

Financial Results for the Three Months Ended June 30, 2016

Fukoku Mutual Life Insurance Company (President: Yoshiteru Yoneyama) announces financial results for the three months ended June 30, 2016.

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1. Business Highlights

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

(i) Policies in Force

		As of March 31, 2016		As of June 30, 2016			
		Number of policies (Thousands)	Amount (100 millions of yen)	Number of policies		Amount	
				(Thousands)	Changes (%, Pre-FYE)	(100 millions of yen)	Changes (%, Pre-FYE)
	Individual insurance	3,109	234,174	3,125	100.5	233,841	99.9
	Individual annuities	715	27,833	711	99.4	27,643	99.3
	Subtotal	3,825	262,008	3,836	100.3	261,484	99.8
	Group insurance	—	169,723	—	—	171,021	100.8
	Group annuities	—	21,189	—	—	21,526	101.6

Notes:

- 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 and (c) special riders for term insurance attached to individual annuities.
- Policy amount in force for group annuities is equal to the amount of outstanding policy reserve.

(ii) New Policies

Three months ended June 30, 2015		Total		New business	Net increase by conversion
		Number of policies (Thousands)	Amount (100 millions of yen)	Amount (100 millions of yen)	Amount (100 millions of yen)
	Individual insurance	93	4,433	4,047	385
	Individual annuities	8	311	315	(4)
	Subtotal	102	4,744	4,363	381
	Group insurance	—	106	106	—
	Group annuities	—	30	30	—

Three months ended June 30, 2016		Total				New business		Net increase by conversion	
		Number of policies (Thousands)	Changes (%, YoY)	Amount (100 millions of yen)	Changes (%, YoY)	Amount		Amount	
						(100 millions of yen)	Changes (%, YoY)	(100 millions of yen)	Changes (%, YoY)
	Individual insurance	102	110.4	4,103	92.5	3,809	94.1	293	76.1
	Individual annuities	5	58.3	202	65.0	206	65.3	(4)	—
	Subtotal	108	105.9	4,305	90.7	4,015	92.0	289	76.0
	Group insurance	—	—	21	20.6	21	20.6	—	—
	Group annuities	—	—	14	47.0	14	47.0	—	—

Notes:

- Number of new policies is the sum of new business and policies after conversion.
- 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 and special riders for term insurance attached to individual annuities.
- Amount for group annuities is equal to the initial premium payment.

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

	Three months ended June 30, 2015	Three months ended June 30, 2016	
			Changes (%, YoY)
Amount of surrender and lapse (100 millions of yen)	3,446	3,245	94.2
Surrender and lapse ratio (%)	1.30	1.24	(0.06)

Notes:

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

(2) Annualized Premiums

(i) Policies in Force

(100 millions of yen except percentage)

	As of March 31, 2016	As of June 30, 2016	
			Changes (% , Pre-FYE)
Individual insurance	2,748	2,753	100.2
Individual annuities	1,322	1,321	99.9
Total	4,071	4,075	100.1
Medical coverage and living benefits	1,075	1,080	100.5

(ii) New Policies

(100 millions of yen except percentage)

	Three months ended June 30, 2015	Three months ended June 30, 2016	
			Changes (% , Pre-FYE)
Individual insurance	52	53	100.7
Individual annuities	10	6	59.6
Total	63	59	93.6
Medical coverage and living benefits	18	20	113.8

Notes:

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

(3) Selected Items of Statements of Operations

(100 millions of yen except percentage)

	Three months ended June 30, 2015	Three Months ended June 30, 2016	
			Changes (% , Pre-FYE)
Premium and other income	1,731	1,980	114.4
Investment income	604	564	93.4
Claims and other payments	2,071	1,458	70.4
Investment expenses	133	339	253.9
Ordinary profits	361	160	44.4

(4) Total Assets

(100 millions of yen except percentage)

	As of March 31, 2016		As of June 30, 2016	
				Changes (% , Pre-FYE)
Total assets		64,898	64,495	99.4

2. Investment Results of General Account Assets

(1) Asset Composition

(Millions of yen)

