

February 14, 2017

Financial Results for the Nine Months Ended December 31, 2016

Fukoku Mutual Life Insurance Company (President: Yoshiteru Yoneyama) announces financial results for the nine months ended December 31, 2016.

[Contents]

1. Business Highlights	.....	P.1
2. Investment Results of General Account Assets	.....	P.3
3. Non-consolidated Balance Sheets	.....	P.6
4. Non-consolidated Statements of Operations	.....	P.7
5. Breakdown of Ordinary Profits (Fundamental Profit)	.....	P.9
6. Solvency Margin Ratio	.....	P.10
7. Status of Separate Account	.....	P.11
8. Status of the Company, Subsidiaries and Affiliates	.....	P.12

1. Business Highlights

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

(i) Policies in Force

		As of March 31, 2016		As of December 31, 2016			
		Number of policies (Thousands)	Amount (100 millions of yen)	Number of policies		Amount	
				(Thousands)	Changes (%, Pre-FYE)	(100 millions of yen)	Changes (%, Pre-FYE)
	Individual insurance	3,109	234,174	3,148	101.2	232,267	99.2
	Individual annuities	715	27,833	704	98.5	27,336	98.2
	Subtotal	3,825	262,008	3,853	100.7	259,603	99.1
	Group insurance	—	169,723	—	—	172,386	101.6
	Group annuities	—	21,189	—	—	21,613	102.0

Notes: 1. Policy amounts for individual annuities are equal to (a) the funds to be held at the time annuity payments are to commence for an annuity for which annuity payments have not yet commenced and (b) the amount of policy reserve for an annuity for which payments have commenced and (c) special riders for term insurance attached to individual annuities.
2. Policy amount in force for group annuities is equal to the amount of outstanding policy reserve.

(ii) New Policies

Nine months ended December 31, 2015		Total		New business	Net increase by conversion
		Number of policies (Thousands)	Amount (100 millions of yen)	Amount (100 millions of yen)	Amount (100 millions of yen)
	Individual insurance	273	12,675	11,518	1,157
	Individual annuities	21	748	765	(16)
	Subtotal	295	13,424	12,283	1,140
	Group insurance	—	209	209	—
	Group annuities	—	30	30	—

Nine months ended December 31, 2016		Total				New business		Net increase by conversion	
		Number of policies		Amount		Amount		Amount	
		(Thousands)	Changes (%, YoY)	(100 millions of yen)	Changes (%, YoY)	(100 millions of yen)	Changes (%, YoY)	(100 millions of yen)	Changes (%, YoY)
	Individual insurance	298	109.1	11,726	92.5	10,938	95.0	788	68.1
	Individual annuities	17	81.2	657	87.8	670	87.7	(13)	—
	Subtotal	315	107.1	12,384	92.3	11,609	94.5	774	67.9
	Group insurance	—	—	752	359.3	752	359.3	—	—
	Group annuities	—	—	16	52.7	16	52.7	—	—

Notes: 1. Number of new policies is the sum of new business and policies after conversion.
2. Amount of new policies for individual annuities, both new business and net increase by conversion, is equal to the funds to be held at the time annuity payments are to commence and special riders for term insurance attached to individual annuities.
3. Amount for group annuities is equal to the initial premium payment.

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

	Nine months ended December 31, 2015	Nine months ended December 31, 2016	
			Changes (%, YoY)
Amount of surrender and lapse (100 millions of yen)	10,089	9,725	96.4
Surrender and lapse ratio (%)	3.80	3.71	(0.09)

Notes: 1. The amount of lapse is not offset by the amount of reinstatement which was once lapsed.
2. The column of "Changes" of surrender and lapse ratio is increase-decrease points over year.

(2) Annualized Premiums

(i) Policies in Force

(100 millions of yen, %)

	As of March 31, 2016	As of December 31, 2016	
			Changes (% , Pre-FYE)
Individual insurance	2,748	2,761	100.5
Individual annuities	1,322	1,324	100.1
Total	4,071	4,085	100.4
Medical coverage and living benefits	1,075	1,089	101.3

(ii) New Policies

(100 millions of yen, %)

	Nine months ended December 31, 2015	Nine months ended December 31, 2016	
			Changes (% , YoY)
Individual insurance	149	149	99.6
Individual annuities	25	21	84.2
Total	175	171	97.4
Medical coverage and living benefits	54	59	110.3

Notes: 1. Annualized premiums are calculated by using coefficients based on the premium payment method. (For single premium contracts, the amount is calculated by dividing the premium by the coverage period.)

