

## Financial Results for the Year Ended March 31, 2014

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

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Attached: Supplementary Materials for the Year Ended March 31, 2014

# Financial Summary for the Year Ended March 31, 2014

## 1. Business Highlights

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

#### (i) Policies in Force

	As of March 31, 2013				As of March 31, 2014			
	Number of policies		Amount		Number of policies		Amount	
	(Thousands)	Changes (% YoY)	(100 millions of yen)	Changes (% YoY)	(Thousands)	Changes (% YoY)	(100 millions of yen)	Changes (% YoY)
Individual insurance	3,008	100.8	248,851	95.9	3,044	101.2	242,084	97.3
Individual annuities	783	101.7	30,341	101.2	758	96.8	29,487	97.2
Subtotal	3,791	101.0	279,192	96.4	3,802	100.3	271,572	97.3
Group insurance	—	—	163,902	102.1	—	—	165,468	101.0
Group annuities	—	—	19,946	101.1	—	—	20,305	101.8

Notes: 1. Policy amounts for individual annuities are equal to (a) the funds to be held at the time annuity payments are to commence for an annuity for which 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

Year ended March 31, 2013	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	398	102.8	13,438	101.0	15,472	101.6	(2,034)	—
Individual annuities	43	100.8	1,521	106.5	1,548	106.7	(27)	—
Subtotal	441	102.6	14,959	101.5	17,021	102.1	(2,061)	—
Group insurance	—	—	201	108.4	201	108.4	—	—
Group annuities	—	—	91	12,438.6	91	12,438.6	—	—

Year ended March 31, 2014	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	362	91.0	15,969	118.8	15,897	102.7	71	—
Individual annuities	17	40.1	565	37.2	583	37.7	(18)	—
Subtotal	379	86.0	16,534	110.5	16,481	96.8	52	—
Group insurance	—	—	554	275.8	554	275.8	—	—
Group annuities	—	—	0	0.2	0	0.2	—	—

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)

	Year ended March 31, 2013		Year ended March 31, 2014	
		Changes (% YoY)		Changes (% YoY)
Amount of surrender and lapses (100 millions of yen)	16,065	97.6	15,414	95.9
Surrender and lapse ratio (%)	5.55	0.07	5.52	(0.03)

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, 2013		As of March 31, 2014	
		Changes (%, YoY)		Changes (%, YoY)
Individual insurance	2,770	98.6	2,750	99.3
Individual annuities	1,335	102.5	1,326	99.3
Total	4,106	99.9	4,077	99.3
Medical coverage and living benefits	1,053	101.7	1,061	100.8

### (ii) New Policies

(100 millions of yen except percentage)

	Year ended March 31, 2013		Year ended March 31, 2014	
		Changes (%, YoY)		Changes (%, YoY)
Individual insurance	208	101.6	198	95.3
Individual annuities	60	94.0	24	41.5
Total	268	99.8	223	83.3
Medical coverage and living benefits	85	102.4	75	88.2

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. Amounts of new policies include net increase by conversion.

## (3) Selected Items of Statements of Operations

(100 millions of yen except percentage)

	Year ended March 31, 2013		Year ended March 31, 2014	
		Changes (%, YoY)		Changes (%, YoY)
Premium and other income	6,477	109.8	5,983	92.4
Investment income	1,788	122.7	1,930	108.0
Claims and other payments	5,202	107.7	5,037	96.8
Investment expenses	596	109.3	500	83.8
Ordinary profits	693	137.5	719	103.7

## (4) Statements of Surplus

(100 millions of yen except percentage)

	Year ended March 31, 2013		Year ended March 31, 2014	
		Changes (%, YoY)		Changes (%, YoY)
Unappropriated surplus	712	123.1	783	110.0
Reserve for dividends to policyholders	277	115.7	315	113.8
Net surplus	197	145.4	197	100.1
Unappropriated surplus carried forward	237	116.9	270	113.9

Note: Unappropriated surplus for the years ended March 31, 2013 and 2014 included reversal of voluntary surplus reserve of ¥144 million and ¥3,707 million, respectively.

## (5) Total Assets

(100 millions of yen except percentage)

	As of March 31, 2013		As of March 31, 2014	
		Changes (%, YoY)		Changes (%, YoY)
Total assets	60,072	105.4	62,147	103.5

## 2. Policies in Force by Coverage Type

[As of March 31, 2014]

(Thousands of number, 100 millions of yen)

	Individual insurance		Individual annuities		Group insurance		Total	
	Number	Amount	Number	Amount	Number	Amount	Number	Amount
Death coverage								
Illness and accident	1,968	167,968	—	823	17,998	165,442	19,966	334,234
Accident	1,293	26,845	264	772	2,539	5,749	4,098	33,367
Others	—	—	—	—	0	7	0	7
Survival coverage	1,075	62,919	758	28,657	7	26	1,841	91,602
Hospitalization coverage								
Accident	1,466	85	—	—	1,086	3	2,552	88
Illness	1,464	85	—	—	—	—	1,464	85
Others	1,985	97	—	—	0	0	1,986	97
Injury coverage	1,326	—	3	—	2,036	—	3,366	—
Surgical coverage	3,366	—	—	—	—	—	3,366	—
Disability coverage	185	11,197	0	6	—	—	185	11,203

(Thousands of number, 100 millions of yen)

	Group annuities		Worker's asset formation insurance and annuities		Total	
	Number	Amount	Number	Amount	Number	Amount
Survival coverage	9,970	20,305	17	350	9,987	20,655

(Thousands of number, millions of yen)

	Medical care insurance	
	Number	Amount
Hospitalization coverage	303	106

(Thousands of number, millions of yen)

	Group disability insurance	
	Number	Amount
Disability coverage	4	77

- Notes: 1. Number of group insurance, group annuities, worker's asset formation insurance and annuities, medical care insurance and group disability insurance show the number of insured.
2. Amounts in survival coverage for individual insurance and group insurance (other than annuity rider) show the sum of survival benefits, survival claims and nursing care benefits. Amounts in survival coverage for individual annuities, annuity rider for group insurance, worker's asset formation annuities (other than worker's asset formation funding annuities) show the sum of (a) the funds to be held at the time annuity payments are to commence for an annuity for which annuity payments have not yet commenced, and (b) the amount of policy reserve for an annuity for which payments have commenced. Amounts in survival coverage for group annuities, worker's asset formation insurance and worker's asset formation funding annuities show the amount of outstanding policy reserve.
3. Amounts in hospitalization coverage show daily hospitalization benefits.
4. Amount in hospitalization coverage for medical care insurance shows daily hospitalization benefits due to illness.
5. Amount for group disability insurance shows monthly disability benefits.

### 3. Investment Activities of General Account Assets

#### (1) Asset Composition

(Millions of yen)

	As of March 31, 2013		As of March 31, 2014	
	Amount	Percentage	Amount	Percentage
Cash, deposits, call loans	103,767	1.7 %	183,333	3.0 %
Monetary claims bought	1,111	0.0	1,011	0.0
Money held in trust	31,322	0.5	31,981	0.5
Securities	4,557,314	76.9	4,798,502	78.2
Domestic bonds	2,971,689	50.1	2,876,176	46.9
Domestic stocks	431,715	7.3	482,308	7.9
Foreign securities	1,087,223	18.3	1,365,396	22.3
Foreign bonds	855,410	14.4	1,109,910	18.1
Foreign stocks and other securities	231,812	3.9	255,485	4.2
Other securities	66,686	1.1	74,621	1.2
Loans	907,508	15.3	835,860	13.6
Policy loans	66,807	1.1	65,206	1.1
Ordinary loans	840,701	14.2	770,654	12.6
Real estate	267,554	4.5	228,183	3.7
Deferred tax assets	—	—	—	—
Others	63,307	1.1	56,903	0.9
Allowance for possible loan losses	(2,201)	(0.0)	(2,281)	(0.0)
Total	5,929,684	100.0	6,133,495	100.0
Foreign currency denominated assets	959,813	16.2	1,302,072	21.2

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

(Millions of yen)

	Year ended March 31, 2013	Year ended March 31, 2014
Cash, deposits, call loans	8,909	79,566
Monetary claims bought	(239)	(100)
Money held in trust	(3,872)	658
Securities	481,376	241,187
Domestic bonds	234,317	(95,512)
Domestic stocks	78,467	50,592
Foreign securities	159,845	278,173
Foreign bonds	126,408	254,500
Foreign stocks and other securities	33,436	23,672
Other securities	8,745	7,934
Loans	(131,854)	(71,647)
Policy loans	(3,356)	(1,600)
Ordinary loans	(128,497)	(70,047)
Real estate	(5,692)	(39,370)
Deferred tax assets	(47,130)	—
Others	8,825	(6,404)
Allowance for possible loan losses	98	(80)
Total	310,419	203,810
Foreign currency denominated assets	189,371	342,259

## (3) Investment Income

(Millions of yen)

	Year ended March 31, 2013	Year ended March 31, 2014
Interest, dividends and other income	119,020	126,564
Interest from deposits	19	7
Interest and dividends from securities	83,604	94,534
Interest from loans	19,136	17,317
Income from real estate for rent	16,041	14,469
Other interest and dividends	217	235
Gains from money held in trust, net	1,157	669
Gains from trading securities, net	38,498	19,402
Gains on sales of securities	7,917	33,499
Gains on sales of domestic bonds	4,732	17,369
Gains on sales of domestic stocks	2,220	13,029
Gains on sales of foreign securities	862	2,658
Others	102	442
Gains on redemption of securities	—	—
Foreign exchange gains, net	908	2,212
Reversal of allowance for possible loan losses	—	—
Other investment income	1,230	279
Total	168,732	182,626

## (4) Investment Expenses

(Millions of yen)

	Year ended March 31, 2013	Year ended March 31, 2014
Interest expenses	1,777	3,633
Losses from trading securities, net	—	—
Losses on sales of securities	10,596	9,289
Losses on sales of domestic bonds	1,208	32
Losses on sales of domestic stocks	5,729	3,617
Losses on sales of foreign securities	3,429	5,639
Others	228	—
Losses on valuation of securities	1,009	52
Losses on valuation of domestic bonds	—	—
Losses on valuation of domestic stocks	1,009	52
Losses on valuation of foreign securities	—	—
Others	—	—
Losses from derivative instruments, net	34,773	25,116
Foreign exchange losses, net	—	—
Provision for allowance for possible loan losses	58	56
Depreciation of real estate for rent and other assets	5,802	5,082
Other investment expenses	5,658	6,778
Total	59,677	50,010

## (5) Net Investment Income

(Millions of yen)

	Year ended March 31, 2013	Year ended March 31, 2014
Net investment income	109,055	132,616

(6) Other Information on Investments

(i) Investment Yield by Asset Categories

(%)

	Year ended March 31, 2013	Year ended March 31, 2014
Cash, deposits, call loans	(0.00)	0.28
Monetary claims bought	2.41	2.31
Money held in trust	3.77	2.14
Securities	2.09	2.77
Domestic bonds	1.89	2.44
Domestic stocks	1.01	4.24
Foreign securities	2.95	2.95
Foreign bonds	2.86	2.50
Foreign stocks and other securities	3.26	4.85
Loans	2.09	2.01
Ordinary loans	1.92	1.82
Real estate	2.38	1.99
Total	1.93	2.31
Overseas investments	3.38	3.15

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

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

(ii) Average Daily Balance

(Millions of yen)

	Year ended March 31, 2013	Year ended March 31, 2014
Cash, deposits, call loans	99,713	135,643
Monetary claims bought	1,289	1,051
Money held in trust	30,698	31,324
Securities	4,126,502	4,311,113
Domestic bonds	2,782,634	2,828,281
Domestic stocks	315,681	311,296
Foreign securities	966,250	1,107,697
Foreign bonds	758,175	895,775
Foreign stocks and other securities	208,075	211,922
Loans	973,484	866,490
Ordinary loans	905,234	800,673
Real estate	273,496	248,863
Total	5,651,326	5,745,255
Overseas investments	991,385	1,162,686

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

(Millions of yen)

	As of March 31, 2013		As of March 31, 2014	
	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	288,515	33,508	302,041	7,200

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

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

(Millions of yen)

	As of March 31, 2013					As of March 31, 2014				
	Book value	Fair value	Gains/losses			Book value	Fair value	Gains/losses		
				Gains	Losses				Gains	Losses
Held-to-maturity debt securities	822,875	902,871	79,996	80,084	88	843,433	922,909	79,476	79,476	—
Domestic bonds	772,539	849,531	76,992	76,992	—	768,744	845,557	76,813	76,813	—
Foreign bonds	50,335	53,339	3,003	3,091	88	74,689	77,352	2,662	2,662	—
Monetary claims bought	—	—	—	—	—	—	—	—	—	—
Negotiable certificate of deposits	—	—	—	—	—	—	—	—	—	—
Others	—	—	—	—	—	—	—	—	—	—
Policy-reserve-matching bonds	1,037,091	1,121,931	84,840	85,184	344	1,210,016	1,294,587	84,570	84,798	227
Domestic bonds	1,015,980	1,100,527	84,547	84,891	344	1,190,715	1,275,012	84,297	84,522	224
Foreign bonds	21,110	21,403	292	292	—	19,301	19,575	273	276	2
Investments in subsidiaries and affiliates	1,393	948	(444)	—	444	1,393	1,096	(296)	—	296
Available-for-sale securities	2,074,912	2,386,795	311,883	323,232	11,349	2,046,003	2,421,417	375,414	379,801	4,387
Domestic bonds	1,050,811	1,155,266	104,455	104,882	426	815,104	886,899	71,794	72,132	337
Domestic stocks	269,432	388,416	118,984	126,549	7,565	269,792	439,094	169,301	171,769	2,467
Foreign securities	703,721	784,093	80,371	83,532	3,160	905,773	1,028,769	122,996	124,501	1,505
Foreign bonds	490,828	553,673	62,844	64,074	1,229	690,428	774,677	84,249	85,398	1,149
Foreign stocks and other securities	212,892	230,419	17,526	19,457	1,930	215,345	254,092	38,746	39,102	355
Other securities	50,947	59,018	8,071	8,268	197	55,332	66,653	11,321	11,397	76
Money held in trust	—	—	—	—	—	—	—	—	—	—
Monetary claims bought	—	—	—	—	—	—	—	—	—	—
Negotiable certificate of deposits	—	—	—	—	—	—	—	—	—	—
Others	—	—	—	—	—	—	—	—	—	—
Total	3,936,271	4,412,547	476,275	488,502	12,226	4,100,846	4,640,011	539,164	544,075	4,911
Domestic bonds	2,839,330	3,105,326	265,995	266,766	770	2,774,564	3,007,469	232,904	233,467	562
Domestic stocks	269,432	388,416	118,984	126,549	7,565	269,792	439,094	169,301	171,769	2,467
Foreign securities	776,561	859,785	83,223	86,916	3,692	1,001,157	1,126,794	125,636	127,440	1,804
Foreign bonds	562,275	628,416	66,141	67,459	1,317	784,419	871,604	87,185	88,337	1,152
Foreign stocks and other securities	214,285	231,368	17,082	19,457	2,375	216,738	255,189	38,450	39,102	652
Other securities	50,947	59,018	8,071	8,268	197	55,332	66,653	11,321	11,397	76
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 whose market value are deemed extremely difficult to obtain are as follows:

