471,449	3,471,449		–
Total securities.....	5,391,849	5,690,253		298,403
Loans:				
Policy loans.....	58,906	58,906		(0)
Ordinary loans.....	536,899	559,570		22,670
Total loans.....	595,806	618,477		22,670
Assets total.....	6,276,048	6,597,152		321,103
Subordinated bonds ¹	221,935	231,367		9,432
Liabilities total.....	221,935	231,367		9,432
Derivative instruments ² :				
Hedge accounting not applied.....	(3,139)	(3,139)		–
Hedge accounting applied.....	(17,409)	(17,409)		–
Total derivative instruments.....	¥ (20,548)	¥ (20,548)	¥	–

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 ¥64,837 million, ¥6,198 million, and ¥19,857 million as of September 30, 2017, 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 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 possible loan losses 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.

3. 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.

4. The amount of securities lent under lending agreements was ¥154,686 million as of September 30, 2017.

5. 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 ¥1,252 million as of September 30, 2017;

i) The balance of credits to bankrupt borrowers was ¥196 million as of September 30, 2017.

ii) The balance of delinquent loans was ¥1,055 million as of September 30, 2017.

iii) There was no balance of delinquent loans past 3 months or more and restructured loans as of September 30, 2017.

The direct write-offs related to loans decreased credits to bankrupt borrowers described above by ¥1 million as of September 30, 2017.

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 Act. 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 for repayments 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.

6. Accumulated depreciation of tangible fixed assets were ¥161,092 million as of September 30, 2017.
7. Total assets in separate accounts provided for in Article 118 of the Insurance Business Act were ¥80,089 million as of September 30, 2017. The amounts of separate account liabilities were the same as separate account assets.
8. Changes in reserve for dividends to policyholders for the six months ended September 30, 2017 were as follows:

	(Millions of yen)
Balance at the beginning of the current period.....	¥ 50,929
Transfer from surplus in the previous fiscal year.....	34,592
Dividend payments to policyholders during the current period.....	(16,276)
Increase in interest.....	5
Balance at the end of the current period.....	¥ 69,251

9. The amount of stocks of subsidiaries was ¥64,837 million as of September 30, 2017.
10. Assets pledged as collateral as of September 30, 2017 were ¥15,246 million of securities, ¥140 million of money held in trust and ¥1,309 million of bank deposits. Secured debts as of September 30, 2017, were ¥5,122 million.
11. Reserve for outstanding claims for the reinsurance contracts provided in accordance with Article 71 Paragraph 1 of the Enforcement Regulation of the Insurance Business Act (hereinafter called “reserve for outstanding claims for ceded reinsurance”) was ¥19 million as of September 30, 2017.
 Policy reserve for the reinsurance contracts provided in accordance with Article 71 Paragraph 1 of the Enforcement Regulation of the Insurance Business Act (hereinafter called “policy reserve for ceded reinsurance”) was ¥30 million as of September 30, 2017.
12. There were unused commitment line agreements under which the Company is the lender of ¥10,665 million as of September 30, 2017.
13. Repayments of subordinated bonds are subordinated to other obligations.
 On November 16, 2017, the Company redeemed ¥30,000 million advanced in subordinated bonds.
14. The future contribution to the Life Insurance Policyholders Protection Corporation of Japan under Article 259 of the Insurance Business Act was estimated at ¥8,972 million as of September 30, 2017.
 The contribution is recognized as operating expenses when contributed.

III. Notes to the Non-consolidated Statements of Operations

1. Major items of gains on sales of securities for the six months ended September 30, 2017 were as follows:

	(Millions of yen)
Domestic bonds.....	¥4,621
Domestic stocks and others.....	1,208
Foreign securities.....	¥6,232

2. Major items of losses on sales of securities for the six months ended September 30, 2017 were as follows:

	(Millions of yen)
Domestic stocks and others.....	¥535
Foreign securities.....	¥1,196

3. For the six months ended September 30, 2017, in calculating the reversal of reserve for outstanding claims, a provision of reserves for outstanding claims reinsured of ¥16 million was added. In calculating the provision of policy reserve, a reversal of reserves for policy reserves reinsured of ¥0 million was added.

4. Breakdown of interest, dividends and other income for the six months ended September 30, 2017 was as follows:

	(Millions of yen)
Interest on deposits.....	¥7
Interest and dividends on securities.....	58,645
Interest on loans.....	5,135
Income from real estate for rent.....	7,171
Other interest and dividends.....	61
Total.....	<u>¥71,021</u>

6. Breakdown of Ordinary Profits (Fundamental Profit)

(Millions of yen)

		Six months ended September 30, 2016	Six months ended September 30, 2017
Fundamental profit	A	40,731	48,206
Capital gains		36,155	18,412
Gains on money held in trust, net		—	974
Gains on trading securities, net		—	5,374
Gains on sales of securities		6,241	12,062
Gains on derivative instruments, net		29,914	—
Foreign exchange gains, net		—	—
Other capital gains		—	—
Capital losses		39,153	18,242
Losses on money held in trust, net		1,973	—
Losses on trading securities, net		27,504	—
Losses on sales of securities		150	1,800
Losses on valuation of securities		174	—
Losses on derivative instruments, net		—	10,143
Foreign exchange losses, net		9,351	6,298
Other capital losses		—	—
Net capital gains (losses)	B	(2,998)	169
Fundamental profit plus net capital gains (losses)	A+B	37,733	48,375
Non-recurring gains		149	6
Reinsurance income		—	—
Reversal of contingency reserve		143	—
Reversal of specific allowance for possible loan losses		5	6
Others		—	—
Non-recurring losses		—	10
Reinsurance premiums		—	—
Provision for contingency reserve		—	10
Provision of specific allowance for possible loan losses		—	—
Provision of allowance for specified overseas loans		—	—
Write-off of loans		—	—
Others		—	—
Non-recurring gains (losses)	C	149	(3)
Ordinary profits	A+B+C	37,883	48,371

