

August 8, 2014

Financial Results for the Three Months Ended June 30, 2014

Fukoku Mutual Life Insurance Company (President: Yoshiteru Yoneyama) announces financial results for the three months ended June 30, 2014.

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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, 2014			As of June 30, 2014			
	Number of policies (Thousands)	Amount (100 millions of yen)	Number of policies (Thousands)	Amount		Number of policies (Thousands)	Changes (%, Pre-FYE)
				(100 millions of yen)	Changes (%, Pre-FYE)		
Individual insurance	3,044	242,084	3,047	100.1	240,725	99.4	
Individual annuities	758	29,487	753	99.4	29,309	99.4	
Subtotal	3,802	271,572	3,801	100.0	270,034	99.4	
Group insurance	—	165,468	—	—	166,399	100.6	
Group annuities	—	20,305	—	—	20,278	99.9	

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, 2013	Total		New business	Net increase by conversion
	Number of policies (Thousands)	Amount (100 millions of yen)	Amount	Amount
			(Thousands)	(100 millions of yen)
Individual insurance	90	4,287	4,275	11
Individual annuities	3	116	121	(4)
Subtotal	94	4,403	4,397	6
Group insurance	—	65	65	—
Group annuities	—	0	0	—

Three months ended June 30, 2014	Total				New business		Net increase by conversion	
	Number of policies (Thousands)	Changes (%, YoY)	Amount (100 millions of yen)	Changes (%, YoY)	Amount		Amount	
					(100 millions of yen)	Changes (%, YoY)	(100 millions of yen)	Changes (%, YoY)
Individual insurance	89	98.8	4,112	95.9	3,789	88.6	322	2,789.6
Individual annuities	4	136.4	165	142.3	169	140.3	(4)	—
Subtotal	94	100.2	4,277	97.1	3,959	90.0	318	4,731.7
Group insurance	—	—	15	23.1	15	23.1	—	—
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)

	Three months ended June 30, 2013	Three months ended June 30, 2014	
		Amount	Changes (%, YoY)
Amount of surrender and lapse (100 millions of yen)	3,971	3,803	95.8
Surrender and lapse ratio (%)	1.42	1.40	(0.02)

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

(2) Annualized Premiums

(i) Policies in Force

(100 millions of yen except percentage)

	As of March 31, 2014	As of June 30, 2014	
			Changes (%, Pre-FYE)
Individual insurance	2,750	2,739	99.6
Individual annuities	1,326	1,326	100.0
Total	4,077	4,066	99.7
Medical coverage and living benefits	1,061	1,062	100.1

(ii) New Policies

(100 millions of yen except percentage)

	Three months ended June 30, 2013	Three months ended June 30, 2014	
			Changes (%, Pre-FYE)
Individual insurance	48	42	88.2
Individual annuities	5	7	132.8
Total	53	50	92.7
Medical coverage and living benefits	20	18	88.8

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, 2013	Three months ended June 30, 2014	
			Changes (%, Pre-FYE)
Premium and other income	1,833	1,569	85.6
Investment income	637	363	57.0
Claims and other payments	1,564	1,441	92.1
Investment expenses	107	56	52.4
Ordinary profits	386	162	42.0

(4) Total Assets

(100 millions of yen except percentage)

	As of March 31, 2014	As of June 30, 2014	
			Changes (%, Pre-FYE)
Total assets	62,147	62,646	100.8

2. Investment Results of General Account Assets

(1) Asset Composition

(Millions of yen)

	As of March 31, 2014		As of June 30, 2014	
	Amount	Percentage	Amount	Percentage
Cash, deposits, call loans	183,333	3.0	166,749	2.7
Monetary claims bought	1,011	0.0	998	0.0
Money held in trust	31,981	0.5	32,471	0.5
Securities	4,798,502	78.2	4,868,234	78.7
Domestic bonds	2,876,176	46.9	2,846,284	46.0
Domestic stocks	482,308	7.9	519,495	8.4
Foreign securities	1,365,396	22.3	1,414,175	22.9
Foreign bonds	1,109,910	18.1	1,156,912	18.7
Foreign stocks and other securities	255,485	4.2	257,262	4.2
Other securities	74,621	1.2	88,279	1.4
Loans	835,860	13.6	820,960	13.3
Policy loans	65,206	1.1	64,546	1.0
Ordinary loans	770,654	12.6	756,413	12.2
Real estate	228,183	3.7	226,903	3.7
Others	56,903	0.9	68,789	1.1
Allowance for possible loan losses	(2,281)	(0.0)	(2,277)	(0.0)
Total	6,133,495	100.0	6,182,829	100.0
Foreign currency denominated assets	1,302,072	21.2	1,363,149	22.0