(Millions of yen)

	As of March 31, 2013	As of March 31, 2014
Held-to-maturity debt securities	—	—
Unlisted foreign bonds	—	—
Others	—	—
Policy-reserve-matching bonds	—	—
Investments in subsidiaries and affiliates	35,560	35,560
Available-for-sale securities	15,405	15,620
Unlisted domestic stocks (except over-the-counter stocks)	7,738	7,653
Unlisted foreign stocks (except over-the-counter stocks)	—	—
Unlisted foreign bonds	—	—
Others	7,667	7,967
Total	50,966	51,181



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

(Millions of yen)

	As of March 31, 2013					As of March 31, 2014				
	Carrying value on the balance sheet	Fair value	Gains/losses			Carrying value on the balance sheet	Fair value	Gains/losses		
			Gains	Losses				Gains	Losses	
Money held in trust	31,322	31,322	—	—	—	31,981	31,981	—	—	—

## \* Money held in trust for trading purpose

(Millions of yen)

	As of March 31, 2013		As of March 31, 2014	
	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
Money held in trust for trading purpose	30,322	0	30,981	—

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

(Millions of yen)

	As of March 31, 2013					As of March 31, 2014				
	Book value	Fair value	Gains/losses			Book value	Fair value	Gains/losses		
			Gains	Losses				Gains	Losses	
Money held in trust for held-to-maturity	—	—	—	—	—	—	—	—	—	—
Money held in trust for policy-reserve-matching	—	—	—	—	—	—	—	—	—	—
Money held in trust for available-for-sale	—	—	—	—	—	—	—	—	—	—

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

(i) Gains and Losses on Derivatives

(Millions of yen)

As of March 31, 2013	Interest-related	Currency-related	Stock-related	Bond-related	Others	Total
Hedge accounting applied	93	(888)	—	—	—	(795)
Hedge accounting not applied	(137)	967	—	(498)	—	331
<b>Total</b>	<b>(43)</b>	<b>78</b>	<b>—</b>	<b>(498)</b>	<b>—</b>	<b>(463)</b>
As of March 31, 2014	Interest-related	Currency-related	Stock-related	Bond-related	Others	Total
Hedge accounting applied	3	(2,427)	—	—	—	(2,423)
Hedge accounting not applied	(18)	(2,119)	(152)	370	—	(1,920)
<b>Total</b>	<b>(14)</b>	<b>(4,546)</b>	<b>(152)</b>	<b>370</b>	<b>—</b>	<b>(4,343)</b>

Note: Gains and losses from applying fair value hedge accounting (currency-related, losses of ¥888 million as of March 31, 2013 and losses of ¥2,427 million as of March 31, 2014) 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, 2013				As of March 31, 2014			
	Notional amount/ contract value	Over 1 year	Fair value	Gains (losses)	Notional amount/ contract value	Over 1 year	Fair value	Gains (losses)
<b>Over-the-counter transactions</b>								
Yen interest rate swap contracts								
Receipt fixed, payment floating	12,495	495	93	93	290	170	3	3
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	—	170	(137)	100,000	—	70	(18)
Payment fixed, receipt floating	[ 307 ]	—	—	—	[ 89 ]	—	—	—
<b>Total</b>				<b>(43)</b>				<b>(14)</b>

\* Interest rate swap contracts by contractual maturity dates

(Millions of yen)

	As of March 31, 2013			As of March 31, 2014		
	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)	12,000	495	—	120	170	—
Average fixed rate (receipt)	1.65%	2.30%	—	2.12%	2.47%	—
Average floating rate (payment)	0.53%	1.15%	—	1.11%	1.11%	—
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, 2013				As of March 31, 2014			
	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	330,489	—	330,378	111	575,950	—	580,474	(4,523)
US dollar	149,706	—	150,340	(633)	354,098	—	355,881	(1,782)
Euro	86,793	—	85,403	1,390	101,850	—	102,236	(386)
Australian dollar	45,840	—	46,417	(576)	51,149	—	52,730	(1,580)
Canadian dollar	29,554	—	29,611	(57)	34,936	—	35,385	(448)
British Pound	18,595	—	18,606	(11)	33,915	—	34,240	(325)
Bought	—	—	—	—	—	—	—	—
Currency Options								
Sold								
Calls	15,681	—	—	—	—	—	—	—
US dollar	[ 108 ]	—	33	74	[ — ]	—	—	—
Euro	[ 66 ]	—	32	34	[ — ]	—	—	—
Puts	6,279	—	1	40	[ — ]	—	—	—
Euro	[ 41 ]	—	1	40	[ — ]	—	—	—
Bought	—	—	—	—	—	—	—	—
Calls	—	—	—	—	—	—	—	—
Puts	20,550	—	—	—	9,800	—	—	—
US dollar	[ 116 ]	—	9	(107)	[ 23 ]	—	0	(23)
Euro	[ 9,000 ]	—	—	—	[ 9,800 ]	—	—	—
Euro	[ 66 ]	—	0	(66)	[ 23 ]	—	0	(23)
Euro	[ 11,550 ]	—	9	(41)	[ — ]	—	—	—
Euro	[ 50 ]	—	9	(41)	[ — ]	—	—	—
Total				78				(4,546)

Notes: 1. Figures in [ ] are option premiums which are included in balance sheet.

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

3. 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, 2013				As of March 31, 2014			
	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								
Calls	—	—	—	—	—	—	—	—
Puts	[ — ]	—	—	—	[ — ]	—	—	—
Bought								
Calls	—	—	—	—	—	—	—	—
Puts	[ — ]	—	—	—	[ — ]	—	—	—
Total				—	10,687 306		153	(152)

Note: 1. Figures in [ ] are option premiums which are included in balance sheet.

## (v) Bond-related Transactions

(Millions of yen)

	As of March 31, 2013				As of March 31, 2014			
	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	174,087	—	174,552	(464)	144,825	—	144,620	205
Bought	—	—	—	—	—	—	—	—
Foreign bond futures								
Sold	10,517	—	10,551	(34)	27,492	—	27,327	165
Bought	—	—	—	—	—	—	—	—
Total				(498)				370

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

(Millions of yen)

As of March 31, 2013			As of March 31, 2014		
Carrying value on the balance sheet	Fair value	Gains(losses)	Carrying value on the balance sheet	Fair value	Gains(losses)
160,530	228,982	68,451	132,914	223,067	90,152

Notes: 1. As of March 31, 2013, fair value is based on the appraisal value by the real-estate appraiser, the appraisal value for property tax as of January 1, 2013 and the road rate as of January 1, 2012.

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

#### 4. Non-consolidated Balance Sheets

(Millions of yen)

	As of March 31, 2013	As of March 31, 2014		As of March 31, 2013	As of March 31, 2014
<b>Assets:</b>			<b>Liabilities:</b>		
Cash and deposits	33,566	34,768	Policy reserves	5,343,750	5,412,622
Cash	169	159	Reserve for outstanding claims	22,673	23,067
Bank deposits	33,396	34,609	Policy reserve	5,268,768	5,338,547
Call loans	70,300	148,700	Reserve for dividends to policyholders	52,307	51,007
Monetary claims bought	1,111	1,011	Reinsurance payables	86	98
Money held in trust	31,322	31,981	Subordinated bonds	66,187	122,346
Securities	4,633,067	4,877,141	Other liabilities	49,813	53,524
Government bonds	2,181,123	2,097,463	Corporate income tax payable	8,352	11,945
Local government bonds	168,921	157,102	Accounts payable	2,717	2,350
Corporate bonds	652,931	654,161	Accrued expenses	11,268	11,112
Stocks	454,902	504,442	Unearned income	411	341
Foreign securities	1,108,137	1,389,208	Deposits received	5,289	5,355
Other securities	67,050	74,762	Guarantee deposits received	13,584	12,839
Loans	907,508	835,860	Differential account for futures trading	—	216
Policy loans	66,807	65,206	Derivatives	3,937	5,223
Ordinary loans	840,701	770,654	Asset retirement obligations	2,966	2,951
Tangible fixed assets	271,841	232,115	Suspense receipts	1,284	1,188
Land	160,528	132,912	Reserve for employees' retirement benefits	44,965	43,112
Buildings	105,728	94,991	Reserve for price fluctuation of securities	41,628	44,016
Lease assets	1,430	1,159	Deferred tax liabilities	16,938	29,245
Construction in progress	1,297	280	Deferred tax liabilities for revaluation reserve for land	16,119	15,929
Other tangible fixed assets	2,855	2,771	<b>Total liabilities</b>	<b>5,579,488</b>	<b>5,720,895</b>
Intangible fixed assets	11,652	10,827	<b>Net assets:</b>		
Software	11,378	10,554	Foundation funds	35,000	35,000
Other intangible fixed assets	273	273	Accumulated foundation funds redeemed	71,000	71,000
Reinsurance receivables	42	78	Reserve for revaluation	112	112
Other assets	49,020	44,592	Surplus	102,260	124,780
Accounts receivable	7,479	6,297	Legal reserve for future losses	2,399	2,485
Prepaid expenses	1,155	993	Other surplus	99,861	122,294
Accrued income	27,005	28,028	Reserve for redemption of foundation funds	9,000	18,000
Deposits	2,055	1,894	Reserve for dividend allowances	3,895	3,895
Differential account for futures trading	978	—	Accumulated fund for price fluctuation	11,000	21,000
Derivatives	3,473	879	Reserve for advanced depreciation of real estate for tax purpose	4,114	3,969
Suspense payments	3,222	2,430	Other reserves	767	767
Lease investment assets	868	835	Unappropriated surplus	71,084	74,662
Other assets	2,780	3,233	Total foundation funds, surplus and others	208,372	230,892
Allowance for possible loan losses	(2,201)	(2,281)	Net unrealized gains (losses) on available-for-sale securities, net of tax	215,885	259,861
			Deferred valuation gains (losses) under hedge accounting	62	2
			Revaluation reserve for land, net of tax	3,421	3,144
			Total valuation and translation adjustments	219,370	263,008
			<b>Total net assets</b>	<b>427,742</b>	<b>493,900</b>
<b>Total assets</b>	<b>6,007,231</b>	<b>6,214,796</b>	<b>Total liabilities and net assets</b>	<b>6,007,231</b>	<b>6,214,796</b>

## 5. Non-consolidated Statements of Operations

(Millions of yen)

	Year ended March 31, 2013	Year ended March 31, 2014
<b>Ordinary revenues:</b>		
Premium and other income	647,798	598,367
Premium income	647,446	598,227
Reinsurance income	352	140
Investment income	178,808	193,044
Interest, dividends and other income	119,020	126,564
Interest on deposits	19	7
Interest and dividends on securities	83,604	94,534
Interest on loans	19,136	17,317
Income from real estate for rent	16,041	14,469
Other interest and dividends	217	235
Gains from money held in trust, net	1,157	669
Gains from trading securities, net	38,498	19,402
Gains on sales of securities	7,917	33,499
Foreign exchange gains, net	908	2,212
Other investment income	1,230	279
Gains from separate accounts, net	10,075	10,417
Other ordinary revenues	10,129	10,914
Fund receipt from annuity rider	1,071	1,271
Fund receipt from deposit of claims paid	5,123	5,083
Reversal of reserve for employees' retirement benefits	1,351	1,849
Others	2,583	2,710
<b>Total ordinary revenues</b>	<b>836,736</b>	<b>802,326</b>
<b>Ordinary expenditures:</b>		
Claims and other payments	520,212	503,718
Claims	168,766	135,639
Annuities	101,437	134,935
Benefits	129,048	122,255
Surrenders	89,348	77,820
Other payments	31,283	32,681
Reinsurance premiums	328	385
Provision for policy reserve and others	78,762	70,247
Provision for reserve for outstanding claims	58	393
Provision for policy reserve	78,627	69,779
Interest on accumulated dividends to policyholders	76	74
Investment expenses	59,677	50,010
Interest expenses	1,777	3,633
Losses on sales of securities	10,596	9,289
Losses on valuation of securities	1,009	52
Losses from derivative instruments, net	34,773	25,116
Provision for allowance for possible loan losses	58	56
Depreciation of real estate for rent and other assets	5,802	5,082
Other investment expenses	5,658	6,778
Operating expenses	88,846	86,203
Other ordinary expenditures	19,897	20,246
Claim deposit payments	8,976	8,970
Taxes	4,771	4,573
Depreciation	5,571	6,023
Others	578	678
<b>Total ordinary expenditures</b>	<b>767,395</b>	<b>730,426</b>
<b>Ordinary profits</b>	<b>69,340</b>	<b>71,900</b>
<b>Extraordinary gains:</b>		
Gains on disposal of fixed assets	60	2,005
Other extraordinary gains	193	—
<b>Total extraordinary gains</b>	<b>254</b>	<b>2,005</b>
<b>Extraordinary losses:</b>		
Losses on disposal of fixed assets	348	7,314
Impairment losses	600	1,775
Provision for reserve for price fluctuation of securities	6,140	2,388
<b>Total extraordinary losses</b>	<b>7,088</b>	<b>11,477</b>
<b>Surplus before income taxes</b>	<b>62,506</b>	<b>62,427</b>
<b>Income taxes:</b>		
Current	13,553	19,208
Deferred	(1,870)	(7,403)
<b>Total income taxes</b>	<b>11,683</b>	<b>11,804</b>
<b>Net surplus for the year</b>	<b>50,822</b>	<b>50,622</b>

# Notes to the Non-consolidated Financial Statements

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

### 1. Basis of Presentation

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

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

Amounts of less than one million yen have been 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 value based on the market prices at the end of fiscal year. 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 market 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 tangible fixed assets is calculated by the following methods.