Notes: 1. The following amounts in respect of gains / losses on 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): ¥77 million in respect of the six months ended September 30, 2016 and ¥110 million in respect of the six months ended September 30, 2017.

2. The following amounts in respect of gains / losses on trading securities have been excluded from capital gains / losses and included in fundamental profit due to their income nature (being interest and dividend income): ¥3,108 million in respect of the six months ended September 30, 2016 and ¥2,936 million in respect of the six months ended September 30, 2017.

7. Disclosed Claims Based on Categories of Obligors

(Millions of yen)

	As of March 31, 2017	As of September 30, 2017
Claims against bankrupt and quasi-bankrupt obligors	244	210
Claims with collection risk	878	1,049
Claims for special attention	—	—
Subtotal	1,123	1,260
[Percentage of total]	[0.17%]	[0.17%]
Claims against normal obligors	668,392	752,151
Total	669,516	753,411

- 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, 2017	As of September 30, 2017
Credits to bankrupt borrowers	230	196
Delinquent loans	884	1,055
Delinquent loans past three months or more	—	—
Restructured loans	—	—
Total	1,115	1,252
[Percentage of total loans]	[0.18%]	[0.21%]

- 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 ¥1 million as of September 30, 2016 and ¥1 million as of September 30, 2017.
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 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, 2017	As of September 30, 2017
Total solvency margin (A)	1,414,023	1,554,014
Foundation funds and surplus	208,227	228,809
Reserve for price fluctuation	82,464	84,111
Contingency reserve	171,033	171,044
General allowance for possible loan losses	1,213	1,287
(Net unrealized gains (losses) on securities (before tax) and deferred hedge gains (losses) (before tax)) × 90%	415,287	490,092
Net unrealized gains on real estate × 85%	111,340	113,736
Excess amount of policy reserve based on full-time Zillmer method	237,089	238,410
Qualifying subordinated debt	191,935	221,935
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	(46,783)	(46,783)
Others	42,217	51,372
Total amount of risk $\sqrt{(R_1 + R_8)^2 + (R_2 + R_3 + R_7)^2} + R_4$ (B)	232,798	259,156
Insurance risk R_1	23,949	23,483
3rd sector insurance risk R_8	9,740	9,720
Assumed investment yield risk R_2	32,835	32,908
Minimum guarantee risk R_7	0	0
Investment risk R_3	192,279	218,374
Business risk R_4	5,176	5,689
Solvency margin ratio $\frac{(A)}{(1/2) \times (B)} \times 100$	1,214.8%	1,199.2%

Notes: 1. The figures above are calculated based on Articles 86 and 87 of the Enforcement Regulation of the Insurance Business Act 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, 2017		As of September 30, 2017	
	Amount		Amount	
Individual variable insurance	—		—	
Individual variable annuities	39		38	
Group annuities	75,639		80,051	
Total	75,678		80,089	

(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, 2017		As of September 30, 2017	
	Number of policies	Amount	Number of policies	Amount
Individual variable annuities	13	33	12	31
Total	13	33	12	31

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

(Millions of yen)

	As of March 31, 2017		As of September 30, 2017	
	Amount	Percentage	Amount	Percentage
Cash, deposits, call loans	10	27.3%	11	31.2%
Securities	28	72.7%	26	68.8%
Domestic bonds	—	—	—	—
Domestic stocks	—	—	—	—
Foreign securities	—	—	—	—
Foreign bonds	—	—	—	—
Foreign stocks and other securities	—	—	—	—
Other securities	28	72.7%	26	68.8%
Loans	—	—	—	—
Others	—	—	—	—
Allowance for possible loan losses	—	—	—	—
Total	39	100.0%	38	100.0%

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

(Millions of yen)

	Six months ended September 30, 2016	Six months ended September 30, 2017
	Amount	Amount
Interest, dividends and other income	2	1
Gains on sales of securities	—	—
Gains on valuation of securities	6	8
Gains on redemption of securities	—	—
Gains on derivative instruments	—	—
Foreign exchange gains, net	—	—
Other investment income	0	—
Losses on sales of securities	—	—
Losses on valuation of securities	10	8
Losses on redemption of securities	—	—
Losses on derivative instruments	—	—
Foreign exchange losses, net	—	—
Other investment expenses	—	—
Net investment income	(0)	1

(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, 2017		As of September 30, 2017	
	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
Trading securities	28	(2)	26	0

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, 2017		As of September 30, 2017	
	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	280,236	(16,953)	284,965	7,989

