

Financial Results for the Year Ended March 31, 2015

Fukoku Mutual Life Insurance Company (President: Yoshiteru Yoneyama) announces financial results for the year ended March 31, 2015.

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Attached: Supplementary Materials for the Year Ended March 31, 2015

Financial Summary for the Year Ended March 31, 2015

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 March 31, 2015 | | | |
|----------------------|----------------------|-------------------------|--------------------------|-------------------------|----------------------|-------------------------|--------------------------|-------------------------|
| | Number of policies | | Amount | | Number of policies | | Amount | |
| | (Thousands) | Changes (%, Pre-FYE) | (100 millions of yen) | Changes (%, Pre-FYE) | (Thousands) | Changes (%, Pre-FYE) | (100 millions of yen) | Changes (%, Pre-FYE) |
| Individual insurance | 3,044 | 101.2 | 242,084 | 97.3 | 3,066 | 100.7 | 236,846 | 97.8 |
| Individual annuities | 758 | 96.8 | 29,487 | 97.2 | 739 | 97.5 | 28,718 | 97.4 |
| Subtotal | 3,802 | 100.3 | 271,572 | 97.3 | 3,805 | 100.1 | 265,564 | 97.8 |
| Group insurance | — | — | 165,468 | 101.0 | — | — | 166,780 | 100.8 |
| Group annuities | — | — | 20,305 | 101.8 | — | — | 21,232 | 104.6 |

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

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

(ii) New Policies

| Year ended March 31, 2014 | Total | | | | New business | | Net increase by conversion | |
|------------------------------|--------------------|-------------------------|--------------------------|-------------------------|--------------|-------------------------|-------------------------------|-------------------------|
| | Number of policies | | Amount | | Amount | | Amount | |
| | (Thousands) | Changes (%, Pre-FYE) | (100 millions of yen) | Changes (%, Pre-FYE) | (Thousands) | Changes (%, Pre-FYE) | (100 millions of yen) | Changes (%, Pre-FYE) |
| 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 | — | — |

| Year ended March 31, 2015 | Total | | | | New business | | Net increase by conversion | |
|------------------------------|--------------------|---------------------|--------------------------|---------------------|--------------------------|---------------------|-------------------------------|---------------------|
| | Number of policies | | Amount | | Amount | | Amount | |
| | (Thousands) | Changes (%, YoY) | (100 millions of yen) | Changes (%, YoY) | (100 millions of yen) | Changes (%, YoY) | (100 millions of yen) | Changes (%, YoY) |
| Individual insurance | 355 | 98.1 | 15,649 | 98.0 | 14,513 | 91.3 | 1,136 | 1,590.2 |
| Individual annuities | 21 | 125.8 | 724 | 128.3 | 744 | 127.6 | (19) | — |
| Subtotal | 377 | 99.4 | 16,374 | 99.0 | 15,257 | 92.6 | 1,116 | 2,110.4 |
| Group insurance | — | — | 132 | 24.0 | 132 | 24.0 | — | — |
| Group annuities | — | — | 0 | 145.2 | 0 | 145.2 | — | — |

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, 2014 | | Year ended March 31, 2015 | |
|--|------------------------------|---------------------|------------------------------|---------------------|
| | | Changes (%, YoY) | | Changes (%, YoY) |
| Amount of surrender and lapse (100 millions of yen) | 15,414 | 95.9 | 14,399 | 93.4 |
| Surrender and lapse ratio (%) | 5.52 | (0.03) | 5.30 | (0.22) |

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 March 31, 2015 | |
|--------------------------------------|----------------------|-------------------------|----------------------|-------------------------|
| | | Changes (%, Pre-FYE) | | Changes (%, Pre-FYE) |
| Individual insurance | 2,750 | 99.3 | 2,736 | 99.5 |
| Individual annuities | 1,326 | 99.3 | 1,327 | 100.0 |
| Total | 4,077 | 99.3 | 4,064 | 99.7 |
| Medical coverage and living benefits | 1,061 | 100.8 | 1,066 | 100.5 |

(ii) New Policies

(100 millions of yen except percentage)

| | Year ended March 31, 2014 | | Year ended March 31, 2015 | |
|--------------------------------------|---------------------------|-------------------------|---------------------------|-------------------------|
| | | Changes (%, Pre-FYE) | | Changes (%, Pre-FYE) |
| Individual insurance | 198 | 95.3 | 192 | 96.9 |
| Individual annuities | 24 | 41.5 | 31 | 128.1 |
| Total | 223 | 83.3 | 224 | 100.4 |
| Medical coverage and living benefits | 75 | 88.2 | 70 | 93.2 |

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. New policies include net increase by conversion.

(3) Selected Items of Statements of Operations

(100 millions of yen except percentage)

| | Year ended March 31, 2014 | | Year ended March 31, 2015 | |
|---------------------------|---------------------------|-------------------------|---------------------------|-------------------------|
| | | Changes (%, Pre-FYE) | | Changes (%, Pre-FYE) |
| Premium and other income | 5,983 | 92.4 | 6,431 | 107.5 |
| Investment income | 1,930 | 108.0 | 2,137 | 110.7 |
| Claims and other payments | 5,037 | 96.8 | 4,903 | 97.3 |
| Investment expenses | 500 | 83.8 | 357 | 71.4 |
| Ordinary profits | 719 | 103.7 | 968 | 134.7 |

(4) Statements of Surplus

(100 millions of yen except percentage)

| | Year ended March 31, 2014 | | Year ended March 31, 2015 | |
|--|---------------------------|-------------------------|---------------------------|-------------------------|
| | | Changes (%, Pre-FYE) | | Changes (%, Pre-FYE) |
| Unappropriated surplus | 783 | 110.0 | 930 | 118.7 |
| Reserve for dividends to policyholders | 315 | 113.8 | 366 | 116.2 |
| Net surplus | 197 | 100.1 | 325 | 165.3 |
| Unappropriated surplus carried forward | 270 | 113.9 | 237 | 87.8 |

Note: Unappropriated surplus for the years ended March 31, 2014 and 2015 included reversal of voluntary surplus reserve of ¥3,707 million and ¥3 million, respectively.

(5) Total Assets

(100 millions of yen except percentage)

| | As of March 31, 2014 | | As of March 31, 2015 | |
|--------------|----------------------|-------------------------|----------------------|-------------------------|
| | | Changes (%, Pre-FYE) | | Changes (%, Pre-FYE) |
| Total assets | 62,147 | 103.5 | 66,119 | 106.4 |

2. Policies in Force by Coverage Type

[As of March 31, 2015]

(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 | 2,065 | 163,566 | — | 748 | 17,641 | 166,755 | 19,706 | 331,070 |
| Accident | 1,148 | 24,254 | 232 | 699 | 2,456 | 5,756 | 3,836 | 30,711 |
| Others | — | — | — | — | 2 | 5 | 2 | 5 |
| Survival coverage | 1,001 | 59,790 | 739 | 27,961 | 7 | 25 | 1,747 | 87,776 |
| Hospitalization coverage | | | | | | | | |
| Accident | 1,450 | 84 | — | — | 1,025 | 3 | 2,475 | 88 |
| Illness | 1,448 | 84 | — | — | — | — | 1,448 | 84 |
| Others | 1,969 | 95 | — | — | 2 | 0 | 1,971 | 95 |
| Injury coverage | 1,301 | — | 3 | — | 1,219 | — | 2,524 | — |
| Surgical coverage | 3,349 | — | — | — | — | — | 3,349 | — |
| Disability coverage | 228 | 13,488 | 0 | 8 | — | — | 228 | 13,497 |

(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 | 9,682 | 21,232 | 16 | 349 | 9,699 | 21,581 |

(Thousands of number, millions of yen)

| | Medical care insurance | |
|--------------------------|------------------------|--------|
| | Number | Amount |
| Hospitalization coverage | 293 | 101 |

(Thousands of number, millions of yen)

| | Group disability insurance | |
|---------------------|----------------------------|--------|
| | Number | Amount |
| Disability coverage | 5 | 79 |

- 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 Results of General Account Assets

(1) Asset Composition

(Millions of yen)

| | As of March 31, 2014 | | As of March 31, 2015 | |
|-------------------------------------|----------------------|------------|----------------------|------------|
| | Amount | Percentage | Amount | Percentage |
| Cash, deposits, call loans | 183,333 | 3.0 | 282,969 | 4.3 |
| Monetary claims bought | 1,011 | 0.0 | 870 | 0.0 |
| Money held in trust | 31,981 | 0.5 | 34,319 | 0.5 |
| Securities | 4,798,502 | 78.2 | 5,163,610 | 79.1 |
| Domestic bonds | 2,876,176 | 46.9 | 2,856,151 | 43.7 |
| Domestic stocks | 482,308 | 7.9 | 641,066 | 9.8 |
| Foreign securities | 1,365,396 | 22.3 | 1,583,778 | 24.3 |
| Foreign bonds | 1,109,910 | 18.1 | 1,287,302 | 19.7 |
| Foreign stocks and other securities | 255,485 | 4.2 | 296,475 | 4.5 |
| Other securities | 74,621 | 1.2 | 82,614 | 1.3 |
| Loans | 835,860 | 13.6 | 763,900 | 11.7 |
| Policy loans | 65,206 | 1.1 | 63,311 | 1.0 |
| Ordinary loans | 770,654 | 12.6 | 700,588 | 10.7 |
| Real estate | 228,183 | 3.7 | 223,794 | 3.4 |
| Others | 56,903 | 0.9 | 62,750 | 1.0 |
| Allowance for possible loan losses | (2,281) | (0.0) | (1,948) | (0.0) |
| Total | 6,133,495 | 100.0 | 6,530,267 | 100.0 |
| Foreign currency denominated assets | 1,302,072 | 21.2 | 1,572,701 | 24.1 |

(2) Changes (Increase/Decrease) in Assets

(Millions of yen)

| | Year ended March 31, 2014 | Year ended March 31, 2015 |
|-------------------------------------|---------------------------|---------------------------|
| Cash, deposits, call loans | 79,566 | 99,636 |
| Monetary claims bought | (100) | (140) |
| Money held in trust | 658 | 2,338 |
| Securities | 241,187 | 365,107 |
| Domestic bonds | (95,512) | (20,025) |
| Domestic stocks | 50,592 | 158,757 |
| Foreign securities | 278,173 | 218,382 |
| Foreign bonds | 254,500 | 177,391 |
| Foreign stocks and other securities | 23,672 | 40,990 |
| Other securities | 7,934 | 7,993 |
| Loans | (71,647) | (71,960) |
| Policy loans | (1,600) | (1,895) |
| Ordinary loans | (70,047) | (70,065) |
| Real estate | (39,370) | (4,389) |
| Others | (6,404) | 5,847 |
| Allowance for possible loan losses | (80) | 333 |
| Total | 203,810 | 396,771 |
| Foreign currency denominated assets | 342,259 | 270,628 |

(3) Investment Income

(Millions of yen)

| | Year ended March 31, 2014 | Year ended March 31, 2015 |
|--|---------------------------|---------------------------|
| Interest, dividends and other income | 126,564 | 136,700 |
| Interest from deposits | 7 | 14 |
| Interest and dividends from securities | 94,534 | 107,138 |
| Interest from loans | 17,317 | 15,464 |
| Income from real estate for rent | 14,469 | 13,832 |
| Other interest and dividends | 235 | 251 |
| Gains on trading account securities | — | — |
| Gains from money held in trust, net | 669 | 2,349 |
| Gains from trading securities, net | 19,402 | 35,232 |
| Gains on sales of securities | 33,499 | 25,221 |
| Gains on sales of domestic bonds | 17,369 | 8,746 |
| Gains on sales of domestic stocks | 13,029 | 3,458 |
| Gains on sales of foreign securities | 2,658 | 12,940 |
| Others | 442 | 76 |
| Gain on redemption of securities | — | — |
| Gain on derivative instruments, net | — | — |
| Foreign exchange gains, net | 2,212 | 2,041 |
| Reversal of allowance for possible loan losses | — | 270 |
| Other investment income | 279 | 69 |
| Total | 182,626 | 201,885 |

(4) Investment Expenses

(Millions of yen)

| | Year ended March 31, 2014 | Year ended March 31, 2015 |
|---|---------------------------|---------------------------|
| Interest expenses | 3,633 | 4,252 |
| Losses on trading account securities | — | — |
| Losses from money held in trust, net | — | — |
| Losses from trading securities, net | — | — |
| Losses on sales of securities | 9,289 | 1,075 |
| Losses on sales of domestic bonds | 32 | 0 |
| Losses on sales of domestic stocks | 3,617 | 259 |
| Losses on sales of foreign securities | 5,639 | 815 |
| Others | — | — |
| Losses on valuation of securities | 52 | 0 |
| Losses on valuation of domestic bonds | — | — |
| Losses on valuation of domestic stocks | 52 | 0 |
| Losses on valuation of foreign securities | — | — |
| Other losses on valuation of securities | — | — |
| Losses on redemption of securities | — | — |
| Losses from derivative instruments, net | 25,116 | 18,679 |
| Foreign exchange losses, net | — | — |
| Provision for allowance for possible loan losses | 56 | — |
| Write-off of loans | — | — |
| Depreciation of real estate for rent and other assets | 5,082 | 4,877 |
| Other investment expenses | 6,778 | 6,831 |
| Total | 50,010 | 35,715 |

(5) Net Investment Income

(Millions of yen)

| | Year ended March 31, 2014 | Year ended March 31, 2015 |
|-----------------------|---------------------------|---------------------------|
| Net investment income | 132,616 | 166,169 |

(6) Other Information on Investments

(i) Investment Yield by Asset Categories

(%)

| | Year ended March 31, 2014 | Year ended March 31, 2015 |
|-------------------------------------|---------------------------|---------------------------|
| Cash, deposits, call loans | 0.28 | (0.02) |
| Monetary claims bought | 2.31 | 1.48 |
| Money held in trust | 2.14 | 7.35 |
| Securities | 2.77 | 3.27 |
| Domestic bonds | 2.44 | 2.45 |
| Domestic stocks | 4.24 | 3.31 |
| Foreign securities | 2.95 | 4.77 |
| Foreign bonds | 2.50 | 4.57 |
| Foreign stocks and other securities | 4.85 | 5.67 |
| Loans | 2.01 | 1.97 |
| Ordinary loans | 1.82 | 1.77 |
| Real estate | 1.99 | 2.28 |
| Total | 2.31 | 2.87 |
| Overseas investments | 3.15 | 5.65 |

