

Financial Results for the Three Months Ended June 30, 2015

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

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1. Business Highlights

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

(i) Policies in Force

		As of March 31, 2015		As of June 30, 2015			
		Number of policies (Thousands)	Amount (100 millions of yen)	Number of policies (Thousands)	Amount		
					Changes (%, Pre-FYE)	(100 millions of yen)	Changes (%, Pre-FYE)
	Individual insurance	3,066	236,846	3,078	100.4	236,539	99.9
	Individual annuities	739	28,718	736	99.6	28,579	99.5
	Subtotal	3,805	265,564	3,815	100.3	265,118	99.8
	Group insurance	—	166,780	—	—	167,066	100.2
	Group annuities	—	21,232	—	—	20,789	97.9

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

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

(ii) New Policies

Three months ended June 30, 2014		Total		New business	Net increase by conversion
		Number of policies (Thousands)	Amount (100 millions of yen)	Amount (100 millions of yen)	Amount (100 millions of yen)
	Individual insurance	89	4,112	3,789	322
	Individual annuities	4	165	169	(4)
	Subtotal	94	4,277	3,959	318
	Group insurance	—	15	15	—
	Group annuities	—	0	0	—

Three months ended June 30, 2015		Total				New business		Net increase by conversion	
		Number of policies		Amount		Amount		Amount	
		(Thousands)	Changes (%, YoY)	(100 millions of yen)	Changes (%, YoY)		Changes (%, YoY)	(100 millions of yen)	Changes (%, YoY)
	Individual insurance	93	103.9	4,433	107.8	4,047	106.8	385	119.6
	Individual annuities	8	185.3	311	188.1	315	185.8	(4)	—
	Subtotal	102	108.1	4,744	110.9	4,363	110.2	381	119.8
	Group insurance	—	—	106	702.5	106	702.5	—	—
	Group annuities	—	—	30	34,466,783.6	30	34,466,783.6	—	—

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

2. Amount of new policies for individual annuities, both new business and net increase by conversion, is equal to the funds to be 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)

	Three months ended June 30, 2014	Three months ended June 30, 2015	
			Changes (%, YoY)
Amount of surrender and lapse (100 millions of yen)	3,803	3,446	90.6
Surrender and lapse ratio (%)	1.40	1.30	(0.10)

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

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

(2) Annualized Premiums

(i) Policies in Force

(100 millions of yen except percentage)

	As of March 31, 2015	As of June 30, 2015	
			Changes (%, Pre-FYE)
Individual insurance	2,736	2,741	100.2
Individual annuities	1,327	1,330	100.2
Total	4,064	4,072	100.2
Medical coverage and living benefits	1,066	1,069	100.3

(ii) New Policies

(100 millions of yen except percentage)

	Three months ended June 30, 2014	Three months ended June 30, 2015	
			Changes (%, Pre-FYE)
Individual insurance	42	52	123.1
Individual annuities	7	10	153.4
Total	50	63	127.4
Medical coverage and living benefits	18	18	101.0

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

(3) Selected Items of Statements of Operations

(100 millions of yen except percentage)

	Three months ended June 30, 2014	Three months ended June 30, 2015	
			Changes (%, Pre-FYE)
Premium and other income	1,569	1,731	110.3
Investment income	363	604	166.3
Claims and other payments	1,441	2,071	143.7
Investment expenses	56	133	238.2
Ordinary profits	162	361	222.3

(4) Total Assets

(100 millions of yen except percentage)

	As of March 31, 2015	As of June 30, 2015	
			Changes (%, Pre-FYE)
Total assets	66,119	65,866	99.6

2. Investment Results of General Account Assets

(1) Asset Composition

(Millions of yen)

