



YEAR ENDED MARCH 31, 2016

ANNUAL REPORT 2016

HelloKitty

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APPROVAL No.G572345

FUKOKU MUTUAL LIFE INSURANCE COMPANY

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Financial Highlights (Non-consolidated)

	2015	2016	2016
As of March 31,	Millions of yen		Millions of U.S. dollars
Life insurance in force	¥43,234,459	¥43,173,141	\$383,556
Total assets	6,611,952	6,489,815	57,656
Securities	5,240,955	5,091,762	45,235
Loans	763,900	693,680	6,162
Tangible fixed assets	227,591	218,565	1,941
Total liabilities	5,914,159	5,882,868	52,264
Policy reserves	5,545,647	5,555,450	49,355
Subordinated bonds	118,959	141,935	1,260
Total net assets	697,792	606,947	5,392
For the years ended March 31,			
Total ordinary revenues	867,736	814,323	7,234
Premium and other income	643,119	618,073	5,491
Investment income	213,754	186,642	1,658
Total ordinary expenditures	770,858	753,979	6,698
Net surplus for the year	69,043	41,551	369
Solvency margin ratio (%)	1,169.3	1,321.8	—
Employees	12,677	12,720	—

Notes 1. U.S. dollar amounts are converted from yen, for convenience only, at the rate of U.S.\$1=¥112.56, the rate of exchange on March 31, 2016.

2. Yen and U.S. dollar amounts are rounded down to the nearest million yen or million dollars.

Message from the President

The recent Kumamoto earthquakes caused major damage, centered on Kumamoto Prefecture. My heart goes out to the many people who were affected by this disaster, and I pray for the early recovery and reconstruction of the region.

In fiscal 2015, ended March 31, 2016, the Japanese economy essentially remained at a standstill. Financial and capital markets were in a state of considerable uncertainty, marked by the growing deceleration in the Chinese economy from mid-August, as well as a sense of uncertainty surrounding falling crude oil prices and the outlook for the U.S. economy. Furthermore, the Bank of Japan announced the introduction of a policy of negative interest rates. From that point, the future grew increasingly opaque, partly due to the downward pressure on domestic interest rates.

Operating in this difficult environment, in fiscal 2015 the Company recorded the third consecutive annual increase in new policies since its merger with Fukokushinrai Life Insurance Co., Ltd. In addition, investment income, the pillars of which are interest and dividends, increased, leading to the highest level of fundamental profit following the record set in fiscal 2014. Furthermore, our consolidated solvency margin ratio—an indicator of soundness—increased 145.8 percentage points from March 31, 2015, to 1,341.5% as of March 31, 2016. This rise stemmed from the accumulation of internal reserves and the issuance of U.S. dollar-denominated bonds with a perpetual subordination rider.

Fukoku Mutual Life Insurance works to ensure that its management and employees maintain a “Customer-Centric” approach in all aspects of its business and operations. This approach embodies our philosophy of “employees providing service in a manner that treats customers as the employees themselves would like to be treated.” Further, in accordance with our basic policy for human resources development we are working to train and develop personnel able to put the “Customer-Centric” approach into practice.

Meanwhile, fiscal 2016 marks the start of a medium-term management plan based on the vision of a “company that earns top scores among customers for its thoroughgoing differentiation.” All executives and employees are pulling together in line with this plan, which makes “increasing customer satisfaction” its topmost priority.

In insurance sales, our channel strategy comprises the twin pillars of face-to-face sales through customer advisors at Fukoku Mutual Life Insurance and over-the-counter sales through financial institutions by subsidiary Fukokushinrai Life Insurance. Based on these channels, we are committed to providing products that meet customer needs and enhancing our after-sales service.

In insurance products, in April 2015 we launched sales of a new “lifestyle disability rider” for our mainstay product “Mirai no Tobira,” as well as “Mirai Plus,” an individual annuity. In April 2016, we also commenced sales of “Iryo Daijin Premium Eight.” In addition to providing policyholders with protection for eight major lifestyle diseases with an limitless number of days of payment for hospitalization, this new style of healthcare insurance product offers additional factors that result in benefit payments, such as convalescence after discharge from hospital for treatment for lifestyle diseases, as well as childbirth. We will continue working to satisfy customers by



Yoshiteru Yoneyama

President

developing distinctive products.

In the area of asset management, to ensure the safety and liquidity of assets entrusted to us by our customers, we maintain our focus on domestic bonds, loans and other yen-interest-generating assets. To enhance profitability, we make diversified investments in such assets as foreign securities, stocks and real estate, within the scope of acceptable risk. In addition, we are working to increase the sophistication of our asset investment, given the ongoing low-interest-rate environment precipitated by the introduction of a negative interest rate policy.

To maintain financial soundness regardless of the operating environment, we believe we need to increase our equity further. In addition to internal reserves, which are the source of ordinary revenues, our basic policy for strengthening equity is to engage in external financing, including the subscription of foundation funds and the issuance of subordinated debt. We will continue taking steps to further bolster our equity and provide peace of mind for our customers.

As a life insurer, we must maintain the trust of policyholders in our ability to pay insurance benefits without fail, regardless of circumstances. These goals require us to ensure a stable earnings base and establish a robust financial platform. We believe that to achieve these aims, the form of a mutual company that is not dependent on interested parties other than policyholders is appropriate. In addition, as a mutual company we consider it our responsibility to engage proactively in efforts to return dividends to policyholders.

We look forward to your continued support and cooperation.

A handwritten signature in black ink that reads "Yoshiteru Yoneyama". The signature is fluid and cursive, written in a professional style.

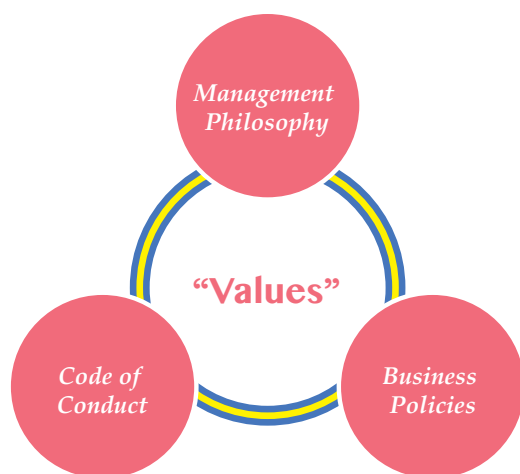
Yoshiteru Yoneyama

President

Values

Our “Customer-Centric” Values

Possessing “Customer-Centric” values means creating and providing unique services that provide true peace of mind to customers based on the assumption that all employees treat customers as they themselves would like to be treated.



Tomofumi Akiyama
Chairman of the Board

Yoshiteru Yoneyama
President

Management Philosophy

Fukoku Life will continue adhering to its original management philosophy of protecting the interests of policyholders and contributing to society. In addition, we will provide a workplace that enables personal fulfillment so that all executives and employees find their work rewarding.

To protect the interests of our policyholders

To contribute to society

Personal fulfillment

Code of Conduct

A “Customer-Centric” code of conduct to be reflected in the attitudes of all executives and employees as they carry out their daily business.

To us, “Customer-Centric” values means:

- ❖ Valuing teamwork
- ❖ Deserving the trust of each and every customer
- ❖ Being enthusiastic and proud of our work
- ❖ Possessing common sense
- ❖ Continuing to highlight the importance of life insurance
- ❖ Overcoming any kind of difficulty
- ❖ Aiming to create a friendly work environment

Business Policies

1. Foster personnel with “Customer-Centric” values

With the aim of providing customers with peace of mind, foster confident and proud employees who have the ability to adopt the customer's perspective.

2. Reinforce sales representatives structure

With the aim of providing meticulous services to customers, reinforce the structure under which sales personnel conduct face-to-face sales.

3. Net increase in the number of policyholders

With the aim of earning the trust of more and more customers, strengthen insurance product design, provision, and follow-up services to meet customer needs.

4. Enhance business efficiency

With the aim of achieving stable growth, improve the efficiency of the Company's wide range of business activities.

Overview

Individual Insurance and Annuities

Based on our “Customer-Centric” approach, we endeavor to earn the satisfaction of customers by providing insurance products that meet customer needs, and by offering comprehensive follow-up services. We believe that such an approach will translate into a net increase in the number of policyholders.

We particularly focused on the sale of products in such areas as nursing care insurance and medical insurance, for which there is a significant level of customer need. We also launched a major product in April 2013, called “Mirai no Tobira,” which greatly enhances the flexibility of insurance planning. Through this product, we are now able to offer insurance cover planning that meets customer needs even more closely than was possible to date.

Following the 2013 launch of “Mirai no Tobira,” a comprehensive insurance plan with available riders that greatly enhances flexibility in insurance planning, we have augmented our lineup of available riders that enhance and expand its coverage flexibility. In 2014, we added the “income protection rider <decreasing type>” and in 2015, the “lifestyle disability rider” that protects against the risk of physical disability with easy-to-understand standards based on the public system of identification booklets for people with disabilities.

In individual annuities, we launched “Mirai Plus” in April 2015. With an enhanced savings function, this product is designed to respond to a more diverse range of asset-building needs.

More recently, in April 2016 we commenced sales of “Iryo Daijin Premium Eight.” In addition to providing policyholders with protection for eight major lifestyle diseases with a limitless number of days of payment for hospitalization, this new style of healthcare insurance product offers additional factors that result in benefit payments, such as convalescence after discharge from hospital for treatment for lifestyle diseases, as well as childbirth.



Sales Channels

Fukoku Life’s products are sold through two major channels: its own sales representatives —called Customer Advisors— and the branches of financial institutions. Our nationwide sales network consists of 62 branches and around 9,828 Customer Advisors promoting insurance and annuities to individuals and companies. We have strengthened our system of face-to-face sales through Customer Advisors in an effort to provide satisfaction when taking out a policy by designing and offering insurance that fits with a customer’s needs, and to ensure that customers continue to hold the policy with peace of mind by expanding our follow-up services. In alliance with Fukokushinrai Life Insurance Co., Ltd., a subsidiary, we sell our products through shinkin banks with close ties to local communities.

Fukokushinrai Life Insurance provide ongoing support for the insurance sales activities of their partner financial institutions.

We are also developing other sales channels for such products as educational insurance and individual annuities through insurance shops and websites operated by insurance agencies.

Group Insurance

In the area of group insurance, we provide consulting services related to our corporate clients’ benefit programs. In the year under review, we provided program and product proposals that responded to a diverse range of customer needs.

Further, in terms of special accounts for corporate insurance products after retirement, and investment trusts specifically for defined contribution pensions, in addition to conventional financial analysis, we make socially responsible investments (SRI) in companies that work proactively in such areas as social contribution and environmental protection.

Globalization

We established Fukoku Life Research Singapore Pte. Ltd. as a local subsidiary in April 2014. At the beginning of fiscal 2016, we added an asset management function to this office and changed its name to Fukoku Life Investment (Singapore) Pte. Ltd.

We invest in securities in Europe and the United States via asset management subsidiaries in London and New York. By commencing asset management at our base in Singapore, we are establishing a global asset management system for the Fukoku Life Group. At the same time, we aim to accumulate research and investment expertise, including through the cultivation of human resources well-versed in Asia’s financial markets and in asset management. Through these initiatives, we will raise our level of sophistication in asset management.

Business Performance in Fiscal 2015

Life Insurance in Force

At fiscal year-end, life insurance in force, which comprises individual life insurance, individual annuities, and group insurance, amounted to ¥43,173.1 billion, down 0.1% compared with the previous fiscal year-end. Within this amount, life insurance for individuals declined 1.1%, to ¥23,417.4 billion, individual annuities decreased 3.1%, to ¥2,783.3 billion. The year-end balance of life insurance in force for groups increased 1.8%, to ¥16,972.3 billion. Group annuities in force (policy reserve) fell 0.2%, to ¥2,118.9 billion.

Annualized Premiums for New Policies and Policies in Force

In the year under review, annualized premiums for new policies increased 4.6%, to ¥23.4 billion. Within this amount, individual insurance was up 4.2%, to ¥20.0 billion, and individual annuities up 7.2%, to ¥3.4 billion. Annualized premiums from medical insurance and living benefit insurance were on a par with the preceding fiscal year, at ¥7.0 billion.

Annualized premiums for policies in force rose 0.2%, ¥407.1 billion. Within this amount, individual insurance increased 0.4%, to ¥274.8 billion, while individual annuities decreased 0.3%, ¥132.2 billion. Annualized premiums from medical insurance and living benefit insurance rose 0.8%, to ¥107.5 billion.

Premium Income and Payments

In the year under review, premium and other income decreased 3.9%, to ¥618.0 billion, due to a decline in group annuities.

Meanwhile, claims and other payments, which represent the total of payments under insurance policies, climbed 20.4% year on year, to ¥590.5 billion. This rise was attributable to higher payments for over-the-counter annuities, a rise in payments as group pure endowment insurance came to term and increased surrender payments.

Performance of Fukoku Life Group (Fukoku Life and Fukokushinrai Life Insurance)

Annualized premiums for new policies of the Fukoku Life Group, including Fukokushinrai Life Insurance, grew 7.7% year on year, or ¥2.8 billion, to ¥39.4 billion. This rise was due to favorable sales by Fukoku Life of individual annuity insurance and other savings-type products, as well as to higher over-the-counter sales through financial institutions by Fukokushinrai Life Insurance. Within this amount, annualized premiums from medical insurance and living benefit insurance fell 0.1%, or ¥0.005 billion, to ¥7.099 billion.

Annualized premiums for policies in force increased 1.9%, or ¥11.0 billion, to ¥575.2 billion. Annualized premiums from medical insurance and living benefit insurance were up 0.8%, or ¥0.8 billion, to ¥109.2 billion.

The total value of premium and other income fell 1.0%, or ¥7.6 billion, to ¥788.8 billion. Over-the-counter sales through financial institutions (from Fukokushinrai Life Insurance) increased 10.5%, or ¥14.2 billion, to ¥149.7 billion, due to robust sales centered on single-payment whole life insurance.

Assets, Liabilities, and Net Assets

The outstanding balance of non-consolidated total assets, including separate accounts, decreased 1.8%, or ¥122.1 billion, to ¥6,489.8 billion. General account assets, which constitute 98.7% of this total, fell 1.8%, to ¥6,410.2 billion.

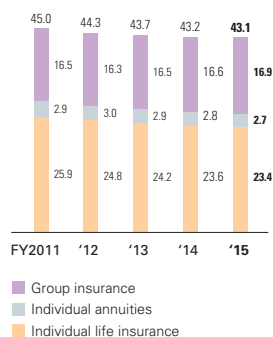
The year-end balance of securities stood at ¥5,091.7 billion, a decrease of ¥149.1 billion, or 2.8%, compared with the previous fiscal year-end.

Total liabilities decreased 0.5%, or ¥31.2 billion, to ¥5,882.8 billion.

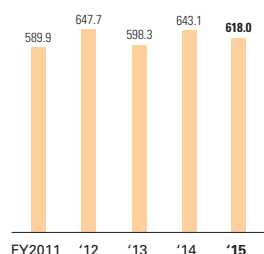
Net assets amounted to ¥606.9 billion, down 13.0% compared with the previous fiscal year-end.

On a consolidated basis, total assets rose 0.05%, to ¥8,330.6 billion, and net assets decreased 12.9%, to ¥617.4 billion.

Life insurance in force
(¥ trillions)



Premium and other income
(¥ billions)



Strengthening Our Capital Base

Fukoku Life builds up its internal reserves on an ongoing basis in order to strengthen its capital base. We boost internal reserves by soliciting additional foundation funds and augmenting the contingency reserve. Foundation funds at a mutual insurer correspond to capital at a joint-stock company. Total foundation funds, including the accumulated foundation funds redeemed, amounted to ¥116.0 billion as of March 31, 2016. When foundation funds are redeemed (refunded), we are legally required to accumulate as internal reserves a “accumulated foundation funds redeemed” in an amount equivalent to the redemption. Thus the same amount of owned capital as the amount collected is retained even after the redemption of foundation funds.



mind we offer our customers.