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, 2014 | Year ended March 31, 2015 |
|-------------------------------------|---------------------------|---------------------------|
| Cash, deposits, call loans | 135,643 | 167,043 |
| Monetary claims bought | 1,051 | 936 |
| Money held in trust | 31,324 | 31,987 |
| Securities | 4,311,113 | 4,410,141 |
| Domestic bonds | 2,828,281 | 2,781,691 |
| Domestic stocks | 311,296 | 320,654 |
| Foreign securities | 1,107,697 | 1,244,991 |
| Foreign bonds | 895,775 | 1,022,805 |
| Foreign stocks and other securities | 211,922 | 222,186 |
| Loans | 866,490 | 796,926 |
| Ordinary loans | 800,673 | 732,738 |
| Real estate | 248,863 | 228,699 |
| Total | 5,745,255 | 5,795,874 |
| Overseas investments | 1,162,686 | 1,339,832 |

(iii) Net Valuation Gains/Losses on Trading Securities

(Millions of yen)

| | As of March 31, 2014 | | As of March 31, 2015 | |
|--------------------|-------------------------------------|--|-------------------------------------|--|
| | Carrying value on the balance sheet | Net valuation gains/losses included in the statement of operations | Carrying value on the balance sheet | Net valuation gains/losses included in the statement of operations |
| Trading securities | 302,041 | 7,200 | 354,399 | 25,399 |

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, 2014 | | | | | As of March 31, 2015 | | | | |
|--|----------------------|------------|--------------|---------|-------|----------------------|------------|--------------|---------|-------|
| | 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 | — | 811,903 | 926,148 | 114,245 | 114,245 | — |
| Domestic bonds | 768,744 | 845,557 | 76,813 | 76,813 | — | 742,337 | 853,785 | 111,448 | 111,448 | — |
| Foreign bonds | 74,689 | 77,352 | 2,662 | 2,662 | — | 69,565 | 72,362 | 2,797 | 2,797 | — |
| Monetary claims bought | — | — | — | — | — | — | — | — | — | — |
| Negotiable certificate of deposits | — | — | — | — | — | — | — | — | — | — |
| Others | — | — | — | — | — | — | — | — | — | — |
| Policy-reserve-matching bonds | 1,210,016 | 1,294,587 | 84,570 | 84,798 | 227 | 1,215,695 | 1,346,650 | 130,954 | 131,004 | 50 |
| Domestic bonds | 1,190,715 | 1,275,012 | 84,297 | 84,522 | 224 | 1,174,597 | 1,305,280 | 130,683 | 130,733 | 50 |
| Foreign bonds | 19,301 | 19,575 | 273 | 276 | 2 | 41,098 | 41,369 | 270 | 270 | — |
| Investments in subsidiaries and affiliates | 1,393 | 1,096 | (296) | — | 296 | 1,433 | 1,236 | (196) | 3 | 200 |
| Available-for-sale securities | 2,046,003 | 2,421,417 | 375,414 | 379,801 | 4,387 | 2,150,593 | 2,760,905 | 610,311 | 611,672 | 1,360 |
| Domestic bonds | 815,104 | 886,899 | 71,794 | 72,132 | 337 | 807,550 | 892,795 | 85,245 | 85,269 | 24 |
| Domestic stocks | 269,792 | 439,094 | 169,301 | 171,769 | 2,467 | 279,549 | 597,167 | 317,617 | 317,842 | 225 |
| Foreign securities | 905,773 | 1,028,769 | 122,996 | 124,501 | 1,505 | 1,010,329 | 1,197,021 | 186,692 | 187,788 | 1,096 |
| Foreign bonds | 690,428 | 774,677 | 84,249 | 85,398 | 1,149 | 784,142 | 901,979 | 117,837 | 118,593 | 756 |
| Foreign stocks and other securities | 215,345 | 254,092 | 38,746 | 39,102 | 355 | 226,187 | 295,042 | 68,854 | 69,194 | 340 |
| Other securities | 55,332 | 66,653 | 11,321 | 11,397 | 76 | 53,164 | 73,920 | 20,756 | 20,771 | 15 |
| 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 | 4,179,626 | 5,034,941 | 855,314 | 856,926 | 1,611 |
| Domestic bonds | 2,774,564 | 3,007,469 | 232,904 | 233,467 | 562 | 2,724,485 | 3,051,862 | 327,377 | 327,451 | 74 |
| Domestic stocks | 269,792 | 439,094 | 169,301 | 171,769 | 2,467 | 279,549 | 597,167 | 317,617 | 317,842 | 225 |
| Foreign securities | 1,001,157 | 1,126,794 | 125,636 | 127,440 | 1,804 | 1,122,427 | 1,311,990 | 189,563 | 190,859 | 1,296 |
| Foreign bonds | 784,419 | 871,604 | 87,185 | 88,337 | 1,152 | 894,806 | 1,015,712 | 120,906 | 121,662 | 756 |
| Foreign stocks and other securities | 216,738 | 255,189 | 38,450 | 39,102 | 652 | 227,621 | 296,278 | 68,657 | 69,197 | 540 |
| Other securities | 55,332 | 66,653 | 11,321 | 11,397 | 76 | 53,164 | 73,920 | 20,756 | 20,771 | 15 |
| 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 March 31, 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 | 15,620 | 17,031 |
| Unlisted domestic stocks (except over-the-counter stocks) | 7,653 | 8,338 |
| Unlisted foreign stocks (except over-the-counter stocks) | — | — |
| Unlisted foreign bonds | — | — |
| Others | 7,967 | 8,693 |
| Total | 51,181 | 52,592 |

(v) Fair Value Information on Money Held in Trust

(Millions of yen)

| | As of March 31, 2014 | | | | | As of March 31, 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 | 31,981 | 31,981 | — | — | — | 34,319 | 34,319 | — | — | — |

* Money held in trust for trading purpose

(Millions of yen)

| | As of March 31, 2014 | | As of March 31, 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 | 30,981 | — | 33,319 | (0) |

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

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

(i) Gains and Losses on Derivatives

(Millions of yen)

| As of March 31, 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) |
| As of March 31, 2015 | Interest-related | Currency-related | Stock-related | Bond-related | Others | Total |
| Hedge accounting applied | 0 | 820 | — | — | — | 821 |
| Hedge accounting not applied | (460) | 685 | — | 200 | — | 426 |
| Total | (459) | 1,506 | — | 200 | — | 1,247 |

Note: Gains and losses from applying fair value hedge accounting (currency-related, losses of ¥2,427 million as of March 31, 2014 and gains of ¥820 million as of March 31, 2015) included in gains and losses with hedge accounting applied, and gains and losses with hedge accounting not applied are reported in the statements of operations.

(ii) Interest-related Transactions

(Millions of yen)

| | As of March 31, 2014 | | | | As of March 31, 2015 | | | |
|--------------------------------------|------------------------------------|----------------|---------------|-------------------|------------------------------------|----------------|---------------|-------------------|
| | Notional amount/ contract value | Over 1 year | Fair value | Gains (losses) | Notional amount/ contract value | Over 1 year | Fair value | Gains (losses) |
| | | | | | | | | |
| Over-the-counter transactions | | | | | | | | |
| Yen interest rate swap contracts | | | | | | | | |
| Receipt fixed, payment floating | 290 | 170 | 3 | 3 | 85 | — | 0 | 0 |
| Payment fixed, receipt floating | — | — | — | — | — | — | — | — |
| Yen interest rate swaption contracts | | | | | | | | |
| Sold | | | | | | | | |
| Receipt fixed, payment floating | — | — | — | — | — | — | — | — |
| Payment fixed, receipt floating | [—] | — | — | — | [—] | — | — | — |
| Bought | | | | | | | | |
| Receipt fixed, payment floating | — | — | — | — | — | — | — | — |
| Payment fixed, receipt floating | [—] | — | — | — | [—] | — | — | — |
| Total | 100,000 | — | 70 | (18) | 300,000 | 200,000 | 828 | (460) |
| Option premiums | [89] | — | — | — | [1,289] | — | — | — |
| Total | | | | (14) | | | | (459) |

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

(reference) Interest rate swap contracts by contractual maturity dates

(Millions of yen)

| | As of March 31, 2014 | | | As of March 31, 2015 | | |
|---|----------------------|------------------------|--------------|----------------------|------------------------|--------------|
| | 1 year or shorter | Over 1 year to 3 years | Over 3 years | 1 year or shorter | Over 1 year to 3 years | Over 3 years |
| Yen interest rate swap contracts | | | | | | |
| Notional amount (receipts fixed, payments floating) | 120 | 170 | — | 85 | — | — |
| Average fixed rate (receipt) | 2.12% | 2.47% | — | 2.47% | — | — |
| Average floating rate (payment) | 1.11% | 1.11% | — | 1.06% | — | — |
| Notional amount (receipts floating, payments fixed) | — | — | — | — | — | — |
| Average floating rate (receipt) | — | — | — | — | — | — |
| Average fixed rate (payment) | — | — | — | — | — | — |

(iii) Currency-related Transactions

(Millions of yen)

| | As of March 31, 2014 | | | | As of March 31, 2015 | | | |
|-------------------------------|------------------------------------|------------|-------------------|------------------------------------|----------------------|-------------------|---------|-------------|
| | Notional amount/ contract value | Fair value | Gains (losses) | Notional amount/ contract value | Fair value | Gains (losses) | | |
| | | | | | | | | Over 1 year |
| Over-the-counter transactions | | | | | | | | |
| Currency forward contracts | | | | | | | | |
| Sold | 575,950 | — | 580,474 | (4,523) | 724,640 | — | 723,134 | 1,505 |
| US dollar | 354,098 | — | 355,881 | (1,782) | 458,741 | — | 459,295 | (553) |
| British Pound | 33,915 | — | 34,240 | (325) | 111,979 | — | 111,083 | 896 |
| Euro | 101,850 | — | 102,236 | (386) | 78,873 | — | 78,384 | 488 |
| Australian dollar | 51,149 | — | 52,730 | (1,580) | 46,477 | — | 45,954 | 522 |
| Canadian dollar | 34,936 | — | 35,385 | (448) | 28,568 | — | 28,415 | 153 |
| Bought | — | — | — | — | 59 | — | 60 | 0 |
| US dollar | — | — | — | — | 59 | — | 60 | 0 |
| Currency Options | | | | | | | | |
| Sold | | | | | | | | |
| Calls | — | — | — | — | — | — | — | — |
| Puts | [—] | — | — | — | [—] | — | — | — |
| Bought | | | | | | | | |
| Calls | — | — | — | — | — | — | — | — |
| Puts | [—] | — | — | — | [—] | — | — | — |
| US dollar | 9,800 | — | — | — | — | — | — | — |
| Puts | [23] | — | 0 | (23) | [—] | — | — | — |
| US dollar | 9,800 | — | 0 | (23) | [—] | — | — | — |
| Puts | [23] | — | 0 | (23) | [—] | — | — | — |
| Total | | | | (4,546) | | | | 1,506 |

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, 2014 | | | | As of March 31, 2015 | | | |
|------------------------------|------------------------------------|------------|-------------------|------------------------------------|----------------------|-------------------|---|-------------|
| | Notional amount/ contract value | Fair value | Gains (losses) | Notional amount/ contract value | Fair value | Gains (losses) | | |
| | | | | | | | | Over 1 year |
| Exchange-traded transactions | | | | | | | | |
| Yen stock index options | | | | | | | | |
| Sold | | | | | | | | |
| Calls | — | — | — | — | — | — | — | |
| Puts | [—] | — | — | [—] | — | — | — | |
| Bought | | | | | | | | |
| Calls | — | — | — | — | — | — | — | |
| Puts | [—] | — | — | [—] | — | — | — | |
| Puts | 10,687 | — | — | — | — | — | — | |
| Puts | [306] | 153 | (152) | [—] | — | — | — | |
| Total | | | | | | | | |

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

(v) Bond-related Transactions

(Millions of yen)

| | As of March 31, 2014 | | | | As of March 31, 2015 | | | |
|------------------------------|------------------------------------|------------|-------------------|------------------------------------|----------------------|-------------------|---------|-------------|
| | Notional amount/ contract value | Fair value | Gains (losses) | Notional amount/ contract value | Fair value | Gains (losses) | | |
| | | | | | | | | Over 1 year |
| Exchange-traded transactions | | | | | | | | |
| Yen bond futures | | | | | | | | |
| Sold | 144,825 | — | 144,620 | 205 | 294,876 | — | 294,440 | 436 |
| Bought | — | — | — | — | — | — | — | — |
| Foreign bond futures | | | | | | | | |
| Sold | 27,492 | — | 27,327 | 165 | 40,083 | — | 40,318 | (235) |
| Bought | — | — | — | — | — | — | — | — |
| Total | | | | 370 | | | | 200 |

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

(millions of yen)

| As of March 31, 2014 | | | As of March 31, 2015 | | |
|--------------------------------------|------------|----------------|--------------------------------------|------------|----------------|
| 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 | 132,263 | 235,337 | 103,073 |

Notes: 1. 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.