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

(Millions of yen)

	As of March 31, 2014					As of June 30, 2014				
	Book value	Fair value	Gains/losses			Book value	Fair value	Gains/losses		
			Gains	Losses				Gains	Losses	
Held-to-maturity debt securities	843,433	922,909	79,476	79,476	—	814,079	902,428	88,349	88,349	—
Domestic bonds	768,744	845,557	76,813	76,813	—	740,951	826,503	85,552	85,552	—
Foreign bonds	74,689	77,352	2,662	2,662	—	73,127	75,924	2,796	2,796	—
Monetary claims bought	—	—	—	—	—	—	—	—	—	—
Negotiable certificate of deposits	—	—	—	—	—	—	—	—	—	—
Others	—	—	—	—	—	—	—	—	—	—
Policy-reserve-matching bonds	1,210,016	1,294,587	84,570	84,798	227	1,207,178	1,303,425	96,247	96,255	8
Domestic bonds	1,190,715	1,275,012	84,297	84,522	224	1,180,678	1,276,610	95,932	95,940	7
Foreign bonds	19,301	19,575	273	276	2	26,500	26,815	315	315	0
Investments in subsidiaries and affiliates	1,393	1,096	(296)	—	296	1,433	1,136	(297)	0	297
Available-for-sale securities	2,046,003	2,421,417	375,414	379,801	4,387	2,100,749	2,521,518	420,768	423,326	2,557
Domestic bonds	815,104	886,899	71,794	72,132	337	818,061	895,014	76,953	77,071	117
Domestic stocks	269,792	439,094	169,301	171,769	2,467	275,208	476,418	201,210	202,524	1,314
Foreign securities	905,773	1,028,769	122,996	124,501	1,505	942,295	1,070,667	128,371	129,497	1,126
Foreign bonds	690,428	774,677	84,249	85,398	1,149	726,435	814,838	88,402	89,056	653
Foreign stocks and other securities	215,345	254,092	38,746	39,102	355	215,859	255,828	39,968	40,441	472
Other securities	55,332	66,653	11,321	11,397	76	65,184	79,418	14,233	14,233	—
Money held in trust	—	—	—	—	—	—	—	—	—	—
Monetary claims bought	—	—	—	—	—	—	—	—	—	—
Negotiable certificate of deposits	—	—	—	—	—	—	—	—	—	—
Others	—	—	—	—	—	—	—	—	—	—
Total	4,100,846	4,640,011	539,164	544,075	4,911	4,123,441	4,728,509	605,068	607,931	2,863
Domestic bonds	2,774,564	3,007,469	232,904	233,467	562	2,739,691	2,998,129	258,437	258,563	125
Domestic stocks	269,792	439,094	169,301	171,769	2,467	275,208	476,418	201,210	202,524	1,314
Foreign securities	1,001,157	1,126,794	125,636	127,440	1,804	1,043,357	1,174,543	131,186	132,609	1,423
Foreign bonds	784,419	871,604	87,185	88,337	1,152	826,063	917,578	91,514	92,168	654
Foreign stocks and other securities	216,738	255,189	38,450	39,102	652	217,293	256,965	39,671	40,441	769
Other securities	55,332	66,653	11,321	11,397	76	65,184	79,418	14,233	14,233	—
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, 2014	As of June 30, 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	15,620	16,377
Unlisted domestic stocks (except over-the-counter stocks)	7,653	7,516
Unlisted foreign stocks (except over-the-counter stocks)	—	—
Unlisted foreign bonds	—	—
Others	7,967	8,860
Total	51,181	51,937

(3) Fair Value Information on Money Held in Trust

(Millions of yen)

	As of March 31, 2014					As of June 30, 2014				
	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	31,981	31,981	—	—	—	32,471	32,471	—	—	—

* Money held in trust for trading purpose

(Millions of yen)

	As of March 31, 2014		As of June 30, 2014	
	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	30,981	—	31,471	187

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

(Millions of yen)

	As of March 31, 2014					As of June 30, 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 of Real Estate (Land and Leaseholds)

(Millions of yen)

As of March 31, 2014			As of June 30, 2014		
Carrying value on the balance sheets	Fair value	Gains (losses)	Carrying value on the balance sheets	Fair value	Gains (losses)
132,914	223,067	90,152	132,829	223,210	90,381

Notes: 1. As of June 30, 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.