	As of March 31, 2016		As of June 30, 2016	
	Amount	Percentage	Amount	Percentage
Cash, deposits, call loans	312,405	4.9	423,131	6.6
Monetary claims bought	813	0.0	799	0.0
Money held in trust	87,793	1.4	28,848	0.5
Securities	5,017,719	78.3	4,923,325	77.2
Domestic bonds	2,659,186	41.5	2,652,312	41.6
Domestic stocks	570,386	8.9	530,034	8.3
Foreign securities	1,700,012	26.5	1,637,026	25.7
Foreign bonds	1,505,637	23.5	1,448,447	22.7
Foreign stocks and other securities	194,374	3.0	188,578	3.0
Other securities	88,134	1.4	103,952	1.6
Loans	693,680	10.8	663,966	10.4
Policy loans	61,437	1.0	60,797	1.0
Ordinary loans	632,242	9.9	603,169	9.5
Real estate	212,879	3.3	213,399	3.3
Others	87,309	1.4	127,935	2.0
Allowance for possible loan losses	(1,850)	(0.0)	(1,780)	(0.0)
Total	6,410,750	100.0	6,379,624	100.0
Foreign currency denominated assets	1,875,134	29.2	1,785,014	28.0

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

(Millions of yen)

	As of March 31, 2016					As of June 30, 2016				
	Book value	Fair value	Gains/losses			Book value	Fair value	Gains/losses		
			Gains	Losses				Gains	Losses	
Held-to-maturity debt securities	768,786	936,313	167,526	167,526	—	765,364	956,162	190,797	190,797	—
Domestic bonds	740,989	906,313	165,323	165,323	—	739,875	928,418	188,543	188,543	—
Foreign bonds	27,797	30,000	2,202	2,202	—	25,489	27,743	2,254	2,254	—
Monetary claims bought	—	—	—	—	—	—	—	—	—	—
Negotiable certificate of deposits	—	—	—	—	—	—	—	—	—	—
Others	—	—	—	—	—	—	—	—	—	—
Policy-reserve-matching bonds	1,074,535	1,280,612	206,077	206,077	—	1,054,541	1,306,362	251,821	251,821	—
Domestic bonds	1,044,436	1,250,268	205,832	205,832	—	1,024,441	1,276,056	251,614	251,614	—
Foreign bonds	30,098	30,343	244	244	—	30,099	30,306	206	206	—
Investments in subsidiaries and affiliates	1,433	1,140	(293)	1	294	1,557	1,118	(439)	—	439
Available-for-sale securities	2,419,858	2,889,888	470,029	487,293	17,263	2,448,478	2,845,320	396,842	439,975	43,133
Domestic bonds	735,758	822,513	86,754	87,055	300	744,066	841,465	97,398	98,215	817
Domestic stocks	291,475	528,697	237,221	244,234	7,012	298,417	488,410	189,993	205,749	15,756
Foreign securities	1,326,814	1,458,914	132,099	139,958	7,858	1,319,800	1,419,716	99,916	121,429	21,513
Foreign bonds	1,157,841	1,265,973	108,131	111,881	3,750	1,143,378	1,232,695	89,316	102,183	12,866
Foreign stocks and other securities	168,972	192,941	23,968	28,077	4,108	176,421	187,021	10,600	19,246	8,646
Other securities	65,809	79,763	13,953	16,044	2,091	86,193	95,727	9,533	14,580	5,046
Money held in trust	—	—	—	—	—	—	—	—	—	—
Monetary claims bought	—	—	—	—	—	—	—	—	—	—
Negotiable certificate of deposits	—	—	—	—	—	—	—	—	—	—
Others	—	—	—	—	—	—	—	—	—	—
Total	4,264,614	5,107,954	843,340	860,898	17,558	4,269,941	5,108,963	839,021	882,594	43,572
Domestic bonds	2,521,184	2,979,095	457,910	458,211	300	2,508,384	3,045,939	537,555	538,373	817
Domestic stocks	291,475	528,697	237,221	244,234	7,012	298,417	488,410	189,993	205,749	15,756
Foreign securities	1,386,144	1,520,398	134,254	142,407	8,153	1,376,946	1,478,884	101,938	123,891	21,952
Foreign bonds	1,215,738	1,326,317	110,578	114,328	3,750	1,198,967	1,290,745	91,777	104,644	12,866
Foreign stocks and other securities	170,406	194,081	23,675	28,078	4,403	177,978	188,139	10,160	19,246	9,085
Other securities	65,809	79,763	13,953	16,044	2,091	86,193	95,727	9,533	14,580	5,046
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, 2016	As of June 30, 2016
Held-to-maturity debt securities	—	—
Unlisted foreign bonds	—	—
Others	—	—
Policy-reserve-matching bonds	—	—
Investments in subsidiaries and affiliates	35,560	35,495
Available-for-sale securities	14,499	14,352
Unlisted domestic stocks (except over-the-counter stocks)	6,127	6,127
Unlisted foreign stocks (except over-the-counter stocks)	—	—
Unlisted foreign bonds	—	—
Others	8,371	8,224
Total	50,060	49,848

