ANNUAL REPORT 2018

YEAR ENDED MARCH 31, 2018

HelloKitty

FUKOKU MUTUAL LIFE INSURANCE COMPANY

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Financial Highlights (Non-consolidated)

As of March 31,	2017	2018	2018
	Millions of yen		Millions of U.S. dollars
Life insurance in force	¥43,102,531	¥42,507,060	$400,104
Total assets	6,565,647	6,626,609	62,373
Securities	5,369,678	5,458,790	51,381
Loans	627,722	593,734	5,588
Tangible fixed assets	219,515	218,549	2,057
Total liabilities	5,982,454	6,035,126	56,806
Policy reserves	5,604,007	5,650,879	53,189
Subordinated bonds	191,935	191,935	1,806
Total net assets	583,192	591,482	5,567
For the years ended March 31,			
Total ordinary revenues	743,169	749,706	7,056
Premium and other income	574,427	567,210	5,338
Investment income	160,197	173,641	1,634
Total ordinary expenditures	689,056	693,237	6,525
Net surplus for the year	36,674	40,868	384
Solvency margin ratio (%)	1,214.8	1,081.2	—
Employees	12,644	12,654	—

Notes 1. U.S. dollar amounts are converted from yen, for convenience only, at the rate of U.S.$1=¥106.24, the rate of exchange on March 31, 2018.
2. Yen and U.S. dollar amounts are rounded down to the nearest million yen or million dollars.

Message from the President

Recently, Japan sustained various natural disasters such as an earthquake centered in northern Osaka Prefecture in June, heavy rains in part of western Japan in July and another earthquake hitting in Hokkaido Prefecture in September. I wish to express my deepest sympathy to all those in any way affected by the disasters and pray for the rapid restoration and recovery of the region.

Looking Back over the Past Year

The Japanese economy continued its modest recovery during fiscal 2017 (ended March 31, 2018). The financial and capital markets remained stable, as the strong global economy, subdued long-term interest rates because of low inflation rates and rising stock prices thanks to strong corporate profits.

However, since February 2018, financial and capital markets have been unstable, reflecting apprehension over accelerating inflation resulting from the impact of US economic stimulus measures and caution in the face of protectionist policies in the US. Interest rates in Japan have remained low as the Bank of Japan is continuing its yield curve control policy, which targets 10-year JGB yields of around zero.

In this environment, the combined fundamental profit of Fukoku Mutual Life Insurance Company and subsidiary Fukokushinrai Life Insurance Co., Ltd. amounted to ¥98.4 billion which was the highest it had been since fiscal 2000 when we began releasing the figures. Further, our consolidated solvency margin ratio, an indicator of financial soundness, has remained high, at 1,127.4%.

Customer-centered Values

We, as a mutual company, work to ensure that our management and employees maintain customer-centered values in all aspects of business and operations. The customer-centered values, which we endeavor to make a starting point from which to build new ideas and plan new activities, embodied our philosophy of putting ourselves in our customers' shoes and creating services and experiences that only we can offer.

To this end, we are working to develop human resources that can put our customer-centered approach into practice in accordance with our basic policy for human resource development, which provides the foundation for our philosophy regarding personnel development.

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

In order to conduct customer-oriented business based on our customer-centered approach, and respond to customer demands over the long term, in June 2017 we launched a customer-centered business management policy.

Full implementation of this approach is a lofty goal and we are only partway there, but we are steadily working toward that goal, one step at a time.

Insurance Sales and Asset Management

Based on our belief in the importance of face-to-face sales activities rooted in local communities, sales are conducted by customer advisors (sales representatives) and subsidiary Fukokushinrai Life Insurance, which uses sales agents to conduct over-the-counter sales, primarily in such financial organizations as cooperative regional financial institutions that serve small and medium-sized enterprises and local residents.

Sales were strong for such products as Mirai no Tobira, which offers tailored insurance coverage, and Iryo Daijin Premier Eight, our high-value-added medical insurance that provides wide-ranging coverage. This includes hospitalization benefits for an unlimited number of days for policyholders hospitalized for any of eight major lifestyle-related diseases; benefits for attending hospitals after hospitalization for lifestyle-related disease; and benefits for childbirth.

In January 2018, we introduced lightweight, high-security, mobile communication-enabled terminals upgrading the

Yoshiteru Yoneyama
President

computers, known as PlanDo. With this change, we aim to implement sophisticated consulting sales while improving customer convenience and raising the quality and efficiency of our office work. We will continue striving to offer products that meet the individual needs of our customers, and to improve our after-sales services.

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

Amid concerns that extremely low interest rates will continue long into the future the company is engaging in initiatives aimed at improving its asset management, such as collaboration with Payden & Rygel, a US investment management company, and appropriate risk taking, based on our capital adequacy to date.

Improving our Financial Soundness

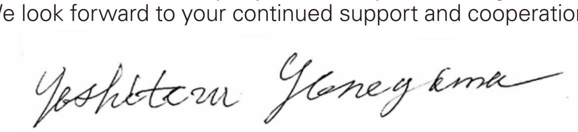
To maintain financial soundness regardless of the operating environment, we are working to strengthen our capital. To this end, we are combining internal reserves, built from ordinary profit, with external financing, such as the raising of foundation funds and the issuing of subordinated bonds. In fiscal 2017, we redeemed the ¥30.0 billion in perpetual subordinated bonds that we had issued in fiscal 2012 and, recognizing a favorable fundraising environment, issued another ¥30.0 billion worth of subordinated bonds.

In addition, we built up additional reserves besides increasing contingency reserves and price fluctuation reserves. We shall endeavor to further improve our financial soundness, and to offer our customers security.

Our Mission as a Mutual Company

In November 2018, the company will mark its 95th anniversary. We would not have been able to reach this milestone without your kindness, for which we would like to express our deepest gratitude. Since our founding in 1923, we have taken the form of a mutual company with a management philosophy of "protecting the interests of our policyholders" and, as such, have seen as our mission the need to lighten customers' premium contributions by improving dividend payouts. Further, we are prompt to pay insurance claims at any time, believing this to be an insurance company's most important obligation.

We look forward to your continued support and cooperation.



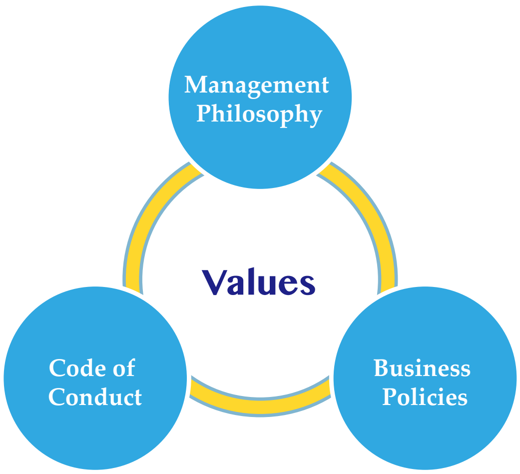
Yoshiteru Yoneyama
President

Management Principles of Fukoku Life

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

Based on our management philosophy, which aims to protect the interests of our policyholders, contribute to society and help our employees achieve personal fulfillment, all Fukoku Life executives and employees strove to manage and conduct business with customer-centered values as the starting point of all our ideas and actions, creating and providing distinctive services and experiences while always treating customers the way we would like to be treated. We believe the customer-centered values we have engaged in up to now are in line with the "Principles for Customer-Oriented Business Conduct" published by the Financial Services Agency. Fukoku Life formulated a business management policy based on our customer-centered values, the details of which were announced in June, to align our thinking anew with regard to standards based on customer-oriented values. We are also focusing efforts on the development of human resources meeting three requirements of self-motivation, creativity and altruism as an initiative toward human resource development capable of practicing customer-centered values.

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 promote 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 our own sales representatives (Customer Advisors) and subsidiary Fukokushinrai Life Insurance, which sells insurance products at agencies and over the counter at *shinkin banks* and other financial institutions.

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 line with revisions to the standard interest rate in April, we revised the educational insurance product "Mirai no Tsubasa" and individual annuities "Mirai Plus." To respond to various customer needs, we are expanding options in terms of the period for premium payments and the start of annuity payments while maintaining the appeal of our savings products.

In January, we also upgraded the "PlanDo" information tablets carried by Customer Advisors that facilitate lightweight, high-security mobile communications. Paperless procedures enable onscreen policy applications and notifications that reduce the number of documents required when applying for insurance and prevent missing information and other problems. Furthermore, the addition of the Life Compass proposal tool utilizing animation and other means to display the specific amount of protection required with regard to the five life risks, such as death or the inability to work, can now be viewed in an even more easily understandable way.

Utilizing core product "Mirai no Tobira," which features a highly customizable insurance design, through meticulous consulting sales that use PlanDo and Life Compass, we made an effort to provide protection able to appropriately cover a variety of risks.

Additionally, from September we placed advertisements promoting women's medical insurance on "Hoken Ichiba," the largest insurance comparison website in Japan operated by Advance Create Co., Ltd., a major insurance subscription agency. Customers who request information through the website receive a face-to-face explanation by Customer Advisors. Going forward, we will continue striving to provide products meeting customer needs while diversifying sales channels.

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

Based on the opinions of outside experts on the Complaint Countermeasures Consultation Committee, we conducted a customer satisfaction survey regarding our response to complaints received from customers. Also, in response to feedback from older customers who found our voice guidance difficult to understand, in April we established the "Quick Line" enabling direct communication by omitting voice guidance for phone calls from customers aged 70 or older. Survey results indicate that customers who actually used this service were satisfied with it. In November, we added an automated conversation program (chatbot) function to our website able to respond to routine questions that provides customer support on non-business days and during non-business hours. Additionally, we established a rule whereby our employees assist customers who are older or have disabilities by assisting them with writing and reading pertaining to policy-related procedures in an attempt to further enhance our support system.

Through these efforts which are promoted based on our Voluntary Statement of Consumer Orientation announced in January 2017, we will continue to utilize customer feedback to improve business going forward in an attempt to further enhance our services and engage in activities aimed at increased customer satisfaction and trust.

Overseas Business

We have three asset management subsidiaries, Fukoku Life International (U.K.) Ltd., Fukoku Life International (America) Inc. and Fukoku Life Investments Singapore Pte. Ltd. The subsidiary in Singapore also has a research function for financial markets and insurance markets in Asian countries.

By enhancing our global asset management system, we will be able to maintain sufficient investment returns well into the future. At the same time, we will raise our level of sophistication in asset management through the cultivation of human resources well-versed in global financial markets and asset management business.

Business Performance in FY 2017

Life Insurance in Force

At fiscal year-end, life insurance in force, which comprises individual life insurance, individual annuities, and group insurance, amounted to ¥42,507.0 billion, down 1.4% compared with the previous fiscal year-end. Within this amount, life insurance for individuals declined 1.7%, to ¥22,765.3 billion, individual annuities decreased 4.4%, to ¥2,668.4 billion. The year-end balance of life insurance in force for groups decreased 0.5%, to ¥17,073.2 billion.

Group annuities in force (policy reserve) rose 1.1%, to ¥2,180.3 billion.

Annualized Premiums for New Policies and Policies in Force

In the year under review, annualized premiums for new policies decreased 41.2% compared with the previous fiscal year, to ¥15.4 billion. Within this amount, individual insurance was down 30.1%, to ¥14.8 billion, and individual annuities down 87.8%, to ¥0.6 billion. Annualized premiums from medical insurance and living benefit insurance decreased 0.8%, to ¥7.7 billion.

Annualized premiums for policies in force fell 1.9%, ¥404.3 billion. Within this amount, individual insurance decreased 1.2%, to ¥274.7 billion, and individual annuities declined 3.5%, ¥129.6 billion. Annualized premiums from medical insurance and living benefit insurance increased 1.4%, to ¥110.7 billion.