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, 2014 | As of March 31, 2015 | | As of March 31, 2014 | As of March 31, 2015 |
|--|-------------------------|-------------------------|--|-------------------------|-------------------------|
| Assets: | | | Liabilities: | | |
| Cash and deposits | 34,768 | 96,515 | Policy reserves | 5,412,622 | 5,545,647 |
| Cash | 159 | 183 | Reserve for outstanding claims | 23,067 | 21,305 |
| Bank deposits | 34,609 | 96,332 | Policy reserve | 5,338,547 | 5,475,030 |
| Call loans | 148,700 | 186,500 | Reserve for dividends to policyholders | 51,007 | 49,311 |
| Monetary claims bought | 1,011 | 870 | Reinsurance payables | 98 | 110 |
| Money held in trust | 31,981 | 34,319 | Subordinated bonds | 122,346 | 118,959 |
| Securities | 4,877,141 | 5,240,955 | Other liabilities | 53,524 | 55,984 |
| Government bonds | 2,097,463 | 2,061,294 | Corporate income tax payable | 11,945 | 15,851 |
| Local government bonds | 157,102 | 154,616 | Accounts payable | 2,350 | 2,911 |
| Corporate bonds | 654,161 | 670,380 | Accrued expenses | 11,112 | 10,587 |
| Stocks | 504,442 | 664,735 | Unearned income | 341 | 357 |
| Foreign securities | 1,389,208 | 1,607,208 | Deposits received | 5,355 | 5,355 |
| Other securities | 74,762 | 82,719 | Guarantee deposits received | 12,839 | 12,772 |
| Loans | 835,860 | 763,900 | Differential account for futures trading | 216 | — |
| Policy loans | 65,206 | 63,311 | Derivatives | 5,223 | 3,886 |
| Ordinary loans | 770,654 | 700,588 | Asset retirement obligations | 2,951 | 3,001 |
| Tangible fixed assets | 232,115 | 227,591 | Suspense receipts | 1,188 | 1,259 |
| Land | 132,912 | 132,261 | Reserve for employees' retirement benefits | 43,112 | 46,393 |
| Buildings | 94,991 | 90,902 | Reserve for price fluctuation of securities | 44,016 | 46,534 |
| Lease assets | 1,159 | 954 | Deferred tax liabilities | 29,245 | 85,741 |
| Construction in progress | 280 | 630 | Deferred tax liabilities for revaluation reserve for land | 15,929 | 14,787 |
| Other tangible fixed assets | 2,771 | 2,843 | Total liabilities | 5,720,895 | 5,914,159 |
| Intangible fixed assets | 10,827 | 11,017 | Net assets: | | |
| Software | 10,554 | 10,744 | Foundation funds | 35,000 | 30,000 |
| Other intangible fixed assets | 273 | 272 | Accumulated foundation funds redeemed | 71,000 | 86,000 |
| Reinsurance receivables | 78 | 105 | Reserve for revaluation | 112 | 112 |
| Other assets | 44,592 | 52,123 | Surplus | 124,780 | 143,548 |
| Accounts receivable | 6,297 | 9,037 | Legal reserve for future losses | 2,485 | 2,582 |
| Prepaid expenses | 993 | 898 | Other surplus | 122,294 | 140,966 |
| Accrued income | 28,028 | 28,136 | Reserve for redemption of foundation funds | 18,000 | 12,000 |
| Deposits | 1,894 | 1,837 | Reserve for dividend allowances | 3,895 | 3,895 |
| Differential account for futures trading | — | 241 | Accumulated fund for price fluctuation | 21,000 | 31,000 |
| Derivatives | 879 | 5,134 | Reserve for advanced depreciation of real estate for tax purpose | 3,969 | 262 |
| Suspense payments | 2,430 | 3,108 | Other reserves | 767 | 767 |
| Lease investment assets | 835 | 801 | Unappropriated surplus | 74,662 | 93,041 |
| Other assets | 3,233 | 2,929 | Total foundation funds, surplus and others | 230,892 | 259,660 |
| Allowance for possible loan losses | (2,281) | (1,948) | Net unrealized gains (losses) on available-for-sale securities, net of tax | 259,861 | 434,236 |
| | | | Deferred valuation gains (losses) under hedge accounting | 2 | 0 |
| | | | Revaluation reserve for land, net of tax | 3,144 | 3,894 |
| | | | Total valuation and translation adjustments | 263,008 | 438,131 |
| | | | Total net assets | 493,900 | 697,792 |
| Total assets | 6,214,796 | 6,611,952 | Total liabilities and net assets | 6,214,796 | 6,611,952 |

5. Non-consolidated Statements of Operations

(Millions of yen)

| | Year ended March 31, 2014 | Year ended March 31, 2015 |
|---|---------------------------|---------------------------|
| Ordinary revenues: | | |
| Premium and other income | 598,367 | 643,119 |
| Premium income | 598,227 | 642,774 |
| Reinsurance income | 140 | 345 |
| Investment income | 193,044 | 213,754 |
| Interest, dividends and other income | 126,564 | 136,700 |
| Interest on deposits | 7 | 14 |
| Interest and dividends on securities | 94,534 | 107,138 |
| Interest on loans | 17,317 | 15,464 |
| Income from real estate for rent | 14,469 | 13,832 |
| Other interest and dividends | 235 | 251 |
| Gains from money held in trust, net | 669 | 2,349 |
| Gains from trading securities, net | 19,402 | 35,232 |
| Gains on sales of securities | 33,499 | 25,221 |
| Foreign exchange gains, net | 2,212 | 2,041 |
| Reversal of allowance for possible loan losses | — | 270 |
| Other investment income | 279 | 69 |
| Gains from separate accounts, net | 10,417 | 11,869 |
| Other ordinary revenues | 10,914 | 10,861 |
| Fund receipt from annuity rider | 1,271 | 457 |
| Fund receipt from deposit of claims paid | 5,083 | 4,300 |
| Reversal of reserve for outstanding claims | — | 1,761 |
| Reversal of reserve for employees' retirement benefits | 1,849 | 1,481 |
| Others | 2,710 | 2,860 |
| Total ordinary revenues | 802,326 | 867,736 |
| Ordinary expenditures: | | |
| Claims and other payments | 503,718 | 490,362 |
| Claims | 135,639 | 112,311 |
| Annuities | 134,935 | 155,577 |
| Benefits | 122,255 | 118,484 |
| Surrenders | 77,820 | 75,594 |
| Other payments | 32,681 | 27,954 |
| Reinsurance premiums | 385 | 440 |
| Provision for policy reserve and others | 70,247 | 136,537 |
| Provision for reserve for outstanding claims | 393 | — |
| Provision for policy reserve | 69,779 | 136,482 |
| Interest on accumulated dividends to policyholders | 74 | 54 |
| Investment expenses | 50,010 | 35,715 |
| Interest expenses | 3,633 | 4,252 |
| Losses on sales of securities | 9,289 | 1,075 |
| Losses on valuation of securities | 52 | 0 |
| Losses from derivative instruments, net | 25,116 | 18,679 |
| Provision for allowance for possible loan losses | 56 | — |
| Depreciation of real estate for rent and other assets | 5,082 | 4,877 |
| Other investment expenses | 6,778 | 6,831 |
| Operating expenses | 86,203 | 86,365 |
| Other ordinary expenditures | 20,246 | 21,877 |
| Claim deposit payments | 8,970 | 8,900 |
| Taxes | 4,573 | 6,069 |
| Depreciation | 6,023 | 6,205 |
| Others | 678 | 701 |
| Total ordinary expenditures | 730,426 | 770,858 |
| Ordinary profits | 71,900 | 96,877 |
| Extraordinary gains: | | |
| Gains on disposal of fixed assets | 2,005 | 6 |
| Total extraordinary gains | 2,005 | 6 |
| Extraordinary losses: | | |
| Losses on disposal of fixed assets | 7,314 | 165 |
| Impairment losses | 1,775 | 698 |
| Provision for reserve for price fluctuation of securities | 2,388 | 2,518 |
| Total extraordinary losses | 11,477 | 3,382 |
| Surplus before income taxes | 62,427 | 93,501 |
| Income taxes: | | |
| Current | 19,208 | 27,169 |
| Deferred | (7,403) | (2,711) |
| Total income taxes | 11,804 | 24,458 |
| Net surplus for the year | 50,622 | 69,043 |

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

(2) Valuation Methods of Derivative Instruments

Derivative instruments are stated at fair market value.

(3) Revaluation of Land

The Company 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, 2015 was ¥247 million.

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

Reserve for employees' retirement benefits is presented for the employees' retirement benefits based on projected benefit obligations and pension plan assets at the balance sheet date.

The Company uses the following methods for amortizing retirement benefit obligations and retirement benefit expenses:

- Method for allocation of projected retirement benefits Benefit formula basis
- Amortization period of actuarial 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 (other interest and dividends)" 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, 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 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).

The amounts of policy-reserve-matching bonds recorded on the balance sheets and the market value of these bonds as of March 31, 2015, were written in Notes No. 4 “Financial Instruments.”

2. Accounting changes and corrections of past errors

From the year ended March 31, 2015, in accordance with 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 Company changed from a straight-line basis to a benefit formula as the method for allocation of projected retirement benefits. The Company also changed the method used for determining the discount rate from a discount rate based on the estimated average period until the payment of retirement benefits to a single weighted average discount rate reflecting the estimated payment period and the amount for each estimated period.

As a result, compared with the previous method, unappropriated surplus at the start of the period ended March 31, 2015, decreased by ¥3,297 million. In addition, in the year ended March 31, 2015, ordinary profits and surplus before income taxes increased by ¥39 million.

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 hedge the market risk regarding spot-priced assets. 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, 2015 were as follows:

| | Carrying amount | Fair value | Difference |
|---|-----------------|------------|-------------------|
| | | | (Millions of yen) |
| Cash and deposits: | | | |
| Cash and deposits not treated as securities.... | ¥ 96,469 | ¥ 96,469 | ¥ — |
| Total cash and deposits..... | 96,469 | 96,469 | — |
| Call loans..... | 186,500 | 186,500 | — |
| Monetary claims bought: | | | |
| Claims treated as loans..... | 870 | 918 | 47 |
| Total monetary claims bought | 870 | 918 | 47 |
| Money held in trust: | | | |
| Trading securities..... | 33,319 | 33,319 | — |
| Total money held in trust..... | 33,319 | 33,319 | — |
| Securities: | | | |
| Trading securities..... | 321,079 | 321,079 | — |
| Held-to-maturity debt securities..... | 811,903 | 926,148 | 114,245 |
| Policy-reserve-matching bonds..... | 1,215,695 | 1,346,650 | 130,954 |
| Investments in subsidiaries and affiliates..... | 1,433 | 1,236 | (196) |
| Available-for-sale securities..... | 2,760,905 | 2,760,905 | — |
| Total securities..... | 5,111,017 | 5,356,020 | 245,003 |
| Loans: | | | |
| Policy loans..... | 63,311 | 63,311 | (0) |
| Ordinary loans..... | 700,588 | 724,679 | 24,090 |
| Total loans..... | 763,900 | 787,990 | 24,090 |
| Assets total..... | 6,192,077 | 6,461,219 | 269,141 |
| Subordinated bonds*1..... | 118,959 | 122,282 | 3,322 |
| Liabilities total..... | 118,959 | 122,282 | 3,322 |
| Derivative instruments*2: | | | |
| Hedge accounting not applied..... | 426 | 426 | — |
| Hedge accounting applied..... | 821 | 821 | — |
| Total derivative instruments..... | ¥ 1,247 | ¥ 1,247 | ¥ — |

*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.

Carrying amounts, fair values and related differences of cash and deposits have been disclosed as of March 31, 2014.

- (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 were ¥35,560 million, ¥8,338 million, and ¥8,693 million as of March 31, 2015.

(3) Loans and monetary claims bought treated as loans: The fair values of policy loans are deemed to approximate book values, considering estimated repayment period and interest rate conditions since their repayment 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.

Carrying amounts, fair values and related differences of subordinated bonds have been disclosed as of March 31, 2014.

(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 amounts and the fair values of investment and rental properties were ¥177,598 million and ¥274,268 million as of March 31, 2015, 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 ¥1,105 million as of March 31, 2015.

5. Securities Lent under Lending Agreements

The amount of securities lent under lending agreements was ¥50,418 million as of March 31, 2015.

6. Loans Receivable

The total amounts of credits to bankrupt borrowers, delinquent loans, delinquent loans past 3 months or more and restructured loans, which were included in loans, was ¥1,409 million as of March 31, 2015, respectively.

- i) The balance of credits to bankrupt borrowers was ¥194 million as of March 31, 2015.
- ii) The balance of delinquent loans was ¥844 million as of March 31, 2015.
- iii) There was no balance of delinquent loans past 3 months or more as of March 31, 2015.
- iv) The balance of restructured loans was ¥370 million as of March 31, 2015.

Credits to bankrupt borrowers represent loans, excluding the balances already written-off, which meet the conditions prescribed in Article 96 Paragraph 1 item 3 and 4 of the Enforcement Regulations of the Corporate Tax Law. Moreover, 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.

The direct write-offs related to loans decreased credits to bankrupt borrowers described above by ¥247 million as of March 31, 2015.

7. Accumulated Depreciation of Tangible Fixed Assets

Accumulated depreciation of tangible fixed assets totaled to ¥149,879 million as of March 31, 2015.

8. Separate Accounts

Total assets in separate accounts provided for in Article 118 of the Insurance Business Law were ¥83,004 million as of March 31, 2015. The amounts of separate account liabilities were the same as separate account assets.

9. Receivables from/Payables to Subsidiaries

The total amounts of receivables from/payables to subsidiaries were ¥3,200 million and ¥1,870 million as of March 31, 2015.

10. Income Taxes

Deferred tax assets and deferred tax liabilities as of March 31, 2015 were ¥95,962 million and ¥178,133 million, respectively. Valuation allowance for deferred tax assets was ¥3,570 million.

Major components of deferred tax assets were ¥60,473 million of policy reserves, ¥13,425 million of reserve for price fluctuation of securities and ¥13,384 million of reserve for employees' retirement benefits as of March 31, 2015.

Major component of deferred tax liabilities was ¥176,074 million of net unrealized gains on available for-sale securities as of March 31, 2015.

The statutory tax rate and the actual effective tax rate for the year ended March 31, 2015 were 30.8% and 26.2%, respectively. The difference between the statutory tax rate and the actual effective tax rate was mainly attributable to -11.0% adjustment relating to reserve for dividends to the policyholders, and +6.5% adjustment relating to the write-down of deferred tax assets at end of period.

Accompanying the promulgation of the "Act for Partial Revision to the Income Tax Act, etc." (Act No. 9, 2015), 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 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 applied was changed to 28.9%. As a result of this change in statutory tax rate, deferred tax liabilities decreased by ¥5,735 million, and deferred tax liabilities for revaluation reserve for land decreased by ¥989 million.

Deferred income taxes increased by ¥6,043 million.

11. Reserve for Dividends to Policyholders

Changes in reserve for dividends to policyholders for the year ended March 31, 2015 were as follows:

| | (Millions of yen) |
|--|-------------------|
| Balance at the beginning of current fiscal year..... | ¥ 51,007 |
| Transfer from surplus in previous fiscal year..... | 31,595 |
| Dividends paid in the current fiscal year | (33,346) |
| Increase in interest..... | 54 |
| Balance at the end of current fiscal year.... | <u>¥ 49,311</u> |

12. Stocks of Subsidiaries

The amounts of stocks of subsidiaries the Company held was ¥36,994 million as of March 31, 2015.

13. Pledged Assets and Secured Debts

Assets pledged as collateral as of March 31, 2015 were ¥33,691 million of securities and ¥1,542 million of bank deposits. Secured debts as of March 31, 2015 were ¥4,807 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 ¥50 million as of March 31, 2015.

Policy reserve for the reinsurance contracts provided in accordance with Article 71 Paragraph 1 of the Enforcement Regulation of the Insurance Business Law (hereinafter called "policy reserve for ceded reinsurance") was ¥30 million as of March 31, 2015.

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

The total amounts 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 ¥438,243 million as of March 31, 2015.

16. Additional Foundation Funds

In accordance with Article 60 of the Insurance Business Law, the Company carried out financing of additional foundation funds totaling ¥10,000 million.

17. Accumulated foundation funds redeemed

Accompanying the redemption of foundation funds totaling ¥15,000 million, in accordance with Article 56 of the Insurance Business Law, the Company transferred the same amount from reserve for redemption of foundation funds to additions to accumulated foundation funds redeemed.

18. Commitment Line

There were unused commitment line agreements under which the Company is the lender of ¥12,372 million as of March 31, 2015.

19. Subordinated Bonds

Repayments of subordinated bonds are subordinated to other obligations.

20. 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 ¥10,372 million as of March 31, 2015. The contribution was charged as operating expenses in the year in which it was paid.