2. Figures for medical coverage and living benefits represent portion of annualized premium corresponding to the medical benefits (hospitalization benefits and surgery benefits, etc.), living benefits (nursing care benefits, etc.) and premium waiver benefits, in which disability cause is excluded but causes such as specific illness are included.

3. New policies include net increase by conversion.

(3) Selected Items of Statements of Operations

(100 millions of yen, %)

	Nine months ended December 31, 2015	Nine months ended December 31, 2016	
			Changes (% , YoY)
Premium and other income	4,634	4,441	95.8
Investment income	1,216	1,100	90.5
Claims and other payments	4,618	3,734	80.9
Investment expenses	289	267	92.7
Ordinary profits	621	516	83.1

(4) Total Assets

(100 millions of yen, %)

	As of March 31, 2016	As of December 31, 2016	
			Changes (% , Pre-FYE)
Total assets	64,898	66,415	102.3

2. Investment Results of General Account Assets

(1) Asset Composition

(Millions of yen, %)

	As of March 31, 2016		As of December 31, 2016	
	Amount	% of total	Amount	% of total
Cash, deposits, call loans	312,405	4.9	298,495	4.5
Monetary claims bought	813	0.0	768	0.0
Money held in trust	87,793	1.4	29,583	0.5
Securities	5,017,719	78.3	5,317,448	81.0
Domestic bonds	2,659,186	41.5	2,796,632	42.6
Domestic stocks	570,386	8.9	623,980	9.5
Foreign securities	1,700,012	26.5	1,802,032	27.4
Foreign bonds	1,505,637	23.5	1,575,185	24.0
Foreign stocks and other securities	194,374	3.0	226,847	3.5
Other securities	88,134	1.4	94,802	1.4
Loans	693,680	10.8	637,054	9.7
Policy loans	61,437	1.0	59,563	0.9
Ordinary loans	632,242	9.9	577,490	8.8
Real estate	212,879	3.3	213,244	3.2
Others	87,309	1.4	73,524	1.1
Allowance for possible loan losses	(1,850)	(0.0)	(1,739)	(0.0)
Total	6,410,750	100.0	6,568,379	100.0
Foreign currency denominated assets	1,875,134	29.2	2,105,322	32.1

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

(Millions of yen)