Premium Income and Payments

In the year under review, premium and other income decreased 1.3% compared with the previous fiscal year, to ¥567.2 billion.

Meanwhile, claims and other payments, which represent the total of payments under insurance policies, increased 2.5%, to ¥501.1 billion.

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

Annualized premiums for new policies of the Fukoku Life Group, including Fukokushinrai Life Insurance, fell 50.6% year on year, or ¥16.6 billion, to ¥16.3 billion. This decrease was due to factors including a decline in savings products sold by Fukoku Life in addition to lower sales of Fukokushinrai Life Insurance lump-sum payment products. Within this amount, annualized premiums from medical insurance and living benefit insurance decreased 0.2%, or ¥0.01 billion, to ¥7.8 billion.

Annualized premiums for policies in force decreased 2.2%, or ¥12.7 billion, to ¥569.2 billion. Annualized premiums from medical insurance and living benefit insurance were up 1.5%, or ¥1.6 billion, to ¥112.4 billion.

The total value of premium and other income fell 7.9%, or ¥51.5 billion, to ¥597.1 billion.

Assets, Liabilities, and Net Assets

The outstanding balance of non-consolidated total assets, including separate accounts, increased 0.9%, or ¥60.9 billion, to ¥6,626.6 billion. Within this amount, general account assets rose 0.8%, to ¥6,544.2 billion.

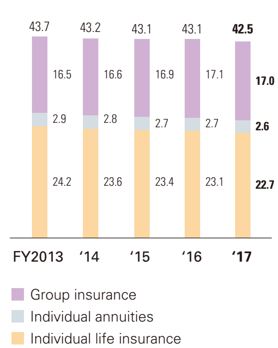
The year-end balance of securities stood at ¥5,458.7 billion, an increase of ¥89.1 billion, or 1.7%, compared with the previous fiscal year-end.

Total liabilities increased 0.9%, or ¥52.6 billion, to ¥6,035.1 billion.

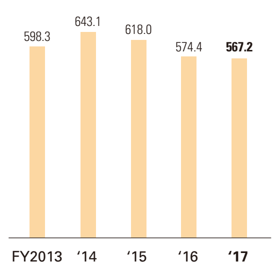
Net assets amounted to ¥591.4 billion, up 1.4% compared with the previous fiscal year-end.

On a consolidated basis, total assets rose 0.7%, to ¥8,488.8 billion, and net assets increased 2.0%, to ¥606.7 billion.

Life insurance in force
(¥ trillions)



Premium and other income
(¥ billions)



Strengthening Our Capital Base

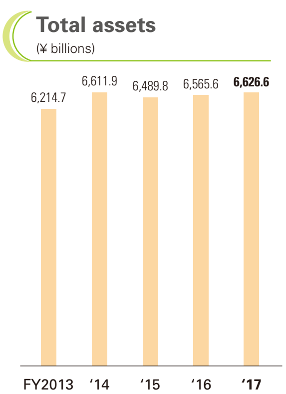
Fukoku Life builds up its internal reserves on an ongoing basis in order to strengthen its capital base. We boost internal reserves by soliciting additional foundation funds and augmenting the contingency reserve. Foundation funds at a mutual insurer correspond to capital at a joint stock company. Total foundation funds, including the accumulated foundation founds redeemed, amounted to ¥116.0 billion as of March 31, 2018.

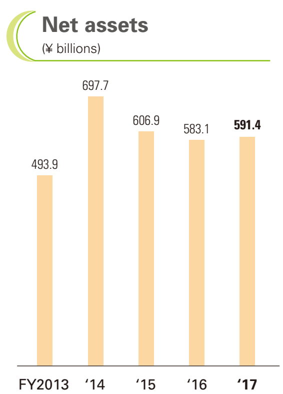
Solvency Margin

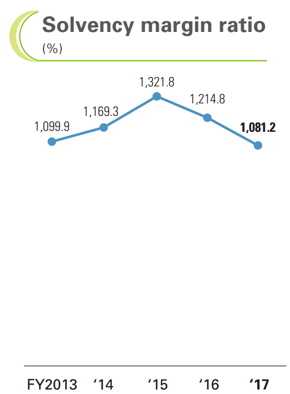
Fukoku Life's solvency margin ratio at fiscal year-end was 1,081.2%, down 133.6 percentage points compared with the previous fiscal year-end, but substantially above the 200% level set as a standard of financial soundness for insurance companies.

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, 2018, 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 2017 (General Account)

Overview

In fiscal 2017, ended March 31, 2018, the Japanese economy remained on a gradual path to recovery, supported by exports helped by solid international demand and the ongoing expansion of capital investment backed by strong corporate earnings. In overseas economies, the US maintained its trend toward growth primarily through domestic demand such as personal consumption and capital investment while the economy in Europe gradually rallied back as exports increased in response to overall improvement in the global economy. Under this economic environment, the US Federal Reserve Board proceeded to normalize its monetary policies, raising interest rates three times and, from October, gradually scaling down reinvestment of refunds on bond holdings. In Europe, the European Central Bank decided to cut back on monthly asset purchases in October despite continuing its policy of quantitative easing. On the other hand, the Bank of Japan continued its yield curve control policy targeting 10-year government bond yields of about 0% as prospects regarding the achievement of its 2% price stability target remained murky. The policy was continued despite a phase of heightened speculation that Bank of Japan might change its policy due to reductions in government bond purchases.

With regard to our asset management business, we focused on initiatives aimed at maintaining stable profitability through appropriate risk-taking based on capital adequacy to date amid fears that ultralow interest rates would continue.

While targeting currency diversification and continuing to hold back on investments in yen-denominated bonds, we actively purchased unhedged foreign bonds, concentrating primarily on bonds denominated in Australian and Canadian dollars, which have relatively high interest rates. We also increased investment in stocks from European and US companies, which are expected to deliver high dividend yields. At the same time, we sold hedged foreign bonds that had become less profitable as costs associated with currency hedging rose partly due to interest rate hikes in the US.

With the intention of enhancing our medium-to long-term competitiveness in asset management, we began a collaboration in September with Payden & Rygel (headquartered in Los Angeles), one of the leading invest management companies in the active management of fixed income portfolios. In addition to entrusting Payden & Rygel with the management of about ¥10.0 billion in foreign corporate bonds, we have begun sending Fukoku Life employees to them for training as part of our efforts to develop human resources able to improve asset management. Additionally, in order to contribute to society as a signatory to the U.N. Principles for Responsible Investment (PRI) while securing constant profitability, we actively conducted environment, social and governance (ESG) investment. This investment included bonds issued for the purpose of resolving various social issues in developing countries through poverty reduction and environmental protection measures.

In response to revisions to Japan's Stewardship Code, we established a Stewardship Committee, which was chaired by a member from outside of the Company and aimed to improve the transparency and effectiveness of our stewardship activities. We enhanced our stewardship activities through the committee's wide-ranging discussions.

Investment income from general accounts increased ¥10.9 billion (7.0%) to ¥167.0 billion. The interest, dividends and other income within this figure amounted to ¥154.8 billion including that from trading securities, a year-on-year increase of ¥13.9 billion (9.9%), reaching its highest level in the 25 years since fiscal 1992. This result was due to contributions from heightening interest that occurred after accumulating foreign bonds and a rise in dividends from domestic and foreign stocks caused by favorable corporate performance.

Investment expenses were ¥39.6 billion, down ¥4.9 billion year on year (11.1%), as loss on trading securities totaled ¥1.4 billion, down 78.7% year on year.

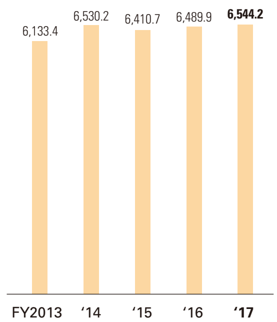
As a result, net investment income amounted to ¥127.4 billion, up by ¥15.8 billion (14.2%) year on year.

Domestic Bonds

Domestic bonds fell ¥24.9 billion (0.9%) year on year to ¥2,818.6 billion as we held back on investments in light of extremely low interest rates in Japan.

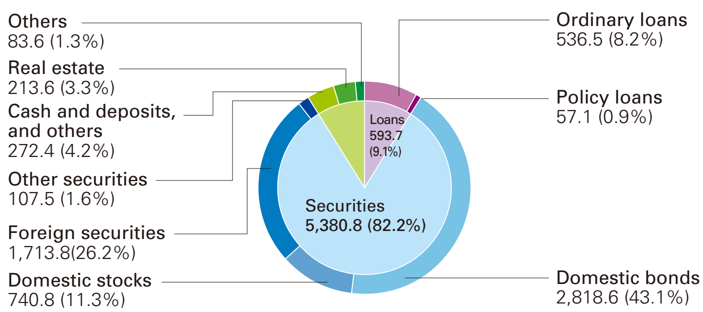
General account assets

(¥ billions)



Breakdown of general account assets (Fiscal year ended March 31, 2018)

(¥ billions)



Total: ¥6,544.2 billion

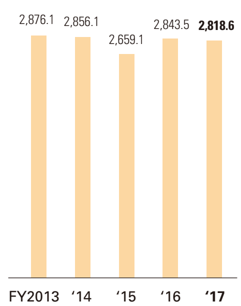
Note: This total includes cash and deposits, call loans, monetary claims bought and money held in trust.

Foreign Securities
We sold hedged foreign bonds as they had become less profitable due to a rise in costs associated with currency hedging. Targeting currency diversification, we also actively purchased unhedged foreign bonds mainly denominated in Australian and Canadian dollars, which have relatively high interest rates. Although we continued purchasing these bonds throughout the fiscal year, foreign bonds decreased ¥10.5 billion (0.7%) year on year to ¥1,434.4 billion as valuation gains fell due in part to a rise in US interest rates. Foreign stocks increased by ¥21.8 billion (8.5%) to ¥279.4 billion as we increased investment in stocks from European and US companies, which are expected to deliver high dividend yields.

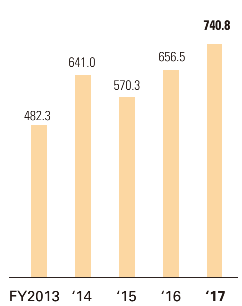
Domestic Stocks
Domestic stocks rose ¥84.2 billion (12.8%) year on year to ¥740.8 billion due to our replacement purchase of stocks expected to provide stable dividends and to valuation gains that increased thanks to rising stock prices.

Loans
Loans fell ¥31.9 billion (5.6%) year on year to ¥536.5 billion as the ultralow interest rate environment continued to produce tough conditions in terms of profitability.

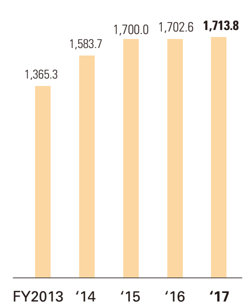
Domestic bonds
(¥ billions)



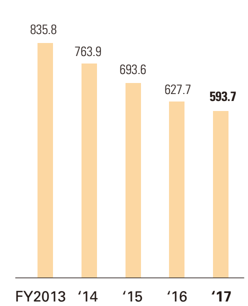
Domestic stocks
(¥ billions)



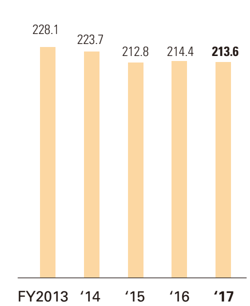
Foreign securities
(¥ billions)



Loans
(¥ billions)



Real estate
(¥ billions)



◆Investment Policies for Fiscal 2018

Investment Environment
In fiscal 2018, ending March 31, 2019, we expect the Japanese economy to continue its modest recovery, buoyed by overseas demand. Overseas economies are also expected to remain firm overall, particularly in the US, where the economy is being stimulated by large tax cuts. In this economic climate, we predict that long-term interest rates will remain within a low and tight range as the Bank of Japan continues its yield curve control policy. Although we generally expect stock prices to be solid as corporate profits improve, apprehension regarding protectionist US trade policies will likely dampen their rise. On foreign exchange rates, we foresee the yen going sideways against the dollar. Due to differences in the direction of monetary policies in the US and Japan, we expect that extreme appreciation of the yen is unlikely.

