

## Financial Results for the Six Months Ended September 30, 2015

Fukoku Mutual Life Insurance Company (President: Yoshiteru Yoneyama) announces financial results for the six months ended September 30, 2015.

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Attached: Supplementary Materials for the Six Months Ended September 30, 2015

# 1. Business Highlights

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

### (i) Policies in Force

		As of March 31, 2015		As of September 30, 2015			
		Number of policies	Amount	Number of policies		Amount	
		(Thousands)	(100 millions of yen)	(Thousands)	Changes (%, Pre-FYE)	(100 millions of yen)	Changes (%, Pre-FYE)
	Individual insurance	3,066	236,846	3,086	100.6	235,609	99.5
	Individual annuities	739	28,718	727	98.4	28,251	98.4
	Subtotal	3,805	265,564	3,813	100.2	263,861	99.4
	Group insurance	—	166,780	—	—	167,487	100.4
	Group annuities	—	21,232	—	—	20,925	98.6

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

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, 2014		Total		New business	Net increase by conversion
		Number of policies	Amount	Amount	Amount
		(Thousands)	(100 millions of yen)	(Thousands)	(100 millions of yen)
	Individual insurance	172	7,641	7,108	533
	Individual annuities	9	334	343	(8)
	Subtotal	182	7,976	7,451	524
	Group insurance	—	35	35	—
	Group annuities	—	0	0	—

Six months ended September 30, 2015		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	177	102.8	8,145	106.6	7,477	105.2	668	125.4
	Individual annuities	15	155.0	531	158.8	541	157.8	(9)	—
	Subtotal	192	105.6	8,677	108.8	8,018	107.6	658	125.5
	Group insurance	—	—	178	501.4	178	501.4	—	—
	Group annuities	—	—	30	6,932,951.4	30	6,932,951.4	—	—

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

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

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

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

	Six months ended September 30, 2014	Six months ended September 30, 2015	
			Changes (%, YoY)
Amount of surrender and lapse (100 millions of yen)	7,360	6,725	91.4
Surrender and lapse ratio (%)	2.71	2.53	(0.18)

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

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

## (2) Annualized Premiums

### (i) Policies in Force

(100 millions of yen except percentage)

	As of March 31, 2015	As of September 30, 2015	Changes (%, Pre-FYE)
Individual insurance	2,736	2,741	100.2
Individual annuities	1,327	1,327	100.0
Total	4,064	4,068	100.1
Medical coverage and living benefits	1,066	1,070	100.4

### (ii) New Policies

(100 millions of yen except percentage)

	Six months ended September 30, 2014	Six months ended September 30, 2015	Changes (%, Pre-FYE)
Individual insurance	89	99	111.3
Individual annuities	14	18	130.4
Total	103	118	113.9
Medical coverage and living benefits	34	34	100.9

- Notes: 1. Annualized premiums are calculated by using coefficients based on the premium payment method. (For single premium contracts, the amount is calculated by dividing the premium by the coverage period.)
2. Figures for medical coverage and living benefits represent portion of annualized premium corresponding to the medical benefits (hospitalization benefits and surgery benefits, etc.), living benefits (nursing care benefits, etc.) and premium waiver benefits, in which disability cause is excluded but causes such as specific illness are included.
3. New policies include net increase by conversion.

## (3) Selected Items of Statements of Operations

(100 millions of yen except percentage)

	Six months ended September 30, 2014	Six months ended September 30, 2015	Changes (%, Pre-FYE)
Premium and other income	3,027	3,131	103.4
Investment income	945	888	93.9
Claims and other payments	2,528	3,298	130.4
Investment expenses	184	231	125.0
Ordinary profits	507	496	97.7

## (4) Total Assets

(100 millions of yen except percentage)

	As of March 31, 2015	As of September 30, 2015	Changes (%, Pre-FYE)
Total assets	66,119	64,802	98.0

## 2. Investment Results of General Account Assets

### (1) Asset Composition

(Millions of yen)

	As of March 31, 2015		As of September 30, 2015	
	Amount	Percentage	Amount	Percentage
Cash, deposits, call loans	282,969	4.3	186,057	2.9
Monetary claims bought	870	0.0	842	0.0
Money held in trust	34,319	0.5	33,735	0.5
Securities	5,163,610	79.1	5,156,598	80.6
Domestic bonds	2,856,151	43.7	2,712,483	42.4
Domestic stocks	641,066	9.8	585,785	9.2
Foreign securities	1,583,778	24.3	1,773,049	27.7
Foreign bonds	1,287,302	19.7	1,511,692	23.6
Foreign stocks and other securities	296,475	4.5	261,356	4.1
Other securities	82,614	1.3	85,279	1.3
Loans	763,900	11.7	734,203	11.5
Policy loans	63,311	1.0	62,362	1.0
Ordinary loans	700,588	10.7	671,841	10.5
Real estate	223,794	3.4	212,402	3.3
Others	62,750	1.0	79,213	1.2
Allowance for possible loan losses	(1,948)	( 0.0)	(1,948)	( 0.0)
Total	6,530,267	100.0	6,401,104	100.0
Foreign currency denominated assets	1,572,701	24.1	1,884,313	29.4

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

(Millions of yen)

	Six months ended September 30, 2014	Six months ended September 30, 2015
Cash, deposits, call loans	(23,392)	(96,912)
Monetary claims bought	(85)	(28)
Money held in trust	1,324	(584)
Securities	209,520	(7,011)
Domestic bonds	5,368	(143,667)
Domestic stocks	68,156	(55,280)
Foreign securities	136,998	189,270
Foreign bonds	121,655	224,390
Foreign stocks and other securities	15,342	(35,119)
Other securities	(1,001)	2,665
Loans	(58,608)	(29,696)
Policy loans	(613)	(948)
Ordinary loans	(57,995)	(28,747)
Real estate	(2,594)	(11,391)
Others	19,075	16,462
Allowance for possible loan losses	215	(0)
Total	145,455	(129,162)
Foreign currency denominated assets	170,902	311,612

### (3) Investment Income

(Millions of yen)

	Six months ended September 30, 2014	Six months ended September 30, 2015
Interest, dividends and other income	66,494	66,359
Interest from deposits	2	13
Interest and dividends from securities	51,278	52,625
Interest from loans	8,191	6,893
Income from real estate for rent	6,891	6,705
Other interest and dividends	131	121
Gains on trading account securities	—	—
Gains from money held in trust, net	1,374	—
Gains from trading securities, net	16,149	—
Gains on sales of securities	4,990	22,293
Gains on sales of domestic bonds	3,023	18,310
Gains on sales of domestic stocks	1,230	674
Gains on sales of foreign securities	735	3,308
Others	—	—
Gain on redemption of securities	—	—
Gain on derivative instruments, net	—	—
Foreign exchange gains, net	528	—
Reversal of allowance for possible loan losses	212	—
Other investment income	26	177
Total	89,776	88,829

### (4) Investment Expenses

(Millions of yen)

	Six months ended September 30, 2014	Six months ended September 30, 2015
Interest expenses	2,160	2,389
Losses on trading account securities	—	—
Losses from money held in trust, net	—	556
Losses from trading securities, net	—	2,064
Losses on sales of securities	167	3,343
Losses on sales of domestic bonds	0	—
Losses on sales of domestic stocks	63	845
Losses on sales of foreign securities	103	2,497
Others	—	—
Losses on valuation of securities	111	—
Losses on valuation of domestic bonds	—	—
Losses on valuation of domestic stocks	—	—
Losses on valuation of foreign securities	111	—
Other losses on valuation of securities	—	—
Losses on redemption of securities	—	—
Losses from derivative instruments, net	11,014	4,803
Foreign exchange losses, net	—	2,322
Provision for allowance for possible loan losses	—	19
Write-off of loans	—	—
Depreciation of real estate for rent and other assets	2,413	2,148
Other investment expenses	2,607	2,851
Total	18,474	20,498

### (5) Net Investment Income

(Millions of yen)

	Six months ended September 30, 2014	Six months ended September 30, 2015
Net investment income	71,301	68,331

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

(Millions of yen)

	As of March 31, 2015		As of September 30, 2015	
	Carrying value on the balance sheet	Net valuation gains/losses included in the statement of operations	Carrying value on the balance sheet	Net valuation gains/losses included in the statement of operations
Trading securities	354,399	25,399	344,064	(9,185)

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, 2015					As of September 30, 2015				
		Book value	Fair value	Gains/losses			Book value	Fair value	Gains/losses		
				Gains	Losses				Gains	Losses	
Held-to-maturity debt securities		811,903	926,148	114,245	114,245	—	771,380	887,379	115,999	115,999	—
	Domestic bonds	742,337	853,785	111,448	111,448	—	742,011	855,870	113,859	113,859	—
	Foreign bonds	69,565	72,362	2,797	2,797	—	29,369	31,508	2,139	2,139	—
	Monetary claims bought	—	—	—	—	—	—	—	—	—	—
	Negotiable certificate of deposits	—	—	—	—	—	—	—	—	—	—
	Others	—	—	—	—	—	—	—	—	—	—
Policy-reserve-matching bonds		1,215,695	1,346,650	130,954	131,004	50	1,118,219	1,243,247	125,027	125,094	66
	Domestic bonds	1,174,597	1,305,280	130,683	130,733	50	1,088,121	1,212,898	124,777	124,843	66
	Foreign bonds	41,098	41,369	270	270	—	30,098	30,349	250	250	—
Investments in subsidiaries and affiliates		1,433	1,236	(196)	3	200	1,433	1,249	(184)	1	185
Available-for-sale securities		2,150,593	2,760,905	610,311	611,672	1,360	2,399,099	2,903,752	504,652	514,805	10,153
	Domestic bonds	807,550	892,795	85,245	85,269	24	755,124	827,400	72,276	72,476	199
	Domestic stocks	279,549	597,167	317,617	317,842	225	287,924	543,915	255,990	259,167	3,176
	Foreign securities	1,010,329	1,197,021	186,692	187,788	1,096	1,291,864	1,455,769	163,905	168,404	4,499
	Foreign bonds	784,142	901,979	117,837	118,593	756	1,084,057	1,195,846	111,789	113,136	1,347
	Foreign stocks and other securities	226,187	295,042	68,854	69,194	340	207,807	259,922	52,115	55,268	3,152
	Other securities	53,164	73,920	20,756	20,771	15	64,186	76,666	12,479	14,757	2,277
	Money held in trust	—	—	—	—	—	—	—	—	—	—
	Monetary claims bought	—	—	—	—	—	—	—	—	—	—
	Negotiable certificate of deposits	—	—	—	—	—	—	—	—	—	—
	Others	—	—	—	—	—	—	—	—	—	—
Total		4,179,626	5,034,941	855,314	856,926	1,611	4,290,133	5,035,628	745,494	755,900	10,405
	Domestic bonds	2,724,485	3,051,862	327,377	327,451	74	2,585,256	2,896,169	310,913	311,179	266
	Domestic stocks	279,549	597,167	317,617	317,842	225	287,924	543,915	255,990	259,167	3,176
	Foreign securities	1,122,427	1,311,990	189,563	190,859	1,296	1,352,765	1,518,876	166,110	170,796	4,685
	Foreign bonds	894,806	1,015,712	120,906	121,662	756	1,143,524	1,257,704	114,179	115,526	1,347
	Foreign stocks and other securities	227,621	296,278	68,657	69,197	540	209,240	261,172	51,931	55,269	3,338
	Other securities	53,164	73,920	20,756	20,771	15	64,186	76,666	12,479	14,757	2,277
	Money held in trust	—	—	—	—	—	—	—	—	—	—
	Monetary claims bought	—	—	—	—	—	—	—	—	—	—
	Negotiable certificate of deposits	—	—	—	—	—	—	—	—	—	—
	Others	—	—	—	—	—	—	—	—	—	—

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

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

(Millions of yen)

	As of March 31, 2015	As of September 30, 2015
Held-to-maturity debt securities	—	—
Unlisted foreign bonds	—	—
Others	—	—
Policy-reserve-matching bonds	—	—
Investments in subsidiaries and affiliates	35,560	35,560
Available-for-sale securities	17,031	14,922
Unlisted domestic stocks (except over-the-counter stocks)	8,338	6,309
Unlisted foreign stocks (except over-the-counter stocks)	—	—
Unlisted foreign bonds	—	—
Others	8,693	8,613
Total	52,592	50,483

## (8) Fair Value Information on Money Held in Trust

(Millions of yen)

	As of March 31, 2015					As of September 30, 2015				
	Carrying value on balance sheets	Fair value	Gains/losses			Carrying value on balance sheets	Fair value	Gains/losses		
				Gains	Losses				Gains	Losses
Money held in trust	34,319	34,319	—	—	—	33,735	33,735	—	—	—

\* Money held in trust for trading purpose

(Millions of yen)

