



YEAR ENDED MARCH 31, 2017

ANNUAL REPORT 2017

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Financial Highlights (Non-consolidated)

	2016	2017	2017
As of March 31,	Millions of yen		Millions of U.S. dollars
Life insurance in force	¥43,173,141	¥43,102,531	\$384,192
Total assets	6,489,815	6,565,647	58,522
Securities	5,091,762	5,369,678	47,862
Loans	693,680	627,722	5,595
Tangible fixed assets	218,565	219,515	1,956
Total liabilities	5,882,868	5,982,454	53,324
Policy reserves	5,555,450	5,604,007	49,951
Subordinated bonds	141,935	191,935	1,710
Total net assets	606,947	583,192	5,198
For the years ended March 31,			
Total ordinary revenues	814,323	743,169	6,624
Premium and other income	618,073	574,427	5,120
Investment income	186,642	160,197	1,427
Total ordinary expenditures	753,979	689,056	6,141
Net surplus for the year	41,551	36,674	326
Solvency margin ratio (%)	1,321.8	1,214.8	—
Employees	12,720	12,644	—

Notes 1. U.S. dollar amounts are converted from yen, for convenience only, at the rate of U.S.\$1=¥112.19, the rate of exchange on March 31, 2017.

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

Message from the President

I would like to begin by offering my sincere gratitude to all our stakeholders for your continued support of Fukoku Mutual Life Insurance Company.

Looking Back over the Past Year

In fiscal 2016, ended March 31, 2017, initially the Japanese economy remained at a standstill, but in the second half the economy entered a moderate recovery phase that reflected overseas economic recovery. The financial and capital markets were characterized by uncertainty in the first half, due to the UK's vote to leave the European Union, causing the yen to appreciate, stock prices to fall and interest rates to drop compared with the end of the previous fiscal year. However, the period following the US presidential election in November was marked by significant yen depreciation and stock price increases, due to expectations on the incoming US administration's fiscal policies. In late September, the Bank of Japan introduced yield curve control policy, targeting yields on 10-year JGB to around zero. After this new measures, interest rates rose slightly, but still remained low.

Amid this harsh environment, the combined fundamental profit of Fukoku Mutual and subsidiary Fukokushinrai Life Insurance Co., Ltd. maintained record-high levels in fiscal 2016, staying above the ¥90 billion for the fourth year in a row at ¥91.5 billion. Further, our consolidated solvency margin ratio—an indicator of financial soundness—remained high, at 1,257.3%.

Customer-Centered Values

We work to ensure that our management and employees maintain customer-centered values in all aspects of business and operations. We create value by putting ourselves in our customers' shoes and creating services and experiences that only we can offer. Further, based on our basic policy for human resource development, we are working to train and develop personnel able to put customer-centered approach into practice.

Meanwhile, the medium-term management plan launched in fiscal 2016 is based on our vision of a becoming the most highly regarded company among customers through true differentiation. All executives and employees are pulling together to achieve the goal, which is increasing customer satisfaction as top priority.

In March 2017, the Financial Services Agency published the "Principles for Customer-Oriented Business Conduct." We exactly regard its Customer-Oriented Business as our customer-centered values and we announced a company policy based on our values in June.

Insurance Sales and Asset Management

In insurance sales, based on our belief in the importance of face-to-face sales activities rooted in local communities, Fukoku Mutual Life Insurance conducts sales through customer advisors (sales persons) and subsidiary Fukokushinrai Life Insurance conducts over-the-counter sales through sales agents and financial institutions. As the Fukoku Life Group, we will continue working daily to provide products that meet each customer's needs and enhance our after-sales service.

"Iryo Daijin Premier Eight," the new product launched in April 2016, saw strong sales, and there was substantial growth in the number of new medical insurance contracts.

Then, in line with revisions to the standard prospective yield for life insurance in April 2017, we revised the educational insurance product "Mirai no Tsubasa" and individual annuities "Mirai Plus." To respond to various customer needs, we are making our products more flexible—expanding the options in terms of the period for premium payments and the start of



Yoshiteru Yoneyama

President

annuity payments—while maintaining the appeal of our savings products. We will continue to ensure customer satisfaction by developing differentiated products.

Given the ongoing low interest rates, we are working to increase the level of sophistication of our asset management. To ensure the safety and liquidity of the assets entrusted to us by our customers, we focus on domestic bonds, loans, and other assets that generate interest income in yen. To enhance profitability, we make diversified investments in foreign securities, stocks, and real estate within the scope of acceptable risk.

Improving Our Financial Soundness

To maintain financial soundness regardless of the operating environment, we are working to strengthen our capital. Our basic policy for strengthening capital is to accumulate internal reserves, which are the source of net surplus, in combination with external financing, including raising to foundation funds and the issuing subordinated debt. In fiscal 2016, we accumulated internal reserves by building up contingency reserves and reserves for price fluctuations and, in October, we issued 50 billion yen perpetual subordinated bonds. We will continue taking steps to further bolster our financial soundness and provide peace of mind for our customers.

Our Mission as a Mutual Company

Since our establishment in 1923, we have taken the form of a mutual company. Our mission as a mutual company is to provide customers with effective reductions in insurance premiums through dividend payouts, underpinned by stable profits and a solid financial base with a long-term view. Our top priority as an insurance company is to be able to pay out insurance claims at any time, and we will continue to carry out this mission.

We look forward to your continued support and cooperation.

A handwritten signature in black ink, reading "Yoshiteru Yoneyama". The script is fluid and cursive, with the first name "Yoshiteru" and last name "Yoneyama" clearly distinguishable.

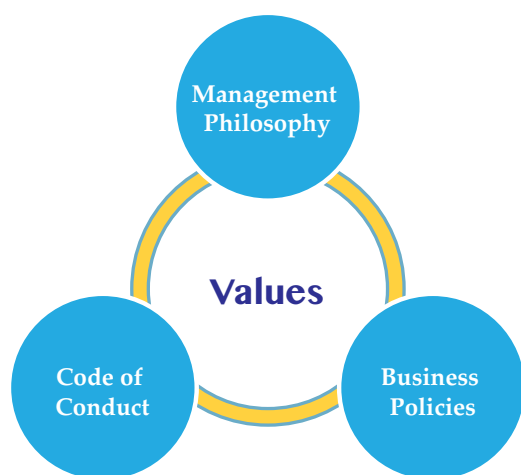
Yoshiteru Yoneyama

President

Values

Our Customer-Centered Values

Possessing customer-centered values means creating and providing distinctive services and experiences 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 continue to help our employees achieve personal fulfillment.

To protect the interests of our policyholders

To contribute to society

To help our employees achieve personal fulfillment

Code of Conduct

A customer-centered code of conduct to be reflected in the attitudes of all executives and employees as they carry out their daily business.

We believe that having customer-centered values requires us to do the following:

- ❖ Remember the importance of teamwork
- ❖ Deserve the trust of each and every customer
- ❖ Work with enthusiastic and pride
- ❖ Apply common sense in our work
- ❖ Emphasize the importance of life insurance
- ❖ Overcome every difficulty
- ❖ Create a friendly work environment

Business Policies

1. Foster personnel with customer-centered values

To provide customers with peace of mind, foster confident and proud employees who have the ability to adopt a customer's perspective.

2. Reinforce how sales representatives structure activities

To ensure meticulous service to customers, reinforce the structure according to which sales personnel conduct face-to-face sales activities.

3. Attain a net increase in the number of policyholders

To earn the trust of a growing number of customers, strengthen insurance product presentation design, provision, and follow-up services to meet customer needs.

4. Enhance business efficiency

To achieve stable growth, improve the efficiency of the Company's wide range of business activities.

Overview

In line with our management philosophy, we strove to manage and carried out business based on our customer-centered values, which is the starting point of all our various ideas and behaviors. Further, in line with our basic policy for human resource development, we are working to train and develop personnel able to put our customer-centered approach into practice, incorporating three elements: self-motivation, creativity and altruism.

In addition, operating in a low-interest-rate environment that appears likely to continue, we have continued striving to develop and sell products that meet customers' changing needs, offer increasingly sophisticated asset investment and practice enterprise risk management (ERM).

Insurance Sales

Rooted in the concept of face-to-face activities that are closely attuned to local communities, we conduct sales through two channels: our own sales representatives and Fukokushinrai Life Insurance, which sells insurance at agencies and over the counter at financial institutions, chiefly *shinkin banks*.

In line with our policy of achieving a net increase in the number of customers, we strive to design and propose insurance that meets individual customers' needs, thereby earning their satisfaction. We have also extended our after-sales service to customers who have become policyholders to that they can have ongoing confidence in their policies. To this end, we have reinforced our system for providing face-to-face sales through Customer Advisors.

Cultivating Customer Advisors

We are augmenting employees' knowledge and skills by enhancing our training and education systems and encouraging them to earn financial planner certifications. In these ways, we aim to cultivate human resources who will be trusted by customers from the time they enter into a policy through to the receipt of claims and benefits.

Selling Individual Insurance

In April 2016, we launched "Iryo Daijin Premier Eight," a new type of high-value-added medical insurance that provides hospitalization benefits for an unlimited number of days for policyholders who are hospitalized for any of eight major lifestyle diseases. The product also pays benefits after being discharged following hospitalization for lifestyle diseases or childbirth.

In addition to concentrating on the development of this sort of third-sector product, we continue to believe in the importance of protecting the lifestyles of bereaved families through death protection. For this reason, we enhanced the content of protection by selling new products. We also make use of Life Compass, a proposal tool that helps to indicate specifically the necessary amount of protection in the event of five life risks, such as death or the inability to work. Using this tool, we are working harder than ever to offer detailed consulting services tailored to individual customers' life plans and provide protection to accurately cover a variety of risks.

Group Insurance

During the year, we conducted consulting related to corporate benefit programs and proposed systems and products to meet customers' diverse needs. To further enhance the services we offer customers who have taken out corporate insurance, we provide Fukoku Life Anshin Health Consultation Dial, which offers a broad range of services, including health and medical consultation, specialized consultations (information on second opinions) and face-to-face mental health counseling.

Customer Service

In January 2017, we affirmed a proposal put forward by the Organization to Promote Consumer-Oriented Management (an organization composed of the Consumer Affairs Agency and other members) and publicized our Voluntary Statement of Consumer Orientation. In addition to obtaining a third-party written opinion in 2015 and making a self-declaration of conformance on response to complaint processing in accordance with the ISO 10002 international standards, we conduct surveys to obtain customer feedback and improve management in line with society's requests. In these ways, we engage in activities aimed at further enhancing customer satisfaction and trust.

Specifically, in August 2014 we began confirming the status of senior customers. To further enhance our support system for senior customers, in April, 2016 we launched a Family Information Registration System. Under this system, customers can register with the Company a secondary contact person so that we can confirm a customer's status via their family in the event we are unable to contact the customer directly. Also in April, we enabled customer proposal management on the "PlanDo" tablet terminals used by customer advisors. In addition to reinforcing our management system, this move was aimed at accelerating customer response. In January, 2017 we introduced a Medical Certificate Decision Automated Coding System using IBM Watson Explorer into our operations for assessing benefit and other payments. Combining system- and human-generated assessments boosted the level of assessment accuracy and accelerated payments.

Overseas Business

We established Fukoku Life Research Singapore Pte. Ltd. as a local subsidiary in April 2014. In May 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 FY 2016

Life Insurance in Force

At fiscal year-end, life insurance in force, which comprises individual life insurance, individual annuities, and group insurance, amounted to ¥43,102.5 billion, down 0.2% compared with the previous fiscal year-end. Within this amount, life insurance for individuals declined 1.1%, to ¥23,160.6 billion, individual annuities increased 0.3%, to ¥2,790.3 billion. The year-end balance of life insurance in force for groups increased 1.1%, to ¥17,151.5 billion. Group annuities in force (policy reserve) rose 1.8%, to ¥2,156.7 billion.

Annualized Premiums for New Policies and Policies in Force

In the year under review, annualized premiums for new policies increased 12.3% compared with the previous fiscal year, to ¥26.3 billion. Within this amount, individual insurance was up 6.1%, to ¥21.2 billion, and individual annuities up 48.5%, to ¥5.0 billion. Annualized premiums from medical insurance and living benefit insurance increased 11.4%, to ¥7.8 billion.

Annualized premiums for policies in force rose 1.3%, ¥412.3 billion. Within this amount, individual insurance increased 1.2%, to ¥277.9 billion, and individual annuities increased 1.6%, ¥134.3 billion. Annualized premiums from medical insurance and living benefit insurance rose 1.5%, to ¥109.1 billion.

Premium Income and Payments

In the year under review, premium and other income decreased 7.1% compared with the previous fiscal year, to ¥574.4 billion.

Meanwhile, claims and other payments, which represent the total of payments under insurance policies, decreased 17.2%, to ¥489.1 billion.

Performance of Fukuoka Life Group (Fukuoka Life and Fukuokushinrai Life Insurance)

Annualized premiums for new policies of the Fukuoka Life Group, including Fukuokushinrai Life Insurance, fell 16.3% year on year, or ¥6.4 billion, to ¥33.0 billion. This decrease was due to such factors as Fukuokushinrai Life Insurance's suspension on sales of lump-sum payment products. Within this amount, annualized premiums from medical insurance and living benefit insurance rose 11.1%, or ¥0.7 billion, to ¥7.8 billion.

Annualized premiums for policies in force increased 1.2%, or ¥6.6 billion, to ¥581.9 billion. Annualized premiums from medical insurance and living benefit insurance were up 1.5%, or ¥1.6 billion, to ¥110.8 billion.

The total value of premium and other income fell 17.8%, or ¥140.1 billion, to ¥648.7 billion. Over-the-counter sales through financial institutions (from Fukuokushinrai Life Insurance) decreased 66.3%, or ¥99.2 billion, to ¥50.4 billion, due to the suspension on sales of savings-type products, given the worsening investment environment.

Assets, Liabilities, and Net Assets

The outstanding balance of non-consolidated total assets, including separate accounts, increased 1.2%, or ¥75.8 billion, to ¥6,565.6 billion. Within this amount, general account assets rose 1.2%, to ¥6,489.9 billion.

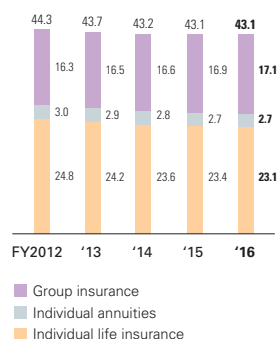
The year-end balance of securities stood at ¥5,369.6 billion, an increase of ¥277.9 billion, or 5.5%, compared with the previous fiscal year-end.