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.

3. Non-consolidated Balance Sheets

(Millions of yen)

	As of March 31, 2014	As of June 30, 2014
Assets:		
Cash and deposits	34,768	19,835
Call loans	148,700	147,000
Monetary claims bought	1,011	998
Money held in trust	31,981	32,471
Securities	4,877,141	4,949,138
[Government bonds]	[2,097,463]	[2,069,107]
[Local government bonds]	[157,102]	[154,546]
[Corporate bonds]	[654,161]	[655,493]
[Stocks]	[504,442]	[543,171]
[Foreign securities]	[1,389,208]	[1,438,400]
Loans	835,860	820,960
Policy loans	65,206	64,546
Ordinary loans	770,654	756,413
Tangible fixed assets	232,115	230,735
Intangible fixed assets	10,827	10,291
Reinsurance receivables	78	22
Other assets	44,592	55,523
Allowance for possible loan losses	(2,281)	(2,277)
Total assets	6,214,796	6,264,698

	As of March 31, 2014	As of June 30, 2014
Liabilities:		
Policy reserves	5,412,622	5,435,639
Reserve for outstanding claims	23,067	18,583
Policy reserve	5,338,547	5,345,237
Reserve for dividends to policyholders	51,007	71,818
Reinsurance payables	98	91
Subordinated bonds	122,346	121,347
Other liabilities	53,524	55,252
Corporate income tax payable	11,945	2,088
Asset retirement obligations	2,951	2,966
Other liabilities	38,628	50,198
Reserve for employees' retirement benefits	43,112	47,507
Reserve for price fluctuation of securities	44,016	44,635
Deferred tax liabilities	29,245	41,390
Deferred tax liabilities for revaluation reserve for land	15,929	15,913
Total liabilities	5,720,895	5,761,778
Net assets:		
Foundation funds	35,000	35,000
Accumulated foundation funds redeemed	71,000	71,000
Reserve for revaluation	112	112
Surplus	124,780	102,382
Legal reserve for future losses	2,485	2,582
Other surplus	122,294	99,800
Reserve for redemption of foundation funds	18,000	27,000
Reserve for dividend allowances	3,895	3,895
Accumulated fund for price fluctuation	21,000	31,000
Reserve for advanced depreciation of real estate for tax purpose	3,969	262
Other reserves	767	767
Unappropriated surplus	74,662	36,874
Total foundation funds, surplus and others	230,892	208,494
Net unrealized gains (losses) on available-for-sale securities, net of tax	259,861	291,256
Deferred valuation gains (losses) under hedge accounting	2	2
Revaluation reserve for land, net of tax	3,144	3,166
Total valuation and translation adjustments	263,008	294,425
Total net assets	493,900	502,920
Total liabilities and net assets	6,214,796	6,264,698

4. Non-consolidated Statements of Operations

(Millions of yen)