Solvency Margin

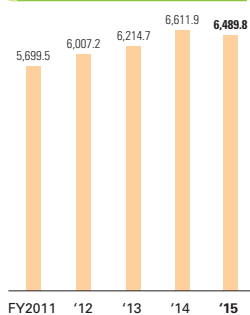
Fukoku Life's solvency margin ratio at fiscal year-end was 1,321.8%, up 152.5 percentage points compared with the previous fiscal year-end. This rise was attributable to higher internal reserves, including additions to the policy reserve and accumulations in the reserve for price fluctuation of securities and the contingency reserve. The Company's solvency margin far exceeds 200%, the level set as an indicator of financial soundness for life insurance companies, and clearly illustrates our superior ability to meet insurance payments.

We will continue making every effort to maintain a high solvency margin ratio as one indicator of the added peace of

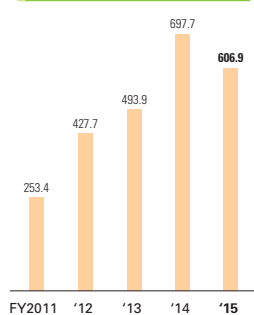
Ratings

Fukoku Life relies on four neutral rating organizations to provide an objective assessment of the Company's ability to meet insurance payments. As of July 1, 2016, we have received ratings of AA- from Rating and Investment Information, A from Standard & Poor's, A from Fitch Ratings, and A2 from Moody's. Despite global financial crises in the autumn of 2008 and thereafter, these ratings have not changed from year to year. Going forward, we will continue striving to maintain and further improve our high financial ratings.

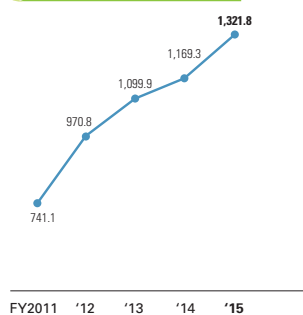
Total assets
(¥ billions)



Net assets
(¥ billions)



Solvency margin ratio
(%)



Investment Performance in Fiscal 2015 (General Account)

Overview

In fiscal 2015, ended March 31, 2016, the Japanese economy remained at a standstill. Although the employment and income environment improved, personal consumption was weak, as rising prices on food and other items prompted an ongoing trend toward frugality in household spending. Strong corporate earnings prompted a moderate increase in capital investment, but this trend lacked vigor due to growing uncertainty about the outlook for the domestic and overseas economies. Exports remained flat, affected by weak demand in China and other emerging markets.

The financial and capital markets were generally stable at the beginning of the fiscal year but grew substantially uncertain. This situation was due to growing concern about economic deceleration in China from mid-August, as well as to falling crude oil prices and rising uncertainty about the U.S. economic outlook, resulting in yen appreciation and falling stock prices. Turning to Japan, the Bank of Japan embarked on large-scale purchases of government bonds in a move toward quantitative and qualitative monetary easing, and introduced a negative interest rate policy in late January. Overseas, the European Central Bank (ECB) pursued a certain level of monetary easing in Europe. In addition to lowering policy interest rates in March, the ECB accelerated its government bond purchases. In the United States, meanwhile, the Federal Reserve Bank decided to raise interest rates in December for the first time in nine and a half years, raising its target policy interest rate by 0.25 percentage point, to between 0.25% and 0.50%.

With regard to our asset management business, with domestic interest rates falling we reduced holdings of yen-denominated government bonds in an effort to maintain profitability and prepare for the risk of future interest rate rises. We used this cash to purchase public bonds denominated in foreign currencies and serve as a source of retained earnings. In the first half, when U.S. long-

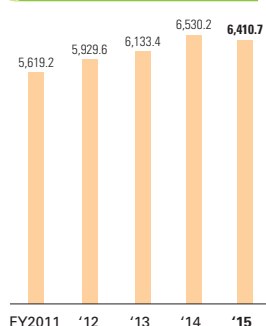
term interest rates were relatively high, we accumulated investments concentrated on U.S. dollar-denominated bonds with hedging foreign currency risks. As financial and capital markets grew more opaque in the second half, we adopted a more cautious investment stance. As in the preceding fiscal year, we continued to diversify investment and strove to augment profitability by steadily building up our holdings of stocks in view of our greater risk tolerance due to stronger capital base. Fukoku Life also stated its agreement with the U.N. Principles for Responsible Investment (PRI), becoming a signatory to the PRI in March.

Investment income from general accounts decreased ¥15.2 billion (7.6%), to ¥186.6 billion. Interest, dividends and other income, including those from trading securities, grew ¥0.5 billion (0.4%), to ¥146.3 billion. This rise was due mainly to a higher balance held and increased interest on foreign bonds, as well as growth in dividends from domestic and overseas shares. Gains on sales of securities amounted to ¥37.5 billion, up ¥12.3 billion (48.9%), as we made a planned effort to generate income on the sale of higher-priced Japanese government bonds.

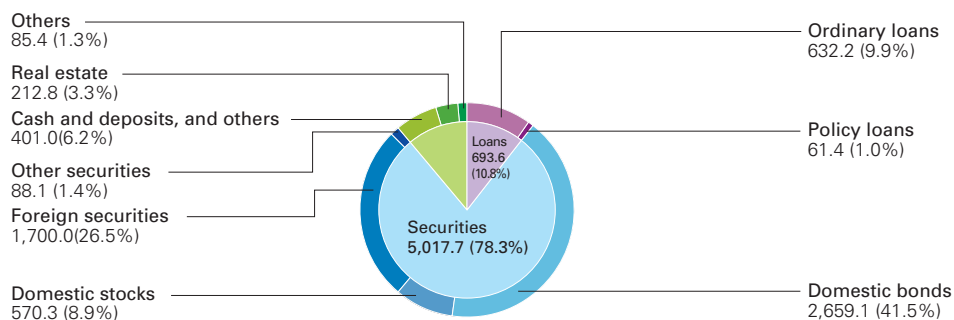
Investment expenses expanded ¥9.8 billion (27.5%), to ¥45.5 billion. Of this amount, losses on sales of securities totaled ¥5.8 billion, up ¥4.7 billion (441.1%), due to increases on Japanese and overseas shares. Gains from trading securities amounted to ¥35.2 billion in the fiscal year ended March 31, 2015. Owing to lower valuation gains on foreign government bonds stemming from yen appreciation, this figure turned to a loss of ¥12.4 billion in the fiscal year ended March 31, 2016. However, losses from derivative instruments amounted to ¥3.5 billion, down ¥15.1 billion (81.0%), mainly because of lower losses related to hedging currency risks.

As a result, net investment income amounted to ¥141.1 billion, a decrease of ¥25.0 billion (15.1%) compared with the previous fiscal year.

General account assets
(¥ billions)



Breakdown of general account assets (Fiscal year ended March 31, 2016)
(¥ billions)



Total: ¥6,410.7 billion

Note: This total includes cash and deposits, call loans, monetary claims bought and money held in trust.

Domestic Bonds

At fiscal year-end, domestic bonds amounted to ¥2,659.1 billion, a decrease of ¥196.9 billion (6.9%) compared with the end of the previous fiscal year, due to our shift from yen-denominated bonds to those denominated in foreign currencies to maintain profitability and hedge against the risk of interest rate rises.

Domestic Stocks

Despite the planned increase of our investment balance in this category, holdings of domestic stocks declined ¥70.6 billion (11.0%), to ¥570.3 billion, due to lower valuation gains stemming from falling stock prices.

Foreign Securities

Foreign securities amounted to ¥1,700.0 billion, an increase

of ¥116.2 billion (7.3%) compared with the end of the previous fiscal year. This rise was attributable to our shift from yen-denominated bonds to those denominated in foreign bonds to maintain profitability and hedge against the risk of interest rate rises.

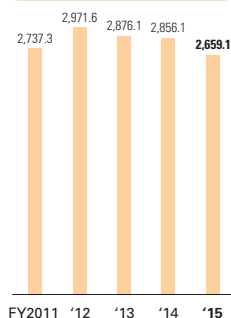
Loans

Loans amounted to ¥632.2 billion, a decrease of ¥68.3 billion (9.8%), as the ultralow interest-rate environment kept the business in a difficult position in terms of profitability.

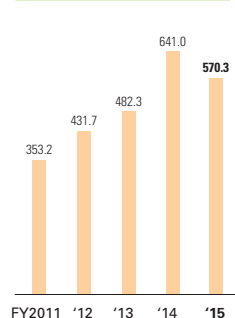
Real Estate

The year-end balance of real estate was down ¥10.9 billion (4.9%), to ¥212.8 billion, mainly owing to the sale of lease real estate, as in the preceding term, as well as depreciation.

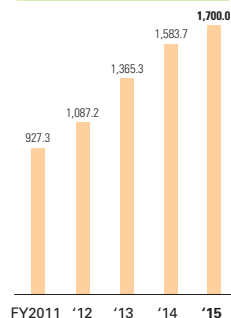
Domestic bonds
(¥ billions)



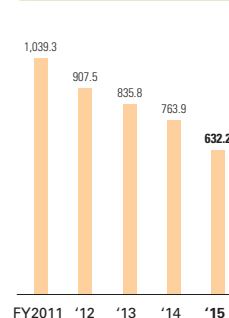
Domestic stocks
(¥ billions)



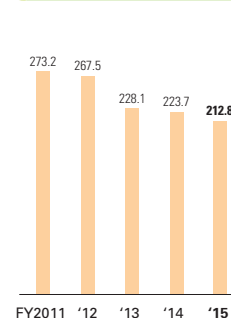
Foreign securities
(¥ billions)



Loans
(¥ billions)



Real estate
(¥ billions)



Investment Policies for Fiscal 2016

Investment Environment

For fiscal 2016, ending March 31, 2017, we expect the Japanese economy to remain at a standstill, with ongoing prudence in corporate and household spending. Looking at overseas economies, we expect developed countries to be generally firm, with the U.S. economy showing moderate growth, but this vigor will be sapped by China and other

emerging markets. Under these economic circumstances, we forecast continued low long-term interest rates, with the Bank of Japan maintaining its negative interest rate policy. With yen appreciation causing corporate earnings to level off, we expect stock prices to remain flat. On exchange rates, we believe the yen will appreciate against the U.S. dollar, with the rise in U.S. interest rates proceeding at a sluggish pace.

Domestic Bonds

We will curb investments in domestic bonds, due to their extremely low prospects for profitability.

Domestic Stocks

With stock prices falling, we will accumulate our holdings by investing selectively in undervalued stocks.

Foreign Securities

For foreign bonds, we will monitor internal and external financial policies, investing selectively in liquid and highly profitable bonds. In particular, we will increase holdings of

hedged foreign bonds, taking interest levels and hedging costs into consideration. For foreign stocks, we intend to increase holdings, centering on investments with attractive dividend yields.

Loans

We aim to maintain profitability while increasing diversity in terms of factors such as borrowers and loan periods.

Real Estate

We plan to revise our holdings from a medium- to long-term perspective, with the aim of reinforcing our portfolio.

Governance System

As a mutual life insurance company, Fukoku Life is engaged in the highly public business of protecting policyholders' life. Therefore, we are committed to establishing a management system that ensures the soundness of operations, and to enhancing management

Corporate Governance Enhancement Initiatives

As a mutual company, Fukoku Life is not subject to Japan's Corporate Governance Code. However, we have recently formulated a basic policy on corporate governance to foster an understanding of our perspective on and efforts to enhance corporate governance.

Going forward, we will continued to engage in effective corporate governance based on this policy and, in response to our policyholders' mandate, we will fulfill our mission to dependably pay insurance proceeds and claims.

Establishment of Management Control Measures

The Board of Directors makes important business decisions and monitors business execution. The two external directors bring an outside perspective to the deliberations of the Board. In April 2009, Fukoku Life introduced an executive officer system. Under this system, we have separated and strengthened decision-making and business execution functions, with the Board of Directors fulfilling decision-making and supervisory functions. We are striving to strengthen internal controls through the activities of various committees, including the Risk Management Committee and the Compliance Committee, which directly report to the Board of Directors.

Enhancement of Internal Control System

The Company's Board of Directors has set the terms for the creation of a system of internal controls to ensure the soundness of operations. We are working to enhance the efficiency of operations, strengthen risk management, and promote compliance based on the core policies of our internal control system.

Risk Management System

Fukoku Life's greatest responsibility from the standpoint of "Customer-Centric" approach is to firmly maintain customer policies and meet expectations over the long term. To ensure that we fulfill these responsibilities, we must accurately understand and analyze the various risks facing the Company, and take appropriate measures to maintain and enhance financial soundness.

Fukoku Life has established a risk management system with close involvement by top management, and makes a continual effort to enhance the sophistication of its risk management in response to the increasingly varied and complex risks of the external business environment. In addition, we are steadily implementing a comprehensive enterprise risk management (ERM) system, including conducting economic value-based risk management (conducting an assessment of assets and liabilities consistent with the market in order to understand and manage as risk the changes in the value of assets and liabilities).

The comprehensive enterprise risk management (ERM) system is conducted by the Risk Management Committee, established by the Board of Directors. Several subcommittees have been established under the Risk Management Committee to manage the various risks that arise in business operations, and to conduct asset and liability

measures, including our risk management system and compliance measures. In addition, we employ our internal control systems to ensure the efficient operation of these measures.

management (ALM). The Risk Management Committee consolidates and evaluates these risks at the corporate level, and considers the appropriate level of acceptable risk and risk response.

The Risk Management Committee is chaired by the president of the Company, with full-time directors and other executives serving as members. Directors also head the subcommittees, providing a risk management structure based on the leadership of top management. The internal auditing department verifies that the risk management system functions effectively.

Compliance System

As members of the community, all executives and employees undergo ongoing training in compliance-related matters so that they not only observe laws and regulations, but also comply with protocols and social conventions. To this end, as well as improving and reinforcing the compliance system, we hold regular hands-on training programs.

However, we recognize that even the most robust of systems cannot guarantee the complete elimination of improper conduct. We believe that it is important to detect any improper conduct early, deal with it swiftly and appropriately, and make constant improvements and work to rectify the situation in order to prevent a recurrence.

The Compliance Committee, comprised of full-time directors and other executives, and chaired by the President, is mandated by the Board of Directors to promote compliance-related activities. The Chief Compliance Officer and Compliance Officers stationed at our head office ensure the constant monitoring of compliance.

Protection of Personal Information

As an insurance company that is trusted by its customers, Fukoku Life takes great care in the handling of personal information. We ensure compliance with the Personal Information Protection Law that came into effect in Japan in April 2005, as well as related laws and guidelines. The appropriate management of personal information is also governed by the Company's own privacy policy and basic policy on the handling of specific personal information.



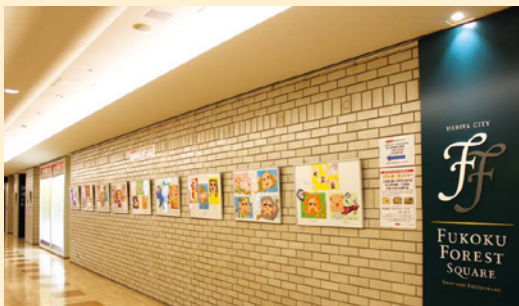
Board of Representative Members of Policyholders

Contribution to Society

In accordance with the highly public nature of the life insurance business, Fukoku Life believes that the sound management of its business is its first priority in terms of fulfilling its corporate social responsibility (CSR). Furthermore, we believe that the Company should engage proactively in a range of social contribution activities aimed at helping to build a better society.



Visiting Concert



Smile Gallery



Flora Preservation

Fukoku Life Concerts

Fukoku Life holds two types of concerts throughout the country: Visiting Concerts and Charity Concerts. Visiting Concerts are held at the school and institution for people with disabilities who cannot easily get the opportunity to hear performances of classical music in concert halls. Charity Concerts are held at concert halls as part of the Company's commitment to fostering community welfare.

A Visiting Concert is held after a Charity Concert has been held. Musicians who performed at the Charity Concert visit a local welfare facility where they play music and improvise as necessary to create an enjoyable musical occasion for residents. Since April 1993, the Company has held 265 Charity Concerts. Visiting Concerts, which were introduced in 2002, have been held at a total of 218 welfare facilities.

Concerts are organized and run directly by Fukoku Life executives and employees, who collaborate with musicians to plan each program.