(3) Fair Value Information on Money Held in Trust

(Millions of yen)

	As of March 31, 2016					As of June 30, 2016				
	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	87,793	87,793	—	—	—	28,848	28,848	—	—	—

* Money held in trust for trading purpose

(Millions of yen)

	As of March 31, 2016		As of June 30, 2016	
	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	86,793	(0)	27,848	(134)

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

(Millions of yen)

	As of March 31, 2016					As of June 30, 2016				
	Book value	Fair value	Gains/losses			Book value	Fair value	Gains/losses		
				Gains	Losses				Gains	Losses
Money held in trust for held-to-maturity	—	—	—	—	—	—	—	—	—	—
Money held in trust for policy-reserve-matching	—	—	—	—	—	—	—	—	—	—
Money held in trust for available-for-sale	—	—	—	—	—	—	—	—	—	—

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

(Millions of yen)

As of March 31, 2016			As of June 30, 2016		
Carrying value on the balance sheets	Fair value	Gains / losses	Carrying value on the balance sheets	Fair value	Gains/ losses
125,312	233,848	108,535	125,294	233,774	108,479

Notes:

1. As of June 30, 2016, fair value is based on the appraisal value by the real-estate appraiser, the appraisal value for property tax as of January 1, 2016 and the road rate as of January 1, 2015.
2. As of March 31, 2016, fair value is based on the appraisal value by the real-estate appraiser, the appraisal value for property tax as of January 1, 2016 and the road rate as of January 1, 2015.

3. Non-consolidated Balance Sheets

(Millions of yen)

	As of March 31, 2016	As of June 30, 2016
Assets:		
Cash and deposits	114,182	224,769
Call loans	200,000	200,000
Monetary claims bought	813	799
Money held in trust	87,793	28,848
Securities	5,091,762	4,990,568
[Government bonds]	[1,881,618]	[1,874,752]
[Local government bonds]	[142,336]	[148,937]
[Corporate bonds]	[663,209]	[657,802]
[Stocks]	[594,312]	[549,483]
[Foreign securities]	[1,722,110]	[1,655,612]
Loans	693,680	663,966
Policy loans	61,437	60,797
Ordinary loans	632,242	603,169
Tangible fixed assets	218,565	218,943
Intangible fixed assets	16,093	17,217
Reinsurance receivables	144	38
Other assets	68,631	106,204
Allowance for possible loan losses	(1,850)	(1,780)
Total assets	6,489,815	6,449,573
	As of March 31, 2016	As of June 30, 2016
Liabilities:		
Policy reserves	5,555,450	5,612,569
Reserve for outstanding claims	20,719	17,735
Policy reserve	5,484,362	5,521,651
Reserve for dividends to policyholders	50,368	73,181
Reinsurance payables	133	127
Subordinated bonds	141,935	141,935
Other liabilities	43,653	44,795
Corporate income tax payable	891	4,775
Asset retirement obligations	3,351	3,367
Rest of other liabilities	39,410	36,652
Reserve for employees' retirement benefits	26,083	25,871
Reserve for price fluctuation of securities	68,288	69,041
Deferred tax liabilities	33,050	8,824
Deferred tax liabilities for revaluation reserve for land	14,274	14,269
Total liabilities	5,882,868	5,917,433
Net assets:		
Foundation funds	30,000	30,000
Accumulated foundation funds redeemed	86,000	86,000
Reserve for revaluation	112	112
Surplus	148,284	126,185
Legal reserve for future losses	2,742	2,849
Other surplus	145,542	123,336
Reserve for redemption of foundation funds	18,000	24,000
Reserve for dividend allowances	20,000	20,000
Accumulated fund for price fluctuation	41,000	41,000
Reserve for advanced depreciation of real estate for tax purpose	266	257
Reserve for special account for advanced depreciation of real estate	—	100
Other reserves	767	767
Unappropriated surplus	65,509	37,211
Total foundation funds, surplus and others	264,397	242,298
Net unrealized gains (losses) on available-for-sale securities, net of tax	338,421	285,726
Revaluation reserve for land, net of tax	4,128	4,115
Total valuation and translation adjustments	342,549	289,842
Total net assets	606,947	532,140
Total liabilities and net assets	6,489,815	6,449,573