- Tangible fixed assets (excluding lease assets):Declining-balance method

However, buildings (excluding building attachments and structures) acquired on or after April 1, 1998 are depreciated using Straight-line method.

- Lease assets related to finance lease transactions that do not transfer ownership: Straight-line method over the lease term without residual value

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

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

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

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

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

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

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

For the credits of legally bankrupt borrowers and substantially bankrupt borrowers, the amounts remaining after deductions of collateral value or the amounts collectible through the execution of guarantees is written-off directly from the borrower's balance as the estimated uncollectible amounts. The amount written-off as of March 31, 2014 was ¥271 million.



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

Reserve for employees' retirement benefits are presented for the employees' retirement benefits based on projected benefit obligation 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 ..... Straight-line basis
- Amortization period of actuarial differences ..... 10 years
- Amortization period of prior service cost ..... 10 years

**(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 Lessee**

Finance lease transactions that do not transfer ownership to the lessee whose commencement day was on or before March 31, 2008 continued to be accounted for in a manner similar to accounting treatment for ordinary rental transactions.

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

**(11) Accounting for Hedge Activities**

Hedge accounting is based on "Accounting Standards for Financial Instruments" (ASBJ Statement No.10 issued by the Accounting Standards Board of Japan on 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 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.

**(12) Accounting for Employees' Retirement Benefits**

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

### **(13) 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.

### **(14) Policy Reserve**

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

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, certain hospitalization riders with surgery benefits and long-term hospitalization benefits, and non-participating educational insurance have funded policy reserves included.

### **(15) Software**

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

### **(16) Deferred Assets**

Discount on bonds is amortized equally over the period for which interest on bonds is fixed. This amount is deducted from bonds.

### **(17) 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. The Principal Accounting Standards Published before March 31, 2014 but not Applied are as follows.**

With the publication of the "Accounting Standard for Retirement Benefits" (ASBJ Statement No. 26, May 17, 2012) and the "Guidance on Accounting Standard for Retirement Benefits" (ASBJ Guidance No. 25, May 17, 2012), the method for calculating retirement benefit obligations, current service cost and others will be changed.

Compulsory application of the standard is mandatory from the beginning of the fiscal year commencing on or after April 1, 2014, and the Company plans to apply the standard from the beginning of fiscal 2014.

The Company is currently evaluating the impact in the fiscal year after the application of the standard.

## **3. Financial Instruments**

Asset management of the general accounts other than the separate accounts stipulated in Article 118 Paragraph 1 of the Insurance Business Law is conducted on the principle of prudent and profitable investments, considering public and social responsibilities of the insurance business. Based on this policy, the Company allocates the fund, securing its liquidity, from the medium-to-long term viewpoints.

The Company is diversifying investments in assets such as foreign securities and equity securities within the acceptable range of risk in order to enhance the profitability, although yen-denominated interest bearing assets including debt securities such as Japanese government bonds and loans are the cores of the portfolios. Derivatives are mainly used to mitigate the market risk regarding the securities and loans. Major financial instruments including securities, loans and derivatives are exposed to market risk and credit risk.

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

The carrying amounts, fair values and their related differences of major financial assets and liabilities as of March 31, 2014 were as follows:

	Carrying amount	Fair value	Difference
			(Millions of yen)
Cash and deposits: .....			
Cash and deposits not treated as securities	¥ 34,633	¥ 34,633	¥ —
Total cash and deposits	34,633	34,633	—
Call loans .....	148,700	148,700	—
Monetary claims bought:			
Claims treated as loans .....	1,011	1,054	43
Total monetary claims bought .....	1,011	1,054	43
Money held in trust:			
Trading securities .....	30,981	30,981	—
Total money held in trust .....	30,981	30,981	—
Securities:			
Trading securities .....	271,060	271,060	—
Held-to-maturity debt securities .....	843,433	922,909	79,476
Policy-reserve-matching bonds .....	1,210,016	1,294,587	84,570
Investments in subsidiaries and affiliates .....	1,393	1,096	(296)
Available-for-sale securities .....	2,421,417	2,421,417	—
Total securities .....	4,747,321	4,911,071	163,750
Loans:			
Policy loans .....	65,206	65,206	(0)
Ordinary loans .....	770,654	793,401	22,747
Total loans .....	835,860	858,608	22,747
Assets total	5,798,508	5,985,049	186,541
Subordinated bonds* <sup>1</sup>	122,346	126,900	4,554
Liabilities total	122,346	126,900	4,554
Derivative instruments* <sup>2</sup> :			
Hedge accounting not applied .....	(1,920)	(1,920)	—
Hedge accounting applied .....	(2,423)	(2,423)	—
Total derivative instruments .....	¥ (4,343)	¥ (4,343)	¥ —

\*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 price at the end of fiscal year. The fair values of other securities without the quoted market price 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 as of March 31, 2014 were ¥35,560 million, ¥7,653 million and ¥7,967 million, 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 deadline have not been set up due to the characteristics that the loan is 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 value.

- (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 options and swaps traded over the counter are based on the quoted prices offered by counterparty financial institutions.
- iii) The fair values of foreign currency forward contracts are determined based on the spot exchange rate and forward contract rate.

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

The Company holds investment and rental properties such as office buildings in Tokyo and other areas. The carrying amount and the fair value of these investment and rental properties as of March 31, 2014 were ¥182,229 million and ¥263,688 million, respectively. The fair value is mainly based on the value calculated by the Company in accordance with real estate appraisal standards which includes some adjustments using the reference prices.

The amount corresponding to asset retirement obligations included in the carrying amount of investment and rental properties was ¥1,192 million as of March 31, 2014.

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

The amount of securities lent under lending agreements was ¥71,815 million as of March 31, 2014.

## **6. Loans Receivable**

The amounts of credits to bankrupt borrowers, delinquent loans and restructured loans, which were included in loans, were ¥195 million, ¥747 million and ¥660 million, respectively and their total amount was ¥1,602 million as of March 31, 2014. There was no balance of delinquent loans past 3 months or more as of March 31, 2014.

The direct write-offs of loans led to a decrease in credits to bankrupt borrowers of ¥251 million as of March 31, 2014.

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, accruing 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 accruing 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.

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

Accumulated depreciation of tangible fixed assets totaled to ¥145,245 million as of March 31, 2014.

## **8. Separate Accounts**

Total assets in separate accounts provided for in Article 118 of the Insurance Business Law were ¥82,680 million as of March 31, 2014. The amount of separate account liabilities was the same as separate account assets.

## **9. Receivables from/Payables to Subsidiaries**

The total amounts of receivables from/payables to subsidiaries were ¥3,445 million and ¥1,324 million as of March 31, 2014, respectively.

## **10. Income Taxes**

Deferred tax assets and deferred tax liabilities as of March 31, 2014 were ¥91,561 million and ¥117,760 million, respectively. Valuation allowance for deferred tax assets was ¥3,046 million.

Major components of deferred tax assets were ¥56,115 million of policy reserves, ¥13,548 million of reserve for price fluctuation of securities and ¥13,270 million of reserve for employees' retirement benefits as of March 31, 2014.

Major component of deferred tax liabilities was ¥115,552 million of net unrealized gains on available-for-sale securities as of March 31, 2014.

The statutory tax rate and the actual effective tax rate for the year ended March 31, 2014 were 33.3% and 18.9%, respectively. The major difference between the statutory tax rate and the actual effective tax rate was (16.9%) of reserve for dividends to the policyholders.

Accompanying the promulgation of the “Act for Partial Revision to the Income Tax Act, etc.” (Act No. 10, 2014), the effective statutory tax rate used to calculate deferred tax assets and deferred tax liabilities was changed. The Company had previously used an effective statutory tax rate of 33.3% for items expected to be collected or paid in the period from April 1, 2014, to March 31, 2015, and a rate of 30.8% for items expected to be collected or paid on or after April 1, 2015. However, owing to the aforementioned law change, the rate of 30.8% for items expected to be collected or paid after April 1, 2014 is used. As a result of this change in statutory tax rate, deferred tax liabilities increased ¥538 million, and deferred tax liabilities for revaluation reserve for land decreased ¥3 million. Deferred income taxes increased by ¥538 million.

#### 11. Reserve for Dividends to Policyholders

Changes in reserve for dividends to policyholders for the year ended March 31, 2014 were as follows:

	(Millions of yen)
Balance at the beginning of current fiscal year.....	¥ 52,307
Transfer from surplus in previous fiscal year .....	27,762
Dividends paid in the current fiscal year.....	29,137
Increase in interest .....	74
Balance at the end of current fiscal year .....	<u>¥ 51,007</u>

#### 12. Stocks of Subsidiaries

The amount of stocks of subsidiaries the Company held as of March 31, 2014 was ¥36,953 million.

#### 13. Pledged Assets and Secured Debts

Assets pledged as collateral as of March 31, 2014 were ¥28,231 million of securities and ¥1,241 million of bank deposits. Secured debts as of March 31, 2014 were ¥4,679 million.

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

Reserve for outstanding claims for the reinsurance contracts provided in accordance with Article 71 Paragraph 1 of the Enforcement Regulation of the Insurance Business Law (hereinafter called “reserve for outstanding claims for ceded reinsurance”) was ¥4 million as of March 31, 2014.

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 ¥30 million as of March 31, 2014.

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

The total amount of adjustment items for redemption of foundation funds and appropriation of net surplus defined in Article 30 Paragraph 2 of the Enforcement Regulation of the Insurance Business Law was ¥263,120 million as of March 31, 2014.

#### 16. Commitment Line

As of March 31, 2014, there were unused commitment line agreements under which the Company is the lender of ¥872 million.

#### 17. Subordinated Bonds

Repayments of subordinated bonds are subordinated to other obligations.

## 18. Assets Denominated in Foreign Currencies

Assets denominated in foreign currencies as of March 31, 2014 totaled to ¥1,326,050 million. The principal foreign currency asset amounts as of March 31, 2014 were US\$7,212 million and 2,094 million euros.

Liabilities denominated in foreign currencies as of March 31, 2014 totaled to ¥43,615 million. The principal foreign currency liability amount as of March 31, 2014 was 306 million euros.

## 19. Contribution to Policyholders Protection Corporation

The future contribution to the Life Insurance Policyholders Protection Corporation of Japan under Article 259 of the Insurance Business Law was estimated at ¥10,534 million as of March 31, 2014. The contribution was charged as operating expenses in the year in which it was paid.

## 20. Employees' Retirement Benefits

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

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

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

### (2) Defined Benefit Plan

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

	(Millions of yen)
Retirement benefit obligation at the beginning of current fiscal year .....	¥ 72,507
Service cost .....	2,838
Interest cost .....	1,448
Actuarial difference occurred during the fiscal year .....	171
Retirement benefits payments .....	(5,347)
Retirement benefit obligation at the end of current fiscal year .....	<u>¥ 71,618</u>

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

	(Millions of yen)
Pension plan assets at the beginning of current fiscal year .....	¥ 20,006
Expected return on pension plan assets .....	600
Actuarial difference occurred during the fiscal year .....	1,333
Contributions by the employer .....	2,309
Retirement benefits payments .....	(1,405)
Pension plan assets at the end of current fiscal year .....	<u>¥ 22,844</u>

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

	(Millions of yen)
a. Funded plan retirement benefit obligation .....	¥ 29,130
b. Pension plan assets .....	(22,844)
c. (a+b) .....	<u>6,285</u>
d. Unfunded plan retirement benefit obligation .....	42,487
e. Unrecognized actuarial differences .....	(6,212)

f. Unrecognized prior service cost.....	551
g. Reserve for employees' retirement benefits (c+d+e+f) .....	¥ 43,112

iv) Breakdown of retirement benefit gains and losses

	(Millions of yen)
Service cost .....	¥ 2,838
Interest cost .....	1,448
Expected return on pension plan assets .....	(600)
Amortization of actuarial differences .....	759
Amortization of prior service cost .....	(47)
Retirement benefit expenses related to defined benefit plan .....	¥ 4,399

v) Breakdown of main pension plan assets

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

• Life insurance general account .....	45.2%
• Domestic bonds .....	16.7%
• Domestic stocks .....	16.7%
• Foreign stocks .....	14.4%
• Foreign bonds.....	6.1%
• Cash and deposits.....	0.9%
• Others .....	0.0%
• Total .....	100.0%

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

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

vii) Underlying actuarial assumptions

Main underlying actuarial assumptions as of March 31, 2014, were as follows:

• Discount rate .....	2.0%
• Expected long-term rate of return on pension plan assets.....	3.0%

(3) Defined contribution plan

The required contribution amount by the Company to the defined contribution plan was ¥184 million.