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, 2017					As of September 30, 2017				
	Book value	Fair value	Gains/losses			Book value	Fair value	Gains/losses		
				Gains	Losses				Gains	Losses
Held-to-maturity debt securities	764,914	908,680	143,766	143,766	—	760,857	902,392	141,534	141,534	—
Domestic bonds	739,830	882,479	142,649	142,649	—	739,577	879,967	140,390	140,390	—
Foreign bonds	25,084	26,201	1,116	1,116	—	21,280	22,424	1,143	1,143	—
Monetary claims bought	—	—	—	—	—	—	—	—	—	—
Negotiable certificate of deposits	—	—	—	—	—	—	—	—	—	—
Others	—	—	—	—	—	—	—	—	—	—
Policy-reserve-matching bonds	1,008,212	1,166,744	158,531	161,427	2,895	982,130	1,138,999	156,869	159,738	2,869
Domestic bonds	1,002,413	1,160,832	158,418	161,313	2,895	978,030	1,134,819	156,788	159,657	2,869
Foreign bonds	5,799	5,912	113	113	—	4,099	4,180	81	81	—
Investments in subsidiaries and affiliates	—	—	—	—	—	—	—	—	—	—
Available-for-sale securities	2,796,789	3,256,735	459,945	484,808	24,862	2,928,792	3,471,449	542,656	557,020	14,364
Domestic bonds	997,892	1,067,639	69,746	74,152	4,405	1,057,042	1,126,449	69,406	71,967	2,560
Domestic stocks	302,413	587,201	284,787	289,023	4,235	315,353	658,315	342,961	345,746	2,784
Foreign securities	1,426,510	1,516,052	89,542	104,688	15,146	1,484,116	1,595,548	111,432	119,333	7,901
Foreign bonds	1,207,319	1,268,525	61,205	73,765	12,559	1,254,584	1,324,820	70,236	76,960	6,724
Foreign stocks and other securities	219,190	247,527	28,336	30,922	2,586	229,532	270,728	41,195	42,372	1,176
Other securities	69,973	85,842	15,868	16,944	1,075	72,279	91,134	18,855	19,973	1,118
Money held in trust	—	—	—	—	—	—	—	—	—	—
Monetary claims bought	—	—	—	—	—	—	—	—	—	—
Negotiable certificate of deposits	—	—	—	—	—	—	—	—	—	—
Others	—	—	—	—	—	—	—	—	—	—
Total	4,569,917	5,332,161	762,243	790,001	27,757	4,671,781	5,512,840	841,059	858,293	17,233
Domestic bonds	2,740,136	3,110,951	370,814	378,115	7,300	2,774,651	3,141,236	366,585	372,014	5,429
Domestic stocks	302,413	587,201	284,787	289,023	4,235	315,353	658,315	342,961	345,746	2,784
Foreign securities	1,457,394	1,548,166	90,772	105,918	15,146	1,509,496	1,622,153	112,657	120,558	7,901
Foreign bonds	1,238,203	1,300,639	62,436	74,995	12,559	1,279,964	1,351,425	71,461	78,185	6,724
Foreign stocks and other securities	219,190	247,527	28,336	30,922	2,586	229,532	270,728	41,195	42,372	1,176
Other securities	69,973	85,842	15,868	16,944	1,075	72,279	91,134	18,855	19,973	1,118
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, 2017			As of September 30, 2017		
	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	764,914	908,680	143,766	760,857	902,392	141,534
Domestic bonds	739,830	882,479	142,649	739,577	879,967	140,390
Foreign bonds	25,084	26,201	1,116	21,280	22,424	1,143
Monetary 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	—	—	—	—	—	—
Monetary claims bought	—	—	—	—	—	—
Negotiable certificate of deposits	—	—	—	—	—	—
Others	—	—	—	—	—	—

[Policy-reserve-matching Bonds]

(Millions of yen)

	As of March 31, 2017			As of September 30, 2017		
	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	977,623	1,139,050	161,427	951,535	1,111,274	159,738
Domestic bonds	971,824	1,133,138	161,313	947,436	1,107,093	159,657
Foreign bonds	5,799	5,912	113	4,099	4,180	81
Others	—	—	—	—	—	—
Bonds whose fair value does not exceed the carrying value on the balance sheet	30,589	27,694	(2,895)	30,594	27,725	(2,869)
Domestic bonds	30,589	27,694	(2,895)	30,594	27,725	(2,869)
Foreign bonds	—	—	—	—	—	—
Others	—	—	—	—	—	—

[Available-for-sale Securities]

(Millions of yen)

	As of March 31, 2017			As of September 30, 2017		
	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	2,097,492	2,582,300	484,808	2,285,322	2,842,343	557,020
Domestic bonds	813,898	888,050	74,152	875,117	947,084	71,967
Domestic stocks	260,158	549,181	289,023	274,032	619,778	345,746
Foreign securities	964,556	1,069,245	104,688	1,077,796	1,197,129	119,333
Foreign bonds	800,165	873,930	73,765	865,592	942,552	76,960
Foreign stocks	164,391	195,314	30,922	212,204	254,576	42,372
Other securities	58,878	75,822	16,944	58,376	78,350	19,973
Money held in trust	—	—	—	—	—	—
Monetary claims bought	—	—	—	—	—	—
Negotiable certificate of deposits	—	—	—	—	—	—
Others	—	—	—	—	—	—
Securities whose carrying value on the balance sheet does not exceed the book value	699,297	674,435	(24,862)	643,470	629,105	(14,364)
Domestic bonds	183,993	179,588	(4,405)	181,925	179,365	(2,560)
Domestic stocks	42,254	38,019	(4,235)	41,321	38,536	(2,784)
Foreign securities	461,953	446,807	(15,146)	406,320	398,419	(7,901)
Foreign bonds	407,154	394,594	(12,559)	388,992	382,267	(6,724)
Foreign stocks	54,798	52,212	(2,586)	17,328	16,151	(1,176)
Other securities	11,095	10,019	(1,075)	13,902	12,784	(1,118)
Money held in trust	—	—	—	—	—	—
Monetary claims bought	—	—	—	—	—	—
Negotiable certificate of deposits	—	—	—	—	—	—
Others	—	—	—	—	—	—