At Charity Concerts, members of the audience are asked to make donations, which are given to local welfare groups, and goods made by people with disabilities are sold in venue's lobby.

Smile Gallery

In the shopping mall located in the basement of our head office building, we operate the Smile Gallery, which displays artworks created by children attending schools for people with disabilities. As well as providing an opportunity for many people to view these works, the Smile Gallery aims to support these children in their artistic endeavors.

Hello Kitty Hospital Visit Program

Under this program, Fukoku Life's brand mascot Hello Kitty—which is a popular character worldwide—makes visits to children's hospitals to help cheer up and encourage patients.

Post-Disaster Relief

To provide assistance for people impacted by the Great East Japan Earthquake, we arrange Visiting Concerts at schools for the disabled and other facilities in disaster-affected areas. To support the economies of this region, we host sales events featuring local produce from Fukushima, Iwate and Miyagi prefectures. Just after the earthquake, these events targeted Company employees, but we later opened them to the general public, encouraging even more people to cooperate in this activity.

Flora Preservation

Recently in Japan, there has been an increase in forests left to grow unchecked due to the lack of people willing to take over forestry businesses. One particular problem is uncontrolled groves of the vigorously growing Moso bamboo, which not only invades forests, but also takes over farmland and causes landslides due to the shallowness of their roots. This bamboo problem is even found on land owned by the Company in Shizuoka Prefecture. Fukoku Life has set up a forest regeneration project to tackle this problem. The aim of the project is to not only assist forest regeneration by felling bamboo groves, but to also return some bamboo groves to a healthy state. Since 2006, Fukoku Life's executives and employees have taken part in the project. In the year under review, 112 executives, employees, and their family members



World Bank presenting a certificate of appreciation for this investment (from left: Yoshiyuki Arima, Representative, Japan, at the World Bank Treasury; President Yoneyama)



Donizetti "Roberto Devereux"
© Kristian Schuller / Metropolitan Opera

volunteered their time to take part in these activities.

Other Activities

In March 2015, we invested in sustainable development bonds (SDBs) issued by the World Bank. In addition to ensuring profitability, this investment accords with the Company's management philosophy of contributing to society, and we plan to continue conducting this sort of investment and financing going forward.

The new Osaka Fukoku Mutual Life Insurance Building was completed in October 2010. As well as containing the offices of the Fukoku Life Group, the building has such tenants as universities and companies. We specifically selected tenants that would provide opportunities for interaction and engagement with local communities in such areas as culture and health.

Fukoku Life is a sponsor of the MET: Live in High Definition series of screenings by the New York Metropolitan Opera (MET), which are distributed by Shochiku Co., Ltd. By giving members of the general public the opportunity to see some of the finest opera performances in the world, we help promote the arts and culture.

The Company is a proud sponsor of the Pink Ribbon Campaign, which promotes the importance of the early detection, diagnosis, and treatment of breast cancer. We also participate in and support in the Hello Smile campaign aimed at providing education about prevention of cervical cancer.

Fukoku Life provides space and sales staff to support a mobile bakery business operated by disabled people. Our executives and employees also participate in various other initiatives, including neighborhood cleanup campaigns.

In the fiscal year ended March 31, 2016, we began cooperating with the police on awareness activities aimed at preventing damage due to bank transfer fraud, which has emerged as a social problem.

Communicating with Society

We conduct advertising campaigns to raise awareness of Fukoku Life and engage in a variety of corporate communications activities aimed at enhancing the understanding of our operations among a broad range of stakeholders.



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Alliance with Sanrio

The Hello Kitty character, owned by Sanrio Co., Ltd., has attained worldwide popularity. Fukoku Life has adopted this widely loved character as its brand mascot, and features Hello Kitty in many communications media, including Fukoku Life posters and brochures, and in video on our website.

In fiscal 2014, we created an original Gotochi Kitty character ("Gotochi" referring to a specific region), which we use in numerous situations to evoke an even greater sense of closeness with customers. Fukoku Life also maintains a partnership with Sanrio in relation to two theme parks, Sanrio Puroland and Harmonyland.

Providing Information

Fukoku Life publishes a variety of materials for its stakeholders. Publications that provide information on the Company's business activities include the Japanese-language annual disclosure report. "Disclosure" (and abridged versions thereof), booklets written for policyholders, and this English-language annual report. Our diverse lineup of public relations and advertising activities include the production of a variety of publications as needed, in order to strengthen the channels of communication between the Company, its policyholders, and its many other customers.

Non-consolidated Financial Statements

Non-consolidated Balance Sheets

Fukoku Mutual Life Insurance Company
As of March 31, 2015 and 2016

	As of March 31,		
	2015	2016	2016
	Millions of yen		Millions of U.S. dollars
Assets:			
Cash and deposits:			
Cash	¥ 183	¥ 182	\$ 1
Bank deposits	96,332	113,999	1,012
	96,515	114,182	1,014
Call loans	186,500	200,000	1,776
Monetary claims bought	870	813	7
Money held in trust	34,319	87,793	779
Securities:			
Government bonds	2,061,294	1,881,618	16,716
Local government bonds	154,616	142,336	1,264
Corporate bonds	670,380	663,209	5,892
Stocks	664,735	594,312	5,279
Foreign securities	1,607,208	1,722,110	15,299
Other securities	82,719	88,175	783
	5,240,955	5,091,762	45,235
Loans:			
Policy loans	63,311	61,437	545
Ordinary loans	700,588	632,242	5,616
	763,900	693,680	6,162
Tangible fixed assets:			
Land	132,261	125,310	1,113
Buildings	90,902	85,978	763
Lease assets	954	2,324	20
Construction in progress	630	1,590	14
Other tangible fixed assets	2,843	3,360	29
	227,591	218,565	1,941
Intangible fixed assets:			
Software	10,744	10,526	93
Other intangible fixed assets	272	5,567	49
	11,017	16,093	142
Reinsurance receivables	105	144	1
Other assets:			
Accounts receivable	9,037	8,585	76
Prepaid expenses	898	1,053	9
Accrued income	28,136	27,731	246
Deposits	1,837	2,239	19
Differential account for futures trading	241	761	6
Derivatives	5,134	21,877	194
Suspense payments	3,108	2,192	19
Lease investment assets	801	767	6
Rest of the other asset	2,929	3,421	30
	52,123	68,631	609
Allowance for possible loan losses	(1,948)	(1,850)	(16)
Total assets	¥6,611,952	¥6,489,815	\$57,656

As of March 31,

	2015	2016	2016
	Millions of yen		Millions of U.S. dollars
Liabilities:			
Policy reserves:			
Reserve for outstanding claims	¥ 21,305	¥ 20,719	\$ 184
Policy reserve	5,475,030	5,484,362	48,723
Reserve for dividends to policyholders	49,311	50,368	447
	5,545,647	5,555,450	49,355
Reinsurance payables	110	133	1
Subordinated bonds	118,959	141,935	1,260
Other liabilities:			
Corporate income tax payable	15,851	891	7
Accounts payable	2,911	3,869	34
Accrued expenses	10,587	10,281	91
Unearned income	357	362	3
Deposits received	5,355	5,625	49
Guarantee deposits received	12,772	12,929	114
Differential account for futures trading	—	99	0
Derivatives	3,886	5,037	44
Asset retirement obligations	3,001	3,351	29
Suspense receipts	1,259	1,204	10
	55,984	43,653	387
Reserve for employees' retirement benefits	46,393	26,083	231
Reserve for price fluctuation of securities	46,534	68,288	606
Deferred tax liabilities	85,741	33,050	293
Deferred tax liabilities for revaluation reserve for land	14,787	14,274	126
Total liabilities	5,914,159	5,882,868	52,264
Net assets:			
Foundation funds	30,000	30,000	266
Accumulated foundation funds redeemed	86,000	86,000	764
Reserve for revaluation	112	112	0
Surplus:			
Legal reserve for future losses	2,582	2,742	24
Other surplus:			
Reserve for redemption of foundation funds	12,000	18,000	159
Reserve for dividend allowances	3,895	20,000	177
Accumulated fund for price fluctuation	31,000	41,000	364
Reserve for advanced depreciation of real estate for tax purpose	262	266	2
Other reserves	767	767	6
Unappropriated surplus	93,041	65,509	581
	140,966	145,542	1,293
	143,548	148,284	1,317
Total foundation funds, surplus and others	259,660	264,397	2,348
Net unrealized gains (losses) on available-for-sale securities, net of tax	434,236	338,421	3,006
Deferred valuation gains (losses) under hedge accounting, net of tax	0	—	—
Revaluation reserve for land, net of tax	3,894	4,128	36
Total valuation and translation adjustments	438,131	342,549	3,043
Total net assets	697,792	606,947	5,392
Total liabilities and net assets	¥6,611,952	¥6,489,815	\$57,656

See notes to the non-consolidated financial statements.

Non-consolidated Statements of Operations

Fukoku Mutual Life Insurance Company
For the years ended March 31, 2015 and 2016

	Years ended March 31,		
	2015	2016	2016
	Millions of yen		Millions of U.S. dollars
Ordinary revenues:			
Premium and other income:			
Premium income	¥642,774	¥617,742	\$5,488
Reinsurance income	345	331	2
	643,119	618,073	5,491
Investment income:			
Interest, dividends and other income:			
Interest on deposits	14	27	0
Interest and dividends on securities	107,138	110,276	979
Interest on loans	15,464	13,343	118
Income from real estate for rent	13,832	13,444	119
Other interest and dividends	251	231	2
	136,700	137,324	1,220
Gains from money held in trust, net	2,349	11,332	100
Gains from trading securities, net	35,232	—	—
Gains on sales of securities	25,221	37,548	333
Foreign exchange gains, net	2,041	—	—
Reversal of allowance for possible loan losses	270	77	0
Other investment income	69	360	3
Gains from separate accounts, net	11,869	—	—
	213,754	186,642	1,658
Other ordinary revenues:			
Fund receipt from annuity rider	457	656	5
Fund receipt from deposit of claims paid	4,300	3,741	33
Reversal of reserve for outstanding claims	1,761	586	5
Reversal of reserve for employees' retirement benefits	1,481	1,641	14
Others	2,860	2,980	26
	10,861	9,606	85
Total ordinary revenues	867,736	814,323	7,234
Ordinary expenses:			
Claims and other payments:			
Claims	112,311	126,262	1,121
Annuities	155,577	202,982	1,803
Benefits	118,484	119,535	1,061
Surrenders	75,594	110,088	978
Other payments	27,954	31,163	276
Reinsurance premiums	440	477	4
	490,362	590,510	5,246
Provision for policy reserve and others:			
Provision for policy reserve	136,482	9,332	82
Interest on accumulated dividends to policyholders	54	47	0
	¥136,537	¥ 9,379	\$ 83

Years ended March 31,

	2015	2016	2016
	Millions of yen		Millions of U.S. dollars
Investment expenses:			
Interest expenses	¥ 4,252	¥ 4,314	\$ 38
Losses on trading securities	—	12,422	110
Losses on sales of securities, net	1,075	5,820	51
Losses on valuation of securities	0	—	—
Losses from derivative instruments, net	18,679	3,549	31
Foreign exchange losses, net	—	8,600	76
Depreciation of real estate for rent and other assets	4,877	4,482	39
Other investment expenses	6,831	6,340	56
Losses on separate accounts, net	—	2,354	20
	35,715	47,886	425
Operating expenses	86,365	86,500	768
Other ordinary expenses:			
Claim deposit payments	8,900	6,327	56
Taxes	6,069	6,061	53
Depreciation	6,205	6,499	57
Others	701	814	7
	21,877	19,702	175
Total ordinary expenses	770,858	753,979	6,698
Ordinary profits	96,877	60,344	536
Extraordinary gains:			
Gains on disposal of fixed assets	6	1,503	13
Gain on contribution of securities to retirement benefit trust	—	7,913	70
State subsidy and others	—	140	1
Total extraordinary gains	6	9,557	84
Extraordinary losses:			
Losses on disposal of fixed assets	165	266	2
Impairment losses	698	242	2
Provision for reserve for price fluctuation of securities	2,518	21,754	193
Total extraordinary losses	3,382	22,263	197
Surplus before income taxes	93,501	47,638	423
Income taxes:			
Current	27,169	14,390	127
Deferred	(2,711)	(8,304)	(73)
Total income taxes	24,458	6,086	54
Net surplus for the year	¥ 69,043	¥ 41,551	\$ 369

See notes to the non-consolidated financial statements.

Non-consolidated Statements of Changes in Net Assets

Fukoku Mutual Life Insurance Company
For the years ended March 31, 2015 and 2016

Year ended March 31, 2015	Millions of yen											
	Foundation funds, surplus and others											
	Surplus											
	Other surplus											
	Foundation funds	Accumulated foundation funds redeemed	Reserve for revaluation	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	Total surplus	Total foundation funds, surplus and others
Balance at the beginning of the current period	¥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 period												
Financing of additional 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 current period										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, net of tax										239	239	239
Net changes, excluding foundation funds, surplus and others												
Total changes in the current period	(5,000)	15,000	—	97	(6,000)	—	10,000	(3,707)	—	21,675	22,065	32,065
Balance at the end of the current period	¥30,000	¥86,000	¥112	¥2,582	¥12,000	¥3,895	¥31,000	¥262	¥767	¥93,041	¥143,548	¥259,660

Year ended March 31, 2015	Millions of yen				
	Valuation and translation adjustments				
	Total valuation and translation adjustments				
	Net unrealized gains (losses) on available-for-sale securities, net of tax	Deferred valuation gains (losses) under hedge accounting, net of tax	Revaluation reserve for land, net of tax	Total valuation and translation adjustments	Total net assets
Balance at the beginning of the current period	¥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 period					
Financing of additional 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 current period					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, net of tax					239
Net changes, excluding foundation funds, surplus and others	174,375	(2)	750	175,123	175,123
Total changes in the current period	174,375	(2)	750	175,123	207,188
Balance at the end of the current period	¥434,236	¥0	¥3,894	¥438,131	¥697,792

Millions of yen												
Foundation funds, surplus and others												
	Surplus											
	Other surplus											
	Foundation funds	Accumulated foundation funds redeemed	Reserve for revaluation	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	Total surplus	Total foundation funds, surplus and others
Year ended March 31, 2016												
Balance at the beginning of the current period	¥30,000	¥86,000	¥112	¥2,582	¥12,000	¥3,895	¥31,000	¥262	¥767	¥93,041	¥143,548	¥259,660
Changes in the current period												
Additions to reserve for dividends to policyholders										(36,698)	(36,698)	(36,698)
Additions to legal reserve for future losses				160						(160)	—	—
Payment of interest on foundation funds										(316)	(316)	(316)
Net surplus for the current period										41,551	41,551	41,551
Additions to reserve for redemption of foundation funds					6,000					(6,000)	—	—
Additions to reserve for dividend allowances						16,104				(16,104)	—	—
Additions to accumulated fund for price fluctuation							10,000			(10,000)	—	—
Addition to reserve for advanced depreciation of real estate for tax purpose								7		(7)	—	—
Reversal of reserve for advanced depreciation of real estate for tax purpose								(3)		3	—	—
Reversal of revaluation reserve for land, net of tax										199	199	199
Net changes, excluding foundation funds, surplus and others												
Total changes in the current period	—	—	—	160	6,000	16,104	10,000	3	—	(27,531)	4,736	4,736
Balance at the end of the current period	¥30,000	¥86,000	¥112	¥2,742	¥18,000	¥20,000	¥41,000	¥266	¥767	¥65,509	¥148,284	¥264,397

Millions of yen					
Valuation and translation adjustments					
Year ended March 31, 2016	Net unrealized gains (losses) on available-for-sale securities, net of tax	Deferred valuation gains (losses) under hedge accounting, net of tax	Revaluation reserve for land, net of tax	Total valuation and translation adjustments	Total net assets
Balance at the beginning of the current period	¥434,236	¥0	¥3,894	¥438,131	¥697,792
Changes in the current period					
Additions to reserve for dividends to policyholders					(36,698)
Additions to legal reserve for future losses					—
Payment of interest on foundation funds					(316)
Net surplus for the current period					41,551
Additions to reserve for redemption of foundation funds					—
Additions to reserve for dividend allowances					—
Additions to accumulated fund for price fluctuation					—
Addition 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, net of tax					199
Net changes, excluding foundation funds, surplus and others	(95,815)	(0)	234	(95,581)	(95,581)
Total changes in the current period	(95,815)	(0)	234	(95,581)	(90,845)
Balance at the end of the current period	¥338,421	—	¥4,128	¥342,549	¥606,947