	As of March 31, 2016					As of December 31, 2016				
	Book value	Fair value	Gains/losses			Book value	Fair value	Gains/losses		
			Gains	Losses				Gains	Losses	
Held-to-maturity debt securities	768,786	936,313	167,526	167,526	—	766,309	916,605	150,295	150,295	—
Domestic bonds	740,989	906,313	165,323	165,323	—	740,404	889,503	149,099	149,099	—
Foreign bonds	27,797	30,000	2,202	2,202	—	25,904	27,101	1,196	1,196	—
Monetary claims bought	—	—	—	—	—	—	—	—	—	—
Negotiable certificate of deposits	—	—	—	—	—	—	—	—	—	—
Others	—	—	—	—	—	—	—	—	—	—
Policy-reserve-matching bonds	1,074,535	1,280,612	206,077	206,077	—	1,016,205	1,191,758	175,553	177,515	1,962
Domestic bonds	1,044,436	1,250,268	205,832	205,832	—	1,010,405	1,185,823	175,417	177,379	1,962
Foreign bonds	30,098	30,343	244	244	—	5,799	5,935	135	135	—
Investments in subsidiaries and affiliates	1,433	1,140	(293)	1	294	1,557	1,199	(358)	—	358
Available-for-sale securities	2,419,858	2,889,888	470,029	487,293	17,263	2,801,340	3,277,213	475,872	498,400	22,527
Domestic bonds	735,758	822,513	86,754	87,055	300	920,585	995,021	74,436	79,723	5,286
Domestic stocks	291,475	528,697	237,221	244,234	7,012	301,549	582,374	280,825	283,488	2,662
Foreign securities	1,326,814	1,458,914	132,099	139,958	7,858	1,509,262	1,612,405	103,143	116,554	13,411
Foreign bonds	1,157,841	1,265,973	108,131	111,881	3,750	1,315,219	1,387,115	71,895	82,402	10,506
Foreign stocks and other securities	168,972	192,941	23,968	28,077	4,108	194,042	225,290	31,247	34,152	2,904
Other securities	65,809	79,763	13,953	16,044	2,091	69,943	87,411	17,467	18,634	1,166
Money held in trust	—	—	—	—	—	—	—	—	—	—
Monetary claims bought	—	—	—	—	—	—	—	—	—	—
Negotiable certificate of deposits	—	—	—	—	—	—	—	—	—	—
Others	—	—	—	—	—	—	—	—	—	—
Total	4,264,614	5,107,954	843,340	860,898	17,558	4,585,412	5,386,776	801,363	826,211	24,847
Domestic bonds	2,521,184	2,979,095	457,910	458,211	300	2,671,395	3,070,348	398,952	406,201	7,248
Domestic stocks	291,475	528,697	237,221	244,234	7,012	301,549	582,374	280,825	283,488	2,662
Foreign securities	1,386,144	1,520,398	134,254	142,407	8,153	1,542,524	1,646,641	104,117	117,886	13,769
Foreign bonds	1,215,738	1,326,317	110,578	114,328	3,750	1,346,924	1,420,151	73,227	83,734	10,506
Foreign stocks and other securities	170,406	194,081	23,675	28,078	4,403	195,599	226,489	30,889	34,152	3,262
Other securities	65,809	79,763	13,953	16,044	2,091	69,943	87,411	17,467	18,634	1,166
Money held in trust	—	—	—	—	—	—	—	—	—	—
Monetary claims bought	—	—	—	—	—	—	—	—	—	—
Negotiable certificate of deposits	—	—	—	—	—	—	—	—	—	—
Others	—	—	—	—	—	—	—	—	—	—

Note: The table above includes assets which are considered appropriate to deem as securities under the Financial Instruments and Exchange Law.

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

(Millions of yen)

	As of March 31, 2016	As of December 31, 2016
Held-to-maturity debt securities	—	—
Unlisted foreign bonds	—	—
Others	—	—
Policy-reserve-matching bonds	—	—
Investments in subsidiaries and affiliates	35,560	35,495
Available-for-sale securities	14,499	13,501
Unlisted domestic stocks (except over-the-counter stocks)	6,127	6,109
Unlisted foreign stocks (except over-the-counter stocks)	—	—
Unlisted foreign bonds	—	—
Others	8,371	7,391
Total	50,060	48,997

(3) Fair Value Information on Money Held in Trust

(Millions of yen)

	As of March 31, 2016					As of December 31, 2016				
	Carrying value on the balance sheet	Fair value	Gains/losses			Carrying value on the balance sheet	Fair value	Gains/losses		
				Gains	Losses				Gains	Losses
Money held in trust	87,793	87,793	—	—	—	29,583	29,583	—	—	—

* Money held in trust for trading purpose

(Millions of yen)

	As of March 31, 2016		As of December 31, 2016	
	Carrying value on the balance sheet	Net valuation gains/losses included in the statements of operations	Carrying value on the balance sheet	Net valuation gains/losses included in the statements of operations
Money held in trust for trading purpose	86,793	(0)	28,583	184

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

(Millions of yen)

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

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

(Millions of yen)

As of March 31, 2016			As of December 31, 2016		
Carrying value on the balance sheet	Fair value	Gains / losses	Carrying value on the balance sheet	Fair value	Gains/ losses
125,312	233,848	108,535	125,289	234,066	108,777

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

3. Non-consolidated Balance Sheets

(Millions of yen)