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

(Millions of yen)

	As of March 31, 2017	As of September 30, 2017
Held-to-maturity bonds	—	—
Unlisted foreign bonds	—	—
Others	—	—
Policy-reserve-matching bonds	—	—
Investments in subsidiaries and affiliates	64,837	64,837
Available-for-sale securities	22,044	24,164
Unlisted domestic stocks (except over-the-counter stocks)	6,109	6,198
Unlisted foreign stocks (except over-the-counter stocks)	—	—
Unlisted foreign bonds	—	—
Others	15,934	17,966
Total	86,881	89,001

Note: In this table, domestic and overseas investment partnerships are included in "others" within "available-for-sale securities." However, unrealized gains on available-for-sale securities corresponding to these holdings by domestic and overseas investment partnerships (¥1,484 million as of March 31, 2017 and ¥1,891 million as of September 30, 2017) are included in their balance sheet carrying amounts.

**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, 2017	Interest-related	Currency-related	Stock-related	Bond-related	Others	Total
Hedge accounting applied	—	13,542	(440)	—	—	13,102
Hedge accounting not applied	(500)	1,116	—	(80)	—	535
Total	(500)	14,659	(440)	(80)	—	13,638
As of September 30, 2017	Interest-related	Currency-related	Stock-related	Bond-related	Others	Total
Hedge accounting applied	—	(16,853)	(555)	—	—	(17,409)
Hedge accounting not applied	(587)	(2,775)	—	223	—	(3,139)
Total	(587)	(19,628)	(555)	223	—	(20,548)

Note: Gains and losses from applying fair value hedge accounting (currency-related, gains of ¥13,542 million, stock-related losses of ¥440 million as of March 31, 2017, and currency-related losses of ¥16,853 million, stock-related losses of ¥555 million as of September 30, 2017) 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, 2017				As of September 30, 2017			
	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	[320,000 692]	160,000	192	(500)	[320,000 692]	160,000	105	(587)
Total				(500)				(587)

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

[Currency-related Transactions]

(Millions of yen)

	As of March 31, 2017				As of September 30, 2017			
	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								
US dollar	215,605	—	214,489	1,116	202,797	—	205,572	(2,775)
Canadian dollar	109,918	—	109,200	718	98,285	—	99,641	(1,355)
British Pound	27,984	—	27,723	260	33,367	—	33,529	(161)
Australian dollar	30,646	—	30,803	(157)	27,593	—	28,749	(1,155)
Euro	26,260	—	26,154	106	24,750	—	24,731	19
Singapore dollar	20,796	—	20,607	188	18,798	—	18,921	(122)
Bought								
US dollar	—	—	—	—	167	—	167	(0)
Euro	—	—	—	—	105	—	105	(0)
Euro	—	—	—	—	61	—	61	0
Singapore dollar	—	—	—	—	1	—	1	(0)
Total				1,116				(2,775)

Notes: Forward exchange rates are used for exchange rates as of September 30, 2017.

[Stock-related Transactions]

No ending balance as of March 31, 2017 and September 30, 2017.

[Bond-related Transactions]

(Millions of yen)

	As of March 31, 2017				As of September 30, 2017			
	Notional amount / contract value	Over 1 year	Fair value	Gains (losses)	Notional amount / contract value	Over 1 year	Fair value	Gains (losses)
Exchange-traded transactions								
Foreign bond futures								
Sold	36,815	—	36,896	(80)	24,063	—	23,840	223
Bought	—	—	—	—	—	—	—	—
Total				(80)				223

(iii) Hedge Accounting Applied

[Interest-related Transactions]

No ending balance as of March 31, 2017 and September 30, 2017

[Currency-related Transactions]

(Millions of yen)

Method of hedge accounting	Hedging instruments	Hedged items	As of March 31, 2017			As of September 30, 2017		
			Notional amount / contract value	Over 1 year	Fair value	Hedged items	Notional amount / contract value	Fair value
Fair value hedge method	Currency forward contracts	Foreign currency- denominated bonds				Foreign currency- denominated bonds		
	Sold		966,610	—	953,067		884,249	—
	US dollar		839,333	—	827,099		786,260	—
	Canadian dollar		44,327	—	43,636		45,914	—
	Euro		27,908	—	27,559		29,608	—
	British Pound		46,454	—	46,205		13,804	—
	Australian dollar		8,586	—	8,567		8,661	—
Bought		—	—	—		—	—	
Total								

Notes 1. Forward exchange rates are used for exchange rates as of September 30, 2017.