Millions of U.S. dollars

Year ended March 31, 2016	Foundation funds, surplus and others											
	Surplus											
	Other surplus											
	Foundation funds	Accumulated foundation funds redeemed	Reserve for revaluation	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	Total surplus	Total foundation funds, surplus and others
Balance at the beginning of the current period	\$266	\$764	\$0	\$22	\$106	\$34	\$275	\$2	\$6	\$826	\$1,275	\$2,306
Changes in the current period												
Additions to reserve for dividends to policyholders										(326)	(326)	(326)
Additions to legal reserve for future losses				1						(1)	—	—
Payment of interest on foundation funds										(2)	(2)	(2)
Net surplus for the current period										369	369	369
Additions to reserve for redemption of foundation funds					53					(53)	—	—
Additions to reserve for dividend allowances						143				(143)	—	—
Additions to accumulated fund for price fluctuation							88			(88)	—	—
Addition 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								(0)		0	—	—
Reversal of revaluation reserve for land, net of tax										1	1	1
Net changes, excluding foundation funds, surplus and others												
Total changes in the current period	—	—	—	1	53	143	88	0	—	(244)	42	42
Balance at the end of the current period	\$266	\$764	\$0	\$24	\$159	\$177	\$364	\$2	\$6	\$581	\$1,317	\$2,348

Millions of U.S. dollars

Year ended March 31, 2016	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, net of tax	Revaluation reserve for land, net of tax	Total valuation and translation adjustments		
Balance at the beginning of the current period	\$3,857	\$0	\$34	\$3,892	\$6,199	
Changes in the current period						
Additions to reserve for dividends to policyholders					(326)	
Additions to legal reserve for future losses					—	
Payment of interest on foundation funds.....					(2)	
Net surplus for the current period					369	
Additions to reserve for redemption of foundation funds					—	
Additions to reserve for dividend allowances					—	
Additions to accumulated fund for price fluctuation					—	
Addition 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, net of tax					1	
Net changes, excluding foundation funds, surplus and others	(851)	(0)	2	(849)	(849)	
Total changes in the current period	(851)	(0)	2	(849)	(807)	
Balance at the end of the current period	\$3,006	—	\$36	\$3,043	\$5,392	

Non-consolidated Proposed Appropriations of Surplus

Fukoku Mutual Life Insurance Company
For the years ended March 31, 2015 and 2016

	Years ended March 31,		
	2015	2016	2016
	Millions of yen		Millions of U.S. dollars
Unappropriated surplus	¥93,041	¥65,509	\$581
Reversal of voluntary surplus reserve:			
Reversal of reserve for advanced depreciation of real estate for tax purpose	3	11	0
	3	11	0
Total	93,044	65,521	582
Appropriation of surplus:			
Reserve for dividends to policyholders	36,698	35,236	313
Net surplus:			
Legal reserve for future losses	160	106	0
Interest payment for foundation funds	316	316	2
Voluntary surplus reserve:			
Reserve for redemption of foundation funds	6,000	6,000	53
Equalized reserve for dividends to policyholders	16,104	—	—
Accumulated fund for price fluctuation	10,000	—	—
Reserve for advanced depreciation of real estate for tax purpose	7	2	0
Reserve for special account for advanced depreciation of real estate	—	100	0
	32,111	6,103	54
	32,588	6,526	57
Total appropriation of surplus	69,286	41,762	371
Unappropriated surplus carried forward	¥23,758	¥23,758	\$211

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

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 Fukuoku 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.

2. U.S. Dollar Amounts

The translations of yen amounts into U.S. dollar amounts are included solely for the convenience of the reader and have been made, as a matter of arithmetical computation only, at the rate of ¥112.56 = US\$1.00, the effective rate of exchange at the balance sheet date of March 31, 2016. The translations should not be construed as representations that such yen amounts have been or could in the future be, converted into U.S. dollars at that or any other rates.

II. Notes to Balance Sheets

1. Significant Accounting Policies

(1) Valuation Methods of Securities

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

- i) Trading securities are stated at fair market value. Costs of their sales are determined by the moving average method.
- ii) Held-to-maturity debt securities are stated at amortized cost under the straight-line method, cost being determined by the moving average method.
- iii) Policy-reserve-matching bonds are stated at amortized cost under the straight-line method, cost being determined by the moving average method in accordance with "Temporary Treatment of Accounting and Auditing Concerning Policy-reserve-matching Bonds in Insurance Industry" (Industry Audit Committee Report No.21 issued by the Japanese Institute of Certified Public Accountants on November 16, 2000).
- iv) Investments in subsidiaries and affiliates are stated at cost, cost being determined by the moving average method.
- v) Available-for-sale securities with fair market values are stated at fair market values based on the market prices at

the balance sheet date. 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 revalues 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 are written-off directly from the borrowers' balances as the estimated uncollectible amounts. The amount written-off as of March 31, 2015 and 2016 were ¥247 million and ¥247 million (US\$ 2 million), respectively.

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

Reserve for employees' retirement benefits is presented 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 gains and losses ... 10 years
- Amortization period of prior service cost 10 years

In the fiscal period, the Company contributed a portion of its securities to establish a trust account for retirement benefits amounting to ¥18,666 million (US\$165 million) and recognized a gain on contribution of securities to retirement benefit trust

amounting to ¥7,913 million (US\$70 million) as an extraordinary gain.

(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 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.

(10) Accounting for Hedge Activities

Hedge accounting is based on "Accounting Standards for Financial Instruments" (ASBJ Statement No. 10, August 11, 2006). The Company applies a market price hedge accounting as a hedge against the risk of foreign exchange fluctuation in relation to foreign currency denominated bonds and against the risk of price fluctuation in relation to domestic stocks, a deferral hedge accounting as a hedge against the risk of interest rate fluctuation in relation to loans extended by the Company, and a designated hedge accounting ("Furiate shori") for foreign currency swaps as a hedge against the risk of foreign exchange fluctuation in relation to foreign currency denominated bonds issued by the Company.

For assessing 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.

(11) 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.

(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:

i) 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.

ii) In regard to the policies not subject to the standard policy reserve, the net level premium method is applied.

Based on the provision of Article 69, paragraph 5, of the Enforcement Regulation of the Insurance Business Law, the Company includes additional funded policy reserves as follows.

At the end of the fiscal year ended March 31, 2013, among individual annuity insurance policies with an assumed interest rate of 5.00% or higher, policies that have an annuity commencement date on or prior to March 31, 2013 (excluding wife's annuity insurance additional rider), the Company reduced the assumed interest rate to 1.00% and funded additional policy reserves. Furthermore, for certain hospitalization riders with surgery benefits and long-term hospitalization benefits, the Company funded additional policy reserves. As of March 31, 2016, the balance of these policy reserves was ¥47,438 million (US\$421 million).

As of March 31, 2016, among individual annuity insurance policies with an assumed interest rate of 5.00% or higher, policies that have an annuity commencement date from April 1, 2013, through March 31, 2017 (excluding wife's annuity insurance additional rider), the Company reduced the assumed interest rate of policy reserve to 1.00% and funded additional policy reserves. Furthermore, for certain whole life insurance policies that include distribution of surplus every five years the Company funded additional policy reserves. As of March 31, 2016, the balance of these policy reserves was ¥33,100 million (US\$294 million). As a result, compared with a situation in which the Company did not carry out this additional funding, provisions to policy reserves increased by ¥33,100 million (US\$294 million), and ordinary profits and surplus before income taxes both decreased by ¥33,100 million (US\$294 million).

(14) Software

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

(15) Policy-reserve-matching Bonds

Of the bonds corresponding to the sub-groups of individual insurance and annuities which are set by insurance types and investment policies, the bonds that are held to match the duration of liabilities are classified as policy-reserve-matching bonds in accordance with "Temporary Treatment of Accounting and Auditing Concerning Policy-reserve-matching Bonds in Insurance Industry" (Industry Audit Committee Report No. 21 issued by the Japanese Institute of Certified Public Accountants on November 16, 2000).

2. Principal Accounting Standards Published before March 31, 2016 but not Applied

In accordance with the issuance of "Implementation Guidance on Recoverability of Deferred Tax Assets" (ASBJ Guidance No. 26,

March 28, 2016), the method of accounting treatment relating to the recoverability of deferred tax assets has been revised.

Compulsory application of this revised guidance is from fiscal year beginning on or after April 1, 2016. The Company plans to apply this standard from the beginning of the fiscal year ending March 31, 2017.

The Company is currently evaluating the impact of the application of this guidance in the initial fiscal year of its application.

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 and liabilities. 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, 2016 were as follows:

(1) Cash, deposits (excluding financial instruments treated as securities based on "Accounting Standards for Financial Instruments" (ASBJ Statement No.10)) and call loans:

The fair values of cash, deposits and call loans are based on their book values since fair values approximate book values due to their short maturities.

(2) Securities including deposits and monetary claims bought which are treated as securities based on "Accounting Standards for Financial Instruments" (ASBJ Statement No.10) and securities managed as trust assets in money held in trust:

The fair values of marketable securities are measured at the quoted market prices at the balance sheet date. The fair

	As of March 31,		
	2015		
	Millions of yen		
	Carrying amount	Fair value	Difference
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	¥ —

	As of March 31,					
	2016			2016		
	Millions of yen			Millions of U.S. dollars		
	Carrying amount	Fair value	Difference	Carrying amount	Fair value	Difference
Cash and deposits:						
Cash and deposits not treated as securities	¥ 112,405	¥ 112,405	¥ —	\$ 998	\$ 998	\$ —
Total cash and deposits	112,405	112,405	—	998	998	—
Call loans	200,000	200,000	—	1,776	1,776	—
Monetary claims bought:						
Claims treated as loans	813	881	67	7	7	0
Total monetary claims bought	813	881	67	7	7	0
Money held in trust:						
Trading securities	86,793	86,793	—	771	771	—
Total money held in trust	86,793	86,793	—	771	771	—
Securities:						
Trading securities	233,015	233,015	—	2,070	2,070	—
Held-to-maturity debt securities	768,786	936,313	167,526	6,830	8,318	1,488
Policy-reserve-matching bonds	1,074,535	1,280,612	206,077	9,546	11,377	1,830
Investments in subsidiaries and affiliates	1,433	1,140	(293)	12	10	(2)
Available-for-sale securities	2,889,888	2,889,888	—	25,674	25,674	—
Total securities	4,967,659	5,340,969	373,310	44,133	47,449	3,316
Loans:						
Policy loans	61,437	61,437	(0)	545	545	(0)
Ordinary loans	632,242	664,774	32,531	5,616	5,905	289
Total loans	693,680	726,212	32,531	6,162	6,451	289
Assets total	6,061,352	6,467,262	405,910	53,849	57,456	3,606
Subordinated bonds* ¹	141,935	148,943	7,008	1,260	1,323	62
Liabilities total	141,935	148,943	7,008	1,260	1,323	62
Derivative instruments* ² :						
Hedge accounting not applied	(1,982)	(1,982)	—	(17)	(17)	—
Hedge accounting applied	18,823	18,823	—	167	167	—
Total derivative instruments	¥ 16,841	¥ 16,841	¥ —	\$ 149	\$ 149	\$ —

*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.

values of other securities without the quoted market prices 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, and ¥35,560 million (US\$315 million), ¥6,127 million (US\$54 million), and ¥8,371 million (US\$74 million) as of March 31, 2016, respectively.

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

The fair values of policy loans are deemed to approximate book values, considering estimated repayment period and interest rate conditions since their repayment deadlines have not been set up due to the characteristics that the loans are 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 values.

(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 forward contracts, 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, and ¥170,027 million (US\$1,510 million) and ¥276,629 million (US\$2,457 million) as of March 31, 2016, 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 were ¥1,105 million and ¥1,119 million (US\$9 million) as of March 31, 2015 and 2016, respectively.

5. Securities Lent under Lending Agreements

The amounts of securities lent under lending agreements were ¥50,418 million and ¥18,189 million (US\$161 million) as of March 31, 2015 and 2016, respectively.

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, were ¥1,409 million and ¥990 million (US\$8 million) as of March 31, 2015 and 2016, respectively;

- i) The balances of credits to bankrupt borrowers were ¥194 million and ¥217 million (US\$1 million) as of March 31, 2015 and 2016, respectively.
- ii) The balances of delinquent loans were ¥844 million and ¥773 million (US\$6 million) as of March 31, 2015 and 2016, respectively.
- iii) There were no balances of delinquent loans past 3 months or more as of March 31, 2015 and 2016.
- iv) The balances of restructured loans were ¥370 million and no balance as of March 31, 2015 and 2016, respectively.

The direct write-offs related to loans decreased credits to bankrupt borrowers described above by ¥247 million and ¥247 million (US\$2 million) as of March 31, 2015 and 2016, respectively.

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, accrued 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 which accrued 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 payments or repayments 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 which certain concessions favorable to borrowers, such as interest reduction or exemption, rescheduling of due date of principal or interest payment, waiver of claim or other terms, have been negotiated for the purpose of assisting and supporting the borrowers in the restructuring of their business. This category excludes loans classified as credits to bankrupt borrowers, delinquent loans and delinquent loans past 3 months or more.

7. Accumulated Depreciation of Tangible Fixed Assets

Accumulated depreciation of tangible fixed assets totalled to ¥149,879 million and ¥152,678 million (US\$1,356 million) as of March 31, 2015 and 2016, respectively.

8. Separate Accounts

Total assets in separate accounts provided for in Article 118 of the Insurance Business Law were ¥83,004 million and ¥79,065 million (US\$702 million) as of March 31, 2015 and 2016, respectively. 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 and ¥2,486 million (US\$22 million) and ¥2,752 million (US\$24 million) as of March 31, 2016, respectively.

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 attributable mainly to -11.0% of reserve for dividends to the policyholders, and +6.5% of the tax rate adjustment of deferred tax assets at the end of period.

Deferred tax assets and deferred tax liabilities as of March 31, 2016 were ¥108,997 million (US\$968 million) and ¥139,188 million (US\$1,236 million), respectively. Valuation allowance for deferred tax assets was ¥2,859 million (US\$25 million).

Major components of deferred tax assets were ¥69,311 million (US\$615 million) of policy reserves, ¥19,120 million (US\$169 million) of reserve for price fluctuation of securities and ¥12,530 million (US\$111 million) of reserve for employees' retirement benefits as of March 31, 2016.

Major component of deferred tax liabilities was ¥131,608 million (US\$1,169 million) of net unrealized gains on available-for-sale securities as of March 31, 2016.

The statutory tax rate and the actual effective tax rate for the year ended March 31, 2016 were 28.9% and 12.8%, respectively. The difference between the statutory tax rate and the actual effective tax rate was attributable mainly to -21.3% of reserve for dividends to the policyholders, and +6.1% of the tax rate adjustment of deferred tax assets at the end of period.

Accompanying the enactment of the Act on Partial Amendment to the Income Tax Act, etc. (Act No. 15, 2016) by the National Diet on March 29, 2016, the effective statutory tax rate of 28.9%, which was used for calculating deferred tax assets and deferred tax liabilities, has been revised to 28.2% for items expected to be collected or paid during the period from April 1, 2016, to March 31, 2018. For items expected to be collected or paid on or later than April 1, 2018, the rate has been revised to 28.0%. Based on these changes, deferred tax liabilities decreased by ¥1,076 million (US\$9 million), and deferred tax liabilities for revaluation reserve for land decreased by ¥433 million (US\$3 million). Income taxes-deferred increased by ¥2,918 million (US\$25 million).

11. Reserve for Dividends to Policyholders

Changes in reserve for dividends to policyholders were as follows:

	Years ended March 31,		
	2015	2016	2016
	Millions of yen		Millions of U.S. dollars
Balance at the beginning of the current period	¥51,007	¥49,311	\$438
Transfer from surplus in previous period	31,595	36,698	326
Dividends paid in the current period	(33,346)	(35,688)	(317)
Increase in interest	54	47	0
Balance at the end of the current period	¥49,311	¥50,368	\$447

12. Stocks of Subsidiaries

The amounts of stocks of subsidiaries were ¥36,994 million and ¥36,994 million (US\$328 million) as of March 31, 2015 and 2016, respectively.