Domestic Bonds
We plan to continue to restrain investment in yen-denominated bonds.

Domestic Stocks
We plan to rebalance our portfolio by selling a portion of stocks that have greatly increased in market value while further improving profitability and financial soundness utilizing unrealized capital gains.

Foreign Securities
In terms of foreign bonds, we will accumulate unhedged foreign bonds to improve profitability and diversify currency allocation while selling less profitable hedged foreign bonds with the aim of curbing costs associated with currency hedging. We also plan to increase foreign corporate bond exposure, including the purchase of investment funds focused on such securities. Concerning foreign stocks, we will select and acquire securities expected to produce stable dividends.

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

Life insurance is a "promise" to pay insurance claims and benefits in the event of an unforeseen emergency, a lifetime commitment to customers that can even span generations. Events may occur, such as drastic changes in the economic environment or other catastrophes, during the many months and years in which we accompany customers on their life journey. When this happens, the role of life insurance companies becomes even more important.

Only after keeping this promise with unwavering reliability regardless of the circumstances can customers enjoy peace of mind. To maintain this reliability into the future, Fukoku Life promotes enterprise risk management (ERM) for overall management of a diverse range of complicated risks from a strategic perspective based on the recognition that each executive officer and employee is responsible for risk management commensurate with their position.

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

Fukoku Life Concerts

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

Fukoku 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 Fukoku 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, 2018, Visiting Concerts had been held in 235 locations, while Charity Concerts had been held 282 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, Fukoku Life's brand mascot Hello Kitty—which is a popular character worldwide—makes visits to children's hospitals and pediatric wards to support hospitalized children and their families. Commemorative photos with Hello Kitty are taken, placed in frames that are handmade at Fukoku Life and given to children as presents.

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, Fukoku 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.

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

In fiscal 2017, Visiting Concerts in disaster-affected areas were held at nine schools and Support Concerts were held at Sendai branch office and Fukushima branch office.

・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 first-floor entrance lobby at 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, as well as Kumamoto, which was damaged in the Kumamoto Earthquake.

In fiscal 2017, 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 CO_2—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 volunteers organized as the Usami Club. In fiscal 2017, these activities were conducted six times, with 71 executives and employees and their family members participating as volunteers.

Flora Preservation

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.

Massenet “Cendrillon”
© Bill Cooper / Royal Opera House

Communication with Society

Our Customer Advisors gather feedback directly from customers and strive to offer better services, which we believe to be most the most effective means of advertising and communication. We also provide information through various advertising and public relations activities to deepen communication between customers and Customer Advisors and encourage a better understanding of the Company.

HELLO KITTY

・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.

・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 Balance Sheets

Fukoku Mutual Life Insurance Company
As of March 31, 2017 and 2018

	As of March 31,		
	2017	2018	2018
	Millions of yen		Millions of U.S. dollars
Assets:			
Cash and deposits:			
Cash	¥ 162	¥ 166	$ 1
Bank deposits	44,518	66,093	622
	44,681	66,260	623
Call loans	193,000	176,000	1,656
Monetary claims bought	753	443	4
Money held in trust	29,787	31,502	296
Securities:			
Government bonds	2,015,161	2,030,971	19,116
Local government bonds	123,972	114,036	1,073
Corporate bonds	733,459	702,661	6,613
Stocks	679,556	768,000	7,228
Foreign securities	1,722,752	1,735,580	16,336
Other securities	94,774	107,540	1,012
	5,369,678	5,458,790	51,381
Loans:			
Policy loans	59,238	57,181	538
Ordinary loans	568,483	536,553	5,050
	627,722	593,734	5,588
Tangible fixed assets:			
Land	125,276	125,278	1,179
Buildings	88,010	86,343	812
Lease assets	2,013	1,565	14
Construction in progress	1,140	2,052	19
Other tangible fixed assets	3,074	3,309	31
	219,515	218,549	2,057
Intangible fixed assets:			
Software	10,836	21,651	203
Other intangible fixed assets	11,216	2,049	19
	22,052	23,701	223
Reinsurance receivables	200	167	1
Other assets:			
Accounts receivable	5,883	7,268	68
Prepaid expenses	1,291	2,055	19
Accrued income	27,680	28,570	268
Deposits	2,241	2,281	21
Differential account for futures trading	25	98	0
Derivatives	15,824	12,190	114
Suspense payments	2,487	2,373	22
Lease investment assets	734	700	6
Rest of the other asset	3,864	3,968	37
	60,032	59,508	560
Allowance for possible loan losses	(1,776)	(2,049)	(19)
Total assets	¥6,565,647	¥6,626,609	$62,373

	2017	2018	2018
	Millions of yen		Millions of U.S. dollars
Liabilities:			
Policy reserves:			
Reserve for outstanding claims	¥ 19,533	¥ 19,295	$ 181
Policy reserve	5,533,544	5,578,187	52,505
Reserve for dividends to policyholders	50,929	53,395	502
	5,604,007	5,650,879	53,189
Reinsurance payables	62	56	0
Subordinated bonds	191,935	191,935	1,806
Other liabilities:			
Corporate income tax payable	4,733	2,445	23
Accounts payable	3,501	2,381	22
Accrued expenses	10,520	10,834	101
Unearned income	364	369	3
Deposits received	5,579	5,756	54
Guarantee deposits received	13,505	14,087	132
Derivatives	2,186	3,052	28
Cash collateral received for financial instruments	—	2,712	25
Asset retirement obligations	3,250	3,088	29
Suspense receipts	1,154	1,336	12
	44,797	46,066	433
Reserve for employees' retirement benefits	25,789	25,417	239
Reserve for price fluctuation	82,464	95,798	901
Deferred tax liabilities	19,132	10,733	101
Deferred tax liabilities for land revaluation	14,265	14,241	134
Total liabilities	5,982,454	6,035,126	56,806
Net assets:			
Foundation funds	10,000	10,000	94
Accumulated foundation funds redeemed	106,000	106,000	997
Reserve for revaluation	112	112	1
Surplus:			
Legal reserve for future losses	2,849	2,954	27
Other surplus:			
Reserve for redemption of foundation funds	4,000	6,000	56
Reserve for dividend allowances	20,000	20,000	188
Accumulated fund for price fluctuation	41,000	41,000	385
Reserve for advanced depreciation of real estate for tax purpose	257	255	2
Reserve for special account for advanced depreciation of real estate for tax purpose	100	—	—
Other reserves	767	767	7
Unappropriated surplus	60,453	64,561	607
	126,578	132,584	1,247
	129,427	135,538	1,275
Total foundation funds, surplus and others	245,539	251,650	2,368
Net unrealized gains (losses) on available-for-sale securities, net of tax	333,545	335,658	3,159
Revaluation reserve for land, net of tax	4,107	4,173	39
Total valuation and translation adjustments	337,652	339,831	3,198
Total net assets	583,192	591,482	5,567
Total liabilities and net assets	¥6,565,647	¥6,626,609	$62,373

As of March 31,

See notes to the non-consolidated financial statements.

Non-consolidated Statements of Operations

Fukoku Mutual Life Insurance Company
For the years ended March 31, 2017 and 2018

	Year ended March 31, 2017	Year ended March 31, 2018	2018
	Millions of yen	Millions of yen	Millions of U.S. dollars
Ordinary revenues:			
Premium and other income:			
Premium income	¥574,124	¥566,924	$5,336
Reinsurance income	302	286	2
	574,427	567,210	5,338
Investment income:			
Interest, dividends and other income:			
Interest on deposits	21	22	0
Interest and dividends on securities	109,253	124,480	1,171
Interest on loans	11,314	10,054	94
Income from real estate for rent	13,736	14,541	136
Other interest and dividends	125	120	1
	134,451	149,219	1,404
Gains on money held in trust, net	—	1,769	16
Gains on sales of securities	14,473	15,280	143
Gains on derivative instruments, net	7,018	—	—
Reversal of allowance for possible loan losses	90	—	—
Other investment income	122	819	7
Gains on separate accounts, net	4,041	6,553	61
	160,197	173,641	1,634
Other ordinary revenues:			
Fund receipt from annuity rider	743	1,150	10
Proceeds from deferred insurance	3,368	3,854	36
Reversal of reserve for outstanding claims	1,185	237	2
Reversal of reserve for employees' retirement benefits	288	371	3
Others	2,959	3,240	30
	8,545	8,854	83
Total ordinary revenues	743,169	749,706	7,056
Ordinary expenses:			
Claims and other payments:			
Claims	104,168	126,371	1,189
Annuities	173,825	166,137	1,563
Benefits	109,736	106,399	1,001
Surrenders	71,388	73,651	693
Other payments	29,658	28,357	266
Reinsurance premiums	385	264	2
	489,162	501,181	4,717
Provision of policy reserve and others:			
Provision of policy reserve	49,181	44,643	420
Provision of interest portion of reserve for dividends to policyholders	20	12	0
	¥ 49,202	¥ 44,655	$ 420

	Year ended March 31,		
	2017	2018	2018
	Millions of yen		Millions of U.S. dollars
Investment expenses:			
Interest expenses	¥ 4,057	¥ 4,216	$ 39
Losses on money held in trust, net	1,144	—	—
Losses on trading securities, net	7,042	1,498	14
Losses on sales of securities	5,493	4,977	46
Losses on valuation of securities	24	0	0
Losses on derivative instruments, net	—	225	2
Foreign exchange losses, net	15,624	16,013	150
Provision of allowance for possible loan losses	—	279	2
Depreciation of real estate for rent and other assets	4,319	4,271	40
Other investment expenses	6,875	8,158	76
	44,581	39,640	373
Operating expenses	87,218	88,477	832
Other ordinary expenses			
Deferred annuity payments	5,388	5,488	51
Taxes	5,976	6,216	58
Depreciation	6,647	6,677	62
Others	879	899	8
	18,891	19,282	181
Total ordinary expenses	689,056	693,237	6,525
Ordinary profits	54,113	56,469	531
Extraordinary gains:			
Gains on disposal of fixed assets	2	288	2
State subsidy and others	195	—	—
Others	42	—	—
Total extraordinary gains	240	288	2
Extraordinary losses:			
Losses on disposal of fixed assets	180	547	5
Impairment losses	71	141	1
Provision of reserve for price fluctuation	14,176	13,334	125
Losses on advanced depreciation of real estate for tax purpose	—	3	0
Total extraordinary losses	14,428	14,025	132
Surplus before income taxes	39,925	42,731	402
Income taxes:			
Current	13,453	11,374	107
Deferred	(10,202)	(9,511)	(89)
Total income taxes	3,251	1,862	17
Net surplus for the year	¥ 36,674	¥ 40,868	$ 384

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, 2017 and 2018

Millions of yen

	Foundation funds, surplus and others												
				Surplus									
					Other surplus								
For the year ended March 31, 2017	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
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	¥264,397
Changes in the fiscal year													
Additions to reserve for dividends to policyholders											(35,236)	(35,236)	(35,236)
Additions to legal reserve for future losses				106							(106)	—	—
Additons to accumlated foundation funds redeemed		20,000											20,000
Payment of interest on foundation funds											(316)	(316)	(316)
Net surplus for the fiscal year											36,674	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	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)	(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	¥129,427	¥245,539

Millions of yen

	Valuation and translation adjustments			
For the year ended March 31, 2017	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
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				—
Additons to accumlated 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