21. Matters Related to Employees' Retirement Benefits as of March 31, 2015

(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..... | ¥ 71,618 |
| Cumulative effects of changes in accounting policies..... | 4,763 |
| Balance at the beginning of the current fiscal year after reflecting changes in accounting..... | 76,381 |
| Service cost..... | 3,088 |
| Interest cost..... | 1,068 |
| Actuarial difference occurred during the fiscal year..... | 788 |
| Retirement benefits payments..... | (4,601) |
| Retirement benefit obligation at the end of current fiscal year..... | <u>¥ 76,725</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..... | ¥ 22,844 |
| Expected return on pension plan assets..... | 685 |
| Actuarial difference occurred during the fiscal year..... | 1,530 |
| Contributions by the employer..... | 2,339 |
| Retirement benefits payments..... | (1,285) |
| Pension plan assets at the end of current fiscal year..... | <u>¥ 26,114</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..... | ¥ 32,625 |
| b. Pension plan assets..... | (26,114) |
| c. (a+b) | 6,510 |
| d. Unfunded plan retirement benefit obligation..... | 44,100 |
| e. Unrecognized actuarial differences..... | (4,692) |
| f. Unrecognized prior service cost..... | 475 |
| g. Reserve for employees' retirement benefits (c+d+e+f)..... | <u>¥ 46,393</u> |

iv) Breakdown of retirement benefit gains and losses

| | (Millions of yen) |
|--|-------------------|
| Service cost..... | ¥ 3,088 |
| Interest cost..... | 1,068 |
| Expected return on pension plan assets..... | (685) |
| Amortization of actuarial differences..... | 778 |
| Amortization of prior service cost..... | (76) |
| Retirement benefit expenses related to defined benefit plan..... | <u>¥ 4,173</u> |

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..... | 49.1% |
| Domestic stocks..... | 18.3% |
| Domestic bonds..... | 13.5% |
| Foreign stocks..... | 13.1% |
| Foreign bonds..... | 5.3% |
| Others..... | 0.6% |
| Total..... | <u>100.0%</u> |

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, 2015, were as follows:

| | |
|---|------|
| Discount rate..... | 1.4% |
| 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 ¥185 million.

III. Notes to Statements of Operations

1. Transactions with Subsidiaries

The total amounts of revenues and expenditures in connection with subsidiaries were ¥856 million and ¥8,453 million for the year ended March 31, 2015.

2. Gains on Sales of Securities

Major items of gains on sales of securities for the year ended March 31, 2015 were as follows:

| | (Millions of yen) |
|---------------------------------|-------------------|
| Domestic bonds..... | ¥ 8,746 |
| Domestic stocks and others..... | 3,458 |
| Foreign securities..... | 12,940 |

3. Losses on Sales of Securities

Major items of losses on sales of securities for the year ended March 31, 2015 were as follows:

| | (Millions of yen) |
|---------------------------------|-------------------|
| Domestic bonds..... | ¥ 0 |
| Domestic stocks and others..... | 259 |
| Foreign securities..... | 815 |

4. Losses on Valuation of Securities

Major items of losses on valuation of securities for the year ended March 31, 2015 were as follows:

| | (Millions of yen) |
|---------------------------------|-------------------|
| Domestic stocks and others..... | ¥ 0 |

5. Policy Reserves for the Reinsurance Contracts

For the year ended March 31, 2015, provision for reserve for outstanding claims for ceded reinsurance considered in calculation of reversal for reserve for outstanding claims was ¥46 million, and provision for policy reserve for ceded reinsurance considered in calculation of provision 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, 2015 were as follows:

| | (Millions of yen) |
|--|-------------------|
| Interest, dividends and other income..... | ¥ 9,075 |
| Gains (Losses) on sales of trading securities..... | 2 |
| Gains (Losses) on valuation of trading securities..... | 25,399 |

7. Gains (Losses) from Money Held in Trust

Gains (Losses) from money held in trust for the years ended March 31, 2015 included valuation losses of ¥0 million.

8. Gain from Derivative Instruments

Gains (Losses) from derivative instruments for the year ended March 31, 2015 included valuation gains of ¥2,346 million.

9. Impairment Losses of Fixed Assets

For the year ended March 31, 2015, 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

| | (Millions of yen) |
|-------------------------------------|-------------------|
| Real estate for rent: | |
| Land..... | ¥ 296 |
| Buildings and others..... | 136 |
| Total real estate for rent (i)..... | <u>432</u> |
| Unused real estate: | |
| Land..... | 235 |
| Buildings and others..... | 30 |
| Total unused real estate (ii)..... | <u>266</u> |
| Total: | |
| Land..... | 531 |
| Buildings and others..... | 167 |
| Total (i) + (ii)..... | <u>¥ 698</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, 2014 | Year ended March 31, 2015 |
|---|-------|------------------------------|------------------------------|
| Fundamental profit | A | 86,517 | 93,183 |
| Capital gains | | 46,945 | 55,601 |
| Gains from money held in trust, net | | 484 | 2,181 |
| Gains from trading securities, net | | 10,749 | 26,157 |
| Gains on sales of securities | | 33,499 | 25,221 |
| Gains from derivative instruments, net | | — | — |
| Foreign exchange gains, net | | 2,212 | 2,041 |
| Other capital gains | | — | — |
| Capital losses | | 34,458 | 19,754 |
| Losses from money held in trust, net | | — | — |
| Losses from trading securities, net | | — | — |
| Losses on sales of securities | | 9,289 | 1,075 |
| Losses on valuation of securities | | 52 | 0 |
| Losses from derivative instruments, net | | 25,116 | 18,679 |
| Foreign exchange losses, net | | — | — |
| Other capital losses | | — | — |
| Net capital gains (losses) | B | 12,486 | 35,846 |
| Fundamental profit plus net capital gains (losses) | A+B | 99,004 | 129,030 |
| Other one-time gains | | — | 78 |
| Reinsurance income | | — | — |
| Reversal of contingency reserve | | — | — |
| Reversal for specific allowance for possible loan losses | | — | 78 |
| Others | | — | — |
| Other one-time losses | | 27,104 | 32,232 |
| Reinsurance premiums | | — | — |
| Provision for contingency reserve | | 26,845 | 32,231 |
| Provision for specific allowance for possible loan losses | | 258 | — |
| Allowance for specified overseas loans | | — | — |
| Write-off of loans | | — | — |
| Others | | — | 1 |
| Other one-time gains (losses) | C | (27,104) | (32,153) |
| Ordinary profits | A+B+C | 71,900 | 96,877 |

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): ¥184 million in respect of the year ended March 31, 2014 and ¥168 million in respect of the year ended March 31, 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): ¥8,652 million in respect of the year ended March 31, 2014 and ¥9,075 million in respect of the year ended March 31, 2015.

3. For the year ended March 31, 2015, 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, 2014]

(Millions of yen)

| | Foundation funds, surplus and others | | | | | | | | | | | |
|--|--------------------------------------|---------------------------------------|-------------------------|---------------------------------|--|---------------------------------|--|--|----------------|------------------------|---------------|--|
| | Foundation funds | Accumulated foundation funds redeemed | Reserve for revaluation | Surplus | | | | | | | Total surplus | Total foundation funds, surplus and others |
| | | | | Legal reserve for future losses | Reserve for redemption of foundation funds | Reserve for dividend allowances | Accumulated fund for price fluctuation | Reserve for advanced depreciation of real estate for tax purpose | 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 |

[For the year ended March 31, 2015]

(Millions of yen)

| | Foundation funds, surplus and others | | | | | | | | | | | | Total foundation funds, surplus and others |
|---|--------------------------------------|---------------------------------------|-------------------------|---------------------------------|--|---------------------------------|--|--|----------------|------------------------|---------------|---------------|--|
| | Foundation funds | Accumulated foundation funds redeemed | Reserve for revaluation | Surplus | | | | | | | Total surplus | | |
| | | | | Legal reserve for future losses | Reserve for redemption of foundation funds | Reserve for dividend allowances | Accumulated fund for price fluctuation | Reserve for advanced depreciation of real estate for tax purpose | Other reserves | Unappropriated surplus | | | |
| | | | | | | | | | | | | Other surplus | |
| Balance at the beginning 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 | |
| Cumulative effects of changes in accounting policies | | | | | | | | | | (3,297) | (3,297) | (3,297) | |
| Restated balance | 35,000 | 71,000 | 112 | 2,485 | 18,000 | 3,895 | 21,000 | 3,969 | 767 | 71,365 | 121,482 | 227,595 | |
| Changes in the current fiscal year | | | | | | | | | | | | | |
| Issuance of foundation funds | 10,000 | | | | | | | | | | | 10,000 | |
| Additions to reserve for dividends to policyholders | | | | | | | | | | (31,595) | (31,595) | (31,595) | |
| Additions to legal reserve for future losses | | | | 97 | | | | | | (97) | | | |
| Additions to accumulated foundation funds redeemed | | 15,000 | | | | | | | | | | 15,000 | |
| Payment of interest on foundation funds | | | | | | | | | | (621) | (621) | (621) | |
| Net surplus for the year | | | | | | | | | | 69,043 | 69,043 | 69,043 | |
| Redemption of foundation funds | (15,000) | | | | | | | | | | | (15,000) | |
| Additions to reserve for redemption of foundation funds | | | | | 9,000 | | | | | (9,000) | | | |
| Reversal of reserve for redemption of foundation funds | | | | | (15,000) | | | | | | (15,000) | (15,000) | |
| Additions to accumulated fund for price fluctuation | | | | | | | 10,000 | | | (10,000) | | | |
| Additions to reserve for advanced depreciation of real estate for tax purpose | | | | | | | | 0 | | (0) | | | |
| Reversal of reserve for advanced depreciation of real estate for tax purpose | | | | | | | | (3,707) | | 3,707 | | | |
| Reversal of revaluation reserve for land | | | | | | | | | | 239 | 239 | 239 | |
| Net changes, excluding foundation funds, surplus and others | | | | | | | | | | | | | |
| Total changes in the current fiscal year | (5,000) | 15,000 | — | 97 | (6,000) | — | 10,000 | (3,707) | — | 21,675 | 22,065 | 32,065 | |
| Balance at the end of current fiscal year | 30,000 | 86,000 | 112 | 2,582 | 12,000 | 3,895 | 31,000 | 262 | 767 | 93,041 | 143,548 | 259,660 | |

| | 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 | 259,861 | 2 | 3,144 | 263,008 | 493,900 |
| Cumulative effects of changes in accounting policies | | | | | (3,297) |
| Restated balance | 259,861 | 2 | 3,144 | 263,008 | 490,603 |
| Changes in the current fiscal year | | | | | |
| Issuance of foundation funds | | | | | 10,000 |
| Additions to reserve for dividends to policyholders | | | | | (31,595) |
| Additions to legal reserve for future losses | | | | | — |
| Additions to accumulated foundation funds redeemed | | | | | 15,000 |
| Payment of interest on foundation funds | | | | | (621) |
| Net surplus for the year | | | | | 69,043 |
| Redemption of foundation funds | | | | | (15,000) |
| Additions to reserve for redemption of foundation funds | | | | | — |
| Reversal of reserve for redemption of foundation funds | | | | | (15,000) |
| Additions to accumulated fund for price fluctuation | | | | | — |
| Additions to reserve for advanced depreciation of real estate for tax purpose | | | | | — |
| Reversal of reserve for advanced depreciation of real estate for tax purpose | | | | | — |
| Reversal of revaluation reserve for land | | | | | 239 |
| Net changes, excluding foundation funds, surplus and others | 174,375 | (2) | 750 | 175,123 | 175,123 |
| Total changes in the current fiscal year | 174,375 | (2) | 750 | 175,123 | 207,188 |
| Balance at the end of current fiscal year | 434,236 | 0 | 3,894 | 438,131 | 697,792 |

8. Non-consolidated Statements of Surplus

(Millions of Yen)

| | Year ended March 31, 2014 | Year ended March 31, 2015 |
|--|---------------------------|---------------------------|
| Unappropriated surplus | 74,662 | 93,041 |
| Reversal of voluntary surplus reserve | 3,707 | 3 |
| Reversal of reserve for advanced depreciation of real estate for tax purpose | 3,707 | 3 |
| Total | 78,369 | 93,044 |
| Appropriation of surplus | 51,314 | 69,286 |
| Reserve for dividends to policyholders | 31,595 | 36,698 |
| Net surplus | 19,718 | 32,588 |
| Legal reserve for future losses | 97 | 160 |
| Interest payment for foundation funds | 621 | 316 |
| Voluntary surplus reserve | 19,000 | 32,111 |
| Reserve for redemption of foundation funds | 9,000 | 6,000 |
| Equalized reserve for dividends to policyholders | — | 16,104 |
| Accumulated fund for price fluctuation | 10,000 | 10,000 |
| Reserve for advanced depreciation of real estate for tax purpose | 0 | 7 |
| Unappropriated surplus carried forward | 27,055 | 23,758 |

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, 2014 | As of March 31, 2015 |
|---|----------------------|----------------------|
| Claims against bankrupt and quasi-bankrupt obligors | 216 | 207 |
| Claims with collection risk | 732 | 837 |
| Claims for special attention | 660 | 370 |
| Subtotal | 1,609 | 1,415 |
| [Percentage of total] | [0.18%] | [0.17%] |
| Claims against normal obligors | 910,205 | 816,618 |
| Total | 911,815 | 818,034 |

- 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, 2014 | As of March 31, 2015 |
|--|----------------------|----------------------|
| Credits to bankrupt borrowers | 195 | 194 |
| Delinquent loans | 747 | 844 |
| Delinquent loans past three months or more | — | — |
| Restructured loans | 660 | 370 |
| Total | 1,602 | 1,409 |
| [Percentage of total loans] | [0.19%] | [0.18%] |

- 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 ¥251 million as of March 31, 2014 and ¥247 million as of March 31, 2015.
2. Credits to bankrupt borrowers represent loans which are subject to bankruptcy, corporate reorganization or rehabilitation or other similar, including but not limited to foreign, proceedings. Accruing interest of these loans is not recorded as income after determining that principal of or interest on these loans is unlikely to be collected due to the significant delay in repayment of principal or interest payment or for some other reasons.
3. Delinquent loans are credits whose accruing interest is not recorded as income due to the same reasons as described in note 2 above, and exclude credits to bankrupt borrowers and loans for which interest payments have been suspended and rescheduled to assist and support the borrowers in the restructuring of their business.
4. Delinquent loans past three months or more are loans for which interest payment or repayment of principal are delinquent for three months or more from the due date under the terms of the related loan agreements, excluding those loans classified as credits to bankrupt borrowers and delinquent loans.
5. Restructured loans are loans for which certain concessions favorable to borrowers, such as interest reduction or exemptions, rescheduling of due date of principal or interest payment, waiver of claim or other terms, have been negotiated for the purpose of assisting and supporting the borrowers in the restructuring of their business. This category excludes loans classified as credits to bankrupt borrowers, delinquent loans and delinquent loans past three months or more.