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.

Assets pledged as collateral as of March 31, 2016 were ¥26,284 million (US\$233 million) of securities and ¥1,279 million (US\$11 million) of bank deposits. Secured debts as of March 31, 2016 were ¥4,906 million (US\$43 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") were ¥50 million and ¥15 million (US\$135 thousand) as of March 31, 2015 and 2016, respectively.

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") were ¥30 million and ¥29 million (US\$262 thousand) as of March 31, 2015 and 2016, respectively.

19. Matters Related to Employees' Retirement Benefits as of March 31, 2015 and 2016

(1) Overview of Employees' Retirement Benefit Plan

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

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 were ¥438,243 million and ¥342,662 million (US\$3,044 million) as of March 31, 2015 and 2016 respectively.

16. Commitment Line

There were unused commitment line agreements under which the Company is the lender of ¥12,372 million and ¥12,172 million (US\$108 million) as of March 31, 2015 and 2016, respectively.

17. Subordinated Bonds

Repayments of subordinated bonds are subordinated to other obligations.

18. 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 were estimated at ¥10,372 million and ¥10,356 million (US\$92 million) as of March 31, 2015 and 2016, respectively.

The contribution was charged as operating expenses in the year in which it was paid.

plan for these employees, the Company also has a defined contribution pension plan.

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

The Company places a retirement benefit trust in relation to the retirement lump-sum payments for sales employees.

(2) Defined Benefit Plan

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

	As of March 31,		
	2015	2016	2016
	Millions of yen		Millions of U.S. dollars
Retirement benefit obligation at the beginning of the current period	¥71,618	¥76,725	\$681
Cumulative effects of changes in accounting policies.....	4,763	—	—
Balance at the beginning of the current period after reflecting changes in accounting policies	76,381	—	—
Service cost.....	3,088	3,067	27
Interest cost	1,068	1,073	9
Actuarial differences occurred during the period.....	788	9,106	80
Retirement benefit payments.....	(4,601)	(4,787)	(42)
Retirement benefit obligation at the end of the current period.....	¥76,725	¥85,184	\$756

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

As of March 31,

	2015	2016	2016
	Millions of yen		Millions of U.S. dollars
Pension plan assets at the beginning of the current period	¥22,844	¥26,114	\$232
Expected return on pension plan assets	685	783	6
Actuarial differences occurred during the period.....	1,530	(1,987)	(17)
Contributions by the employer	2,339	2,380	21
Retirement benefit payments.....	(1,285)	(1,322)	(11)
Contribution amount on establishment of retirement benefit trust.....	—	18,666	165
Pension plan assets at the end of the current period.....	¥26,114	¥44,636	\$396

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

As of March 31,

	2015	2016	2016
	Millions of yen		Millions of U.S. dollars
a. Funded plan retirement benefit obligation.....	¥ 32,625	¥ 73,675	\$ 654
b. Pension plan assets.....	(26,114)	(44,636)	(396)
c. (a+b)	6,510	29,039	257
d. Unfunded plan retirement benefit obligation.....	44,100	11,509	102
e. Unrecognized actuarial differences	(4,692)	(14,864)	(132)
f. Unrecognized prior service cost	475	399	3
g. Reserve for employees' retirement benefits (c+d+e+f)	¥ 46,393	¥ 26,083	\$ 231

iv) Breakdown of retirement benefit gains and losses

As of March 31,

	2015	2016	2016
	Millions of yen		Millions of U.S. dollars
Service cost.....	¥3,088	¥3,067	\$27
Interest cost	1,068	1,073	9
Expected return on pension plan assets	(685)	(783)	(6)
Amortization of actuarial differences	778	921	8
Amortization of prior service cost.....	(76)	(76)	(0)
Retirement benefit expenses related to defined benefit plan	¥4,173	¥4,202	\$37

v) Breakdown of pension plan assets

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

As of March 31,

	2015	2016
Domestic stocks	18.3%	48.5%
Life insurance general account.....	49.1%	33.7%
Domestic bonds	13.5%	7.7%
Foreign stocks	13.1%	6.7%
Foreign bonds.....	5.3%	2.9%
Others.....	0.6%	0.6%
Total.....	100.0%	100.0%

Within the total of pension assets, 39.8% of this amount is accounted for by the retirement benefit trust established in relation to the retirement lump-sum payments plan for sales employees.

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 a variety of assets that makes up the pension assets.

vii) Underlying actuarial assumptions

Main underlying actuarial assumptions were as follows:

	As of March 31,	
	2015	2016
Discount rate	1.4%	0.6%
Expected long-term rate of return on pension plan assets		
Defined benefit plan	3.0%	3.0%
Retirement benefit trust	—	0.0%

(3) Defined Contribution Plan

The contribution amounts by the Company to the defined contribution plan were ¥185 million and ¥187 million (US\$1 million) as of March 31, 2015 and 2016, respectively.

III. Notes to Statements of Operations

1. Transactions with Subsidiaries

The total amounts of revenues and expenses in connection with subsidiaries were ¥856 million and ¥8,453 million for the year ended March 31, 2015 and ¥1,749 million (US\$15 million) and ¥8,584 million (US\$76 million) for the year ended March 31, 2016, respectively.

2. Gains on Sales of Securities

Major items of gains on sales of securities were as follows:

	Years ended March 31,		
	2015	2016	2016
			Millions of
	Millions of yen		U.S. dollars
Domestic bonds	¥ 8,746	¥30,067	\$267
Domestic stocks and others	3,458	2,934	26
Foreign securities	¥12,940	¥ 4,546	\$ 40

3. Losses on Sales of Securities

Major items of losses on sales of securities were as follows:

	Years ended March 31,		
	2015	2016	2016
			Millions of
	Millions of yen		U.S. dollars
Domestic stocks and others	¥259	¥2,701	\$24
Foreign securities	¥815	¥3,119	\$27

4. Policy Reserves for the Reinsurance Contracts

For the year ended March 31, 2015, provision of reserve for outstanding claims for ceded reinsurance considered in calculation of reversal of reserve for outstanding claims was ¥46 million and provision of policy reserve for ceded reinsurance considered in calculation of provision of policy reserve was ¥0 million.

For the year ended March 31, 2016, reversal of reserve for outstanding claims for ceded reinsurance considered in calculation of reversal of reserve for outstanding claims was ¥35 million (US\$311 thousand) and reversal of policy reserve for ceded reinsurance considered in calculation of provision for policy reserve was ¥1 million (US\$12 thousand).

5. (Losses) Gains on Trading Securities

Major items of (losses)gains on trading securities were as follows:

	Years ended March 31,		
	2015	2016	2016
	Millions of yen		Millions of U.S. dollars
Interest, dividends and other income	¥ 9,075	¥ 9,034	\$ 80
Gains (Losses) from sales of trading securities	2	12,821	113
(Losses) Gains on valuation of trading securities	¥25,399	¥(36,617)	\$(325)

6. Gains (Losses) from Money Held in Trust

Gains (Losses) from money held in trust for the years ended March 31, 2015 and 2016 included valuation losses of ¥0 million and ¥0 million (US\$0 million), respectively.

7. Gain (Losses) from Derivative Instruments

Gains (Losses) from derivative instruments for the year ended March 31, 2015 and 2016 included valuation gains of ¥2,346 million and valuation losses of ¥2,428 million (US\$21 million), respectively.

Report of Independent Auditors

Report of Independent Auditors

May 18, 2016

The Board of Directors of
Fukoku Mutual Life Insurance Company

Kisaragi Audit Corporation

Designated and engagement partner
Certified Public Accountant


Yoshio Sato

Designated and engagement partner
Certified Public Accountant


Hiroshi Takemi

We have audited the accompanying non-consolidated balance sheets of Fukoku Mutual Life Insurance Company (the “Company”) as of March 31, 2016 and 2015, and the related non-consolidated statements of operations, and changes in net assets, and the non-consolidated proposed appropriations of surplus for the years then ended, and notes, all expressed in Japanese yen.

Management’s Responsibility for the Non-consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these non-consolidated financial statements in conformity with accounting principles generally accepted in Japan, and for such internal control as management determines is necessary to enable the preparation and fair presentation of non-consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor’s Responsibility

Our responsibility is to express an opinion independently on these non-consolidated financial statements based on our audits. We conducted our audits in conformity with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the non-consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the non-consolidated financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the non-consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the Company’s preparation and fair presentation of the non-consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company’s internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the non-consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the non-consolidated financial statements referred to above present fairly, in all material respects, the non-consolidated financial position of Fukoku Mutual Life Insurance Company as of March 31, 2016 and 2015, and the

non-consolidated results of its operations for the years then ended in conformity with the applicable Japanese laws and regulations and accounting principles for non-consolidated financial statements generally accepted in Japan.

Interest

Our firm and the engagement partners do not have any interest in the Company for which disclosure is required under the provisions of the Certified Public Accountants Act.

Convenience Translation

The amounts expressed in U.S. dollars, which are provided solely for the convenience of the reader, have been translated on the basis set forth in Note I.2 to the accompanying non-consolidated financial statements with respect to the year ended March 31, 2016.

Consolidated Financial Statements

Consolidated Balance Sheets

Fukoku Mutual Life Insurance Company and consolidated subsidiaries
As of March 31, 2015 and 2016

	As of March 31,		
	2015	2016	2016
	Millions of yen		Millions of U.S. dollars
Assets:			
Cash and deposits	¥ 154,319	¥ 172,049	\$ 1,528
Call loans	186,500	200,000	1,776
Monetary claims bought	870	813	7
Money held in trust	34,319	87,793	779
Securities	6,881,578	6,859,234	60,938
Loans	767,293	697,056	6,192
Tangible fixed assets:			
Land.....	132,261	125,310	1,113
Buildings.....	91,048	86,217	765
Lease assets.....	954	2,324	20
Construction in progress	630	1,590	14
Other tangible fixed assets.....	3,025	3,531	31
	227,919	218,974	1,945
Intangible fixed assets:			
Software	11,613	11,259	100
Goodwill.....	2,328	1,564	13
Lease assets.....	1,102	658	5
Other intangible fixed assets.....	279	7,457	66
	15,323	20,941	186
Agency receivables.....	4	2	0
Reinsurance receivables	107	144	1
Other assets	59,659	75,308	669
Deferred tax assets	640	137	1
Allowance for possible loan losses	(1,948)	(1,851)	(16)
Total assets	¥8,326,588	¥8,330,606	\$74,010

Notes: From the year ended March 31, 2016, "Minority interests" is presented as "Non-controlling interests."

As of March 31,

	2015	2016	2016
	Millions of yen		Millions of U.S. dollars
Liabilities:			
Policy reserves:			
Reserve for outstanding claims	¥ 23,501	¥ 23,003	\$ 204
Policy reserve	7,160,599	7,287,604	64,744
Reserve for dividends to policyholders	49,311	50,368	447
Reserve for dividends to policyholders (subsidiary)	707	650	5
	7,234,120	7,361,627	65,401
Agency payables	377	480	4
Reinsurance payables	125	146	1
Subordinated bonds	118,959	141,935	1,260
Other liabilities	59,240	45,940	408
Net defined benefit liabilities	50,691	40,649	361
Reserve for price fluctuation of securities	55,177	77,289	686
Deferred tax liabilities	84,524	30,837	273
Deferred tax liabilities for revaluation reserve for land	14,787	14,274	126
Total liabilities	7,618,005	7,713,180	68,525
Net assets:			
Foundation funds	30,000	30,000	266
Accumulated foundation funds redeemed	86,000	86,000	764
Reserve for revaluation	112	112	0
Consolidated surplus	145,942	151,251	1,343
Total foundation funds, surplus and others	262,054	267,363	2,375
Net unrealized gains (losses) on available-for-sale securities, net of tax	440,109	349,884	3,108
Deferred valuation gains (losses) under hedge accounting, net of tax	0	—	—
Revaluation reserve for land, net of tax	3,894	4,128	36
Foreign currency translation adjustment	(52)	(115)	(1)
Accumulated remeasurements of defined benefit plans	(3,000)	(10,414)	(92)
Total accumulated other comprehensive income	440,951	343,482	3,051
Non-controlling interests	5,576	6,578	58
Total net assets	708,582	617,425	5,485
Total liabilities and net assets	¥8,326,588	¥8,330,606	\$74,010

Notes: From the year ended March 31, 2016, "Minority interests" is presented as "Non-controlling interests."

Consolidated Statements of Operations

Fukoku Mutual Life Insurance Company and consolidated subsidiaries
For the years ended March 31, 2015 and 2016

	Years ended March 31,		
	2015	2016	2016
	Millions of yen		Millions of U.S. dollars
Ordinary revenues:			
Premium and other income	¥ 796,458	¥ 788,854	\$7,008
Investment income:			
Interest, dividends and other income	159,905	160,709	1,427
Gains from money held in trust, net	2,349	11,332	100
Gains from trading securities, net	35,232	—	—
Gains on sales of securities	27,310	38,438	341
Foreign exchange gains, net	2,041	—	—
Reversal of allowance for possible loan losses	270	77	0
Other investment income	59	350	3
Gains from separate accounts, net	11,869	—	—
	239,037	210,908	1,873
Other ordinary revenues	11,728	10,715	95
Total ordinary revenues	1,047,224	1,010,478	8,977
Ordinary expenses:			
Claims and other payments:			
Claims	116,788	130,954	1,163
Annuities	156,377	204,136	1,813
Benefits	128,295	130,191	1,156
Surrenders	116,806	155,996	1,385
Other payments	28,694	31,884	283
	546,964	653,164	5,802
Provision for policy reserve and others:			
Provision for policy reserve	242,170	127,004	1,128
Interest on accumulated dividends to policyholders	54	47	0
Interest on accumulated dividends to policyholders (subsidiary).....	0	0	0
	242,225	127,052	1,128
Investment expenses:			
Interest expenses	4,267	4,324	38
Losses on trading securities, net.....	—	12,422	110
Losses on sales of securities	1,075	5,820	51
Losses on valuation of securities	0	—	—
Losses from derivative instruments, net	18,679	3,549	31
Foreign exchange losses, net	—	8,603	76
Depreciation of real estate for rent and other assets	4,877	4,482	39
Other investment expenses	5,673	5,038	44
Losses on separate accounts, net	—	2,354	20
	34,572	46,596	413
Operating expenses	97,209	98,078	871
Other ordinary expenses	24,646	22,435	199
Total ordinary expenses	945,618	947,327	8,416
Ordinary profits	¥ 101,606	¥ 63,151	\$ 561

	Years ended March 31,		
	2015	2016	2016
	Millions of yen		Millions of U.S. dollars
Extraordinary gains:			
Gains on disposal of fixed assets	¥ 6	¥ 1,503	\$ 13
Gain on contribution of securities to retirement benefit trust	—	7,913	70
State subsidy and others	—	140	1
Total extraordinary gains	6	9,557	84
Extraordinary losses:			
Losses on disposal of fixed assets	167	283	2
Impairment losses	698	242	2
Provision of reserve for price fluctuation of securities	4,851	22,111	196
Total extraordinary losses	5,718	22,637	201
Provision for reserve for dividends to policyholders (subsidiary)	483	422	3
Surplus before income taxes	95,411	49,647	441
Income taxes:			
Current	28,933	15,619	138
Deferred	(3,318)	(8,336)	(74)
Total income taxes	25,614	7,282	64
Net surplus	69,796	42,364	376
Net surplus attributable to non-controlling interests	163	240	2
Net surplus attributable to the parent company	¥69,633	¥42,124	\$374

Notes: From the year ended March 31, 2016, "Net surplus before minority interests," "Minority interests" and "Net surplus" are presented as "Net surplus," "Net surplus attributable to non-controlling interests" and "Net surplus attributable to the parent company," respectively.