	Three months ended June 30, 2013	Three months ended June 30, 2014
Ordinary revenues:		
Premium and other income	183,350	156,938
[Premium income]	[183,324]	[156,915]
Investment income	63,749	36,354
[Interest, dividends and other income]	[29,094]	[30,123]
[Gains from money held in trust, net]	[—]	[499]
[Gains from trading securities, net]	[1,426]	[2,344]
[Gains on sales of securities]	[28,783]	[1,560]
[Gains from separate accounts, net]	[3,291]	[1,809]
Other ordinary revenues	5,651	6,695
[Reversal of reserve for outstanding claims]	[2,730]	[4,483]
Total ordinary revenues	252,752	199,988
Ordinary expenditures:		
Claims and other payments	156,495	144,183
[Claims]	[66,884]	[45,170]
[Annuities]	[30,095]	[37,815]
[Benefits]	[35,481]	[31,939]
[Surrenders]	[18,733]	[21,155]
[Other payments]	[5,223]	[8,010]
Provision for policy reserve and others	20,733	6,708
Provision for policy reserve	20,714	6,690
Interest on accumulated dividends to policyholders	18	18
Investment expenses	10,715	5,610
[Interest expenses]	[698]	[1,054]
[Losses from money held in trust, net]	[559]	[—]
[Losses on sales of securities]	[2,270]	[—]
[Losses from derivative instruments, net]	[4,908]	[1,055]
Operating expenses	21,344	21,224
Other ordinary expenditures	4,803	6,012
Total ordinary expenditures	214,092	183,739
Ordinary profits	38,659	16,248
Extraordinary gains:		
Gains on disposal of fixed assets	39	4
Total extraordinary gains	39	4
Extraordinary losses:		
Losses on disposal of fixed assets	80	15
Impairment losses	1,535	84
Provision for reserve for price fluctuation of securities	559	619
Total extraordinary losses	2,175	718
Surplus before income taxes	36,524	15,534
Income taxes:		
Current	10,558	2,760
Deferred	(360)	(365)
Total income taxes	10,197	2,394
Net surplus for the period	26,326	13,139

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 Sheet

1. Accounting changes and error corrections and its implementation

In accordance with "Accounting Standard for Retirement Benefits" (ASBJ Statement No. 26, May 17, 2012) and "Guidance on Accounting Standard for Retirement Benefits" (ASBJ Guidance No. 25, May 17, 2012), effective from the three months ended June 30, 2014, the Company changed its method for allocation of projected retirement benefits from the straight-line basis to the benefit formula basis. In addition, the Company changed its method for determining the discount rate from the discount rate based on the average period until the estimated payment date of retirement benefits to the method that uses the single weighted average discount rate reflecting the estimated payment period for retirement benefits and the estimated amount for each period.

As a result of these changes, compared with the previous method, at the beginning of the three months ended June 30, 2014, surplus decreased by ¥3,297 million. Ordinary profits and surplus before income taxes for the three months ended June 30, 2014 increased by ¥9 million.

2. Accounting procedures specific to quarterly financial statements

As the proposal for appropriation of unappropriated surplus for the fiscal year ended March 31, 2014 was approved by the Board of Representative Member of Policyholders on July 2, 2014, it is included in the non-consolidated balance sheet as of June 30, 2014.

3. Securities lent under lending agreements

The amount of securities lent under lending agreements was ¥83,008 million as of June 30, 2014.

4. Reserve for Dividends to Policyholders

Changes in reserve for dividends to policyholders for the three months ended June 30, 2014 were as follows:

	(Millions of yen)
Balance at the beginning of current period.....	¥ 51,007
Transfer from surplus in previous fiscal year	31,595
Dividends paid in the current period	(10,803)
Increase in interest	18
Balance at the end of current period	<u>¥ 71,818</u>

5. Additional Foundation Funds

In accordance with changes in the Articles of Incorporation approved by the Board of Representative Members of Policyholders on July 2, 2014, during the current fiscal year the Company will newly finance foundation funds of ¥10,000 million pursuant to Article 60 of the Insurance Business Law.

5. Breakdown of Ordinary Profits (Fundamental Profit)

(Millions of yen)

		Three months ended June 30, 2013	Three months ended June 30, 2014
Fundamental profit	A	17,373	16,071
Capital gains		29,748	2,247
Gains from money held in trust, net		—	478
Gains from trading securities, net		—	209
Gains on sales of securities		28,783	1,560
Gains from derivative instruments, net		—	—
Foreign exchange gains, net		964	—
Other capital gains		—	—
Capital losses		8,513	2,121
Losses from money held in trust, net		576	—
Losses from trading securities, net		757	—
Losses on sales of securities		2,270	—
Losses on valuation of securities		—	—
Losses from derivative instruments, net		4,908	1,055
Foreign exchange losses, net		—	1,065
Other capital losses		—	—
Net capital gains (losses)	B	21,234	126
Fundamental profit plus net capital gains (losses)	A+B	38,607	16,197
Non-recurring gains		51	51
Reinsurance income		—	—
Reversal of contingency reserve		45	45
Reversal for specific allowance for possible loan losses		6	5
Other non-recurring gains		—	—
Non-recurring losses		—	—
Reinsurance premiums		—	—
Provision for contingency reserve		—	—
Provision for specific allowance for possible loan losses		—	—
Allowance for specified overseas loans		—	—
Write-off of loans		—	—
Other non-recurring losses		—	—
Non-recurring gains (losses)	C	51	51
Ordinary profits	A+B+C	38,659	16,248