### III. Notes to Statements of Operations

#### 1. Transactions with Subsidiaries

The total amounts of revenues and expenditures in connection with subsidiaries were ¥854 million and ¥8,351 million for the year ended March 31, 2014.

#### 2. Gains on Sales of Securities

Major items of gains on sales of securities for the year ended March 31, 2014 were as follows:

	(Millions of yen)
Domestic bonds .....	¥ 17,369
Domestic stocks and others.....	13,029
Foreign securities .....	2,658

#### 3. Losses on Sales of Securities

Major items of losses on sales of securities for the year ended March 31, 2014 were as follows:

	(Millions of yen)
Domestic bonds .....	¥ 32
Domestic stocks and others.....	3,617
Foreign securities .....	5,639

#### 4. Losses on Valuation of Securities

Major items of losses on valuation of securities for the year ended March 31, 2014 were as follows:

	(Millions of yen)
Domestic stocks and others.....	¥ 52

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

For the year ended March 31, 2014, provision for reserve for outstanding claims for ceded reinsurance considered in calculation of provision for reserve for outstanding claims was ¥2 million and provision for policy reserve for ceded reinsurance considered in calculation of reversal of policy reserve was ¥0 million.

#### 6. Gains (Losses) from Trading Securities

Major items of gains (losses) from trading securities for the year ended March 31, 2014 were as follows:

	(Millions of yen)
Interest, dividends and other income.....	¥ 8,652
Gains (Losses) on sales of trading securities.....	(0)
Gains (Losses) on valuation of trading securities.....	7,200

#### 7. Losses from Derivative Instruments

Losses from derivative instruments for the year ended March 31, 2014 included valuation losses of ¥2,251 million.

#### 8. Impairment Losses of Fixed Assets

For the year ended March 31, 2014, impairment losses of fixed assets were as follows:

(1) Method of grouping

Real estate and other assets used for insurance business operations are classified as one asset group as a whole. Other assets such as real estate for rent and unused real estate are classified as one group individually.

(2) Background of recognizing the impairment losses

Profitability of certain real estate for rent dropped down significantly due to a decrease in the level of rental income and a declining trend of market prices of land. The Company reduced its book values of such real estate for rent and unused real estate to their recoverable amounts. The amounts reduced were recognized as impairment losses and included in the extraordinary losses.

(3) Asset groups recognized impairment losses and losses by fixed assets

Asset	Impairment losses		
	Land	Buildings and others	Total
			(Millions of yen)
(i) Real estate for rent...	¥ 1,541	¥ 140	¥ 1,682
(ii) Unused real estate ...	35	58	93
Total (i)+(ii) .....	<u>¥ 1,577</u>	<u>¥ 198</u>	<u>¥ 1,775</u>

(4) Calculation method of recoverable amount

Recoverable amount is based on net sales value. Net sales value is determined based on appraisal value, posted price or road rate.

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

(Millions of yen)

		Year ended March 31, 2013	Year ended March 31, 2014
<b>Fundamental profit</b>	<b>A</b>	<b>77,593</b>	<b>86,517</b>
Capital gains		40,727	46,945
Gains from money held in trust, net		934	484
Gains from trading securities, net		30,966	10,749
Gains on sales of securities		7,917	33,499
Gains from derivative instruments, net		—	—
Foreign exchange gains, net		908	2,212
Other capital gains		—	—
Capital losses		46,379	34,458
Losses from money held in trust, net		—	—
Losses from trading securities, net		—	—
Losses on sales of securities		10,596	9,289
Losses on valuation of securities		1,009	52
Losses from derivative instruments, net		34,773	25,116
Foreign exchange losses, net		—	—
Other capital losses		—	—
Net capital gains (losses)	<b>B</b>	<b>(5,652)</b>	<b>12,486</b>
Fundamental profit plus net capital gains (losses)	<b>A+B</b>	<b>71,940</b>	<b>99,004</b>
Other one-time gains		62,741	—
Reinsurance income		—	—
Reversal of contingency reserve		62,741	—
Reversal for specific allowance for possible loan losses		—	—
Others		—	—
Other one-time losses		65,342	27,104
Reinsurance premiums		—	—
Provision for contingency reserve		—	26,845
Provision for specific allowance for possible loan losses		24	258
Allowance for specified overseas loans		—	—
Write-off of loans		—	—
Others		65,317	—
Other one-time gains (losses)	<b>C</b>	<b>(2,600)</b>	<b>(27,104)</b>
Ordinary profits	<b>A+B+C</b>	<b>69,340</b>	<b>71,900</b>

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): ¥223 million in respect of the year ended March 31, 2013 and ¥184 million in respect of the year ended March 31, 2014.

2. The following amounts in respect of gains / losses from trading securities have been excluded from capital gains / losses and included in fundamental profit due to their income nature (being interest and dividend income): ¥7,532 million in respect of the year ended March 31, 2013 and ¥8,652 million in respect of the year ended March 31, 2014.

3. For the year ended March 31, 2013, other non-recurring losses represent the losses relating to provision of the additional policy reserves in accordance with Article 69, Paragraph 5 of the Enforcement Regulations of the Insurance Business Act.

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

[For the year ended March 31, 2013]

(Millions of yen)

	Foundation funds, surplus and others											Total foundation funds, surplus and others
	Foundation funds	Accumulated foundation funds redeemed	Reserve for revaluation	Surplus							Total surplus	
				Legal reserve for future losses	Other surplus					Reserve for advanced depreciation of real estate for tax purpose		
					Reserve for redemption of foundation funds	Reserve for dividend allowances	Accumulated fund for price fluctuation	Other reserves	Unappropriated surplus			
Balance at the beginning of current fiscal year	35,000	71,000	112	2,325	—	3,895	11,000	289	767	57,827	76,104	182,216
Changes in the current fiscal year												
Additions to reserve for dividends to policyholders										(23,989)	(23,989)	(23,989)
Additions to legal reserve for future losses				74						(74)	—	—
Payment of interest on foundation funds										(621)	(621)	(621)
Net surplus for the year										50,822	50,822	50,822
Additions to reserve for redemption of foundation funds					9,000					(9,000)	—	—
Additions to reserve for advanced depreciation of real estate for tax purpose								3,857		(3,857)	—	—
Reversal of reserve for advanced depreciation of real estate for tax purpose								(32)		32	—	—
Reversal of revaluation reserve for land										(55)	(55)	(55)
Net changes, excluding foundation funds, surplus and others												
Total changes in the current fiscal year	—	—	—	74	9,000	—	—	3,825	—	13,256	26,155	26,155
Balance at the end of current fiscal year	35,000	71,000	112	2,399	9,000	3,895	11,000	4,114	767	71,084	102,260	208,372

	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	Revaluation reserve for land, net of tax	Total valuation and translation adjustments	
Balance at the beginning of current fiscal year	67,684	170	3,383	71,239	253,455
Changes in the current fiscal year					
Additions to reserve for dividends to policyholders					(23,989)
Additions to legal reserve for future losses					—
Payment of interest on foundation funds					(621)
Net surplus for the year					50,822
Additions to reserve for redemption of foundation funds					—
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					(55)
Net changes, excluding foundation funds, surplus and others	148,200	(107)	38	148,131	148,131
Total changes in the current fiscal year	148,200	(107)	38	148,131	174,287
Balance at the end of current fiscal year	215,885	62	3,421	219,370	427,742

[For the year ended March 31, 2014]

(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 current fiscal year	35,000	71,000	112	2,399	9,000	3,895	11,000	4,114	767	71,084	102,260	208,372
Changes in the current fiscal year												
Additions to reserve for dividends to policyholders										(27,762)	(27,762)	(27,762)
Additions to legal reserve for future losses				86						(86)	—	—
Payment of interest on foundation funds										(621)	(621)	(621)
Net surplus for the year										50,622	50,622	50,622
Additions to reserve for redemption of foundation funds					9,000					(9,000)	—	—
Additions to accumulated fund for price fluctuation							10,000			(10,000)	—	—
Reversal of reserve for advanced depreciation of real estate for tax purpose								(144)		144	—	—
Reversal of revaluation reserve for land										281	281	281
Net changes, excluding foundation funds, surplus and others												
Total changes in the current fiscal year	—	—	—	86	9,000	—	10,000	(144)	—	3,578	22,519	22,519
Balance at the end of current fiscal year	35,000	71,000	112	2,485	18,000	3,895	21,000	3,969	767	74,662	124,780	230,892

	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	Revaluation reserve for land, net of tax	Total valuation and translation adjustments	
Balance at the beginning of current fiscal year	215,885	62	3,421	219,370	427,742
Changes in the current fiscal year					
Additions to reserve for dividends to policyholders					(27,762)
Additions to legal reserve for future losses					—
Payment of interest on foundation funds					(621)
Net surplus for the year					50,622
Additions to reserve for redemption of foundation funds					—
Additions to accumulated fund for price fluctuation					—
Reversal of reserve for advanced depreciation of real estate for tax purpose					—
Reversal of revaluation reserve for land					281
Net changes, excluding foundation funds, surplus and others	43,976	(60)	(277)	43,638	43,638
Total changes in the current fiscal year	43,976	(60)	(277)	43,638	66,157
Balance at the end of current fiscal year	259,861	2	3,144	263,008	493,900

## 8. Non-consolidated Statements of Surplus

(Millions of Yen)

	Year ended March 31, 2013	Year ended March 31, 2014
Unappropriated surplus	71,084	74,662
Reversal of voluntary surplus reserve	144	3,707
Reversal of reserve for advanced depreciation of real estate for tax purpose	144	3,707
Total	71,228	78,369
Appropriation of surplus	47,470	51,314
Reserve for dividends to policyholders	27,762	31,595
Net surplus	19,707	19,718
Legal reserve for future losses	86	97
Interest payment for foundation funds	621	621
Voluntary surplus reserve	19,000	19,000
Reserve for redemption of foundation funds	9,000	9,000
Accumulated fund for price fluctuation	10,000	10,000
Revaluation reserve for land, net of tax	—	0
Unappropriated surplus carried forward	23,758	27,055

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

## 9. Disclosed Claims Based on Categories of Obligors

(Millions of yen)

	As of March 31, 2013	As of March 31, 2014
Claims against bankrupt and quasi-bankrupt obligors	326	216
Claims with collection risk	526	732
Claims for special attention	950	660
Subtotal	1,803	1,609
[Percentage of total]	[0.19%]	[0.18%]
Claims against normal obligors	955,991	910,205
Total	957,795	911,815

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

## 10. Risk-monitored Loans

(Millions of yen)

	As of March 31, 2013	As of March 31, 2014
Credits to bankrupt borrowers	217	195
Delinquent loans	590	747
Delinquent loans past three months or more	—	—
Restructured loans	950	660
Total	1,759	1,602
[Percentage of total loans]	[0.19%]	[0.19%]

- Notes: 1. For the credits of legally bankrupt borrowers and substantially bankrupt borrowers, the amounts remaining after deductions of collateral value or the amounts collectible through the execution of guarantees is written-off directly from the borrower's balance as the estimated uncollectible amounts. The amounts written-off related to credits to bankrupt borrowers were ¥1 million as of March 31, 2013 and ¥251 million as of March 31, 2014. The amounts written-off related to delinquent loans were ¥288 million as of March 31, 2013.
2. Credits to bankrupt borrowers represent loans which are subject to bankruptcy, corporate reorganization or rehabilitation or other similar, including but not limited to foreign, proceedings. Accruing interest of these loans is not recorded as income after determining that principal or interest on these loans is unlikely to be collected due to the significant delay in repayment of principal or interest payment or for some other reasons.
3. Delinquent loans are credits whose accruing interest is not recorded as income due to the same reasons as described in note 2 above, and exclude credits to bankrupt borrowers and loans for which interest payments have been suspended and rescheduled to assist and support the borrowers in the restructuring of their business.
4. Delinquent loans past three months or more are loans for which interest payment or repayment of principal are delinquent for three months or more from the due date under the terms of the related loan agreements, excluding those loans classified as credits to bankrupt borrowers and delinquent loans.
5. Restructured loans are loans for which certain concessions favorable to borrowers, such as interest reduction or exemptions, rescheduling of due date of principal or interest payment, waiver of claim or other terms, have been negotiated for the purpose of assisting and supporting the borrowers in the restructuring of their business. This category excludes loans classified as credits to bankrupt borrowers, delinquent loans and delinquent loans past three months or more.



## 11. Solvency Margin Ratio

(Millions of yen)

	As of March 31, 2013	As of March 31, 2014
Total solvency margin (A)	919,451	1,109,068
Foundation funds and surplus	178,622	196,835
Reserve for price fluctuation of securities	41,628	44,016
Contingency reserve	83,446	110,291
Allowance for possible loan losses	1,796	1,594
Net unrealized gains on available - for - sale securities x 90% (multiplied by 100% if losses)	280,694	337,872
Net unrealized gains on real estate x 85%	72,441	90,719
Excess amount of policy reserve based on full-time Zillmer method	187,478	193,088
Qualifying subordinated debt	66,187	122,346
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	26,155	31,303
Total amount of risk $\sqrt{(R_1 + R_8)^2 + (R_2 + R_3 + R_7)^2} + R_4$ (B)	189,414	201,663
Insurance risk $R_1$	27,301	26,371
3rd sector insurance risk $R_8$	9,634	9,631
Assumed investment yield risk $R_2$	35,956	35,884
Minimum guarantee risk $R_7$	2	0
Investment risk $R_3$	145,367	157,866
Business risk $R_4$	4,365	4,595
Solvency margin ratio $\frac{(A)}{(1/2) \times (B)} \times 100$	970.8%	1099.9%

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

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

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

## 12. Status of Separate Account

### (1) Separate Account Assets by Products

(Millions of yen)

	As of March 31, 2013	As of March 31, 2014
	Amount	Amount
Individual variable insurance	—	—
Individual variable annuities	461	272
Group annuities	78,353	82,408
Total	78,815	82,680

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

The company has not sold the individual variable insurance.