4. Non-consolidated Statements of Operations

(Millions of yen)

	Three months ended June 30, 2015	Three months ended June 30, 2016
Ordinary revenues:		
Premium and other income	173,104	198,010
[Premium income]	[173,024]	[197,971]
Investment income	60,476	56,497
[Interest, dividends and other income]	[32,050]	[28,792]
[Gains from money held in trust, net]	[242]	[—]
[Gains from trading securities, net]	[8,161]	[—]
[Gains on sales of securities]	[18,067]	[201]
[Gains from derivative instruments, net]	[—]	[27,422]
[Gains from separate accounts, net]	[1,914]	[—]
Other ordinary revenues	49,221	4,869
[Reversal of reserve for outstanding claims]	[2,415]	[2,983]
[Reversal of policy reserve]	[44,708]	[—]
Total ordinary revenues	282,801	259,376
Ordinary expenses:		
Claims and other payments	207,143	145,827
[Claims]	[63,490]	[44,134]
[Annuities]	[48,433]	[44,642]
[Benefits]	[30,632]	[27,775]
[Surrenders]	[52,505]	[19,163]
[Other payments]	[11,977]	[9,999]
Provision for policy reserve and others	12	37,300
Provision for policy reserve	—	37,288
Provision for interest on reserve for dividends to policyholders	12	11
Investment expenses	13,367	33,944
[Interest expenses]	[1,118]	[955]
[Losses on money held in trust, net]	[—]	[2,178]
[Losses from trading securities, net]	[—]	[20,545]
[Losses on sales of securities]	[842]	[—]
[Losses on valuation of securities]	[—]	[138]
[Losses from derivative instruments, net]	[8,501]	[—]
[Losses on separate accounts, net]	[—]	[2,182]
Operating expenses	20,954	21,281
Other ordinary expenses	5,196	4,979
Total ordinary expenses	246,673	243,333
Ordinary profits	36,127	16,043
Extraordinary gains:		
Gains on disposal of fixed assets	1,356	0
Other extraordinary gains	—	42
Total extraordinary gains	1,356	43
Extraordinary losses:		
Losses on disposal of fixed assets	114	8
Impairment losses	128	18
Provision for reserve for price fluctuation of securities	699	753
Total extraordinary losses	941	779
Surplus before income taxes	36,542	15,306
Income taxes:		
Current	8,339	5,603
Deferred	(418)	(3,738)
Total income taxes	7,920	1,865
Net surplus for the period	28,622	13,440

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 rounded down. As a result, total in yen shown herein do not necessarily agree with the sum of the individual amounts.