Total liabilities increased 1.7%, or ¥99.5 billion, to ¥5,982.4 billion.

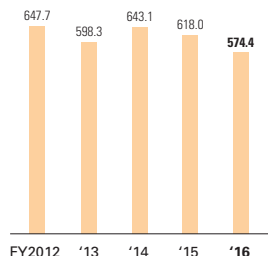
Net assets amounted to ¥583.1 billion, down 3.9% compared with the previous fiscal year-end.

On a consolidated basis, total assets rose 1.2%, to ¥8,432.9 billion, and net assets decreased 3.7%, to ¥594.8 billion.

Life insurance in force
(¥ trillions)



Premium and other income
(¥ billions)



Strengthening Our Capital Base

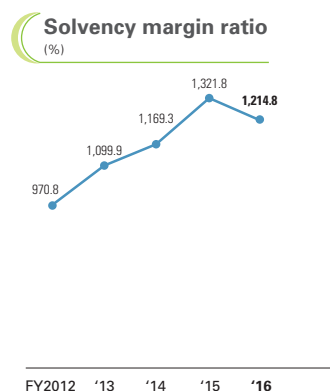
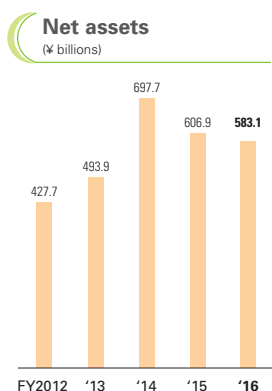
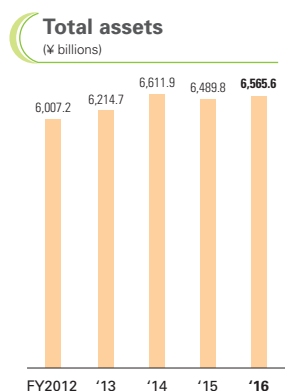
Fukoku Life builds up its internal reserves on an ongoing basis in order to strengthen its capital base. We boost internal reserves by soliciting additional foundation funds and augmenting the contingency reserve. Foundation funds at a mutual insurer correspond to capital at a joint stock company. Total foundation funds, including the accumulated foundation funds redeemed, amounted to ¥116.0 billion as of March 31, 2017. In fiscal 2016, we redeemed (refunded) ¥20.0 billion in foundation funds. When foundation funds are redeemed (refunded), we are legally required to accumulate as internal reserves “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.

Solvency Margin

Fukoku Life's solvency margin ratio at fiscal year-end was 1,214.8%, down 107.0 percentage points compared with the previous fiscal year-end, but substantially above the 200% level set as a standard of financial soundness for insurance companies.

Ratings

Fukoku Life relies on three neutral and unbiased rating organizations to provide an objective assessment of the Company's ability to meet insurance payments. As of July 1, 2017, we have received ratings of AA- from Rating and Investment Information, A from Standard & Poor's and A2 from Moody's. These ratings represent strong evaluations of the Company's soundness and profitability. Going forward, we will continue striving to maintain and further improve our high financial ratings.



Investment Performance in Fiscal 2016 (General Account)

Overview

In fiscal 2016, ended March 31, 2017, initially the Japanese economy remained at a standstill, but in the second half the economy entered a moderate recovery phase that reflected overseas economic recovery. Although the employment and income environment improved, growth in personal consumption was sluggish due to an ongoing trend toward frugality in household spending. However, reflecting a resurgence in overseas demand, exports increased in the second half of the fiscal year. Also, delayed capital investment showed signs of recovery—chiefly in the manufacturing sector. Amid the protracted low-interest-rate environment, housing investment increased, centered on rental housing.

The financial and capital markets were characterized by uncertainty in the first half, due to the UK's vote to leave the European Union, causing the yen to appreciate, stock prices to fall and interest rates to drop compared with the end of the previous fiscal year. However, the period following the US presidential election in November was marked by significant yen depreciation and stock price increases, due to expectations about the incoming US administration's fiscal policies. Domestically, the Bank of Japan (BOJ) continued its large-scale purchases of Japanese government bonds (JGBs). In addition to its negative interest rate policy, in late September the BOJ introduced a yield curve control policy, targeting yields on 10-year JGBs of around zero. Overseas, the European Central Bank (ECB) continued with its negative interest rate policy and quantitative easing measures.

Meanwhile, in the United States, the Federal Reserve Board (FRB) twice raised the policy rate by 0.25 percentage point, in December 2016 and March 2017, resulting in a rate of 0.75–1.00 %.

With regard to our asset management business, we held back on investments in yen-denominated bonds, given the ultralow interest rates in Japan, characterized by the BOJ's negative interest rate policy and the September introduction of a new framework targeting yields of around zero on 10-year JGBs. Instead, we allocated funds toward foreign-currency-denominated bonds, mainly US government bonds, to maintain profitability while ensuring liquidity. The yen appreciated in the summer months, due to the sense of uncertainty caused by UK's vote to exit the European Union.

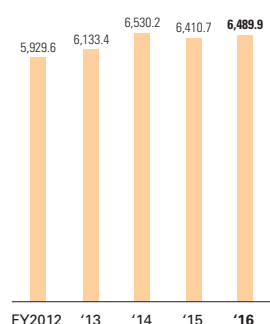
Against this backdrop, we mainly accumulated foreign bonds without foreign currency risk hedges. Following the US presidential election in November, we sold hedged foreign bonds, which had become less profitable due to the rising cost of foreign currency hedges, moving these funds into ultralong-term JGBs. As a signatory to the U.N. Principles for Responsible Investment (PRI), we heightened our focus on stocks with environment, social and governance (ESG) considerations when making investment decisions. When stock prices were trending downward, we accumulated these stocks in a planned manner. Meanwhile, Fukuoka Life Investment (Singapore) Pte. Ltd. (FLIS), which received approval as an investment management company in April, began managing stocks and bonds, mainly in Asia and Oceania. We will increase the level of sophistication of our asset management to counter a market environment marked by a strong ongoing sense of uncertainty through increasing ESG investment, and diversifying our portfolio globally, focusing on our subsidiaries in London, New York and Singapore.

As an institution that accepts Japan's Stewardship Code, we concentrate on constructive "purposeful dialogue" (engagement) with key investee companies. Through ongoing engagement with investee companies, the exercise of voting rights and other stewardship activities, we seek to promote their sustainable growth and increase medium- to long-term returns of the funds customers have entrusted to us.

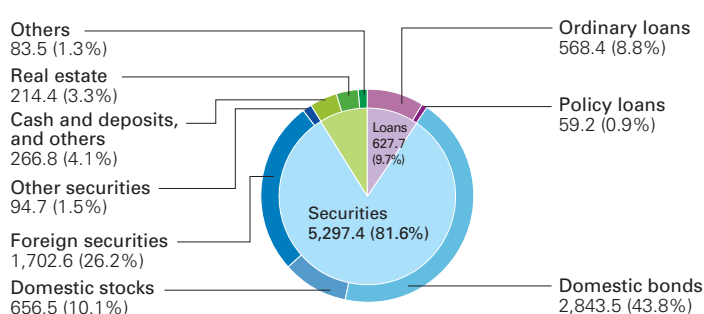
Investment income from general accounts decreased ¥30.4 billion (16.3%), to ¥156.1 billion. Of this amount, interest, dividends and other income, including those from trading securities, fell ¥5.4 billion (3.7%), to ¥140.9 billion. This decrease was due to lower dividends on foreign stocks, despite growth in interest on foreign bonds due to increased holdings. Gains on sales of securities amounted to ¥14.4 billion, down ¥23.0 billion (61.4%), compared with high levels in the previous year.

Investment expenses declined ¥0.9 billion (2.1%), to ¥44.5 billion. Of this amount, losses on sales of trading securities totaled ¥7.0 billion, down ¥5.3 billion (43.3%), and the previous year's ¥3.5 billion in losses from derivative instruments turned positive. However, a rise in costs on hedging currency risks caused foreign exchange losses to

General account assets
(¥ billions)



Breakdown of general account assets (Fiscal year ended March 31, 2017)
(¥ billions)



Total: ¥6,489.9 billion

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

grow by ¥7.0 billion (81.6%), to ¥15.6 billion.

As a result, net investment income amounted to ¥111.5 billion, a decrease of ¥29.5 billion (20.9%) compared with the previous fiscal year.

Domestic Bonds

Following the US presidential election in November, we sold off hedged foreign bonds, as their profitability had declined due to rising costs on foreign currency hedges, shifting these funds into ultralong-term JGBs. As a result, domestic bonds expanded ¥184.3 billion (6.9%), to ¥2,843.5 billion.

Foreign Securities

Valuation gains on foreign bonds decreased due to rising overseas interest rates. However, because we bought investment funds managed by FLIS, which commenced investment management activities in June 2016, foreign securities grew ¥2.5 billion (0.1%), to ¥1,702.6 billion.

Domestic Stocks

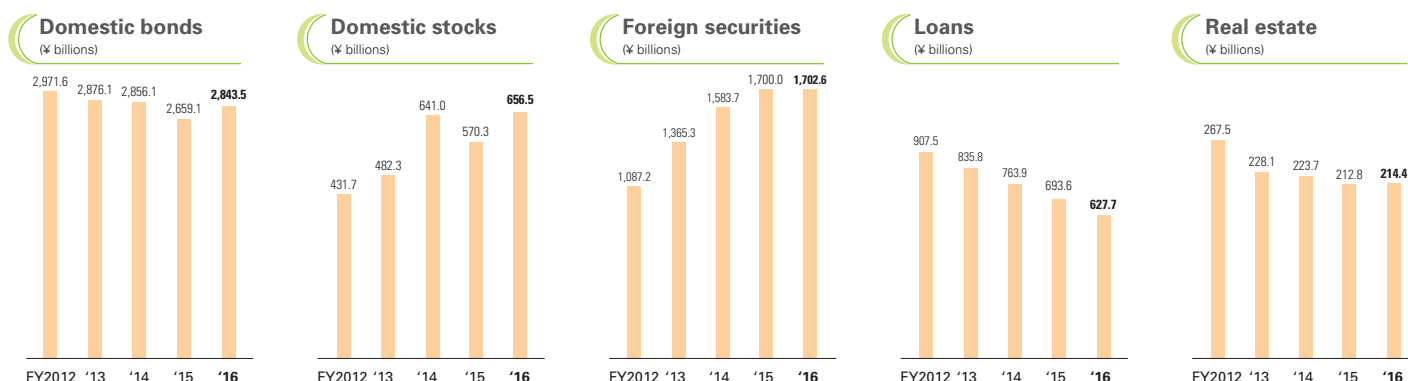
Holdings of domestic stocks increased ¥86.2 billion (15.1%), to ¥656.5 billion, due to a planned increase in our investment balance in this category and a rise in valuation gains due to stock price increases.

Loans

Loans amounted to ¥627.7 billion, down ¥65.9 billion (9.5%), 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 up ¥1.5 billion (0.7%), to ¥214.4 billion, due to the completion of the Sapporo Fukoku Life Koshiyama Building.



◆ Investment Policies for Fiscal 2017

Investment Environment

In fiscal 2017, ending March 31, 2018, we expect the Japanese economy to continue its modest recovery, buoyed by a rebound in overseas demand. Looking at overseas economies, we expect developed countries to be generally firm, with the US economy showing moderate recovery. We also expect the Chinese economy to be generally stable, leading to a gradual rebound in emerging

countries. Under these economic circumstances, we forecast that long-term interest rates will remain low and move in a tight range, due to the BOJ's ongoing yield curve control policy. We expect stock prices to be generally robust thanks to improved corporate earnings. On foreign exchange rates, we believe that the pace of interest rate rises and the US administration's policies will affect foreign exchange rates, causing yen exchange rates to fluctuate against the dollar in a boxed range.

Domestic Bonds

We plan to reinvest a portion of redeemed funds into domestic bonds, while monitoring interest rate levels.

Domestic Stocks

We intend to increase the profitability of our portfolio by increasing our involvement in stewardship activities and increasing our holding of stocks with high dividend yields.

Foreign Securities

We will increase foreign bonds by using redemption funds, diversifying our holdings of currency denominations and taking interest rate levels and hedging costs into consideration.

Governance System

Corporate Governance Enhancement Initiatives

As a mutual company, Fukoku Life is not directly subject to Japan's Corporate Governance Code.

However, we have formulated a Basic Policy on Corporate Governance to foster an understanding of our perspective to enhance corporate governance. We publicize this policy, along with our Corporate Governance Report.

Going forward, we will continue 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.

Management Structure and Internal Controls

As a mutual life insurance company, Fukoku Life is engaged in the highly public natured business of protecting policyholders' life. Therefore, we are committed to establish a management that ensures the soundness of operations, and to enhance management measures, including our risk management and compliance. In addition, we employ our internal control structure to ensure the efficient operation of these measures.

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. The Board of Full-Time Directors, comprising the president and executive officer and other titled executive officers, deliberates important business execution policy for the Company. Meanwhile, various committees have been established beneath the Board of Directors in an effort to strengthen internal controls.

Members of the Audit & Supervisory Board attend meetings of the Board of Directors, the Board of Full-Time Directors and other important boards, auditing the execution of operations by directors. The internal audit department performs internal audits, verifies the appropriateness of corporate operations and strives to ensure the soundness of business operations.

Enhancement of Internal Control System

The Company's Board of Directors has set the terms to establish a structure of Internal Control Systems 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.

Risk Management System

Fukoku Life's greatest responsibility from the standpoint of its customer-centered values 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. This system is designed to evaluate and analyze the impact of management strategy and various risks on the Company, and to appropriately control the overall Company.

At Fukoku Life, the Board of Directors has established the Risk Management Committee to perform enterprise risk management (ERM). 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 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. Furthermore, the Risk Management Committee has established a specialized risk management committee to help enhance enterprise risk management.

Full-time directors are members of the Risk Management Committee, which is chaired by the president. Other directors chair subcommittees, creating a risk management structure that is led by top management.

The specialized risk management committee is central to understanding the Group's overall risk management situation. At Fukuokushinrai Life Insurance, the Company's Risk Management Committee secretariat and the secretariats of various subcommittees directly monitor the management status of risks under their jurisdiction.

Furthermore, the audit department verifies that the risk management system is functioning 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. This training is also aimed at enhancing the spirit of compliance. To this end, as well as improving and reinforcing the compliance system, we hold hands-on compliance training on an ongoing basis.

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. Accordingly, we believe that continuous improvement and correction are important.