	As of March 31, 2016	As of December 31, 2016
Assets:		
Cash and deposits	114,182	99,654
Call loans	200,000	200,000
Monetary claims bought	813	768
Money held in trust	87,793	29,583
Securities	5,091,762	5,388,371
[Government bonds]	[1,881,618]	[1,910,982]
[Local government bonds]	[142,336]	[140,608]
[Corporate bonds]	[663,209]	[772,388]
[Stocks]	[594,312]	[646,980]
[Foreign securities]	[1,722,110]	[1,822,580]
Loans	693,680	637,054
Policy loans	61,437	59,563
Ordinary loans	632,242	577,490
Tangible fixed assets	218,565	218,497
Intangible fixed assets	16,093	20,468
Reinsurance receivables	144	34
Other assets	68,631	48,859
Allowance for possible loan losses	(1,850)	(1,739)
Total assets	6,489,815	6,641,551
	As of March 31, 2016	As of December 31, 2016
Liabilities:		
Policy reserves	5,555,450	5,596,225
Reserve for outstanding claims	20,719	18,279
Policy reserve	5,484,362	5,515,846
Reserve for dividends to policyholders	50,368	62,098
Reinsurance payables	133	76
Subordinated bonds	141,935	191,935
Other liabilities	43,653	112,886
Corporate income tax payable	891	1,677
Asset retirement obligations	3,351	3,399
Rest of the other liabilities	39,410	107,810
Reserve for employees' retirement benefits	26,083	25,883
Reserve for price fluctuation of securities	68,288	70,669
Deferred tax liabilities	33,050	31,482
Deferred tax liabilities for revaluation reserve for land	14,274	14,268
Total liabilities	5,882,868	6,043,427
Net assets:		
Foundation funds	30,000	10,000
Accumulated foundation funds redeemed	86,000	106,000
Reserve for revaluation	112	112
Surplus	148,284	135,268
Legal reserve for future losses	2,742	2,849
Other surplus	145,542	132,419
Reserve for redemption of foundation funds	18,000	4,000
Reserve for dividend allowances	20,000	20,000
Accumulated fund for price fluctuation	41,000	41,000
Reserve for advanced depreciation of real estate for tax purpose	266	257
Reserve for special account for advanced depreciation of real estate for tax purpose	—	100
Other reserves	767	767
Unappropriated surplus	65,509	66,294
Total foundation funds, surplus and others	264,397	251,380
Net unrealized gains (losses) on available-for-sale securities, net of tax	338,421	342,628
Revaluation reserve for land, net of tax	4,128	4,115
Total valuation and translation adjustments	342,549	346,743
Total net assets	606,947	598,124
Total liabilities and net assets	6,489,815	6,641,551

4. Non-consolidated Statements of Operations

(Millions of yen)

	Nine months ended December 31, 2015	Nine months ended December 31, 2016
Ordinary revenues:		
Premium and other income	463,443	444,117
[Premium income]	[463,239]	[444,015]
Investment income	121,697	110,084
[Interest, dividends and other income]	[97,439]	[95,287]
[Gains on money held in trust, net]	[140]	[—]
[Gains on sales of securities]	[22,906]	[8,353]
[Gains on derivative instruments, net]	[—]	[2,309]
[Gains on separate accounts, net]	[994]	[3,923]
Other ordinary revenues	46,687	7,797
[Reversal of reserve for outstanding claims]	[3,091]	[2,439]
[Reversal of policy reserve]	[37,059]	[—]
Total ordinary revenues	631,828	561,998
Ordinary expenses:		
Claims and other payments	461,805	373,425
[Claims]	[105,062]	[83,368]
[Annuities]	[156,679]	[132,441]
[Benefits]	[85,301]	[79,391]
[Surrenders]	[89,967]	[54,845]
[Other payments]	[24,433]	[23,054]
Provision for policy reserve and others	36	31,501
Provision for policy reserve	—	31,483
Provision for interest on reserve for dividends to policyholders	36	18
Investment expenses	28,901	26,779
[Interest expenses]	[3,350]	[2,972]
[Losses on money held in trust, net]	—	[1,390]
[Losses on trading securities, net]	[2,962]	[3,358]
[Losses on sales of securities]	[3,625]	[2,862]
[Losses on valuation of securities]	[149]	[—]
[Losses on derivative instruments, net]	[6,985]	[—]
Operating expenses	64,037	64,510
Other ordinary expenses	14,933	14,177
Total ordinary expenses	569,714	510,394
Ordinary profits	62,113	51,604
Extraordinary gains:		
Gains on disposal of fixed assets	1,473	2
Gain on contribution of securities to retirement benefit trust	7,913	—
Other extraordinary gains	—	42
Total extraordinary gains	9,386	45
Extraordinary losses:		
Losses on disposal of fixed assets	173	82
Impairment losses	231	51
Provision for reserve for price fluctuation of securities	2,160	2,381
Total extraordinary losses	2,565	2,514
Surplus before income taxes	68,934	49,134
Income taxes:		
Current	10,344	9,820
Deferred	1,779	(3,209)
Total income taxes	12,123	6,611
Net surplus for the period	56,811	42,522