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

#### (i) Policies in Force

(Millions of yen except number of policies)

	As of March 31, 2013		As of March 31, 2014	
	Number of policies	Amount	Number of policies	Amount
Individual variable annuities	140	468	81	265
Total	140	468	81	265

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

(Millions of yen)

	As of March 31, 2013		As of March 31, 2014	
	Amount	Percentage	Amount	Percentage
Cash, deposits, call loans	97	21.0	131	48.2
Securities	364	79.0	141	51.8
Domestic bonds	—	—	—	—
Domestic stocks	—	—	—	—
Foreign securities	—	—	—	—
Foreign bonds	—	—	—	—
Foreign stocks and other securities	—	—	—	—
Other securities	364	79.0	141	51.8
Loans	—	—	—	—
Others	—	—	—	—
Allowance for possible loan losses	—	—	—	—
Total	461	100.0	272	100.0

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

(Millions of yen)

	Year ended March 31, 2013	Year ended March 31, 2014
	Amount	Amount
Interest, dividends and other income	6	49
Gains on sales of securities	—	—
Gains of redemption of securities	—	—
Gains on valuation of securities	66	30
Foreign exchange gains, net	—	—
Gains from derivative instruments	—	—
Other investment income	—	0
Losses on sales of securities	5	—
Losses on redemption of securities	—	—
Losses on valuation of securities	15	41
Foreign exchange losses, net	—	—
Losses from derivative instruments	—	—
Other investment expenses	—	0
Net investment income	52	38

## (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, 2013		As of March 31, 2014	
	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	364	51	141	(11)

Note: The company has no balances of money held in trust and derivative instruments.

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

Net Valuation Gains/Losses on Trading Securities

(Millions of yen)

	As of March 31, 2013		As of March 31, 2014	
	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	364,268	42,594	380,680	10,324

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

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

(Millions of yen)

	As of March 31, 2013					As of March 31, 2014				
	Book value	Fair value	Gains/losses			Book value	Fair value	Gains/losses		
			Gains	Losses				Gains	Losses	
Held-to-maturity debt securities	822,875	902,871	79,996	80,084	88	843,433	922,909	79,476	79,476	—
Domestic bonds	772,539	849,531	76,992	76,992	—	768,744	845,557	76,813	76,813	—
Foreign bonds	50,335	53,339	3,003	3,091	88	74,689	77,352	2,662	2,662	—
Monetary claims bought	—	—	—	—	—	—	—	—	—	—
Negotiable certificate of deposits	—	—	—	—	—	—	—	—	—	—
Others	—	—	—	—	—	—	—	—	—	—
Policy-reserve-matching bonds	1,037,091	1,121,931	84,840	85,184	344	1,210,016	1,294,587	84,570	84,798	227
Domestic bonds	1,015,980	1,100,527	84,547	84,891	344	1,190,715	1,275,012	84,297	84,522	224
Foreign bonds	21,110	21,403	292	292	—	19,301	19,575	273	276	2
Investments in subsidiaries and affiliates	1,393	948	(444)	—	444	1,393	1,096	(296)	—	296
Available-for-sale securities	2,074,912	2,386,795	311,883	323,232	11,349	2,046,003	2,421,417	375,414	379,801	4,387
Domestic bonds	1,050,811	1,155,266	104,455	104,882	426	815,104	886,899	71,794	72,132	337
Domestic stocks	269,432	388,416	118,984	126,549	7,565	269,792	439,094	169,301	171,769	2,467
Foreign securities	703,721	784,093	80,371	83,532	3,160	905,773	1,028,769	122,996	124,501	1,505
Foreign bonds	490,828	553,673	62,844	64,074	1,229	690,428	774,677	84,249	85,398	1,149
Foreign stocks and other securities	212,892	230,419	17,526	19,457	1,930	215,345	254,092	38,746	39,102	355
Other securities	50,947	59,018	8,071	8,268	197	55,332	66,653	11,321	11,397	76
Money held in trust	—	—	—	—	—	—	—	—	—	—
Monetary claims bought	—	—	—	—	—	—	—	—	—	—
Negotiable certificate of deposits	—	—	—	—	—	—	—	—	—	—
Others	—	—	—	—	—	—	—	—	—	—
Total	3,936,271	4,412,547	476,275	488,502	12,226	4,100,846	4,640,011	539,164	544,075	4,911
Domestic bonds	2,839,330	3,105,326	265,995	266,766	770	2,774,564	3,007,469	232,904	233,467	562
Domestic stocks	269,432	388,416	118,984	126,549	7,565	269,792	439,094	169,301	171,769	2,467
Foreign securities	776,561	859,785	83,223	86,916	3,692	1,001,157	1,126,794	125,636	127,440	1,804
Foreign bonds	562,275	628,416	66,141	67,459	1,317	784,419	871,604	87,185	88,337	1,152
Foreign stocks and other securities	214,285	231,368	17,082	19,457	2,375	216,738	255,189	38,450	39,102	652
Other securities	50,947	59,018	8,071	8,268	197	55,332	66,653	11,321	11,397	76
Money held in trust	—	—	—	—	—	—	—	—	—	—
Monetary claims bought	—	—	—	—	—	—	—	—	—	—
Negotiable certificate of deposits	—	—	—	—	—	—	—	—	—	—
Others	—	—	—	—	—	—	—	—	—	—

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

• Held-to-maturity Debt Securities

(Millions of yen)

	As of March 31, 2013			As of March 31, 2014		
	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	819,253	899,337	80,084	843,433	922,909	79,476
Domestic bonds	772,539	849,531	76,992	768,744	845,557	76,813
Foreign bonds	46,714	49,805	3,091	74,689	77,352	2,662
Money claims bought	—	—	—	—	—	—
Negotiable certificate of deposits	—	—	—	—	—	—
Others	—	—	—	—	—	—
Securities whose fair value does not exceed the carrying value on the balance sheet	3,621	3,533	(88)	—	—	—
Domestic bonds	—	—	—	—	—	—
Foreign bonds	3,621	3,533	(88)	—	—	—
Money claims bought	—	—	—	—	—	—
Negotiable certificate of deposits	—	—	—	—	—	—
Others	—	—	—	—	—	—

• Policy-reserve-matching Bonds

(Millions of yen)

	As of March 31, 2013			As of March 31, 2014		
	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	1,032,379	1,117,564	85,184	1,205,007	1,289,805	84,798
Domestic bonds	1,011,268	1,096,160	84,891	1,186,005	1,270,527	84,522
Foreign bonds	21,110	21,403	292	19,001	19,277	276
Others	—	—	—	—	—	—
Bonds whose fair value does not exceed the carrying value on the balance sheet	4,711	4,367	(344)	5,009	4,782	(227)
Domestic bonds	4,711	4,367	(344)	4,709	4,484	(224)
Foreign bonds	—	—	—	300	297	(2)
Others	—	—	—	—	—	—

• Available-for-sale Securities

(Millions of yen)

	As of March 31, 2013			As of March 31, 2014		
	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	1,929,626	2,252,859	323,232	1,859,060	2,238,861	379,801
Domestic bonds	1,033,793	1,138,675	104,882	796,157	868,289	72,132
Domestic stocks	209,314	335,864	126,549	232,850	404,620	171,769
Foreign securities	644,141	727,674	83,532	780,763	905,265	124,501
Foreign bonds	464,221	528,295	64,074	581,574	666,973	85,398
Foreign stocks	179,920	199,378	19,457	199,188	238,291	39,102
Other securities	42,376	50,644	8,268	49,288	60,686	11,397
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	145,286	133,936	(11,349)	186,942	182,555	(4,387)
Domestic bonds	17,017	16,591	(426)	18,947	18,609	(337)
Domestic stocks	60,117	52,552	(7,565)	36,941	34,474	(2,467)
Foreign securities	59,579	56,419	(3,160)	125,009	123,504	(1,505)
Foreign bonds	26,607	25,377	(1,229)	108,853	107,703	(1,149)
Foreign stocks	32,972	31,041	(1,930)	16,156	15,800	(355)
Other securities	8,570	8,373	(197)	6,043	5,967	(76)
Money held in trust	—	—	—	—	—	—
Money claims bought	—	—	—	—	—	—
Negotiable certificate of deposits	—	—	—	—	—	—
Others	—	—	—	—	—	—

\* Book value of securities whose market value are deemed extremely difficult to obtain are as follows:

(Millions of yen)

	As of March 31, 2013	As of March 31, 2014
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	15,405	15,620
Unlisted domestic stocks (except over-the-counter stocks)	7,738	7,653
Unlisted foreign stocks (except over-the-counter stocks)	—	—
Unlisted foreign bonds	—	—
Others	7,667	7,967
Total	50,966	51,181

**(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, 2013	Interest-related	Currency-related	Stock-related	Bond-related	Others	Total
Hedge accounting applied	93	(888)	—	—	—	(795)
Hedge accounting not applied	(137)	967	—	(498)	—	331
Total	(43)	78	—	(498)	—	(463)
As of March 31, 2014	Interest-related	Currency-related	Stock-related	Bond-related	Others	Total
Hedge accounting applied	3	(2,427)	—	—	—	(2,423)
Hedge accounting not applied	(18)	(2,119)	(152)	370	—	(1,920)
Total	(14)	(4,546)	(152)	370	—	(4,343)

Note: Gains and losses from applying fair value hedge accounting (currency-related, losses of ¥888 million as of March 31, 2013 and losses of ¥2,427 million as of March 31, 2014) included in gains and losses with hedge accounting applied, and gains and losses with hedge accounting not applied are reported in the statements of operations.

(ii) Hedge Accounting not Applied

• Interest-related Transactions

(Millions of yen)

	As of March 31, 2013			As of March 31, 2014		
	Notional amount/ contract value	Fair value	Gains (losses)	Notional amount/ contract value	Fair value	Gains (losses)
Over-the-counter transactions						
Yen interest rate swaption contracts						
Sold						
Receipt fixed, payment floating	—	—	—	—	—	—
Payment fixed, receipt floating	[ — ]	—	—	[ — ]	—	—
Bought						
Receipt fixed, payment floating	—	—	—	—	—	—
Payment fixed, receipt floating	[ — ]	—	—	[ — ]	—	—
Total	300,000 [ 307 ]	—	170 (137)	100,000 [ 89 ]	70	(18)

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

• Currency-related Transactions

(Millions of yen)

	As of March 31, 2013				As of March 31, 2014			
	Notional amount/ contract value	Over 1 year	Fair value	Gains (losses)	Notional amount/ contract value	Over 1 year	Fair value	Gains (losses)
<b>Over-the-counter transactions</b>								
Currency forward contracts								
Sold	190,966	—	189,966	999	211,168	—	213,264	(2,096)
Euro	52,090	—	50,993	1,097	61,874	—	61,883	(8)
US dollar	54,731	—	54,070	660	58,325	—	58,658	(333)
Australian dollar	35,994	—	36,684	(690)	37,324	—	38,499	(1,175)
Canadian dollar	29,554	—	29,611	(57)	34,936	—	35,385	(448)
British pound	18,595	—	18,606	(11)	18,708	—	18,838	(130)
Singapore dollar	0	—	0	0	—	—	—	—
Bought	—	—	—	—	9	—	9	0
Euro	—	—	—	—	9	—	9	0
Currency Options								
Sold								
Calls	15,681	—	—	—	—	—	—	—
US dollar	[ 108 ]	—	33	74	[ — ]	—	—	—
Euro	[ 66 ]	—	32	34	[ — ]	—	—	—
Euro	[ 41 ]	—	1	40	[ — ]	—	—	—
Puts	—	—	—	—	—	—	—	—
Bought								
Calls	—	—	—	—	—	—	—	—
Puts	20,550	—	9	(107)	9,800	—	0	(23)
US dollar	[ 116 ]	—	9	(107)	[ 23 ]	—	0	(23)
Euro	[ 66 ]	—	0	(66)	[ 23 ]	—	0	(23)
Euro	[ 50 ]	—	9	(41)	[ — ]	—	—	—
<b>Total</b>				<b>967</b>				<b>(2,119)</b>

Notes: 1. Figures in [ ] are option premiums which are included in balance sheet.