	As of March 31, 2015		As of September 30, 2015	
	Carrying value on balance sheets	Net valuation gains/losses included in the statements of operations	Carrying value on balance sheets	Net valuation gains/losses included in the statements of operations
Money held in trust for trading purpose	33,319	(0)	32,735	(601)

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

(Millions of yen)

	As of March 31, 2015					As of September 30, 2015				
	Book value	Fair value	Gains/losses			Book value	Fair value	Gains/losses		
				Gains	Losses				Gains	Losses
Money held in trust for held-to-maturity	—	—	—	—	—	—	—	—	—	—
Money held in trust for policy-reserve-matching	—	—	—	—	—	—	—	—	—	—
Money held in trust for available-for-sale	—	—	—	—	—	—	—	—	—	—

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

### (i) Gains and Losses on Derivatives

(Millions of yen)

As of March 31, 2015	Interest-related	Currency-related	Stock-related	Bond-related	Others	Total
Hedge accounting applied	0	820	—	—	—	821
Hedge accounting not applied	(460)	685	—	200	—	426
Total	(459)	1,506	—	200	—	1,247
As of September 30, 2015	Interest-related	Currency-related	Stock-related	Bond-related	Others	Total
Hedge accounting applied	0	14,524	208	—	—	14,733
Hedge accounting not applied	(707)	1,479	168	(801)	—	139
Total	(707)	16,004	376	(801)	—	14,872

Note: Gains and losses from applying fair value hedge accounting (currency-related, gains of ¥820 million as of March 31, 2015, and currency-related gains of ¥14,524 million, stock-related gains of ¥208 million as of September 30, 2015) 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, 2014				As of September 30, 2015			
	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 swap contracts								
Receipt fixed, payment floating	85	—	0	0	42	—	0	0
Payment fixed, receipt floating	—	—	—	—	—	—	—	—
Yen interest rate swaption contracts								
Sold								
Receipt fixed, payment floating	—	—	—	—	—	—	—	—
Payment fixed, receipt floating	[ — ]	—	—	—	[ — ]	—	—	—
Bought								
Receipt fixed, payment floating	—	—	—	—	—	—	—	—
Payment fixed, receipt floating	[ — ]	—	—	—	[ — ]	—	—	—
Payment fixed, receipt floating	300,000	200,000	828	(460)	300,000	200,000	581	(707)
Payment fixed, receipt floating	[ 1,289 ]				[ 1,289 ]			
Total				(459)				(707)

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

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

(Millions of yen)

	As of March 31, 2015			As of September 30, 2015		
	1 year or shorter	Over 1 year to 3 years	Over 3 years	1 year or shorter	Over 1 year to 3 years	Over 3 years
Yen interest rate swap contracts						
Notional amount (receipts fixed, payments floating)	85	—	—	42	—	—
Average fixed rate (receipt)	2.47%	—	—	2.47%	—	—
Average floating rate (payment)	1.06%	—	—	1.06%	—	—
Notional amount (receipts floating, payments fixed)	—	—	—	—	—	—
Average floating rate (receipt)	—	—	—	—	—	—
Average fixed rate (payment)	—	—	—	—	—	—



## (iii) Currency-related Transactions

(Millions of yen)

	As of March 31, 2015				As of September 30, 2015			
	Notional amount/ contract value	Over 1 year	Fair value	Gains (losses)	Notional amount/ contract value	Over 1 year	Fair value	Gains (losses)
Over-the-counter transactions								
Currency forward contracts								
Sold	724,640	—	723,134	1,505	1,160,588	—	1,144,584	16,004
U.S. dollar	458,741	—	459,295	(553)	945,585	—	932,765	12,819
Euro	78,873	—	78,384	488	88,836	—	87,999	836
British Pound	111,979	—	111,083	896	53,381	—	52,651	730
Australian dollar	46,477	—	45,954	522	47,363	—	46,159	1,203
Canadian dollar	28,568	—	28,415	153	25,422	—	25,008	413
Bought	59	—	60	0	—	—	—	—
U.S. dollar	59	—	60	0	—	—	—	—
Total				1,506				16,004

Notes: 1. Forward exchange rates are used for exchange rates as of September 30, 2015.

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

## (iv) Stock-related Transactions

(Millions of yen)

	As of March 31, 2015				As of September 30, 2015			
	Notional amount/ contract value	Over 1 year	Fair value	Gains (losses)	Notional amount/ contract value	Over 1 year	Fair value	Gains (losses)
Exchange-traded transactions								
Yen stock index options								
Sold	—	—	—	—	4,820	—	4,652	168
Bought	—	—	—	—	—	—	—	—
Over-the-counter transactions								
Yen stock forward contract								
Sold	—	—	—	—	823	823	615	208
Bought	—	—	—	—	—	—	—	—
Total				—				376

## (v) Bond-related Transactions

(Millions of yen)

	As of March 31, 2015				As of September 30, 2015			
	Notional amount/ contract value	Over 1 year	Fair value	Gains (losses)	Notional amount/ contract value	Over 1 year	Fair value	Gains (losses)
Exchange-traded transactions								
Yen bond futures								
Sold	294,876	—	294,440	436	257,174	—	257,798	(623)
Bought	—	—	—	—	—	—	—	—
Foreign bond futures								
Sold	40,083	—	40,318	(235)	44,951	—	45,129	(177)
Bought	—	—	—	—	—	—	—	—
Total				200				(801)

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

(millions of yen)

As of March 31, 2015			As of September 30, 2015		
Carrying value on the balance sheets	Fair value	Gains (losses)	Carrying value on the balance sheets	Fair value	Gains (losses)
132,263	235,337	103,073	125,723	227,451	101,727

Notes: 1. As of September 30, 2015, fair value is based on the appraisal value by the real-estate appraiser, the appraisal value for property tax as of January 1, 2015 and the road rate as of January 1, 2015.

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

### 3. Non-consolidated Balance Sheets

(Millions of yen)

	As of March 31, 2015	As of September 30, 2015
<b>Assets:</b>		
Cash and deposits	96,515	30,300
Call loans	186,500	155,800
Monetary claims bought	870	842
Money held in trust	34,319	33,735
Securities	5,240,955	5,234,933
[ Government bonds ]	[2,061,294]	[1,950,912]
[ Local government bonds ]	[154,616]	[143,275]
[ Corporate bonds ]	[670,380]	[649,168]
[ Stocks ]	[664,735]	[609,772]
[ Foreign securities ]	[1,607,208]	[1,796,460]
Loans	763,900	734,203
Policy loans	63,311	62,362
Ordinary loans	700,588	671,841
Tangible fixed assets	227,591	217,161
Intangible fixed assets	11,017	10,638
Reinsurance accounts receivable	105	33
Other assets	52,123	64,571
Lease investment assets	801	784
Rest of the other assets	51,322	63,787
Allowance for possible loan losses	(1,948)	(1,948)
<b>Total assets</b>	<b>6,611,952</b>	<b>6,480,272</b>
<b>Liabilities:</b>		
Policy reserves	5,545,647	5,514,804
Reserve for outstanding claims	21,305	19,317
Policy reserve	5,475,030	5,427,842
Reserve for dividends to policyholders	49,311	67,643
Reinsurance payables	110	127
Subordinated bonds	118,959	141,935
Other liabilities	55,984	45,184
Corporate income tax payable	15,851	7,795
Asset retirement obligations	3,001	3,036
Rest of the other liabilities	37,131	34,352
Reserve for employees' retirement benefits	46,393	26,974
Reserve for price fluctuation of securities	46,534	47,945
Deferred tax liabilities	85,741	57,074
Deferred tax liabilities for revaluation reserve for land	14,787	14,764
<b>Total liabilities</b>	<b>5,914,159</b>	<b>5,848,810</b>
<b>Net assets:</b>		
Foundation funds	30,000	30,000
Accumulated foundation funds redeemed	86,000	86,000
Reserve for revaluation	112	112
Surplus	143,548	152,453
Legal reserve for future losses	2,582	2,742
Other surplus	140,966	149,711
Reserve for redemption of foundation funds	12,000	18,000
Reserve for dividend allowances	3,895	20,000
Accumulated fund for price fluctuation	31,000	41,000
Reserve for advanced depreciation of real estate for tax purpose	262	266
Other reserves	767	767
Unappropriated surplus	93,041	69,678
Total foundation funds, surplus and others	259,660	268,565
Net unrealized gains (losses) on available-for-sale securities, net of tax	434,236	359,060
Deferred valuation gains (losses) under hedge accounting, net of tax	0	0
Revaluation reserve for land, net of tax	3,894	3,836
Total valuation and translation adjustments	438,131	362,896
<b>Total net assets</b>	<b>697,792</b>	<b>631,462</b>
<b>Total liabilities and net assets</b>	<b>6,611,952</b>	<b>6,480,272</b>

## 4. Non-consolidated Statements of Operations

(Millions of yen)

	Six months ended September 30, 2014	Six months ended September 30, 2015
<b>Ordinary revenues:</b>		
Premium and other income	302,779	313,128
[Premium income]	[302,736]	[313,014]
Investment income	94,569	88,829
[Interest, dividends and other income]	[66,494]	[66,359]
[Gains from money held in trust, net]	[1,374]	[—]
[Gains from trading securities, net]	[16,149]	[—]
[Gains on sales of securities]	[4,990]	[22,293]
[Gains from separate accounts, net]	[4,792]	[—]
Other ordinary revenues	8,701	53,665
[Reversal of reserve for outstanding claims]	[4,205]	[1,987]
[Reversal of policy reserve]	[—]	[47,187]
<b>Total ordinary revenues</b>	<b>406,049</b>	<b>455,623</b>
<b>Ordinary expenses:</b>		
Claims and other payments	252,884	329,857
[Claims]	[66,404]	[84,623]
[Annuities]	[76,452]	[104,847]
[Benefits]	[57,604]	[55,307]
[Surrenders]	[38,172]	[66,494]
[Other payments]	[14,044]	[18,355]
Provision for policy reserve and others	29,649	24
Provision for policy reserve	29,619	—
Provision for interest on reserve for dividends to policyholders	30	24
Investment expenses	18,474	23,102
[Interest expenses]	[2,160]	[2,389]
[Losses from money held in trust, net]	[—]	[556]
[Losses from trading securities, net]	[—]	[2,064]
[Losses on sales of securities]	[167]	[3,343]
[Losses on valuation of securities]	[111]	[—]
[Losses from derivative instruments, net]	[11,014]	[4,803]
[Losses from separate accounts, net]	[—]	[2,604]
Operating expenses	43,324	42,874
Other ordinary expenses	10,935	10,148
<b>Total ordinary expenses</b>	<b>355,269</b>	<b>406,006</b>
<b>Ordinary profits</b>	<b>50,780</b>	<b>49,616</b>
<b>Extraordinary gains:</b>		
Gains on disposal of fixed assets	4	1,356
Gain on contribution of securities to retirement benefit trust	—	7,913
<b>Total extraordinary gains</b>	<b>4</b>	<b>9,270</b>
<b>Extraordinary losses:</b>		
Losses on disposal of fixed assets	26	138
Impairment losses	95	208
Provision for reserve for price fluctuation of securities	1,255	1,411
<b>Total extraordinary losses</b>	<b>1,376</b>	<b>1,757</b>
<b>Surplus before income taxes</b>	<b>49,407</b>	<b>57,128</b>
<b>Income taxes:</b>		
Current	10,263	9,474
Deferred	127	1,792
<b>Total income taxes</b>	<b>10,390</b>	<b>11,267</b>
<b>Net surplus for the period</b>	<b>39,016</b>	<b>45,861</b>

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

[For the six months ended September 30, 2014]

(Millions of yen)

(millions of yen)

	Foundation funds, surplus and others											
	Foundation funds	Accumulated foundation funds redeemed	Reserve for revaluation	Surplus								Total foundation funds, surplus and others
				Legal reserve for future losses	Other surplus						Total surplus	
					Reserve for redemption of foundation funds	Reserve for dividend allowances	Accumulated fund for price fluctuation	Reserve for advanced depreciation of real estate for tax purpose	Other reserves	Unappropriated surplus		
Balance at the beginning of the current period	35,000	71,000	112	2,485	18,000	3,895	21,000	3,969	767	74,662	124,780	230,892
Cumulative effects of changes in accounting policies										(3,297)	(3,297)	(3,297)
Restated balance	35,000	71,000	112	2,485	18,000	3,895	21,000	3,969	767	71,365	121,482	227,595
Changes in the current period												
Financing of additional foundation funds	10,000										—	10,000
Additions to reserve for dividends to policyholders										(31,595)	(31,595)	(31,595)
Additions to legal reserve for future losses				97						(97)	—	—
Additions to accumulated foundation funds redeemed		15,000									—	15,000
Payment of interest on foundation funds										(621)	(621)	(621)
Net surplus for the current period										39,016	39,016	39,016
Redemption of foundation funds	(15,000)										—	(15,000)
Additions to reserve for redemption of foundation funds					9,000					(9,000)	—	—
Reversal of reserve for redemption of foundation funds					(15,000)						(15,000)	(15,000)
Additions to accumulated fund for price fluctuation							10,000			(10,000)	—	—
Additions to reserve for advanced depreciation of real estate for tax purpose								0		(0)	—	—
Reversal of reserve for advanced depreciation of real estate for tax purpose								(3,707)		3,707	—	—
Reversal of revaluation reserve for land, net of tax										(21)	(21)	(21)
Net changes, excluding foundation funds, surplus and others												
Total changes in the current period	(5,000)	15,000	—	97	(6,000)	—	10,000	(3,707)	—	(8,612)	(8,222)	1,777
Balance at the end of the current period	30,000	86,000	112	2,582	12,000	3,895	31,000	262	767	62,752	113,260	229,372