II. Notes to Balance Sheets

1. Accounting Change and Corrections of Past Errors

In line with a revision to the Corporation Tax Act, the Company adopted the “Practical Solution on a Change in Depreciation Method Due to Tax Reform 2016” (PITF No. 32, June 17, 2016) from the first quarter under review. Accordingly, the method of depreciation was changed from the declining-balance method to the straight-line method for facilities attached to buildings and structures acquired on or after April 1, 2016.

As a result, both ordinary profits and the surplus before income taxes increased by ¥2 million.

2. Accounting Procedures Specific to Quarterly Financial Statements

As the proposal for appropriation of unappropriated surplus for the fiscal year ended March 31, 2016 was approved by the Board of Representative Member of Policyholders on July 5, 2016, it is included in the non-consolidated balance sheet as of June 30, 2016.

3. Securities Lent under Lending Agreements

The amount of securities lent under lending agreements was ¥13,056 million as of June 30, 2016.

4. Reserve for Dividends to Policyholders

Changes in reserve for dividends to policyholders for the three months ended June 30, 2016 were as follows:

	(Millions of yen)
Balance at the beginning of the current period.....	¥ 50,368
Transfer from surplus in the previous period.....	35,236
Dividends paid in the current period.....	(12,435)
Increase in interest.....	11
Balance at the end of the current period.....	<u>¥ 73,181</u>

5. Issue of Subordinated Bonds

At a Board of Directors meeting on July 27, 2016, a resolution was passed to issue subordinated bonds of up to ¥50,000 million during the fiscal year ending March 31, 2017.

6. Deferred Tax Assets

The “Implementation Guidance on Recoverability of Deferred Tax Assets” (ASBJ Guidance No. 26, March 28, 2016) has been applied from the three months under review.

5. Breakdown of Ordinary Profits (Fundamental Profit)

(Millions of yen)

		Three months ended June 30, 2015	Three months ended June 30, 2016
Fundamental profit	A	21,697	18,429
Capital gains		23,911	27,623
Gains from money held in trust, net		223	—
Gains from trading securities, net		5,620	—
Gains on sales of securities		18,067	201
Gains from derivative instruments, net		—	27,422
Foreign exchange gains, net		—	—
Other capital gains		—	—
Capital losses		9,655	30,016
Losses from money held in trust, net		—	2,192
Losses from trading securities, net		—	22,078
Losses on sales of securities		842	—
Losses on valuation of securities		—	138
Losses from derivative instruments, net		8,501	—
Foreign exchange losses, net		311	5,606
Other capital losses		—	—
Net capital gains (losses)	B	14,256	(2,392)
Fundamental profit plus net capital gains (losses)	A+B	35,953	16,037
Non-recurring gains		176	6
Reinsurance income		—	—
Reversal of contingency reserve		176	2
Reversal for specific allowance for possible loan losses		—	4
Others		—	—
Non-recurring losses		1	—
Reinsurance premiums		—	—
Provision for contingency reserve		—	—
Provision for specific allowance for possible loan losses		1	—
Allowance for specified overseas loans		—	—
Write-off of loans		—	—
Others		—	—
Non-recurring gains (losses)	C	174	6
Ordinary profits	A+B+C	36,127	16,043

Notes:

- 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):
¥18 million in respect of the three months ended June 30, 2015 and ¥13 million in respect of the three months ended June 30, 2016.
- The following amounts in respect of gains / losses from trading securities have been excluded from gains / losses and included in fundamental profit due to their income nature (being interest and dividend income):
¥2,541 million in respect of the three months ended June 30, 2015 and ¥1,533 million in respect of the three months ended June 30, 2016.