The Compliance Committee, comprising full-time directors and other executives and chaired by the president, has the Board of Directors' mandate to deliberate matters related to compliance promotion and to promote compliance. The Compliance Control Department serves as secretariat for this committee. Furthermore, the chief compliance officer and compliance officers are stationed at headquarters to perform regular compliance checks.

Protection of Personal Information

As an insurance company that is trusted by its customers, Fukoku Life recognizes the handling of personal information as a topmost priority. Accordingly, we take great care in handling personal information. We comply with the Act on the Protection of Personal Information, which came into force in July 2015, as well as other related legislation and guidelines, and we will continue endeavoring to appropriately handle and protect personal information going forward. The Company has also formulated its own privacy policy, which describes its policy on the protection of personal information, and a basic policy on the handling of specific personal information. In these ways, we work to appropriately manage the important personal information entrusted to us by our customers. We also strive to respond swiftly and appropriately to any questions, consultations or requests from customers with regard to personal information.

As rules for managing personal information appropriately, we have formulated Regulations on the Handling of Personal Information and Regulations on the Handling of Corporate Customers' Information. In addition, we appropriately manage information by conducting spot checks on the status of personal information and other safety management measures by subcontractors.

Contribution to Society

In accordance with the highly public nature of the life insurance business, Fukuoka 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.

Fukuoka Life Concerts

This activity began in fiscal 1989 with a Fukuoka Salon Concert, held in the lobby of our headquarters building in Uchisaiwaicho.

Fukuoka Life holds Visiting Concerts, which are held at schools and institutions for people with disabilities, enabling them to enjoy genuine classical music performed by professional musicians. We also hold Charity Concerts, which are held as a community benefit event and on which Fukuoka Life executives collaborate in fund-raising. These concerts are held in cooperation with the regions where they are held.

From their start in fiscal 2002 through March 31, 2017, Visiting Concerts had been held in 226 locations, while Charity Concerts had been held 273 times from their beginning in 1993 through the end of the fiscal year.

• Visiting Concerts

Begun in fiscal 2002, Visiting Concerts are performed by Charity Concert musicians who visit schools and institutions for people with disabilities in communities where Charity Concerts are also being held.



Visiting Concert

• Charity Concerts

In fiscal 1993, we began holding free-admission Charity Concerts, which also raise funds through the cooperation of charity donations by customers at concert venues. The funds raised in this manner are contributed to social welfare councils and other community organizations, thereby assisting communities' social welfare.

Smile Gallery

To support the creation of art by children with disabilities, in the shopping mall located in the second-floor basement of our head office building in Uchisaiwaicho, we operate the Smile Gallery. In this gallery, we display artworks by students of special-education schools from around Japan. This activity began in fiscal 2002 as an offshoot of the Visiting Concerts, which visit special-education schools.

We also use the artworks provided to create calendars, which we distribute to employees and customers.



Smile Gallery

Hello Kitty Hospital Visit Program

Under this program, Fukuoka 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.

We mount commemorative photos with Hello Kitty into picture frames devised by the Company and produced by in-house volunteers and give these photos to children.

Activities to Support Reconstruction in Disaster-Affected Areas

• Disaster-Area Visits and Support Concerts, Visiting Concerts in Disaster-Affected Areas

It will still be some time before recovery following the Great East Japan Earthquake is complete. To cheer on the recovery, Fukuoka Life continues to hold disaster-area events and Support Concerts, as well as Visiting Concerts in disaster-affected areas. We are conducting these activities in the three prefectures affected by the earthquake: Fukushima, Miyagi and Iwate.

In fiscal 2016, we held the Gambaro! Kumamoto! Cheer Concert in Kumamoto Prefecture, which was hit by earthquakes.

A portion of the donations received from Charity Concerts are donated to areas affected by the Great East Japan Earthquake and the Kumamoto earthquakes.

• Events to Sell Specialty Products from Disaster-Affected Regions

At an open space in the first basement floor of our headquarters in Uchisaiwaicho and in the large cafeteria of the training center in our Chiba New Town headquarters, we hold events to sell specialty products from the three prefectures affected by the Great East Japan Earthquake: Fukushima, Miyagi and Iwate.

In fiscal 2016, we held such an event featuring products from Kumamoto Prefecture, which was hit by earthquakes.

We receive substantial cooperation for events to sell specialty products from disaster-affected regions from people outside the Company, as well as from within the organization.

Environmental Protection Initiatives

• Flora Preservation

Since fiscal 2006, we have been conducting the Fukoku Life (Inochi) Forest project, mainly as a measure to counter damage from bamboo. This forest provides a venue for participation in and hands-on experience of environmental preservation activities.

Currently, a growing number of forests in Japan are being left to grow unchecked due to the lack of people willing to take over forestry businesses. One particular problem is uncontrolled groves of Moso bamboo, which invades the forests needed to absorb CO₂—a greenhouse gas—as well as farmland. Due to the shallowness of its roots, bamboo can make ground slippery and contribute to topsoil erosion. It can also devastate mountainous forests and cause landslides. Measures are therefore needed to counter this “bamboo damage,” to protect the environment and respond to disaster.

In the Fukoku Life (Inochi) Forest project, Company executives and employees take part in cutting away bamboo forests in order to protect mountainous forest land owned by the Company. In addition to forest regeneration, this thinning also aims to restore the bamboo forests themselves to health. These activities are mainly carried out by Company



Flora Preservation

volunteers organized as the Usami Club. In fiscal 2016, these activities were conducted 10 times, with 126 executives and employees and their family members participating as volunteers.

Other Activities

• Lobby Sales Events

The lobby sales events at Visit & Charity Concerts sponsored by our Uchisaiwaicho and Chiba New Town headquarters have led to regular bakery shop sales events operated by institutions for people with disabilities. The Company's employees participate as sales staff at these traveling events. Thus we provide a sales location and cooperate in institutions' activities. At the same time, through this participation we promote better understanding within the Company of people with disabilities.

• Art Promotion

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.



Strauss “Der Rosenkavalier”
© Kristian Schuller / Metropolitan Opera

Communication with Society

Our Customer Advisors visit customers to obtain their feedback directly and strive to offer better services. We believe this is one of our most effective advertising and communication efforts. We also provide information through various advertising and public relations activities to deepen understanding through communication between customers and Customer Advisors and encourage better understanding of the Company.

• 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.

We also provide the Sanrio Character Boat Ride as a friendly-company attraction at Sanrio Puroland and Harmonyland.



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• 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, 2016 and 2017

	As of March 31,		
	2016	2017	2017
	Millions of yen		Millions of U.S. dollars
Assets:			
Cash and deposits:			
Cash	¥ 182	¥ 162	\$ 1
Bank deposits	113,999	44,518	396
	114,182	44,681	398
Call loans	200,000	193,000	1,720
Monetary claims bought	813	753	6
Money held in trust	87,793	29,787	265
Securities:			
Government bonds	1,881,618	2,015,161	17,962
Local government bonds	142,336	123,972	1,105
Corporate bonds	663,209	733,459	6,537
Stocks	594,312	679,556	6,057
Foreign securities	1,722,110	1,722,752	15,355
Other securities	88,175	94,774	844
	5,091,762	5,369,678	47,862
Loans:			
Policy loans	61,437	59,238	528
Ordinary loans	632,242	568,483	5,067
	693,680	627,722	5,595
Tangible fixed assets:			
Land	125,310	125,276	1,116
Buildings	85,978	88,010	784
Lease assets	2,324	2,013	17
Construction in progress	1,590	1,140	10
Other tangible fixed assets	3,360	3,074	27
	218,565	219,515	1,956
Intangible fixed assets:			
Software	10,526	10,836	96
Other intangible fixed assets	5,567	11,216	99
	16,093	22,052	196
Reinsurance receivables	144	200	1
Other assets:			
Accounts receivable	8,585	5,883	52
Prepaid expenses	1,053	1,291	11
Accrued income	27,731	27,680	246
Deposits	2,239	2,241	19
Differential account for futures trading	761	25	0
Derivatives	21,877	15,824	141
Suspense payments	2,192	2,487	22
Lease investment assets	767	734	6
Rest of the other asset	3,421	3,864	34
	68,631	60,032	535
Allowance for possible loan losses	(1,850)	(1,776)	(15)
Total assets	¥6,489,815	¥6,565,647	\$58,522

As of March 31,

	2016	2017	2017
	Millions of yen		Millions of U.S. dollars
Liabilities:			
Policy reserves:			
Reserve for outstanding claims	¥ 20,719	¥ 19,533	\$ 174
Policy reserve	5,484,362	5,533,544	49,322
Reserve for dividends to policyholders	50,368	50,929	453
	5,555,450	5,604,007	49,951
Reinsurance payables	133	62	0
Subordinated bonds	141,935	191,935	1,710
Other liabilities:			
Corporate income tax payable	891	4,733	42
Accounts payable	3,869	3,501	31
Accrued expenses	10,281	10,520	93
Unearned income	362	364	3
Deposits received	5,625	5,579	49
Guarantee deposits received	12,929	13,505	120
Differential account for future trading	99	—	—
Derivatives	5,037	2,186	19
Asset retirement obligations	3,351	3,250	28
Suspense receipts	1,204	1,154	10
	43,653	44,797	399
Reserve for employees' retirement benefits	26,083	25,789	229
Reserve for price fluctuation	68,288	82,464	735
Deferred tax liabilities	33,050	19,132	170
Deferred tax liabilities for land revaluation	14,274	14,265	127
Total liabilities	5,882,868	5,982,454	53,324
Net assets:			
Foundation funds	30,000	10,000	89
Accumulated foundation funds redeemed	86,000	106,000	944
Reserve for revaluation	112	112	1
Surplus			
Legal reserve for future losses	2,742	2,849	25
Other surplus			
Reserve for redemption of foundation funds	18,000	4,000	35
Reserve for dividend allowances	20,000	20,000	178
Accumulated fund for price fluctuation	41,000	41,000	365
Reserve for advanced depreciation of real estate for tax purpose	266	257	2
Reserve for special account for advanced depreciation of real estate for tax purpose	—	100	0
Other reserves	767	767	6
Unappropriated surplus	65,509	60,453	538
	145,542	126,578	1,128
	148,284	129,427	1,153
Total foundation funds, surplus and others	264,397	245,539	2,188
Net unrealized gains (losses) on available-for-sale securities, net of tax	338,421	333,545	2,973
Revaluation reserve for land, net of tax	4,128	4,107	36
Total valuation and translation adjustments	342,549	337,652	3,009
Total net assets	606,947	583,192	5,198
Total liabilities and net assets	¥6,489,815	¥6,565,647	\$58,522

See notes to the non-consolidated financial statements.

Non-consolidated Statements of Operations

Fukoku Mutual Life Insurance Company
For the years ended March 31, 2016 and 2017

	Year ended March 31,		
	2016	2017	2017
	Millions of yen		Millions of U.S. dollars
Ordinary revenues:			
Premium and other income:			
Premium income	¥ 617,742	¥574,124	\$5,117
Reinsurance income	331	302	2
	618,073	574,427	5,120
Investment income:			
Interest, dividends and other income			
Interest on deposits	27	21	0
Interest and dividends on securities	110,276	109,253	973
Interest on loans	13,343	11,314	100
Income from real estate for rent	13,444	13,736	122
Other interest and dividends		125	1
	137,324	134,451	1,198
Gains on money held in trust, net	11,332	—	—
Gains on sales of securities	37,548	14,473	129
Gains on derivative instruments, net	—	7,018	62
Reversal of allowance for possible loan losses	77	90	0
Other investment income	360	122	1
Gains on separate accounts, net	—	4,041	36
	186,642	160,197	1,427
Other ordinary revenues:			
Fund receipt from annuity rider	656	743	6
Proceeds from deferred insurance	3,741	3,368	30
Reversal of reserve for outstanding claims	586	1,185	10
Reversal of reserve for employees' retirement benefits	1,641	288	2
Others	2,980	2,959	26
	9,606	8,545	76
Total ordinary revenues	814,323	743,169	6,624
Ordinary expenses:			
Claims and other payments:			
Claims	126,262	104,168	928
Annuities	202,982	173,825	1,549
Benefits	119,535	109,736	978
Surrenders	110,088	71,388	636
Other payments	31,163	29,658	264
Reinsurance premiums	477	385	3
	590,510	489,162	4,360
Provision of policy reserve and others:			
Provision of policy reserve	9,332	49,181	438
Provision of interest portion of reserve for dividends to policyholders	47	20	0
	¥ 9,379	¥ 49,202	\$ 438

Year ended March 31,

	2016	2017	2017
	Millions of yen		Millions of U.S. dollars
Investment expenses:			
Interest expenses	¥ 4,314	¥ 4,057	\$ 36
Losses on money held in trust, net	—	1,144	10
Losses on trading securities, net	12,422	7,042	62
Losses on sales of securities	5,820	5,493	48
Losses on valuation of securities	—	24	0
Losses on derivative instruments, net	3,549	—	—
Foreign exchange losses, net	8,600	15,624	139
Depreciation of real estate for rent and other assets	4,482	4,319	38
Other investment expenses	6,340	6,875	61
Losses on separate accounts, net	2,354	—	—
	47,886	44,581	397
Operating expenses	86,500	87,218	777
Other ordinary expenses			
Deferred annuity payments	6,327	5,388	48
Taxes	6,061	5,976	53
Depreciation	6,499	6,647	59
Others	814	879	7
	19,702	18,891	168
Total ordinary expenses	753,979	689,056	6,141
Ordinary profits	60,344	54,113	482
Extraordinary gains:			
Gains on disposal of fixed assets	1,503	2	0
Gains on contribution of securities to retirement benefit trust	7,913	—	—
State subsidy and others	140	195	1
Others	—	42	0
Total extraordinary gains	9,557	240	2
Extraordinary losses:			
Losses on disposal of fixed assets	266	180	1
Impairment losses	242	71	0
Provision of reserve for price fluctuation	21,754	14,176	126
Total extraordinary losses	22,263	14,428	128
Surplus before income taxes	47,638	39,925	355
Income taxes:			
Current	14,390	13,453	119
Deferred	(8,304)	(10,202)	(90)
Total income taxes	6,086	3,251	28
Net surplus for the year	¥ 41,551	¥ 36,674	\$ 326