Notes to the Non-consolidated Financial Statements

I. Presentation of the Non-consolidated Financial Statements

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

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

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

II. Notes to Balance Sheets

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

As a result, both ordinary profits and the surplus before income taxes increased by ¥42 million.

2. The amount of securities lent under lending agreements was ¥14,575 million as of December 31, 2016.
3. Changes in reserve for dividends to policyholders for the nine months ended December 31, 2016 were as follows:

(Millions of yen)	
Balance at the beginning of the current period.....	¥ 50,368
Transfer from surplus in the previous period.....	35,236
Dividends paid in the current period.....	(23,524)
Increase in interest.....	18
Balance at the end of the current period.....	<u>¥ 62,098</u>

4. In line with the redemption of ¥20,000 million in foundation funds, the same amount of reserve for redemption of foundation funds is transferred to accumulated foundation funds redeemed in accordance with Article 56 of the Insurance Business Law.
5. The “Implementation Guidance on Recoverability of Deferred Tax Assets” (ASBJ Guidance No. 26, March 28, 2016) has been applied from the first quarter under review.

5. Breakdown of Ordinary Profits (Fundamental Profit)

(Millions of yen)

	Nine months ended December 31, 2015	Nine months ended December 31, 2016
Fundamental profit A	63,877	61,959
Capital gains	22,906	10,663
Gains on money held in trust, net	—	—
Gains on trading securities, net	—	—
Gains on sales of securities	22,906	8,353
Gains on derivative instruments, net	—	2,309
Foreign exchange gains, net	—	—
Other capital gains	—	—
Capital losses	25,137	21,140
Losses on money held in trust, net	43	1,486
Losses on trading securities, net	10,160	8,320
Losses on sales of securities	3,625	2,862
Losses on valuation of securities	149	—
Losses on derivative instruments, net	6,985	—
Foreign exchange losses, net	4,172	8,470
Other capital losses	—	—
Net capital gains (losses) B	(2,231)	(10,477)
Fundamental profit plus net capital gains (losses) A+B	61,646	51,481
Non-recurring gains	522	122
Reinsurance income	—	—
Reversal of contingency reserve	522	91
Reversal for specific allowance for possible loan losses	—	31
Others	—	—
Non-recurring losses	56	—
Reinsurance premiums	—	—
Provision for contingency reserve	—	—
Provision for specific allowance for possible loan losses	56	—
Allowance for specified overseas loans	—	—
Write-off of loans	—	—
Others	—	—
Non-recurring gains (losses) C	466	122
Ordinary profits A+B+C	62,113	51,604

- Notes: 1. The following amounts in respect of gains / losses from money held in trust have been excluded from capital gains / losses and included in fundamental profit due to their income nature (being interest and dividend income): ¥184 million in respect of the nine months ended December 31, 2015 and ¥95 million in respect of the nine months ended December 31, 2016.
2. The following amounts in respect of gains / losses from trading securities have been excluded from capital gains / losses and included in fundamental profit due to their income nature (being interest and dividend income): ¥7,198 million in respect of the nine months ended December 31, 2015 and ¥4,962 million in respect of the nine months ended December 31, 2016.