	As of March 31, 2015		As of June 30, 2015	
	Amount	Percentage	Amount	Percentage
Cash, deposits, call loans	282,969	4.3	141,350	2.2
Monetary claims bought	870	0.0	856	0.0
Money held in trust	34,319	0.5	34,554	0.5
Securities	5,163,610	79.1	5,301,497	81.5
Domestic bonds	2,856,151	43.7	2,723,657	41.9
Domestic stocks	641,066	9.8	661,954	10.2
Foreign securities	1,583,778	24.3	1,815,215	27.9
Foreign bonds	1,287,302	19.7	1,526,313	23.5
Foreign stocks and other securities	296,475	4.5	288,902	4.4
Other securities	82,614	1.3	100,670	1.5
Loans	763,900	11.7	741,617	11.4
Policy loans	63,311	1.0	62,794	1.0
Ordinary loans	700,588	10.7	678,822	10.4
Real estate	223,794	3.4	213,368	3.3
Others	62,750	1.0	74,531	1.1
Allowance for possible loan losses	(1,948)	(0.0)	(1,925)	(0.0)
Total	6,530,267	100.0	6,505,851	100.0
Foreign currency denominated assets	1,572,701	24.1	1,895,774	29.1

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

(Millions of yen)

	As of March 31, 2015					As of June 30, 2015				
	Book value	Fair value	Gains/losses			Book value	Fair value	Gains/losses		
				Gains	Losses				Gains	Losses
Held-to-maturity debt securities	811,903	926,148	114,245	114,245	—	813,466	919,843	106,377	106,377	—
Domestic bonds	742,337	853,785	111,448	111,448	—	742,409	846,957	104,547	104,547	—
Foreign bonds	69,565	72,362	2,797	2,797	—	71,056	72,885	1,829	1,829	—
Monetary claims bought	—	—	—	—	—	—	—	—	—	—
Negotiable certificate of deposits	—	—	—	—	—	—	—	—	—	—
Others	—	—	—	—	—	—	—	—	—	—
Policy-reserve-matching bonds	1,215,695	1,346,650	130,954	131,004	50	1,157,052	1,273,063	116,010	116,216	206
Domestic bonds	1,174,597	1,305,280	130,683	130,733	50	1,116,354	1,232,120	115,766	115,972	206
Foreign bonds	41,098	41,369	270	270	—	40,698	40,942	243	243	—
Investments in subsidiaries and affiliates	1,433	1,236	(196)	3	200	1,433	1,306	(127)	4	132
Available-for-sale securities	2,150,593	2,760,905	610,311	611,672	1,360	2,343,269	2,953,020	609,751	615,439	5,687
Domestic bonds	807,550	892,795	85,245	85,269	24	740,377	808,629	68,252	68,998	746
Domestic stocks	279,549	597,167	317,617	317,842	225	282,587	620,056	337,468	337,695	226
Foreign securities	1,010,329	1,197,021	186,692	187,788	1,096	1,250,062	1,432,238	182,176	186,837	4,661
Foreign bonds	784,142	901,979	117,837	118,593	756	1,031,993	1,144,769	112,776	115,891	3,115
Foreign stocks and other securities	226,187	295,042	68,854	69,194	340	218,068	287,468	69,400	70,946	1,546
Other securities	53,164	73,920	20,756	20,771	15	70,242	92,096	21,854	21,907	53
Money held in trust	—	—	—	—	—	—	—	—	—	—
Monetary claims bought	—	—	—	—	—	—	—	—	—	—
Negotiable certificate of deposits	—	—	—	—	—	—	—	—	—	—
Others	—	—	—	—	—	—	—	—	—	—
Total	4,179,626	5,034,941	855,314	856,926	1,611	4,315,222	5,147,233	832,011	838,037	6,026
Domestic bonds	2,724,485	3,051,862	327,377	327,451	74	2,599,141	2,887,707	288,566	289,518	952
Domestic stocks	279,549	597,167	317,617	317,842	225	282,587	620,056	337,468	337,695	226
Foreign securities	1,122,427	1,311,990	189,563	190,859	1,296	1,363,250	1,547,372	184,121	188,915	4,794
Foreign bonds	894,806	1,015,712	120,906	121,662	756	1,143,748	1,258,597	114,849	117,964	3,115
Foreign stocks and other securities	227,621	296,278	68,657	69,197	540	219,502	288,774	69,272	70,951	1,678
Other securities	53,164	73,920	20,756	20,771	15	70,242	92,096	21,854	21,907	53
Money held in trust	—	—	—	—	—	—	—	—	—	—
Monetary claims bought	—	—	—	—	—	—	—	—	—	—
Negotiable certificate of deposits	—	—	—	—	—	—	—	—	—	—
Others	—	—	—	—	—	—	—	—	—	—