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): ¥17 million in respect of the three months ended June 30, 2013 and ¥21 million in respect of the three months ended June 30, 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): ¥2,183 million in respect of the three months ended June 30, 2013 and ¥2,135 million in respect of the three months ended June 30, 2014.

6. Solvency Margin Ratio

(Millions of yen)

	As of March 31, 2014	As of June 30, 2014
Total solvency margin (A)	1,109,068	1,154,137
Foundation funds and surplus	196,835	198,742
Reserve for price fluctuation of securities	44,016	44,635
Contingency reserve	110,291	110,246
Allowance for possible loan losses	1,594	1,593
Net unrealized gains on available-for-sale securities x 90% (multiplied by 100% if losses)	337,872	378,691
Net unrealized gains on real estate x 85%	90,719	91,832
Excess amount of policy reserve based on full-time Zillmer method	193,088	194,370
Qualifying subordinated debt	122,346	121,347
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	31,303	31,677
Total amount of risk $\sqrt{(R_1+R_8)^2+(R_2+R_3+R_7)^2}+R_4$ (B)	201,663	212,502
Insurance risk R_1	26,371	26,185
3rd sector insurance risk R_8	9,631	9,614
Assumed investment yield risk R_2	35,884	35,903
Minimum guarantee risk R_7	0	0
Investment risk R_3	157,866	168,681
Business risk R_4	4,595	4,807
Solvency margin ratio $\frac{(A)}{(1/2) \times (B)} \times 100$	1,099.9%	1,086.2%

Notes:1.The figures above as of March 31, 2014, are calculated based on Articles 86 and 87 of the Enforcement Regulations of the Insurance Business Law, as well as Ministry of Finance Ordinance No. 50, 1996. Figures as of June 30, 2014, 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, 2014	As of June 30, 2014
	Amount	Amount
Individual variable insurance	—	—
Individual variable annuities	272	224
Group annuities	82,408	83,002
Total	82,680	83,227

(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, 2014		As of June 30, 2014	
	Number	Amount	Number	Amount
Individual variable annuities	81	265	71	219
Total	81	265	71	219

8. Status of the Company, Subsidiaries and Affiliates

(1) Selected Financial Data

(Millions of yen)

	Three months ended June 30, 2013	Three months ended June 30, 2014
Ordinary revenues	275,700	237,872
Ordinary profits	40,081	16,845
Net surplus for the period	26,977	13,278
Comprehensive income	6,584	45,538

	As of March 31, 2014	As of June 30, 2014
Total assets	7,817,668	7,888,987
Solvency margin ratio	1,120.0%	1,108.6%

(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, 2014	As of June 30, 2014
Assets:		
Cash and deposits	91,021	76,269
Call loans	148,700	147,000
Monetary claims bought	1,011	998
Money held in trust	31,981	32,471
Securities	6,406,927	6,500,084
Loans	839,244	824,361
Tangible fixed assets	232,492	231,106
Intangible fixed assets	16,369	15,657
Agency receivables	1	0
Reinsurance receivables	94	67
Other assets	51,065	62,499
Deferred tax assets	1,041	748
Allowance for possible loan losses	(2,281)	(2,277)
Total assets	7,817,668	7,888,987