	Valuation and translation adjustments					Total net assets
	Net unrealized gains (losses) on available-for-sale securities, net of tax	Deferred valuation gains (losses) under hedge accounting, net of tax	Revaluation reserve for land, net of tax	Total valuation and translation adjustments		
Balance at the beginning of the current period	259,861	2	3,144	263,008	493,900	
Cumulative effects of changes in accounting policies					(3,297)	
Restated balance	259,861	2	3,144	263,008	490,603	
Changes in the current period						
Financing of additional foundation funds					10,000	
Additions to reserve for dividends to policyholders					(31,595)	
Additions to legal reserve for future losses					—	
Additions to accumulated foundation funds redeemed					15,000	
Payment of interest on foundation funds					(621)	
Net surplus for the current period					39,016	
Redemption of foundation funds					(15,000)	
Additions to reserve for redemption of foundation funds					—	
Reversal of reserve for redemption of foundation funds					(15,000)	
Additions to accumulated fund for price fluctuation					—	
Additions to reserve for advanced depreciation of real estate for tax purpose					—	
Reversal of reserve for advanced depreciation of real estate for tax purpose					—	
Reversal of revaluation reserve for land, net of tax					(21)	
Net changes, excluding foundation funds, surplus and others	68,504	(1)	21	68,524	68,524	
Total changes in the current period	68,504	(1)	21	68,524	70,302	
Balance at the end of the current period	328,366	1	3,165	331,533	560,906	

[For the six months ended September 30, 2015]

(Millions of yen)

	Foundation funds, surplus and others											
	Foundation funds	Accumulated foundation funds redeemed	Reserve for revaluation	Surplus								Total foundation funds, surplus and others
				Legal reserve for future losses	Other surplus						Total surplus	
					Reserve for redemption of foundation funds	Reserve for dividend allowances	Accumulated fund for price fluctuation	Reserve for advanced depreciation of real estate for tax purpose	Other reserves	Unappropriated surplus		
Balance at the beginning of the current period	30,000	86,000	112	2,582	12,000	3,895	31,000	262	767	93,041	143,548	259,660
Changes in the current period												
Additions to reserve for dividends to policyholders										(36,698)	(36,698)	(36,698)
Additions to legal reserve for future losses				160						(160)	—	—
Payment of interest on foundation funds										(316)	(316)	(316)
Net surplus for the current period										45,861	45,861	45,861
Additions to reserve for redemption of foundation funds					6,000					(6,000)	—	—
Additions to reserve for dividend allowances						16,104				(16,104)	—	—
Additions to accumulated fund for price fluctuation							10,000			(10,000)	—	—
Addition to reserve for advanced depreciation of real estate for tax purpose								7		(7)	—	—
Reversal of reserve for advanced depreciation of real estate for tax purpose								(3)		3	—	—
Reversal of revaluation reserve for land, net of tax										58	58	58
Net changes, excluding foundation funds, surplus and others												
Total changes in the current period	—	—	—	160	6,000	16,104	10,000	3	—	(23,362)	8,904	8,904
Balance at the end of the current period	30,000	86,000	112	2,742	18,000	20,000	41,000	266	767	69,678	152,453	268,565

	Valuation and translation adjustments				Total net assets
	Net unrealized gains (losses) on available-for-sale securities, net of tax	Deferred valuation gains (losses) under hedge accounting, net of tax	Revaluation reserve for land, net of tax	Total valuation and translation adjustments	
Balance at the beginning of the current period	434,236	0	3,894	438,131	697,792
Changes in the current period					
Additions to reserve for dividends to policyholders					(36,698)
Additions to legal reserve for future losses					—
Payment of interest on foundation funds					(316)
Net surplus for the current period					45,861
Additions to reserve for redemption of foundation funds					—
Additions to reserve for dividend allowances					—
Additions to accumulated fund for price fluctuation					—
Addition to reserve for advanced depreciation of real estate for tax purpose					—
Reversal of reserve for advanced depreciation of real estate for tax purpose					—
Reversal of revaluation reserve for land, net of tax					58
Net changes, excluding foundation funds, surplus and others	(75,176)	(0)	(57)	(75,234)	(75,234)
Total changes in the current period	(75,176)	(0)	(57)	(75,234)	(66,329)
Balance at the end of the current period	359,060	0	3,836	362,896	631,462

# Notes to the Non-consolidated Financial Statements

## I. Presentation of the Non-consolidated Financial Statements

### 1. Basis of Presentation

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

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

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

## II. Notes to Balance Sheets

### 1. Significant Accounting Policies

#### (1) Valuation Methods of Securities

The valuation of securities, including bank deposits and monetary claims bought which are equivalent to securities, and securities managed as trust assets in money held in trust, is as follows:

- i) Trading securities are stated at fair market value. Costs of their sales are determined by the moving average method.
- ii) Held-to-maturity debt securities are stated at amortized cost under the straight-line method, cost being determined by the moving average method.
- iii) Policy-reserve-matching bonds are stated at amortized cost under the straight-line method, cost being determined by the moving average method in accordance with "Temporary Treatment of Accounting and Auditing Concerning Policy-reserve-matching Bonds in Insurance Industry" (Industry Audit Committee Report No.21 issued by the Japanese Institute of Certified Public Accountants on November 16, 2000).
- iv) Investments in subsidiaries and affiliates are stated at cost, cost being determined by the moving average method.
- v) Available-for-sale securities with fair market values are stated at fair market values based on the market prices at the balance sheet date. Costs of their sales are determined by the moving average method. Net unrealized gains or losses on these available-for-sale securities, net of taxes, are recorded as a separate component of net assets.

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

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

Derivative instruments are stated at fair market value.

#### (3) Revaluation of Land

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

- Date of revaluation: March 31, 2002
- Method of revaluation as prescribed for in Article 3 Paragraph 3 of the said Law:  
Calculation is based on the appraisal value for property tax set forth in Article 2 item 3 of the Enforcement Ordinance of the Law for Revaluation of Land (Government Ordinance No.119)

promulgated on March 31, 1998) and the road rate set forth in Article 2 item 4 of the said Ordinance with certain reasonable adjustments.

#### **(4) Depreciation of Tangible Fixed Assets**

Depreciation of tangible fixed assets is calculated by the following methods.

- Tangible fixed assets (excluding lease assets): Declining-balance method  
However, buildings (excluding building attachments and structures) acquired on or after April 1, 1998 are depreciated using Straight-line methods.
- Lease assets related to finance lease transactions that do not transfer ownership: Straight-line method over the lease term without residual value

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

#### **(5) Foreign Currency Translation**

Foreign currency denominated assets and liabilities, except for investments in subsidiaries and affiliates, are translated into Japanese yen at the effective exchange rate prevailing at the balance sheet date. Investments in subsidiaries and affiliates are translated into Japanese yen at the exchange rate on the date of acquisition.

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

Allowance for possible loan losses is provided in accordance with the Company's standards of self-assessment and write-offs and reserves on credit quality:

- i) For the credits of borrowers who are legally bankrupt such as being in the proceedings of bankruptcy or civil rehabilitation (hereinafter called "legally bankrupt borrowers") and who are substantially bankrupt (hereinafter called "substantially bankrupt borrowers"), the Company provides the remaining amount of credits after the direct write-off described below and the deductions of the amount expected to be collected through the disposal of collateral or the execution of guarantees.
- ii) For the credits of borrowers who are not currently bankrupt but have a high possibility of bankruptcy (hereinafter called "not currently bankrupt borrowers"), the Company provides the amounts deemed as necessary considering the borrowers' ability to pay, within the amounts after deductions of the amount expected to be collected through the disposal of collateral or the execution of guarantees.
- iii) For the credits of borrowers other than the above, the Company provides the amounts calculated by multiplying the borrowers' balance by the actual ratio of bad debt losses on defaults during a certain past period.

All credits are assessed by the relevant departments in accordance with the Company's standards of self-assessment on credit quality. The results of the assessment are reviewed by the audit department, which is independent of business-related divisions. Subsequently, the allowance for possible loan losses are provided based on the results of these assessments.

For the credits of legally bankrupt borrowers and substantially bankrupt borrowers, the amounts remaining after deductions of collateral values or the amounts collectible through the executions of guarantees are written-off directly from the borrowers' balances as the estimated uncollectible amounts. The amount written-off as of September 30, 2015 was ¥247 million.

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

Reserve for employees' retirement benefits is presented for the employees' retirement benefits 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 or losses.....        | 10 years              |
| • Amortization period of prior service cost.....               | 10 years              |



In the current period ended September 30, 2015, the Company contributed a portion of its stock holdings to establish a trust account for retirement benefits amounting to ¥18,666 million and recognized a gain on contribution of securities to retirement benefit trust amounting to ¥7,913 million as an extraordinary gain.

#### **(8) Reserve for Price Fluctuation of Securities**

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

#### **(9) Lease Transactions as a Lessor**

As for the finance lease transactions where the Company is a lessor, the lease fee is recorded in “interest, dividends and other income” at the time of receiving the lease fee. The corresponding cost of the lease transactions is recorded in “investment expenses”, which is calculated by deducting an amount equivalent to the interest allocated over the lease term from the lease fee received.

#### **(10) Accounting for Hedge Activities**

Hedge accounting is based on “Accounting Standards for Financial Instruments” (ASBJ Statement No. 10, August 11, 2006).

For the foreign currency forward contracts against the exchange rate fluctuations in the value of foreign currency-denominated bonds classified as available-for-sale securities, which qualify for hedge accounting because of high correlation and effectiveness between the hedging instruments and the hedged items, valuation gains and losses on the foreign currency forward contracts are recorded in the statements of operations.

For the stock forward transactions against the price fluctuations in the value of domestic stocks classified as available-for-sale securities, which qualify for hedge accounting because of high correlation and effectiveness between the hedging instruments and the hedged items, valuation gains and losses on the stock forward transactions are recorded in the statements of operations.

For the interest rate swaps against the interest rate fluctuations regarding loans, which qualify for hedge accounting because of high correlation and effectiveness between the hedging instruments and the hedged items, valuation gains and losses on the interest rate swaps are deferred until the maturity of the hedged transactions.

The Company applies foreign currency swap appropriated treatment as a hedge for the foreign exchange fluctuation risk associated with foreign currency denominated bonds issued by the Company.

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

#### **(11) Accounting for Employees' Retirement Benefits**

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

#### **(12) Accounting for Consumption Taxes**

The Company accounts for consumption taxes by the tax-exclusion method. The consumption taxes on certain assets, which are not deductible from consumption taxes withheld and that are stipulated to be deferred under the Tax Law, are deferred as prepaid expenses and amortized equally over five years. Consumption taxes other than deferred consumption taxes are recognized as an expense when incurred.

#### **(13) Policy Reserve**

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

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

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

Based on the provision of paragraph 5, Article 69 of the Enforcement Regulation of the Insurance Business Law, certain individual annuity insurance policies and certain hospitalization riders with surgery benefits and long-term hospitalization benefits have funded policy reserves included.

#### **(14) Software**

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

## (15) Policy-reserve-matching Bonds

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

## 2. Financial Instruments

The carrying amounts, fair values and their related differences of major financial assets and liabilities as of September 30, 2015 were as follows:

	Carrying amount	Fair value	Difference
			(Millions of yen)
Cash and deposits:			
Cash and deposits not treated as securities....	¥ 30,257	¥ 30,257	¥ —
Total cash and deposits.....	30,257	30,257	—
Call loans.....	155,800	155,800	—
Monetary claims bought:			
Claims treated as loans.....	842	893	50
Total monetary claims bought .....	842	893	50
Money held in trust:			
Trading securities.....	32,735	32,735	—
Total money held in trust.....	32,735	32,735	—
Securities:			
Trading securities.....	311,329	311,329	—
Held-to-maturity debt securities.....	771,380	887,379	115,999
Policy-reserve-matching bonds.....	1,118,219	1,243,247	125,027
Investments in subsidiaries and affiliates.....	1,433	1,249	(184)
Available-for-sale securities.....	2,903,752	2,903,752	—
Total securities.....	5,106,115	5,346,957	240,842
Loans:			
Policy loans.....	62,362	62,362	(0)
Ordinary loans.....	671,841	694,740	22,899
Total loans.....	734,203	757,102	22,899
Assets total.....	6,059,953	6,323,746	263,792
Subordinated bonds*1.....	141,935	143,184	1,249
Liabilities total.....	141,935	143,184	1,249
Derivative instruments*2:			
Hedge accounting not applied.....	139	139	—
Hedge accounting applied.....	14,733	14,733	—
Total derivative instruments.....	¥ 14,872	¥ 14,872	¥ —

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

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

(1) Cash, deposits (excluding financial instruments treated as securities based on “Accounting Standards for Financial Instruments” (ASBJ Statement No.10)) and call loans:

The fair values of cash, deposits and call loans are based on their book values since fair values approximate book values due to their short maturities.