Consolidated Statements of Comprehensive Income

Fukoku Mutual Life Insurance Company and consolidated subsidiaries
For the years ended March 31, 2015 and 2016

	Years ended March 31,		
	2015	2016	2016
	Millions of yen		Millions of U.S. dollars
Net surplus	¥ 69,796	¥ 42,364	\$ 376
Other comprehensive income:			
Net unrealized gains (losses) on available-for-sale securities, net of tax	177,308	(89,444)	(794)
Deferred valuation gains (losses) under hedge accounting, net of tax	(2)	(0)	(0)
Revaluation reserve for land, net of tax	989	433	3
Foreign currency translation adjustments	208	(62)	(0)
Remeasurements of defined benefit plans, net of tax	918	(7,414)	(65)
	179,422	(96,487)	(857)
Comprehensive income:			
Comprehensive income attributable to the parent company	248,696	(55,144)	(489)
Comprehensive income attributable to non-controlling interests	522	1,021	9
	¥249,218	¥(54,123)	\$ (480)

Notes: From the year ended March 31, 2016, "Net surplus before minority interests," and "Comprehensive income attributable to minority interests" are presented as "Net surplus," and "Comprehensive income attributable to non-controlling interests," respectively.

Consolidated Statements of Cash Flows

Fukoku Mutual Life Insurance Company and consolidated subsidiaries
For the years ended March 31, 2015 and 2016

	Years ended March 31,		
	2015	2016	2016
	Millions of yen		Millions of U.S. dollars
Cash flows from operating activities:			
Surplus before income taxes	¥ 95,411	¥ 49,647	\$ 441
Depreciation of real estate for rent and other assets	4,877	4,482	39
Depreciation	7,323	7,425	65
Impairment losses	698	242	2
Amortization of goodwill	763	763	6
(Gains) Losses on contribution of securities to retirement benefit trust	—	(7,913)	(70)
Increase (decrease) in reserve for outstanding claims	(1,669)	(498)	(4)
Increase (decrease) in policy reserve	242,170	127,004	1,128
Interest on accumulated dividends to policyholders	54	47	0
Interest on accumulated dividends to policyholders (subsidiary)	0	0	0
Provision for reserve for dividends to policyholders (subsidiary)	483	422	3
Increase (decrease) in allowance for possible loan losses	(333)	(96)	(0)
Increase (decrease) in net defined benefit liabilities	(1,467)	(1,623)	(14)
Increase (decrease) in reserve for price fluctuation of securities	4,851	22,111	196
Interest, dividends and other income	(159,905)	(160,709)	(1,427)
(Gains) losses on securities	(57,006)	(25,624)	(227)
Interest expenses	4,267	4,324	38
Foreign exchange (gains) losses, net	(2,041)	8,602	76
(Gains) losses on tangible fixed assets, net	144	(1,231)	(10)
(Increase) decrease in agency receivables	(3)	1	0
(Increase) decrease in reinsurance receivables	(12)	(37)	(0)
(Increase) decrease in other assets except from investing and financing activities	(2,196)	(1,037)	(9)
Increase (decrease) in agency payables	37	103	0
Increase (decrease) in reinsurance payables	12	21	0
Increase (decrease) in other liabilities except from investing and financing activities	(76)	1,626	14
Others	15,712	15,518	137
Subtotal	152,096	43,574	387
Interest, dividends and other income received	171,494	172,162	1,529
Interest paid	(4,308)	(4,943)	(43)
Dividends to policyholders paid	(33,346)	(35,688)	(317)
Dividends to policyholders paid (subsidiary)	(511)	(479)	(4)
Corporate income tax (paid) refunded	(25,145)	(31,682)	(281)
Net cash provided by (used in) operating activities (a)	260,278	142,943	1,269
Cash flows from investing activities:			
(Increase) decrease in deposits	(146)	(73)	(0)
Proceeds from sales and redemption of monetary claims bought	141	57	0
Payments for purchase of securities	(673,696)	(1,050,013)	(9,328)
Proceeds from sales and redemption of securities	550,835	821,187	7,295
Payments for additions to loans	(58,621)	(71,613)	(636)
Proceeds from collections of loans	121,587	132,491	1,177
Proceeds from and payments for settlement of derivatives, net	(81,890)	45,173	401
Others	(4,636)	(4,093)	(36)
Subtotal (b)	(146,427)	(126,884)	(1,127)
(a+b)	¥ 113,851	¥ 16,059	\$ 142

Years ended March 31,

	2015	2016	2016
	Millions of yen		Millions of U.S. dollars
Payments for purchase of tangible fixed assets	¥ (3,357)	¥ (7,838)	\$ (69)
Proceeds from sales of tangible fixed assets	147	11,410	101
Payments for purchase of intangible fixed assets.....	(3,343)	(8,925)	(79)
Net cash provided by (used in) investing activities	(152,980)	(132,237)	(1,174)
Cash flows from financing activities:			
Financing of subordinated bonds	—	62,065	551
Redemption of subordinated bonds	—	(40,326)	(358)
Financing of additional foundation funds	10,000	—	—
Redemption of foundation funds	(15,000)	—	—
Interest payment for foundation funds	(621)	(316)	(2)
Dividends paid to non-controlling interests	(12)	(19)	(0)
Payments for lease obligations.....	(740)	(520)	(4)
Net cash provided by (used in) financing activities	(6,374)	20,883	185
Effect of exchange rate changes on cash and cash equivalents	(50)	(377)	(3)
Net increase (decrease) in cash and cash equivalents	100,872	31,212	277
Cash and cash equivalents at the beginning of the year	238,373	339,246	3,013
Cash and cash equivalents at the end of the year	¥ 339,246	¥ 370,458	\$ 3,291

Notes: From the year ended March 31, 2016, "Dividends paid to minority interests" is presented as "Dividends paid to non-controlling interests."

Consolidated Statements of Changes in Net Assets

Fukoku Mutual Life Insurance Company and consolidated subsidiaries
For the years ended March 31, 2015 and 2016

	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
Year ended March 31, 2015					
Balance at the beginning of the current period	¥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 period					
Financing 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 attributable to the parent company for the current period				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, net of tax.....				239	239
Net changes, excluding foundation funds, surplus and others					
Total changes in the current period	(5,000)	15,000	—	22,655	32,655
Balance at the end of the current period	¥30,000	¥86,000	¥112	¥145,942	¥262,054

	Millions of yen							
	Accumulated other comprehensive income							
	Net unrealized gains (losses) on available-for-sale securities, net of tax	Deferred valuation gains (losses) under hedge accounting, net of tax	Revaluation reserve for land, net of tax	Foreign currency translation adjustments	Accumulated remeasurements of defined benefit plans	Total accumulated other comprehensive income	Non-controlling interests	Total net assets
Year ended March 31, 2015								
Balance at the beginning of the current period.....	¥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 period								
Financing 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 attributable to the parent company for the current period.....								69,633
Redemption of foundation funds.....								(15,000)
Reversal of reserve for redemption of foundation funds.....								(15,000)
Reversal of revaluation reserve for land, net of tax.....								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 period	176,948	(2)	750	208	918	178,823	510	211,988
Balance at the end of the current period...	¥440,109	¥0	¥3,894	¥ (52)	¥(3,000)	¥440,951	¥5,576	¥708,582

Millions of yen					
Foundation funds, surplus and others					
Year ended March 31, 2016	Foundation funds	Accumulated foundation funds redeemed	Reserve for revaluation	Consolidated surplus	Total foundation funds, surplus and others
Balance at the beginning of the current period	¥30,000	¥86,000	¥112	¥145,942	¥262,054
Changes in the current period					
Additions to reserve for dividends to policyholders.....				(36,698)	(36,698)
Payment of interest on foundation funds.....				(316)	(316)
Net surplus attributable to the parent company for the current period				42,124	42,124
Reversal of revaluation reserve for land, net of tax				199	199
Net changes, excluding foundation funds, surplus and others					
Total changes in the current period	—	—	—	5,309	5,309
Balance at the end of the current period	¥30,000	¥86,000	¥112	¥151,251	¥267,363

Millions of yen								
Accumulated other comprehensive income								
Year ended March 31, 2016	Net unrealized gains (losses) on available-for-sale securities, net of tax	Deferred valuation gains (losses) under hedge accounting, net of tax	Revaluation reserve for land, net of tax	Foreign currency translation adjustments	Accumulated remeasurements of defined benefit plans	Total accumulated other comprehensive income	Non-controlling interests	Total net assets
Balance at the beginning of the current period	¥440,109	¥0	¥3,894	¥ (52)	¥(3,000)	¥440,951	¥5,576	¥708,582
Changes in the current period								
Additions to reserve for dividends to policyholders.....								(36,698)
Payment of interest on foundation funds								(316)
Net surplus attributable to the parent company for the current period								42,124
Reversal of revaluation reserve for land, net of tax.....								199
Net changes, excluding foundation funds, surplus and others.....	(90,225)	(0)	234	(62)	(7,414)	(97,468)	1,002	(96,466)
Total changes in the current period	(90,225)	(0)	234	(62)	(7,414)	(97,468)	1,002	(91,157)
Balance at the end of the current period .	¥349,884	¥ —	¥4,128	¥ (115)	¥ (10,414)	¥343,482	¥6,578	¥617,425

Notes: From the year ended March 31, 2016, “Net surplus,” and “Minority interests” are presented as “Net surplus attributable to the parent company,” and “Non-controlling interests,” respectively.

Millions of U.S. dollars

	Foundation funds, surplus and others				
Year ended March 31, 2016	Foundation funds	Accumulated foundation funds redeemed	Reserve for revaluation	Consolidated surplus	Total foundation funds, surplus and others
Balance at the beginning of the current period	\$266	\$764	\$0	\$1,296	\$2,328
Changes in the current period					
Additions to reserve for dividends to policyholders.....				(326)	(326)
Payment of interest on foundation funds				(2)	(2)
Net surplus attributable to the parent company for the current period				374	374
Reversal of revaluation reserve for land, net of tax.....				1	1
Net changes, excluding foundation funds, surplus and others					
Total changes in the current period	—	—	—	47	47
Balance at the end of the current period	\$266	\$764	\$0	\$1,343	\$2,375

Millions of U.S. dollars

	Accumulated other comprehensive income							
Year ended March 31, 2016	Net unrealized gains (losses) on available-for-sale securities, net of tax	Deferred valuation gains (losses) under hedge accounting, net of tax	Revaluation reserve for land, net of tax	Foreign currency translation adjustments	Accumulated remeasurements of defined benefit plans	Total accumulated other comprehensive income	Non-controlling interests	Total net assets
Balance at the beginning of the current period	\$3,910	\$0	\$ 34	\$(0)	\$(26)	\$3,917	\$49	\$6,295
Changes in the current period								
Additions to reserve for dividends to policyholders.....								(326)
Payment of interest on foundation funds								(2)
Net surplus attributable to the parent company for the current period.....								374
Reversal of revaluation reserve for land, net of tax.....								1
Net changes, excluding foundation funds, surplus and others.....	(801)	(0)	2	(0)	(65)	(865)	8	(857)
Total changes in the current period	(801)	(0)	2	(0)	(65)	(865)	8	(809)
Balance at the end of the current period .	\$3,108	\$ —	\$ 36	\$(1)	\$ (92)	\$3,051	\$58	\$5,485

Notes: From the year ended March 31, 2016, "Net surplus," and "Minority interests" are presented as "Net surplus attributable to the parent company," and "Non-controlling interests," respectively.

Notes to the Consolidated Financial Statements

I. Presentation of the Consolidated Financial Statements

1. Basis of Presentation

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

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

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

2. U.S. Dollar Amounts

The translations of yen amounts into U.S. dollar amounts are included solely for the convenience of the reader and have been made, as a matter of arithmetical computation only, at the rate of ¥112.56 = US\$1.00, the effective rate of exchange at the balance sheet date of March 31, 2016. The translations should not be construed as representations that such yen amounts have been or could in the future be, converted into U.S. dollars at that or any other rates.

3. Principles of Consolidation

(1) Scope of Consolidation

Consolidated subsidiaries as of March 31, 2015 and 2016 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.

Major unconsolidated subsidiary is Fukoku Seimei Building Company Limited.

Eight 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 period and surplus. And they are sufficiently insignificant to reasonable judgement on their 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 attributable to the parent company and consolidated surplus, and also immaterial as a whole, therefore, application of equity method is not applied.

There are no affiliates for the year ended March 31, 2015 and 2016.

(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.

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 balance sheet date. 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, except for investments in unconsolidated subsidiaries and affiliates are translated into Japanese yen at the effective exchange rate prevailing at the balance sheet date. Investments in unconsolidated 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 is 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 values or the amounts collectible through the executions of guarantees are written-off directly from the borrowers' balances as the estimated uncollectible amounts. The amount written-off as of March 31, 2015 and 2016 were ¥247 million and ¥247 million (US\$2 million), respectively.

(7) Accounting of Employees' Retirement Benefits

Net defined benefit liabilities are presented 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 gains and losses ... 10 years
- Amortization period of prior service cost 10 years

In the fiscal period, the Company contributed a portion of its securities to establish a trust account for retirement benefits amounting to ¥18,666 million (US\$165 million) and recognized a gain on contribution of securities to retirement benefit trust amounting to ¥7,913 million (US\$70 million) as an extraordinary gain.

(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 Lessor

As for the finance lease transactions where the Company is a lessor, the lease fee is recorded in "Interest, dividends and other income" at the time of receiving the 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.

(10) Accounting for Hedge Activities

Hedge accounting is based on "Accounting Standards for Financial Instruments" (ASBJ Statement No. 10, August 11, 2006). The Company applies foreign currency swaps mainly as a hedge against the risk of foreign exchange fluctuation in relation to foreign currency-denominated bonds, a market price hedge as hedge against the risk of price fluctuation in relation to domestic stocks, a deferred hedge as hedge against the risk of interest rate fluctuation in relation to loans extended by the Company, and a hedge against the risk foreign exchange fluctuation in relation to 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.

(11) 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.

(12) 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:

- i) 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.
- ii) In regard to the policies not subject to the standard policy reserve, the net level premium method is applied.

Based on the provision of Article 69, paragraph 5, of the Enforcement Regulation of the Insurance Business Law, the Company includes additional funded policy reserves as follows.

At the end of the fiscal year ended March 31, 2013, among individual annuity insurance policies with an assumed interest rate of 5.00% or higher, policies that have an annuity commencement date on or prior to March 31, 2013 (excluding wife's annuity insurance additional rider), the Company reduced the assumed interest rate to 1.00% and funded additional policy reserves. Furthermore, for certain hospitalization riders with surgery benefits and long-term hospitalization benefits, the Company funded additional policy reserves. At the end of the fiscal year ended March 31, 2016, the balance of these policy reserves was ¥47,438 million (US\$421 million).

At the end of the fiscal year ended March 31, 2016, among individual annuity insurance policies with an assumed interest rate of 5.00% or higher, policies that have an annuity commencement date from April 1, 2013, through March 31, 2017 (excluding wife's annuity insurance additional rider), the Company reduced the assumed interest rate of policy reserve to 1.00% and funded additional policy reserves. Furthermore, for certain whole life insurance policies that include distribution of surplus every five years the Company funded additional policy reserves. At the end of the fiscal year ended March 31, 2016, the balance of these policy reserves was ¥33,100 million (US\$294 million). As a result, compared with a situation in which the Company did not carry out this additional funding, provisions to policy reserves increased by ¥33,100 million (US\$294 million), and ordinary profits and surplus before income taxes both decreased by ¥33,100 million (US\$294 million).

(13) 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.

(14) Policy-reserve-matching Bonds

Of the bonds corresponding to the sub-groups of individual insurance and annuities which are set by insurance types and investment policies, the bonds that are held to match the duration of liabilities are classified as policy-reserve-matching bonds in accordance with “Temporary Treatment of Accounting and Auditing Concerning Policy-reserve-matching Bonds in Insurance Industry” (Industry Audit Committee Report No. 21 issued by the Japanese Institute of Certified Public Accountants on November 16, 2000).