11. Solvency Margin Ratio

(Millions of yen)

| | As of March 31, 2014 | As of March 31, 2015 |
|---|-------------------------|-------------------------|
| Total solvency margin (A) | 1,109,068 | 1,397,205 |
| Foundation funds and surplus | 196,835 | 220,996 |
| Reserve for price fluctuation of securities | 44,016 | 46,534 |
| Contingency reserve | 110,291 | 142,523 |
| Allowance for possible loan losses | 1,594 | 1,403 |
| Net unrealized gains on available-for-sale securities x 90% | 337,872 | 549,280 |
| Net unrealized gains on real estate x 85% | 90,719 | 99,173 |
| Excess amount of policy reserve based on full-time Zillmer method | 193,088 | 197,683 |
| Qualifying subordinated debt | 122,346 | 118,959 |
| 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 | 39,652 |
| Total amount of risk $\sqrt{(R_1 + R_6)^2 + (R_2 + R_3 + R_7)^2} + R_4$ (B) | 201,663 | 238,962 |
| Insurance risk R_1 | 26,371 | 25,494 |
| 3rd sector insurance risk R_6 | 9,631 | 9,575 |
| Assumed investment yield risk R_2 | 35,884 | 35,851 |
| Minimum guarantee risk R_7 | 0 | 0 |
| Investment risk R_3 | 157,866 | 195,142 |
| Business risk R_4 | 4,595 | 5,321 |
| Solvency margin ratio $\frac{(A)}{(1/2) \times (B)} \times 100$ | 1,099.9% | 1,169.3% |

Notes: 1. Above figures are calculated based on Articles 86 and 87 of the Enforcement Regulation 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, 2014 | | As of March 31, 2015 | |
|-------------------------------|----------------------|--|----------------------|--|
| | Amount | | Amount | |
| Individual variable insurance | — | | — | |
| Individual variable annuities | 272 | | 149 | |
| Group annuities | 82,408 | | 82,855 | |
| Total | 82,680 | | 83,004 | |

(2) Individual Variable Insurance (Separate Account)

The Company has not sold the individual variable insurance.

(3) Individual Variable Annuities (Separate Account)

(i) Policies in Force

(Millions of yen)

| | As of March 31, 2014 | | As of March 31, 2015 | |
|-------------------------------|----------------------|--------|----------------------|--------|
| | Number | Amount | Number | Amount |
| Individual variable annuities | 81 | 265 | 43 | 136 |
| Total | 81 | 265 | 43 | 136 |

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

(Millions of yen)

| | As of March 31, 2014 | | As of March 31, 2015 | |
|-------------------------------------|----------------------|------------|----------------------|------------|
| | Amount | Percentage | Amount | Percentage |
| Cash, deposits, call loans | 131 | 48.2 | 44 | 30.0 |
| Securities | 141 | 51.8 | 104 | 70.0 |
| Domestic bonds | — | — | — | — |
| Domestic stocks | — | — | — | — |
| Foreign securities | — | — | — | — |
| Foreign bonds | — | — | — | — |
| Foreign stocks and other securities | — | — | — | — |
| Other securities | 141 | 51.8 | 104 | 70.0 |
| Loans | — | — | — | — |
| Others | — | — | — | — |
| Allowance for possible loan losses | — | — | — | — |
| Total | 272 | 100.0 | 149 | 100.0 |

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

(Millions of yen)

| | Year ended March 31, 2014 | Year ended March 31, 2015 |
|--------------------------------------|------------------------------|------------------------------|
| | Amount | Amount |
| Interest, dividends and other income | 49 | 13 |
| Gains on sales of securities | — | — |
| Gains on redemption of securities | — | — |
| Gains on valuation of securities | 30 | 32 |
| Foreign exchange gains, net | — | — |
| Gains from derivative instruments | — | — |
| Other investment income | 0 | — |
| Losses on sales of securities | — | — |
| Losses on redemption of securities | — | — |
| Losses on valuation of securities | 41 | 27 |
| Foreign exchange losses, net | — | — |
| Losses from derivative instruments | — | — |
| Other investment expenses | 0 | — |
| Net investment income | 38 | 18 |

(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, 2014 | | As of March 31, 2015 | |
|--------------------|------------------------------------|---|---------------------------------------|---|
| | Carrying value on balance sheet | Net valuation gains/losses included in the statements of operations | Carrying value on balance sheet | Net valuation gains/losses included in the statements of operations |
| Trading securities | 141 | (11) | 104 | 5 |

Note: The Company had no balances of money held in trust and derivative instruments.

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

Net Valuation Gains/Losses on Trading Securities

(Millions of yen)

| | As of March 31, 2014 | | As of March 31, 2015 | |
|--------------------|---------------------------------|--|---------------------------------|--|
| | Carrying value on balance sheet | Net valuation gains/losses included in the statement of operations | Carrying value on balance sheet | Net valuation gains/losses included in the statement of operations |
| Trading securities | 380,680 | 10,324 | 431,744 | 29,449 |

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, 2014 | | | | | As of March 31, 2015 | | | | |
|--|----------------------|------------------|----------------|----------------|--------------|----------------------|------------------|----------------|----------------|--------------|
| | 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 | — | 811,903 | 926,148 | 114,245 | 114,245 | — |
| Domestic bonds | 768,744 | 845,557 | 76,813 | 76,813 | — | 742,337 | 853,785 | 111,448 | 111,448 | — |
| Foreign bonds | 74,689 | 77,352 | 2,662 | 2,662 | — | 69,565 | 72,362 | 2,797 | 2,797 | — |
| Monetary claims bought | — | — | — | — | — | — | — | — | — | — |
| Negotiable certificate of deposits | — | — | — | — | — | — | — | — | — | — |
| Others | — | — | — | — | — | — | — | — | — | — |
| Policy-reserve-matching bonds | 1,210,016 | 1,294,587 | 84,570 | 84,798 | 227 | 1,215,695 | 1,346,650 | 130,954 | 131,004 | 50 |
| Domestic bonds | 1,190,715 | 1,275,012 | 84,297 | 84,522 | 224 | 1,174,597 | 1,305,280 | 130,683 | 130,733 | 50 |
| Foreign bonds | 19,301 | 19,575 | 273 | 276 | 2 | 41,098 | 41,369 | 270 | 270 | — |
| Investments in subsidiaries and affiliates | 1,393 | 1,096 | (296) | — | 296 | 1,433 | 1,236 | (196) | 3 | 200 |
| Available-for-sale securities | 2,046,003 | 2,421,417 | 375,414 | 379,801 | 4,387 | 2,150,593 | 2,760,905 | 610,311 | 611,672 | 1,360 |
| Domestic bonds | 815,104 | 886,899 | 71,794 | 72,132 | 337 | 807,550 | 892,795 | 85,245 | 85,269 | 24 |
| Domestic stocks | 269,792 | 439,094 | 169,301 | 171,769 | 2,467 | 279,549 | 597,167 | 317,617 | 317,842 | 225 |
| Foreign securities | 905,773 | 1,028,769 | 122,996 | 124,501 | 1,505 | 1,010,329 | 1,197,021 | 186,692 | 187,788 | 1,096 |
| Foreign bonds | 690,428 | 774,677 | 84,249 | 85,398 | 1,149 | 784,142 | 901,979 | 117,837 | 118,593 | 756 |
| Foreign stocks and other securities | 215,345 | 254,092 | 38,746 | 39,102 | 355 | 226,187 | 295,042 | 68,854 | 69,194 | 340 |
| Other securities | 55,332 | 66,653 | 11,321 | 11,397 | 76 | 53,164 | 73,920 | 20,756 | 20,771 | 15 |
| 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 | 4,179,626 | 5,034,941 | 855,314 | 856,926 | 1,611 |
| Domestic bonds | 2,774,564 | 3,007,469 | 232,904 | 233,467 | 562 | 2,724,485 | 3,051,862 | 327,377 | 327,451 | 74 |
| Domestic stocks | 269,792 | 439,094 | 169,301 | 171,769 | 2,467 | 279,549 | 597,167 | 317,617 | 317,842 | 225 |
| Foreign securities | 1,001,157 | 1,126,794 | 125,636 | 127,440 | 1,804 | 1,122,427 | 1,311,990 | 189,563 | 190,859 | 1,296 |
| Foreign bonds | 784,419 | 871,604 | 87,185 | 88,337 | 1,152 | 894,806 | 1,015,712 | 120,906 | 121,662 | 756 |
| Foreign stocks and other securities | 216,738 | 255,189 | 38,450 | 39,102 | 652 | 227,621 | 296,278 | 68,657 | 69,197 | 540 |
| Other securities | 55,332 | 66,653 | 11,321 | 11,397 | 76 | 53,164 | 73,920 | 20,756 | 20,771 | 15 |
| 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, 2014 | | | As of March 31, 2015 | | |
|---|-------------------------------------|------------|-------------|-------------------------------------|------------|-------------|
| | Carrying value on the balance sheet | Fair value | Differences | Carrying value on the balance sheet | Fair value | Differences |
| Securities whose fair value exceeds the carrying value on the balance sheet | 843,433 | 922,909 | 79,476 | 811,903 | 926,148 | 114,245 |
| Domestic bonds | 768,744 | 845,557 | 76,813 | 742,337 | 853,785 | 111,448 |
| Foreign bonds | 74,689 | 77,352 | 2,662 | 69,565 | 72,362 | 2,797 |
| Money claims bought | — | — | — | — | — | — |
| Negotiable certificate of deposits | — | — | — | — | — | — |
| Others | — | — | — | — | — | — |
| Securities whose fair value does not exceed the carrying value on the balance sheet | — | — | — | — | — | — |
| Domestic bonds | — | — | — | — | — | — |
| Foreign bonds | — | — | — | — | — | — |
| Money claims bought | — | — | — | — | — | — |
| Negotiable certificate of deposits | — | — | — | — | — | — |
| Others | — | — | — | — | — | — |

• Policy-reserve-matching Bonds

(Millions of yen)

| | As of March 31, 2014 | | | As of March 31, 2015 | | |
|--|-------------------------------------|------------|-------------|-------------------------------------|------------|-------------|
| | Carrying value on the balance sheet | Fair value | Differences | Carrying value on the balance sheet | Fair value | Differences |
| Bonds whose fair value exceeds the carrying value on the balance sheet | 1,205,007 | 1,289,805 | 84,798 | 1,194,892 | 1,325,896 | 131,004 |
| Domestic bonds | 1,186,005 | 1,270,527 | 84,522 | 1,163,793 | 1,294,527 | 130,733 |
| Foreign bonds | 19,001 | 19,277 | 276 | 31,098 | 31,369 | 270 |
| Others | — | — | — | — | — | — |
| Bonds whose fair value does not exceed the carrying value on the balance sheet | 5,009 | 4,782 | (227) | 20,803 | 20,753 | (50) |
| Domestic bonds | 4,709 | 4,484 | (224) | 10,803 | 10,753 | (50) |
| Foreign bonds | 300 | 297 | (2) | 10,000 | 10,000 | — |
| Others | — | — | — | — | — | — |

• Available-for-sale Securities

(Millions of yen)

| | As of March 31, 2014 | | | As of March 31, 2015 | | |
|---|----------------------|-------------------------------------|-------------|----------------------|-------------------------------------|-------------|
| | Book value | Carrying value on the balance sheet | Differences | Book value | Carrying value on the balance sheet | Differences |
| Securities whose carrying value on the balance sheet exceeds the book value | 1,859,060 | 2,238,861 | 379,801 | 2,087,739 | 2,699,411 | 611,672 |
| Domestic bonds | 796,157 | 868,289 | 72,132 | 800,549 | 885,818 | 85,269 |
| Domestic stocks | 232,850 | 404,620 | 171,769 | 270,078 | 587,921 | 317,842 |
| Foreign securities | 780,763 | 905,265 | 124,501 | 964,096 | 1,151,884 | 187,788 |
| Foreign bonds | 581,574 | 666,973 | 85,398 | 756,771 | 875,365 | 118,593 |
| Foreign stocks | 199,188 | 238,291 | 39,102 | 207,324 | 276,519 | 69,194 |
| Other securities | 49,288 | 60,686 | 11,397 | 53,015 | 73,787 | 20,771 |
| 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 | 186,942 | 182,555 | (4,387) | 62,854 | 61,493 | (1,360) |
| Domestic bonds | 18,947 | 18,609 | (337) | 7,001 | 6,977 | (24) |
| Domestic stocks | 36,941 | 34,474 | (2,467) | 9,470 | 9,245 | (225) |
| Foreign securities | 125,009 | 123,504 | (1,505) | 46,233 | 45,137 | (1,096) |
| Foreign bonds | 108,853 | 107,703 | (1,149) | 27,370 | 26,614 | (756) |
| Foreign stocks | 16,156 | 15,800 | (355) | 18,862 | 18,522 | (340) |
| Other securities | 6,043 | 5,967 | (76) | 148 | 133 | (15) |
| Money held in trust | — | — | — | — | — | — |
| Money claims bought | — | — | — | — | — | — |
| Negotiable certificate of deposits | — | — | — | — | — | — |
| Others | — | — | — | — | — | — |

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

(Millions of yen)

| | As of March 31, 2014 | As of March 31, 2015 |
|---|----------------------|----------------------|
| Held-to-maturity bonds | — | — |
| Unlisted foreign bonds | — | — |
| Others | — | — |
| Policy-reserve-matching bonds | — | — |
| Investments in subsidiaries and affiliates | 35,560 | 35,560 |
| Available-for-sale securities | 15,620 | 17,031 |
| Unlisted domestic stocks (except over-the-counter stocks) | 7,653 | 8,338 |
| Unlisted foreign stocks (except over-the-counter stocks) | — | — |
| Unlisted foreign bonds | — | — |
| Others | 7,967 | 8,693 |
| Total | 51,181 | 52,592 |

(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, 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) |
| As of March 31, 2015 | Interest-related | Currency-related | Stock-related | Bond-related | Others | Total |
| Hedge accounting applied | 0 | 820 | — | — | — | 821 |
| Hedge accounting not applied | (460) | 685 | — | 200 | — | 426 |
| Total | (459) | 1,506 | — | 200 | — | 1,247 |

Note: Gains and losses from applying fair value hedge accounting (currency-related, losses of ¥2,427 million as of March 31, 2014 and gains of ¥820 million as of March 31, 2015) included in gains and losses with hedge accounting applied, and gains and losses with hedge accounting not applied are reported in the statements of operations.