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, 2016 and 2017

	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
For the year ended March 31, 2016												
Balance at the beginning of the fiscal year	¥30,000	¥86,000	¥112	¥2,582	¥12,000	¥ 3,895	¥31,000	¥262	¥767	¥93,041	¥143,548	¥259,660
Changes in the fiscal year												
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 fiscal year ...										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 fiscal year	—	—	—	160	6,000	16,104	10,000	3	—	(27,531)	4,736	4,736
Balance at the end of the fiscal year ...	¥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				
	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
For the year ended March 31, 2016					
Balance at the beginning of the fiscal year	¥434,236	¥0	¥3,894	¥438,131	¥697,792
Changes in the fiscal year					
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 fiscal year					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 fiscal year	(95,815)	(0)	234	(95,581)	(90,845)
Balance at the end of the fiscal year	¥338,421	—	¥4,128	¥342,549	¥606,947

Millions of yen												
Foundation funds, surplus and others												
	Surplus											
	Other surplus											Total foundation funds, surplus and others
	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	Reserve for special account for advanced depreciation of real estate for tax purpose	Other reserves	Unappropriated surplus	Total surplus
For the year ended March 31, 2017												
Balance at the beginning of the fiscal year	¥30,000	¥86,000	¥112	¥2,742	¥18,000	¥20,000	¥41,000	¥266	—	¥767	¥65,509	¥148,284
Changes in the fiscal year												
Additions to reserve for dividends to policyholders											(35,236)	(35,236)
Additions to legal reserve for future losses				106							(106)	—
Additions to accumulated foundation funds redeemed		20,000										20,000
Payment of interest on foundation funds											(316)	(316)
Net surplus for the fiscal year											36,674	36,674
Redemption of foundation funds	(20,000)											(20,000)
Additions to reserve for redemption of foundation funds					6,000						(6,000)	—
Reversal of reserve for redemption of foundation funds					(20,000)						(20,000)	(20,000)
Additions to reserve for advanced depreciation of real estate for tax purpose								2			(2)	—
Reversal of reserve for advanced depreciation of real estate for tax purpose								(11)			11	—
Additions to reserve for special account for advanced depreciation of real estate for tax purpose									100		(100)	—
Reversal of revaluation reserve for land, net of tax											20	20
Net changes, excluding foundation funds, surplus and others												
Total changes in the fiscal year	(20,000)	20,000	—	106	(14,000)	—	—	(8)	100	—	(5,055)	(18,857)
Balance at the end of the fiscal year	¥10,000	¥106,000	¥112	¥2,849	¥ 4,000	¥20,000	¥41,000	¥257	¥100	¥767	¥60,453	¥245,539

Millions of yen				
Valuation and translation adjustments				
	Net unrealized gains (losses) on available-for-sale securities, net of tax	Revaluation reserve for land, net of tax	Total valuation and translation adjustments	Total net assets
For the year ended March 31, 2017				
Balance at the beginning of the fiscal year	¥338,421	¥4,128	¥342,549	¥606,947
Changes in the fiscal year				
Additions to reserve for dividends to policyholders				(35,236)
Additions to legal reserve for future losses				—
Additions to accumulated foundation funds redeemed				20,000
Payment of interest on foundation funds				(316)
Net surplus for the fiscal year				36,674
Redemption of foundation funds				(20,000)
Additions to reserve for redemption of foundation funds				—
Reversal of reserve for redemption of foundation funds				(20,000)
Additions to reserve for advanced depreciation of real estate for tax purpose				—
Reversal of reserve for advanced depreciation of real estate for tax purpose				—
Additions to reserve for special account for advanced depreciation of real estate for tax purpose				—
Reversal of revaluation reserve for land, net of tax				20
Net changes, excluding foundation funds, surplus and others	(4,876)	(20)	(4,896)	(4,896)
Total changes in the fiscal year	(4,876)	(20)	(4,896)	(23,754)
Balance at the end of the fiscal year	¥333,545	¥4,107	¥337,652	¥583,192

Millions of U.S. dollars

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	Reserve for special account for advanced depreciation of real estate for tax purpose	Other reserves	Unappropriated surplus	Total surplus	Total foundation funds, surplus and others
For the year ended March 31, 2017													
Balance at the beginning of the fiscal year	\$267	\$766	\$1	\$24	\$160	\$178	\$365	\$2	—	\$6	\$583	\$1,321	\$2,356
Changes in the fiscal year													
Additions to reserve for dividends to policyholders											(314)	(314)	(314)
Additions to legal reserve for future losses				0							(0)	—	—
Additions to accumulated foundation funds redeemed		178											178
Payment of interest on foundation funds											(2)	(2)	(2)
Net surplus for the fiscal year											326	326	326
Redemption of foundation funds	(178)												(178)
Additions to reserve for redemption of foundation funds					53						(53)	—	—
Reversal of reserve for redemption of foundation funds					(178)							(178)	(178)
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								(0)			0	—	—
Additions to reserve for special account for advanced depreciation of real estate for tax purpose									0		(0)	—	—
Reversal of revaluation reserve for land, net of tax											0	0	0
Net changes, excluding foundation funds, surplus and others													
Total changes in the fiscal year	(178)	178	—	0	(124)	—	—	(0)	0	—	(45)	(168)	(168)
Balance at the end of the fiscal year	\$ 89	\$944	\$1	\$25	\$35	\$178	\$365	\$2	\$0	\$6	\$538	\$1,153	\$2,188

Millions of U.S. dollars

Valuation and translation adjustments

	Net unrealized gains (losses) on available-for-sale securities, net of tax	Revaluation reserve for land, net of tax	Total valuation and translation adjustments	Total net assets
For the year ended March 31, 2017				
Balance at the beginning of the fiscal year	\$3,016	\$36	\$3,053	\$5,409
Changes in the fiscal year				
Additions to reserve for dividends to policyholders				(314)
Additions to legal reserve for future losses				—
Additions to accumulated foundation funds redeemed				178
Payment of interest on foundation funds				(2)
Net surplus for the fiscal year				326
Redemption of foundation funds				(178)
Additions to reserve for redemption of foundation funds				—
Reversal of reserve for redemption of foundation funds				(178)
Additions to reserve for advanced depreciation of real estate for tax purpose				—
Reversal of reserve for advanced depreciation of real estate for tax purpose				—
Additions to reserve for special account for advanced depreciation of real estate for tax purpose				—
Reversal of revaluation reserve for land, net of tax				0
Net changes, excluding foundation funds, surplus and others	(43)	(0)	(43)	(43)
Total changes in the fiscal year	(43)	(0)	(43)	(211)
Balance at the end of the fiscal year	\$2,973	\$36	\$3,009	\$5,198

Non-consolidated Proposed Appropriations of Surplus

Fukoku Mutual Life Insurance Company
For the years ended March 31, 2016 and 2017

	Year ended March 31,		
	2016	2017	2017
	Millions of yen		Millions of U.S. dollars
Unappropriated surplus	¥65,509	¥60,453	\$538
Reversal of voluntary surplus reserve			
Reversal of reserve for advanced depreciation of real estate for tax purpose	11	1	0
Reversal of reserve for special account for advanced depreciation of real estate for tax purpose	—	100	0
	11	102	0
Total	65,521	60,555	539
Appropriation of surplus			
Reserve for dividends to policyholders	35,236	34,592	308
Net surplus			
Legal reserve for future losses	106	105	0
Interest payment for foundation funds	316	100	0
Voluntary surplus reserve			
Reserve for redemption of foundation funds	6,000	2,000	17
Reserve for advanced depreciation of real estate for tax purpose	2	—	—
Reserve for special account for advanced depreciation of real estate for tax purpose	100	—	—
	6,103	2,000	17
	6,526	2,205	19
Total appropriation of surplus.....	41,762	36,797	327
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 Fukuoka Mutual Life Insurance Company (the "Company") in accordance with the provisions set forth in the Insurance Business Act 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, the totals do not add up.

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 ¥112.19 = US\$1.00, the effective rate of exchange at the balance sheet date of March 31, 2017. 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 Non-consolidated Balance Sheets

1. (1) 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 the 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 value are stated at fair market value based on the market prices at the end of the fiscal year. Costs of their sales are determined by the moving average method. Net unrealized gains or losses on these available-for-sale securities, net of taxes, are recorded as a separate

component of net assets.

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

(2) Derivative instruments are stated at fair market value.

(3) The Company revalued the land used in the operations based on the Act for Revaluation of Land (Act 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 land revaluation.

- Date of revaluation: March 31, 2002
- Method of revaluation as prescribed for in Article 3 Paragraph 3 of the said ACT:

Calculation is based on the appraisal value for property tax set forth in Article 2 item 3 of the Enforcement Ordinance of the Act 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 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 before March 31, 2016) 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 with no residual value.

Other tangible fixed assets acquired for ¥100,000 or more but less than ¥200,000 are depreciated equally over three years.

(5) Assets and liabilities denominated in foreign currencies, 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 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 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, 2016 and 2017 were ¥247 million and ¥1 million (US\$12 thousand), respectively.

- (7) 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 benefitsBenefit formula basis
- Amortization period of actuarial gains and losses...10 years
- Amortization period of prior service cost.....10 years

- (8) Reserve for price fluctuation is calculated in accordance with Article 115 of the Insurance Business Act.

- (9) 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 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) Hedge accounting is based on "Accounting Standards for Financial Instruments" (ASBJ Statement No. 10, August 11, 2006). The Company applies a fair value hedge accounting as a hedge against the risk of foreign exchange fluctuation in relation to bonds denominated in foreign currencies and against the risk of price fluctuation in relation to domestic stocks, and a designated hedge accounting ("Furiate shori") for foreign currency swaps as a hedge against the risk of foreign exchange fluctuation in relation to bonds denominated in foreign currencies 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 mainly applied.

- (11) 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) 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 Act, 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 is based on Article 116 of the Insurance Business Act, and the premium reserve 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 Act, 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. As of March 31,

2017, the balance of these policy reserves was ¥42,748 million (US\$381 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. As of March 31, 2017, the balance of these policy reserves was ¥29,931 million (US\$266 million).

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

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

As a result, both ordinary profits and the surplus before income taxes increased by ¥100 million (US\$900 thousand).

3. Asset management of the general accounts other than the separate accounts stipulated in Article 118 Paragraph 1 of the Insurance Business Act 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, stocks and real estates within the scope of acceptable 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 under the asset liability management. 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 in the general account 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 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, ¥6,127 million, and ¥8,371 million as of March 31, 2016, and ¥64,837 million (US\$577 million), ¥6,109 million (US\$54 million), and ¥17,418 million (US\$155 million) as of March 31, 2017, 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

	As of March 31,		
	2016		
	Millions of yen		
	Carrying amount	Fair value	Difference
Cash and deposits:			
Cash and deposits not treated as securities	¥ 112,405	¥ 112,405	¥ —
Total cash and deposits	112,405	112,405	—
Call loans	200,000	200,000	—
Monetary claims bought:			
Claims treated as loans	813	881	67
Total monetary claims bought	813	881	67
Money held in trust:			
Trading securities	86,793	86,793	—
Total money held in trust	86,793	86,793	—
Securities:			
Trading securities	233,015	233,015	—
Held-to-maturity debt securities	768,786	936,313	167,526
Policy-reserve-matching bonds	1,074,535	1,280,612	206,077
Investments in subsidiaries and affiliates	1,433	1,140	(293)
Available-for-sale securities	2,889,888	2,889,888	—
Total securities	4,967,659	5,340,969	373,310
Loans:			
Policy loans	61,437	61,437	(0)
Ordinary loans	632,242	664,774	32,531
Total loans	693,680	726,212	32,531
Assets total	6,061,352	6,467,262	405,910
Subordinated bonds*1	141,935	148,943	7,008
Liabilities total	141,935	148,943	7,008
Derivative instruments*2:			
Hedge accounting not applied	(1,982)	(1,982)	—
Hedge accounting applied	18,823	18,823	—
Total derivative instruments	¥ 16,841	¥ 16,841	¥ —

	As of March 31,					
	2017			2017		
	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	¥ 43,274	¥ 43,274	¥ —	\$ 385	\$ 385	\$ —
Total cash and deposits	43,274	43,274	—	385	385	—
Call loans	193,000	193,000	—	1,720	1,720	—
Monetary claims bought:						
Claims treated as loans	753	808	54	6	7	0
Total monetary claims bought	753	808	54	6	7	0
Money held in trust:						
Trading securities	28,787	28,787	—	256	256	—
Total money held in trust	28,787	28,787	—	256	256	—
Securities:						
Trading securities	179,246	179,246	—	1,597	1,597	—
Held-to-maturity debt securities	764,914	908,680	143,766	6,818	8,099	1,281
Policy-reserve-matching bonds	1,008,212	1,166,744	158,531	8,986	10,399	1,413
Available-for-sale securities	3,256,735	3,256,735	—	29,028	29,028	—
Total securities	5,209,110	5,511,408	302,297	46,431	49,125	2,694
Loans:						
Policy loans	59,238	59,238	(0)	528	528	(0)
Ordinary loans	568,483	592,719	24,235	5,067	5,283	216
Total loans	627,722	651,958	24,235	5,595	5,811	216
Assets total	6,102,649	6,429,237	326,588	54,395	57,306	2,911
Subordinated bonds*1	191,935	199,659	7,724	1,710	1,779	68
Liabilities total	191,935	199,659	7,724	1,710	1,779	68
Derivative instruments*2:						
Hedge accounting not applied	535	535	—	4	4	—
Hedge accounting applied	13,102	13,102	—	116	116	—
Total derivative instruments	¥ 13,638	¥ 13,638	¥ —	\$ 121	\$ 121	\$ —

*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.

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 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 possible loan losses 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. 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 ¥170,027 million and ¥276,629 million as of March 31, 2016, and ¥172,312 million (US\$1,535 million) and ¥283,598 million (US\$2,527 million) as of March 31, 2017, 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 ¥1,119 million as of March 31, 2016, and ¥974 million (US\$8 million) as of March 31, 2017, respectively.

5. The amounts of securities lent under lending agreements were ¥18,189 million and ¥38,863 million (US\$346 million) as of March 31, 2016 and 2017, respectively.

6. 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 ¥990 million as of March 31, 2016 and ¥1,115 million (US\$9 million) as of March 31, 2017, respectively;

- i) The balances of credits to bankrupt borrowers were ¥217 million and ¥230 million (US\$2 million) as of March 31, 2016 and 2017, respectively.
- ii) The balances of delinquent loans were ¥773 million and ¥884 million (US\$7 million) as of March 31, 2016 and 2017, respectively.
- iii) There were no balances of delinquent loans past 3 months or more and restructured loans as of March 31, 2016 and 2017.