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

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

(Millions of yen)

	As of March 31, 2015	As of June 30, 2015
Held-to-maturity debt securities	—	—
Unlisted foreign bonds	—	—
Others	—	—
Policy-reserve-matching bonds	—	—
Investments in subsidiaries and affiliates	35,560	35,560
Available-for-sale securities	17,031	14,910
Unlisted domestic stocks (except over-the-counter stocks)	8,338	6,337
Unlisted foreign stocks (except over-the-counter stocks)	—	—
Unlisted foreign bonds	—	—
Others	8,693	8,573
Total	52,592	50,471

(3) Fair Value Information on Money Held in Trust

(Millions of yen)

	As of March 31, 2015					As of June 30, 2015				
	Carrying value on balance sheets	Fair value	Gains/losses			Carrying value on balance sheets	Fair value	Gains/losses		
			Gains	Losses				Gains	Losses	
Money held in trust	34,319	34,319	—	—	—	34,554	34,554	—	—	—

* Money held in trust for trading purpose

(Millions of yen)

	As of March 31, 2015		As of June 30, 2015	
	Carrying value on balance sheets	Net valuation gains/losses included in the statements of operations	Carrying value on balance sheets	Net valuation gains/losses included in the statements of operations
Money held in trust for trading purpose	33,319	(0)	33,554	87

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

(Millions of yen)

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

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

(millions of yen)

As of March 31, 2015			As of June 30, 2015		
Carrying value on the balance sheets	Fair value	Gains (losses)	Carrying value on the balance sheets	Fair value	Gains (losses)
132,263	235,337	103,073	125,724	227,346	101,621

Notes: 1. As of June 30, 2015, fair value is based on the appraisal value by the real-estate appraiser, the appraisal value for property tax as of January 1, 2015 and the road rate as of January 1, 2014.

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

3. Non-consolidated Balance Sheets

(Millions of yen)

	As of March 31, 2015	As of June 30, 2015
Assets:		
Cash and deposits	96,515	36,086
Call loans	186,500	105,300
Monetary claims bought	870	856
Money held in trust	34,319	34,554
Securities	5,240,955	5,380,323
[Government bonds]	[2,061,294]	[1,968,071]
[Local government bonds]	[154,616]	[139,764]
[Corporate bonds]	[670,380]	[645,187]
[Stocks]	[664,735]	[687,892]
[Foreign securities]	[1,607,208]	[1,838,646]
Loans	763,900	741,617
Policy loans	63,311	62,794
Ordinary loans	700,588	678,822
Tangible fixed assets	227,591	218,053
Intangible fixed assets	11,017	10,587
Reinsurance accounts receivable	105	79
Other assets	52,123	61,142
Allowance for possible loan losses	(1,948)	(1,925)
Total assets	6,611,952	6,586,674
	As of March 31, 2015	As of June 30, 2015
Liabilities:		
Policy reserves	5,545,647	5,523,078
Reserve for outstanding claims	21,305	18,890
Policy reserve	5,475,030	5,430,322
Reserve for dividends to policyholders	49,311	73,865
Reinsurance payables	110	103
Subordinated bonds	118,959	121,035
Other liabilities	55,984	60,168
Corporate income tax payable	15,851	7,406
Asset retirement obligations	3,001	3,017
Rest of the other liabilities	37,131	49,744
Reserve for employees' retirement benefits	46,393	46,105
Reserve for price fluctuation of securities	46,534	47,233
Deferred tax liabilities	85,741	85,184
Deferred tax liabilities for revaluation reserve for land	14,787	14,764
Total liabilities	5,914,159	5,897,673
Net assets:		
Foundation funds	30,000	30,000
Accumulated foundation funds redeemed	86,000	86,000
Reserve for revaluation	112	112
Surplus	143,548	135,213
Legal reserve for future losses	2,582	2,742
Other surplus	140,966	132,470
Reserve for redemption of foundation funds	12,000	18,000
Reserve for dividend allowances	3,895	20,000
Accumulated fund for price fluctuation	31,000	41,000
Reserve for advanced depreciation of real estate for tax purpose	262	266
Other reserves	767	767
Unappropriated surplus	93,041	52,437
Total foundation funds, surplus and others	259,660	251,325
Net unrealized gains (losses) on available-for-sale securities, net of tax	434,236	433,837
Deferred valuation gains (losses) under hedge accounting	0	0
Revaluation reserve for land, net of tax	3,894	3,836
Total valuation and translation adjustments	438,131	437,675
Total net assets	697,792	689,000
Total liabilities and net assets	6,611,952	6,586,674