(ii) Hedge Accounting not Applied

• Interest-related Transactions

(Millions of yen)

| | As of March 31, 2014 | | | As of March 31, 2015 | | |
|--------------------------------------|------------------------------------|---------------|-------------------|------------------------------------|---------------|-------------------|
| | Notional amount/ contract value | Fair value | Gains (losses) | Notional amount/ contract value | Fair value | Gains (losses) |
| | Over 1 year | | | Over 1 year | | |
| Over-the-counter transactions | | | | | | |
| Yen interest rate swaption contracts | | | | | | |
| Sold | | | | | | |
| Receipt fixed, payment floating | — | — | — | — | — | — |
| [—] | | | | [—] | | |
| Payment fixed, receipt floating | — | — | — | — | — | — |
| [—] | | | | [—] | | |
| Bought | | | | | | |
| Receipt fixed, payment floating | — | — | — | — | — | — |
| [—] | | | | [—] | | |
| Payment fixed, receipt floating | 100,000 | — | — | 300,000 | 200,000 | — |
| [89] | | | | [1,289] | | |
| 70 | | | (18) | | | 828 |
| (460) | | | | | | |
| Total | | | (18) | | | (460) |

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

• Currency-related Transactions

(Millions of yen)

| | As of March 31, 2014 | | | | As of March 31, 2015 | | | |
|-------------------------------|------------------------------------|---------------|-------------------|------------------------------------|----------------------|-------------------|---------|-------------|
| | Notional amount/ contract value | Fair value | Gains (losses) | Notional amount/ contract value | Fair value | Gains (losses) | | |
| | | | | | | | | Over 1 year |
| Over-the-counter transactions | | | | | | | | |
| Currency forward contracts | | | | | | | | |
| Sold | 211,168 | — | 213,264 | (2,096) | 200,640 | — | 199,955 | 685 |
| British Pound | 18,708 | — | 18,838 | (130) | 59,875 | — | 59,571 | 303 |
| Euro | 61,874 | — | 61,883 | (8) | 42,190 | — | 42,585 | (394) |
| US dollar | 58,325 | — | 58,658 | (333) | 35,215 | — | 34,887 | 327 |
| Australian dollar | 37,324 | — | 38,449 | (1,175) | 34,774 | — | 34,479 | 295 |
| Canadian dollar | 34,936 | — | 35,385 | (448) | 28,568 | — | 28,415 | 153 |
| Swedish krona | — | — | — | — | 9 | — | 9 | 0 |
| Norwegian krone | — | — | — | — | 6 | — | 6 | 0 |
| Bought | 9 | — | 9 | 0 | 193 | — | 193 | 0 |
| US dollar | — | — | — | — | 154 | — | 155 | 0 |
| Euro | 9 | — | 9 | 0 | 19 | — | 19 | (0) |
| Swiss franc | — | — | — | — | 7 | — | 7 | (0) |
| Swedish krona | — | — | — | — | 6 | — | 6 | (0) |
| Danish krone | — | — | — | — | 2 | — | 2 | (0) |
| British Pound | — | — | — | — | 1 | — | 1 | 0 |
| Currency Options | | | | | | | | |
| Sold | | | | | | | | |
| Calls | — | — | — | — | — | — | — | — |
| Puts | [—] | — | — | — | [—] | — | — | — |
| Bought | | | | | | | | |
| Calls | — | — | — | — | — | — | — | — |
| Puts | [—] | — | — | — | [—] | — | — | — |
| US dollar | 9,800 | — | — | (23) | — | — | — | — |
| | [23] | — | 0 | (23) | [—] | — | — | — |
| | [23] | — | 0 | (23) | [—] | — | — | — |
| Total | | | | (2,119) | | | | 685 |

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, 2014 | | | | As of March 31, 2015 | | | |
|------------------------------|------------------------------------|------------|-------------------|------------------------------------|----------------------|-------------------|---|-------------|
| | Notional amount/ contract value | Fair value | Gains (losses) | Notional amount/ contract value | Fair value | Gains (losses) | | |
| | | | | | | | | Over 1 year |
| Exchange-traded transactions | | | | | | | | |
| Yen stock index options | | | | | | | | |
| Sold | | | | | | | | |
| Calls | — | — | — | — | — | — | — | |
| Puts | [—] | — | — | [—] | — | — | — | |
| Bought | | | | | | | | |
| Calls | — | — | — | — | — | — | — | |
| Puts | [—] | — | — | [—] | — | — | — | |
| | 10,687 | — | 153 | (152) | — | — | — | |
| | [306] | — | — | [—] | — | — | — | |
| Total | | | | (152) | | | | |

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

• Bond-related Transactions

(Millions of yen)

| | As of March 31, 2014 | | | | As of March 31, 2015 | | | |
|------------------------------|------------------------------------|------------|-------------------|------------------------------------|----------------------|-------------------|---------|-------------|
| | Notional amount/ contract value | Fair value | Gains (losses) | Notional amount/ contract value | Fair value | Gains (losses) | | |
| | | | | | | | | Over 1 year |
| Exchange-traded transactions | | | | | | | | |
| Yen bond futures | | | | | | | | |
| Sold | 144,825 | — | 144,620 | 205 | 294,876 | — | 294,440 | 436 |
| Bought | — | — | — | — | — | — | — | — |
| Foreign bond futures | | | | | | | | |
| Sold | 27,492 | — | 27,327 | 165 | 40,083 | — | 40,318 | (235) |
| Bought | — | — | — | — | — | — | — | — |
| Total | | | | 370 | | | | 200 |

(iii) Hedge Accounting Applied

• Interest-related Transactions

(Millions of yen)

| Method of hedge accounting | Hedging instruments | Hedged items | As of March 31, 2014 | | | As of March 31, 2015 | | |
|----------------------------|----------------------------------|--------------|----------------------------------|-------------|------------|----------------------------------|-------------|------------|
| | | | Notional amount / contract value | | Fair value | Notional amount / contract value | | Fair value |
| | | | | Over 1 year | | | Over 1 year | |
| Deferral hedge method | Yen interest rate swap contracts | Loans | | | | Loans | | |
| | Receipt fixed, payment floating | | 290 | 170 | 3 | 85 | — | 0 |
| | Payment fixed, receipt floating | | — | — | — | — | — | — |
| Total | | | | | | | | |

(reference) Interest rate swap contracts by contractual maturity dates

(Millions of yen)

| Yen interest rate swap contracts | As of March 31, 2014 | | | As of March 31, 2015 | | |
|---|----------------------|------------------------|--------------|----------------------|------------------------|--------------|
| | 1 year or shorter | Over 1 year to 3 years | Over 3 years | 1 year or shorter | Over 1 year to 3 years | Over 3 years |
| Notional amount (receipts fixed, payments floating) | 120 | 170 | — | 85 | — | — |
| Average fixed rate (receipt) | 2.12% | 2.47% | — | 2.47% | — | — |
| Average floating rate (payment) | 1.11% | 1.11% | — | 1.06% | — | — |
| Notional amount (receipts floating, payments fixed) | — | — | — | — | — | — |
| Average floating rate (receipt) | — | — | — | — | — | — |
| Average fixed rate (payment) | — | — | — | — | — | — |

• Currency-related Transactions

(Millions of yen)

| Method of hedge accounting | Hedging instruments | Hedged items | As of March 31, 2014 | | | As of March 31, 2015 | | |
|----------------------------|----------------------------|------------------------------------|----------------------------------|-------------|------------|----------------------------------|-------------|------------|
| | | | Notional amount / contract value | | Fair value | Notional amount / contract value | | Fair value |
| | | | | Over 1 year | | | Over 1 year | |
| Fair value hedge method | Currency forward contracts | Foreign currency-denominated bonds | | | | | | |
| | Sold | | 364,791 | — | 367,218 | 524,133 | — | 523,313 |
| | (US dollar) | | 295,783 | — | 297,232 | 423,638 | — | 424,519 |
| | (British Pound) | | 15,206 | — | 15,401 | 52,110 | — | 51,518 |
| | (Euro) | | 39,976 | — | 40,353 | 36,682 | — | 35,799 |
| | (Australian dollar) | | 13,825 | — | 14,231 | 11,702 | — | 11,475 |
| | 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, 2014 and March 31, 2015.

• Bond-related Transactions

No ending balance as of March 31, 2014 and March 31, 2015.

13. Status of the Company, Subsidiaries and Affiliates

(1) Selected Financial Data

(Millions of yen)

| | Year ended March 31, 2014 | Year ended March 31, 2015 |
|----------------------------|------------------------------|------------------------------|
| Ordinary revenues | 935,620 | 1,047,224 |
| Ordinary profits | 76,441 | 101,606 |
| Net surplus for the period | 51,782 | 69,633 |
| Comprehensive income | 95,703 | 249,218 |

| | As of March 31, 2014 | As of March 31, 2015 |
|-----------------------|-------------------------|-------------------------|
| Total assets | 7,817,668 | 8,326,588 |
| Solvency margin ratio | 1,120.0% | 1,195.7% |

(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 March 31, 2015 | | As of March 31, 2014 | As of March 31, 2015 |
|------------------------------------|-------------------------|-------------------------|--|-------------------------|-------------------------|
| Assets: | | | Liabilities: | | |
| Cash and deposits | 91,021 | 154,319 | Policy reserves | 6,995,343 | 7,234,120 |
| Call loans | 148,700 | 186,500 | Reserve for outstanding claims | 25,170 | 23,501 |
| Monetary claims bought | 1,011 | 870 | Policy reserve | 6,918,429 | 7,160,599 |
| Money held in trust | 31,981 | 34,319 | Reserve for dividends to policyholders | 51,007 | 49,311 |
| Securities | 6,406,927 | 6,881,578 | Reserve for dividends to policyholders (subsidiary) | 735 | 707 |
| Loans | 839,244 | 767,293 | Agency payables | 339 | 377 |
| Tangible fixed assets | 232,492 | 227,919 | Reinsurance payables | 113 | 125 |
| Land | 132,912 | 132,261 | Subordinated bonds | 122,346 | 118,959 |
| Buildings | 95,148 | 91,048 | Other liabilities | 57,036 | 59,240 |
| Lease assets | 1,159 | 954 | Net defined benefit liabilities | 48,840 | 50,691 |
| Construction in progress | 280 | 630 | Reserve for price fluctuation of securities | 50,325 | 55,177 |
| Other tangible fixed assets | 2,992 | 3,025 | Deferred tax liabilities | 27,502 | 84,524 |
| Intangible fixed assets | 16,369 | 15,323 | Deferred tax liabilities for revaluation reserve for land | 15,929 | 14,787 |
| Software | 11,339 | 11,613 | Total liabilities | 7,317,778 | 7,618,005 |
| Goodwill | 3,091 | 2,328 | Net assets: | | |
| Lease assets | 1,659 | 1,102 | Foundation funds | 35,000 | 30,000 |
| Other intangible fixed assets | 279 | 279 | Accumulated foundation funds redeemed | 71,000 | 86,000 |
| Agency receivables | 1 | 4 | Reserve for revaluation | 112 | 112 |
| Reinsurance receivables | 94 | 107 | Consolidated surplus | 126,584 | 145,942 |
| Other assets | 51,065 | 59,659 | Total foundation funds, surplus and others | 232,696 | 262,054 |
| Deferred tax assets | 1,041 | 640 | Net unrealized gains (losses) on available-for-sale securities, net of tax | 263,161 | 440,109 |
| Allowance for possible loan losses | (2,281) | (1,948) | Deferred valuation gains (losses) under hedge accounting | 2 | 0 |
| | | | Revaluation reserve for land, net of tax | 3,144 | 3,894 |
| | | | Foreign currency translation adjustment | (261) | (52) |
| | | | Accumulated remeasurements of defined benefit plans | (3,918) | (3,000) |
| | | | Total accumulated other comprehensive income | 262,127 | 440,951 |
| | | | Minority interests | 5,066 | 5,576 |
| | | | Total net assets | 499,890 | 708,582 |
| Total assets | 7,817,668 | 8,326,588 | Total liabilities and net assets | 7,817,668 | 8,326,588 |

(4) Consolidated Statements of Operations and Comprehensive Income

[Consolidated Statements of Operations]

(Millions of yen)

| | Year ended March 31, 2014 | Year ended March 31, 2015 |
|--|---------------------------|---------------------------|
| Ordinary revenues: | | |
| Premium and other income | 707,044 | 796,458 |
| Investment income | 216,832 | 239,037 |
| Interest, dividends and other income | 149,176 | 159,905 |
| Gains from money held in trust, net | 669 | 2,349 |
| Gains from trading securities, net | 19,402 | 35,232 |
| Gains on sales of securities | 34,672 | 27,310 |
| Foreign exchange gains, net | 2,214 | 2,041 |
| Reversal of allowance for possible loan losses | — | 270 |
| Other investment income | 279 | 59 |
| Gains from separate accounts, net | 10,417 | 11,869 |
| Other ordinary revenues | 11,743 | 11,728 |
| Total ordinary revenues | 935,620 | 1,047,224 |
| Ordinary expenditures: | | |
| Claims and other payments | 552,830 | 546,964 |
| Claims | 138,689 | 116,788 |
| Annuities | 135,437 | 156,377 |
| Benefits | 131,069 | 128,295 |
| Surrenders | 114,188 | 116,806 |
| Other payments | 33,444 | 28,694 |
| Provision for policy reserve and others | 139,752 | 242,225 |
| Provision for reserve for outstanding claims | 507 | — |
| Provision for policy reserve | 139,169 | 242,170 |
| Interest on accumulated dividends to policyholders | 74 | 54 |
| Interest on accumulated dividends to policyholders (subsidiary) | 0 | 0 |
| Investment expenses | 49,005 | 34,572 |
| Interest expenses | 3,655 | 4,267 |
| Losses on sales of securities | 9,289 | 1,075 |
| Losses on valuation of securities | 52 | 0 |
| Losses from derivative instruments, net | 25,116 | 18,679 |
| Provision for allowance for possible loan losses | 56 | — |
| Depreciation of real estate for rent and other assets | 5,082 | 4,877 |
| Other investment expenses | 5,751 | 5,673 |
| Operating expenses | 95,278 | 97,209 |
| Other ordinary expenditures | 22,313 | 24,646 |
| Total ordinary expenditures | 859,179 | 945,618 |
| Ordinary profits | 76,441 | 101,606 |
| Extraordinary gains: | | |
| Gains on disposal of fixed assets | 2,005 | 6 |
| Total extraordinary gains | 2,005 | 6 |
| Extraordinary losses: | | |
| Losses on disposal of fixed assets | 7,314 | 167 |
| Impairment losses | 1,775 | 698 |
| Provision for reserve for price fluctuation of securities | 3,700 | 4,851 |
| Total extraordinary losses | 12,791 | 5,718 |
| Provision for reserve for dividends to policyholders (subsidiary) | 542 | 483 |
| Surplus before income taxes | 65,112 | 95,411 |
| Income taxes: | | |
| Current | 20,867 | 28,933 |
| Deferred | (7,773) | (3,318) |
| Total income taxes | 13,093 | 25,614 |
| Net surplus before minority interests | 52,019 | 69,796 |
| Minority interests | 236 | 163 |
| Net surplus for the year | 51,782 | 69,633 |