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

• Stock-related Transactions

(Millions of yen)

	As of March 31, 2013				As of March 31, 2014			
	Notional amount/ contract value	Over 1 year	Fair value	Gains (losses)	Notional amount/ contract value	Over 1 year	Fair value	Gains (losses)
<b>Stock index option</b>								
Sold								
Call	—	—	—	—	—	—	—	—
Put	[ — ]	—	—	—	[ — ]	—	—	—
Bought								
Call	—	—	—	—	—	—	—	—
Put	[ — ]	—	—	—	10,687	—	153	(152)
Put	[ — ]	—	—	—	[ 306 ]	—	—	—
<b>Total</b>				<b>—</b>				<b>(152)</b>

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

• Bond-related Transactions

(Millions of yen)

	As of March 31, 2013				As of March 31, 2014			
	Notional amount/ contract value	Over 1 year	Fair value	Gains (losses)	Notional amount/ contract value	Over 1 year	Fair value	Gains (losses)
<b>Exchange-traded transactions</b>								
Yen bond futures								
Sold	174,087	—	174,552	(464)	144,825	—	144,620	205
Bought	—	—	—	—	—	—	—	—
Foreign bond futures								
Sold	10,517	—	10,551	(34)	27,492	—	27,327	165
Bought	—	—	—	—	—	—	—	—
<b>Total</b>				<b>(498)</b>				<b>370</b>

(iii) Hedge Accounting Applied

• Interest-related Transactions

[As of March 31, 2013]

(Millions of yen)

Method of hedge accounting	Hedging instruments	Hedged items	Notional amount / contract value		Fair value
				Over 1 year	
Deferral hedge method	Yen interest rate swap contracts	Loans			
	Receipt fixed, payment floating		12,495	495	93
	Payment fixed, receipt floating		—	—	—
Total					

\* Interest rate swap contracts by contractual maturity dates

(Millions of yen)

	1 year or shorter	Over 1 year to 3 years	Over 3 years
Notional amount (receipts fixed, payments floating)	12,000	495	—
Average fixed rate (receipt)	1.65%	2.30%	—
Average floating rate (payment)	0.53%	1.15%	—
Notional amount (receipts floating, payments fixed)	—	—	—
Average floating rate (receipt)	—	—	—
Average fixed rate (payment)	—	—	—

[As of March 31, 2014]

(Millions of yen)

Method of hedge accounting	Hedging instruments	Hedged items	Notional amount / contract value		Fair value
				Over 1 year	
Deferral hedge method	Yen interest rate swap contracts	Loans			
	Receipt fixed, payment floating		290	170	3
	Payment fixed, receipt floating		—	—	—
Total					

\* Interest rate swap contracts by contractual maturity dates

(Millions of yen)

	1 year or shorter	Over 1 year to 3 years	Over 3 years
Notional amount (receipts fixed, payments floating)	120	170	—
Average fixed rate (receipt)	2.12%	2.47%	—
Average floating rate (payment)	1.11%	1.11%	—
Notional amount (receipts floating, payments fixed)	—	—	—
Average floating rate (receipt)	—	—	—
Average fixed rate (payment)	—	—	—

• Currency-related Transactions

[As of March 31, 2013]

(Millions of yen)

Method of hedge accounting	Hedging instruments	Hedged items	Notional amount / contract value		Fair Value
				Over 1 year	
Fair value hedge method	Currency forward contracts	Foreign currency-denominated bonds			
	Sold		139,523	—	140,412
	US dollar		94,974	—	96,269
	Euro		34,703	—	34,409
	Australian dollar		9,845	—	9,732
	Bought		—	—	—
Total					

[As of March 31, 2014]

(Millions of yen)

Method of hedge accounting	Hedging instruments	Hedged items	Notional amount / contract value		Fair Value
				Over 1 year	
Fair value hedge method	Currency forward contracts	Foreign currency-denominated bonds			
	Sold		364,791	—	367,218
	US dollar		295,783	—	297,232
	Euro		39,976	—	40,353
	British pound		15,206	—	15,401
	Australian dollar		13,825	—	14,231
	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

No ending balance as of March 31, 2013 and 2014.

• Bond-related Transactions

No ending balance as of March 31, 2013 and 2014.



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

#### (1) Selected Financial Data

(Millions of yen)

	Year ended March 31, 2013	Year ended March 31, 2014
Ordinary revenues	1,073,135	935,620
Ordinary profits	72,868	76,441
Net surplus for the year	50,267	51,782
Comprehensive income	201,755	95,703

	As of March 31, 2013	As of March 31, 2014
Total assets	7,538,862	7,817,668
Solvency Margin Ratio	994.6%	1120.0%

#### (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, 2013	As of March 31, 2014		As of March 31, 2013	As of March 31, 2014
<b>Assets:</b>			<b>Liabilities:</b>		
Cash and deposits	72,868	91,021	Policy reserves	6,856,928	6,995,343
Call loans	70,300	148,700	Reserve for outstanding claims	24,663	25,170
Monetary claims bought	1,111	1,011	Policy reserve	6,779,259	6,918,429
Money held in trust	31,322	31,981	Reserve for dividends to policyholders	52,307	51,007
Securities	6,108,723	6,406,927	Reserve for dividends to policyholders (subsidiary)	697	735
Loans	910,657	839,244	Agency payables	375	339
Tangible fixed assets	272,228	232,492	Reinsurance payables	113	113
Land	160,528	132,912	Subordinated bonds	66,187	122,346
Buildings	105,882	95,148	Other liabilities	53,918	57,036
Lease assets	1,430	1,159	Reserve for employees' retirement benefits	45,153	—
Construction in progress	1,297	280	Net defined benefit liabilities	—	48,840
Other tangible fixed assets	3,089	2,992	Reserve for price fluctuation of securities	46,625	50,325
Intangible fixed assets	18,727	16,369	Deferred tax liabilities	16,938	27,502
Software	12,321	11,339	Deferred tax liabilities for revaluation reserve for land	16,119	15,929
Goodwill	3,855	3,091	<b>Total liabilities</b>	<b>7,102,360</b>	<b>7,317,778</b>
Lease assets	2,271	1,659	<b>Net assets:</b>		
Other intangible fixed assets	279	279	Foundation funds	35,000	35,000
Agency receivables	6	1	Accumulated foundation funds redeemed	71,000	71,000
Reinsurance receivables	56	94	Reserve for revaluation	112	112
Other assets	54,698	51,065	Consolidated surplus	102,904	126,584
Deferred tax assets	362	1,041	Total foundation funds, surplus and others	209,016	232,696
Allowance for possible loan losses	(2,201)	(2,281)	Net unrealized gains (losses) on available-for-sale securities, net of tax	219,719	263,161
			Deferred valuation gains (losses) under hedge accounting	62	2
			Revaluation reserve for land, net of tax	3,421	3,144
			Foreign currency translation adjustment	(635)	(261)
			Accumulated remeasurements of defined benefit plans	—	(3,918)
			Total accumulated other comprehensive income	222,569	262,127
			Minority interests	4,916	5,066
			<b>Total net assets</b>	<b>436,502</b>	<b>499,890</b>
<b>Total assets</b>	<b>7,538,862</b>	<b>7,817,668</b>	<b>Total liabilities and net assets</b>	<b>7,538,862</b>	<b>7,817,668</b>

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

(Millions of yen)

	Year ended March 31, 2013	Year ended March 31, 2014
<b>Ordinary revenues:</b>		
Premium and other income	862,225	707,044
Investment income	200,056	216,832
Interest, dividends and other income	139,897	149,176
Gains from money held in trust, net	1,157	669
Gains from trading securities, net	38,498	19,402
Gains on sales of securities	8,290	34,672
Foreign exchange gains, net	907	2,214
Other investment income	1,230	279
Gains from separate accounts, net	10,075	10,417
Other ordinary revenues	10,854	11,743
<b>Total ordinary revenues</b>	<b>1,073,135</b>	<b>935,620</b>
<b>Ordinary expenditures:</b>		
Claims and other payments	550,677	552,830
Claims	171,223	138,689
Annuities	101,713	135,437
Benefits	136,427	131,069
Surrenders	109,133	114,188
Other payments	32,179	33,444
Provision for policy reserve and others	269,040	139,752
Provision for reserve for outstanding claims	514	507
Provision for policy reserve	268,449	139,169
Interest on accumulated dividends to policyholders	76	74
Interest on accumulated dividends to policyholders (subsidiary)	0	0
Investment expenses	59,072	49,005
Interest expenses	1,801	3,655
Losses on sales of securities	10,790	9,289
Losses on valuation of securities	1,009	52
Losses from derivative instruments, net	34,773	25,116
Provision for allowance for possible loan losses	74	56
Depreciation of real estate for rent and other assets	5,802	5,082
Other investment expenses	4,820	5,751
Operating expenses	99,232	95,278
Other ordinary expenditures	22,244	22,313
<b>Total ordinary expenditures</b>	<b>1,000,266</b>	<b>859,179</b>
<b>Ordinary profits</b>	<b>72,868</b>	<b>76,441</b>
<b>Extraordinary gains:</b>		
Gains on disposal of fixed assets	60	2,005
<b>Total extraordinary gains</b>	<b>60</b>	<b>2,005</b>
<b>Extraordinary losses:</b>		
Losses on disposal of fixed assets	395	7,314
Impairment losses	600	1,775
Provision for reserve for price fluctuation of securities	8,441	3,700
Other extraordinary losses	2	—
<b>Total extraordinary losses</b>	<b>9,439</b>	<b>12,791</b>
<b>Provision for reserve for dividends to policyholders (subsidiary)</b>	<b>455</b>	<b>542</b>
<b>Surplus before income taxes</b>	<b>63,034</b>	<b>65,112</b>
<b>Income taxes:</b>		
Current	15,138	20,867
Deferred	(2,499)	(7,773)
<b>Total income taxes</b>	<b>12,639</b>	<b>13,093</b>
<b>Net surplus before minority interests</b>	<b>50,395</b>	<b>52,019</b>
<b>Minority interests</b>	<b>128</b>	<b>236</b>
<b>Net surplus for the year</b>	<b>50,267</b>	<b>51,782</b>

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

## [Consolidated Statement of Comprehensive Income]

(Millions of yen)

	Year ended March 31, 2013	Year ended March 31, 2014
Net surplus before minority interests	50,395	52,019
Other comprehensive income	151,359	43,684
Net unrealized gains (losses) on available-for-sale securities, net of tax	151,291	43,367
Deferred valuation gains (losses) under hedge accounting	(107)	(60)
Revaluation reserve for land, net of tax	(17)	3
Foreign currency translation adjustment	193	373
Comprehensive income	201,755	95,703
Parent company	201,248	95,541
Minority interests	507	162

## (5) Consolidated Statements of Cash Flows

(Millions of yen)

	Year ended March 31, 2013	Year ended March 31, 2014
<b>Cash flows from operating activities:</b>		
Surplus before income taxes	63,034	65,112
Depreciation of real estate for rent and other assets	5,802	5,082
Depreciation	6,528	7,109
Impairment losses	600	1,775
Amortization of goodwill	763	763
Increase (Decrease) in reserve for outstanding claims	514	507
Increase (Decrease) in policy reserve	268,449	139,169
Interest on accumulated dividends to policyholders	76	74
Interest on accumulated dividends to policyholders (subsidiary)	0	0
Provision for reserve for dividends to policyholders (subsidiary)	455	542
Increase (Decrease) in allowance for possible loan losses	(74)	80
Increase (Decrease) in reserve for employees' retirement benefits	(1,231)	—
Increase (Decrease) in net defined benefit liabilities	—	(1,973)
Increase (Decrease) in reserve for price fluctuation of securities	8,441	3,700
Interest, dividends and other income	(139,897)	(149,176)
(Gains) Losses on securities	(11,447)	(30,702)
Interest expenses	1,801	3,655
Foreign exchange (gains) losses, net	(907)	(2,214)
(Gains) Losses on tangible fixed assets	174	5,130
(Increase) Decrease in agency receivables	0	5
(Increase) Decrease in reinsurance receivables	67	(37)
(Increase) Decrease in other assets except from investing and financing activities	145	(880)
Increase (Decrease) in agency payables	(184)	(36)
Increase (Decrease) in reinsurance payables	24	(0)
Increase (Decrease) in other liabilities except from investing and financing activities	(1,494)	(2,568)
Others	16,632	17,015
Subtotal	218,275	62,135
Interest, dividends and other income received	146,798	159,741
Interest paid	(1,392)	(3,430)
Dividends to policyholders paid	(25,727)	(29,137)
Dividends to policyholders paid (subsidiary)	(406)	(504)
Corporate income tax (paid) refunded	(7,647)	(17,291)
Net cash provided by (used in) operating activities (I)	329,899	171,511
<b>Cash flows from investing activities:</b>		
(Increase) Decrease in deposits	(191)	(684)
Proceeds from sales and redemption of monetary claims bought	220	98
Payments for increase in money held in trust	—	(2,000)
Proceeds from decrease in money held in trust	5,034	1,999
Payments for purchase of securities	(1,048,127)	(867,499)
Proceeds from sales and redemption of securities	638,224	700,791
Payments for additions to loans	(94,197)	(86,787)
Proceeds from collections of loans	214,939	148,350
Proceeds from settlement of derivatives	(37,627)	(21,671)
Others	(24,962)	(20,399)
Subtotal (IIa)	(346,686)	(147,800)
(I+IIa)	[ (16,787) ]	[ 23,710 ]
Payments for purchase of tangible fixed assets	(4,704)	(4,607)
Proceeds from sales of tangible fixed assets	444	30,441
Payments for purchase of intangible fixed assets	(3,616)	(2,777)
Proceeds from sales of intangible fixed assets	173	—
Payments for stocks of subsidiaries and affiliates with change of scope of consolidation	(330)	—
Net cash provided by (used in) investing activities	(354,721)	(124,744)

## (5) Consolidated Statements of Cash Flows (Continued)

(Millions of yen)

	Year ended March 31, 2013	Year ended March 31, 2014
<b>Cash flows from financing activities:</b>		
Financing of subordinated bonds	30,000	49,870
Interest payment for foundation funds	(621)	(621)
Dividends paid to minority interests	(12)	(12)
Payments for lease obligations	(518)	(752)
Net cash provided by (used in) financing activities	28,847	48,483
<b>Effect of exchange rate changes on cash and cash equivalents</b>	67	526
<b>Net increase (decrease) in cash and cash equivalents</b>	4,091	95,777
<b>Cash and cash equivalents at the beginning of the year</b>	138,504	142,596
<b>Cash and cash equivalents at the end of the year</b>	142,596	238,373

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

**[For the year ended March 31, 2013]**

(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 current fiscal year	35,000	71,000	112	77,183	183,295
Changes in the current fiscal year					
Additions to reserve for dividends to policyholders				(23,989)	(23,989)
Payment of interest on foundation funds				(621)	(621)
Net surplus for the year				50,267	50,267
Reversal of revaluation reserve for land				(55)	(55)
Change of scope of consolidation				120	120
Net changes, excluding foundation funds, surplus and others					
Total changes in the current fiscal year	—	—	—	25,721	25,721
Balance at the end of current fiscal year	35,000	71,000	112	102,904	209,016