4. Non-consolidated Statements of Operations

(Millions of yen)

	Three months ended June 30, 2014	Three months ended June 30, 2015
Ordinary revenues:		
Premium and other income	156,938	173,104
[Premium income]	[156,915]	[173,024]
Investment income	36,354	60,476
[Interest, dividends and other income]	[30,123]	[32,050]
[Gains from money held in trust, net]	[499]	[242]
[Gains from trading securities, net]	[2,344]	[8,161]
[Gains on sales of securities]	[1,560]	[18,067]
[Gains from separate accounts, net]	[1,809]	[1,914]
Other ordinary revenues	6,695	49,221
[Reversal of reserve for outstanding claims]	[4,483]	[2,415]
[Reversal of policy reserve]	[—]	[44,708]
Total ordinary revenues	199,988	282,801
Ordinary expenditures:		
Claims and other payments	144,183	207,143
[Claims]	[45,170]	[63,490]
[Annuities]	[37,815]	[48,433]
[Benefits]	[31,939]	[30,632]
[Surrenders]	[21,155]	[52,505]
[Other payments]	[8,010]	[11,977]
Provision for policy reserve and others	6,708	12
Provision for policy reserve	6,690	—
Interest on accumulated dividends to policyholders	18	12
Investment expenses	5,610	13,367
[Interest expenses]	[1,054]	[1,118]
[Losses on sales of securities]	[—]	[842]
[Losses from derivative instruments, net]	[1,055]	[8,501]
Operating expenses	21,224	20,954
Other ordinary expenditures	6,012	5,196
Total ordinary expenditures	183,739	246,673
Ordinary profits	16,248	36,127
Extraordinary gains:		
Gains on disposal of fixed assets	4	1,356
Total extraordinary gains	4	1,356
Extraordinary losses:		
Losses on disposal of fixed assets	15	114
Impairment losses	84	128
Provision for reserve for price fluctuation of securities	619	699
Total extraordinary losses	718	941
Surplus before income taxes	15,534	36,542
Income taxes:		
Current	2,760	8,339
Deferred	(365)	(418)
Total income taxes	2,394	7,920
Net surplus for the period	13,139	28,622

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. Accounting Procedures Specific to Quarterly Financial Statements

As the proposal for appropriation of unappropriated surplus for the fiscal year ended March 31, 2015 was approved by the Board of Representative Member of Policyholders on July 2, 2015, it is included in the non-consolidated balance sheet as of June 30, 2015.

2. Securities Lent under Lending Agreements

The amount of securities lent under lending agreements was ¥56,491 million as of June 30, 2015.