The direct write-offs related to loans decreased credits to bankrupt borrowers described above by ¥247 million as of March 31, 2016 and ¥1 million (US\$12 thousand) as of March 31, 2017, 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 Act. Moreover, accrued interest on these loans is not recorded as income after determining that principal of or interest on these loans is unlikely to be collected due to the significant delay in repayment of principal or interest payment or for some other reasons.

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 for which certain concessions favorable to borrowers, such as interest reduction or exemption, rescheduling of due date for repayments 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 were ¥152,678 million and ¥158,873 million (US\$1,416 million) as of March 31, 2016 and 2017, respectively.

8. Total assets in separate accounts provided for in Article 118 of the Insurance Business Act were ¥79,065 million and ¥75,678

million (US\$674 million) as of March 31, 2016 and 2017, respectively. The amounts of separate account liabilities were the same as separate account assets.

9. The total amounts of receivables from/payables to subsidiaries were ¥2,486 million and ¥2,752 million as of March 31, 2016, and ¥2,471 million (US\$22 million) and ¥2,187 million (US\$19 million) as of March 31, 2017, respectively.

10. Deferred tax assets and deferred tax liabilities as of March 31, 2016 were ¥108,997 million and ¥139,188 million, respectively. Valuation allowance for deferred tax assets was ¥2,859 million.

Major components of deferred tax assets were ¥69,311 million of policy reserves, ¥19,120 million of reserve for price fluctuation and ¥12,530 million of reserve for employees' retirement benefits as of March 31, 2016.

Major component of deferred tax liabilities was ¥131,608 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.

Deferred tax assets and deferred tax liabilities as of March 31, 2017 were ¥117,179 million (US\$1,044 million) and ¥132,077 million (US\$1,177 million), respectively. Valuation allowance for deferred tax assets was ¥4,235 million (US\$37 million).

Major components of deferred tax assets were ¥73,414 million (US\$654 million) of policy reserves, ¥23,089 million (US\$205 million) of reserve for price fluctuation and ¥12,447 million (US\$110 million) of reserve for employees' retirement benefits as of March 31, 2017.

Major component of deferred tax liabilities was ¥127,885 million (US\$1,139 million) of net unrealized gains on available-for-sale securities as of March 31, 2017.

The statutory tax rate and the actual effective tax rate for the year ended March 31, 2017 were 28.2% and 8.1%, respectively. The difference between the statutory tax rate and the actual effective tax rate was attributable mainly to -24.5% of reserve for dividends to the policyholders.

11. Changes in reserve for dividends to policyholders were as follows:

	Year ended March 31,		
	2016	2017	2017
	Millions of yen		Millions of U.S. dollars
Balance at the beginning of the fiscal year.....	¥49,311	¥50,368	\$448
Transfer from surplus in the previous fiscal year.....	36,698	35,236	314
Dividend payments to policyholders during the fiscal year.....	(35,688)	(34,695)	(309)
Increase in interest.....	47	20	0
Balance at the end of the fiscal year.....	¥50,368	¥50,929	\$453

12. The amounts of stocks of subsidiaries were ¥36,994 million and ¥64,837 million (US\$577 million) as of March 31, 2016 and 2017, respectively.

13. Assets pledged as collateral as of March 31, 2016 were ¥26,284 million of securities and ¥1,279 million of bank deposits. Secured debts as of March 31, 2016, were ¥4,906 million.

Assets pledged as collateral as of March 31, 2017 were ¥27,012 million (US\$240 million) of securities and ¥1,688 million (US\$15 million) of bank deposits. Secured debts as of March 31, 2017, were ¥4,974 million (US\$44 million).

14. Reserves for outstanding claims for the reinsurance contracts provided in accordance with Article 71 Paragraph 1 of the Enforcement Regulation of the Insurance Business

Act (hereinafter called "reserve for outstanding claims for ceded reinsurance") were ¥15 million and ¥3 million (US\$29 thousand) as of March 31, 2016 and 2017, respectively.

Policy reserves for the reinsurance contracts provided in accordance with Article 71 Paragraph 1 of the Enforcement Regulation of the Insurance Business Act (hereinafter called "policy reserve for ceded reinsurance") were ¥29 million and ¥30 million (US\$271 thousand) as of March 31, 2016 and 2017, respectively.

15. 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 Act were ¥342,662 million and ¥337,765 million (US\$3,010 million) as of March 31, 2016 and 2017, respectively.

16. In line with the redemption of ¥20,000 million (US\$178 million) in foundation funds, the same amount of reserve for redemption of foundation funds is transferred to accumulated foundation funds redeemed in accordance with Article 56 of the Insurance Business Act in this fiscal year.

17. There were unused commitment line agreements under which the Company is the lender of ¥12,172 million and ¥10,500 million (US\$93 million) as of March 31, 2016 and 2017, respectively.

18. Repayments of subordinated bonds are subordinated to other obligations.

19. The future contribution to the Life Insurance Policyholders Protection Corporation of Japan under Article 259 of the Insurance Business Act were estimated at ¥10,356 million and ¥9,406 million (US\$83 million) as of March 31, 2016 and 2017, respectively.

The contribution is recognized as operating expenses when contributed.

20. Matters Related to Employees' Retirement Benefits as of March 31, 2016 and 2017

(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 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,		
	2016	2017	2017
	Millions of yen		Millions of U.S. dollars
Retirement benefit obligation at the beginning of the fiscal year.....	¥76,725	¥85,184	\$759
Service cost.....	3,067	3,508	31
Interest cost	1,073	510	4
Actuarial differences occurred during the fiscal year.....	9,106	656	5
Retirement benefit payments.....	(4,787)	(4,583)	(40)
Retirement benefit obligation at the end of the fiscal year	¥85,184	¥85,277	\$760

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

	As of March 31,		
	2016	2017	2017
	Millions of yen		Millions of U.S. dollars
Pension plan assets at the beginning of the fiscal year.....	¥26,114	¥44,636	\$397
Expected return on pension plan assets	783	671	5
Actuarial differences occurred during the fiscal year.....	(1,987)	57	0
Contributions by the employer	2,380	2,689	23
Retirement benefit payments.....	(1,322)	(1,400)	(12)
Contribution amount on establishment of retirement benefit trust.....	18,666	—	—
Pension plan assets at the end of the fiscal year	¥44,636	¥46,654	\$415

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

	As of March 31,		
	2016	2017	2017
	Millions of yen		Millions of U.S. dollars
a. Funded plan retirement benefit obligation.....	¥73,675	¥73,902	\$658
b. Pension plan assets.....	(44,636)	(46,654)	(415)
c. (a + b).....	29,039	27,247	242
d. Unfunded plan retirement benefit obligation.....	11,509	11,375	101
e. Unrecognized actuarial differences.....	(14,864)	(13,156)	(117)
f. Unrecognized prior service cost.....	399	323	2
g. Reserve for employees' retirement benefits (c + d + e + f).....	¥26,083	¥25,789	\$229

iv) Breakdown of retirement benefit gains and losses

	As of March 31,		
	2016	2017	2017
	Millions of yen		Millions of U.S. dollars
Service cost.....	¥3,067	¥3,508	\$31
Interest cost.....	1,073	510	4
Expected return on pension plan assets.....	(783)	(671)	(5)
Amortization of actuarial differences.....	921	2,306	20
Amortization of prior service cost.....	(76)	(76)	(0)
Retirement benefit expenses related to defined benefit plan.....	¥4,202	¥5,578	\$49

v) Breakdown of pension plan assets

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

	As of March 31,	
	2016	2017
Domestic stocks.....	48.5%	46.1%
Life insurance general account.....	33.7%	34.2%
Domestic bonds.....	7.7%	8.0%
Foreign stocks.....	6.7%	7.9%
Foreign bonds.....	2.9%	2.7%
Others.....	0.6%	1.1%
Total.....	100.0%	100.0%

Within the total of pension assets, 37.2% of this amount is accounted for by the retirement benefit trust established in relation to the retirement lump-sum grant 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,	
	2016	2017
Discount rate	0.6%	0.6%
Expected long-term rate of return on pension plan assets		
Defined Benefit Plan.....	3.0%	2.5%
Retirement benefit trust.....	0.0%	0.0%

(3) The required contribution amounts by the Company to the defined contribution plan were ¥187 million and ¥194 million (US\$1 million) as of March 31, 2016 and 2017, respectively.

21. The "Implementation Guidance on Recoverability of Deferred Tax Assets" (ASBJ Guidance No. 26, March 28, 2016) has been applied from the year ended March 31, 2017.

III. Notes to Non-consolidated Statements of Operations

1. The total amounts of revenues and expenses in connection with subsidiaries were ¥1,749 million and ¥8,584 million for the year ended March 31, 2016, and ¥877 million (US\$7 million) and ¥8,084 million (US\$72 million) for the year ended March 31, 2017, respectively.

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

	Year ended March 31,		
	2016	2017	2017
	Millions of yen		Millions of U.S. dollars
Domestic bonds	¥30,067	¥11,175	\$99
Domestic stocks and others.....	2,934	2,741	24
Foreign securities	¥ 4,546	¥ 556	\$ 4

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

	Year ended March 31,		
	2016	2017	2017
	Millions of yen		Millions of U.S. dollars
Domestic bonds	¥ —	¥ 441	\$ 3
Domestic stocks and others.....	2,701	1,312	11
Foreign securities	¥3,119	¥3,739	\$33

4. Major items of losses on valuation of securities were as follows:

	Year ended March 31,		
	2016	2017	2017
	Millions of yen		Millions of U.S. dollars
Foreign securities	¥—	¥24	\$0

5. For the year ended March 31, 2016, in calculating the reversal of reserve for outstanding claims, a reversal of reserves for outstanding claims reinsured of ¥35 million was deducted. In calculating the provision of policy reserves, a reversal of reserves for policy reserves

reinsured of ¥1 million was added.

For the year ended March 31, 2017, in calculating the reversal of reserve for outstanding claims, a reversal of reserves for outstanding claims reinsured of ¥11 million (US\$106 thousand) was deducted. In calculating the provision of policy reserves, a provision of reserves for policy reserves reinsured of ¥0 million (US\$8 thousand) was deducted.

6. Major items of losses on trading securities were as follows:

	Year ended March 31,		
	2016	2017	2017
	Millions of yen		Millions of U.S. dollars
Interest, dividends and other income	¥ 9,034	¥ 6,464	\$ 57
Gains on sales of trading securities	12,821	—	—
Losses on valuation of trading securities	¥(36,617)	¥(17,796)	\$(158)

7. Gains on money held in trust for the year ended March 31, 2016 included valuation losses of ¥0 million.

Losses on money held in trust for the year ended March 31, 2017 included valuation gains of ¥0 million (US\$0 million).

8. Losses on derivative instruments for the year ended March 31, 2016 included valuation losses of ¥2,428 million.

Gains on derivative instruments for the year ended March 31, 2017 included valuation gains of ¥2,224 million (US\$19 million).

Report of Independent Auditors

Report of Independent Auditors

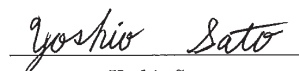
May 20, 2017

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


Yuichi Yasuda

We have audited the accompanying non-consolidated balance sheet of Fukoku Mutual Life Insurance Company (the “Company”) as of March 31, 2017 and the related non-consolidated statement of operations, and changes in net assets, and the non-consolidated proposed appropriation of surplus for the year 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, 2017 and the non-consolidated result

of its operations for the year 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.1 to the accompanying non-consolidated financial statements with respect to the year ended March 31, 2017.

Consolidated Financial Statements

Consolidated Balance Sheets

Fukoku Mutual Life Insurance Company and consolidated subsidiaries
As of March 31, 2016 and 2017

	As of March 31,		
	2016	2017	2017
	Millions of yen		Millions of U.S. dollars
Assets:			
Cash and deposits	¥ 172,049	¥ 136,494	\$ 1,216
Call loans	200,000	193,000	1,720
Monetary claims bought.....	813	753	6
Money held in trust	87,793	29,787	265
Securities.....	6,859,234	7,130,780	63,559
Loans.....	697,056	631,109	5,625
Tangible fixed assets			
Land.....	125,310	125,276	1,116
Buildings.....	86,217	88,212	786
Lease assets.....	2,324	2,013	17
Construction in progress	1,590	1,140	10
Other tangible fixed assets.....	3,531	3,230	28
	218,974	219,873	1,959
Intangible fixed assets			
Software	11,259	11,316	100
Goodwill.....	1,564	801	7
Lease assets.....	658	210	1
Other intangible fixed assets.....	7,457	13,997	124
	20,941	26,326	234
Agency receivables.....	2	4	0
Reinsurance receivables.....	144	200	1
Other assets	75,308	66,237	590
Net defined benefit asset.....	—	42	0
Deferred tax assets	137	153	1
Allowance for possible loan losses.....	(1,851)	(1,776)	(15)
Total assets.....	¥8,330,606	¥8,432,988	\$75,167

As of March 31,

	2016	2017	2017
	Millions of yen		Millions of U.S. dollars
Liabilities:			
Policy reserves			
Reserve for outstanding claims	¥ 23,003	¥ 22,223	\$ 198
Policy reserve	7,287,604	7,365,185	65,649
Reserve for dividends to policyholders.....	50,368	50,929	453
Reserve for dividends to policyholders (subsidiary).....	650	598	5
	7,361,627	7,438,936	66,306
Agency payables.....	480	98	0
Reinsurance payables.....	146	79	0
Subordinated bonds.....	141,935	191,935	1,710
Other liabilities.....	45,940	46,006	410
Net defined benefit liabilities	40,649	38,767	345
Reserve for price fluctuation	77,289	91,827	818
Deferred tax liabilities	30,837	16,233	144
Deferred tax liabilities for land revaluation.....	14,274	14,265	127
Total liabilities	7,713,180	7,838,150	69,864
Net assets:			
Foundation funds.....	30,000	10,000	89
Accumulated foundation funds redeemed	86,000	106,000	944
Reserve for revaluation.....	112	112	1
Consolidated surplus	151,251	133,217	1,187
Total foundation funds, surplus and others.....	267,363	249,329	2,222
Net unrealized gains (losses) on available-for-sale securities, net of tax	349,884	342,470	3,052
Revaluation reserve for land, net of tax.....	4,128	4,107	36
Foreign currency translation adjustment	(115)	(433)	(3)
Accumulated remeasurements of defined benefit plans	(10,414)	(9,240)	(82)
Total accumulated other comprehensive income.....	343,482	336,904	3,002
Non-controlling interests	6,578	8,603	76
Total net assets	617,425	594,837	5,302
Total liabilities and net assets	¥8,330,606	¥8,432,988	\$75,167