6. Solvency Margin Ratio

(Millions of yen)

	As of March 31, 2016	As of June 30, 2016
Total solvency margin (A)	1,374,588	1,318,130
Foundation funds and surplus	226,683	231,333
Reserve for price fluctuation of securities	68,288	69,041
Contingency reserve	150,573	150,571
Allowance for possible loan losses	1,251	1,185
(Net unrealized gains (losses) on securities (before tax) and deferred hedge gains (losses) (before tax)) × 90%	423,026	357,157
Net unrealized gains on real estate × 85%	105,577	106,057
Excess amount of policy reserve based on full-time Zillmer method	236,087	237,751
Qualifying subordinated debt	141,935	141,935
The amount of "excess amount of policy reserve based on full-time Zillmer method" and "qualifying subordinated debt" excluded from the calculation of solvency margin	—	—
Deductible items	(19,000)	(19,000)
Others	40,165	42,097
Total amount of risk $\sqrt{(R_1 + R_2)^2 + (R_2 + R_3 + R_4)^2} + R_4$ (B)	207,983	205,287
Insurance risk R_1	24,616	24,453
3rd sector insurance risk R_2	9,577	9,620
Assumed investment yield risk R_3	33,481	33,349
Minimum guarantee risk R_4	0	0
Investment risk R_5	166,913	164,387
Business risk R_6	4,691	4,636
Solvency margin ratio $\frac{(A)}{(1/2) \times (B)} \times 100$	1,321.8%	1,284.1%

Notes:

1. The figures above are calculated based on Articles 86 and 87 of the Enforcement Regulation of the Insurance Business Law and Ministry of Finance No. 50, 1996.
2. "Deductible items" represent the capital increase to the subsidiary, Fukokushinrai Life Insurance Co., Ltd.
3. "Minimum guarantee risk" is calculated by standard method.

7. Status of Separate Account

(1) Separate Account Assets by Products

(Millions of yen)

	As of March 31, 2016	As of June 30, 2016
	Amount	Amount
Individual variable insurance	—	—
Individual variable annuities	67	48
Group annuities	78,997	69,901
Total	79,065	69,949

(2) Policies in Force

(i) Individual Variable Insurance

The Company has not sold the individual variable insurance.

(ii) Individual Variable Annuities

(Millions of yen except number of policies)

	As of March 31, 2016		As of June 30, 2016	
	Number of policies	Amount	Number of policies	Amount
Individual variable annuities	23	64	19	44
Total	23	64	19	44

8. Status of the Company, Subsidiaries and Affiliates

(1) Selected Financial Data

(100 millions of yen)

	Three months ended June 30, 2015	Three months ended June 30, 2016
Ordinary revenues	3,001	3,131
Ordinary profits	367	173
Net surplus attributable to the parent company	287	139
Comprehensive income	279	(356)

(100 millions of yen)

	As of March 31, 2016	As of June 30, 2016
Total assets	83,306	83,331
Solvency margin ratio	1,341.5%	1,305.7%

(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, 2016	As of June 30, 2016
Assets:		
Cash and deposits	172,049	308,450
Call loans	200,000	200,000
Monetary claims bought	813	799
Money held in trust	87,793	28,848
Securities	6,859,234	6,774,865
Loans	697,056	667,296
Tangible fixed assets	218,974	219,356
Intangible fixed assets	20,941	21,928
Agency receivables	2	2
Reinsurance receivables	144	53
Other assets	75,308	113,220
Deferred tax assets	137	124
Allowance for possible loan losses	(1,851)	(1,781)
Total assets	8,330,606	8,333,163
	As of March 31, 2016	As of June 30, 2016
Liabilities:		
Policy reserves	7,361,627	7,455,098
Reserve for outstanding claims	23,003	20,220
Policy reserve	7,287,604	7,361,224
Reserve for dividends to policyholders	50,368	73,181
Reserve for dividends to policyholders (subsidiary)	650	471
Agency payables	480	259
Reinsurance payables	146	136
Subordinated bonds	141,935	141,935
Other liabilities	45,940	49,515
Net defined benefit liabilities	40,649	39,843
Reserve for price fluctuation of securities	77,289	78,132
Deferred tax liabilities	30,837	7,847
Deferred tax liabilities for revaluation reserve for land	14,274	14,269
Total liabilities	7,713,180	7,787,036
Net assets:		
Foundation funds	30,000	30,000
Accumulated foundation funds redeemed	86,000	86,000
Reserve for revaluation	112	112
Consolidated surplus	151,251	129,710
Total foundation funds, surplus and others	267,363	245,822
Net unrealized gains (losses) on available-for-sale securities, net of tax	349,884	299,559
Revaluation reserve for land, net of tax	4,128	4,115
Foreign currency translation adjustments	(115)	(312)
Accumulated remeasurements of defined benefit plans	(10,414)	(10,013)
Total accumulated other comprehensive income	343,482	293,350
Non-controlling interests	6,578	6,954
Total net assets	617,425	546,127
Total liabilities and net assets	8,330,606	8,333,163