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)

Method of hedge accounting	Hedging instruments	Hedged items	As of March 31, 2017			As of September 30, 2017		
			Notional amount / contract value	Over 1 year	Fair value	Hedged items	Notional amount / contract value	Fair value
Fair value hedge method	Stock forward contracts	Domestic stocks				Domestic stocks		
	Sold		517	517	958		1,153	1,153
	Bought		—	—	—		—	—
Total								

[Bond-related Transactions]

No ending balance as of March 31, 2017 and September 30, 2017.

11. Status of the Company, Subsidiaries and Affiliates

(1) Selected Financial Data

(100 millions of yen)

	Six months ended September 30, 2016	Six months ended September 30, 2017
Ordinary revenues	5,044	4,482
Ordinary profits	395	493
Net surplus attributable to the parent company	314	382
Comprehensive income	(202)	988

	As of March 31, 2017	As of September 30, 2017
Total assets	84,329	85,934
Solvency margin ratio	1,257.3%	1,241.8%

(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

(3) Consolidated Balance Sheets

(Millions of yen)

	As of March 31, 2017	As of September 30, 2017
Assets:		
Cash and deposits	136,494	129,985
Call loans	193,000	198,000
Monetary claims bought	753	462
Money held in trust	29,787	30,783
Securities	7,130,780	7,335,120
Loans	631,109	599,263
Tangible fixed assets	219,873	218,180
Intangible fixed assets	26,326	27,850
Agency receivables	4	1
Reinsurance receivables	200	75
Other assets	66,237	55,324
Net defined benefit asset	42	75
Deferred tax assets	153	188
Allowance for possible loan losses	(1,776)	(1,843)
Total assets	8,432,988	8,593,469
	As of March 31, 2017	As of September 30, 2017
Liabilities:		
Policy reserves	7,438,936	7,460,031
Reserve for outstanding claims	22,223	21,644
Policy reserve	7,365,185	7,368,642
Reserve for dividends to policyholders	50,929	69,251
Reserve for dividends to policyholders (subsidiary)	598	493
Agency payables	98	70
Reinsurance payables	79	88
Subordinated bonds	191,935	221,935
Other liabilities	46,006	67,542
Net defined benefit liabilities	38,767	37,321
Reserve for price fluctuation	91,827	93,657
Deferred tax liabilities	16,233	39,563
Deferred tax liabilities for land revaluation	14,265	14,258
Total liabilities	7,838,150	7,934,469
Net assets:		
Foundation funds	10,000	10,000
Accumulated foundation funds redeemed	106,000	106,000
Reserve for revaluation	112	112
Consolidated surplus	133,217	136,705
Total foundation funds, surplus and others	249,329	252,817
Net unrealized gains (losses) on available-for-sale securities, net of tax	342,470	402,236
Revaluation reserve for land, net of tax	4,107	4,193
Foreign currency translation adjustment	(433)	(441)
Accumulated remeasurements of defined benefit plans	(9,240)	(8,423)
Total accumulated other comprehensive income	336,904	397,564
Non-controlling interests	8,603	8,618
Total net assets	594,837	659,000
Total liabilities and net assets	8,432,988	8,593,469

(4) Consolidated Statements of Operations and Comprehensive Income

[Consolidated Statements of Operations]

(Millions of yen)

	Six months ended September 30, 2016	Six months ended September 30, 2017
Ordinary revenues:		
Premium and other income	385,780	332,534
Investment income	111,743	110,304
[Interest, dividends and other income]	[74,807]	[83,120]
[Gains on money held in trust, net]	[—]	[1,084]
[Gains on trading securities, net]	[—]	[8,311]
[Gains on sales of securities]	[6,922]	[12,133]
[Gains on derivative instruments, net]	[29,914]	[—]
[Gains on separate accounts, net]	[—]	[4,924]
Other ordinary revenues	6,881	5,374
[Reversal of reserve for outstanding claims]	[2,678]	[579]
Total ordinary revenues	504,406	448,213
Ordinary expenses:		
Claims and other payments	293,525	311,120
[Claims]	[66,647]	[88,937]
[Annuities]	[89,096]	[83,496]
[Benefits]	[57,447]	[57,119]
[Surrenders]	[63,595]	[65,606]
[Other payments]	[16,406]	[15,745]
Provision of policy reserve and others	68,691	3,463
Provision of policy reserve	68,676	3,457
Provision of interest portion of reserve for dividends to policyholders	15	5
Provision of interest portion of reserve for dividends to policyholders (subsidiary)	0	0
Investment expenses	43,242	25,283
[Interest expenses]	[1,921]	[2,190]
[Losses on money held in trust, net]	[1,896]	[—]
[Losses on trading securities, net]	[24,395]	[—]
[Losses on sales of securities]	[150]	[1,800]
[Losses on valuation of securities]	[174]	[—]
[Losses on derivative instruments, net]	[—]	[10,143]
[Foreign exchange losses, net]	[9,350]	[6,299]
[Losses on separate accounts, net]	[1,138]	[—]
Operating expenses	48,778	48,935
Other ordinary expenses	10,641	10,051
Total ordinary expenses	464,879	398,854
Ordinary profits	39,526	49,359
Extraordinary gains:		
Gains on disposal of fixed assets	2	244
Others	42	—
Total extraordinary gains	45	244
Extraordinary losses:		
Losses on disposal of fixed assets	25	58
Impairment losses	31	140
Provision of reserve for price fluctuation	1,789	1,829
Losses on advanced depreciation of real estate for tax purpose	—	3
Total extraordinary losses	1,846	2,031
Provision of reserve for dividends to policyholders (subsidiary)	225	174
Surplus before income taxes	37,499	47,397
Income taxes:		
Current	9,384	9,080
Deferred	(3,453)	(8)
Total income taxes	5,930	9,072
Net surplus	31,569	38,324
Net surplus attributable to non-controlling interests	141	59
Net surplus attributable to the parent company	31,427	38,265