3. Reserve for Dividends to Policyholders

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

	(Millions of yen)
Balance at the beginning of current period	¥ 49,311
Transfer from surplus in previous fiscal year	36,698
Dividends paid in the current period	(12,156)
Increase in interest	12
Balance at the end of current period	<u>¥ 73,865</u>

4. Issue of Subordinated Bonds

In accordance with a resolution passed by the Board of Directors on June 22, 2015, the Company newly issued subordinated bonds amounting to US\$500 million on July 28, 2015.

5. Breakdown of Ordinary Profits (Fundamental Profit)

(Millions of yen)

		Three months ended June 30, 2014	Three months ended June 30, 2015
Fundamental profit	A	16,071	21,697
Capital gains		2,247	23,911
Gains from money held in trust, net		478	223
Gains from trading securities, net		209	5,620
Gains on sales of securities		1,560	18,067
Gains from derivative instruments, net		—	—
Foreign exchange gains, net		—	—
Other capital gains		—	—
Capital losses		2,121	9,655
Losses from money held in trust, net		—	—
Losses from trading securities, net		—	—
Losses on sales of securities		—	842
Losses on valuation of securities		—	—
Losses from derivative instruments, net		1,055	8,501
Foreign exchange losses, net		1,065	311
Other capital losses		—	—
Net capital gains (losses)	B	126	14,256
Fundamental profit plus net capital gains (losses)	A+B	16,197	35,953
Other one-time gains		51	176
Reinsurance income		—	—
Reversal of contingency reserve		45	176
Reversal for specific allowance for possible loan losses		5	—
Others		—	—
Other one-time losses		—	1
Reinsurance premiums		—	—
Provision for contingency reserve		—	—
Provision for specific allowance for possible loan losses		—	1
Allowance for specified overseas loans		—	—
Write-off of loans		—	—
Others		—	—
Other one-time gains (losses)	C	51	174
Ordinary profits	A+B+C	16,248	36,127

- 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): ¥21million in respect of the three months ended June 30, 2014 and ¥18 million in respect of the three months ended June 30, 2015.
2. The following amounts in respect of gains / losses from trading securities have been excluded from capital gains / losses and included in fundamental profit due to their income nature (being interest and dividend income): ¥2,135 million in respect of the three months ended June 30, 2014 and ¥2,541million in respect of the three months ended June 30, 2015.

6. Solvency Margin Ratio

(Millions of yen)

	As of March 31, 2015	As of June 30, 2015
Total solvency margin (A)	1,397,205	1,427,029
Foundation funds and surplus	220,996	240,482
Reserve for price fluctuation of securities	46,534	47,233
Contingency reserve	142,523	142,346
Allowance for possible loan losses	1,403	1,379
Net unrealized gains on available-for-sale securities x 90%	549,280	548,776
Net unrealized gains on real estate x 85%	99,173	98,082
Excess amount of policy reserve based on full-time Zillmer method	197,683	199,250
Qualifying subordinated debt	118,959	121,035
The amount of "excess amount of policy reserve based on full-time Zillmer method" and "qualifying subordinated debt" excluded from the calculation of solvency margin	—	—
Deductible items	(19,000)	(19,000)
Others	39,652	47,442
Total amount of risk $\sqrt{(R_1 + R_3)^2 + (R_2 + R_3 + R_7)^2} + R_4$ (B)	238,962	247,635
Insurance risk R_1	25,494	25,232
3rd sector insurance risk R_3	9,575	9,581
Assumed investment yield risk R_2	35,851	35,837
Minimum guarantee risk R_7	0	0
Investment risk R_3	195,142	203,793
Business risk R_4	5,321	5,488
Solvency margin ratio $\frac{(A)}{(1/2) \times (B)} \times 100$	1,169.3%	1,152.5%

Notes: 1. The figures above as of March 31, 2015, are calculated based on Articles 86 and 87 of the Enforcement Regulation of the Insurance Business Law and Ministry of Finance No. 50, 1996. Figures as of June 30, 2015, are calculated pursuant to these standards.