2. Accounting Changes and Corrections of Past Errors

From April 1, 2015, the Company applied the “Revised Accounting Standard for Business Combinations” (ASBJ Statement No. 21, September 13, 2013), “Revised Accounting Standard for Consolidated Financial Statements” (ASBJ Statement No. 22, September 13, 2013), “Revised Accounting Standard for Business Divestitures” (ASBJ Statement No. 7, September 13, 2013), and related guidance. As a result, the changes in the Company’s ownership interest in a subsidiary is accounted for as consolidated surplus, as long as the Company retains control over the subsidiary, and the acquisition-related costs are accounted for as expenses in the period when the costs are incurred. With regard to business combinations executed on or after April 1, 2015, the Company has changed the accounting method to reflect adjustments to the allocation of acquisition cost under provisional accounting treatment on the consolidated financial statements of the period in which the relevant business combinations became or will become effective. In addition, the Company has changed the presentation of interim net surplus and the presentation of minority interests has been changed to non-controlling interests.

In the Consolidated Statements of Cash Flows for the year ended March 31, 2016, with regard to cash flows relating to the acquisition and sale of stocks of subsidiaries and affiliates that do not affect the scope of consolidation, these are classified within cash flows from financing activities. With regard to cash flows relating to acquisition-related expenses of subsidiaries and affiliates for which a change in the scope of consolidation occurs, or expenses stemming from the acquisition or sale of stocks of subsidiaries and affiliates that do not affect the scope of consolidation, the Company has changed the presentation of such expenses to be classified within cash flows from operating activities.

The Company has applied these revised accounting standards prospectively in accordance with transitional provisions in paragraph 58-2 (4) of the Accounting Standard for Business Combinations, paragraph 44-5 (4) of the Accounting Standard for Consolidated Financial Statements and paragraph 57-4 (4) of the Accounting Standard for Business Divestitures.

These accounting changes have no impact on ordinary profits or surplus before income taxes for the year ended March 31, 2016. These accounting changes have no impact on consolidated surplus as of March 31, 2016.

3. Principal Accounting Standards Published before March 31, 2016 but not Applied

In accordance with the issuance of “Implementation Guidance on Recoverability of Deferred Tax Assets” (ASBJ Guidance No. 26,

March 28, 2016), the method of accounting treatment relating to the recoverability of deferred tax assets has been revised.

Compulsory application of this revised guidance is from fiscal years beginning on or after April 1, 2016. The Company plans to apply this standard from the beginning of the fiscal year ending March 31, 2017.

The Company is currently evaluating the impact of the application of this guidance in the initial fiscal year of its application.

4. 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 and liabilities. 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 and 2016, were as follows:

- (1) Cash, deposits (excluding financial instruments treated as securities based on “Accounting Standards for Financial Instruments” (ASBJ Statement No.10)) and call loans:
The fair values of cash, deposits and call loans are based on their book values since fair values approximate book values due to their short maturities.
- (2) Securities including deposits and monetary claims bought which are treated as securities based on “Accounting Standards for Financial Instruments” (ASBJ Statement No.10) and securities managed as trust assets in money held in trust:
The fair values of marketable securities are measured at the quoted market prices at the balance sheet date. The fair values of other securities without the quoted market prices

As of March 31,			
2015			
Millions of yen			
	Carrying amount	Fair value	Difference
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	¥ —

As of March 31,						
2016			2016			
Millions of yen			Millions of U.S. dollars			
	Carrying amount	Fair value	Difference	Carrying amount	Fair value	Difference
Cash and deposits:						
Cash and deposits not treated as securities	¥ 170,272	¥ 170,272	¥ —	\$ 1,512	\$ 1,512	\$ —
Total cash and deposits	170,272	170,272	—	1,512	1,512	—
Call loans	200,000	200,000	—	1,776	1,776	—
Monetary claims bought:						
Claims treated as loans	813	881	67	7	7	0
Total monetary claims bought	813	881	67	7	7	0
Money held in trust:						
Trading securities	86,793	86,793	—	771	771	—
Total money held in trust	86,793	86,793	—	771	771	—
Securities:						
Trading securities	233,015	233,015	—	2,070	2,070	—
Held-to-maturity debt securities	1,237,993	1,521,976	283,983	10,998	13,521	2,522
Policy-reserve-matching bonds	2,105,736	2,419,734	313,998	18,707	21,497	2,789
Investments in subsidiaries and affiliates	40	41	1	0	0	0
Available-for-sale securities	3,193,386	3,193,386	—	28,370	28,370	—
Total securities	6,770,172	7,368,155	597,982	60,147	65,459	5,312
Loans:						
Policy loans	64,813	64,813	(0)	575	575	(0)
Ordinary loans	632,242	664,774	32,531	5,616	5,905	289
Total loans	697,056	729,587	32,531	6,192	6,481	289
Assets total	7,925,108	8,555,690	630,581	70,407	76,010	5,602
Subordinated bonds*1	141,935	148,943	7,008	1,260	1,323	62
Liabilities total	141,935	148,943	7,008	1,260	1,323	62
Derivative instruments*2:						
Hedge accounting not applied	(1,982)	(1,982)	—	(17)	(17)	—
Hedge accounting applied	18,823	18,823	—	167	167	—
Total derivative instruments	¥ 16,841	¥ 16,841	¥ —	\$ 149	\$ 149	\$ —

*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.

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 and ¥519 million (US\$4 million), ¥6,127 million (US\$54 million) and ¥8,371 million (US\$74 million) as of March 31, 2016, respectively.

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

The fair values of policy loans are deemed to approximate book values, considering estimated repayment period and interest rate conditions since their repayment deadlines have not been set up due to the characteristics that the loans are 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 values.

(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 forward contracts, 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 and ¥168,709 million (US\$1,498 million) and ¥275,299 million (US\$2,445 million) as of March 31, 2016, 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 were ¥1,090 million and ¥1,117 million (US\$9 million) as of March 31, 2015 and 2016, respectively.

6. Securities Lent under Lending Agreements

The amounts of securities lent under lending agreements were ¥50,418 million and ¥18,189 million (US\$161 million) as of

March 31, 2015 and 2016, respectively.

7. Loans Receivable

The total amount of credits to bankrupt borrowers, delinquent loans, delinquent loans past 3 months or more and restructured loans, which were included in loans, were ¥1,414 million and ¥997 million (US\$8 million) as of March 31, 2015 and 2016, respectively.

- i) The balance of credits to bankrupt borrowers was ¥199 million and ¥223 million (US\$1 million) as of March 31, 2015 and 2016, respectively.
- ii) The balances of delinquent loans were ¥844 million and ¥773 million (US\$6 million) as of March 31, 2015 and 2016, respectively.
- iii) There were no balances of delinquent loans past 3 months or more as of March 31, 2015 and 2016.
- iv) The balances of restructured loans were ¥370 million and no balances as of March 31, 2015 and 2016, respectively.

The direct write-offs related to loans decreased the credits to bankrupt borrowers described above by ¥247 million and ¥247 million (US\$2 million) as of March 31, 2015 and 2016, respectively.

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, accrued 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 which accrued 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 payments or repayments 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 which certain concessions favorable to borrowers, such as interest reduction or exemption, rescheduling of due date of principal or interest payment, waiver of claim or other terms, have been negotiated for the purpose of assisting and supporting the borrowers in the restructuring of their business. This category excludes loans classified as credits to bankrupt borrowers, delinquent loans and delinquent loans past 3 months or more.

8. Accumulated Depreciation of Tangible Fixed Assets

Accumulated depreciation of tangible fixed assets totaled to ¥150,284 million and ¥153,103 million (US\$1,360 million) as of March 31, 2015 and 2016, respectively.

9. Separate Accounts

Total assets in separate accounts provided for in Article 118 of the Insurance Business Law were ¥83,004 million and ¥79,065

million (US\$702 million) as of March 31, 2015 and 2016, respectively. 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 and ¥2,347 million (US\$20 million) and ¥171 million (US\$1 million) as of March 31, 2016, 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.

Deferred tax assets and deferred tax liabilities as of March 31, 2016 were ¥116,641 million (US\$1,036 million) and ¥144,360 million (US\$1,282 million), respectively. Valuation allowance for deferred tax assets was ¥2,981 million (US\$26 million).

Major components of deferred tax assets were ¥69,933 million (US\$621 million) of policy reserves, ¥21,641 million

(US\$192 million) of reserve for price fluctuation of securities and ¥16,610 million (US\$147 million) of net defined benefit liabilities as of March 31, 2016.

Major component of deferred tax liabilities was ¥136,763 million (US\$1,215 million) of net unrealized gains on available-for-sale securities as of March 31, 2016.

The statutory tax rate and the actual effective tax rate for the year ended March 31, 2016 were 28.9% and 14.7%, respectively. The difference between the statutory tax rate and the actual effective tax rate was attributable mainly to -20.5% of reserve for dividends to the policyholders and +6.1% of the tax rate adjustment of deferred tax assets at the end of period.

Accompanying the enactment of the Act on Partial Amendment to the Income Tax Act, etc. (Act No. 15, 2016) by the National Diet on March 29, 2016, the effective statutory tax rate of 28.9%, which was used for calculating deferred tax assets and deferred tax liabilities, has been revised to 28.2% for items expected to be collected or paid during the period from April 1, 2016, to March 31, 2018. For items expected to be collected or paid on or later than April 1, 2018, the rate has been revised to 28.0%.

Based of these changes, deferred tax assets decreased ¥8 million (US\$78 thousand), deferred tax liabilities decreased by ¥1,134 million (US\$10 million), and deferred tax liabilities for revaluation reserve for land decreased by ¥433 million (US\$3 million). Income taxes-deferred increased by ¥3,025 million (US\$26 million).

12. Reserve for Dividends to Policyholders

Changes in reserve for dividends to policyholders were as follows:

	Years ended March 31,		
	2015	2016	2016
	Millions of yen		Millions of U.S. dollars
Balance at the beginning of the current period	¥ 51,007	¥ 49,311	\$ 438
Transfer from surplus in previous period	31,595	36,698	326
Dividends paid in the current period	(33,346)	(35,688)	(317)
Increase in interest	54	47	0
Balance at the end of the current period	¥ 49,311	¥ 50,368	\$ 447

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

Changes in reserve for dividends to policyholders were as follows:

	Years ended March 31,		
	2015	2016	2016
	Millions of yen		Millions of U.S. dollars
Balance at the beginning of the current period	¥ 735	¥ 707	\$ 6
Dividends paid in the current period	(511)	(479)	(4)
Increase in interest	0	0	0
Provision for reserve for dividends to policyholders	483	422	3
Balance at the end of the current period	¥ 707	¥ 650	\$ 5

14. Stocks of Unconsolidated Subsidiaries

The amounts of stocks of unconsolidated subsidiaries were ¥560 million and ¥560 million (US\$4 million) as of March 31, 2015 and 2016, respectively.

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.

Assets pledged as collateral as of March 31, 2016 were ¥26,284 million (US\$233 million) of securities and ¥1,279 million (US\$11 million) of bank deposits. Secured debts as of March 31, 2016 were ¥4,906 million (US\$43 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") were ¥50 million and ¥15 million (US\$135 thousand) as of March 31, 2015 and 2016, respectively.

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") were ¥51 million and ¥51 million (US\$461 thousand) as of March 31, 2015 and 2016, respectively.

17. Commitment Line

As of March 31, 2015 and 2016, there were unused commitment line agreements under which the Company is the lender of ¥2,372 million and ¥2,172 million (US\$19 million), respectively.

18. Subordinated Bonds

Repayments of subordinated bonds are subordinated to other obligations.

19. Contribution to Policyholders Protection Corporation

The future contribution to the Life Insurance Policyholders Protection Corporation of Japan under Article 259 of the Insurance Business Law were estimated at ¥12,395 and ¥12,450 million (US\$110 million) as of March 31, 2015 and 2016, respectively. The contribution was charged as operating expenses in the year in which it was paid.

20. Matters Related to Employees' Retirement Benefits

(1) Overview of Employees' Retirement Benefit Plan

As for 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 payments. As for a defined contribution plan for these employees, the Company also has a defined contribution pension plan.

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

The Company places a retirement benefit trust in relation to the retirement lump-sum grant plan for sales employees.

(2) Defined Benefit Plan

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

	As of March 31,		
	2015	2016	2016
	Millions of yen		Millions of U.S. dollars
Retirement benefit obligation at the beginning of the current period	¥71,685	¥ 76,806	\$682
Cumulative effects of changes in accounting policies.....	4,763	—	—
Balance at the beginning of the current period after reflecting changes in accounting policies	76,448	—	—
Service cost	3,106	3,088	27
Interest cost.....	1,068	1,073	9
Actuarial differences occurred during the period.....	788	9,106	80
Retirement benefit payments.....	(4,605)	(4,787)	(42)
Retirement benefit obligation at the end of the current period	¥76,806	¥ 85,285	\$757

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

	As of March 31,		
	2015	2016	2016
	Millions of yen		Millions of U.S. dollars
Pension plan assets at the beginning of the current period	¥22,844	¥ 26,114	\$232
Expected return on pension plan assets	685	783	6
Actuarial differences occurred during the period.....	1,530	(1,987)	(17)
Contributions by the employer	2,339	2,380	21
Retirement benefit payments.....	(1,285)	(1,322)	(11)
Contribution amount on establishment of retirement benefit trust.....	—	18,666	165
Pension plan assets at the end of the current period	¥26,114	¥ 44,636	\$396

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

	As of March 31,		
	2015	2016	2016
	Millions of yen		Millions of U.S. dollars
a. Funded plan retirement benefit obligation.....	¥ 32,625	¥ 73,675	\$ 654
b. Pension plan assets.....	(26,114)	(44,636)	(396)
c. (a+b)	6,510	29,039	257
d. Unfunded plan retirement benefit obligation.....	44,181	11,610	103
e. Net amount of liabilities and assets presented on the consolidated balance sheet.....	50,691	40,649	361
f. Net defined benefit liabilities.....	50,691	40,649	361
g. Net defined benefit assets.....	—	—	—
h. Net amount of liabilities and assets presented on the consolidated balance sheet.....	¥ 50,691	¥ 40,649	\$ 361

iv) Breakdown of retirement benefit gains and losses

	As of March 31,		
	2015	2016	2016
	Millions of yen		Millions of U.S. dollars
Service cost.....	¥3,106	¥3,088	\$27
Interest cost	1,068	1,073	9
Expected return on pension plan assets	(685)	(783)	(6)
Amortization of actuarial differences	778	921	8
Amortization of prior service cost.....	(76)	(76)	(0)
Retirement benefit expenses related to defined benefit plan.....	¥4,192	¥4,223	\$37

v) Remeasurements of defined benefit plan

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

	As of March 31,		
	2015	2016	2016
	Millions of yen		Millions of U.S. dollars
Amortization of actuarial differences	¥1,520	¥(10,172)	\$(90)
Amortization of prior service cost.....	(76)	(76)	(0)
Total	¥1,444	¥(10,248)	\$(91)

vi) Accumulated remeasurements of defined benefit plan

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

	As of March 31,		
	2015	2016	2016
	Millions of yen		Millions of U.S. dollars
Unrecognized actuarial differences	¥(4,692)	¥(14,864)	\$(132)
Unrecognized prior service cost	475	399	3
Total	¥(4,217)	¥(14,465)	\$(128)

vii) Breakdown of pension plan assets

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

	As of March 31,	
	2015	2016
Domestic stocks	18.3%	48.5%
Life insurance general account.....	49.1%	33.7%
Domestic bonds	13.5%	7.7%
Foreign stocks	13.1%	6.7%
Foreign bonds.....	5.3%	2.9%
Others.....	0.6%	0.6%
Total.....	100.0%	100.0%

Within the total of pension assets as of March 31, 2016, 39.8% of this amount is accounted for by the retirement benefit trust established in relation to the retirement lump-sum payments plan for sales employees.

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 a variety of assets that makes up the pension assets.

ix) Underlying actuarial assumptions

Main underlying actuarial assumptions were as follows:

	As of March 31,	
	2015	2016
Discount rate	1.4%	0.6%
Expected long-term rate of return on pension plan assets		
Defined benefit plan.....	3.0%	3.0%
Retirement benefit trust	—	0.0%

(3) Defined Contribution Plan

The required contribution amount by the Company and its subsidiaries to the defined contribution plan were ¥267 million and ¥279 million (US\$2 million) as of March 2015 and 2016, respectively.

III. Notes to Statements of Operations

1. Transactions with Unconsolidated Subsidiaries

The total amounts of revenues and expenses in connection with unconsolidated subsidiaries were ¥112 million and ¥2,962 million for the year ended March 31, 2015 and ¥430 million (US\$3 million) and ¥2,879 million (US\$25 million) for the year ended March 31, 2016, respectively.