(2) Securities including deposits and monetary claims bought which are treated as securities based on “Accounting Standards for Financial Instruments” (ASBJ Statement No.10) and securities managed as trust assets in money held in trust:

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

Investments in subsidiaries and affiliates, unlisted stocks and investments in partnerships whereby partnership assets consist of unlisted stocks whose fair values are deemed extremely difficult to obtain, are excluded from above securities. The carrying amounts of investments in subsidiaries and affiliates, unlisted stocks and investments in partnerships were ¥35,560 million, ¥6,309 million, and ¥8,613 million as of September 30, 2015, respectively.

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

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

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

The fair values of loans receivable from legally bankrupt borrowers, substantially bankrupt borrowers and not currently bankrupt borrowers and monetary claims bought treated as loans are computed by deducting the amount of the allowance for doubtful accounts from the book values before direct write-offs.

(4) Subordinated bonds:

Subordinated bonds issued by the Company are stated at fair market values.

(5) Derivative instruments:

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

### 3. Investment and Rental Property

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. Securities Lent under Lending Agreements

The amount of securities lent under lending agreements was ¥54,612 million as of September 30, 2015.

### 5. Loans Receivable

The total amount of credits to bankrupt borrowers, delinquent loans, delinquent loans past 3 months or more and restructured loans, which were included in loans, was ¥1,603 million as of September 30, 2015:

- i) The balance of credits to bankrupt borrowers was ¥206 million as of September 30, 2015.
- ii) The balance of delinquent loans was ¥1,221 million as of September 30, 2015.
- iii) The balance of restructured loans was ¥174 million as of September 30, 2015.
- iv) There was no balance of delinquent loans past 3 months or more as of September 30, 2015.

The direct write-offs related to loans decreased the credits to bankrupt borrowers described above by ¥247 million as of September 30, 2015.

Credits to bankrupt borrowers represent loans, excluding the balances already written-off, which meet the conditions prescribed in Article 96 Paragraph 1 item 3 and 4 of the Enforcement Regulations of the Corporate Tax Law. Moreover, accrued interest on these loans is not recorded as income after determining that principal or interest on these loans is unlikely to be collected due to the significant delay in repayment of principal or interest payment or for some other reasons.

Delinquent loans are credits whose 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 payment or repayment of principal are delinquent for 3 months or more from the due date under the terms of the related loan agreements, excluding those loans classified as credits to bankrupt borrowers and delinquent loans.

Restructured loans are loans for which certain concessions favorable to borrowers, such as interest reduction or exemptions, rescheduling of due date of principal or interest payment, waiver of claim or other terms, have been negotiated for the purpose of assisting and supporting the borrowers in the restructuring of their business. This category excludes loans classified as credits to bankrupt borrowers, delinquent loans and delinquent loans past 3 months or more.

## 6. Accumulated Depreciation of Tangible Fixed Assets

Accumulated depreciation of tangible fixed assets totalled to ¥151,052 million as of September 30, 2015.

## 7. Separate Accounts

Total assets in separate accounts provided for in Article 118 of the Insurance Business Law were ¥80,813 million as of September 30, 2015. The amounts of separate account liabilities were the same as separate account assets.

## 8. Reserve for Dividends to Policyholders

Changes in reserve for dividends to policyholders for the six months ended September 30, 2015 were as follows:

	(Millions of yen)
Balance at the beginning of the current period.....	¥ 49,311
Transfer from surplus in previous fiscal year.....	36,698
Dividends paid in the current period.....	(18,390)
Increase in interest.....	24
Balance at the end of the current period.....	<u>¥ 67,643</u>

## 9. Stocks of Subsidiaries

The amount of stocks of subsidiaries the Company held was ¥36,994 million as of September 30, 2015.

## 10. Pledged Assets and Secured Debts

Assets pledged as collateral as of September 30, 2015 were ¥27,983 million of securities and ¥1,704 million of bank deposits. Secured debts as of September 30, 2015 were ¥4,863 million.

## 11. Policy Reserves for the Reinsurance Contracts

Reserve for outstanding claims for the reinsurance contracts provided in accordance with Article 71 Paragraph 1 of the Enforcement Regulation of the Insurance Business Law (hereinafter called "reserve for outstanding claims for ceded reinsurance") was ¥16 million as of September 30, 2015.

Policy reserve for the reinsurance contracts provided in accordance with Article 71 Paragraph 1 of the Enforcement Regulation of the Insurance Business Law (hereinafter called "policy reserve for ceded reinsurance") was ¥29 million as of September 30, 2015.

## 12. Commitment Line

There were unused commitment line agreements under which the Company is the lender of ¥12,172 million as of September 30, 2015.

## 13. Subordinated Bonds

Repayments of subordinated bonds are subordinated to other obligations.

#### 14. Contribution to Policyholders Protection Corporation

The future contribution to the Life Insurance Policyholders Protection Corporation of Japan under Article 259 of the Insurance Business Law was estimated at ¥10,356 million as of September 30, 2015.

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

### III. Notes to Statements of Operations

#### 1. Gains on Sales of Securities

Major items of gains on sales of securities for the six months ended September 30, 2015 were as follows:

(Millions of yen)

Domestic bonds.....	¥ 18,310
Domestic stocks and others.....	674
Foreign securities.....	3,308

#### 2. Losses on Sales of Securities

Major items of losses on sales of securities for the six months ended September 30, 2015 were as follows:

(Millions of yen)

Domestic stocks and others.....	¥ 845
Foreign securities.....	2,497

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

For the six months ended September 30, 2015, reversal of reserve for outstanding claims for ceded reinsurance considered in calculation of reversal for reserve for outstanding claims was ¥34 million, and reversal of policy reserve for ceded reinsurance considered in calculation of reversal of policy reserve was ¥1 million.

#### 4. Interest, Dividends and Other Income

Breakdown of interest, dividends and other income for the six months ended September 30, 2015 was as follows:

(Millions of yen)

Interest on deposits.....	¥ 13
Interest and dividends on securities .....	52,625
Interest on loans .....	6,893
Income from real estate for rent.....	6,705
Other interest and dividends .....	121
Total.....	<u>¥ 66,359</u>

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

(Millions of yen)

	Six months ended September 30, 2014	Six months ended September 30, 2015
<b>Fundamental profit</b> A	<b>43,634</b>	<b>45,019</b>
Capital gains	18,536	22,293
Gains from money held in trust, net	1,261	—
Gains from trading securities, net	11,755	—
Gains on sales of securities	4,990	22,293
Gains from derivative instruments, net	—	—
Foreign exchange gains, net	528	—
Other capital gains	—	—
Capital losses	11,293	18,008
Losses from money held in trust, net	—	657
Losses from trading securities, net	—	6,882
Losses on sales of securities	167	3,343
Losses on valuation of securities	111	—
Losses from derivative instruments, net	11,014	4,803
Foreign exchange losses, net	—	2,322
Other capital losses	—	—
Net capital gains (losses) B	7,242	4,284
Fundamental profit plus net capital gains (losses) A+B	50,877	49,304
Non-recurring gains	7	366
Reinsurance income	—	—
Reversal of contingency reserve	—	366
Reversal for specific allowance for possible loan losses	7	—
Others	—	—
Non-recurring losses	104	54
Reinsurance premiums	—	—
Provision for contingency reserve	104	—
Provision for specific allowance for possible loan losses	—	54
Allowance for specified overseas loans	—	—
Write-off of loans	—	—
Others	—	—
Non-recurring gains (losses) C	(97)	312
Ordinary profits A+B+C	50,780	49,616

Notes: 1. The following amounts in respect of gains / losses from money held in trust have been excluded from capital gains / losses and included in fundamental profit due to their income nature (being interest and dividend income): ¥112 million in respect of the six months ended September 30, 2014 and ¥100 million in respect of the six month ended September 30, 2015.

2. The following amounts in respect of gains / losses from trading securities have been excluded from capital gains / losses and included in fundamental profit due to their income nature (being interest and dividend income): ¥4,394 million in respect of the six months ended September 30, 2014 and ¥4,818 million in respect of the six months ended September 30, 2015.

## 7. Disclosed Claims Based on Categories of Obligors

(Millions of yen)

	As of March 31, 2015	As of September 30, 2015
Claims against bankrupt and quasi-bankrupt obligors	207	219
Claims with collection risk	837	1,215
Claims for special attention	370	174
Subtotal	1,415	1,609
[Percentage of total]	[0.17%]	[0.20%]
Claims against normal obligors	816,618	790,822
Total	818,034	792,432

- 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, 2015	As of September 30, 2015
Credits to bankrupt borrowers	194	206
Delinquent loans	844	1,221
Delinquent loans past three months or more	—	—
Restructured loans	370	174
Total	1,409	1,603
[Percentage of total loans]	[0.18%]	[0.22%]

- Notes: 1. For the credits of legally bankrupt borrowers and substantially bankrupt borrowers, the amounts remaining after deductions of collateral value or the amounts collectible through the execution of guarantees is written-off directly from the borrower's balance as the estimated uncollectible amounts. The amounts written-off related to credits to bankrupt borrowers were ¥247 million as of March 31, 2015 and ¥247 million as of September 30, 2015.
2. Credits to bankrupt borrowers represent loans which are subject to bankruptcy, corporate reorganization or rehabilitation or other similar, including but not limited to foreign, proceedings. Accruing interest of these loans is not recorded as income after determining that principal of or interest on these loans is unlikely to be collected due to the significant delay in repayment of principal or interest payment or for some other reasons.
3. Delinquent loans are credits whose accruing interest is not recorded as income due to the same reasons as described in note 2 above, and exclude credits to bankrupt borrowers and loans for which interest payments have been suspended and rescheduled to assist and support the borrowers in the restructuring of their business.
4. Delinquent loans past three months or more are loans for which interest payment or repayment of principal are delinquent for three months or more from the due date under the terms of the related loan agreements, excluding those loans classified as credits to bankrupt borrowers and delinquent loans.
5. Restructured loans are loans for which certain concessions favorable to borrowers, such as interest reduction or exemptions, rescheduling of due date of principal or interest payment, waiver of claim or other terms, have been negotiated for the purpose of assisting and supporting the borrowers in the restructuring of their business. This category excludes loans classified as credits to bankrupt borrowers, delinquent loans and delinquent loans past three months or more.



## 9. Solvency Margin Ratio

(Millions of yen)

	As of March 31, 2015	As of September 30, 2015
Total solvency margin (A)	1,397,205	1,366,719
Foundation funds and surplus	220,996	247,791
Reserve for price fluctuation of securities	46,534	47,945
Contingency reserve	142,523	142,156
Allowance for possible loan losses	1,403	1,367
Net unrealized gains on available-for-sale securities x 90%	549,280	454,187
Net unrealized gains on real estate x 85%	99,173	98,597
Excess amount of policy reserve based on full-time Zillmer method	197,683	200,235
Qualifying subordinated debt	118,959	141,935
The amount of "excess amount of policy reserve based on full-time Zillmer method" and "qualifying subordinated debt" excluded from the calculation of solvency margin	—	—
Deductible items	(19,000)	(19,000)
Others	39,652	51,503
Total amount of risk $\sqrt{(R_1 + R_8)^2 + (R_2 + R_3 + R_7)^2} + R_4$ (B)	238,962	223,306
Insurance risk $R_1$	25,494	24,887
3rd sector insurance risk $R_8$	9,575	9,574
Assumed investment yield risk $R_2$	35,851	35,844
Minimum guarantee risk $R_7$	0	0
Investment risk $R_3$	195,142	179,723
Business risk $R_4$	5,321	5,000
Solvency margin ratio $\frac{(A)}{(1/2) \times (B)} \times 100$	1,169.3%	1,224.0%

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

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

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

## 10. Status of Separate Account

### (1) Separate Account Assets by Products

(Millions of yen)

	As of March 31, 2015	As of September 30, 2015
	Amount	Amount
Individual variable insurance	—	—
Individual variable annuities	149	107
Group annuities	82,855	80,706
Total	83,004	80,813

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

The Company has not sold the individual variable insurance.