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

[Consolidated Statements of Comprehensive Income]

(Millions of yen)

	Six months ended September 30, 2016	Six months ended September 30, 2017
Net surplus	31,569	38,324
Other comprehensive income	(51,782)	60,544
Net unrealized gains (losses) on available-for-sale securities, net of tax	(52,111)	59,735
Foreign currency translation adjustments	(473)	(8)
Remeasurements of defined benefit plan, net of tax	803	816
Comprehensive income	(20,213)	98,868
Comprehensive income attributable to the parent company	(20,365)	98,840
Comprehensive income attributable to non-controlling interests	152	28

(5) Consolidated Statements of Cash Flows

(Millions of yen)

	Six months ended September 30, 2016	Six months ended September 30, 2017
Cash flows from operating activities:		
Surplus before income taxes	37,499	47,397
Depreciation of real estate for rent and other assets	2,122	2,113
Depreciation	3,731	3,432
Impairment losses	31	140
Amortization of goodwill	381	381
Increase (decrease) in reserve for outstanding claims	(2,678)	(579)
Increase (decrease) in policy reserve	68,676	3,457
Provision of interest portion of reserve for dividends to policyholders	15	5
Provision of interest portion of reserve for dividends to policyholders (subsidiary)	0	0
Provision of reserve for dividends to policyholders (subsidiary)	225	174
Increase (decrease) in allowance for possible loan losses	(83)	67
Increase (decrease) in net defined benefit liabilities	(438)	(344)
Increase (decrease) in reserve for price fluctuation	1,789	1,829
Interest, dividends and other income	(74,807)	(83,120)
Losses (gains) related to securities, net	(9,081)	(14,510)
Interest expenses	1,921	2,190
Foreign exchange losses (gains), net	9,347	6,299
Losses (gains) related to tangible fixed assets, net	21	(220)
Others	3,998	4,650
Subtotal	42,672	(26,634)
Interest, dividends and other income received	81,369	88,155
Interest expenses paid	(1,906)	(2,157)
Dividends to policyholders paid	(17,868)	(16,276)
Dividends to policyholders paid (subsidiary)	(333)	(279)
Corporate income tax (paid) refunded	(2,118)	(6,861)
Net cash provided by (used in) operating activities (a)	101,814	35,946
Cash flows from investing activities:		
Net decrease (increase) in deposits	196	14
Proceeds from sales and redemption of monetary claims bought	29	253
Increase in money held in trust	—	(8,800)
Decrease in money held in trust	56,658	8,833
Payments for purchase of securities	(522,166)	(433,376)
Proceeds from sales and redemption of securities	219,883	342,383
Payments for additions to loans	(21,448)	(36,803)
Proceeds from collections of loans	61,135	64,914
Proceeds from and payments for settlements of derivatives, net	145,119	4,081
Others	(2,148)	(2,350)
Subtotal (b)	(62,740)	(60,848)
(a + b)	[39,074]	[(24,901)]
Payments for purchase of tangible fixed assets	(4,018)	(1,956)
Proceeds from sales of tangible fixed assets	11	411
Payments for purchase of intangible fixed assets	(5,296)	(4,206)
Net cash provided by (used in) investing activities	(72,044)	(66,598)
Cash flows from financing activities:		
Proceeds from issuance of bonds	—	30,000
Redemption of foundation funds	(20,000)	—
Interest payment for foundation funds	(316)	(100)
Proceeds from share issuance to non-controlling shareholders	(85)	(13)
Payments for lease obligations	(250)	(140)
Net cash provided by (used in) financing activities	(20,652)	29,745
Effect of exchange rate changes on cash and cash equivalents	169	(609)
Net increase (decrease) in cash and cash equivalents	9,287	(1,515)
Cash and cash equivalents at the beginning of the period	370,458	328,236
Increase (decrease) in cash and cash equivalents resulting from change in scope of consolidation	70	—
Cash and cash equivalents at the end of the period	379,816	326,720

(6) Consolidated Statements of Changes in Net Assets

[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)
Additions 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					Non-controlling interests	Total net assets
	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		
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)
Additions 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

[For the six months ended September 30, 2017]

(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	10,000	106,000	112	133,217	249,329
Changes in the current period					
Additions to reserve for dividends to policyholders				(34,592)	(34,592)
Payment of interest on foundation funds				(100)	(100)
Net surplus attributable to the parent company for the current period				38,265	38,265
Reversal of revaluation reserve for land, net of tax				(85)	(85)
Net changes, excluding foundation funds, surplus and others					
Total changes in the current period	—	—	—	3,487	3,487
Balance at the end of the current period	10,000	106,000	112	136,705	252,817