For the year ended March 31, 2018	Millions of yen												
	Foundation funds, surplus and others												
				Surplus									
					Other surplus								
	Foundation funds	Accumu-lated 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 ac-count for advanced depreciation of real estate for tax purpose	Other reserves	Unappro-priated surplus	Total surplus	Total founda-tion funds, surplus and others
Balance at the beginning of the fiscal year	¥10,000	¥106,000	¥112	¥2,849	¥4,000	¥20,000	¥41,000	¥257	¥100	¥767	¥60,453	¥129,427	¥245,539
Changes in the fiscal year													
Additions to reserve for dividends to policyholders											(34,592)	(34,592)	(34,592)
Additions to legal reserve for future losses				105							(105)	—	—
Payment of interest on foundation funds											(100)	(100)	(100)
Net surplus for the fiscal year											40,868	40,868	40,868
Additions to reserve for redemption of foundation funds					2,000						(2,000)	—	—
Reversal of reserve for advanced depreciation of real estate for tax purpose								(1)			1	—	—
Reversal of reserve for special account for advanced depreciation of real estate for tax purpose									(100)		100	—	—
Reversal of revaluation reserve for land, net of tax											(65)	(65)	(65)
Net changes, excluding foundation funds, surplus and others													
Total changes in the fiscal year	—	—	—	105	2,000	—	—	(1)	(100)	—	4,107	6,110	6,110
Balance at the end of the fiscal year	¥10,000	¥106,000	¥112	¥2,954	¥6,000	¥20,000	¥41,000	¥255	—	¥767	¥64,561	¥135,538	¥251,650

For the year ended March 31, 2018	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
Balance at the beginning of the fiscal year	¥333,545	¥4,107	¥337,652	¥583,192
Changes in the fiscal year				
Additions to reserve for dividends to policyholders				(34,592)
Additions to legal reserve for future losses				—
Payment of interest on foundation funds				(100)
Net surplus for the fiscal year				40,868
Additions to reserve for redemption of foundation funds				—
Reversal of reserve for advanced depreciation of real estate for tax purpose				—
Reversal of reserve for special account for advanced depreciation of real estate for tax purpose				—
Reversal of revaluation reserve for land, net of tax				(65)
Net changes, excluding foundation funds, surplus and others	2,113	65	2,178	2,178
Total changes in the fiscal year	2,113	65	2,178	8,289
Balance at the end of the fiscal year	¥335,658	¥4,173	¥339,831	¥591,482

	Millions of U.S. dollars												
	Foundation funds, surplus and others												
				Surplus									
					Other surplus								
For the year ended March 31, 2018	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
Balance at the beginning of the fiscal year	$94	$997	$1	$26	$37	$188	$385	$2	$0	$7	$569	$1,218	$2,311
Changes in the fiscal year													
Additions to reserve for dividends to policyholders											(325)	(325)	(325)
Additions to legal reserve for future losses				0							(0)	—	—
Payment of interest on foundation funds											(0)	(0)	(0)
Net surplus for the fiscal year											384	384	384
Additions to reserve for redemption of foundation funds					18						(18)	—	—
Reversal of reserve for advanced depreciation of real estate for tax purpose								(0)			0	—	—
Reversal of 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	—	—	—	0	18	—	—	(0)	(0)	—	38	57	57
Balance at the end of the fiscal year	$94	$997	$1	$27	$56	$188	$385	$2	—	$7	$607	$1,275	$2,368

	Millions of U.S. dollars			
	Valuation and translation adjustments			
For the year ended March 31, 2018	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
Balance at the beginning of the fiscal year	$3,139	$38	$3,178	$5,489
Changes in the fiscal year				
Additions to reserve for dividends to policyholders				(325)
Additions to legal reserve for future losses				—
Payment of interest on foundation funds				(0)
Net surplus for the fiscal year				384
Additions to reserve for redemption of foundation funds				—
Reversal of reserve for advanced depreciation of real estate for tax purpose				—
Reversal of 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	19	0	20	20
Total changes in the fiscal year	19	0	20	78
Balance at the end of the fiscal year	$3,159	$39	$3,198	$5,567

Non-consolidated Proposed Appropriations of Surplus

Fukoku Mutual Life Insurance Company
For the years ended March 31, 2017 and 2018

	Year ended March 31,		
	2017	2018	2018
	Millions of yen		Millions of U.S. dollars
Unappropriated surplus	¥60,453	¥64,561	$607
Reversal of voluntary surplus reserve:			
Reversal of reserve for advanced depreciation of real estate for tax purpose	1	45	0
Reversal of reserve for special account for advanced depreciation of real estate for tax purpose	100	—	—
	102	45	0
Total	60,555	64,606	608
Appropriation of surplus			
Reserve for dividends to policyholders	34,592	38,630	363
Net surplus:			
Legal reserve for future losses	105	117	1
Interest payment for foundation funds	100	100	0
Voluntary surplus reserve			
Reserve for redemption of foundation funds	2,000	2,000	18
	2,000	2,000	18
	2,205	2,217	20
Total appropriation of surplus	36,797	40,848	384
Unappropriated surplus carried forward	¥23,758	¥23,758	$223

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

I. Presentation of the Non-consolidated Financial Statements

1. Basis of Presentation

The accompanying non-consolidated financial statements have been prepared from the accounts maintained by Fukoku Mutual Life Insurance Company (the "Company") in accordance with the provisions set forth in the Insurance Business 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 ¥106.24 = US$1.00, the effective rate of exchange at the balance sheet date of March 31, 2018. 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 the 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, 2017 and 2018 were ¥1 million and ¥1 million (US$10 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 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) 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.

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, 2018 (excluding wife's annuity insurance additional rider), the Company reduced the assumed interest rate to 1.00% and funded additional policy reserves. At the end of the fiscal year ended March 31, 2018, the balance of these policy reserves was ¥73,222 million (US$689 million).

The Company also funded additional policy reserves for certain individual annuity insurance policies, whole life insurance policies that include distribution of surplus every five years and highly advanced medical riders. At the end of the fiscal year ended March 31, 2018, the balance of these policy reserves was ¥5,628 million (US$52 million).

Of the above, the amount funded at the end of the fiscal year ended March 31, 2018 was ¥13,574 million (US$127 million). As a result, compared to the amount without this additional funding, provision of policy reserve increased ¥13,574 million (US$127 million), while ordinary profit and surplus before income taxes decreased ¥13,574 million (US$127 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. 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 acceptable range of risk in order to enhance the profitability, although yen-denominated interest bearing assets including debt securities such as Japanese government bonds and loans are the cores of the portfolios 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 ¥64,837 million, ¥6,109 million, and ¥17,418 million as of March 31, 2017, and ¥64,837 million (US$610 million), ¥5,697 million (US$53 million), and ¥23,609 million (US$222 million) as of March 31, 2018, 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

	As of March 31, 2017 Millions of yen		
	Carrying amount	Fair value	Difference
Cash and deposits:			
Cash and deposits not treated as securities	¥ 43,274	¥ 43,274	¥ —
Total cash and deposits	43,274	43,274	—
Call loans	193,000	193,000	—
Monetary claims bought:			
Claims treated as loans	753	808	54
Total monetary claims bought	753	808	54
Money held in trust:			
Trading securities	28,787	28,787	—
Total money held in trust	28,787	28,787	—
Securities:			
Trading securities	179,246	179,246	—
Held-to-maturity debt securities	764,914	908,680	143,766
Policy-reserve-matching bonds	1,008,212	1,166,744	158,531
Available-for-sale securities	3,256,735	3,256,735	—
Total securities	5,209,110	5,511,408	302,297
Loans:			
Policy loans	59,238	59,238	(0)
Ordinary loans	568,483	592,719	24,235
Total loans	627,722	651,958	24,235
Assets total	6,102,649	6,429,237	326,588
Subordinated bonds*1	191,935	199,659	7,724
Liabilities total	191,935	199,659	7,724
Derivative instruments*2:			
Hedge accounting not applied	535	535	—
Hedge accounting applied	13,102	13,102	—
Total derivative instruments	¥ 13,638	¥ 13,638	¥ —

	As of March 31, 2018 Millions of yen			2018 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	¥ 64,462	¥ 64,462	¥ —	$ 606	$ 606	$ —
Total cash and deposits	64,462	64,462	—	606	606	—
Call loans	176,000	176,000	—	1,656	1,656	—
Monetary claims bought:						
Claims treated as loans	443	474	30	4	4	0
Total monetary claims bought	443	474	30	4	4	0
Money held in trust:						
Trading securities	30,502	30,502	—	287	287	—
Total money held in trust	30,502	30,502	—	287	287	—
Securities:						
Trading securities	149,265	149,265	—	1,404	1,404	—
Held-to-maturity debt securities	758,872	897,574	138,702	7,142	8,448	1,305
Policy-reserve-matching bonds	973,736	1,134,148	160,412	9,165	10,675	1,509
Available-for-sale securities	3,404,811	3,404,811	—	32,048	32,048	—
Total securities	5,286,686	5,585,800	299,114	49,761	52,577	2,815
Loans:						
Policy loans	57,181	57,181	(0)	538	538	(0)
Ordinary loans	536,553	558,957	22,404	5,050	5,261	210
Total loans	593,734	616,138	22,404	5,588	5,799	210
Assets total	6,151,829	6,473,379	321,549	57,905	60,931	3,026
Subordinated bonds*1	191,935	200,774	8,839	1,806	1,889	83
Liabilities total	191,935	200,774	8,839	1,806	1,889	83
Derivative instruments*2:						
Hedge accounting not applied	(534)	(534)	—	(5)	(5)	—
Hedge accounting applied	9,672	9,672	—	91	91	—
Total derivative instruments	¥ 9,138	¥ 9,138	¥ —	$ 86	$ 86	$ —

*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.

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.

3. 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 ¥172,312 million and ¥283,598 million as of March 31, 2017, and ¥172,740 million (US$1,625 million) and ¥295,454 million (US$2,781 million) as of March 31, 2018, 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 ¥974 million as of March 31, 2017, and ¥841 million (US$7 million) as of March 31, 2018, respectively.

4. The amounts of securities lent under lending agreements were ¥38,863 million and ¥254,467 million (US$2,395 million) as of March 31, 2017 and 2018, respectively.

5. The total amounts of credits to bankrupt borrowers, delinquent loans, delinquent loans past 3 months or more and restructured loans, which were included in loans, were ¥1,115 million as of March 31, 2017, and ¥1,033 million (US$9 million) as of March 31, 2018, respectively;
i) The balances of credits to bankrupt borrowers were ¥230 million and ¥168 million (US$1 million) as of March 31, 2017 and 2018, respectively.
ii) The balances of delinquent loans were ¥884 million and ¥865 million (US$8 million) as of March 31, 2017 and 2018, respectively.
iii) There were no balances of delinquent loans past 3 months or more and restructured loans as of March 31, 2017 and 2018.

The direct write-offs related to loans decreased credits to bankrupt borrowers described above by ¥1 million as of March 31, 2017 and ¥1 million (US$10 thousand) as of March 31, 2018, 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.

6. Accumulated depreciation of tangible fixed assets were ¥158,873 million and ¥163,520 million (US$1,539 million) as of March 31, 2017 and 2018, respectively.

7. Total assets in separate accounts provided for in Article 118 of the Insurance Business Act were ¥75,678 million and ¥82,347 million (US$775 million) as of March 31, 2017 and 2018, respectively. The amounts of separate account liabilities were the same as separate account assets.

8. The total amounts of receivables from/payables to subsidiaries were ¥2,471 million and ¥2,187 million as of March 31, 2017, and ¥2,466 million (US$23 million) and ¥1,687 million (US$15 million) as of March 31, 2018, respectively.

9. Deferred tax assets and deferred tax liabilities as of March 31, 2017 were ¥117,179 million and ¥132,077 million, respectively. Valuation allowance for deferred tax assets was ¥4,235 million.

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

Major component of deferred tax liabilities was ¥127,885 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.

Deferred tax assets and deferred tax liabilities as of March 31, 2018 were ¥127,044 million (US$1,195 million) and ¥133,230 million (US$1,254 million), respectively.