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

#### (i) Policies in Force

(Millions of yen)

	As of March 31, 2015		As of September 30, 2015	
	Number	Amount	Number	Amount
Individual variable annuities	43	136	36	102
Total	43	136	36	102

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

(Millions of yen)

	As of March 31, 2015		As of September 30, 2015	
	Amount	Percentage	Amount	Percentage
Cash, deposits, call loans	44	30.0	43	40.3
Securities	104	70.0	63	59.7
Domestic bonds	—	—	—	—
Domestic stocks	—	—	—	—
Foreign securities	—	—	—	—
Foreign bonds	—	—	—	—
Foreign stocks and other securities	—	—	—	—
Other securities	104	70.0	63	59.7
Loans	—	—	—	—
Others	—	—	—	—
Allowance for possible loan losses	—	—	—	—
Total	149	100.0	107	100.0

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

(Millions of yen)

	Six months ended September 30, 2014	Six months ended September 30, 2015
	Amount	Amount
Interest, dividends and other income	11	14
Gains on sales of securities	—	—
Gains on valuation of securities	23	17
Gains on redemption of securities	—	—
Gains from derivative instruments	—	—
Foreign exchange gains, net	—	—
Other investment income	—	0
Losses on sales of securities	—	—
Losses on valuation of securities	27	32
Losses on redemption of securities	—	—
Losses from derivative instruments	—	—
Foreign exchange losses, net	—	—
Other investment expenses	—	—
Net investment income	7	(0)

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

\* Net Valuation Gains/Losses on Trading Securities

(Millions of yen)

	As of March 31, 2015		As of September 30, 2015	
	Carrying value on balance sheet	Net valuation gains/losses included in the statements of operations	Carrying value on balance sheet	Net valuation gains/losses included in the statements of operations
Trading securities	104	5	63	(15)

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**

	As of March 31, 2015		As of September 30, 2015	
	Carrying value on balance sheet	Net valuation gains/losses included in the statement of operations	Carrying value on balance sheet	Net valuation gains/losses included in the statement of operations
Trading securities	431,744	29,449	422,399	(14,928)

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

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

	As of March 31, 2015					As of September 30, 2015				
	Book value	Fair value	Gains/losses			Book value	Fair value	Gains/losses		
			Gains	Losses				Gains	Losses	
Held-to-maturity debt securities	811,903	926,148	114,245	114,245	—	771,380	887,379	115,999	115,999	—
Domestic bonds	742,337	853,785	111,448	111,448	—	742,011	855,870	113,859	113,859	—
Foreign bonds	69,565	72,362	2,797	2,797	—	29,369	31,508	2,139	2,139	—
Monetary claims bought	—	—	—	—	—	—	—	—	—	—
Negotiable certificate of deposits	—	—	—	—	—	—	—	—	—	—
Others	—	—	—	—	—	—	—	—	—	—
Policy-reserve-matching bonds	1,215,695	1,346,650	130,954	131,004	50	1,118,219	1,243,247	125,027	125,094	66
Domestic bonds	1,174,597	1,305,280	130,683	130,733	50	1,088,121	1,212,898	124,777	124,843	66
Foreign bonds	41,098	41,369	270	270	—	30,098	30,349	250	250	—
Investments in subsidiaries and affiliates	1,433	1,236	(196)	3	200	1,433	1,249	(184)	1	185
Available-for-sale securities	2,150,593	2,760,905	610,311	611,672	1,360	2,399,099	2,903,752	504,652	514,805	10,153
Domestic bonds	807,550	892,795	85,245	85,269	24	755,124	827,400	72,276	72,476	199
Domestic stocks	279,549	597,167	317,617	317,842	225	287,924	543,915	255,990	259,167	3,176
Foreign securities	1,010,329	1,197,021	186,692	187,788	1,096	1,291,864	1,455,769	163,905	168,404	4,499
Foreign bonds	784,142	901,979	117,837	118,593	756	1,084,057	1,195,846	111,789	113,136	1,347
Foreign stocks and other securities	226,187	295,042	68,854	69,194	340	207,807	259,922	52,115	55,268	3,152
Other securities	53,164	73,920	20,756	20,771	15	64,186	76,666	12,479	14,757	2,277
Money held in trust	—	—	—	—	—	—	—	—	—	—
Monetary claims bought	—	—	—	—	—	—	—	—	—	—
Negotiable certificate of deposits	—	—	—	—	—	—	—	—	—	—
Others	—	—	—	—	—	—	—	—	—	—
Total	4,179,626	5,034,941	855,314	856,926	1,611	4,290,133	5,035,628	745,494	755,900	10,405
Domestic bonds	2,724,485	3,051,862	327,377	327,451	74	2,585,256	2,896,169	310,913	311,179	266
Domestic stocks	279,549	597,167	317,617	317,842	225	287,924	543,915	255,990	259,167	3,176
Foreign securities	1,122,427	1,311,990	189,563	190,859	1,296	1,352,765	1,518,876	166,110	170,796	4,685
Foreign bonds	894,806	1,015,712	120,906	121,662	756	1,143,524	1,257,704	114,179	115,526	1,347
Foreign stocks and other securities	227,621	296,278	68,657	69,197	540	209,240	261,172	51,931	55,269	3,338
Other securities	53,164	73,920	20,756	20,771	15	64,186	76,666	12,479	14,757	2,277
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

	As of March 31, 2015			As of September 30, 2015		
	Carrying value on the balance sheet	Fair value	Differences	Carrying value on the balance sheet	Fair value	Differences
Securities whose fair value exceeds the carrying value on the balance sheet	811,903	926,148	114,245	771,380	887,379	115,999
Domestic bonds	742,337	853,785	111,448	742,011	855,870	113,859
Foreign bonds	69,565	72,362	2,797	29,369	31,508	2,139
Money claims bought	—	—	—	—	—	—
Negotiable certificate of deposits	—	—	—	—	—	—
Others	—	—	—	—	—	—
Securities whose fair value does not exceed the carrying value on the balance sheet	—	—	—	—	—	—
Domestic bonds	—	—	—	—	—	—
Foreign bonds	—	—	—	—	—	—
Money claims bought	—	—	—	—	—	—
Negotiable certificate of deposits	—	—	—	—	—	—
Others	—	—	—	—	—	—

• Policy-reserve-matching Bonds

(Millions of yen)

	As of March 31, 2015			As of September 30, 2015		
	Carrying value on the balance sheet	Fair value	Differences	Carrying value on the balance sheet	Fair value	Differences
Bonds whose fair value exceeds the carrying value on the balance sheet	1,194,892	1,325,896	131,004	1,103,006	1,228,101	125,094
Domestic bonds	1,163,793	1,294,527	130,733	1,082,908	1,207,752	124,843
Foreign bonds	31,098	31,369	270	20,098	20,349	250
Others	—	—	—	—	—	—
Bonds whose fair value does not exceed the carrying value on the balance sheet	20,803	20,753	(50)	15,212	15,146	(66)
Domestic bonds	10,803	10,753	(50)	5,212	5,146	(66)
Foreign bonds	10,000	10,000	—	10,000	10,000	—
Others	—	—	—	—	—	—

• Available-for-sale Securities

(Millions of yen)

	As of March 31, 2015			As of September 30, 2015		
	Book value	Carrying value on the balance sheet	Differences	Book value	Carrying value on the balance sheet	Differences
Securities whose carrying value on the balance sheet exceeds the book value	2,087,739	2,699,411	611,672	2,196,050	2,710,855	514,805
Domestic bonds	800,549	885,818	85,269	724,309	796,786	72,476
Domestic stocks	270,078	587,921	317,842	247,194	506,361	259,167
Foreign securities	964,096	1,151,884	187,788	1,184,161	1,352,566	168,404
Foreign bonds	756,771	875,365	118,593	1,017,000	1,130,137	113,136
Foreign stocks	207,324	276,519	69,194	167,160	222,429	55,268
Other securities	53,015	73,787	20,771	40,384	55,141	14,757
Money held in trust	—	—	—	—	—	—
Money claims bought	—	—	—	—	—	—
Negotiable certificate of deposits	—	—	—	—	—	—
Others	—	—	—	—	—	—
Securities whose carrying value on the balance sheet does not exceed the book value	62,854	61,493	(1,360)	203,049	192,896	(10,153)
Domestic bonds	7,001	6,977	(24)	30,814	30,614	(199)
Domestic stocks	9,470	9,245	(225)	40,730	37,554	(3,176)
Foreign securities	46,233	45,137	(1,096)	107,702	103,203	(4,499)
Foreign bonds	27,370	26,614	(756)	67,056	65,709	(1,347)
Foreign stocks	18,862	18,522	(340)	40,646	37,493	(3,152)
Other securities	148	133	(15)	23,802	21,524	(2,277)
Money held in trust	—	—	—	—	—	—
Money claims bought	—	—	—	—	—	—
Negotiable certificate of deposits	—	—	—	—	—	—
Others	—	—	—	—	—	—

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

(Millions of yen)

	As of March 31, 2015	As of September 30, 2015
Held-to-maturity bonds	—	—
Unlisted foreign bonds	—	—
Others	—	—
Policy-reserve-matching bonds	—	—
Investments in subsidiaries and affiliates	35,560	35,560
Available-for-sale securities	17,031	14,922
Unlisted domestic stocks (except over-the-counter stocks)	8,338	6,309
Unlisted foreign stocks (except over-the-counter stocks)	—	—
Unlisted foreign bonds	—	—
Others	8,693	8,613
Total	52,592	50,483

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

**(i) Gains and Losses on Derivatives**

(Millions of yen)

As of March 31, 2015	Interest-related	Currency-related	Stock-related	Bond-related	Others	Total
Hedge accounting applied	0	820	—	—	—	821
Hedge accounting not applied	(460)	685	—	200	—	426
<b>Total</b>	<b>(459)</b>	<b>1,506</b>	<b>—</b>	<b>200</b>	<b>—</b>	<b>1,247</b>
As of September 30, 2015	Interest-related	Currency-related	Stock-related	Bond-related	Others	Total
Hedge accounting applied	0	14,524	208	—	—	14,733
Hedge accounting not applied	(707)	1,480	168	(801)	—	139
<b>Total</b>	<b>(707)</b>	<b>16,004</b>	<b>376</b>	<b>(801)</b>	<b>—</b>	<b>14,872</b>

Note: Gains and losses from applying fair value hedge accounting (currency-related, gains of ¥820 million as of March 31, 2014, and currency-related gains of ¥14,524 million, stock-related gains of ¥208 million as of March 31, 2015) included in gains and losses with hedge accounting not applied are reported in the statements of operations.

**(ii) Hedge Accounting not Applied**

• Interest-related Transactions

(Millions of yen)

Interest-related transactions		As of March 31, 2015				As of September 30, 2015			
		Notional amount/ contract value		Fair value	Gains (losses)	Notional amount/ contract value		Fair value	Gains (losses)
		Over 1 year				Over 1 year			
Over-the-counter transactions									
Yen interest rate swaption contracts									
Sold									
Receipt fixed, payment floating		—	—			—	—		
		[ — ]		—	—	[ — ]		—	—
Payment fixed, receipt floating		—	—			—	—		
		[ — ]		—	—	[ — ]		—	—
Bought									
Receipt fixed, payment floating		—	—			—	—		
		[ — ]		—	—	[ — ]		—	—
Payment fixed, receipt floating		300,000	200,000			300,000	200,000		
		[ 1,289 ]		828	(460)	[ 1,289 ]		581	(707)
Total					(460)				(707)

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

• Currency-related Transactions

(Millions of yen)

Currency-related transactions

As of March 31, 2015

Notional amount/  
contract value

Over 1 year

Fair value

Gains  
(losses)

As of September 30, 2015

Notional amount/  
contract value

Over 1 year

Fair value

Gains  
(losses)

Currency forward contracts								
Sold	200,640	—	199,955	685	176,174	—	174,694	1,480
US dollar	35,215	—	34,887	327	73,515	—	73,239	275
Euro	42,190	—	42,585	(394)	41,039	—	40,759	279
Australian dollar	34,774	—	34,479	295	36,192	—	35,681	510
Canadian dollar	28,568	—	28,415	153	25,422	—	25,008	413
Swiss franc	—	—	—	—	4	—	4	0
British Pound	59,875	—	59,571	303	—	—	—	—
Swedish krona	9	—	9	0	—	—	—	—
Norwegian krone	6	—	6	0	—	—	—	—
Bought	193	—	193	0	13	—	13	(0)
US dollar	154	—	155	0	8	—	8	(0)
British Pound	1	—	1	0	4	—	4	(0)
Euro	19	—	19	(0)	—	—	—	—
Swiss franc	7	—	7	(0)	—	—	—	—
Swedish krona	6	—	6	(0)	—	—	—	—
Danish krone	2	—	2	(0)	—	—	—	—
Total				685				1,480

(millions of euros)

Notes: 1. Forward exchange rates are used for exchange rates as of September 30, 2015.