	Accumulated other comprehensive income					Non-controlling interests	Total net assets
	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		
Balance at the beginning of the current period	342,470	4,107	(433)	(9,240)	336,904	8,603	594,837
Changes in the current period							
Additions to reserve for dividends to policyholders							(34,592)
Payment of interest on foundation funds							(100)
Net surplus attributable to the parent company for the current period							38,265
Reversal of revaluation reserve for land, net of tax							(85)
Net changes, excluding foundation funds, surplus and others	59,765	85	(8)	816	60,660	14	60,675
Total changes in the current period	59,765	85	(8)	816	60,660	14	64,162
Balance at the end of the current period	402,236	4,193	(441)	(8,423)	397,564	8,618	659,000

Notes to the Consolidated Financial Statements

I. Presentation of the Consolidated Financial Statements

1. Basis of presentation

The accompanying consolidated financial statements have been prepared from the accounts maintained by Fukoku Mutual Life Insurance Company (the “Company”) and its consolidated subsidiaries in accordance with the provisions set forth in the Insurance Business Act 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, the totals do not add up.

2. Principles of consolidation

(1) Scope of consolidation

Consolidated subsidiaries as of September 30, 2017 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.

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) Application of equity method

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, 2017.

(3) Interim closing dates of consolidated subsidiaries

Among the subsidiaries to be consolidated, fiscal year-end 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 the consolidated closing date, necessary adjustments for consolidation are made.

II. Notes to the Consolidated 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 the Insurance Industry” (Industry Audit Committee Report No.21 issued by the Japanese Institute of Certified Public Accountants on November 16, 2000).
- iv) Investments in unconsolidated subsidiaries and affiliates which are not accounted for under the equity method are stated at cost, cost being determined by the moving average method.
- v) Available-for-sale securities with fair market value are stated at fair market value based on the market prices at the balance sheet date. Costs of their sales are determined by the moving average method. Net unrealized

gains or losses on these available-for-sale securities, net of taxes, are recorded as a separate component of net assets.

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

- (2) Derivative instruments are stated at fair market value.
- (3) The Company revalued the land used in the operations based on the Act for Revaluation of Land (Act No.34 promulgated on March 31, 1998). The difference between fair value and book value resulting from the revaluation, net of related taxes, is recorded as revaluation reserve for land as a separate component of net assets and the related tax is recorded as deferred tax liabilities for land revaluation.
- Date of revaluation: March 31, 2002
 - Method of revaluation as prescribed for in Article 3 Paragraph 3 of the said Act:
Calculation is based on the appraisal value for property tax set forth in Article 2 item 3 of the Enforcement Ordinance of the Act 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 the Company's tangible fixed assets is calculated by the following methods.
- Tangible fixed assets (excluding lease assets):Declining-balance method
However, buildings (excluding building attachments and structures acquired on or 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 with no residual value.
- Other tangible fixed assets acquired for ¥100,000 or more but less than ¥200,000 are depreciated equally over three years.
- (5) Assets and liabilities denominated in foreign currencies, 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 for the Company 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, 2017 was ¥1 million.

(7) Net defined benefit liabilities, supposed to be incurred as of September 30, 2017, 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 is calculated in accordance with Article 115 of the Insurance Business Act.

(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 "Other investment expenses", which is calculated by deducting an amount equivalent to the interest allocated over the lease term from the lease fee received.

(10) 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 bonds denominated in foreign currencies 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 bonds denominated in foreign currencies 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 Act, 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 Act, 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 Act, 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. As of September 30, 2017, the balance of these policy reserves was ¥40,723 million.

At the end of the fiscal year ended March 31, 2016, 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. As of September 30, 2017, the balance of these policy reserves was ¥28,363 million.

(13) Intangible fixed assets are amortized as follows:

- i) Software for internal use is amortized based on the straight-line method over the estimated useful lives.
- ii) Lease assets are amortized based on the 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. The carrying amounts, fair values and their related differences of major financial assets and liabilities in the general account as of September 30, 2017 were as follows:

	(Millions of yen)		
	Carrying amount	Fair value	Differences
Cash and deposits:			
Cash and deposits not treated as securities.....	¥128,485	¥128,485	¥ –
Total cash and deposits.....	128,485	128,485	–
Call loans	198,000	198,000	–
Monetary claims bought:			
Claims treated as loans.....	462	491	29
Total monetary claims bought.....	462	491	29
Money held in trust:			
Trading securities.....	29,783	29,783	–
Total money held in trust.....	29,783	29,783	–
Securities:			
Trading securities.....	177,412	177,412	–
Held-to-maturity debt securities.....	1,237,795	1,475,104	237,309
Policy-reserve-matching bonds.....	2,038,500	2,280,849	242,348
Available-for-sale securities.....	3,777,132	3,777,132	–
Total securities.....	7,230,839	7,710,498	479,658
Loans:			
Policy loans.....	62,364	62,363	(0)
Ordinary loans.....	536,899	559,570	22,670
Total loans.....	599,263	621,934	22,670
Assets total.....	8,186,835	8,689,193	502,358
Subordinated bonds ¹	221,935	231,367	9,432
Liabilities total.....	221,935	231,367	9,432
Derivative instruments ² :			
Hedge accounting not applied.....	(3,139)	(3,139)	–
Hedge accounting applied.....	(17,409)	(17,409)	–
Total derivative instruments.....	¥ (20,548)	¥ (20,548)	¥ –

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, ¥6,198 million, and ¥19,857 million as of September 30, 2017, 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 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 possible loan losses 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.