Consolidated Statements of Operations

Fukoku Mutual Life Insurance Company and consolidated subsidiaries
For the years ended March 31, 2016 and 2017

	Year ended March 31,		
	2016	2017	2017
	Millions of yen		Millions of U.S. dollars
Ordinary revenues:			
Premium and other income	¥ 788,854	¥648,744	\$5,782
Investment income:			
Interest, dividends and other income	160,709	158,645	1,414
Gains on money held in trust, net	11,332	—	—
Gains on sales of securities	38,438	15,178	135
Gains on derivative instruments, net	—	7,018	62
Reversal of allowance for possible loan losses	77	90	0
Other investment income	350	114	1
Gains on separate accounts, net	—	4,041	36
	210,908	185,088	1,649
Other ordinary revenues	10,715	9,082	80
Total ordinary revenues	1,010,478	842,915	7,513
Ordinary expenses:			
Claims and other payments:			
Claims	130,954	109,450	975
Annuities	204,136	175,156	1,561
Benefits	130,191	121,841	1,086
Surrenders	155,996	109,934	979
Other payments	31,884	30,314	270
	653,164	546,696	4,872
Provision of policy reserve and others:			
Provision of policy reserve	127,004	77,580	691
Provision of interest portion of reserve for dividends to policyholders	47	20	0
Provision of interest portion of reserve for dividends to policyholders (subsidiary)	0	0	0
	127,052	77,601	691
Investment expenses:			
Interest expenses	4,324	4,061	36
Losses on money held in trust, net	—	1,144	10
Losses on trading securities, net	12,422	7,042	62
Losses on sales of securities	5,820	5,493	48
Losses on valuation of securities	—	24	0
Losses on derivative financial instruments, net	3,549	—	—
Foreign exchange losses, net	8,603	15,619	139
Depreciation of real estate for rent and other assets	4,482	4,319	38
Other investment expenses	5,038	5,665	50
Losses on separate accounts, net	2,354	—	—
	46,596	43,371	386
Operating expenses	98,078	97,218	866
Other ordinary expenses	22,435	21,161	188
Total ordinary expenses	947,327	786,049	7,006
Ordinary profits	¥ 63,151	¥ 56,866	\$ 506

Year ended March 31,

	2016	2017	2017
	Millions of yen		Millions of U.S. dollars
Extraordinary gains:			
Gains on disposal of fixed assets	¥ 1,503	¥ 2	\$ 0
Gains on contribution of securities to retirement benefit trust	7,913	—	—
State subsidy and others	140	195	1
Others.....	—	42	0
Total extraordinary gains	9,557	240	2
Extraordinary losses:			
Losses on disposal of fixed assets.....	283	182	1
Impairment losses	242	71	0
Provision of reserve for price fluctuation.....	22,111	14,538	129
Total extraordinary losses	22,637	14,792	131
Provision of reserve for dividends to policyholders (subsidiary)	422	419	3
Surplus before income taxes	49,647	41,895	373
Income taxes:			
Current.....	15,619	14,409	128
Deferred	(8,336)	(10,231)	(91)
Total income taxes	7,282	4,178	37
Net surplus	42,364	37,716	336
Net surplus attributable to non-controlling interests	240	236	2
Net surplus attributable to the parent company	¥42,124	¥37,479	\$334

Consolidated Statements of Comprehensive Income

Fukoku Mutual Life Insurance Company and consolidated subsidiaries
For the years ended March 31, 2016 and 2017

Year ended March 31,

	2016	2017	2017
	Millions of yen		Millions of U.S. dollars
Net surplus	¥ 42,364	¥37,716	\$336
Other comprehensive income:			
Net unrealized gains (losses) on available-for-sale securities, net of tax	(89,444)	(7,768)	(69)
Deferred valuation gains (losses) under hedge accounting, net of tax.....	(0)	—	—
Revaluation reserve for land, net of tax.....	433	0	0
Foreign currency translation adjustments	(62)	(318)	(2)
Remeasurements of defined benefit plan, net of tax.....	(7,414)	1,174	10
	(96,487)	(6,912)	(61)
Comprehensive income:			
Comprehensive income attributable to the parent company	(55,144)	30,922	275
Comprehensive income attributable to non-controlling interests.....	1,021	(117)	(1)
	¥ (54,123)	¥30,804	\$274

Consolidated Statements of Cash Flows

Fukoku Mutual Life Insurance Company and consolidated subsidiaries
For the years ended March 31, 2016 and 2017

	Year ended March 31,		
	2016	2017	2017
	Millions of yen		Millions of U.S. dollars
Cash flows from operating activities:			
Surplus before income taxes.....	¥ 49,647	¥ 41,895	\$ 373
Depreciation of real estate for rent and other assets	4,482	4,319	38
Depreciation	7,425	7,518	67
Impairment losses	242	71	0
Amortization of goodwill.....	763	763	6
Losses (gains) on securities contribution to employees' retirement benefits trust.....	(7,913)	—	—
Increase (decrease) in reserve for outstanding claims	(498)	(780)	(6)
Increase (decrease) in policy reserve	127,004	77,580	691
Provision of interest portion of reserve for dividends to policyholders	47	20	0
Provision of interest portion of reserve for dividends to policyholders (subsidiary)	0	0	0
Provision of reserve for dividends to policyholders (subsidiary)	422	419	3
Increase (decrease) in allowance for possible loan losses	(96)	(74)	(0)
Increase (decrease) in net defined benefit liabilities.....	(1,623)	(293)	(2)
Increase (decrease) in reserve for price fluctuation.....	22,111	14,538	129
Interest, dividends and other income	(160,709)	(158,645)	(1,414)
Losses (gains) on securities, net	(25,624)	(12,532)	(111)
Interest expenses.....	4,324	4,061	36
Foreign exchange losses (gains), net	8,602	15,616	139
Losses (gains) on tangible fixed assets, net.....	(1,231)	110	0
Decrease (increase) in agency receivable.....	1	(1)	(0)
Decrease (increase) in reinsurance receivable	(37)	(56)	(0)
Decrease (increase) in other assets except from investing and financing activities	(1,037)	(851)	(7)
Increase (decrease) in agency payable	103	(382)	(3)
Increase (decrease) in reinsurance payable.....	21	(66)	(0)
Increase (decrease) in other liabilities except from investing and financing activities	1,626	(581)	(5)
Others.....	15,518	16,337	145
Subtotal	43,574	8,987	80
Interest, dividends and other income received	172,162	166,861	1,487
Interest expenses paid	(4,943)	(3,812)	(33)
Dividends to policyholders paid	(35,688)	(34,695)	(309)
Dividends to policyholders paid (subsidiary)	(479)	(472)	(4)
Corporate income tax (paid) refunded	(31,682)	(9,832)	(87)
Net cash provided by (used in) operating activities (a)	142,943	127,036	1,132
Cash flows from investing activities:			
Net decrease (increase) in deposits	(73)	74	0
Proceeds from sales and redemption of monetary claims bought.....	57	60	0
Decrease in money held in trust.....	—	56,742	505
Payments for purchase of securities	(1,050,013)	(944,430)	(8,418)
Proceeds from sales and redemption of securities	821,187	654,047	5,829
Payments for additions to loans	(71,613)	(66,549)	(593)
Proceeds from collections of loans	132,491	123,722	1,102
Proceeds from and payments for settlements of derivatives, net	45,173	1,311	11
Others.....	(4,093)	(5,309)	(47)
Subtotal (b)	(126,884)	(180,329)	(1,607)
(a + b)	¥ 16,059	¥ (53,292)	\$ (475)

Year ended March 31,

	2016	2017	2017
	Millions of yen		Millions of U.S. dollars
Payments for purchase of tangible fixed assets.....	¥ (7,838)	¥ (9,040)	\$ (80)
Proceeds from sales of tangible fixed assets.....	11,410	11	0
Payments for purchase of intangible fixed assets.....	(8,925)	(11,089)	(98)
Net cash provided by (used in) investing activities.....	(132,237)	(200,447)	(1,786)
Cash flows from financing activities:			
Proceeds from issuance of bonds.....	62,065	50,000	445
Redemption of subordinated bonds.....	(40,326)	—	—
Redemption of foundation funds.....	—	(20,000)	(178)
Interest payment for foundation funds.....	(316)	(316)	(2)
Proceeds from share issuance to non-controlling shareholders.....	—	2,215	19
Dividends paid to non-controlling interests.....	(19)	(85)	0
Payments for lease obligations.....	(520)	(501)	(4)
Net cash provided by (used in) financing activities.....	20,883	31,312	279
Effect of exchange rate changes on cash and cash equivalents.....	(377)	(193)	(1)
Net increase (decrease) in cash and cash equivalents.....	31,212	(42,292)	(376)
Cash and cash equivalents at the beginning of the fiscal year.....	339,246	370,458	3,302
Increase (decrease) in cash and cash equivalents resulting from change in scope of consolidation.....	—	70	0
Cash and cash equivalents at the end of the fiscal year.....	¥370,458	¥328,236	\$2,925

Consolidated Statements of Changes in Net Assets

Fukoku Mutual Life Insurance Company and consolidated subsidiaries
For the years ended March 31, 2016 and 2017

For the year ended March 31, 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
Balance at the beginning of the fiscal year.....	¥30,000	¥86,000	¥112	¥145,942	¥262,054
Changes in the fiscal year					
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 fiscal year.....				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 fiscal year.....	—	—	—	5,309	5,309
Balance at the end of the fiscal year.....	¥30,000	¥86,000	¥112	¥151,251	¥267,363

For the year ended March 31, 2016	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
Balance at the beginning of the fiscal year.....	¥440,109	¥ 0	¥3,894	¥(52)	¥(3,000)	¥440,951	¥5,576	¥708,582
Changes in the fiscal year								
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 fiscal year.....								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 fiscal year.....	(90,225)	(0)	234	(62)	(7,414)	(97,468)	1,002	(91,157)
Balance at the end of the fiscal year.....	¥349,884	¥—	¥4,128	¥(115)	¥(10,414)	¥343,482	¥6,578	¥617,425

For the year ended March 31, 2017	Millions of yen				
	Foundation funds, surplus and others				Total foundation funds, surplus and others
	Foundation funds	Accumulated foundation funds redeemed	Reserve for revaluation	Consolidated surplus	
Balance at the beginning of the fiscal year.....	¥30,000	¥ 86,000	¥112	¥151,251	¥267,363
Changes in the fiscal year					
Additions to reserve for dividends to policyholders.....				(35,236)	(35,236)
Additions to accumulated foundation funds redeemed.....		20,000			20,000
Payment of interest on foundation funds.....				(316)	(316)
Net surplus attributable to the parent company for the fiscal year.....				37,479	37,479
Redemption of foundation funds.....	(20,000)				(20,000)
Reversal of reserve for redemption of foundation funds.....				(20,000)	(20,000)
Reversal of revaluation reserve for land, net of tax.....				20	20
Change of scope of consolidation.....				30	30
Change in ownership interest of parent due to transactions with non-controlling interests.....				(12)	(12)
Net changes, excluding foundation funds, surplus and others.....					
Total changes in the fiscal year.....	(20,000)	20,000	—	(18,033)	(18,033)
Balance at the end of the fiscal year.....	¥10,000	¥106,000	¥112	¥133,217	¥249,329

For the year ended March 31, 2017	Millions of yen						
	Accumulated other comprehensive income					Non-controlling interests	Total net assets
	Net unrealized gains (losses) on available-for-sale securities, 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		
Balance at the beginning of the fiscal year.....	¥349,884	¥4,128	¥(115)	¥(10,414)	¥343,482	¥6,578	¥617,425
Changes in the fiscal year							
Additions to reserve for dividends to policyholders.....							(35,236)
Additions to accumulated foundation funds redeemed.....							20,000
Payment of interest on foundation funds.....							(316)
Net surplus attributable to the parent company for the fiscal year.....							37,479
Redemption of foundation funds.....							(20,000)
Reversal of reserve for redemption of foundation funds.....							(20,000)
Reversal of revaluation reserve for land, net of tax.....							20
Change of scope of consolidation.....							30
Change in ownership interest of parent due to transactions with non-controlling interests.....							(12)
Net changes, excluding foundation funds, surplus and others.....	(7,413)	(20)	(318)	1,174	(6,578)	2,024	(4,553)
Total changes in the fiscal year.....	(7,413)	(20)	(318)	1,174	(6,578)	2,024	(22,587)
Balance at the end of the fiscal year.....	¥342,470	¥4,107	¥(433)	¥(9,240)	¥336,904	¥8,603	¥594,837

Millions of U.S. dollars

	Foundation funds, surplus and others				
	Foundation funds	Accumulated foundation funds redeemed	Reserve for revaluation	Consolidated surplus	Total foundation funds, surplus and others
For the year ended March 31, 2017					
Balance at the beginning of the fiscal year.....	\$267	\$766	\$1	\$1,348	\$2,383
Changes in the fiscal year					
Additions to reserve for dividends to policyholders.....				(314)	(314)
Additions to accumulated foundation funds redeemed.....		178			178
Payment of interest on foundation funds				(2)	(2)
Net surplus attributable to the parent company for the fiscal year				334	334
Redemption of foundation funds	(178)				(178)
Reversal of reserve for redemption of foundation funds.....				(178)	(178)
Reversal of revaluation reserve for land, net of tax				0	0
Change of scope of consolidation.....				0	0
Change in ownership interest of parent due to transactions with non-controlling interests				(0)	(0)
Net changes, excluding foundation funds, surplus and others.....					
Total changes in the fiscal year.....	(178)	178	—	(160)	(160)
Balance at the end of the fiscal year	\$ 89	\$944	\$1	\$1,187	\$2,222

Millions of U.S. dollars

	Accumulated other comprehensive income						Total net assets
	Net unrealized gains (losses) on available-for-sale securities, 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	
For the year ended March 31, 2017							
Balance at the beginning of the fiscal year.....	\$3,118	\$36	\$(1)	\$(92)	\$3,061	\$58	\$5,503
Changes in the fiscal year							
Additions to reserve for dividends to policyholders.....							(314)
Additions to accumulated foundation funds redeemed							178
Payment of interest on foundation funds							(2)
Net surplus attributable to the parent company for the fiscal year.....							334
Redemption of foundation funds							(178)
Reversal of reserve for redemption of foundation funds.....							(178)
Reversal of revaluation reserve for land, net of tax.....							0
Change of scope of consolidation.....							0
Change in ownership interest of parent due to transactions with non-controlling interests.....							(0)
Net changes, excluding foundation funds, surplus and others	(66)	(0)	(2)	10	(58)	18	(40)
Total changes in the fiscal year.....	(66)	(0)	(2)	10	(58)	18	(201)
Balance at the end of the fiscal year	\$3,052	\$36	\$(3)	\$(82)	\$3,002	\$76	\$5,302

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 Act of Japan and its related rules and regulations and in conformity with accounting principles generally accepted in Japan, which are different in certain respects from accounting principles generally accepted in countries and jurisdictions other than Japan.