• Stock-related Transactions

(Millions of yen)

	As of March 31, 2015				As of September 30, 2015			
	Notional amount/ contract value	Over 1 year	Fair value	Gains (losses)	Notional amount/ contract value	Over 1 year	Fair value	Gains (losses)
Exchange-traded transactions								
Yen stock index options								
Sold	—	—	—	—	4,820	—	4,652	168
Bought	—	—	—	—	—	—	—	—
Total				—				168

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

• Bond-related Transactions

(Millions of yen)

	As of March 31, 2015				As of September 30, 2015			
	Notional amount/ contract value	Over 1 year	Fair value	Gains (losses)	Notional amount/ contract value	Over 1 year	Fair value	Gains (losses)
Exchange-traded transactions								
Yen bond futures								
Sold	294,876	—	294,440	436	257,174	—	257,798	(623)
Bought	—	—	—	—	—	—	—	—
Foreign bond futures								
Sold	40,083	—	40,318	(235)	44,951	—	45,129	(177)
Bought	—	—	—	—	—	—	—	—
Total				200				(801)

(iii) Hedge Accounting Applied

• Interest-related Transactions

(Millions of yen)

Interest-related Transactions										(Millions of yen)
		As of March 31, 2015				As of September 30, 2015				
Method of hedge accounting	Hedging instruments	Hedged items	Notional amount / contract value		Fair value	Hedged items	Notional amount / contract value		Fair value	
				Over 1 year				Over 1 year		
Deferral hedge method	Yen interest rate swap contracts	Loans				Loans				
	Receipt fixed, payment floating		85	—	0		42	—	0	
	Payment fixed, receipt floating		—	—	—		—	—	—	
Total										

(reference) Interest rate swap contracts by contractual maturity dates

(Millions of yen)

		As of March 31, 2015			As of September 30, 2015		
Yen interest rate swap contracts		1 year or shorter	Over 1 year to 3 years	Over 3 years	1 year or shorter	Over 1 year to 3 years	Over 3 years
Notional amount (receipts fixed, payments floating)		85	—	—	42	—	—
Average fixed rate (receipt)		2.47%	—	—	2.47%	—	—
Average floating rate (payment)		1.06%	—	—	1.06%	—	—
Notional amount (receipts floating, payments fixed)		—	—	—	—	—	—
Average floating rate (receipt)		—	—	—	—	—	—
Average fixed rate (payment)		—	—	—	—	—	—

• Currency-related Transactions

(Millions of yen)

Currency-related Transactions		As of March 31, 2015				As of September 30, 2015			
Method of hedge accounting	Hedging instruments	Hedged items	Notional amount / contract value		Fair value	Hedged items	Notional amount / contract value		Fair value
				Over 1 year				Over 1 year	
Fair value hedge method	Currency forward contracts	Foreign currency-denominated bonds				Foreign currency-denominated bonds			
	Sold		524,133	—	523,313		984,427	—	969,903
	(US dollar)		423,638	—	424,519		872,078	—	859,534
	(British Pound)		52,110	—	51,518		53,381	—	52,651
	(Euro)		36,682	—	35,799		47,796	—	47,239
	(Australian dollar)		11,702	—	11,475		11,170	—	10,477
	Bought		—	—	—		—	—	—
Total									

Notes 1. Forward exchange rates are used for exchange rates as of the end of fiscal year.

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

		As of March 31, 2015				As of September 30, 2015			
Method of hedge accounting	Hedging instruments	Hedged items	Notional amount / contract value		Fair value	Hedged items	Notional amount / contract value		Fair value
				Over 1 year				Over 1 year	
Fair value hedge method	Stock forward contracts					Domestic stocks			
	Sold		—	—	—		823	823	615
	Bought		—	—	—		—	—	—
Total									

• Bond-related Transactions

No ending balance as of March 31, 2015 and September 30, 2015.



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

### (1) Selected Financial Data

(Millions of yen)

	Six months ended September 30, 2014	Six months ended September 30, 2015
Ordinary revenues	493,244	505,474
Ordinary profits	52,123	50,662
Net surplus attributable to the parent company	39,402	46,050
Comprehensive income	109,450	(28,612)

Notes: From the six months ended September 30, 2015, "Net surplus" is presented as  
"Net surplus attributable to the parent company."

	As of March 31, 2015	As of September 30, 2015
Total assets	8,326,588	8,253,926
Solvency margin ratio	1,195.7%	1,250.9%

### (2) Scope of Consolidation and Application of Equity Method

Number of consolidated subsidiaries: 5

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

Number of affiliates accounted for under the equity method: 0

### (3) Consolidated Balance Sheets

(Millions of yen)

	As of March 31, 2015	As of September 30, 2015
<b>Assets:</b>		
Cash and deposits	154,319	91,821
Call loans	186,500	155,800
Monetary claims bought	870	842
Money held in trust	34,319	33,735
Securities	6,881,578	6,931,251
Loans	767,293	737,539
Tangible fixed assets	227,919	217,491
Intangible fixed assets	15,323	14,364
Agency receivables	4	1
Reinsurance receivables	107	35
Other assets	59,659	72,322
Deferred tax assets	640	669
Allowance for possible loan losses	(1,948)	(1,948)
<b>Total assets</b>	<b>8,326,588</b>	<b>8,253,926</b>
<b>Liabilities:</b>		
Policy reserves	7,234,120	7,261,245
Reserve for outstanding claims	23,501	21,886
Policy reserve	7,160,599	7,171,149
Reserve for dividends to policyholders	49,311	67,643
Reserve for dividends to policyholders (subsidiary)	707	565
Agency payables	377	349
Reinsurance payables	125	163
Subordinated bonds	118,959	141,935
Other liabilities	59,240	48,922
Net defined benefit liabilities	50,691	30,862
Reserve for price fluctuation of securities	55,177	56,761
Deferred tax liabilities	84,524	55,979
Deferred tax liabilities for revaluation reserve for land	14,787	14,764
<b>Total liabilities</b>	<b>7,618,005</b>	<b>7,610,984</b>
<b>Net assets:</b>		
Foundation funds	30,000	30,000
Accumulated foundation funds redeemed	86,000	86,000
Reserve for revaluation	112	112
Consolidated surplus	145,942	155,036
Total foundation funds, surplus and others	262,054	271,148
Net unrealized gains (losses) on available-for-sale securities, net of tax	440,109	365,006
Deferred valuation gains (losses) under hedge accounting, net of tax	0	0
Revaluation reserve for land, net of tax	3,894	3,836
Foreign currency translation adjustments	(52)	5
Accumulated remeasurements of defined benefit plans	(3,000)	(2,699)
Total accumulated other comprehensive income	440,951	366,148
Non-controlling interests	5,576	5,644
<b>Total net assets</b>	<b>708,582</b>	<b>642,941</b>
<b>Total liabilities and net assets</b>	<b>8,326,588</b>	<b>8,253,926</b>

Notes: From the six months ended September 30, 2015, "Minority interests" are presented as "Non-controlling interests."

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

[Consolidated Statements of Operations]

(Millions of yen)

	Six months ended September 30, 2014	Six months ended September 30, 2015
<b>Ordinary revenues:</b>		
Premium and other income	378,115	398,230
Investment income	106,261	100,634
[Interest, dividends and other income]	[78,048]	[78,141]
[Gains from money held in trust, net]	[1,374]	[—]
[Gains from trading securities, net]	[16,149]	[—]
[Gains on sales of securities]	[5,133]	[22,320]
[Gains from separate accounts, net]	[4,792]	[—]
Other ordinary revenues	8,867	6,610
[Reversal of reserve for outstanding claims]	[4,088]	[1,615]
<b>Total ordinary revenues</b>	<b>493,244</b>	<b>505,474</b>
<b>Ordinary expenses:</b>		
Claims and other payments	282,511	361,682
[Claims]	[68,473]	[86,859]
[Annuities]	[76,800]	[105,386]
[Benefits]	[62,534]	[60,468]
[Surrenders]	[60,323]	[90,262]
[Other payments]	[14,094]	[18,396]
Provision for policy reserve and others	79,787	10,574
Provision for policy reserve	79,756	10,549
Provision for interest on reserve for dividends to policyholders	30	24
Provision for interest on reserve for dividends to policyholders (subsidiary)	0	0
Investment expenses	17,934	22,486
[Interest expenses]	[2,169]	[2,394]
[Losses from money held in trust, net]	[—]	[556]
[Losses from trading securities, net]	[—]	[2,064]
[Losses on sales of securities]	[167]	[3,343]
[Losses on valuation of securities]	[111]	[—]
[Losses from derivative instruments, net]	[11,014]	[4,803]
[Losses from separate accounts, net]	[—]	[2,604]
Operating expenses	48,691	48,610
Other ordinary expenses	12,194	11,457
<b>Total ordinary expenses</b>	<b>441,120</b>	<b>454,811</b>
<b>Ordinary profits</b>	<b>52,123</b>	<b>50,662</b>
<b>Extraordinary gains:</b>		
Gains on disposal of fixed assets	4	1,356
Gain on contribution of securities to retirement benefit trust	—	7,913
<b>Total extraordinary gains</b>	<b>4</b>	<b>9,270</b>
<b>Extraordinary losses:</b>		
Losses on disposal of fixed assets	26	138
Impairment losses	95	208
Provision for reserve for price fluctuation of securities	1,416	1,583
<b>Total extraordinary losses</b>	<b>1,538</b>	<b>1,930</b>
<b>Provision for reserve for dividends to policyholders (subsidiary)</b>	<b>267</b>	<b>239</b>
<b>Surplus before income taxes</b>	<b>50,322</b>	<b>57,762</b>
<b>Income taxes:</b>		
Current	10,855	9,920
Deferred	(28)	1,719
<b>Total income taxes</b>	<b>10,826</b>	<b>11,640</b>
<b>Net surplus</b>	<b>39,496</b>	<b>46,122</b>
<b>Net surplus attributable to non-controlling interests</b>	<b>94</b>	<b>71</b>
<b>Net surplus attributable to the parent company</b>	<b>39,402</b>	<b>46,050</b>

Notes: From the six months ended September 30, 2015, "Net surplus before minority interests," "Minority interests" and "Net surplus" are presented as "Net surplus," "Net surplus attributable to non-controlling interests" and "Net surplus attributable to the parent company," respectively.

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

[Consolidated Statement of Comprehensive Income]

(Millions of yen)

	Six months ended September 30, 2014	Six months ended September 30, 2015
Net surplus	39,496	46,122
Other comprehensive income	69,954	(74,734)
Net unrealized gains (losses) on available-for-sale securities, net of tax	69,750	(75,093)
Deferred valuation gains (losses) under hedge accounting, net of tax	(1)	(0)
Revaluation reserve for land, net of tax	—	0
Foreign currency translation adjustments	(38)	57
Remeasurements of defined benefit plan, net of tax	243	300
Comprehensive income	109,450	(28,612)
Comprehensive income attributable to the parent company	109,203	(28,694)
Comprehensive income attributable to non-controlling interests	246	82

Notes: From the six months ended September 30, 2015, "Net surplus before minority interests," and "Comprehensive income attributable to minority interests" are presented as "Net surplus," and "Comprehensive income attributable to non-controlling interests," respectively.