6. Solvency Margin Ratio

(Millions of yen)

	As of March 31, 2016	As of December 31, 2016
Total solvency margin (A)	1,374,588	1,438,552
Foundation funds and surplus	226,683	222,551
Reserve for price fluctuation of securities	68,288	70,669
Contingency reserve	150,573	150,481
Allowance for possible loan losses	1,251	1,149
(Net unrealized gains (losses) on securities (before tax) and deferred hedge gains (losses) (before tax)) × 90%	423,026	428,285
Net unrealized gains on real estate × 85%	105,577	107,487
Excess amount of policy reserve based on full-time Zillmer method	236,087	238,060
Qualifying subordinated debt	141,935	191,935
The amount of "excess amount of policy reserve based on full-time Zillmer method" and "qualifying subordinated debt" excluded from the calculation of solvency margin	—	—
Deductible items	(19,000)	(19,000)
Others	40,165	46,932
Total amount of risk $\sqrt{(R_1 + R_6)^2 + (R_2 + R_3 + R_7)^2} + R_4$ (B)	207,983	230,388
Insurance risk R_1	24,616	24,160
3rd sector insurance risk R_6	9,577	9,731
Assumed investment yield risk R_2	33,481	32,965
Minimum guarantee risk R_7	0	0
Investment risk R_3	166,913	189,726
Business risk R_4	4,691	5,131
Solvency margin ratio $\frac{(A)}{(1/2) \times (B)} \times 100$	1,321.8%	1,248.8%

Notes: 1. The figures above are calculated based on Articles 86 and 87 of the Enforcement Regulation of the Insurance Business Law and Ministry of Finance No. 50, 1996.

2. "Deductible items" represent the capital increase to the subsidiary, Fukokushinrai Life Insurance Co., Ltd.

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

7. Status of Separate Account

(1) Separate Account Assets by Products

(Millions of yen)

	As of March 31, 2016	As of December 31, 2016
	Amount	Amount
Individual variable insurance	—	—
Individual variable annuities	67	41
Group annuities	78,997	73,130
Total	79,065	73,172

(2) Policies in Force

(i) Individual Variable Insurance

The Company has not sold the individual variable insurance.

(ii) Individual Variable Annuities

(Millions of yen except number of policies)

	As of March 31, 2016		As of December 31, 2016	
	Number of policies	Amount	Number of policies	Amount
Individual variable annuities	23	64	14	35
Total	23	64	14	35

8. Status of the Company, Subsidiaries and Affiliates

(1) Selected Financial Data

(100 millions of yen)

	Nine months ended December 31, 2015	Nine months ended December 31, 2016
Ordinary revenues	7,354	6,495
Ordinary profits	648	541
Net surplus attributable to the parent company	578	433
Comprehensive income	118	463

	As of March 31, 2016	As of December 31, 2016
Total assets	83,306	85,116
Solvency margin ratio	1,341.5%	1,267.5%

(2) Scope of Consolidation and Application of Equity Method

Number of consolidated subsidiaries: 6*

Number of unconsolidated subsidiaries accounted for under the equity method: 0

Number of affiliates accounted for under the equity method: 0

* Added Fukoku Life Investments Singapore Pte. Ltd.

(3) Consolidated Balance Sheets

(Millions of yen)