(4) Consolidated Statements of Operations and Comprehensive Income

[Consolidated Statements of Operations]

(Millions of yen)

	Three months ended June 30, 2015	Three months ended June 30, 2016
Ordinary revenues:		
Premium and other income	218,228	245,223
Investment income	66,253	62,985
[Interest, dividends and other income]	[37,805]	[34,609]
[Gains from money held in trust, net]	[242]	[—]
[Gains from trading securities, net]	[8,161]	[—]
[Gains on sales of securities]	[18,092]	[874]
[Gains from derivative instruments, net]	[—]	[27,422]
[Gains from separate accounts, net]	[1,914]	[—]
Other ordinary revenues	15,694	4,926
[Reversal of reserve for outstanding claims]	[1,981]	[2,783]
[Reversal of policy reserve]	[11,401]	[—]
Total ordinary revenues	300,176	313,135
Ordinary expenses:		
Claims and other payments	220,708	158,802
[Claims]	[64,524]	[45,200]
[Annuities]	[48,667]	[44,920]
[Benefits]	[32,921]	[30,710]
[Surrenders]	[62,468]	[27,774]
[Other payments]	[11,993]	[10,054]
Provision for policy reserve and others	12	73,631
Provision for policy reserve	—	73,619
Provision for interest on reserve for dividends to policyholders	12	11
Provision for interest on reserve for dividends to policyholders (subsidiary)	0	0
Investment expenses	13,053	33,651
[Interest expenses]	[1,121]	[957]
[Losses on money held in trust, net]	[—]	[2,178]
[Losses from trading securities, net]	[—]	[20,545]
[Losses on sales of securities]	[842]	[—]
[Losses on valuation of securities]	[—]	[138]
[Losses from derivative instruments, net]	[8,501]	[—]
[Losses on separate accounts, net]	[—]	[2,182]
Operating expenses	23,805	24,042
Other ordinary expenses	5,857	5,629
Total ordinary expenses	263,436	295,757
Ordinary profits	36,739	17,378
Extraordinary gains:		
Gains on disposal of fixed assets	1,356	0
Other extraordinary gains	—	42
Total extraordinary gains	1,356	43
Extraordinary losses:		
Losses on disposal of fixed assets	114	9
Impairment losses	128	18
Provision for reserve for price fluctuation of securities	784	843
Total extraordinary losses	1,026	871
Provision for reserve for dividends to policyholders (subsidiary)	120	109
Surplus before income taxes	36,948	16,441
Income taxes:		
Current	8,510	6,008
Deferred	(371)	(3,695)
Total income taxes	8,139	2,312
Net surplus	28,809	14,128
Net surplus attributable to non-controlling interests	55	130
Net surplus attributable to the parent company	28,754	13,998

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

[Consolidated Statement of Comprehensive Income]

(Millions of yen)

	Three months ended June 30, 2015	Three months ended June 30, 2016
Net surplus	28,809	14,128
Other comprehensive income	(887)	(49,788)
Net unrealized gains (losses) on available-for-sale securities, net of tax	(966)	(49,993)
Deferred valuation gains (losses) under hedge accounting, net of tax	(0)	—
Foreign currency translation adjustments	(71)	(196)
Remeasurements of defined benefit plan, net of tax	150	401
Comprehensive income	27,921	(35,659)
Comprehensive income attributable to the parent company	27,936	(36,121)
Comprehensive income attributable to non-controlling interests	(14)	461

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 rounded down. As a result, total in yen shown herein do not necessarily agree with the sum of the individual amounts.