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

[Consolidated Statement of Comprehensive Income]

(Millions of yen)

| | Year ended March 31, 2014 | Year ended March 31, 2015 |
|--|---------------------------|---------------------------|
| Net surplus before minority interests | 52,019 | 69,796 |
| Other comprehensive income | 43,684 | 179,422 |
| Net unrealized gains (losses) on available-for-sale securities, net of tax | 43,367 | 177,308 |
| Deferred valuation gains (losses) under hedge accounting, net of tax | (60) | (2) |
| Revaluation reserve for land, net of tax | 3 | 989 |
| Foreign currency translation adjustment | 373 | 208 |
| Remeasurements of defined benefit plan, net of tax | — | 918 |
| Comprehensive income | 95,703 | 249,218 |
| Parent company | 95,541 | 248,696 |
| Minority interests | 162 | 522 |

(5) Consolidated Statements of Cash Flows

(Millions of yen)

| | Year ended March 31, 2014 | Year ended March 31, 2015 |
|---|---------------------------|---------------------------|
| Cash flows from operating activities: | | |
| Surplus before income taxes | 65,112 | 95,411 |
| Depreciation of real estate for rent and other assets | 5,082 | 4,877 |
| Depreciation | 7,109 | 7,323 |
| Impairment losses | 1,775 | 698 |
| Amortization of goodwill | 763 | 763 |
| Increase (Decrease) in reserve for outstanding claims | 507 | (1,669) |
| Increase (Decrease) in policy reserve | 139,169 | 242,170 |
| Interest on accumulated dividends to policyholders | 74 | 54 |
| Interest on accumulated dividends to policyholders (subsidiary) | 0 | 0 |
| Provision for reserve for dividends to policyholders (subsidiary) | 542 | 483 |
| Increase (Decrease) in allowance for possible loan losses | 80 | (333) |
| Increase (Decrease) in net defined benefit liabilities | (1,973) | (1,467) |
| Increase (Decrease) in reserve for price fluctuation of securities | 3,700 | 4,851 |
| Interest, dividends and other income | (149,176) | (159,905) |
| (Gains) Losses on securities | (30,702) | (57,006) |
| Interest expenses | 3,655 | 4,267 |
| Foreign exchange (gains) losses, net | (2,214) | (2,041) |
| (Gains) Losses on tangible fixed assets | 5,130 | 144 |
| (Increase) Decrease in agency receivables | 5 | (3) |
| (Increase) Decrease in reinsurance receivables | (37) | (12) |
| (Increase) Decrease in other assets except from investing and financing activities | (880) | (2,196) |
| Increase (Decrease) in agency payables | (36) | 37 |
| Increase (Decrease) in reinsurance payables | (0) | 12 |
| Increase (Decrease) in other liabilities except from investing and financing activities | (2,568) | (76) |
| Others | 17,015 | 15,712 |
| Subtotal | 62,135 | 152,096 |
| Interest, dividends and other income received | 159,741 | 171,494 |
| Interest paid | (3,430) | (4,308) |
| Dividends to policyholders paid | (29,137) | (33,346) |
| Dividends to policyholders paid (subsidiary) | (504) | (511) |
| Corporate income tax (paid) refunded | (17,291) | (25,145) |
| Net cash provided by (used in) operating activities (I) | 171,511 | 260,278 |
| Cash flows from investing activities: | | |
| (Increase) Decrease in deposits | (684) | (146) |
| Proceeds from sales and redemption of monetary claims bought | 98 | 141 |
| Payments for increase in money held in trust | (2,000) | — |
| Proceeds from decrease in money held in trust | 1,999 | — |
| Payments for purchase of securities | (867,499) | (673,696) |
| Proceeds from sales and redemption of securities | 700,791 | 546,073 |
| Payments for additions to loans | (86,787) | (58,621) |
| Proceeds from collections of loans | 148,350 | 121,587 |
| Proceeds from settlement of derivatives | (21,671) | (21,481) |
| Others | (20,399) | (60,284) |
| Subtotal (IIa) | (147,800) | (146,427) |
| (I+IIa) | [23,710] | [113,851] |
| Payments for purchase of tangible fixed assets | (4,607) | (3,357) |
| Proceeds from sales of tangible fixed assets | 30,441 | 147 |
| Payments for purchase of intangible fixed assets | (2,777) | (3,343) |
| Net cash provided by (used in) investing activities | (124,744) | (152,980) |
| Cash flows from financing activities: | | |
| Financing of subordinated bonds | 49,870 | — |
| Financing of additional foundation funds | — | 10,000 |
| Redemption of foundation funds | — | (15,000) |
| Interest payment for foundation funds | (621) | (621) |
| Dividends paid to minority interests | (12) | (12) |
| Payments for lease obligations | (752) | (740) |
| Net cash provided by (used in) financing activities | 48,483 | (6,374) |
| Effect of exchange rate changes on cash and cash equivalents | 526 | (50) |
| Net increase (decrease) in cash and cash equivalents | 95,777 | 100,872 |
| Cash and cash equivalents at the beginning of the year | 142,596 | 238,373 |
| Cash and cash equivalents at the end of the year | 238,373 | 339,246 |

(6) Consolidated Statements of Changes in Net Assets

[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 |

[For the year ended March 31, 2015]

(Millions of yen)

| | Foundation funds, surplus and others | | | | |
|---|--------------------------------------|---------------------------------------|-------------------------|----------------------|--|
| | Foundation funds | Accumulated foundation funds redeemed | Reserve for revaluation | Consolidated surplus | Total foundation funds, surplus and others |
| Balance at the beginning of current fiscal year | 35,000 | 71,000 | 112 | 126,584 | 232,696 |
| Cumulative effects of changes in accounting policies | | | | (3,297) | (3,297) |
| Restated balance | 35,000 | 71,000 | 112 | 123,286 | 229,399 |
| Changes in the current fiscal year | | | | | |
| Issuance of foundation funds | 10,000 | | | | 10,000 |
| Additions to reserve for dividends to policyholders | | | | (31,595) | (31,595) |
| Additions to accumulated foundation funds redeemed | | 15,000 | | | 15,000 |
| Payment of interest on foundation funds | | | | (621) | (621) |
| Net surplus for the year | | | | 69,633 | 69,633 |
| Redemption of foundation funds | (15,000) | | | | (15,000) |
| Reversal of reserve for redemption of foundation funds | | | | (15,000) | (15,000) |
| Reversal of revaluation reserve for land | | | | 239 | 239 |
| Net changes, excluding foundation funds, surplus and others | | | | | |
| Total changes in the current fiscal year | (5,000) | 15,000 | — | 22,655 | 32,655 |
| Balance at the end of current fiscal year | 30,000 | 86,000 | 112 | 145,942 | 262,054 |

| | 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 | 263,161 | 2 | 3,144 | (261) | (3,918) | 262,127 | 5,066 | 499,890 |
| Cumulative effects of changes in accounting policies | | | | | | | | (3,297) |
| Restated balance | 263,161 | 2 | 3,144 | (261) | (3,918) | 262,127 | 5,066 | 496,593 |
| Changes in the current fiscal year | | | | | | | | |
| Issuance of foundation funds | | | | | | | | 10,000 |
| Additions to reserve for dividends to policyholders | | | | | | | | (31,595) |
| Additions to accumulated foundation funds redeemed | | | | | | | | 15,000 |
| Payment of interest on foundation funds | | | | | | | | (621) |
| Net surplus for the year | | | | | | | | 69,633 |
| Redemption of foundation funds | | | | | | | | (15,000) |
| Reversal of reserve for redemption of foundation funds | | | | | | | | (15,000) |
| Reversal of revaluation reserve for land | | | | | | | | 239 |
| Net changes, excluding foundation funds, surplus and others | 176,948 | (2) | 750 | 208 | 918 | 178,823 | 510 | 179,333 |
| Total changes in the current fiscal year | 176,948 | (2) | 750 | 208 | 918 | 178,823 | 510 | 211,989 |
| Balance at the end of current fiscal year | 440,109 | 0 | 3,894 | (52) | (3,000) | 440,951 | 5,576 | 708,582 |

Notes to the Consolidated Financial Statements

I. Presentation of the Consolidated Financial Statements

1. Basis of Presentation

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

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

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

2. Principles of Consolidation

(1) Scope of Consolidation

Consolidated subsidiaries as of March 31, 2015 are listed below:

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

Effective for the fiscal year ended March 31, 2013, owing to the sale of all shares of Fukoku Shinyo Hoshō Company Limited, on the October 31, 2012, the Company excluded it from scope of consolidation.

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 years ended March 31, 2015.

(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 is 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.

(5) Valuation of subsidiary's assets and liabilities on acquisition

On acquisition of a subsidiary, all of the subsidiary's assets and liabilities that exist at the date of acquisition are recorded at their fair value.

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 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 (excluding the shares of unconsolidated subsidiaries and affiliates) are translated into Japanese yen at the effective exchange rate prevailing at the balance sheet date. The shares of unconsolidated subsidiaries and affiliates are translated into Japanese yen at the effective exchange rate prevailing on the day the shares were acquired.

(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, 2015 was ¥247 million.

(7) Accounting of Employees' Retirement Benefits

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

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

- | | |
|---|-----------------------|
| • Method for allocation of projected retirement benefits..... | Benefit formula basis |
| • Amortization period of actuarial 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 (other interest and dividends)" 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 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 term.

(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).

The amounts of policy-reserve-matching bonds recorded on the balance sheets and the market value of these bonds as of March 31, 2015 were written in Notes No. 4 "Financial Instruments."

2. Accounting changes and corrections of past errors

Effective from the fiscal year ended March 31, 2015, in accordance with “Accounting Standard for Retirement Benefits” (Accounting Standards Board of Japan (ASBJ) Statement No. 26, May 17, 2012, and “Guidance on Accounting Standard for Retirement Benefits” (ASBJ Guidance No. 25, May 17, 2012), the Company and its consolidated subsidiaries changed from a straight-line basis to a benefit formula as the method for allocation of projected retirement benefits. The Company and its consolidated subsidiaries also changed the method used for determining the discount rate from a discount rate based on the estimated average period until the payment of retirement benefits to a single weighted average discount rate reflecting the estimated payment period and the amount for each estimated period.

As a result, compared with the previous method, unappropriated surplus at the start of the period ended March 31, 2015, decreased by ¥3,297 million. In addition, in the year ended March 31, 2015, ordinary profits and surplus before income taxes increased by ¥39 million.

3. The Principal Accounting Standards Published before March 31, 2014 and 2015 but not Applied are as follows.

With the publication of “Accounting Standard for Business Combinations” (Accounting Standards Board of Japan (ASBJ) Statement No. 21, September 13, 2013), “Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures” (ASBJ Guidance No.10, September 13, 2013), and “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 hedge the market risk regarding spot-priced assets. 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, 2015, were as follows:

| | Carrying amount | Fair value | Difference |
|---|-----------------|------------|-------------------|
| | | | (Millions of yen) |
| Cash and deposits: | | | |
| Cash and deposits not treated as securities... | ¥ 154,273 | ¥ 154,273 | ¥ — |
| Total cash and deposits..... | 154,273 | 154,273 | — |
| Call loans..... | 186,500 | 186,500 | — |
| Monetary claims bought: | | | |
| Claims treated as loans..... | 870 | 918 | 47 |
| Total monetary claims bought..... | 870 | 918 | 47 |
| Money held in trust: | | | |
| Trading securities..... | 33,319 | 33,319 | — |
| Total money held in trust..... | 33,319 | 33,319 | — |
| Securities: | | | |
| Trading securities..... | 321,079 | 321,079 | — |
| Held-to-maturity debt securities..... | 1,278,101 | 1,453,799 | 175,697 |
| Policy-reserve-matching bonds..... | 2,124,231 | 2,330,260 | 206,029 |
| Investments in subsidiaries and affiliates..... | 40 | 43 | 3 |
| Available-for-sale securities..... | 3,063,228 | 3,063,228 | — |
| Total securities..... | 6,786,681 | 7,168,411 | 381,730 |
| Loans: | | | |
| Policy loans..... | 66,704 | 66,704 | (0) |
| Ordinary loans..... | 700,588 | 724,679 | 24,090 |
| Total loans..... | 767,293 | 791,383 | 24,090 |
| Assets total..... | 7,928,939 | 8,334,807 | 405,868 |
| Subordinated bonds*1..... | 118,959 | 122,282 | 3,322 |
| Liabilities total..... | 118,959 | 122,282 | 3,322 |
| Derivative instruments*2: | | | |
| Hedge accounting not applied..... | 426 | 426 | — |
| Hedge accounting applied..... | 821 | 821 | — |
| Total derivative instruments..... | ¥ 1,247 | ¥ 1,247 | ¥ — |

*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.

Carrying amounts, fair values and related differences of cash, deposits and call loans have been disclosed as of March 31, 2014.

(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 were ¥519 million, ¥8,338 million and ¥8,693 million as of March 31, 2015.

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

The fair values of policy loans are deemed to approximate book values, considering estimated repayment period and interest rate conditions since their repayment 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. Carrying amounts, for values and related differences of subordinated bonds have been disclosed as of March 31, 2014.

(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 amounts and the fair values of investment and rental properties were ¥175,807 million and ¥271,909 million as of March 31, 2015, 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 ¥1,090 million as of March 31, 2015.

6. Securities Lent under Lending Agreements

The amount of securities lent under lending agreements was ¥50,418 million as of March 31, 2015.

7. Loans Receivable

The total amounts of credits to bankrupt borrowers, delinquent loans, delinquent loans past 3 months or more and restructured loans, which were included in loans was ¥1,414 million as of March 31, 2015.

- i) The balance of credits to bankrupt borrowers was ¥199 million as of March 31, 2015.
- ii) The balance of delinquent loans was ¥844 million as of March 31, 2015.
- iii) There was no balance of delinquent loans past 3 months or more as of March 31, 2015.
- iv) The balance of restructured loans was ¥370 million as of March 31, 2015.

Credits to bankrupt borrowers represent loans, excluding the balances already written-off, which meet the conditions prescribed in Article 96 Paragraph 1 item 3 and 4 of the Enforcement Regulations of the Corporate Tax Law. Moreover, 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.

The direct write-offs related to loans decreased credits to bankrupt borrowers described above by ¥247 million as of March 31, 2015.

8. Accumulated Depreciation of Tangible Fixed Assets

Accumulated depreciation of tangible fixed assets totaled to ¥150,284 million as of March 31, 2015.

9. Separate Accounts

Total assets in separate accounts provided for in Article 118 of the Insurance Business Law were ¥83,004 million as of March 31, 2015. The amounts of separate account liabilities were the same as separate account assets.