	As of March 31, 2014	As of June 30, 2014
Liabilities:		
Policy reserves	6,995,343	7,039,206
Reserve for outstanding claims	25,170	20,811
Policy reserve	6,918,429	6,946,060
Reserve for dividends to policyholders	51,007	71,818
Reserve for dividends to policyholders (subsidiary)	735	516
Agency payables	339	328
Reinsurance payables	113	100
Subordinated bonds	122,346	121,347
Other liabilities	57,036	58,395
Net defined benefit liabilities	48,840	53,066
Reserve for price fluctuation of securities	50,325	51,023
Deferred tax liabilities	27,502	39,701
Deferred tax liabilities for revaluation reserve for land	15,929	15,913
Total liabilities	7,317,778	7,379,085
Net assets:		
Foundation funds	35,000	35,000
Accumulated foundation funds redeemed	71,000	71,000
Reserve for revaluation	112	112
Consolidated surplus	126,584	104,326
Total foundation funds, surplus and others	232,696	210,438
Net unrealized gains (losses) on available-for-sale securities, net of tax	263,161	295,199
Deferred valuation gains (losses) under hedge accounting	2	2
Revaluation reserve for land, net of tax	3,144	3,166
Foreign currency translation adjustment	(261)	(298)
Accumulated remeasurements of defined benefit plans	(3,918)	(3,797)
Total accumulated other comprehensive income	262,127	294,273
Minority interests	5,066	5,190
Total net assets	499,890	509,902
Total liabilities and net assets	7,817,668	7,888,987

(4) Consolidated Statements of Operations and Comprehensive Income

[Consolidated Statements of Operations]

(Millions of yen)

	Three months ended June 30, 2013	Three months ended June 30, 2014
Ordinary revenues:		
Premium and other income	199,882	189,074
Investment income	69,836	42,123
[Interest, dividends and other income]	[34,728]	[35,821]
[Gains from money held in trust, net]	[—]	[499]
[Gains from trading securities, net]	[1,426]	[2,344]
[Gains on sales of securities]	[29,235]	[1,632]
[Gains from separate accounts, net]	[3,291]	[1,809]
Other ordinary revenues	5,981	6,674
[Reversal of reserve for outstanding claims]	[2,855]	[4,359]
Total ordinary revenues	275,700	237,872
Ordinary expenditures:		
Claims and other payments	165,932	157,626
[Claims]	[67,486]	[46,166]
[Annuities]	[30,186]	[37,975]
[Benefits]	[37,552]	[34,346]
[Surrenders]	[25,319]	[30,995]
[Other payments]	[5,278]	[8,017]
Provision for policy reserve and others	30,606	27,649
Provision for policy reserve	30,587	27,631
Interest on accumulated dividends to policyholders	18	18
Interest on accumulated dividends to policyholders (subsidiary)	0	0
Investment expenses	10,474	5,349
[Interest expenses]	[704]	[1,058]
[Losses from money held in trust, net]	[559]	[—]
[Losses on sales of securities]	[2,270]	[—]
[Losses from derivative instruments, net]	[4,908]	[1,055]
Operating expenses	23,352	23,754
Other ordinary expenditures	5,254	6,646
Total ordinary expenditures	235,618	221,026
Ordinary profits	40,081	16,845
Extraordinary gains:		
Gains on disposal of fixed assets	39	4
Total extraordinary gains	39	4
Extraordinary losses:		
Losses on disposal of fixed assets	80	15
Impairment losses	1,535	84
Provision for reserve for price fluctuation of securities	634	698
Total extraordinary losses	2,250	797
Provision for reserve for dividends to policyholders (subsidiary)	123	139
Surplus before income taxes	37,746	15,912
Income taxes:		
Current	11,040	2,981
Deferred	(375)	(394)
Total income taxes	10,665	2,586
Net surplus before minority interests	27,081	13,325
Minority interests	104	46
Net surplus for the period	26,977	13,278

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

(Millions of yen)

	Three months ended June 30, 2013	Three months ended June 30, 2014
Net surplus before minority interests	27,081	13,325
Other comprehensive income	(20,497)	32,212
Net unrealized gains (losses) on available-for-sale securities, net of tax	(20,558)	32,127
Deferred valuation gains (losses) under hedge accounting	(18)	(0)
Foreign currency translation adjustment	79	(36)
Remeasurements of defined benefit plans, net of tax	—	121
Comprehensive income	6,584	45,538
Comprehensive income attributable to parent company	6,769	45,401
Comprehensive income attributable to minority interests	(185)	136

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 Fuku 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 Sheet

1. Accounting changes and error corrections and its implementation

In accordance with "Accounting Standard for Retirement Benefits" (ASBJ Statement No. 26, May 17, 2012) and "Guidance on Accounting Standard for Retirement Benefits" (ASBJ Guidance No. 25, May 17, 2012), effective from the three months ended June 30, 2014, the Company changed its method for allocation of projected retirement benefits from the straight-line basis to the benefit formula basis. In addition, the Company changed its method for determining the discount rate from the discount rate based on the average period until the estimated payment date of retirement benefits to the method that uses the single weighted average discount rate reflecting the estimated payment period for retirement benefits and the estimated amount for each period.