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

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

7. Status of Separate Account

(1) Separate Account Assets by Products

(Millions of yen)

	As of March 31, 2015	As of June30, 2015
	Amount	Amount
Individual variable insurance	—	—
Individual variable annuities	149	126
Group annuities	82,855	82,411
Total	83,004	82,537

(2) Policies in Force

(i) Individual Variable Insurance

The Company has not sold the individual variable insurance.

(ii) Individual Variable Annuities

(Millions of yen)

	As of March 31, 2015		As of June 30, 2015	
	Number	Amount	Number	Amount
Individual variable annuities	43	136	37	112
Total	43	136	37	112

8. Status of the Company, Subsidiaries and Affiliates

(1) Selected Financial Data

(Millions of yen)

	Three months ended June 30, 2014	Three months ended June 30, 2015
Ordinary revenues	237,872	300,176
Ordinary profits	16,845	36,739
Net surplus attributable to the parent company	13,278	28,754
Comprehensive income	45,538	27,921

Notes: From the three months ended June30, 2015, "Net surplus" is presented as "Net surplus attributable to the parent company."

	As of March 31, 2015	As of June 30, 2015
Total assets	8,326,588	8,335,101
Solvency margin ratio	1,195.7%	1,178.5%

(2) Scope of consolidation and application of equity method

Number of consolidated subsidiaries: 5

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

Number of affiliates accounted for under the equity method: 0

(3) Consolidated Balance Sheets

(Millions of yen)

	As of March 31, 2015	As of June 30, 2015
Assets:		
Cash and deposits	154,319	96,505
Call loans	186,500	105,300
Monetary claims bought	870	856
Money held in trust	34,319	34,554
Securities	6,881,578	7,051,789
Loans	767,293	744,950
Tangible fixed assets	227,919	218,396
Intangible fixed assets	15,323	14,671
Agency receivables	4	1
Reinsurance receivables	107	92
Other assets	59,659	69,092
Deferred tax assets	640	815
Allowance for possible loan losses	(1,948)	(1,925)
Total assets	8,326,588	8,335,101
	As of March 31, 2015	As of June 30, 2015
Liabilities:		
Policy reserves	7,234,120	7,245,073
Reserve for outstanding claims	23,501	21,520
Policy reserve	7,160,599	7,149,198
Reserve for dividends to policyholders	49,311	73,865
Reserve for dividends to policyholders (subsidiary)	707	489
Agency payables	377	508
Reinsurance payables	125	110
Subordinated bonds	118,959	121,035
Other liabilities	59,240	63,940
Net defined benefit liabilities	50,691	50,201
Reserve for price fluctuation of securities	55,177	55,961
Deferred tax liabilities	84,524	84,028
Deferred tax liabilities for revaluation reserve for land	14,787	14,764
Total liabilities	7,618,005	7,635,626
Net assets:		
Foundation funds	30,000	30,000
Accumulated foundation funds redeemed	86,000	86,000
Reserve for revaluation	112	112
Consolidated surplus	145,942	137,739
Total foundation funds, surplus and others	262,054	253,851
Net unrealized gains (losses) on available-for-sale securities, net of tax	440,109	439,212
Deferred valuation gains (losses) under hedge accounting, net of tax	0	0
Revaluation reserve for land, net of tax	3,894	3,836
Foreign currency translation adjustment	(52)	(124)
Accumulated remeasurements of defined benefit plans	(3,000)	(2,850)
Total accumulated other comprehensive income	440,951	440,075
Non-controlling interests	5,576	5,548
Total net assets	708,582	699,475
Total liabilities and net assets	8,326,588	8,335,101

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

(4) Consolidated Statements of Operations and Comprehensive Income

[Consolidated Statements of Operations]

(Millions of yen)