2. Policy Reserves for the Reinsurance Contracts

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

For the year ended March 31, 2016, reversal of reserve for outstanding claims for ceded reinsurance considered in calculation of reversal of reserve for outstanding claims was ¥35 million (US\$311 thousand) and provision of policy reserve for ceded reinsurance considered in calculation of provision for policy reserve was ¥0 million (US\$0 thousand).

IV. Notes to Statement of Comprehensive Income

1. Other Comprehensive Income

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

	Years ended March 31,		
	2015	2016	2016
	Millions of yen		Millions of U.S. dollars
Net unrealized gains (losses) on available-for-sale securities, net of tax			
Amount incurred during the period	¥ 259,364	¥ (90,971)	\$ (808)
Reclassification adjustments	(20,525)	(40,566)	(360)
Before tax adjustments	238,838	(131,538)	(1,168)
Tax effects	(61,530)	42,094	373
Net unrealized gains (losses) on available-for-sale securities, net of tax	177,308	(89,444)	(794)
Deferred valuation gains (losses) under hedge accounting, net of tax			
Amount incurred during the period	(0)	(0)	(0)
Reclassification adjustments	(2)	(0)	(0)
Before tax adjustments	(2)	(0)	(0)
Tax effects	0	0	0
Deferred valuation gains (losses) under hedge accounting, net of tax	(2)	0	0
Revaluation reserve for land, net of tax			
Amount incurred during the period	—	—	—
Reclassification adjustments	—	—	—
Before tax adjustments	—	—	—
Tax effects	989	433	3
Revaluation reserve for land, net of tax	989	433	3
Foreign currency translation adjustments			
Amount incurred during the period	208	(62)	(0)
Reclassification adjustments	—	—	—
Before tax adjustments	208	(62)	(0)
Tax effects	—	—	—
Foreign currency translation adjustments	208	(62)	(0)
Remeasurements of defined benefit plans, net of tax			
Amount incurred during the period	741	(11,093)	(98)
Reclassification adjustments	702	845	7
Before tax adjustments	1,444	(10,248)	(91)
Tax effects	(525)	2,833	25
Remeasurements of defined benefit plans, net of tax	918	(7,414)	(65)
Total other comprehensive income	¥ 179,422	¥ (96,487)	\$ (857)

V. Notes to Statements of Cash Flows

1. Scope of Cash and Cash Equivalents

Cash and cash equivalents as of March 31, 2015 and 2016 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 were as follows:

	As of March 31,		
	2015	2016	2016
	Millions of yen		Millions of U.S. dollars
Cash and deposits	¥154,319	¥172,049	\$1,528
Call loans	186,500	200,000	1,776
Monetary claims bought.....	870	813	7
Time deposits maturing over 3 months of the date of acquisition	(300)	(300)	(2)
Foreign currency deposits maturing over 3 months of the date of acquisition	(1,273)	(1,291)	(11)
Monetary claims bought maturing over 3 months of the date of acquisition.....	(870)	(813)	(7)
Cash and cash equivalents.....	¥339,246	¥370,458	\$3,291

3. Reclassification

Previously, foreign exchange gains and losses accompanying sales and redemption of securities and foreign exchange gains and losses accompanying settlements of derivatives were included in "Others" within cash flows from investing activities. However, owing to an increase in materiality of these items in the year ended March 31, 2016, these items are presented as part of "Proceeds from sales and redemption of securities" and

"Proceeds from and payments for settlement of derivatives, net" respectively.

In the year ended March 31, 2015, as components of "Others" within cash flows from investing activities, foreign exchange gains accompanying sales and redemption of securities amounted to ¥4,761 million (US\$42 million), and foreign exchange losses accompanying settlement of derivatives amounted to ¥60,409 million (US\$536 million).

Management's Report on Internal Control over Financial Reporting

1. Matters relating to the basic framework of internal control over financial reporting

Yoshiteru Yoneyama, President of Fukoku Mutual Life Insurance Company (the "Company"), is responsible for the design and operation of internal control over financial reporting for the Company's financial statements, namely, consolidated balance sheets and the related consolidated statements of operations, comprehensive income, cash flows, changes in net assets and a summary of significant accounting policies and other explanatory information for the year ended March 31, 2016, prepared in accordance with Article 110 Paragraph 2 of the Insurance Business Law. The Company designs and operates its internal control over financial reporting in accordance with the basic framework of internal control set forth in the "Standards and Practice Standards for Management Assessment and Audit concerning Internal Control Over Financial Reporting (Council Opinions)" issued by the Business Accounting Council of the Financial Service Agency of Japan.

Internal control aims at achieving the objectives to a reasonable extent with the organized and integrated function of individual components of internal control as a whole. Therefore, internal control over financial reporting cannot always ensure the prevention or detection of misstatements in the presentation of financial reporting.

2. Matters relating to the scope of assessment, the basis date of assessment and the assessment procedures

The Company performed an assessment of internal control over financial reporting for its consolidated financial statements as of the end of the fiscal year, March 31, 2016 in accordance with generally accepted assessment standards in Japan for internal control over financial reporting.

In the assessment of internal control over financial reporting, the Company first assessed internal controls that have a material impact on overall consolidated financial reporting ("company-level controls") and, based on the results, the Company selected the business processes to be assessed. In assessing those business processes, the Company analyzed selected business processes, identified a key control that would have a material impact on the reliability of financial reporting, and assessed the establishment and operation with regard to the key control. The Company assessed the effectiveness of internal control by the aforementioned procedures.

For the Company and its consolidated subsidiaries, the Company determined the scope of assessment of internal control over financial reporting from the perspective of their materiality to the reliability of financial reporting. The materiality to the reliability of financial reporting is determined in light of their degree of quantitative and qualitative impact. The Company rationally determined the scope of assessment of internal controls incorporated into business processes ("process-level controls") based on the results of assessment of company-level controls regarding the Company and one consolidated subsidiary. Other than those indicated above, four consolidated subsidiaries were determined to be immaterial from quantitative and qualitative perspectives. Consequently, they are excluded from the scope of assessment of company-level controls.

With respect to the scope of assessment of process-level controls, the locations or business units were selected in descending order of ordinary revenues (after elimination of inter-company transactions) in the previous fiscal year until their combined amount reached about two-thirds of consolidated ordinary revenues. As a result, the Company was selected as "significant locations or business units". At selected significant locations and business units (the Company), business processes related to accounting items that were closely associated with the company's business objectives, including securities, ordinary loans and policy reserves, as well as premium and other income and claims and other payments, which have a material impact on the calculation of policy reserves, were determined to be within the scope of assessment. Furthermore, at selected significant locations and business units and any other locations and business units, added to the scope of assessment were business processes relating to important accounting items that have a high possibility of material misstatements and involve estimates and judgments, and business processes relating to businesses or operations dealing with high-risk transactions.

3. Matters relating to the results of the assessment

As a result of performing the assessment, the Company concluded that the design and operation of internal control over financial reporting for the Company were effective as of March 31, 2016.

4. Supplementary information (None)

5. Other special information (None)

May 19, 2016
Yoshiteru Yoneyama
President
Fukoku Mutual Life Insurance Company

Report of Independent Auditors

Report of Independent Auditors

May 21, 2016

The Board of Directors of
Fukoku Mutual Life Insurance Company

Kisaragi Audit Corporation

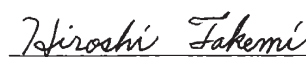
Designated and engagement partner

Certified Public Accountant


Yoshio Sato

Designated and engagement partner

Certified Public Accountant


Hiroshi Takemi

< Financial Statements Audit >

We have audited the accompanying consolidated balance sheets of Fukoku Mutual Life Insurance Company (the “Company”) and its consolidated subsidiaries as of March 31, 2016 and 2015, and the related consolidated statements of operations, comprehensive income, and cash flows, and changes in net assets for the years then ended, and notes all expressed in Japanese yen.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in conformity with accounting principles generally accepted in Japan, and for such internal control as management determines is necessary to enable the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion independently on these consolidated financial statements based on our audits. We conducted our audits in conformity with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the Company's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Fukoku Mutual Life Insurance Company and its consolidated subsidiaries as of March 31, 2016 and 2015, and the consolidated results of their operations and their cash flows for the years then ended, in conformity with the applicable Japanese

laws and regulations and accounting principles for consolidated financial statements generally accepted in Japan.

Convenience Translation

The amounts expressed in U.S. dollars, which are provided solely for the convenience of the reader, have been translated on the basis set forth in Note I.2 to the accompanying consolidated financial statements with respect to the year ended March 31, 2016.

<Internal Control Audit>

We also have audited management's report on internal control over financial reporting, namely, the accompanying consolidated balance sheets of the Company and its consolidated subsidiaries as of March 31, 2016 and the related consolidated statements of operations, comprehensive income, and cash flows, and changes in net assets for the year then ended, and notes.

Management's Responsibility for the Report on Internal Control

Management is responsible for designing and operating effective internal control over financial reporting and for the preparation and fair presentation of its report on internal control in conformity with assessment standards for internal control over financial reporting generally accepted in Japan.

There is a possibility that misstatements may not be completely prevented or detected by internal control over financial reporting.

Auditor's Responsibility

Our responsibility is to express an opinion on management's report on internal control based on our internal control audit. We conducted our internal control audit in accordance with auditing standards for internal control over financial reporting generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether management's report on internal control is free from material misstatement.

An internal control audit involves performing procedures to obtain audit evidence about the results of the assessment of internal control over financial reporting in management's report on internal control. The procedures selected depend on our judgment, including the significance of effects on reliability of financial reporting. An internal control audit includes examining representations on the scope, procedures and results of the assessment of internal control over financial reporting made by management, as well as evaluating the overall presentation of management's report on internal control.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, management's report on internal control referred to above, which represents that the internal control over financial reporting of the consolidated financial statements of Fukoku Mutual Life Insurance Company as of March 31, 2016 is effectively maintained, presents fairly, in all material respects, the results of the assessment of internal control over financial reporting in conformity with assessment standards for internal control over financial reporting generally accepted in Japan.

Interest

Our firm and the engagement partners do not have any interest in the Company for which disclosure is required under the provisions of the Certified Public Accountants Act.

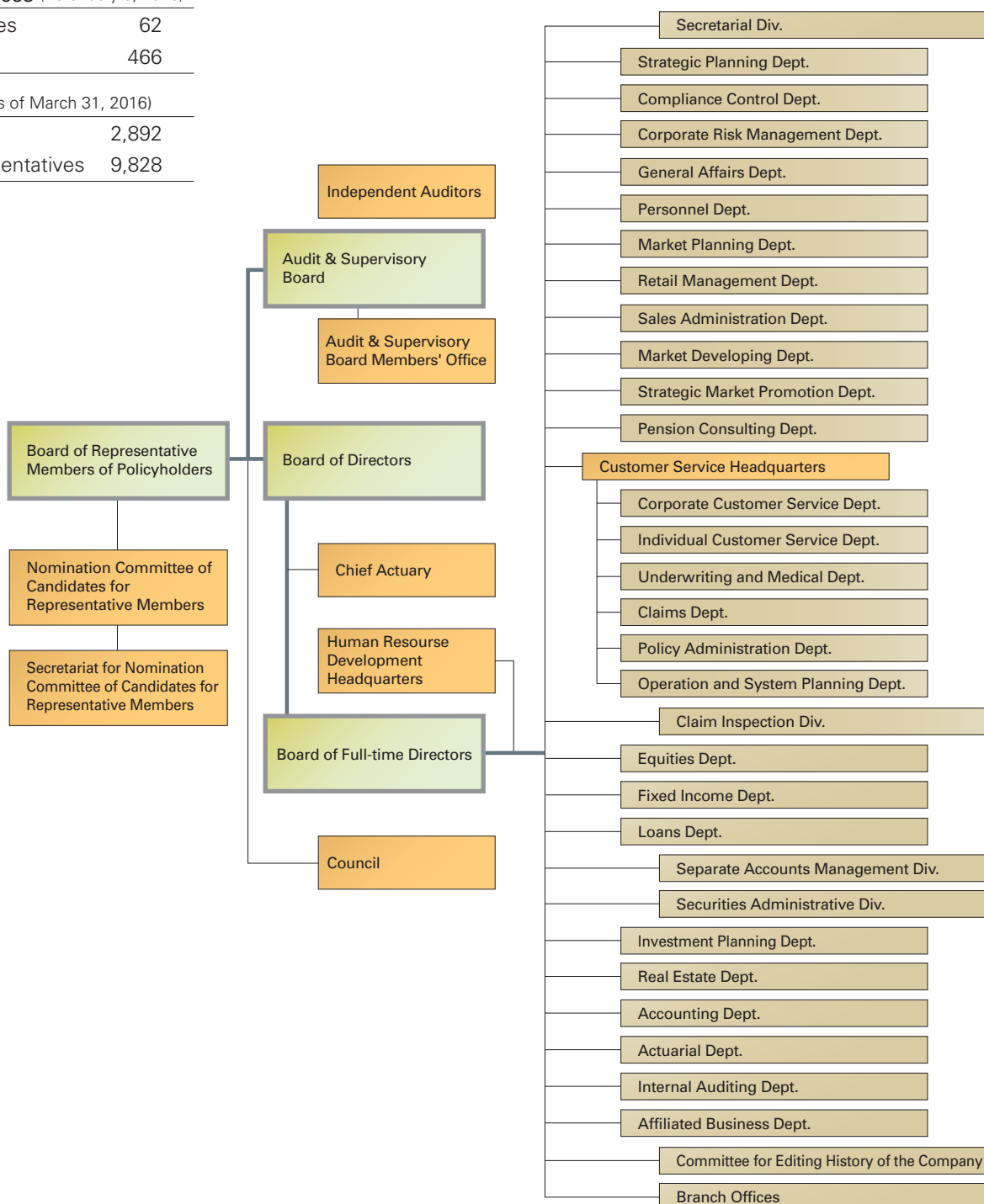
Corporate Organization

Domestic Offices (As of July 5, 2016)

Branch Offices	62
Field Offices	466

Employees (As of March 31, 2016)

Office Staff	2,892
Sales Representatives	9,828



Directors, Audit & Supervisory Board Members and Executive Officers

Chairman of the Board
Tomofumi Akiyama

President and Chief Executive Officer
Yoshiteru Yoneyama*

Deputy President and Executive Officer
Katsumasa Furuya

Director and Managing Executive Officer
Tadashi Akiyama

Director and Managing Executive Officer
Toshihide Fujiwara

Director and Managing Executive Officer
Yuuki Sakurai

Director and Managing Executive Officer
Toshikatsu Hayashi

Director
Kozo Isshiki**

Director
Kazuo Tanabe**

Director and Executive Officer
Yasuyuki Kitamura

Director and Executive Officer
Takehiko Watabe

Audit & Supervisory Board Member
Yoshizumi Nezu***

Audit & Supervisory Board Member
Yoshikazu Sashida***

Audit & Supervisory Board Member
Kyohei Takahashi***

Audit & Supervisory Board Member (Standing)
Akio Imai

Audit & Supervisory Board Member (Standing)
Kei Yoshizawa

Managing Executive Officer
Kenji Sakurai

Executive Officer
Toshimitsu Furuhashi

Executive Officer
Osamu Suzuki

Executive Officer
Shinji Nakao

Executive Officer
Naoyuki Torii

Executive Officer
Masato Nakazuru

Executive Officer
Chikashi Ichikawa

Executive Officer
Shigeru Akiyama

Executive Officer
Takeshi Oomori

*Representative Director

**External Directors

***External Audit & Supervisory Board Member

(As of July 5, 2016)

Directory

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Fukoku Life International (U.K.) Ltd.

From left : D. Hachigo , J. Doran , D. Hanafusa ,
K. Sato and T. Keevil



Fukoku Life International (America) Inc.

From left : A. Chang , H. Oizumi , S. Lester ,
M. Xu and T. Ogino



Fukoku Life Investments Singapore Pte. Ltd.

From left : T. Aoyama , I. Chan , A. Sato ,
K. Kozuka



▲ Tokyo Head Office



▲ Osaka Fukoku Mutual Life Insurance Building