As a result of these changes, compared with the previous method, at the beginning of the three months ended June 30, 2014, consolidated surplus decreased by ¥3,297 million. Ordinary profits and surplus before income taxes for the three months ended June 30, 2014 increased by ¥9 million.

2. Accounting procedures specific to quarterly consolidated financial statements

As the Company's proposal for appropriation of unappropriated surplus for the fiscal year ended March 31, 2014 was approved by the Board of Representative Member of Policyholders on July 2, 2014, it is included in the consolidated balance sheet as of June 30, 2014.

3. Securities lent under lending agreements

The amount of securities lent under lending agreements was ¥83,008 million as of June 30, 2014.

4. Reserve for Dividends to Policyholders

Changes in reserve for dividends to policyholders for the three months ended June 30, 2014 were as follows:

	(Millions of yen)
Balance at the beginning of current period.....	¥ 51,007
Transfer from surplus in previous fiscal year	31,595
Dividends paid in the current period	(10,803)
Increase in interest	18
Balance at the end of current period	<u>¥ 71,818</u>

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

Changes in reserve for dividends to policyholders for the three months ended June 30, 2014 were as follows:

	(Millions of yen)
Balance at the beginning of current period.....	¥735
Dividends paid in the current period	(358)
Increase in interest	0
Provision for reserve for dividends to policyholders ...	139
Balance at the end of current period	<u>¥516</u>

6. Additional Foundation Funds

In accordance with changes in the Articles of Incorporation approved by the Board of Representative Member of Policyholders on July 2, 2014, during the current fiscal year the Company will newly finance foundation funds of ¥10,000 million pursuant to Article 60 of the Insurance Business Law.

III. Notes to Statement of Operations

1. Depreciation and Amortization of Goodwill

For the three months ended June 30, 2014, the total amount of depreciation and depreciation of real estate for rent and other assets was ¥2,918 million and the amount of amortization of goodwill was ¥190 million.

(5) Consolidated Solvency Margin Ratio

(Millions of yen)

		As of March 31, 2014	As of June 30, 2014
Total solvency margin	(A)	1,143,749	1,190,735
Common stock and others		201,167	203,546
Reserve for price fluctuation of securities		50,325	51,023
Contingency reserve		112,094	112,086
Catastrophe loss reserve		—	—
Allowance for possible loan losses		1,594	1,593
Net unrealized gains on available - for - sale securities x 90% (multiplied by 100% if losses)		343,140	384,911
Net unrealized gains on real estate x 85%		90,719	91,832
Sum of unrecognized actuarial differences and unrecognized prior service cost		(5,661)	(5,485)
Excess amount of policy reserve based on full-time Zillmer method		195,290	196,612
Qualifying subordinated debt		122,346	121,347
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		32,732	33,265
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)	204,232	214,810
Insurance risk	R_1	26,983	26,800
General insurance risk	R_5	—	—
Catastrophe risk	R_6	—	—
3rd sector insurance risk	R_8	9,748	9,731
Small amount and short-term insurance risk	R_9	—	—
Assumed investment yield risk	R_2	36,260	36,281
Minimum guarantee risk	R_7	0	0
Investment risk	R_3	159,903	170,459
Business risk	R_4	4,657	4,865
Solvency margin ratio			
$\frac{(A)}{(1/2) \times (B)} \times 100$		1,120.0%	1,108.6%

Notes: 1. The figures above as of March 31, 2014, are calculated based on Article 86 Paragraph 2 and Article 88 of the Enforcement Regulations of the Insurance Business Law, as well as Financial Services Agency Ordinance No. 23, 2011. Figures as of June 30, 2014, are calculated pursuant to these standards.

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