Valuation allowance for deferred tax assets was ¥4,547 million (US$42 million).

Major components of deferred tax assets were ¥79,506 million (US$748 million) of policy reserves, ¥26,823 million (US$252 million) of reserve for price fluctuation and ¥12,343 million (US$116 million) of reserve for employees' retirement benefits as of March 31, 2018.

Major component of deferred tax liabilities was ¥128,972 million (US$1,213 million) of net unrealized gains on available-for-sale securities as of March 31, 2018.

The statutory tax rate and the actual effective tax rate for the year ended March 31, 2018 were 28.2% and 4.4%, respectively. The difference between the statutory tax rate and the actual effective tax rate was attributable mainly to -25.5% of reserve for dividends to the policyholders.

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

	Year ended March 31,		
	2017	2018	2018
	Millions of yen		Millions of U.S. dollars
Balance at the beginning of the fiscal year	¥50,368	¥50,929	$479
Transfer from surplus in the previous fiscal year	35,236	34,592	325
Dividend payments to policyholders during the fiscal year	(34,695)	(32,138)	(302)
Increase in interest	20	12	0
Balance at the end of the fiscal year	¥50,929	¥53,395	$502

11. The amount of stocks of subsidiaries were ¥64,837 million and ¥64,837 million (US$610 million) as of March 31, 2017 and 2018, respectively.

12. Assets pledged as collateral as of March 31, 2017 were ¥27,012 million of securities and ¥1,688 million of bank deposits. Secured debts as of March 31, 2017, were ¥4,974 million.

    Assets pledged as collateral as of March 31, 2018 were ¥25,447 million (US$239 million) of securities and ¥1,378 million (US$12 million) of bank deposits. Secured debts as of March 31, 2018, were ¥5,174 million (US$48 million).

13. 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 ¥3 million and ¥10 million (US$102 thousand) as of March 31, 2017 and 2018, 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 ¥30 million and ¥31 million (US$295 thousand) as of March 31, 2017 and 2018, respectively.

14. 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 ¥337,765 million and ¥339,944 million (US$3,199 million) as of March 31, 2017 and 2018, respectively.

15. There were unused commitment line agreements under which the Company is the lender of ¥10,500 million and ¥2,490 million (US$23 million) as of March 31, 2017 and 2018, respectively.

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

17. The future contribution to the Life Insurance Policyholders Protection Corporation of Japan under Article 259 of the Insurance Business Act were estimated at ¥9,406 and ¥8,972 million (US$84 million) as of March 31, 2017 and 2018, respectively.

    The contribution is recognized as operating expenses when contributed.

18. 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 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,		
	2017	2018	2018
	Millions of yen		Millions of U.S. dollars
Retirement benefit obligation at the beginning of the fiscal year	¥85,184	¥85,277	$802
Service cost	3,508	3,493	32
Interest cost	510	511	4
Actuarial differences occurred during the fiscal year	656	1,232	11
Retirement benefit payments	(4,583)	(4,313)	(40)
Retirement benefit obligation at the end of the fiscal year	¥85,277	¥86,201	$811

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

	As of March 31,		
	2017	2018	2018
	Millions of yen		Millions of U.S. dollars
Pension plan assets at the beginning of the fiscal year	¥44,636	¥46,654	$439
Expected return on pension plan assets	671	732	6
Actuarial differences occurred during the fiscal year	57	3,386	31
Contributions by the employer	2,689	2,679	25
Retirement benefit payments	(1,400)	(1,080)	(10)
Pension plan assets at the end of the fiscal year	¥46,654	¥52,372	$492

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, 2017	As of March 31, 2018	As of March 31, 2018
	Millions of yen	Millions of yen	Millions of U.S. dollars
a. Funded plan retirement benefit obligation	¥73,902	¥74,783	$703
b. Pension plan assets	(46,654)	(52,372)	(492)
c. (a + b)	27,247	22,410	210
d. Unfunded plan retirement benefit obligation	11,375	11,417	107
e. Unrecognized actuarial differences	(13,156)	(8,657)	(81)
f. Unrecognized prior service cost	323	247	2
g. Reserve for employees' retirement benefits (c + d + e + f)	¥25,789	¥25,417	$239

iv) Breakdown of retirement benefit gains and losses

	As of March 31, 2017	As of March 31, 2018	As of March 31, 2018
	Millions of yen	Millions of yen	Millions of U.S. dollars
Service cost	¥3,508	¥3,493	$32
Interest cost	510	511	4
Expected return on pension plan assets	(671)	(732)	(6)
Amortization of actuarial differences	2,306	2,345	22
Amortization of prior service cost	(76)	(76)	(0)
Retirement benefit expenses related to defined benefit plan	¥5,578	¥5,541	$52

v) Breakdown of pension plan assets

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

	As of March 31, 2017	As of March 31, 2018
Domestic stocks	46.1%	47.7%
Life insurance general account	34.2%	32.9%
Foreign stocks	7.9%	7.8%
Domestic bonds	8.0%	7.5%
Foreign bonds	2.7%	2.7%
Others	1.1%	1.4%
Total	100.0%	100.0%

Within the total of pension assets as of March 31, 2018, 38.1% of this amount is accounted for by the retirement benefit trust established in relation to the retirement lump-sum payments plan for sales employees.

vi) Method for setting the expected long-term rate of return

To set the expected long-term rate of return on pension plan assets, the Company takes into account the present and future allocation of pension plan assets, and the present and expected future long-term rate of return on a variety of assets that makes up the pension assets.

vii) Underlying actuarial assumptions

Main underlying actuarial assumptions were as follows:

	As of March 31,	
	2017	2018
Discount rate	0.6%	0.6%
Expected long-term rate of return on pension plan assets		
Defined Benefit Plan	2.5%	2.5%
Retirement benefit trust	0.0%	0.0%

(3) Defined Contribution Plan

The required contribution amounts by the Company to the defined contribution plan were ¥194 million and ¥213 million (US$2 million) as of March 31, 2017 and 2018, respectively.

III. Notes to the Non-consolidated Statements of Operations

1. The total amounts of revenues and expenses in connection with subsidiaries were ¥877 million and ¥8,084 million for the year ended March 31, 2017, and ¥780 million (US$7 million) and ¥8,586 million (US$80 million) for the year ended March 31, 2018, respectively.

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

	Year ended March 31,		
	2017	2018	2018
	Millions of yen		Millions of U.S. dollars
Domestic bonds	¥11,175	¥4,903	$46
Domestic stocks and others	2,741	1,798	16
Foreign securities	¥ 556	¥8,578	$80

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

	Year ended March 31,		
	2017	2018	2018
	Millions of yen		Millions of U.S. dollars
Domestic bonds	¥ 441	¥ 391	$ 3
Domestic stocks and others	1,312	1,095	10
Foreign securities	¥3,739	¥3,421	$32

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

	Year ended March 31,		
	2017	2018	2018
	Millions of yen		Millions of U.S. dollars
Domestic stocks and others	¥—	¥ 0	$ 0
Foreign securities	¥24	¥—	$—

5. 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 was deducted. In calculating the provision of policy reserves, a provision of reserves for policy reserves reinsured of ¥0 million was deducted.

For the year ended March 31, 2018, in calculating the reversal of reserve for outstanding claims, a provision of reserves for outstanding claims reinsured of ¥7 million (US$71 thousand) was added. 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,		
	2017	2018	2018
	Millions of yen		Millions of U.S. dollars
Interest, dividends and other income	¥ 6,464	¥ 5,647	$ 53
Losses on valuation of trading securities	¥(17,796)	¥(7,938)	$(74)

7. Losses on money held in trust for the year ended March 31, 2017 included valuation gains of ¥0 million.

Gains on money held in trust for the year ended March 31, 2018 included valuation gains of ¥0 million (US$0 thousand).

8. Gains on derivative instruments for the year ended March 31, 2017 included valuation gains of ¥2,224 million.

Losses on derivative instruments for the year ended March 31, 2018 included valuation losses of ¥454 million (US$4 million).

Report of Independent Auditors

May 21, 2018

The Board of Directors of
Fukoku Mutual Life Insurance Company

Kisaragi Audit Corporation

Designated and engagement partner
Certified Public Accountant
Yoshio Sato
Yoshio Sato

Designated and engagement partner
Certified Public Accountant
Yuichi Yasuda
Yuichi Yasuda

We have audited the accompanying non-consolidated balance sheet of Fukoku Mutual Life Insurance Company (the "Company") as of March 31, 2018 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, 2018 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, 2018.

Consolidated Financial Statements

Consolidated Balance Sheets

Fukoku Mutual Life Insurance Company and consolidated subsidiaries
As of March 31, 2017 and 2018

	As of March 31,		
	2017	2018	2018
	Millions of yen		Millions of U.S. dollars
Assets:			
Cash and deposits	¥ 136,494	¥ 157,703	$ 1,484
Call loans	193,000	176,000	1,656
Monetary claims bought	753	443	4
Money held in trust	29,787	31,502	296
Securities	7,130,780	7,203,196	67,801
Loans	631,109	597,285	5,622
Tangible fixed assets:			
Land	125,276	125,278	1,179
Buildings	88,212	86,548	814
Lease assets	2,013	1,565	14
Construction in progress	1,140	2,052	19
Other tangible fixed assets	3,230	3,450	32
	219,873	218,895	2,060
Intangible fixed assets:			
Software	11,316	24,643	231
Goodwill	801	37	0
Lease assets	210	11,226	105
Other intangible fixed assets	13,997	2,148	20
	26,326	38,056	358
Agency receivables	4	0	0
Reinsurance receivables	200	221	2
Other assets	66,237	67,341	633
Net defined benefit asset	42	107	1
Deferred tax assets	153	166	1
Allowance for possible loan losses	(1,776)	(2,049)	(19)
Total assets	¥8,432,988	¥8,488,872	$79,902

	As of March 31,		
	2017	2018	2018
	Millions of yen		Millions of U.S. dollars
Liabilities:			
Policy reserves:			
Reserve for outstanding claims	¥ 22,223	¥ 22,166	$ 208
Policy reserve	7,365,185	7,391,773	69,576
Reserve for dividends to policyholders	50,929	53,395	502
Reserve for dividends to policyholders (subsidiary)	598	539	5
	7,438,936	7,467,875	70,292
Agency payables	98	70	0
Reinsurance payables	79	75	0
Subordinated bonds	191,935	191,935	1,806
Other liabilities	46,006	59,509	560
Net defined benefit liabilities	38,767	34,019	320
Reserve for price fluctuation	91,827	105,521	993
Deferred tax liabilities	16,233	8,875	83
Deferred tax liabilities for land revaluation	14,265	14,241	134
Total liabilities	7,838,150	7,882,122	74,191
Net assets:			
Foundation funds	10,000	10,000	94
Accumulated foundation funds redeemed	106,000	106,000	997
Reserve for revaluation	112	112	1
Consolidated surplus	133,217	139,621	1,314
Total foundation funds, surplus and others	249,329	255,733	2,407
Net unrealized gains (losses) on available-for-sale securities, net of tax	342,470	344,585	3,243
Revaluation reserve for land, net of tax	4,107	4,173	39
Foreign currency translation adjustment	(433)	(377)	(3)
Accumulated remeasurements of defined benefit plans	(9,240)	(6,055)	(56)
Total accumulated other comprehensive income	336,904	342,326	3,222
Non-controlling interests	8,603	8,690	81
Total net assets	594,837	606,750	5,711
Total liabilities and net assets	¥8,432,988	¥8,488,872	$79,902

Consolidated Statements of Operations

Fukoku Mutual Life Insurance Company and consolidated subsidiaries
For the years ended March 31, 2017 and 2018