	As of March 31, 2016	As of December 31, 2016
Assets:		
Cash and deposits	172,049	158,015
Call loans	200,000	200,000
Monetary claims bought	813	768
Money held in trust	87,793	29,583
Securities	6,859,234	7,184,637
Loans	697,056	640,438
Tangible fixed assets	218,974	218,873
Intangible fixed assets	20,941	24,844
Agency receivables	2	1
Reinsurance receivables	144	34
Other assets	75,308	56,079
Net defined benefit asset	—	28
Deferred tax assets	137	104
Allowance for possible loan losses	(1,851)	(1,739)
Total assets	8,330,606	8,511,670
Liabilities:		
Policy reserves	7,361,627	7,435,697
Reserve for outstanding claims	23,003	20,576
Policy reserve	7,287,604	7,352,467
Reserve for dividends to policyholders	50,368	62,098
Reserve for dividends to policyholders (subsidiary)	650	554
Agency payables	480	103
Reinsurance payables	146	90
Subordinated bonds	141,935	191,935
Other liabilities	45,940	113,717
Net defined benefit liabilities	40,649	38,734
Reserve for price fluctuation of securities	77,289	79,943
Deferred tax liabilities	30,837	28,986
Deferred tax liabilities for revaluation reserve for land	14,274	14,268
Total liabilities	7,713,180	7,903,478
Net assets:		
Foundation funds	30,000	10,000
Accumulated foundation funds redeemed	86,000	106,000
Reserve for revaluation	112	112
Consolidated surplus	151,251	139,124
Total foundation funds, surplus and others	267,363	255,237
Net unrealized gains (losses) on available-for-sale securities, net of tax	349,884	352,263
Revaluation reserve for land, net of tax	4,128	4,115
Foreign currency translation adjustments	(115)	(665)
Accumulated remeasurements of defined benefit plans	(10,414)	(9,210)
Total accumulated other comprehensive income	343,482	346,503
Non-controlling interests	6,578	6,451
Total net assets	617,425	608,192
Total liabilities and net assets	8,330,606	8,511,670

(4) Consolidated Statements of Operations and Comprehensive Income

[Consolidated Statements of Operations]

(Millions of yen)

	Nine months ended December 31, 2015	Nine months ended December 31, 2016
Ordinary revenues:		
Premium and other income	584,416	512,255
Investment income	140,403	128,883
[Interest, dividends and other income]	[115,265]	[113,410]
[Gains on money held in trust, net]	[140]	[—]
[Gains on sales of securities]	[23,795]	[9,037]
[Gains on derivative instruments, net]	[—]	[2,309]
[Gains on separate accounts, net]	[994]	[3,923]
Other ordinary revenues	10,597	8,448
[Reversal of reserve for outstanding claims]	[3,277]	[2,426]
Total ordinary revenues	735,418	649,588
Ordinary expenses:		
Claims and other payments	509,790	416,825
[Claims]	[108,546]	[87,164]
[Annuities]	[157,546]	[133,448]
[Benefits]	[93,195]	[87,971]
[Surrenders]	[125,530]	[84,649]
[Other payments]	[24,493]	[23,144]
Provision for policy reserve and others	43,564	64,881
Provision for policy reserve	43,527	64,863
Provision for interest on reserve for dividends to policyholders	36	18
Provision for interest on reserve for dividends to policyholders (subsidiary)	0	0
Investment expenses	27,982	25,891
[Interest expenses]	[3,357]	[2,976]
[Losses on money held in trust, net]	[—]	[1,390]
[Losses on trading securities, net]	[2,962]	[3,358]
[Losses on sales of securities]	[3,625]	[2,862]
[Losses on valuation of securities]	[149]	[—]
[Losses on derivative instruments, net]	[6,985]	[—]
Operating expenses	72,360	72,065
Other ordinary expenses	16,861	15,794
Total ordinary expenses	670,559	595,458
Ordinary profits	64,858	54,129
Extraordinary gains:		
Gains on disposal of fixed assets	1,473	2
Gain on contribution of securities to retirement benefit trust	7,913	—
Others extraordinary gains	—	42
Total extraordinary gains	9,386	45
Extraordinary losses:		
Losses on disposal of fixed assets	177	84
Impairment losses	231	51
Provision for reserve for price fluctuation of securities	2,422	2,653
Total extraordinary losses	2,831	2,789
Provision for reserve for dividends to policyholders (subsidiary)	338	315
Surplus before income taxes	71,075	51,069
Income taxes:		
Current	11,229	10,587
Deferred	1,787	(3,113)
Total income taxes	13,016	7,473
Net surplus	58,059	43,595
Net surplus attributable to non-controlling interests	213	214
Net surplus attributable to the parent company	57,846	43,381

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

[Consolidated Statement of Comprehensive Income]

(Millions of yen)