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

Amounts of less than one million yen have been rounded down. As a result, the totals do not add up.

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 ¥112.19 = US\$1.00, the effective rate of exchange at the balance sheet date of March 31, 2017. 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.

2. Principles of Consolidation

(1) Scope of Consolidation

Consolidated subsidiaries as of March 31, 2016 and 2017 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.
- Fukoku Life Investments Singapore Pte. Ltd.

Fukoku Life Investments Singapore Pte. Ltd. has been included in the scope of consolidation from the year ended March 31, 2017 due to its significance.

Also, from the year ended March 31, 2017 the company has changed its fiscal year-end from March 31 to December 31. Accordingly, the company's business year for this year is a nine-month period, from April 1 through December 31.

Major unconsolidated subsidiary is Fukoku Business Service Company Limited.

Five 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 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 Business Service 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, 2016 and 2017.

(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 the Consolidated Balance Sheets

1. (1) 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 the Insurance Industry" (Industry Audit Committee Report No.21 issued by the Japanese Institute of Certified Public Accountants on November 16, 2000).
- iv) Investments in unconsolidated subsidiaries and affiliates which are not accounted for under the equity method are stated at cost, cost being determined by the moving average method.
- v) Available-for-sale securities with fair market value are stated at fair market value based on the market prices at the end of the fiscal year. Costs of their sales are determined by the moving average method. Net unrealized gains or losses on these available-for-sale securities, net of taxes, are recorded as a separate component of net assets.

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

(2) Derivative instruments are stated at fair market value.

(3) The Company revalued the land used in the operations based on the Act for Revaluation of Land (Act 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 land revaluation.

- Date of revaluation: March 31, 2002
- Method of revaluation as prescribed for in Article 3 Paragraph 3 of the said Act:
Calculation is based on the appraisal value for property tax set forth in Article 2 item 3 of the Enforcement Ordinance

of the Act 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 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 before March 31, 2016) 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 with no residual value.

Other tangible fixed assets acquired for ¥100,000 or more but less than ¥200,000 are depreciated equally over three years.

(5) Assets and liabilities denominated in foreign currencies, 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 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 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, 2016 and 2017 were ¥247 million and ¥1 million (US\$12 thousand), respectively.

- (7) Net defined benefit liabilities, supposed to be incurred as of March 31, 2017, are presented for the employees' retirement benefits after deducting pension plan assets from retirement benefit obligations, based on estimated amounts as of the balance sheet date.

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

- Method for allocation of projected retirement benefits
.....Benefit formula basis
- Amortization period of actuarial gains and losses ...10 years
- Amortization period of prior service cost.....10 years

- (8) Reserve for price fluctuation is calculated in accordance with Article 115 of the Insurance Business Act.

- (9) 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 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) Hedge accounting is based on "Accounting Standards for Financial Instruments" (ASBJ Statement No. 10, August 11, 2006). The Company applies a fair value hedge accounting as a hedge against the risk of foreign exchange fluctuation in relation to bonds denominated in foreign currencies and against the risk of price fluctuation in relation to domestic stocks, and a designated hedge accounting ("Furiate shori") for foreign currency swaps as a hedge against the risk of foreign exchange fluctuation in relation to bonds denominated in foreign currencies 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 mainly applied.

- (11) 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 Act, 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 is based on Article 116 of the Insurance Business Act, and the premium reserve 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 Act, 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. As of March 31, 2017, the balance of these policy reserves was ¥42,748 million (US\$381 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. As of March 31, 2017, the balance of these policy reserves was ¥29,931 million (US\$266 million).

- (13) Intangible fixed assets are amortized as follows:

- i) Software for internal use is amortized based on the straight-line method over the estimated useful lives.
- ii) Lease assets are amortized based on the straight-line method over the lease term.

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

As a result, both ordinary profits and the surplus before income taxes increased by ¥100 million (US\$900 thousand).

3. Asset management of the general accounts other than the separate accounts stipulated in Article 118 Paragraph 1 of the Insurance Business Act 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, stocks and real estates within the scope of acceptable 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 under the asset liability management. 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 in the general account 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 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, ¥6,127 million, and ¥8,371 million as of March 31, 2016 and ¥454 million (US\$4 million), ¥6,109 million (US\$54 million), and ¥17,418 million (US\$155 million) as of March 31, 2017, 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 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 possible loan losses 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.

As of March 31,			
2016			
Millions of yen			
	Carrying amount	Fair value	Difference
Cash and deposits:			
Cash and deposits not treated as securities.....	¥ 170,272	¥ 170,272	¥ —
Total cash and deposits	170,272	170,272	—
Call loans	200,000	200,000	—
Monetary claims bought:			
Claims treated as loans	813	881	67
Total monetary claims bought.....	813	881	67
Money held in trust:			
Trading securities.....	86,793	86,793	—
Total money held in trust.....	86,793	86,793	—
Securities:			
Trading securities.....	233,015	233,015	—
Held-to-maturity debt securities	1,237,993	1,521,976	283,983
Policy-reserve-matching bonds.....	2,105,736	2,419,734	313,998
Investments in subsidiaries and affiliates	40	41	1
Available-for-sale securities	3,193,386	3,193,386	—
Total securities.....	6,770,172	7,368,155	597,982
Loans:			
Policy loans.....	64,813	64,813	(0)
Ordinary loans.....	632,242	664,774	32,531
Total loans.....	697,056	729,587	32,531
Assets total.....	7,925,108	8,555,690	630,581
Subordinated bonds*1	141,935	148,943	7,008
Liabilities total.....	141,935	148,943	7,008
Derivative instruments*2 :			
Hedge accounting not applied	(1,982)	(1,982)	—
Hedge accounting applied	18,823	18,823	—
Total derivative instruments	¥ 16,841	¥ 16,841	¥ —

As of March 31,						
2017			2017			
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.....	¥ 135,088	¥ 135,088	¥ —	\$ 1,204	\$ 1,204	\$ —
Total cash and deposits	135,088	135,088	—	1,204	1,204	—
Call loans	193,000	193,000	—	1,720	1,720	—
Monetary claims bought:						
Claims treated as loans	753	808	54	6	7	0
Total monetary claims bought.....	753	808	54	6	7	0
Money held in trust:						
Trading securities.....	28,787	28,787	—	256	256	—
Total money held in trust.....	28,787	28,787	—	256	256	—
Securities:						
Trading securities.....	179,246	179,246	—	1,597	1,597	—
Held-to-maturity debt securities	1,235,331	1,475,486	240,155	11,011	13,151	2,140
Policy-reserve-matching bonds.....	2,067,059	2,314,447	247,387	18,424	20,629	2,205
Available-for-sale securities	3,552,958	3,552,958	—	31,669	31,669	—
Total securities.....	7,034,595	7,522,139	487,543	62,702	67,048	4,345
Loans:						
Policy loans.....	62,625	62,625	(0)	558	558	(0)
Ordinary loans.....	568,483	592,719	24,235	5,067	5,283	216
Total loans.....	631,109	655,344	24,235	5,625	5,841	216
Assets total.....	8,023,334	8,535,168	511,833	71,515	76,077	4,562
Subordinated bonds*1	191,935	199,659	7,724	1,710	1,779	68
Liabilities total.....	191,935	199,659	7,724	1,710	1,779	68
Derivative instruments*2 :						
Hedge accounting not applied	535	535	—	4	4	—
Hedge accounting applied	13,102	13,102	—	116	116	—
Total derivative instruments.....	¥ 13,638	¥ 13,638	¥ —	\$ 121	\$ 121	\$ —

*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.

- 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. 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 ¥168,709 million and ¥275,299 million as of March 31, 2016 and ¥171,021 million (US\$1,524 million) and ¥282,301 million (US\$2,516 million) as of March 31, 2017, 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 amounts corresponding to asset retirement obligations included in the carrying amount of investment and rental properties were ¥1,117 million and ¥972 million (US\$8 million) as of March 31, 2016 and 2017, respectively.
5. The amounts of securities lent under lending agreements were ¥18,189 million and ¥38,863 million (US\$346 million) as of March 31, 2016 and 2017, respectively.
6. 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 ¥997 million and ¥1,124 million (US\$10 million) as of March 31, 2016 and 2017, respectively;
- i) The balance of credits to bankrupt borrowers were ¥223 million and ¥239 million (US\$2 million) as of March 31, 2016 and 2017, respectively.
 - ii) The balances of delinquent loans were ¥773 million and ¥884 million (US\$7 million) as of March 31, 2016 and 2017, respectively.
 - iii) There were no balances of delinquent loans past 3 months or more and restructured loans as of March 31, 2016 and 2017, respectively.
- The direct write-offs related to loans decreased credits to bankrupt borrowers described above by ¥247 million and ¥1 million (US\$12 thousand) as of March 31, 2016 and 2017, 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 Act. 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 for which certain concessions favorable to borrowers, such as interest reduction or exemption, rescheduling of due date for payments 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 were ¥153,103 million and ¥159,372 million (US\$1,420 million) as of March 31, 2016 and 2017, respectively.
8. Total assets in separate accounts provided for in Article 118 of the Insurance Business Act were ¥79,065 million and ¥75,678 million (US\$674 million) as of March 31, 2016 and 2017, respectively. The amounts of separate account liabilities were the same as separate account assets.
9. The total amounts of receivables from/payables to unconsolidated subsidiaries were ¥2,347 million and ¥171 million as of March 31, 2016 and ¥2,349 million (US\$20 million) and ¥117 million (US\$1 million) as of March 31, 2017, respectively.
10. Deferred tax assets and deferred tax liabilities as of March 31, 2016 were ¥116,641 million and ¥144,360 million, respectively. Valuation allowance for deferred tax assets was ¥2,981 million.
- Major components of deferred tax assets were ¥69,933 million of policy reserves, ¥21,641 million of reserve for price fluctuation of securities and ¥16,610 million of net defined benefit liabilities as of March 31, 2016.
- Major component of deferred tax liabilities was ¥136,763 million of net unrealized gains on available for-sale securities as of March 31, 2016.
- Deferred tax assets and deferred tax liabilities as of March 31, 2017 were ¥124,388 million (US\$1,108 million) and ¥136,125 million (US\$1,213 million), respectively. Valuation allowance for deferred tax assets was ¥4,343 million (US\$38 million).
- Major components of deferred tax assets were ¥74,052

million (US\$660 million) of policy reserves, ¥25,712 million (US\$229 million) of reserve for price fluctuation and ¥16,085 million (US\$143 million) of net defined benefit liability as of March 31, 2017.

Major component of deferred tax liabilities was ¥131,909 million (US\$1,175 million) of net unrealized gains

on available-for-sale securities as of March 31, 2017.

The statutory tax rate and the actual effective tax rate for the year ended March 31, 2017 were 28.2% and 10.0%, respectively. The difference between the statutory tax rate and the actual effective tax rate was attributable mainly to -23.3% of reserve for dividends to the policyholders.

11. Changes in reserve for dividends to policyholders were as follows:

	Year ended March 31,		
	2016	2017	2017
	Millions of yen		Millions of U.S. dollars
Balance at the beginning of the fiscal year.....	¥49,311	¥50,368	\$448
Transfer from surplus in the previous fiscal year.....	36,698	35,236	314
Dividend payments to policyholders during the fiscal year.....	(35,688)	(34,695)	(309)
Increase in interest.....	47	20	0
Balance at the end of the fiscal year.....	¥50,368	¥50,929	\$453

12. Changes in reserve for dividends to policyholders (Fukokushinrai Life Insurance Co., Ltd.) were as follows:

	Year ended March 31,		
	2016	2017	2017
	Millions of yen		Millions of U.S. dollars
Balance at the beginning of the fiscal year.....	¥707	¥650	\$5
Dividend payments to policyholders during the fiscal year.....	(479)	(472)	(4)
Increase in interest.....	0	0	0
Provision of reserve for dividends to policyholders.....	422	419	3
Balance at the end of the fiscal year.....	¥650	¥598	\$5

13. The amounts of stocks of unconsolidated subsidiaries were ¥560 million and ¥454 million (US\$4 million) as of March 31, 2016 and 2017, respectively.

14. Assets pledged as collateral as of March 31, 2016 were ¥26,284 million of securities and ¥1,279 million of bank deposits. Secured debts as of March 31, 2016, were ¥4,906 million.

Assets pledged as collateral as of March 31, 2017 were ¥27,012 million (US\$240 million) of securities and ¥1,688 million (US\$15 million) of bank deposits. Secured debts as of March 31, 2017, were ¥4,974 million (US\$44 million).

15. Reserves for outstanding claims for the reinsurance contracts provided in accordance with Article 71 Paragraph 1 of the Enforcement Regulation of the Insurance Business Act (hereinafter called "reserve for outstanding claims for ceded reinsurance") were ¥15 million and ¥5 million (US\$49

thousand) as of March 31, 2016 and 2017, respectively.

Policy reserves for the reinsurance contracts provided in accordance with Article 71 Paragraph 1 of the Enforcement Regulation of the Insurance Business Act (hereinafter called "policy reserve for ceded reinsurance") were ¥51 million and ¥53 million (US\$477 thousand) as of March 31, 2016 and 2017, respectively.

16. In line with the redemption of ¥20,000 million (US\$178 million) in foundation funds, the same amount of reserve for redemption of foundation funds is transferred to accumulated foundation funds redeemed in accordance with Article 56 of the Insurance Business Act in this fiscal year.

17. There were unused commitment line agreements under which the Company is the lender of ¥2,172 million and ¥500 million (US\$4 million) as of March 31, 2016 and 2017, respectively.

18. Repayments of subordinated bonds are subordinated to other obligations.

Insurance Business Act was estimated at ¥12,450 million and ¥11,474 million (US\$102 million) as of March 31, 2016 and 2017, respectively.

19. The future contribution to the Life Insurance Policyholders Protection Corporation of Japan under Article 259 of the

The contribution is recognized as operating expenses when contributed.