10. Receivables from/Payables to Unconsolidated Subsidiaries

The total amounts of receivables from/payables to unconsolidated subsidiaries were ¥3,045 million and ¥185 million as of March 31, 2015, respectively.

11. Income Taxes

Deferred tax assets and deferred tax liabilities as of March 31, 2015 were ¥100,730 million and ¥180,921 million, respectively. Valuation allowance for deferred tax assets was ¥3,693 million.

Major components of deferred tax assets were ¥61,093 million of policy reserves, ¥15,918 million of reserve for price fluctuation of securities and ¥14,627 million of net defined benefit liabilities as of March 31, 2015.

Major component of deferred tax liabilities was ¥178,857 million of net unrealized gains on available for-sale securities as of March 31, 2015.

The statutory tax rate and the actual effective tax rate for the year ended March 31, 2015 were 30.8% and 26.8%, respectively. The major differences between the statutory tax rate and the actual effective tax rate was (10.8%) of reserve for dividends to the policyholders and +6.6% of the write-down of deferred tax assets at end of period.

Accompanying the promulgation of the "Act for Partial Revision to the Income Tax Act, etc" (Act No. 9, 2015), 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 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 28.9% is used. As a result of this change in statutory tax rate, deferred tax assets decreased ¥44 million, deferred tax liabilities decreased by ¥5,735 million, and deferred tax liabilities for revaluation reserve for land decreased by ¥989 million. Deferred income taxes increased by ¥6,274 million.

12. Reserve for Dividends to Policyholders

Changes in reserve for dividends to policyholders for the year ended March 31, 2015 were as follows:

| | (Millions of yen) |
|--|-------------------|
| Balance at the beginning of current fiscal year..... | ¥ 51,007 |
| Transfer from surplus in previous fiscal year..... | 31,595 |
| Dividends paid in the current fiscal year..... | (33,346) |
| Increase in interest..... | 54 |
| Balance at the end of current fiscal year..... | <u>¥ 49,311</u> |

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

Changes in reserve for dividends to policyholders for the year ended March 31, 2015 were as follows:

| | (Millions of yen) |
|---|-------------------|
| Balance at the beginning of current fiscal year..... | ¥ 735 |
| Dividends paid in the current fiscal year..... | (511) |
| Increase in interest..... | 0 |
| Provision for reserve for dividends to policyholders..... | 483 |
| Balance at the end of current fiscal year..... | <u>¥ 707</u> |

14. Stocks of Unconsolidated Subsidiaries

The amounts of stocks of unconsolidated subsidiaries the Company held as of March 31, 2015 was ¥560 million.

15. Pledged Assets and Secured Debts

Assets pledged as collateral as of March 31, 2015 were ¥33,691 million of securities and ¥1,542 million of bank deposits. Secured debts as of March 31, 2015 were ¥4,807 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 ¥50 million as of March 31, 2015.

Policy reserve for the reinsurance contracts provided in accordance with Article 71 Paragraph 1 of the Enforcement Regulation of the Insurance Business Law (hereinafter called "policy reserve for ceded reinsurance") was ¥51 million as of March 31, 2015.

17. Additional Foundation Funds

In accordance with Article 60 of the Insurance Business Law, the Company carried out financing of additional foundation funds totaling ¥10,000 million.

18. Accumulated foundation funds redeemed

Accompanying the redemption of foundation funds totaling ¥15,000 million, in accordance with Article 56 of the Insurance Business Law, the Company transferred the same amount from reserve for redemption of foundation funds to accumulated foundation funds redeemed.

19. Commitment Line

As of March 31, 2015, there were unused commitment line agreements under which the Company is the lender of ¥2,372 million.

20. Subordinated Bonds

Repayments of subordinated bonds are subordinated to other obligations.

21. 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 ¥12,395 million as of March 31, 2015. The contribution was charged as operating expenses in the year in which it was paid.

22. Matters Related to Employees' Retirement Benefits as of March 31, 2015

(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 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..... | ¥ 71,685 |
| Cumulative effects of changes in accounting policies..... | 4,763 |
| Balance at the beginning of the current fiscal year after reflecting changes in accounting..... | 76,448 |
| Service cost..... | 3,106 |
| Interest cost..... | 1,068 |
| Actuarial difference occurred during the fiscal year..... | 788 |
| Retirement benefits payments..... | (4,605) |
| Retirement benefit obligation at the end of current fiscal year..... | <u>¥ 76,806</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..... | ¥ 22,844 |
| Expected return on pension plan assets..... | 685 |
| Actuarial difference occurred during the fiscal year..... | 1,530 |
| Contributions by the employer..... | 2,339 |
| Retirement benefits payments..... | (1,285) |
| Pension plan assets at the end of current fiscal year..... | <u>¥ 26,114</u> |

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

| | (Millions of yen) |
|--|-------------------|
| a. Funded plan retirement benefit obligation..... | ¥ 32,625 |
| b. Pension plan assets..... | (26,114) |
| c. (a+b) | 6,510 |
| d. Unfunded plan retirement benefit obligation..... | 44,181 |
| e. Net amount of liabilities and assets presented on the consolidated balance sheet..... | <u>50,691</u> |
| f. Net defined benefit liabilities..... | 50,691 |
| g. Net defined benefit assets..... | — |
| h. Net amount of liabilities and assets presented on the consolidated balance sheet..... | <u>¥ 50,691</u> |

iv) Breakdown of retirement benefit gains and losses

| | (Millions of yen) |
|--|-------------------|
| Service cost..... | ¥ 3,106 |
| Interest cost..... | 1,068 |
| Expected return on pension plan assets..... | (685) |
| Amortization of actuarial differences..... | 778 |
| Amortization of prior service cost..... | (76) |
| Retirement benefit expenses related to defined benefit plan..... | <u>¥ 4,192</u> |

v) Accumulated adjustments of defined benefit plan

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

| | (Millions of yen) |
|--|-------------------|
| Amortization of actuarial differences..... | ¥1,520 |
| Amortization of prior service cost..... | (76) |
| Total..... | <u>1,444</u> |

vi) Accumulated remeasurements of defined benefit plan

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

| | (Millions of yen) |
|---|-------------------|
| Unrecognized actuarial differences..... | ¥(4,692) |
| Unrecognized prior service cost..... | 475 |
| Total..... | <u>(4,217)</u> |

vii) 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..... | 49.1% |
| Domestic stocks..... | 18.3% |
| Domestic bonds..... | 13.5% |
| Foreign stocks..... | 13.1% |
| Foreign bonds..... | 5.3% |
| Others..... | 0.6% |
| Total..... | <u>100.0%</u> |

viii) 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.

ix) Underlying actuarial assumptions

Main underlying actuarial assumptions as of March 31, 2015 were as follows:

- Discount rate..... 1.4%
- 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 ¥267million.

III. Notes to Statements of Operations

1. Transactions with Unconsolidated Subsidiaries

The total amounts of revenues and expenditures in connection with unconsolidated subsidiaries were ¥112 million and ¥2,962 million for the year ended March 31, 2015.

2. Policy Reserves for the Reinsurance Contracts

For the year ended March 31, 2015, provision for reserve for outstanding claims for ceded reinsurance considered in calculation of reversal of reserve for outstanding claims was ¥46 million, and provision for policy reserve for ceded reinsurance considered in calculation of provision for policy reserve was ¥1 million.

3. Impairment Losses of Fixed Assets

For the year ended March 31, 2015, impairment losses of fixed assets by the Company 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

| | (Millions of yen) |
|-------------------------------------|-------------------|
| Real estate for rent: | |
| Land..... | ¥ 296 |
| Buildings and others..... | 136 |
| Total real estate for rent (i)..... | <u>432</u> |
| Unused real estate: | |
| Land..... | 235 |
| Buildings and others..... | 30 |
| Total unused real estate (ii)..... | <u>266</u> |
| Total: | |
| Land..... | 531 |
| Buildings and others..... | 167 |
| Total (i) + (ii)..... | <u>¥ 698</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 reclassification adjustments and tax effect amounts related to other comprehensive income for the year ended March 31, 2015 were as follows:

| | (Millions of yen) |
|---|-------------------|
| Net unrealized gains (losses) on available-for-sale securities, net of tax | |
| Amount incurred during the fiscal year..... | ¥259,364 |
| Reclassification adjustment..... | (20,525) |
| Before tax adjustment..... | 238,838 |
| Tax effects..... | (61,530) |
| Net unrealized gains (losses) on available-for-sale securities, net of tax..... | 177,308 |
| Deferred valuation gains (losses) under hedge accounting, net of tax | |
| Amount incurred during the fiscal year..... | (0) |
| Reclassification adjustment..... | (2) |
| Before tax adjustment..... | (2) |
| Tax effects..... | 0 |
| Deferred valuation gains (losses) under hedge accounting, net of tax..... | (2) |
| Revaluation reserve for land, net of tax | |
| Amount incurred during the fiscal year..... | — |
| Reclassification adjustment | — |
| Before tax adjustment..... | — |
| Tax effects..... | 989 |
| Revaluation reserve for land, net of tax..... | 989 |
| Foreign currency translation adjustment | |
| Amount incurred during the fiscal year..... | 208 |
| Reclassification adjustment | — |
| Before tax adjustment..... | 208 |
| Tax effects..... | — |
| Foreign currency translation adjustment..... | 208 |
| Remeasurements of defined benefit plans, net of tax | |
| Amount incurred during the fiscal year..... | 741 |
| Reclassification adjustment..... | 702 |
| Before tax adjustment..... | 1,444 |
| Tax effects..... | (525) |
| Remeasurements of defined benefit plans, net of tax..... | 918 |
| Total other comprehensive income..... | ¥179,422 |

V. Notes to Statements of Cash Flows

1. Scope of Cash and Cash Equivalents

Cash and cash equivalents as of March 31, 2015 consist of "Cash," "Deposits in transfer account," "Current deposits," "Ordinary deposits," "Notice deposits," "Time deposits maturing within 3 months of the date of acquisition," "Foreign currency deposits maturing within 3 months of the date of acquisition," "Negotiable certificate of deposits maturing within 3 months of the date of acquisition," "Call loans" and "Monetary claims bought maturing within 3 months of the date of acquisition."

2. Reconciliations of Cash and Cash Equivalents

Reconciliations of cash and cash equivalents in the consolidated statements of cash flows to the consolidated balance sheet accounts as of March 31, 2015 were as follows:

| | (Millions of yen) |
|---|-------------------|
| Cash and deposits..... | ¥ 154,319 |
| Call loans..... | 186,500 |
| Monetary claims bought..... | 870 |
| Time deposits maturing over 3 months of the date of acquisition..... | (300) |
| Foreign currency deposits maturing over 3 months of the date of acquisition.... | (1,273) |
| Monetary claims bought maturing over 3 months of the date of acquisition..... | (870) |
| Cash and cash equivalents..... | <u>¥ 339,246</u> |

(7) Risk-monitored Loans

(Millions of yen)

| | As of March 31, 2014 | As of March 31, 2015 |
|--|----------------------|----------------------|
| Credits to bankrupt borrowers | 195 | 199 |
| Delinquent loans | 747 | 844 |
| Delinquent loans past three months or more | — | — |
| Restructured loans | 660 | 370 |
| Total | 1,603 | 1,414 |
| [Percentage of total loans] | [0.19%] | [0.18%] |

- 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 ¥251 million as of March 31, 2014, and ¥247 million as of March 31, 2015.
2. Credits to bankrupt borrowers represent loans which are subject to bankruptcy, corporate reorganization or rehabilitation or other similar, including but not limited to foreign, proceedings. Accruing interest of these loans is not recorded as income after determining that principal 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 the Company and Insurance Subsidiaries

(Consolidated Solvency Margin Ratio)

(Millions of yen)

| | As of March 31, 2014 | As of March 31, 2015 |
|---|-------------------------|-------------------------|
| Total solvency margin (A) | 1,143,749 | 1,441,649 |
| Foundation funds and surplus | 201,167 | 227,256 |
| Reserve for price fluctuation of securities | 50,325 | 55,177 |
| Contingency reserve | 112,094 | 144,417 |
| Catastrophe loss reserve | — | — |
| Allowance for possible loan losses | 1,594 | 1,403 |
| Net unrealized gains on available - for - sale securities x 90% | 343,140 | 558,124 |
| Net unrealized gains on real estate x 85% | 90,719 | 99,173 |
| Sum of unrecognized actuarial differences and unrecognized prior service cost | (5,661) | (4,217) |
| Excess amount of policy reserve based on full-time Zillmer method | 195,290 | 199,957 |
| Qualifying subordinated debt | 122,346 | 118,959 |
| 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 | 41,397 |
| 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 | 241,122 |
| Insurance risk R_1 | 26,983 | 26,074 |
| General insurance risk R_5 | — | — |
| Catastrophe risk R_6 | — | — |
| 3rd sector insurance risk R_8 | 9,748 | 9,689 |
| Small amount and short-term insurance risk R_9 | — | — |
| Assumed investment yield risk R_2 | 36,260 | 36,236 |
| Minimum guarantee risk R_7 | 0 | 0 |
| Investment risk R_3 | 159,903 | 196,781 |
| Business risk R_4 | 4,657 | 5,375 |
| Solvency margin ratio $\frac{(A)}{(1/2) \times (B)} \times 100$ | 1,120.0% | 1,195.7% |

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. Above figures are calculated, including the sum of unrecognized actuarial differences and unrecognized prior service cost

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, 2014 | As of March 31, 2015 |
|---|--|-------------------------|-------------------------|
| Total solvency margin | (A) | 51,146 | 58,593 |
| Common stock and others | | 34,137 | 35,223 |
| Reserve for price fluctuation of securities | | 6,309 | 8,643 |
| Contingency reserve | | 1,802 | 1,893 |
| Allowance for possible loan losses | | 0 | 0 |
| Net unrealized gains on available - for - sale securities x 90% | | 5,265 | 8,812 |
| Net unrealized gains on real estate x 85% | | — | — |
| Excess amount of policy reserve based on full-time Zillmer method | | 2,202 | 2,274 |
| 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 | | 1,429 | 1,745 |
| Total amount of risk | $\sqrt{(R_1 + R_8)^2 + (R_2 + R_3 + R_7)^2} + R_4$ (B) | 17,700 | 18,984 |
| Insurance risk | R_1 | 640 | 606 |
| 3rd sector insurance risk | R_8 | 117 | 114 |
| Assumed investment yield risk | R_2 | 375 | 384 |
| Minimum guarantee risk | R_7 | — | — |
| Investment risk | R_3 | 16,946 | 18,199 |
| Business risk | R_4 | 361 | 386 |
| Solvency margin ratio | $\frac{(A)}{(1/2) \times (B)} \times 100$ | 577.9% | 617.2% |

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.