	Nine months ended December 31, 2015	Nine months ended December 31, 2016
Net surplus	58,059	43,595
Other comprehensive income	(46,241)	2,778
Net unrealized gains (losses) on available-for-sale securities, net of tax	(46,647)	2,124
Deferred valuation gains (losses) under hedge accounting, net of tax	(0)	—
Revaluation reserve for land, net of tax	0	—
Foreign currency translation adjustments	(44)	(550)
Remeasurements of defined benefit plan, net of tax	451	1,204
Comprehensive income	11,817	46,374
Comprehensive income attributable to the parent company	11,464	46,415
Comprehensive income attributable to non-controlling interests	353	(41)

Notes to the Consolidated Financial Statements

I. Presentation of the Consolidated Financial Statements

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

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

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

II. Notes to Balance Sheets

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

As a result, both ordinary profits and the surplus before income taxes increased by ¥42 million.

2. The amount of securities lent under lending agreements was ¥14,575 million as of December 31, 2016.
3. Changes in reserve for dividends to policyholders for the nine months ended December 31, 2016 were as follows:

(Millions of yen)	
Balance at the beginning of the current period.....	¥ 50,368
Transfer from surplus in the previous period.....	35,236
Dividends paid in the current period.....	(23,524)
Increase in interest.....	18
Balance at the end of the current period.....	<u>¥ 62,098</u>

4. Changes in reserve for dividends to policyholders (Fukokushinrai Life Insurance Co., Ltd.) for the nine months ended December 31, 2016 were as follows:

(Millions of yen)	
Balance at the beginning of the current period.....	¥ 650
Dividends paid in the current period.....	(411)
Increase in interest.....	0
Provision for reserve for dividends to policyholders.....	315
Balance at the end of the current period.....	<u>¥ 554</u>

5. In line with the redemption of ¥20,000 million in foundation funds, the same amount of reserve for redemption of foundation funds is transferred to accumulated foundation funds redeemed in accordance with Article 56 of the Insurance Business Law.
6. The "Implementation Guidance on Recoverability of Deferred Tax Assets" (ASBJ Guidance No. 26, March 28, 2016) has been applied from the first quarter under review.

III. Notes to Statements of Operations

1. For the nine months ended December 31, 2016, the total amount of depreciation and depreciation of real estate for rent and other assets was ¥8,795 million and the amount of amortization of goodwill was ¥572 million.

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

(Millions of yen)

	As of March 31, 2016	As of December 31, 2016
Total solvency margin (A)	1,417,685	1,483,386
Foundation funds and surplus	234,905	232,024
Reserve for price fluctuation of securities	77,289	79,943
Contingency reserve	152,554	152,549
Catastrophe loss reserve	—	—
Allowance for possible loan losses	1,251	1,149
(Net unrealized gains (losses) on securities (before tax) and deferred hedge gains (losses) (before tax)) × 90%	437,678	440,667
Net unrealized gains on real estate × 85%	105,577	107,487
Sum of unrecognized actuarial differences and unrecognized prior service cost	(14,465)	(12,792)
Excess amount of policy reserve based on full-time Zillmer method	238,473	240,584
Qualifying subordinated debt	141,935	191,935
The amount of "excess amount of policy reserve based on full-time Zillmer method" and "qualifying subordinated debt" excluded from the calculation of solvency margin	—	—
Deductible items	—	—
Others	42,485	49,838
Total amount of risk $\sqrt{(\sqrt{(R_1^2 + R_3^2 + R_8 + R_9)^2 + (R_2 + R_3 + R_7)^2} + R_4 + R_6)}$ (B)	211,354	234,062
Insurance risk R_1	25,164	24,711
General insurance risk R_5	—	—
Catastrophe risk R_6	—	—
3rd sector insurance risk R_8	9,690	9,841
Small amount and short-term insurance risk R_9	—	—
Assumed investment yield risk R_2	33,872	33,356
Minimum guarantee risk R_7	0	0
Investment risk R_3	169,750	192,866
Business risk R_4	4,769	5,215
Solvency margin ratio $\frac{(A)}{(1/2) \times (B)} \times 100$	1,341.5%	1,267.5%

Notes: 1. Above figures are calculated based on Articles 86-2 and 88 of the Enforcement Regulation of the Insurance Business Law and Notification of the Financial Services Agency No.23,2011.
2. "Minimum guarantee risk" is calculated by standard method.