	Year ended March 31,		
	2017	2018	2018
	Millions of yen		Millions of U.S. dollars
Ordinary revenues:			
Premium and other income	¥648,744	¥597,178	$5,621
Investment income:			
Interest, dividends and other income	158,645	173,481	1,632
Gains on money held in trust, net	—	1,769	16
Gains on sales of securities	15,178	16,780	157
Gains on derivative instruments, net	7,018	—	—
Reversal of allowance for possible loan losses	90	—	—
Other investment income	114	811	7
Gains on separate accounts, net	4,041	6,553	61
	185,088	199,395	1,876
Other ordinary revenues	9,082	9,890	93
Total ordinary revenues	842,915	806,464	7,590
Ordinary expenses:			
Claims and other payments:			
Claims	109,450	132,639	1,248
Annuities	175,156	167,565	1,577
Benefits	121,841	119,468	1,124
Surrenders	109,934	113,367	1,067
Other payments	30,314	28,840	271
	546,696	561,881	5,288
Provision of policy reserve and others:			
Provision of policy reserve	77,580	26,588	250
Provision of interest portion of reserve for dividends to policyholders	20	12	0
Provision of interest portion of reserve for dividends to policyholders (subsidiary)	0	0	0
	77,601	26,600	250
Investment expenses:			
Interest expenses	4,061	4,232	39
Losses on money held in trust, net	1,144	—	—
Losses on trading securities, net	7,042	1,498	14
Losses on sales of securities	5,493	4,977	46
Losses on valuation of securities	24	0	0
Losses on derivative instruments, net	—	225	2
Foreign exchange losses, net	15,619	16,012	150
Provision of allowance for possible loan losses	—	280	2
Depreciation of real estate for rent and other assets	4,319	4,271	40
Other investment expenses	5,665	6,781	63
	43,371	38,278	360
Operating expenses	97,218	98,725	929
Other ordinary expenses	21,161	22,623	212
Total ordinary expenses	786,049	748,109	7,041
Ordinary profits	¥ 56,866	¥ 58,354	$ 549

	Year ended March 31, 2017	2018	2018
	Millions of yen		Millions of U.S. dollars
Extraordinary gains:			
Gains on disposal of fixed assets	¥ 2	¥ 288	$ 2
State subsidy and others	195	—	—
Others	42	—	—
Total extraordinary gains	240	288	2
Extraordinary losses:			
Losses on disposal of fixed assets	182	552	5
Impairment losses	71	141	1
Provision of reserve for price fluctuation	14,538	13,693	128
Losses on advanced depreciation of real estate for tax purpose	—	3	0
Total extraordinary losses	14,792	14,390	135
Provision of reserve for dividends to policyholders (subsidiary)	419	336	3
Surplus before income taxes	41,895	43,916	413
Income taxes:			
Current	14,409	12,377	116
Deferred	(10,231)	(9,722)	(91)
Total income taxes	4,178	2,655	24
Net surplus	37,716	41,261	388
Net surplus attributable to non-controlling interests	236	100	0
Net surplus attributable to the parent company	¥37,479	¥41,161	$387

Consolidated Statements of Comprehensive Income

Fukoku Mutual Life Insurance Company and consolidated subsidiaries
For the years ended March 31, 2017 and 2018

	Year ended March 31, 2017	2018	2018
	Millions of yen		Millions of U.S. dollars
Net surplus	¥37,716	¥41,261	$388
Other comprehensive income:			
Net unrealized gains (losses) on available-for-sale securities, net of tax	(7,768)	2,115	19
Revaluation reserve for land, net of tax	0	—	—
Foreign currency translation adjustments	(318)	56	0
Remeasurements of defined benefit plan, net of tax	1,174	3,184	29
	(6,912)	5,356	50
Comprehensive income:			
Comprehensive income attributable to the parent company	30,922	46,518	437
Comprehensive income attributable to non-controlling interests	(117)	100	0
	¥30,804	¥46,618	$438

Consolidated Statements of Cash Flows

Fukoku Mutual Life Insurance Company and consolidated subsidiaries
For the years ended March 31, 2017 and 2018

	Year ended March 31,		
	2017	2018	2018
	Millions of yen		Millions of U.S. dollars
Cash flows from operating activities:			
Surplus before income taxes	¥ 41,895	¥ 43,916	$ 413
Depreciation of real estate for rent and other assets	4,319	4,271	40
Depreciation	7,518	8,830	83
Impairment losses	71	141	1
Amortization of goodwill	763	763	7
Increase (decrease) in reserve for outstanding claims	(780)	(56)	(0)
Increase (decrease) in policy reserve	77,580	26,588	250
Provision of interest portion of reserve for dividends to policyholders	20	12	0
Provision of interest portion of reserve for dividends to policyholders (subsidiary)	0	0	0
Provision of reserve for dividends to policyholders (subsidiary)	419	336	3
Increase (decrease) in allowance for possible loan losses	(74)	273	2
Increase (decrease) in net defined benefit liabilities	(293)	(390)	(3)
Increase (decrease) in reserve for price fluctuation	14,538	13,693	128
Interest, dividends and other income	(158,645)	(173,481)	(1,632)
Losses (gains) on securities, net	(12,532)	(18,402)	(173)
Interest expenses	4,061	4,232	39
Foreign exchange losses (gains), net	15,616	16,012	150
Losses (gains) on tangible fixed assets, net	110	(63)	(0)
Decrease (increase) in agency receivable	(1)	3	0
Decrease (increase) in reinsurance receivable	(56)	(20)	(0)
Decrease (increase) in other assets except from investing and financing activities	(851)	(1,875)	(17)
Increase (decrease) in agency payable	(382)	(28)	(0)
Increase (decrease) in reinsurance payable	(66)	(4)	(0)
Increase (decrease) in other liabilities except from investing and financing activities	(581)	1,642	15
Others	16,337	17,202	161
Subtotal	8,987	(56,403)	(530)
Interest, dividends and other income received	166,861	180,718	1,701
Interest expenses paid	(3,812)	(4,491)	(42)
Dividends to policyholders paid	(34,695)	(32,138)	(302)
Dividends to policyholders paid (subsidiary)	(472)	(395)	(3)
Corporate income tax (paid) refunded	(9,832)	(14,492)	(136)
Net cash provided by (used in) operating activities (a)	127,036	72,798	685
Cash flows from investing activities:			
Net decrease (increase) in deposits	74	225	2
Proceeds from sales and redemption of monetary claims bought	60	271	2
Increase in money held in trust	—	(8,800)	(82)
Decrease in money held in trust	56,742	8,800	82
Payments for purchase of securities	(944,430)	(916,556)	(8,627)
Proceeds from sales and redemption of securities	654,047	821,149	7,729
Payments for additions to loans	(66,549)	(83,642)	(787)
Proceeds from collections of loans	123,722	108,673	1,022
Proceeds from and payments for settlements of derivatives, net	1,311	22,930	215
Others	(5,309)	(5,897)	(55)
Subtotal (b)	(180,329)	(52,845)	(497)
(a + b)	¥ (53,292)	¥ 19,952	$ 187

	Year ended March 31,		
	2017	2018	2018
	Millions of yen		Millions of U.S. dollars
Payments for purchase of tangible fixed assets	¥ (9,040)	¥ (7,376)	$ (69)
Proceeds from sales of tangible fixed assets	11	551	5
Payments for purchase of intangible fixed assets	(11,089)	(6,479)	(60)
Net cash provided by (used in) investing activities	(200,447)	(66,150)	(622)
Cash flows from financing activities:			
Proceeds from issuance of subordinated bonds	50,000	30,000	282
Redemption of subordinated bonds	—	(30,000)	(282)
Redemption of foundation funds	(20,000)	—	—
Payment of interest on foundation funds	(316)	(100)	(0)
Proceeds from share issuance to non-controlling interests	2,215	—	—
Dividends paid to non-controlling interests	(85)	(13)	(0)
Payments for lease obligations	(501)	(1,526)	(14)
Net cash provided by (used in) financing activities	31,312	(1,641)	(15)
Effect of exchange rate changes on cash and cash equivalents	(193)	(643)	(6)
Net increase (decrease) in cash and cash equivalents	(42,292)	4,363	41
Cash and cash equivalents at the beginning of the fiscal year	370,458	328,236	3,089
Increase (decrease) in cash and cash equivalents resulting from change in scope of consolidation	70	—	—
Cash and cash equivalents at the end of the fiscal year	¥328,236	¥332,599	$3,130

Consolidated Statements of Changes in Net Assets

Fukoku Mutual Life Insurance Company and consolidated subsidiaries
For the years ended March 31, 2017 and 2018

	Millions of yen				
	Foundation funds, surplus and others				
For the year ended March 31, 2017	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	¥151,251	¥267,363
Changes in the fiscal year					
Additions to reserve for dividends to policyholders				(35,236)	(35,236)
Addtions 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

	Millions of yen						
	Accumulated other comprehensive income						
For the year ended March 31, 2017	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	Total net assets
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)
Addtions 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

For the year ended March 31, 2018	Foundation funds	Accumulated foundation funds redeemed	Reserve for revaluation	Consolidated surplus	Total foundation funds, surplus and others
	Millions of yen				
	Foundation funds, surplus and others				
Balance at the beginning of the fiscal year	¥10,000	¥106,000	¥112	¥133,217	¥249,329
Changes in the fiscal year					
Additions to reserve for dividends to policyholders				(34,592)	(34,592)
Payment of interest on foundation funds				(100)	(100)
Net surplus attributable to the parent company for the fiscal year				41,161	41,161
Reversal of revaluation reserve for land, net of tax				(65)	(65)
Net changes, excluding foundation funds, surplus and others					
Total changes in the fiscal year	—	—	—	6,403	6,403
Balance at the end of the fiscal year	¥10,000	¥106,000	¥112	¥139,621	¥255,733

For the year ended March 31, 2018	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	Total net assets
	Millions of yen						
	Accumulated other comprehensive income						
Balance at the beginning of the fiscal year	¥342,470	¥4,107	¥(433)	¥(9,240)	¥336,904	¥8,603	¥594,837
Changes in the fiscal year							
Additions to reserve for dividends to policyholders							(34,592)
Payment of interest on foundation funds							(100)
Net surplus attributable to the parent company for the fiscal year							41,161
Reversal of revaluation reserve for land, net of tax							(65)
Net changes, excluding foundation funds, surplus and others	2,115	65	56	3,184	5,422	86	5,508
Total changes in the fiscal year	2,115	65	56	3,184	5,422	86	11,912
Balance at the end of the fiscal year	¥344,585	¥4,173	¥(377)	¥(6,055)	¥342,326	¥8,690	¥606,750

For the year ended March 31, 2018	Foundation funds	Accumulated foundation funds redeemed	Reserve for revaluation	Consolidated surplus	Total foundation funds, surplus and others
	Millions of U.S. dollars				
	Foundation funds, surplus and others				
Balance at the beginning of the fiscal year	$94	$997	$1	$1,253	$2,346
Changes in the fiscal year					
Additions to reserve for dividends to policyholders				(325)	(325)
Payment of interest on foundation funds				(0)	(0)
Net surplus attributable to the parent company for the fiscal year				387	387
Reversal of revaluation reserve for land, net of tax				(0)	(0)
Net changes, excluding foundation funds, surplus and others					
Total changes in the fiscal year	—	—	—	60	60
Balance at the end of the fiscal year	$94	$997	$1	$1,314	$2,407

For the year ended March 31, 2018	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	Total net assets
	Millions of U.S. dollars						
	Accumulated other comprehensive income						
Balance at the beginning of the fiscal year	$3,223	$38	$(4)	$(86)	$3,171	$80	$5,598
Changes in the fiscal year							
Additions to reserve for dividends to policyholders							(325)
Payment of interest on foundation funds							(0)
Net surplus attributable to the parent company for the fiscal year							387
Reversal of revaluation reserve for land, net of tax							(0)
Net changes, excluding foundation funds, surplus and others	19	0	0	29	51	0	51
Total changes in the fiscal year	19	0	0	29	51	0	112
Balance at the end of the fiscal year	$3,243	$39	$(3)	$(56)	$3,222	$81	$5,711

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 ¥106.24 = US$1.00, the effective rate of exchange at the balance sheet date of March 31, 2018. 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, 2017 and 2018 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.