	Accumulated other comprehensive income						Minority interests	Total net assets
	Net unrealized gains (losses) on available-for-sale securities, net of tax	Deferred valuation gains (losses) under hedge accounting	Revaluation reserve for land, net of tax	Foreign currency translation adjustment	Accumulated remeasurements of defined benefit plans	Total accumulated other comprehensive income		
Balance at the beginning of current fiscal year	68,806	170	3,383	(828)	—	71,532	4,421	259,249
Changes in the current fiscal year								
Additions to reserve for dividends to policyholders								(23,989)
Payment of interest on foundation funds								(621)
Net surplus for the year								50,267
Reversal of revaluation reserve for land								(55)
Change of scope of consolidation								120
Net changes, excluding foundation funds, surplus and others	150,912	(107)	38	193	—	151,036	495	151,531
Total changes in the current fiscal year	150,912	(107)	38	193	—	151,036	495	177,252
Balance at the end of current fiscal year	219,719	62	3,421	(635)	—	222,569	4,916	436,502

**[For the year ended March 31, 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 current fiscal year	35,000	71,000	112	102,904	209,016
Changes in the current fiscal year					
Additions to reserve for dividends to policyholders				(27,762)	(27,762)
Payment of interest on foundation funds				(621)	(621)
Net surplus for the year				51,782	51,782
Reversal of revaluation reserve for land				281	281
Net changes, excluding foundation funds, surplus and others					
Total changes in the current fiscal year	—	—	—	23,679	23,679
Balance at the end of current fiscal year	35,000	71,000	112	126,584	232,696

	Accumulated other comprehensive income						Minority interests	Total net assets
	Net unrealized gains (losses) on available-for-sale securities, net of tax	Deferred valuation gains (losses) under hedge accounting	Revaluation reserve for land, net of tax	Foreign currency translation adjustment	Accumulated remeasurements of defined benefit plans	Total accumulated other comprehensive income		
Balance at the beginning of current fiscal year	219,719	62	3,421	(635)	—	222,569	4,916	436,502
Changes in the current fiscal year								
Additions to reserve for dividends to policyholders								(27,762)
Payment of interest on foundation funds								(621)
Net surplus for the year								51,782
Reversal of revaluation reserve for land								281
Net changes, excluding foundation funds, surplus and others	43,441	(60)	(277)	373	(3,918)	39,558	149	39,708
Total changes in the current fiscal year	43,441	(60)	(277)	373	(3,918)	39,558	149	63,388
Balance at the end of current fiscal year	263,161	2	3,144	(261)	(3,918)	262,127	5,066	499,890



# 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 for the year ended March 31, 2014 are listed below:

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

Major unconsolidated subsidiary is Fukoku Seimei Building Company Limited.

Seven 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 year 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 year ended March 31, 2014.

#### (3) Fiscal Year of Consolidated Subsidiaries

Among the subsidiaries to be consolidated, fiscal year-end of overseas subsidiaries is December 31. For the preparation of consolidated financial statements, financial statements as of that date are used and concerning any important transaction taking place in between December 31 and the consolidated closing date, necessary adjustments for consolidation are made.

#### (4) Amortization of Goodwill

Goodwill was amortized by the straight-line method over a period of 10 years and in case of the immaterial amount of goodwill, such amount is fully charged to operating expenses when incurred.

## II. Notes to Balance Sheets

### 1. Significant Accounting Policies

#### (1) Valuation Methods of Securities

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

- i) Trading securities are stated at fair market value. Costs of their sales are determined by the moving average method.
- ii) Held-to-maturity debt securities are stated at amortized cost under the straight-line method, cost being determined by the moving average method.
- iii) Policy-reserve-matching bonds are stated at amortized cost under the straight-line method, cost being determined by the moving average method in accordance with "Temporary Treatment of Accounting and Auditing Concerning Policy-reserve-matching Bonds in Insurance Industry" (Industry Audit Committee Report No.21 issued by the Japanese Institute of Certified Public Accountants on November 16, 2000).
- iv) Investments in unconsolidated subsidiaries and affiliates which are not accounted for under the equity method are stated at cost, cost being determined by the moving average method.
- v) Available-for-sale securities with fair market value are stated at fair market value based on the market prices at the end of fiscal year. 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 market values are deemed extremely difficult to obtain are stated at cost, cost being determined by the moving average method, except for public and corporate bonds including foreign bonds, of which the difference between acquisition cost and face value is considered to be an adjustment of interest. Such bonds are stated at amortized cost under the straight-line method, cost being determined by the moving average method.

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

Derivative instruments are stated at fair market value.

#### (3) Revaluation of Land

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

- Date of revaluation: March 31, 2002
- Method of revaluation as prescribed for in Article 3 Paragraph 3 of the said Law:

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

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

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

- Tangible fixed assets (excluding lease assets): Declining-balance method

However, buildings (excluding building attachments and structures) acquired on or after April 1, 1998 are depreciated using Straight-line method.

- Lease assets related to finance lease transactions that do not transfer ownership: Straight-line method over the lease term without residual value

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

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

Foreign currency-denominated assets and liabilities are translated into Japanese yen at the effective exchange rate prevailing at the balance sheet date.

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

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

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

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

For the credits of legally bankrupt borrowers and substantially bankrupt borrowers, the amounts remaining after deductions of collateral value or the amounts collectible through the execution of guarantees is written-off directly from the borrower's balance as the estimated uncollectible amounts. The amount written-off as of March 31, 2014 was ¥271 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 ..... Straight-line basis
- Amortization period of actuarial differences ..... 10 years
- Amortization period of prior service cost ..... 10 years

#### **(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 Lessee**

Finance lease transactions that do not transfer ownership to the lessee whose commencement day was on or before March 31, 2008 continued to be accounted for in a manner similar to accounting treatment for ordinary rental transactions.

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

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

Hedge accounting is based on "Accounting Standards for Financial Instruments" (ASBJ Statement No.10 issued by the Accounting Standards Board of Japan on 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 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.

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

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

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

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

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, certain hospitalization riders with surgery benefits and long-term hospitalization benefits, and non-participating educational insurance have funded policy reserves included.

#### **(14) 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 terms.

### **(15) Deferred Assets**

Discount on bonds is amortized equally over the period for which interest on bonds is fixed. This amount is deducted from bonds.

### **(16) 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 Error Corrections and its Implementation**

Effective from the fiscal year ended March 31, 2014, in accordance with the “Accounting Standard for Retirement Benefits” (Accounting Standards Board of Japan (ASBJ) Statement No. 26, May 17, 2012, excluding the provision of article 35) and the “Guidance on Accounting Standard for Retirement Benefits” (ASBJ Guidance No. 25, May 17, 2012, excluding the provision of article 67), the Company has changed its method of presenting net defined benefit liabilities. These liabilities are presented after deducting pension plan assets from retirement benefit obligations. Unrecognized actuarial differences and unrecognized prior service cost are presented within net defined benefit liabilities.

As of March 31, 2014, in accordance with transitional treatment as stipulated in article 37 of the Accounting Standard for Retirement Benefits, the impact of the changes in accounting policies is included in accumulated remeasurements of defined benefit plans in accumulated other comprehensive income.

As a result, the Company recognized ¥48,840 million as net defined benefit liabilities and accumulated other comprehensive income decreased by ¥3,918 million.

## **3. The Principal Accounting Standards Published before March 31, 2014 but not Applied are as follows.**

- (1) With the publication of the “Accounting Standard for Retirement Benefits” (ASBJ Statement No. 26, May 17, 2012) and the “Guidance on Accounting Standard for Retirement Benefits” (ASBJ Guidance No. 25, May 17, 2012), the method for calculating retirement benefit obligations, current service cost and others will be changed.

Compulsory application of this standard is from the commencement of fiscal years beginning on or after April 1, 2014. The Company plans to apply this standard from the start of the fiscal year ending March 31, 2015.

The Company and its consolidated subsidiaries are currently evaluating the impact in the consolidated fiscal years after the application of the standards.

- (2) With the publication of the “Revised Accounting Standard for Business Combinations” (Accounting Standards Board of Japan (ASBJ) Statement No. 21, September 13, 2013), the “Revised Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures” (ASBJ Guidance No.10, September 13, 2013), and the “Revised Accounting Standard for Consolidated Financial Statements” (ASBJ Statement No. 22, September 13, 2013), the accounting treatment for handling amount differences stemming from changes in a parent company’s ownership interest in a subsidiary when the parent company

retains control over the subsidiary as well as the treatment of acquisition-related costs in a business combination were revised. In addition, the names of items presented in the consolidated financial statements were revised.

Compulsory application of these standards is from the commencement of fiscal years beginning on or after April 1, 2015. The Company plans to apply this standard from the start of the fiscal year ending March 31, 2016.

The Company is currently evaluating the impact in the consolidated fiscal years after the application of these standards.

#### **4. Financial Instruments**

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

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

The carrying amounts, fair values and their related differences of major financial assets and liabilities as of March 31, 2014 were as follows:

	Carrying amount	Fair value	Difference
			(Millions of yen)
Cash and deposits: .....			
Cash and deposits not treated as securities	¥ 90,886	¥ 90,886	¥ —
Total cash and deposits	90,886	90,886	—
Call loans .....	148,700	148,700	—
Monetary claims bought:			
Claims treated as loans .....	1,011	1,054	43
Total monetary claims bought .....	1,011	1,054	43
Money held in trust:			
Trading securities .....	30,981	30,981	—
Total money held in trust .....	30,981	30,981	—
Securities:			
Trading securities .....	271,060	271,060	—
Held-to-maturity debt securities .....	1,265,332	1,379,802	114,470
Policy-reserve-matching bonds .....	2,071,506	2,214,902	143,395
Available-for-sale securities .....	2,704,248	2,704,248	—
Total securities .....	6,312,148	6,570,014	257,865
Loans:			
Policy loans .....	68,590	68,590	(0)
Ordinary loans .....	770,654	793,401	22,747
Total loans .....	839,244	861,991	22,747
Assets total	7,422,971	7,703,628	280,656
Subordinated bonds* <sup>1</sup>	122,346	126,900	4,554
Liabilities total	122,346	126,900	4,554
Derivative instruments* <sup>2</sup> :			
Hedge accounting not applied .....	(1,920)	(1,920)	—
Hedge accounting applied .....	(2,423)	(2,423)	—
Total derivative instruments .....	¥ (4,343)	¥ (4,343)	¥ —

\*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 price at the end of fiscal year. The fair values of other securities without the quoted market price 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 as of March 31, 2014 were ¥519 million, ¥7,653 million and ¥7,967 million, 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 deadline have not been set up due to the characteristics that the loan is 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 value.

(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 options and swaps traded over the counter are based on the quoted prices offered by counterparty financial institutions.
- iii) The fair values of foreign currency forward contracts are determined based on the spot exchange rate and forward contract rate.

## 5. Investment and Rental Property

The Company holds investment and rental properties such as office buildings in Tokyo and other areas. The carrying amount and the fair value of these investment and rental properties as of March 31, 2014 were ¥180,400 million and ¥261,345 million, respectively. The fair value is mainly based on the value calculated by the Company in accordance with real estate appraisal standards which includes some adjustments using the reference prices.

The amount corresponding to asset retirement obligations included in the carrying amount of investment and rental properties was ¥1,176 million as of March 31, 2014.

## 6. Securities Lent under Lending Agreements

The amount of securities lent under lending agreements was ¥71,815 million as of March 31, 2014.

## 7. Loans Receivable

The amounts of credits to bankrupt borrowers, delinquent loans and restructured loans, which were included in loans, were ¥195 million, ¥747 million and ¥660 million, respectively and their total amounts were ¥1,603 million as of March 31, 2014. There was no balance of delinquent loans past 3 months or more as of March 31, 2014.

The direct write-offs related to loans decreased credits to bankrupt borrowers by ¥251 million as of March 31, 2014.

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



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

Delinquent loans are credits whose accruing 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.

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

Accumulated depreciation of tangible fixed assets totaled to ¥145,599 million as of March 31, 2014.

## **9. Separate Accounts**

Total assets in separate accounts provided for in Article 118 of the Insurance Business Law were ¥82,680 million as of March 31, 2014. The amount of separate account liabilities was the same as separate account assets.

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

The total amounts of receivables from/payables to unconsolidated subsidiaries were ¥3,288 million and ¥182million as of March 31, 2014, respectively.

## **11. Income Taxes**

Deferred tax assets and deferred tax liabilities as of March 31, 2014 were ¥96,261 million and ¥119,541 million, respectively. Valuation allowance for deferred tax assets was ¥3,181 million.

Major components of deferred tax assets were ¥56,752 million of policy reserves, ¥15,490 million of reserve for price fluctuation of securities and ¥15,035 million of net defined benefit liabilities as of March 31, 2014.

Major component of deferred tax liabilities was ¥117,327 million of net unrealized gains on available-for-sale securities as of March 31, 2014.

The statutory tax rate and the actual effective tax rate for the year ended March 31, 2014 were 33.3% and 20.1%, respectively. The major difference between the statutory tax rate and the actual effective tax rate was (16.2%) of reserve for dividends to the policyholders.

Accompanying the promulgation of the "Act for Partial Revision to the Income Tax Act, etc." (Act No. 10, 2014), the effective statutory tax rate used to calculate deferred tax assets and deferred tax liabilities was changed. The Company had previously used an effective statutory tax rate of 33.3% for items expected to be collected or paid in the period from April 1, 2014, to March 31, 2015, and a rate of 30.8% for items expected to be collected or paid on or after April 1, 2015. However, owing to the aforementioned law change, the rate of 30.8% for items expected to be collected or paid after April 1, 2014 is used. As a result of this change in statutory tax rate, deferred tax assets decreased ¥22 million, deferred tax liabilities increased ¥538 million, and deferred tax liabilities for revaluation reserve for land decreased ¥3 million. Deferred income taxes increased by ¥561 million.