	Three months ended June 30, 2014	Three month ended June 30, 2015
Ordinary revenues:		
Premium and other income	189,074	218,228
Investment income	42,123	66,253
[Interest, dividends and other income]	[35,821]	[37,805]
[Gains from money held in trust, net]	[499]	[242]
[Gains from trading securities, net]	[2,344]	[8,161]
[Gains on sales of securities]	[1,632]	[18,092]
[Gains from separate accounts, net]	[1,809]	[1,914]
Other ordinary revenues	6,674	15,694
[Reversal of reserve for outstanding claims]	[4,359]	[1,981]
[Reversal of policy reserve]	[—]	[11,401]
Total ordinary revenues	237,872	300,176
Ordinary expenditures:		
Claims and other payments	157,626	220,708
[Claims]	[46,166]	[64,524]
[Annuities]	[37,975]	[48,667]
[Benefits]	[34,346]	[32,921]
[Surrenders]	[30,995]	[62,468]
[Other payments]	[8,017]	[11,993]
Provision for policy reserve and others	27,649	12
Provision for policy reserve	27,631	—
Interest on accumulated dividends to policyholders	18	12
Interest on accumulated dividends to policyholders (subsidiary)	0	0
Investment expenses	5,349	13,053
[Interest expenses]	[1,058]	[1,121]
[Losses on sales of securities]	[—]	[842]
[Losses from derivative instruments, net]	[1,055]	[8,501]
Operating expenses	23,754	23,805
Other ordinary expenditures	6,646	5,857
Total ordinary expenditures	221,026	263,436
Ordinary profits	16,845	36,739
Extraordinary gains:		
Gains on disposal of fixed assets	4	1,356
Total extraordinary gains	4	1,356
Extraordinary losses:		
Losses on disposal of fixed assets	15	114
Impairment losses	84	128
Provision for reserve for price fluctuation of securities	698	784
Total extraordinary losses	797	1,026
Provision for reserve for dividends to policyholders (subsidiary)	139	120
Surplus before income taxes	15,912	36,948
Income taxes:		
Current	2,981	8,510
Deferred	(394)	(371)
Total income taxes	2,586	8,139
Net surplus	13,325	28,809
Net surplus attributable to non-controlling interests	46	55
Net surplus attributable to the parent company	13,278	28,754

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

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

[Consolidated Statement of Comprehensive Income]

(Millions of yen)

	Three months ended June 30, 2014	Three month ended June 30, 2015
Net surplus	13,325	28,809
Other comprehensive income	32,212	(887)
Net unrealized gains (losses) on available-for-sale securities, net of tax	32,127	(966)
Deferred valuation gains (losses) under hedge accounting, net of tax	(0)	(0)
Foreign currency translation adjustment	(36)	(71)
Remeasurements of defined benefit plans, net of tax	121	150
Comprehensive income	45,538	27,921
Comprehensive income attributable to the parent company	45,401	27,936
Comprehensive income attributable to non-controlling interests	136	(14)

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

Notes to the Consolidated Financial Statements

I. Presentation of the Consolidated Financial Statements

1. Basis of Presentation

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

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

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

II. Notes to Balance Sheets

1. Accounting Changes and Error Corrections and its Implementation

Effective from the first quarter of the current fiscal year, the Company has applied "Accounting Standard for Business Combinations" (ASBJ Statement No. 21, September 13, 2013), "Accounting Standard for Consolidated Financial Statements" (ASBJ Statement No. 22, September 13, 2013), "Accounting Standard for Business Divestitures" (ASBJ Statement No. 7, September 13, 2013), and other applicable accounting standards. As a result, for subsidiaries under the ongoing control of the Company, differences caused by changes in the Company's ownership interests in such subsidiaries are recorded as consolidated surplus, and the Company changed the method used to record acquisition-related costs so that such amounts are recognized as expenses for the fiscal year in which they are incurred. For business combinations carried out on or after April 1, 2015, the accounting method was changed to one in which the reviewed acquisition cost allocation resulting from the finalization of the tentative accounting treatment is reflected in the quarterly consolidated financial statements for the fiscal quarter in which the business combination occurs. In addition, changes have also been made in the presentation of quarterly net surplus and other items, as well as the presentation of minority interests, which has been changed to non-controlling interests.