## (5) Consolidated Statements of Cash Flows

(Millions of yen)

	Six months ended September 30, 2014	Six months ended September 30, 2015
<b>Cash flows from operating activities:</b>		
Surplus before income taxes	50,322	57,762
Depreciation of real estate for rent and other assets	2,413	2,148
Depreciation	3,455	3,690
Impairment losses	95	208
Amortization of goodwill	381	381
(Gains) Losses on contribution of securities to retirement benefit trust	—	(7,913)
Increase (Decrease) in reserve for outstanding claims	(4,088)	(1,615)
Increase (Decrease) in policy reserve	79,756	10,549
Interest on accumulated dividends to policyholders	30	24
Interest on accumulated dividends to policyholders (subsidiary)	0	0
Provision for reserve for dividends to policyholders (subsidiary)	267	239
Increase (Decrease) in allowance for possible loan losses	(215)	0
Increase (Decrease) in net defined benefit liabilities	(860)	(739)
Increase (Decrease) in reserve for price fluctuation of securities	1,416	1,583
Interest, dividends and other income	(78,048)	(78,141)
(Gains) Losses on securities, net	(16,156)	(8,948)
Interest expenses	2,169	2,394
Foreign exchange (gains) losses, net	(528)	2,324
(Gains) Losses on tangible fixed assets, net	10	(1,222)
Others	(1,676)	4,591
Subtotal	38,744	(12,681)
Interest, dividends and other income received	85,402	85,707
Interest paid	(3,100)	(3,022)
Dividends to policyholders paid	(16,617)	(18,390)
Dividends to policyholders paid (subsidiary)	(399)	(381)
Corporate income tax (paid) refunded	(14,280)	(18,334)
Net cash provided by (used in) operating activities (I)	89,749	32,896
<b>Cash flows from investing activities:</b>		
(Increase) Decrease in deposits	(110)	(13)
Proceeds from sales and redemption of monetary claims bought	85	28
Payments for purchase of securities	(388,484)	(624,289)
Proceeds from sales and redemption of securities	254,290	462,730
Payments for additions to loans	(15,272)	(32,306)
Proceeds from collections of loans	69,758	57,356
Proceeds from and payment for settlements of derivatives, net	(21,956)	(15,516)
Others	(2,474)	(1,974)
Subtotal (IIa)	(104,163)	(153,985)
(I+IIa)	[ (14,414) ]	[ (121,088) ]
Payments for purchase of tangible fixed assets	(717)	(2,552)
Proceeds from sales of tangible fixed assets	58	10,784
Payments for purchase of intangible fixed assets	(900)	(1,376)
Net cash provided by (used in) investing activities	(105,723)	(147,129)
<b>Cash flows from financing activities:</b>		
Financing of subordinated bonds	—	62,065
Redemption of subordinated bonds	—	(40,326)
Financing of additional foundation funds	10,000	—
Redemption of foundation funds	(15,000)	—
Interest payment for foundation funds	(621)	(316)
Dividends paid to non-controlling interests	(12)	(13)
Payments for lease obligations	(366)	(271)
Net cash provided by (used in) financing activities	(6,000)	21,137
<b>Effect of exchange rate changes on cash and cash equivalents</b>	(125)	(155)
<b>Net increase (decrease) in cash and cash equivalents</b>	(22,110)	(93,251)
<b>Cash and cash equivalents at the beginning of the period</b>	238,373	339,246
<b>Cash and cash equivalents at the end of the period</b>	216,263	245,995

Notes: From the six months ended September 30, 2015, "Dividends paid to minority interests" is presented as "Dividends paid to non-controlling interests."

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

[For the six months ended September 30, 2014]

(Millions of yen)

	Foundation funds, surplus and others				
	Foundation funds	Accumulated foundation funds redeemed	Reserve for revaluation	Consolidated surplus	Total foundation funds, surplus and others
Balance at the beginning of the current period	35,000	71,000	112	126,584	232,696
Cumulative effects of changes in accounting policies				(3,297)	(3,297)
Restated balance	35,000	71,000	112	123,286	229,399
Changes in the current period					
Financing of additional foundation funds	10,000				10,000
Additions to reserve for dividends to policyholders				(31,595)	(31,595)
Additions to accumulated foundation funds redeemed		15,000			15,000
Payment of interest on foundation funds				(621)	(621)
Net surplus attributable to owners of parent for the current period				39,402	39,402
Redemption of foundation funds	(15,000)				(15,000)
Reversal of reserve for redemption of foundation funds				(15,000)	(15,000)
Reversal of revaluation reserve for land, net of tax				(21)	(21)
Net changes, excluding foundation funds, surplus and others					
Total changes in the current period	(5,000)	15,000	—	(7,836)	2,163
Balance at the end of the current period	30,000	86,000	112	115,450	231,562

	Accumulated other comprehensive income						Non-controlling interests	Total net assets
	Net unrealized gains (losses) on available-for-sale securities, net of tax	Deferred valuation gains (losses) under hedge accounting, net of tax	Revaluation reserve for land, net of tax	Foreign currency translation adjustments	Accumulated remeasurements of defined benefit plans	Total accumulated other comprehensive income		
Balance at the beginning of the current period	263,161	2	3,144	(261)	(3,918)	262,127	5,066	499,890
Cumulative effects of changes in accounting policies								(3,297)
Restated balance	263,161	2	3,144	(261)	(3,918)	262,127	5,066	496,593
Changes in the current period								
Financing of additional foundation funds								10,000
Additions to reserve for dividends to policyholders								(31,595)
Additions to accumulated foundation funds redeemed								15,000
Payment of interest on foundation funds								(621)
Net surplus attributable to owners of parent for the current period								39,402
Redemption of foundation funds								(15,000)
Reversal of reserve for redemption of foundation funds								(15,000)
Reversal of revaluation reserve for land, net of tax								(21)
Net changes, excluding foundation funds, surplus and others	69,597	(1)	21	(38)	243	69,822	234	70,057
Total changes in the current period	69,597	(1)	21	(38)	243	69,822	234	72,220
Balance at the end of the current period	332,758	1	3,165	(299)	(3,675)	331,950	5,300	568,814

**[For the six months ended September 30, 2015]**

(Millions of yen)

	Foundation funds, surplus and others				
	Foundation funds	Accumulated foundation funds redeemed	Reserve for revaluation	Consolidated surplus	Total foundation funds, surplus and others
Balance at the beginning of the current period	30,000	86,000	112	145,942	262,054
Changes in the current period					
Additions to reserve for dividends to policyholders				(36,698)	(36,698)
Payment of interest on foundation funds				(316)	(316)
Net surplus attributable to owners of parent for the current period				46,050	46,050
Reversal of revaluation reserve for land, net of tax				58	58
Net changes, excluding foundation funds, surplus and others					
Total changes in the current period	—	—	—	9,093	9,093
Balance at the end of the current period	35,000	86,000	112	155,036	271,148

	Accumulated other comprehensive income						Non-controlling interests	Total net assets
	Net unrealized gains (losses) on available-for-sale securities, net of tax	Deferred valuation gains (losses) under hedge accounting, net of tax	Revaluation reserve for land, net of tax	Foreign currency translation adjustments	Accumulated remeasurements of defined benefit plans	Total accumulated other comprehensive income		
Balance at the beginning of the current period	440,109	0	3,894	(52)	(3,000)	440,951	5,576	708,582
Changes in the current period								
Additions to reserve for dividends to policyholders								(36,698)
Payment of interest on foundation funds								(316)
Net surplus attributable to owners of parent for the current period								46,050
Reversal of revaluation reserve for land, net of tax								58
Net changes, excluding foundation funds, surplus and others	(75,103)	(0)	(57)	57	300	(74,802)	68	(74,734)
Total changes in the current period	(75,103)	(0)	(57)	57	300	(74,802)	68	(65,640)
Balance at the end of the current period	365,006	0	3,836	5	(2,699)	366,148	5,644	642,941

Notes: From the six months ended September 30, 2015, "Net surplus," and "Minority interests" are presented as "Net surplus attributable to owners of parent," and "Non-controlling interests," respectively.

# Notes to the Consolidated Financial Statements

## I. Presentation of the Consolidated Financial Statements

### 1. Basis of Presentation

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

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

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

### 2. Principles of Consolidation

#### (1) Scope of Consolidation

Consolidated subsidiaries as of September 30, 2015 are listed below:

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

Major unconsolidated subsidiary is Fukoku Seimei Building Company Limited.

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

#### (2) Application of Equity Method

Unconsolidated subsidiaries (such as Fukoku Seimei Building Company Limited, etc.) are insignificant in their impact on net surplus and surplus, and also immaterial as a whole, therefore, application of equity method is withheld.

There are no affiliates for the six months ended September 30, 2015.

#### (3) Interim Closing Date of Consolidated Subsidiaries

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

## II. Notes to Balance Sheets

### 1. Significant Accounting Policies

#### (1) Valuation Methods of Securities

The valuation of securities, including bank deposits and monetary claims bought which are equivalent to securities, and securities managed as trust assets in money held in trust, is as follows:

- i) Trading securities are stated at fair market value. Costs of their sales are determined by the moving average method.
- ii) Held-to-maturity debt securities are stated at amortized cost under the straight-line method, cost being determined by the moving average method.
- iii) Policy-reserve-matching bonds are stated at amortized cost under the straight-line method, cost being determined by the moving average method in accordance with "Temporary Treatment of Accounting and Auditing Concerning Policy-reserve-matching Bonds in Insurance Industry" (Industry Audit



Committee Report No.21 issued by the Japanese Institute of Certified Public Accountants on November 16, 2000).

- iv) Investments in unconsolidated subsidiaries and affiliates which are not accounted for under the equity method are stated at cost, cost being determined by the moving average method.
- v) Available-for-sale securities with fair market value are stated at fair market value based on the market prices at the end of the balance sheet date. Costs of their sales are determined by the moving average method. Net unrealized gains or losses on these available-for-sale securities, net of taxes, are recorded as a separate component of net assets.

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

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

Derivative instruments are stated at fair market value.

## **(3) Revaluation of Land**

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

- Date of revaluation: March 31, 2002
- Method of revaluation as prescribed for in Article 3 Paragraph 3 of the said Law:  
Calculation is based on the appraisal value for property tax set forth in Article 2 item 3 of the Enforcement Ordinance of the Law for Revaluation of Land (Government Ordinance No.119 promulgated on March 31, 1998) and the road rate set forth in Article 2 item 4 of the said Ordinance with certain reasonable adjustments.

## **(4) Depreciation of Tangible Fixed Assets**

Depreciation of the Company's tangible fixed assets is calculated by the following methods.

- Tangible fixed assets (excluding lease assets):Declining-balance method  
However, buildings (excluding building attachments and structures) acquired on or after April 1, 1998 are depreciated using Straight-line methods.
- Lease assets related to finance lease transactions that do not transfer ownership: Straight-line method over the lease term without residual value

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

## **(5) Foreign Currency Translation**

Foreign currency-denominated assets and liabilities except for the shares of unconsolidated subsidiaries and affiliates are translated into Japanese yen at the effective exchange rate prevailing at the balance sheet date. The shares of unconsolidated subsidiaries and affiliates are translated into Japanese yen at the effective exchange rate on the date of acquisition.

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

Allowance for possible loan losses is provided in accordance with the Company's standards of self-assessment and write-offs and reserves on credit quality:

- i) For the credits of borrowers who are legally bankrupt such as being in the proceedings of bankruptcy or civil rehabilitation (hereinafter called "legally bankrupt borrowers") and who are substantially bankrupt (hereinafter called "substantially bankrupt borrowers"), the Company provides the remaining amount of credits after the direct write-off described below and the deductions of the amount expected to be collected through the disposal of collateral or the execution of guarantees.
- ii) For the credits of borrowers who are not currently bankrupt but have a high possibility of bankruptcy (hereinafter called "not currently bankrupt borrowers" ), the Company provides the amounts deemed

as necessary considering the borrowers' ability to pay, within the amounts after deductions of the amount expected to be collected through the disposal of collateral or the execution of guarantees.

- iii) For the credits of borrowers other than the above, the Company provides the amounts calculated by multiplying the borrowers' balance by the actual ratio of bad debt losses on defaults during a certain past period.

All credits are assessed by the relevant departments in accordance with the Company's standards of self-assessment on credit quality. The results of the assessment are reviewed by the audit department, which is independent of business-related divisions. Subsequently, the allowance for possible loan losses is provided based on the results of these assessments.

For the credits of legally bankrupt borrowers and substantially bankrupt borrowers, the amounts remaining after deductions of collateral values or the amounts collectible through the executions of guarantees are written-off directly from the borrowers' balances as the estimated uncollectible amounts. The amount written-off as of September 30, 2015 was ¥247 million.

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

Net defined benefit liabilities are presented for the employees' retirement benefits after deducting pension plan assets from retirement benefit obligations, based on estimated amounts as of the balance sheet date.

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

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

In the current period ended September 30, 2015, the Company contributed a portion of its stock holdings to establish a trust account for retirement benefits amounting to ¥18,666 million and recognized a gain on contribution of securities to retirement benefit trust amounting to ¥7,913 million as an extraordinary gain.

## **(8) Reserve for Price Fluctuation of Securities**

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

## **(9) Lease Transactions as a Lessor**

As for the finance lease transactions where the Company is a lessor, the lease fee is recorded in "interest, dividends and other income" at the time of receiving the lease fee. The corresponding cost of the lease transactions is recorded in "investment expenses," which is calculated by deducting an amount equivalent to the interest allocated over the lease term from the lease fee received.

## **(10) Accounting for Hedge Activities**

Hedge accounting is based on "Accounting Standards for Financial Instruments" (ASBJ Statement No. 10, August 11, 2006).

For the foreign currency forward contracts against the exchange rate fluctuations in the value of foreign currency-denominated bonds classified as available-for-sale securities, which qualify for hedge accounting because of high correlation and effectiveness between the hedging instruments and the hedged items, valuation gains and losses on the foreign currency forward contracts are recorded in the statements of operations.

For the stock forward transactions against the price fluctuations in the value of domestic stocks classified as available-for-sale securities, which qualify for hedge accounting because of high correlation and effectiveness between the hedging instruments and the hedged items, valuation gains and losses on the stock forward transactions are recorded in the statements of operations.