3. 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.

4. The amount of securities lent under lending agreements was ¥154,686 million as of September 30, 2017.

5. 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 ¥1,258 million as of September 30, 2017;

- i) The balance of credits to bankrupt borrowers was ¥202 million as of September 30, 2017.
- ii) The balance of delinquent loans was ¥1,055 million as of September 30, 2017.
- iii) There was no balance of delinquent loans past 3 months or more and restructured loans as of September 30, 2017.

The direct write-offs related to loans decreased credits to bankrupt borrowers described above by ¥1 million as of September 30, 2017.

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

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

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

Restructured loans are loans for which certain concessions favorable to borrowers, such as interest reduction or exemption, rescheduling of due date for repayment 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.

6. Accumulated depreciation of tangible fixed assets were ¥161,661 million as of September 30, 2017.

7. Total assets in separate accounts provided for in Article 118 of the Insurance Business Act were ¥80,089 million as of September 30, 2017. The amounts of separate account liabilities were the same as separate account assets.

8. Changes in reserve for dividends to policyholders for the six months ended September 30, 2017 were as follows:

	(Millions of yen)
Balance at the beginning of the current period.....	¥ 50,929
Transfer from surplus in the previous fiscal year	34,592
Dividend payments to policyholders during the current period.....	(16,276)
Increase in interest.....	5
Balance at the end of the current period.....	<u>¥ 69,251</u>

9. Changes in reserve for dividends to policyholders (Fukokushinrai Life Insurance Co., Ltd.) for the six months ended September 30, 2017 were as follows:

	(Millions of yen)
Balance at the beginning of the current period.....	¥598
Dividend payments to policyholders during the current period.....	(279)
Increase in interest.....	0
Provision of reserve for dividends to policyholders.....	174
Balance at the end of the current period.....	<u>¥493</u>

10. The amount of stocks of unconsolidated subsidiaries was ¥454 million as of September 30, 2017.

11. Assets pledged as collateral as of September 30, 2017 were ¥15,246 million of securities, ¥140 million of money held in trust and ¥1,309 million of bank deposits. Secured debts as of September 30, 2017, were ¥5,122 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 Act (hereinafter called “reserve for outstanding claims for ceded reinsurance”) was ¥19 million as of September 30, 2017.

Policy reserve for the reinsurance contracts provided in accordance with Article 71 Paragraph 1 of the Enforcement Regulation of the Insurance Business Act (hereinafter called “policy reserve for ceded reinsurance”) was ¥50 million as of September 30, 2017.

13. There were unused commitment line agreements under which the Company is the lender of ¥665 million as of September 30, 2017.

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

On November 16, 2017, the Company redeemed ¥30,000 million advanced in subordinated bonds.

15. The future contribution to the Life Insurance Policyholders Protection Corporation of Japan under Article 259 of the Insurance Business Act was estimated at ¥11,039 million as of September 30, 2017.

The contribution is recognized as operating expenses when contributed.

III. Notes to the Consolidated Statements of Operations

1. For the six months ended September 30, 2017, in calculating the reversal of reserve for outstanding claims, a provision of reserves for outstanding claims reinsured of ¥14 million was added. In calculating the provision of policy reserve, a reversal of reserves for policy reserves reinsured of ¥3 million was added.

IV. Notes to the Consolidated Statements of Cash Flows

1. Cash and cash equivalents as of September 30, 2017 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, 2017 were as follows:

	(Millions of yen)
Cash and deposits.....	¥129,985
Call loans.....	198,000
Monetary claims bought.....	462
Time deposits maturing over 3 months of the date of acquisition.....	(100)
Foreign currency deposits maturing over 3 months of the date of acquisition.....	(1,164)
Monetary claims bought maturing over 3 months of the date of acquisition.....	(462)
Cash and cash equivalents.....	<u>¥ 326,720</u>

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

(Millions of yen)

	As of March 31, 2017	As of September 30, 2017
Total solvency margin (A)	1,488,469	1,630,287
Foundation funds and surplus	220,040	241,177
Reserve for price fluctuation	91,827	93,657
Contingency reserve	173,088	173,159
Catastrophe loss reserve	—	—
General allowance for possible loan losses	1,213	1,287
(Net unrealized gains (losses) on securities (before tax) and deferred hedge gains (losses) (before tax)) × 90%	427,019	501,501
Net unrealized gains on real estate × 85%	111,340	113,736
Sum of unrecognized actuarial differences and unrecognized prior service cost	(12,833)	(11,699)
Excess amount of policy reserve based on full-time Zillmer method	239,650	240,980
Qualifying subordinated debt	191,935	221,935
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	45,187	54,551
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)	236,754	262,554
Insurance risk R_1	24,459	23,989
General insurance risk R_5	—	—
Catastrophe risk R_6	—	—
3rd sector insurance risk R_8	9,851	9,830
Small amount and short-term insurance risk R_9	—	—
Assumed investment yield risk R_2	33,225	33,296
Minimum guarantee risk R_7	0	0
Investment risk R_3	195,706	221,254
Business risk R_4	5,264	5,767
Solvency margin ratio $\frac{(A)}{(1/2) \times (B)} \times 100$	1,257.3%	1,241.8%

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

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