Application of the Accounting Standard for Business Combinations and other applicable accounting standards is in line with the transitional measures provided in Paragraph 58-2 (4) of the Accounting Standard for Business Combinations, Paragraph 44-5 (4) of the Accounting Standard for Consolidated Financial Statements, and Paragraph 57-4 (4) of the Accounting Standard for Business Divestitures. These changes are effective as of April 1, 2015, and will be applied to future consolidated financial statements.

Owing to these change, there was no impact on ordinary profits or surplus before income taxes for the first quarter of the fiscal year ending March 31, 2016. There was no impact on consolidated surplus as of June 30, 2015.

2. Accounting Procedures Specific to Quarterly Financial Statements

As the proposal for appropriation of unappropriated surplus for the fiscal year ended March 31, 2015 was approved by the Board of Representative Member of Policyholders on July 2, 2015, it is included in the consolidated balance sheet as of June 30, 2015.

3. Securities Lent under Lending Agreements

The amount of securities lent under lending agreements was ¥56,491 million as of June 30, 2015.

4. Reserve for Dividends to Policyholders

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

	(Millions of yen)
Balance at the beginning of current period	¥ 49,311
Transfer from surplus in previous fiscal year	36,698
Dividends paid in the current period	(12,156)
Increase in interest	12
Balance at the end of current period	<u>¥ 73,865</u>

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

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

	(Millions of yen)
Balance at the beginning of current period	¥ 707
Dividends paid in the current period	(337)
Increase in interest	0
Provision for reserve for dividends to policyholders	120
Balance at the end of current period	<u>¥ 489</u>

6. Issue of Subordinated Bonds

In accordance with a resolution passed by the Board of Directors on June 22, 2015, on July 28, 2015, the Company newly issued subordinated bonds amounting to US\$500 million.

III. Notes to Statements of Operations

1. Depreciation and Amortization of Goodwill

For the three months ended June 30, 2015, the total amount of depreciation and depreciation of real estate for rent and other assets was ¥2,932 million and the amount of amortization of goodwill was ¥190 million.

(5) Consolidated Solvency Margin Ratio

(Millions of yen)

	As of March 31, 2015	As of June 30, 2015
Total solvency margin (A)	1,441,649	1,471,243
Foundation funds and surplus	227,256	246,685
Reserve for price fluctuation of securities	55,177	55,961
Contingency reserve	144,417	144,276
Catastrophe loss reserve	—	—
Allowance for possible loan losses	1,403	1,379
Net unrealized gains on available - for - sale securities x 90%	558,124	556,922
Net unrealized gains on real estate x 85%	99,173	98,082
Sum of unrecognized actuarial differences and unrecognized prior service cost	(4,217)	(4,005)
Excess amount of policy reserve based on full-time Zillmer method	199,957	201,553
Qualifying subordinated debt	118,959	121,035
The amount of "excess amount of policy reserve based on full-time Zillmer method" and "qualifying subordinated debt" excluded from the calculation of solvency margin	—	—
Deductible items	—	—
Others	41,397	49,352
Total amount of risk $\sqrt{\sqrt{(R_1^2 + R_5^2 + R_8 + R_9)^2 + (R_2 + R_3 + R_7)^2} + R_4 + R_6}$ (B)	241,122	249,659
Insurance risk R_1	26,074	25,816
General insurance risk R_5	—	—
Catastrophe risk R_6	—	—
3rd sector insurance risk R_8	9,689	9,695
Small amount and short-term insurance risk R_9	—	—
Assumed investment yield risk R_2	36,236	36,224
Minimum guarantee risk R_7	0	0
Investment risk R_3	196,781	205,297
Business risk R_4	5,375	5,540
Solvency margin ratio $\frac{(A)}{(1/2) \times (B)} \times 100$	1,195.7%	1,178.5%

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

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