For the interest rate swaps against the interest rate fluctuations regarding loans, which qualify for hedge accounting because of high correlation and effectiveness between the hedging instruments and the hedged items, valuation gains and losses on the interest rate swaps are deferred until the maturity of the hedged transactions.

The Company applies foreign currency swap appropriated treatment as a hedge for the foreign exchange fluctuation risk associated with foreign currency denominated bonds issued by the Company.

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

## **(11) Accounting for Consumption Taxes**

The Company accounts for consumption taxes by the tax-exclusion method. The consumption taxes on certain assets, which are not deductible from consumption taxes withheld and that are stipulated to be deferred under the Tax Law, are deferred as prepaid expenses and amortized equally over five years.

Consumption taxes other than deferred consumption taxes are recognized as an expense when incurred.

## **(12) Policy Reserve**

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

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

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

Based on the provision of paragraph 5, Article 69 of the Enforcement Regulation of the Insurance Business Law, the Company's certain individual annuity insurance policies and certain hospitalization riders with surgery benefits and long-term hospitalization benefits have funded policy reserves included.

## **(13) Amortization Method for Intangible Fixed Assets**

Intangible fixed assets are amortized as follows:

i) Software

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

ii) Lease assets

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

## **(14) Policy-reserve-matching Bonds**

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

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

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

In the Consolidated Statements of Cash Flows for the six months ended September 30, 2015, with regard to cash flows relating to the acquisition and sale of stocks of subsidiaries and affiliates that do not affect the scope of consolidation, these are classified within cash flows from financing activities. With regard to cash flows relating to acquisition-related expenses of subsidiaries and affiliates for which a change in the scope of consolidation occurs, or expenses stemming from the acquisition or sale of stocks of subsidiaries and affiliates that do not affect the scope of consolidation, the Company has changed the presentation of such expenses to be classified within cash flows from operating activities.

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

These accounting changes have no impact on ordinary profits or surplus before income taxes for the six months ended September 30, 2015. These accounting changes have no impact on consolidated surplus as of September 30, 2015.

### 3. Financial Instruments

The carrying amounts, fair values and their related differences of major financial assets and liabilities as of September 30, 2015, were as follows:

	Carrying amount	Fair value	Difference
			(Millions of yen)
Cash and deposits:			
Cash and deposits not treated as securities...	¥ 91,777	¥ 91,777	¥ —
Total cash and deposits.....	91,777	91,777	—
Call loans.....	155,800	155,800	—
Monetary claims bought:			
Claims treated as loans.....	842	893	50
Total monetary claims bought.....	842	893	50
Money held in trust:			
Trading securities.....	32,735	32,735	—
Total money held in trust.....	32,735	32,735	—
Securities:			
Trading securities.....	311,329	311,329	—
Held-to-maturity debt securities.....	1,238,529	1,415,773	177,244
Policy-reserve-matching bonds.....	2,079,747	2,280,016	200,268
Investments in subsidiaries and affiliates.....	40	42	1
Available-for-sale securities.....	3,207,827	3,207,827	—
Total securities.....	6,837,474	7,214,988	377,514
Loans:			
Policy loans.....	65,698	65,698	(0)
Ordinary loans.....	671,841	694,740	22,899
Total loans.....	737,539	760,438	22,899
Assets total.....	7,856,168	8,256,632	400,464
Subordinated bonds* <sup>1</sup> .....	141,935	143,184	1,249
Liabilities total.....	141,935	143,184	1,249
Derivative instruments* <sup>2</sup> :			
Hedge accounting not applied.....	139	139	—
Hedge accounting applied.....	14,733	14,733	—
Total derivative instruments.....	¥ 14,872	¥ 14,872	¥ —

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

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

- (1) Cash, deposits (excluding financial instruments treated as securities based on “Accounting Standards for Financial Instruments” (ASBJ Statement No.10)) and call loans:

The fair values of cash, deposits and call loans are based on their book values since fair values approximate book values due to their short maturities.

- (2) Securities including deposits and monetary claims bought which are treated as securities based on “Accounting Standards for Financial Instruments” (ASBJ Statement No.10) and securities managed as trust assets in money held in trust:

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

Investments in unconsolidated subsidiaries and affiliates, unlisted stocks and investments in partnerships whereby partnership assets consist of unlisted stocks whose fair values are deemed extremely difficult to obtain, are excluded from above securities. The carrying amounts of investments in unconsolidated subsidiaries and affiliates, unlisted stocks and investments in partnerships were ¥519 million, ¥6,309 million and ¥8,613 million as of September 30, 2015.

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

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

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

The fair values of loans receivable from legally bankrupt borrowers, substantially bankrupt borrowers and not currently bankrupt borrowers and monetary claims bought treated as loans are computed by deducting the amount of the allowance for doubtful accounts from the book values before direct write-offs.

- (4) Subordinated bonds:

Subordinated bonds issued by the Company are stated at fair market values.

- (5) Derivative instruments:

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

#### **4. Investment and Rental Property**

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

#### **5. Securities Lent under Lending Agreements**

The amount of securities lent under lending agreements was ¥54,612 million as of September 30, 2015.

#### **6. Loans Receivable**

The total amount of credits to bankrupt borrowers, delinquent loans, delinquent loans past 3 months or more and restructured loans, which were included in loans was ¥1,609 million as of September 30, 2015.

- i) The balance of credits to bankrupt borrowers was ¥212 million as of September 30, 2015.

- ii) The balance of delinquent loans was ¥1,221 million as of September 30, 2015.
- iii) The balance of restructured loans was ¥174 million as of September 30, 2015.
- iv) There was no balance of delinquent loans past 3 months or more as of September 30, 2015.

The direct write-offs related to loans decreased the credits to bankrupt borrowers described above by ¥247 million as of September 30, 2015.

Credits to bankrupt borrowers represent loans, excluding the balances already written-off, which meet the conditions prescribed in Article 96 Paragraph 1 item 3 and 4 of the Enforcement Regulations of the Corporate Tax Law. Moreover, accrued interest on these loans is not recorded as income after determining that principal or interest on these loans is unlikely to be collected due to the significant delay in repayment of principal or interest payment or for some other reasons.

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

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

Restructured loans are loans for which certain concessions favorable to borrowers, such as interest reduction or exemptions, rescheduling of due date of principal or interest payment, waiver of claim or other terms, have been negotiated for the purpose of assisting and supporting the borrowers in the restructuring of their business. This category excludes loans classified as credits to bankrupt borrowers, delinquent loans and delinquent loans past 3 months or more.

## 7. Accumulated Depreciation of Tangible Fixed Assets

Accumulated depreciation of tangible fixed assets totaled to ¥151,480 million as of September 30, 2015.

## 8. Separate Accounts

Total assets in separate accounts provided for in Article 118 of the Insurance Business Law were ¥80,813 million as of September 30, 2015. The amounts of separate account liabilities were the same as separate account assets.

## 9. Reserve for Dividends to Policyholders

Changes in reserve for dividends to policyholders for the six months ended September 30, 2015 were as follows:

	(Millions of yen)
Balance at the beginning of the current period.....	¥ 49,311
Transfer from surplus in previous fiscal year.....	36,698
Dividends paid in the current period.....	(18,390)
Increase in interest.....	24
Balance at the end of the current period.....	<u>¥ 67,643</u>

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

Changes in reserve for dividends to policyholders for the six months ended September 30, 2015 were as follows:

	(Millions of yen)
Balance at the beginning of the current period.....	¥ 707
Dividends paid in the current period.....	(381)
Increase in interest.....	0
Provision for reserve for dividends to policyholders.....	239
Balance at the end of the current period.....	<u>¥ 565</u>

#### 11. Stocks of Unconsolidated Subsidiaries

The amounts of stocks of unconsolidated subsidiaries the Company held as of September 30, 2015 was ¥560 million.

#### 12. Pledged Assets and Secured Debts

Assets pledged as collateral as of September 30, 2015 were ¥27,983 million of securities and ¥1,704 million of bank deposits.

Secured debts as of September 30, 2015 were ¥4,863 million.

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

Reserve for outstanding claims for the reinsurance contracts provided in accordance with Article 71 Paragraph 1 of the Enforcement Regulation of the Insurance Business Law (hereinafter called "reserve for outstanding claims for ceded reinsurance") was ¥16 million as of September 30, 2015.

Policy reserve for the reinsurance contracts provided in accordance with Article 71 Paragraph 1 of the Enforcement Regulation of the Insurance Business Law (hereinafter called "policy reserve for ceded reinsurance") was ¥48 million as of September 30, 2015.

#### 14. Commitment Line

As of September 30, 2015, there were unused commitment line agreements under which the Company is the lender of ¥12,172 million.

#### 15. Subordinated Bonds

Repayments of subordinated bonds are subordinated to other obligations.

#### 16. Contribution to Policyholders Protection Corporation

The future contribution to the Life Insurance Policyholders Protection Corporation of Japan under Article 259 of the Insurance Business Law was estimated at ¥12,450 million as of September 30, 2015. The contribution was charged as operating expenses in the year in which it was paid.

### III. Notes to Statements of Operations

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

For the six months ended September 30, 2015, reversal of reserve for outstanding claims for ceded reinsurance considered in calculation of reversal of reserve for outstanding claims was ¥34 million and reversal of policy reserve for ceded reinsurance considered in calculation of provision for policy reserve was ¥3 million.

### IV. Notes to Statements of Cash Flows

#### 1. Scope of Cash and Cash Equivalents

Cash and cash equivalents as of September 30, 2015 consist of "Cash," "Deposits in transfer account," "Current deposits," "Ordinary deposits," "Notice deposits," "Time deposits maturing within 3 months of the date of acquisition," "Foreign currency deposits maturing within 3 months of the date of acquisition," "Negotiable certificate of deposits maturing within 3 months of the date of acquisition," "Call loans" and "Monetary claims bought maturing within 3 months of the date of acquisition."

#### 2. Reconciliations of Cash and Cash Equivalents

Reconciliations of cash and cash equivalents in the consolidated statements of cash flows to the consolidated balance sheet accounts as of September 30, 2015 were as follows:

	(Millions of yen)
Cash and deposits.....	¥ 91,821
Call loans.....	155,800
Monetary claims bought.....	842
Time deposits maturing over 3 months of the date of acquisition.....	(300)
Foreign currency deposits maturing over 3 months of the date of acquisition....	(1,325)
Monetary claims bought maturing over 3 months of the date of acquisition.....	(842)
Cash and cash equivalents.....	<u>¥ 245,995</u>

#### 3. Reclassification

Previously, foreign exchange gains and losses accompanying sales and redemption of securities and foreign exchange gains and losses accompanying settlements of derivatives were included in others within cash flows from investing activities. However, owing to an increase in materiality of these items in the six months ended September 30, 2015, these items are presented as part of proceeds from sales and redemption of securities and proceeds from and payments for settlement of derivatives, respectively.

In the six months ended September 30, 2014, as components of others within cash flows from investing activities, foreign exchange gains accompanying sales and redemption of securities amounted to ¥1,192 million, and foreign exchange losses accompanying settlement of derivatives amounted to ¥11,269 million.



## (7) Consolidated Solvency Margin Ratio

(Millions of yen)

	As of March 31, 2015	As of September 30, 2015
Total solvency margin (A)	1,441,649	1,412,546
Foundation funds and surplus	227,256	254,378
Reserve for price fluctuation of securities	55,177	56,761
Contingency reserve	144,417	144,115
Catastrophe loss reserve	—	—
Allowance for possible loan losses	1,403	1,367
Net unrealized gains on available - for - sale securities x 90%	558,124	463,138
Net unrealized gains on real estate x 85%	99,173	98,597
Sum of unrecognized actuarial differences and unrecognized prior service cost	(4,217)	(3,794)
Excess amount of policy reserve based on full-time Zillmer method	199,957	202,572
Qualifying subordinated debt	118,959	141,935
The amount of "excess amount of policy reserve based on full-time Zillmer method" and "qualifying subordinated debt" excluded from the calculation of solvency margin	—	—
Deductible items	—	—
Others	41,397	53,473
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)	241,122	225,843
Insurance risk	26,074	25,473
General insurance risk	—	—
Catastrophe risk	—	—
3rd sector insurance risk	9,689	9,687
Small amount and short-term insurance risk	—	—
Assumed investment yield risk	36,236	36,233
Minimum guarantee risk	0	0
Investment risk	196,781	181,729
Business risk	5,375	5,062
Solvency margin ratio $\frac{(A)}{(1/2) \times (B)} \times 100$	1,195.7%	1,250.9%

Notes: 1. The figures above as of March 31, 2015, are calculated based on Articles 86-2 and 88 of the Enforcement Regulation of the Insurance Business Law and Notification of the Financial Services Agency No.23,2011. Figures as of June 30, 2015, are calculated pursuant to these standards.

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