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, 2017 and 2018.

(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, 2017 and 2018 were ¥1 million and ¥1 million (US$10 thousand), respectively.

(7) Net defined benefit liabilities, supposed to be incurred as of March 31, 2018, 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.

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, 2018 (excluding wife's annuity insurance additional rider), the Company reduced the assumed interest rate to 1.00% and funded additional policy reserves. At the end of the fiscal year ended March 31, 2018, the balance of these policy reserves was ¥73,222 million (US$689 million).

The Company also funded additional policy reserves for certain individual annuity insurance policies, whole life insurance policies that include distribution of surplus every five years and highly advanced medical riders. At the end of the fiscal year ended March 31, 2018, the balance of these policy reserves was ¥5,628 million (US$52 million).

Of the above, the amount funded at the end of the fiscal year ended March 31, 2018 was ¥13,574 million (US$127 million). As a result, compared to the amount without this additional funding, provision of policy reserve increased ¥13,574 million (US$127 million), while ordinary profit and surplus before income taxes decreased ¥13,574 million (US$127 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 by the Company 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. 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 by the Company, 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 acceptable range of risk in order to enhance the profitability, although yen-denominated interest bearing assets including debt securities such as Japanese government bonds and loans are the cores of the portfolios 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 ¥454 million, ¥6,109 million, and ¥17,418 million as of March 31, 2017 and ¥454 million (US$4 million), ¥5,697 million (US$53 million), and ¥23,609 million (US$222 million) as of March 31, 2018, 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.
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.

	As of March 31,		
	2017		
	Millions of yen		
	Carrying amount	Fair value	Difference
Cash and deposits:			
Cash and deposits not treated as securities	¥ 135,088	¥ 135,088	¥ —
Total cash and deposits	135,088	135,088	—
Call loans	193,000	193,000	—
Monetary claims bought:			
Claims treated as loans	753	808	54
Total monetary claims bought	753	808	54
Money held in trust:			
Trading securities	28,787	28,787	—
Total money held in trust	28,787	28,787	—
Securities:			
Trading securities	179,246	179,246	—
Held-to-maturity debt securities	1,235,331	1,475,486	240,155
Policy-reserve-matching bonds	2,067,059	2,314,447	247,387
Available-for-sale securities	3,552,958	3,552,958	—
Total securities	7,034,595	7,522,139	487,543
Loans:			
Policy loans	62,625	62,625	(0)
Ordinary loans	568,483	592,719	24,235
Total loans	631,109	655,344	24,235
Assets total	8,023,334	8,535,168	511,833
Subordinated bonds*1	191,935	199,659	7,724
Liabilities total	191,935	199,659	7,724
Derivative instruments*2 :			
Hedge accounting not applied	535	535	—
Hedge accounting applied	13,102	13,102	—
Total derivative instruments	¥ 13,638	¥ 13,638	¥ —

	As of March 31,					
	2018			2018		
	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	¥ 155,905	¥ 155,905	¥ —	$ 1,467	$ 1,467	$ —
Total cash and deposits	155,905	155,905	—	1,467	1,467	—
Call loans	176,000	176,000	—	1,656	1,656	—
Monetary claims bought:						
Claims treated as loans	443	474	30	4	4	0
Total monetary claims bought	443	474	30	4	4	0
Money held in trust:						
Trading securities	30,502	30,502	—	287	287	—
Total money held in trust	30,502	30,502	—	287	287	—
Securities:						
Trading securities	149,265	149,265	—	1,404	1,404	—
Held-to-maturity debt securities	1,237,461	1,475,318	237,857	11,647	13,886	2,238
Policy-reserve-matching bonds	2,011,805	2,254,443	242,638	18,936	21,220	2,283
Available-for-sale securities	3,696,942	3,696,942	—	34,798	34,798	—
Total securities	7,095,474	7,575,970	480,495	66,787	71,309	4,522
Loans:						
Policy loans	60,732	60,732	(0)	571	571	(0)
Ordinary loans	536,553	558,957	22,404	5,050	5,261	210
Total loans	597,285	619,690	22,404	5,622	5,832	210
Assets total	8,055,612	8,558,543	502,930	75,824	80,558	4,733
Subordinated bonds*1	191,935	200,774	8,839	1,806	1,889	83
Liabilities total	191,935	200,774	8,839	1,806	1,889	83
Derivative instruments*2 :						
Hedge accounting not applied	(534)	(534)	—	(5)	(5)	—
Hedge accounting applied	9,672	9,672	—	91	91	—
Total derivative instruments	¥ 9,138	¥ 9,138	¥ —	$ 86	$ 86	$ —

*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.

3. 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 ¥171,021 million and ¥282,301 million as of March 31, 2017 and ¥171,415 million (US$1,613 million) and ¥294,210 million (US$2,769 million) as of March 31, 2018, 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 ¥972 million and ¥839 million (US$7 million) as of March 31, 2017 and 2018, respectively.

4. The amounts of securities lent under lending agreements were ¥38,863 million and ¥254,467 million (US$2,395 million) as of March 31, 2017 and 2018, respectively.

5. The total amounts of credits to bankrupt borrowers, delinquent loans, delinquent loans past 3 months or more and restructured loans, which were included in loans, were ¥1,124 million and ¥1,045 million (US$9 million) as of March 31, 2017 and 2018, respectively;
   i) The balances of credits to bankrupt borrowers were ¥239 million and ¥180 million (US$1 million) as of March 31, 2017 and 2018, respectively.
   ii) The balances of delinquent loans were ¥884 million and ¥865 million (US$8 million) as of March 31, 2017 and 2018, respectively.
   iii) There were no balances of delinquent loans past 3 months or more and restructured loans as of March 31, 2017 and 2018, respectively.

The direct write-offs related to loans decreased credits to bankrupt borrowers described above by ¥1 million and ¥1 million (US$10 thousand) as of March 31, 2017 and 2018, 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.

6. Accumulated depreciation of tangible fixed assets were ¥159,372 million and ¥164,086 million (US$1,544 million) as of March 31, 2017 and 2018, respectively.

7. Total assets in separate accounts provided for in Article 118 of the Insurance Business Act were ¥75,678 million and ¥82,347 million (US$775 million) as of March 31, 2017 and 2018, respectively. The amounts of separate account liabilities were the same as separate account assets.

8. The total amounts of receivables from/payables to unconsolidated subsidiaries were ¥2,349 million and ¥117 million as of March 31, 2017 and ¥2,338 million (US$22 million) and ¥110 million (US$1 million) as of March 31, 2018, respectively.

9. Deferred tax assets and deferred tax liabilities as of March 31, 2017 were ¥124,388 million and ¥136,125 million, respectively. Valuation allowance for deferred tax assets was ¥4,343 million.

Major components of deferred tax assets were ¥74,052 million of policy reserves, ¥25,712 million of reserve for price fluctuation and ¥16,085 million of net defined benefit liability as of March 31, 2017.

Major component of deferred tax liabilities was ¥131,909 million of net unrealized gains on available-for-sale securities as of March 31, 2017.

Deferred tax assets and deferred tax liabilities as of March 31, 2018 were ¥133,323 million (US$1,254 million) and ¥137,309 million (US$1,292 million), respectively. Valuation allowance for deferred tax assets was ¥4,723 million (US$44 million).

Major components of deferred tax assets were ¥80,174 million (US$754 million) of policy reserves, ¥29,546 million (US$278 million) of reserve for price fluctuation and ¥14,756 million (US$138 million) of net defined benefit liability as of March 31, 2018.

Major component of deferred tax liabilities was ¥132,998 million (US$1,251 million) of net unrealized gains on available-for-sale securities as of March 31, 2018.

The statutory tax rate and the actual effective tax rate for the year ended March 31, 2018 were 28.2% and 6.0%, respectively. The difference between the statutory tax rate and the actual effective tax rate was attributable mainly to -24.8% of reserve for dividends to the policyholders.

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

	Year ended March 31, 2017	Year ended March 31, 2018	2018
	Millions of yen		Millions of U.S. dollars
Balance at the beginning of the fiscal year	¥50,368	¥50,929	$479
Transfer from surplus in the previous fiscal year	35,236	34,592	325
Dividend payments to policyholders during the fiscal year	(34,695)	(32,138)	(302)
Increase in interest	20	12	0
Balance at the end of the fiscal year	¥50,929	¥53,395	$502

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

	Year ended March 31, 2017	Year ended March 31, 2018	2018
	Millions of yen		Millions of U.S. dollars
Balance at the beginning of the fiscal year	¥650	¥598	$5
Dividend payments to policyholders during the fiscal year	(472)	(395)	(3)
Increase in interest	0	0	0
Provision for reserve for dividends to policyholders	419	336	3
Balance at the end of the fiscal year	¥598	¥539	$5

12. The amount of stocks of unconsolidated subsidiaries were ¥454 million and ¥454 million (US$4 million) as of March 31, 2017 and 2018, respectively.

13. Assets pledged as collateral as of March 31, 2017 were ¥27,012 million of securities and ¥1,688 million of bank deposits. Secured debts as of March 31, 2017, were ¥4,974 million.

Assets pledged as collateral as of March 31, 2018 were ¥25,447 million (US$239 million) of securities and ¥1,378 million (US$12 million) of bank deposits. Secured debts as of March 31, 2018, were ¥5,174 million (US$48 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 ¥5 million and ¥10 million (US$102 thousand) as of March 31, 2017 and 2018, 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 ¥53 million and ¥53 million (US$502 thousand) as of March 31, 2017 and 2018, respectively.

15. There were unused commitment line agreements under which the Company is the lender of ¥500 million and ¥2,490 million (US$23 million) as of March 31, 2017 and 2018, respectively.

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

17. The future contribution to the Life Insurance Policyholders Protection Corporation of Japan under Article 259 of the Insurance Business Act was estimated at ¥11,474 million and ¥11,039 million (US$103 million) as of March 31, 2017 and 2018, respectively.

The contribution is recognized as operating expenses when contributed.