II. Notes to Balance Sheets

1. Accounting Change and Corrections of Past Errors

In line with a revision to the Corporation Tax Act, the Company adopted the “Practical Solution on a Change in Depreciation Method Due to Tax Reform 2016” (PITF No. 32, June 17, 2016) from the first quarter under review. Accordingly, the method of depreciation was changed from the declining-balance method to the straight-line method for facilities attached to buildings and structures acquired on or after April 1, 2016.

As a result, both ordinary profits and the surplus before income taxes increased by ¥2 million.

2. Accounting Procedures Specific to Quarterly Financial Statements

As the proposal for appropriation of unappropriated surplus for the fiscal year ended March 31, 2016 was approved by the Board of Representative Member of Policyholders on July 5, 2016, it is included in the consolidated balance sheet as of June 30, 2016.

3. Securities Lent under Lending Agreements

The amount of securities lent under lending agreements was ¥13,056 million as of June 30, 2016.

4. Reserve for Dividends to Policyholders

Changes in reserve for dividends to policyholders for the three months ended June 30, 2016 were as follows:

	(Millions of yen)
Balance at the beginning of the current period.....	¥ 50,368
Transfer from surplus in the previous period.....	35,236
Dividends paid in the current period.....	(12,435)
Increase in interest.....	11
Balance at the end of the current period.....	<u>¥ 73,181</u>

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

Changes in reserve for dividends to policyholders for the three months ended June 30, 2016 were as follows:

	(Millions of yen)
Balance at the beginning of the current period.....	¥ 650
Dividends paid in the current period.....	(288)
Increase in interest.....	0
Provision for reserve for dividends to policyholders.....	109
Balance at the end of the current period.....	<u>¥ 471</u>

6. Issue of Subordinated Bonds

At a Board of Directors meeting on July 27, 2016, a resolution was passed to issue subordinated bonds of up to ¥50,000 million during the fiscal year ending March 31, 2017.

7. Deferred Tax Assets

The “Implementation Guidance on Recoverability of Deferred Tax Assets” (ASBJ Guidance No. 26, March 28, 2016) has been applied from the three months under review.

III. Notes to Statements of Operations

1. Depreciation and Amortization of Goodwill

For the three months ended June 30, 2016, the total amount of depreciation and depreciation of real estate for rent and other assets was ¥2,923 million and the amount of amortization of goodwill was ¥190 million.

(5) Status of Insurance Claims Paying Ability of the Company and Insurance Subsidiaries

(Millions of yen)

	As of March 31, 2016	As of June 30, 2016
Total solvency margin (A)	1,417,685	1,366,409
Foundation funds and surplus	234,905	240,669
Reserve for price fluctuation of securities	77,289	78,132
Contingency reserve	152,554	152,586
Catastrophe loss reserve	—	—
Allowance for possible loan losses	1,251	1,185
(Net unrealized gains (losses) on securities (before tax) and deferred hedge gains (losses) (before tax)) × 90%	437,678	374,759
Net unrealized gains on real estate × 85%	105,577	106,057
Sum of unrecognized actuarial differences and unrecognized prior service cost	(14,465)	(13,907)
Excess amount of policy reserve based on full-time Zillmer method	238,473	240,173
Qualifying subordinated debt	141,935	141,935
The amount of "excess amount of policy reserve based on full-time Zillmer method" and "qualifying subordinated debt" excluded from the calculation of solvency margin	—	—
Deductible items	—	—
Others	42,485	44,815
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)	211,354	209,287
Insurance risk R_1	25,164	25,005
General insurance risk R_5	—	—
Catastrophe risk R_6	—	—
3rd sector insurance risk R_8	9,690	9,731
Small amount and short-term insurance risk R_9	—	—
Assumed investment yield risk R_2	33,872	33,743
Minimum guarantee risk R_7	0	0
Investment risk R_3	169,750	167,846
Business risk R_4	4,769	4,726
Solvency margin ratio $\frac{(A)}{(1/2) \times (B)} \times 100$	1,341.5%	1,305.7%

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