## 12. Reserve for Dividends to Policyholders

Changes in reserve for dividends to policyholders for the year ended March 31, 2014 were as follows:

	(Millions of yen)
Balance at the beginning of current fiscal year.....	¥ 52,307
Transfer from surplus in previous fiscal year .....	27,762
Dividends paid in the current fiscal year.....	29,137
Increase in interest .....	74
Balance at the end of current fiscal year .....	<u>¥ 51,007</u>

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

Changes in reserve for dividends to policyholders for the year ended March 31, 2014 were as follows:

	(Millions of yen)
Balance at the beginning of current fiscal year.....	¥ 697
Dividends paid in the current fiscal year.....	504
Increase in interest .....	0
Provision for reserve for dividends to policyholders .....	542
Balance at the end of current fiscal year .....	<u>¥ 735</u>

## 14. Stocks of Unconsolidated Subsidiaries

The amount of stocks of unconsolidated subsidiaries the Company held as of March 31, 2014 was ¥519 million.

## 15. Pledged Assets and Secured Debts

Assets pledged as collateral as of March 31, 2014 were ¥28,231 million of securities and ¥1,241 million of deposits. Secured debts as of March 31, 2014 were ¥4,679 million.

## 16. Policy Reserves for the Reinsurance Contracts

Reserve for outstanding claims for the reinsurance contracts provided in accordance with Article 71 Paragraph 1 of the Enforcement Regulation of the Insurance Business Law (hereinafter called "reserve for outstanding claims for ceded reinsurance") was ¥4 million as of March 31, 2014.

Policy reserve for the reinsurance contracts provided in accordance with Article 71 Paragraph 1 of the Enforcement Regulation of the Insurance Business Law (hereinafter called "policy reserve for ceded reinsurance") was ¥50 million as of March 31, 2014.

## 17. Commitment Line

As of March 31, 2014, there were unused commitment line agreements under which the Company is the lender of ¥872 million.

## 18. Subordinated Bonds

Repayments of subordinated bonds are subordinated to other obligations.

## 19. Contribution to Policyholders Protection Corporation

The future contribution to the Life Insurance Policyholders Protection Corporation of Japan under Article 259 of the Insurance Business Law was estimated at ¥12,453million as of March 31, 2014. The contribution was charged as operating expenses in the year in which it was paid.

## 20. Employees' Retirement Benefits

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

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

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

### (2) Defined Benefit Plan

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

	(Millions of yen)
Retirement benefit obligation at the beginning of current fiscal year .....	¥ 72,695
Service cost .....	2,852
Interest cost .....	1,448
Actuarial difference occurred during the fiscal year .....	171
Retirement benefits payments .....	(5,349)
Others .....	(134)
Retirement benefit obligation at the end of current fiscal year .....	<u>¥ 71,685</u>

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

	(Millions of yen)
Pension plan assets at the beginning of current fiscal year .....	¥ 20,006
Expected return on pension plan assets .....	600
Actuarial difference occurred during the fiscal year .....	1,333
Contributions by the employer .....	2,309
Retirement benefits payments .....	(1,405)
Pension plan assets at the end of current fiscal year .....	<u>¥ 22,844</u>

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

	(Millions of yen)
a. Funded plan retirement benefit obligation .....	¥ 29,130
b. Pension plan assets.....	(22,844)
c. (a+b).....	<u>6,285</u>
d. Unfunded plan retirement benefit obligation.....	42,554
e. Net amount of liabilities and assets presented on the consolidated balance sheets.....	<u>48,840</u>
f. Net defined benefit liabilities.....	48,840
g. Net defined benefit assets .....	—
h. Net amount of liabilities and assets presented on the consolidated Balance sheets.....	<u>¥ 48,840</u>

iv) Breakdown of retirement benefit gains and losses

	(Millions of yen)
Service cost .....	¥ 2,852
Interest cost .....	1,448
Expected return on pension plan assets .....	(600)
Amortization of actuarial differences .....	759
Amortization of prior service cost .....	(47)
Retirement benefit expenses related to defined benefit plan .....	<u>¥ 4,413</u>

v) Accumulated remeasurements of defined benefit plan

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

	(Millions of yen)
Unrecognized actuarial differences .....	¥ (6,212)
Unrecognized prior service cost .....	551
Total .....	<u>¥ (5,661)</u>

vi) Breakdown of main pension plan assets

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

• Life insurance general account .....	45.2%
• Domestic bonds .....	16.7%
• Domestic stocks .....	16.7%
• Foreign stocks .....	14.4%
• Foreign bonds .....	6.1%
• Cash and deposits .....	0.9%
• Others .....	0.0%
• Total .....	<u>100.0%</u>

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

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

viii) Underlying actuarial assumptions

Main underlying actuarial assumptions as of March 31, 2014, were as follows:

• Discount rate .....	2.0%
• Expected long-term rate of return on pension plan assets.....	3.0%

(3) Defined contribution plan

The required contribution amount by the Company and its subsidiaries to the defined contribution plan was ¥255 million.

### III. Notes to Statements of Operations

#### 1. Transactions with Unconsolidated Subsidiaries

The total amounts of revenues and expenditures in connection with unconsolidated subsidiaries were ¥106 million and ¥2,973 million for the year ended March 31, 2014.

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

For the year ended March 31, 2014, provision for reserve for outstanding claims for ceded reinsurance considered in calculation of provision for reserve for outstanding claims was ¥2 million and reversal of policy reserve for ceded reinsurance considered in calculation of provision for policy reserve was ¥2 million.

#### 3. Impairment Losses of Fixed Assets

For the year ended March 31, 2014, impairment losses of fixed assets were as follows:

##### (1) Method of grouping

Real estate and other assets used for insurance business operations are classified as one asset group as a whole. Other assets such as real estate for rent and unused real estate are classified as one group individually.

##### (2) Background of recognizing the impairment losses

Profitability of certain real estate for rent dropped down significantly due to a decrease in the level of rental income and a declining trend of market prices of land. The Company reduced its book values of such real estate for rent and unused real estate to their recoverable amounts. The amounts reduced were recognized as impairment losses and included in the extraordinary losses.

##### (3) Asset groups recognized impairment losses and losses by fixed assets

Asset	Impairment losses		
	Land	Buildings and others	Total
			(Millions of yen)
(i) Real estate for rent...	¥ 1,541	¥ 140	¥ 1,682
(ii) Unused real estate ...	35	58	93
Total (i)+(ii).....	<u>¥ 1,577</u>	<u>¥ 198</u>	<u>¥ 1,775</u>

##### (4) Calculation method of recoverable amount

Recoverable amount is based on net sales value. Net sales value is determined based on appraisal value, posted price or road rate.

## IV. Notes to Statement of Comprehensive Income

### 1. Other Comprehensive Income

The amounts recycled and tax effect amounts related to other comprehensive income were as follows:

	(Millions of yen)
Net unrealized gains (losses) on available-for-sale securities, net of tax	
Amount incurred during the fiscal year ended March 31,2014 .....	¥87,278
Amount recycled.....	(24,665)
Before tax adjustment .....	<u>62,613</u>
Tax effects .....	(19,246)
Net unrealized gains (losses) on available-for-sale securities, net of tax	<u>43,367</u>
Deferred valuation gains (losses) under hedge accounting, net of tax	
Amount incurred during the fiscal year ended March 31,2014 .....	(18)
Amount recycled.....	(71)
Before tax adjustment .....	(90)
Tax effects .....	30
Deferred valuation gains (losses) under hedge accounting, net of tax .	<u>(60)</u>
Revaluation reserve for land, net of tax	
Amount incurred during the fiscal year ended March 31,2014 .....	—
Amount recycled.....	—
Before tax adjustment .....	—
Tax effects .....	3
Revaluation reserve for land, net of tax .....	<u>3</u>
Foreign currency translation adjustment	
Amount incurred during the fiscal year ended March 31,2014 .....	373
Amount recycled.....	—
Before tax adjustment .....	373
Tax effects .....	—
Foreign currency translation adjustment.....	<u>373</u>
Total other comprehensive income.....	<u>¥43,684</u>

## IV. Notes to Statements of Cash Flows

### 1. Scope of Cash and Cash Equivalents

Cash and cash equivalents as of March 31, 2014 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 sheets accounts as of March 31, 2014 were as follows:

	(Millions of yen)
Cash and deposits .....	¥91,021
Call loans .....	148,700
Monetary claims bought.....	1,011
Time deposits maturing over 3 months of the date of acquisition .....	(300)
Foreign currency deposits maturing over 3 months of the date of acquisition ...	(1,047)
Monetary claims bought maturing over 3 months of the date of acquisition .....	(1,011)
Cash and cash equivalents.....	<u>¥ 238,373</u>

## (7) Risk-monitored Loans

(Millions of yen)

	As of March 31, 2013	As of March 31, 2014
Credits to bankrupt borrowers	218	195
Delinquent loans	590	747
Delinquent loans past three months or more	—	—
Restructured loans	950	660
Total	1,759	1,603
[Percentage of total loans]	[0.19%]	[0.19%]

- 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 ¥1million as of March 31, 2013. The amounts written-off related to delinquent loans were ¥288 million as of March 31, 2013 and ¥251 million as of March 31, 2014.
2. Credits to bankrupt borrowers represent loans which are subject to bankruptcy, corporate reorganization or rehabilitation or other similar, including but not limited to foreign, proceedings. Accruing interest of these loans is not recorded as income after determining that principal or interest on these loans is unlikely to be collected due to the significant delay in repayment of principal or interest payment or for some other reasons.
3. Delinquent loans are credits whose accruing interest is not recorded as income due to the same reasons as described in note 2 above, and exclude credits to bankrupt borrowers and loans for which interest payments have been suspended and rescheduled to assist and support the borrowers in the restructuring of their business.
4. Delinquent loans past three months or more are loans for which interest payment or repayment of principal are delinquent for three months or more from the due date under the terms of the related loan agreements, excluding those loans classified as credits to bankrupt borrowers and delinquent loans.
5. Restructured loans are loans for which certain concessions favorable to borrowers, such as interest reduction or exemptions, rescheduling of due date of principal or interest payment, waiver of claim or other terms, have been negotiated for the purpose of assisting and supporting the borrowers in the restructuring of their business. This category excludes loans classified as credits to bankrupt borrowers, delinquent loans and delinquent loans past three months or more.



(8) Status of Insurance Claims Paying Ability of Insurance Subsidiaries  
(Consolidated Solvency Margin Ratio)

Fukokushinrai Life Insurance Company

(Millions of yen)

	As of March 31, 2013	As of March 31, 2014
Total solvency margin (A)	956,020	1,143,749
Common stock and others	180,855	201,167
Reserve for price fluctuation of securities	46,625	50,325
Contingency reserve	85,102	112,094
Catastrophe loss reserve	—	—
Allowance for possible loan losses	1,796	1,594
Net unrealized gains on available - for - sale securities x 90% (multiplied by 100% if losses)	286,774	343,140
Net unrealized gains on real estate x 85%	72,441	90,719
Sum of unrecognized actuarial differences and unrecognized prior service cost	—	(5,661)
Excess amount of policy reserve based on full-time Zillmer method	189,458	195,290
Qualifying subordinated debt	66,187	122,346
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	26,777	32,732
Total amount of risk $\sqrt{(\sqrt{R_1^2 + R_5^2 + R_6 + R_9})^2 + (R_2 + R_3 + R_7)^2} + R_4 + R_8$ (B)	192,238	204,232
Insurance risk $R_1$	27,902	26,983
General insurance risk $R_5$	—	—
Catastrophe risk $R_6$	—	—
3rd sector insurance risk $R_8$	9,754	9,748
Small amount and short-term insurance risk $R_9$	—	—
Assumed investment yield risk $R_2$	36,326	36,260
Minimum guarantee risk $R_7$	2	0
Investment risk $R_3$	147,663	159,903
Business risk $R_4$	4,432	4,657
Solvency margin ratio $\frac{(A)}{(1/2) \times (B)} \times 100$	994.6%	1120.0%

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

2. The figures as of March 31, 2014 are calculated, including the sum of unrecognized actuarial differences and unrecognized prior service cost (the figures as of March 31, 2013 are calculated based on previous standards).

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

(9) Status of Insurance Claims Paying Ability of Insurance Subsidiaries  
(Solvency Margin Ratio)

Fukokushinrai Life Insurance Company

(Millions of yen)

		As of March 31, 2013	As of March 31, 2014
Total solvency margin	(A)	47,668	51,146
Common stock and others		32,321	34,137
Reserve for price fluctuation of securities		4,997	6,309
Contingency reserve		1,656	1,802
Allowance for possible loan losses		0	0
Net unrealized gains on available - for - sale securities x 90% (multiplied by 100% if losses)		6,091	5,265
Net unrealized gains on real estate x 85%		—	—
Excess amount of policy reserve based on full-time Zillmer method		1,979	2,202
Qualifying subordinated debt		—	—
The amount of "excess amount of policy reserve based on full-time Zillmer method" and "qualifying subordinated debt" excluded from the calculation of solvency margin		—	—
Deductible items		—	—
Others		622	1,429
Total amount of risk	$\sqrt{(R_1 + R_8)^2 + (R_2 + R_3 + R_7)^2} + R_4$ (B)	16,763	17,700
Insurance risk	$R_1$	626	640
3rd sector insurance risk	$R_8$	120	117
Assumed investment yield risk	$R_2$	369	375
Minimum guarantee risk	$R_7$	—	—
Investment risk	$R_3$	16,033	16,946
Business risk	$R_4$	342	361
Solvency margin ratio	$\frac{(A)}{(1/2) \times (B)} \times 100$	568.7%	577.9%

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