18. 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,		
	2017	2018	2018
	Millions of yen		Millions of U.S. dollars
Retirement benefit obligation at the beginning of the fiscal year	¥85,285	¥85,446	$804
Service cost	3,610	3,548	33
Interest cost	510	511	4
Actuarial differences occurred during the fiscal year	656	1,232	11
Retirement benefit payments	(4,591)	(4,317)	(40)
Others	(25)	—	—
Retirement benefit obligation at the end of the fiscal year	¥85,446	¥86,420	$813

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

	As of March 31,		
	2017	2018	2018
	Millions of yen		Millions of U.S. dollars
Pension plan assets at the beginning of the fiscal year	¥44,636	¥46,721	$439
Expected return on pension plan assets	671	732	6
Actuarial differences occurred during the fiscal year	57	3,386	31
Contributions by the employer	2,757	2,750	25
Retirement benefit payments	(1,401)	(1,081)	(10)
Others	(0)	0	0
Pension plan assets at the end of the fiscal year	¥46,721	¥52,509	$494

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, 2017	2018	2018
	Millions of yen		Millions of U.S. dollars
a. Funded plan retirement benefit obligation	¥73,926	¥74,811	$704
b. Pension plan assets	(46,721)	(52,509)	(494)
c. (a + b)	27,205	22,302	209
d. Unfunded plan retirement benefit obligation	11,519	11,608	109
e. Net amount of liabilities and assets presented on the consolidated balance sheet	38,725	33,911	319
f. Net defined benefit liabilities	38,767	34,019	320
g. Net defined benefit assets	(42)	(107)	(1)
h. Net amount of liabilities and assets presented on the consolidated balance sheet	¥38,725	¥33,911	$319

iv) Breakdown of retirement benefit gains and losses

	As of March 31, 2017	2018	2018
	Millions of yen		Millions of U.S. dollars
Service cost	¥3,610	¥3,548	$33
Interest cost	510	511	4
Expected return on pension plan assets	(671)	(732)	(6)
Amortization of actuarial differences	2,306	2,345	22
Amortization of prior service cost	(76)	(76)	(0)
Others	0	(0)	(0)
Retirement benefit expenses related to defined benefit plan	¥5,680	¥5,595	$52

v) Remeasurements of defined benefit plan

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

	As of March 31, 2017	2018	2018
	Millions of yen		Millions of U.S. dollars
Amortization of actuarial differences	¥1,707	¥4,499	$42
Amortization of prior service cost	(76)	(76)	(0)
Total	¥1,631	¥4,422	$41

vi) Accumulated remeasurements of defined benefit plan

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

	As of March 31, 2017	2018	2018
	Millions of yen		Millions of U.S. dollars
Unrecognized actuarial differences	¥(13,156)	¥(8,657)	$(81)
Unrecognized prior service cost	323	247	2
Total	¥(12,833)	¥(8,410)	$(79)

vii) Breakdown of pension plan assets

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

	As of March 31,	
	2017	2018
Domestic stocks	46.0%	47.6%
Life insurance general account	34.3%	33.0%
Foreign stocks	7.9%	7.8%
Domestic bonds	8.0%	7.5%
Foreign bonds	2.7%	2.7%
Others	1.1%	1.4%
Total	100.0%	100.0%

Within the total of pension assets as of March 31, 2018, 38.0% of this amount is accounted for by the retirement benefit trust established in relation to the retirement lump-sum payments plan for sales employees.

viii) Method for setting the expected long-term rate of return

To set the expected long-term rate of return on pension plan assets, the Company takes into account the present and future allocation of pension plan assets, and the present and expected future long-term rate of return on a variety of assets that makes up the pension assets.

ix) Underlying actuarial assumptions

Main underlying actuarial assumptions were as follows:

	As of March 31,	
	2017	2018
Discount rate	0.6%	0.6%
Expected long-term rate of return on pension plan assets		
Defined Benefit Plan	2.5%	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 ¥297 million and ¥318 million (US$3 million) as of March 31, 2017 and 2018, respectively.

III. Notes to the Consolidated Statements of Operations

1. The total amounts of revenues and expenses in connection with unconsolidated subsidiaries were ¥75 million and ¥2,202 million for the year ended March 31, 2017 and ¥95 million (US$902 thousand) and ¥2,027 million (US$19 million) for the year ended March 31, 2018, respectively.

2. 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 was deducted. In calculating the provision of policy reserves, a provision of reserves for policy reserves reinsured of ¥1 million was deducted.

   For the year ended March 31, 2018, in calculating the reversal of reserve for outstanding claims, a provision of reserves for outstanding claims reinsured of ¥5 million (US$50 thousand) was added. In calculating the provision of policy reserves, a reversal of reserves for policy reserves reinsured of ¥0 million (US$2 thousand) was added.

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,		
	2017	2018	2018
	Millions of yen		Millions of U.S. dollars
Amount incurred during the fiscal year	¥(13,419)	¥20,802	$195
Reclassification adjustments	797	(17,598)	(165)
Before tax adjustments	(12,621)	3,204	30
Tax effects	4,853	(1,088)	(10)
Net unrealized gains (losses) on available-for-sale securities, net of tax	¥ (7,768)	¥ 2,115	$ 19

ii) Revaluation reserve for land, net of tax

	Year ended March 31,		
	2017	2018	2018
	Millions of yen		Millions of U.S. dollars
Amount incurred during the fiscal year	¥ —	¥ —	$ —
Reclassification adjustments	—	—	—
Before tax adjustments	—	—	—
Tax effects	0	—	—
Revaluation reserve for land, net of tax	¥ 0	¥ —	$ —

iii) Foreign currency translation adjustments

	Year ended March 31,		
	2017	2018	2018
	Millions of yen		Millions of U.S. dollars
Amount incurred during the fiscal year	¥ (318)	¥56	$0
Reclassification adjustments	—	—	—
Before tax adjustments	(318)	56	0
Tax effects	—	—	—
Foreign currency translation adjustments	¥ (318)	¥56	$0

iv) Remeasurements of defined benefit plans, net of tax

	Year ended March 31, 2017	2018	2018
	Millions of yen		Millions of U.S. dollars
Amount incurred during the fiscal year	¥ (599)	¥2,153	$20
Reclassification adjustments	2,230	2,269	21
Before tax adjustments	1,631	4,422	41
Tax effects	(456)	(1,238)	(11)
Remeasurements of defined benefit plans, net of tax	1,174	3,184	29
Total other comprehensive income	¥(6,912)	¥5,356	$50

V. Notes to the Consolidated Statements of Cash Flows

1. Cash and cash equivalents as of March 31, 2017 and 2018 consist of "Cash," "Deposits in transfer account," "Current deposits," "Ordinary deposits," "Notice deposits," "Time deposits maturing within 3 months of the date of acquisition," "Foreign currency deposits maturing within 3 months of the date of acquisition," "Negotiable certificate of deposits maturing within 3 months of the date of acquisition," "Call loans" and "Monetary claims bought maturing within 3 months of the date of acquisition."

2. Reconciliations of cash and cash equivalents in the consolidated statements of cash flows to the consolidated balance sheet accounts were as follows:

	Year ended March 31, 2017	2018	2018
	Millions of yen		Millions of U.S. dollars
Cash and deposits	¥136,494	¥157,703	$1,484
Call loans	193,000	176,000	1,656
Monetary claims bought	753	443	4
Time deposits maturing over 3 months of the date of acquisition	(100)	(100)	(0)
Foreign currency deposits maturing over 3 months of the date of acquisition	(1,157)	(1,003)	(9)
Monetary claims bought maturing over 3 months of the date of acquisition	(753)	(443)	(4)
Cash and cash equivalents	¥328,236	¥332,599	$3,130

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, 2018, 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, 2018 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, 2018.

4. Supplementary information

Not applicable

5. Other special information

Not applicable

May 18, 2018
Yoshiteru Yoneyama
President
Fukoku Mutual Life Insurance Company

Report of Independent Auditors

May 21, 2018

The Board of Directors of

Fukoku Mutual Life Insurance Company

Kisaragi Audit Corporation

Designated and engagement partner
Certified Public Accountant
Yoshio Sato
Yoshio Sato

Designated and engagement partner
Certified Public Accountant
Yuichi Yasuda
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, 2018 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, 2018 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, 2018.

<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, 2018 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, 2018 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.

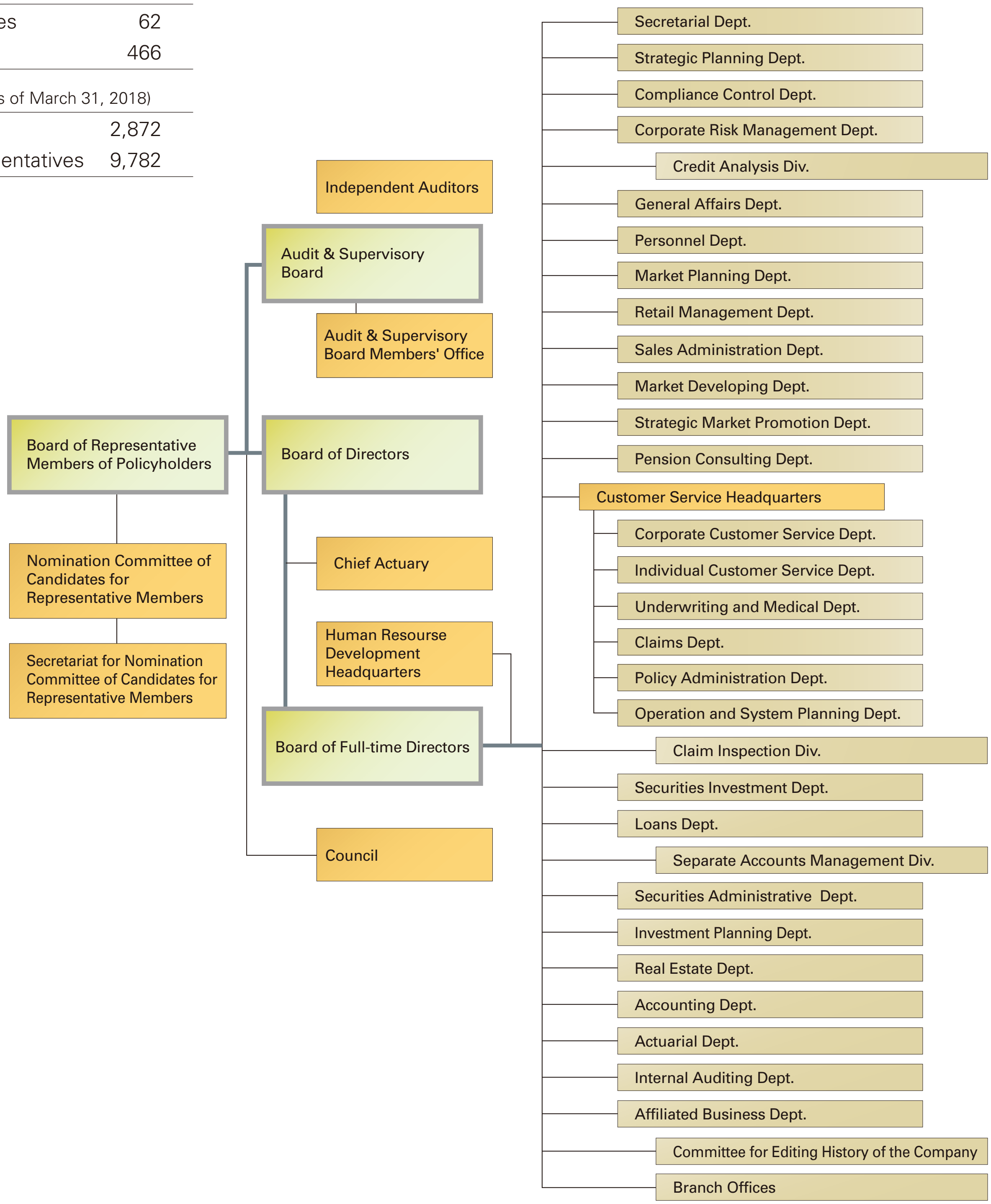
Corporate Organization

Domestic Offices (As of April 1, 2018)

Branch Offices	62
Field Offices	466

Employees (As of March 31, 2018)

Office Staff	2,872
Sales Representatives	9,782



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
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

Director and Executive Officer
Keiichi Kurota

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
Chikashi Ichikawa

Executive Officer
Takeshi Oomori

Executive Officer
Chikao Arita

Executive Officer
Ichiro Yamada

Executive Officer
Takeshi Kondou

Executive Officer
Naoki Sunamoto

*Representative Director
**External Directors
***External Audit & Supervisory Board Member

(As of July 3, 2018)

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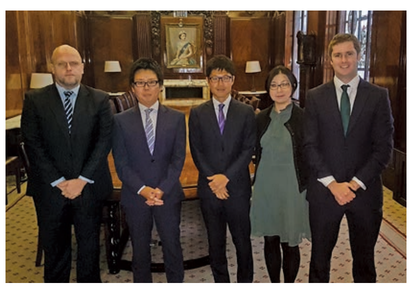

Fukoku Life International (U.K.) Ltd.
From left: J. Doran, D. Hanafusa, T. Shintani,
K. Sato and T. Keevil

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: K. Kozuka, I. Chan, J. Nishimaki,
M. Wan and H. Itoh

▲ Tokyo Head Office

▲ Osaka Fukoku Mutual Life Insurance Building

▲ Sapporo Fukokuseimei Koshiyama Building

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