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,		
	2016	2017	2017
	Millions of yen		Millions of U.S. dollars
Retirement benefit obligation at the beginning of the fiscal year.....	¥76,806	¥85,285	\$760
Service cost.....	3,088	3,610	32
Interest cost.....	1,073	510	4
Actuarial differences occurred during the fiscal year.....	9,106	656	5
Retirement benefit payments.....	(4,787)	(4,591)	(40)
Others.....	—	(25)	(0)
Retirement benefit obligation at the end of the fiscal year	¥85,285	¥85,446	\$761

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

	As of March 31,		
	2016	2017	2017
	Millions of yen		Millions of U.S. dollars
Pension plan assets at the beginning of the fiscal year.....	¥26,114	¥44,636	\$397
Expected return on pension plan assets	783	671	5
Actuarial differences occurred during the fiscal year.....	(1,987)	57	0
Contributions by the employer	2,380	2,757	24
Retirement benefit payments.....	(1,322)	(1,401)	(12)
Contribution amount on establishment of retirement benefit trust.....	18,666	—	—
Others.....	—	(0)	(0)
Pension plan assets at the end of the fiscal year	¥44,636	¥46,721	\$416

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

	As of March 31,		
	2016	2017	2017
	Millions of yen		Millions of U.S. dollars
a. Funded plan retirement benefit obligation.....	¥73,675	¥73,926	\$658
b. Pension plan assets.....	(44,636)	(46,721)	(416)
c. (a + b)	29,039	27,205	242
d. Unfunded plan retirement benefit obligation.....	11,610	11,519	102
e. Net amount of liabilities and assets presented on the consolidated balance sheet	40,649	38,725	345
f. Net defined benefit liabilities	40,649	38,767	345
g. Net defined benefit assets	—	(42)	(0)
h. Net amount of liabilities and assets presented on the consolidated balance sheet	¥40,649	¥38,725	\$345

iv) Breakdown of retirement benefit gains and losses

	As of March 31,		
	2016	2017	2017
	Millions of yen		Millions of U.S. dollars
Service cost.....	¥3,088	¥3,610	\$32
Interest cost	1,073	510	4
Expected return on pension plan assets	(783)	(671)	(5)
Amortization of actuarial differences	921	2,306	20
Amortization of prior service cost.....	(76)	(76)	(0)
Others.....	—	0	0
Retirement benefit expenses related to defined benefit plan.....	¥4,223	¥5,680	\$50

v) Remeasurements of defined benefit plan

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

	As of March 31,		
	2016	2017	2017
	Millions of yen		Millions of U.S. dollars
Amortization of actuarial differences.....	¥(10,172)	¥1,707	\$15
Amortization of prior service cost.....	(76)	(76)	(0)
Total	¥(10,248)	¥1,631	\$14

vi) Accumulated remeasurements of defined benefit plan

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

	As of March 31,		
	2016	2017	2017
	Millions of yen		Millions of U.S. dollars
Unrecognized actuarial differences	¥(14,864)	¥ (13,156)	\$(117)
Unrecognized prior service cost	399	323	2
Total	¥(14,465)	¥(12,833)	\$(114)

vii) Breakdown of pension plan assets

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

	As of March 31,	
	2016	2017
Domestic stocks.....	48.5%	46.0%
Life insurance general account.....	33.7%	34.3%
Domestic bonds	7.7%	8.0%
Foreign stocks	6.7%	7.9%
Foreign bonds.....	2.9%	2.7%
Others.....	0.6%	1.1%
Total	100.0%	100.0%

Within the total of pension assets as of March 31, 2017, 37.1% of this amount is accounted for by the retirement benefit trust established in relation to the retirement lump-sum grant 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,	
	2016	2017
Discount rate	0.6%	0.6%
Expected long-term rate of return on pension plan assets.....		
Defined Benefit Plan	3.0%	2.5%
Retirement benefit trust.....	0.0%	0.0%

(3) Defined Contribution Plan

The required contribution amounts by the Company and its consolidated subsidiaries to the defined contribution plan were ¥279 million and ¥297 million (US\$2 million) as of March 31, 2016 and 2017, respectively.

21. The "Implementation Guidance on Recoverability of Deferred Tax Assets" (ASBJ Guidance No. 26, March 28, 2016) has been applied from the year ended March 31, 2017.

III. Notes to the Consolidated Statements of Operations

1. The total amounts of revenues and expenses in connection with unconsolidated subsidiaries were ¥430 million and ¥2,879 million for the year ended March 31, 2016 and ¥75 million (US\$672 thousand) and ¥2,202 million (US\$19 million) for the year ended March 31, 2017, respectively.

2. For the year ended March 31, 2016, in calculating the reversal of reserve for outstanding claims, a reversal of reserves for outstanding claims reinsured of ¥35 million was deducted. In calculating the provision of policy reserves, a reversal of reserves for policy reserves reinsured of ¥0 million was added.

For the year ended March 31, 2017, in calculating the reversal of reserve for outstanding claims, a reversal of reserves for outstanding claims reinsured of ¥9 million (US\$86 thousand) was deducted. In calculating the provision of policy reserves, a provision of reserves for policy reserves reinsured of ¥1 million (US\$15 thousand) was deducted.

IV. Notes to the Consolidated Statements of Comprehensive Income

1. Other Comprehensive Income

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

i) Net unrealized gains (losses) on available-for-sale securities, net of tax

	Year ended March 31,		
	2016	2017	2017
	Millions of yen		Millions of U.S. dollars
Amount incurred during the fiscal year.....	¥(90,971)	¥ (13,419)	\$ (119)
Reclassification adjustments	(40,566)	797	7
Before tax adjustments	(131,538)	(12,621)	(112)
Tax effects	42,094	4,853	43
Net unrealized gains (losses) on available-for-sale securities, net of tax	¥(89,444)	¥ (7,768)	\$ (69)

ii) Deferred valuation gains (losses) under hedge accounting, net of tax

	Year ended March 31,		
	2016	2017	2017
	Millions of yen		Millions of U.S. dollars
Amount incurred during the fiscal year.....	¥(0)	¥ —	\$ —
Reclassification adjustments	(0)	—	—
Before tax adjustments	(0)	—	—
Tax effects	0	—	—
Deferred valuation gains (losses) under hedge accounting, net of tax	¥0	¥ —	\$ —

iii) Revaluation reserve for land, net of tax

	Year ended March 31,		
	2016	2017	2017
	Millions of yen		Millions of U.S. dollars
Amount incurred during the fiscal year.....	¥ —	¥ —	\$ —
Reclassification adjustments	—	—	—
Before tax adjustments	—	—	—
Tax effects	433	0	0
Revaluation reserve for land, net of tax	¥433	¥ 0	\$ 0

iv) Foreign currency translation adjustments

	Year ended March 31,		
	2016	2017	2017
	Millions of yen		Millions of U.S. dollars
Amount incurred during the fiscal year.....	¥(62)	¥ (318)	\$(2)
Reclassification adjustments	—	—	—
Before tax adjustments	(62)	(318)	(2)
Tax effects	—	—	—
Foreign currency translation adjustments	¥(62)	¥ (318)	\$(2)

v) Remeasurements of defined benefit plans, net of tax

	Year ended March 31,		
	2016	2017	2017
	Millions of yen		Millions of U.S. dollars
Amount incurred during the fiscal year.....	¥ (11,093)	¥ (599)	\$ (5)
Reclassification adjustments	845	2,230	19
Before tax adjustments	(10,248)	1,631	14
Tax effects	2,833	(456)	(4)
Remeasurements of defined benefit plans, net of tax.....	(7,414)	1,174	10
Total other comprehensive income	¥ (96,487)	¥(6,912)	\$ (61)

V. Notes to the Consolidated Statements of Cash Flows

- Cash and cash equivalents as of March 31, 2016 and 2017 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."
- Reconciliations of cash and cash equivalents in the consolidated statements of cash flows to the consolidated balance sheet accounts were as follows:

	Year ended March 31,		
	2016	2017	2017
	Millions of yen		Millions of U.S. dollars
Cash and deposits	¥172,049	¥136,494	\$1,216
Call loans	200,000	193,000	1,720
Monetary claims bought.....	813	753	6
Time deposits maturing over 3 months of the date of acquisition	(300)	(100)	(0)
Foreign currency deposits maturing over 3 months of the date of acquisition.....	(1,291)	(1,157)	(10)
Monetary claims bought maturing over 3 months of the date of acquisition.....	(813)	(753)	(6)
Cash and cash equivalents	¥370,458	¥328,236	\$2,925

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 sheet 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, 2017, prepared in accordance with Article 110 Paragraph 2 of the Insurance Business Act. 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, 2017 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, five 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, 2017.

4. Supplementary information

Not applicable

5. Other special information

Not applicable

May 19, 2017
Yoshiteru Yoneyama
President
Fukoku Mutual Life Insurance Company

Report of Independent Auditors

Report of Independent Auditors

May 20, 2017

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


Yuichi Yasuda

< Financial Statements Audit >

We have audited the accompanying consolidated balance sheet of Fukoku Mutual Life Insurance Company (the "Company") and its consolidated subsidiaries as of March 31, 2017 and the related consolidated statements of operations, comprehensive income, and cash flows, and changes in net assets for the year 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, 2017 and the consolidated results of their operations and their cash flows for the year 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.1 to the accompanying consolidated financial statements with respect to the year ended March 31, 2017.

<Internal Control Audit>

We also have audited management's report on internal control over financial reporting, namely, the accompanying consolidated balance sheet of the Company and its consolidated subsidiaries as of March 31, 2017 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, 2017 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.

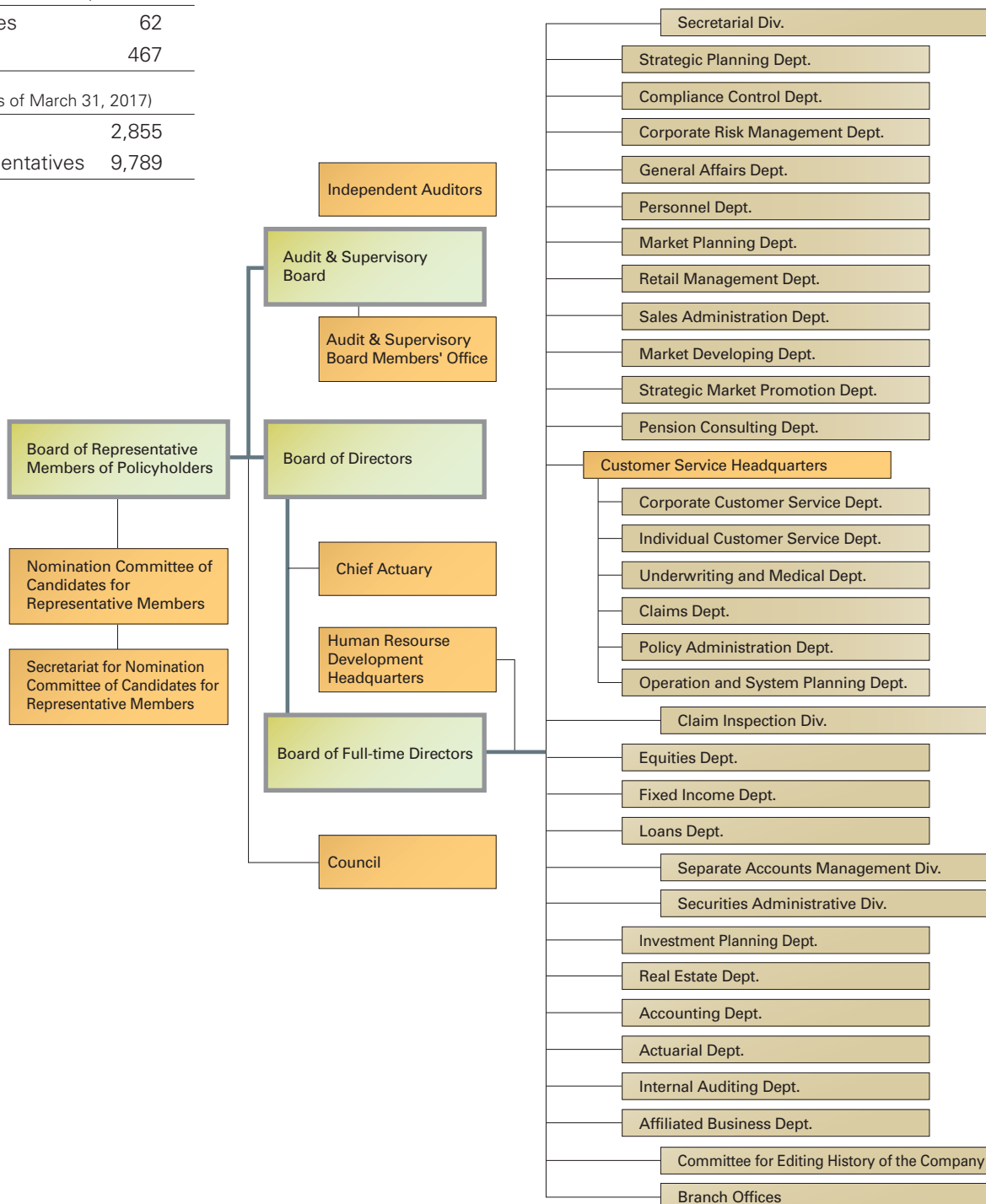
Corporate Organization

Domestic Offices (As of April 1, 2017)

Branch Offices	62
Field Offices	467

Employees (As of March 31, 2017)

Office Staff	2,855
Sales Representatives	9,789



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 Senior Managing Executive Officer
Toshihide Fujiwara

Director and Managing Executive Officer
Tadashi Akikawa

Director and Managing Executive Officer
Yuuki Sakurai

Director and Managing Executive Officer
Toshikatsu Hayashi

Director
Kozo Isshiki**

Director
Hiroto Yoshimura**

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)
Kei Yoshizawa

Audit & Supervisory Board Member (Standing)
Shinji Nakao

Executive Officer
Osamu Suzuki

Executive Officer
Naoyuki Torii

Executive Officer
Masato Nakazuru

Executive Officer
Chikashi Ichikawa

Executive Officer
Takeshi Oomori

Executive Officer
Chikao Arita

Executive Officer
Keiichi Kurota

Executive Officer
Ichiro Yamada

Executive Officer
Takeshi Kondou

*Representative Director

**External Directors

***External Audit & Supervisory Board Member

(As of July 4, 2017)

Directory

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Fukoku Life International (U.K.) Ltd.

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



Fukoku Life International (America) Inc.

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



Fukoku Life Investments Singapore Pte. Ltd.

From left: T. Aoyama, J. Nishimaki, I. Chan,
K. Kozuka



▲ Tokyo Head Office



▲ Osaka Fukoku Mutual Life Insurance Building

