

Financial Results for the Fiscal Year Ended March 31, 2017

Fukoku Mutual Life Insurance Company (President: Yoshiteru Yoneyama) announces financial results for the fiscal year ended March 31, 2017.

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Attached: Supplementary Materials for the Fiscal Year Ended March 31, 2017

Financial Summary for the Fiscal Year Ended March 31, 2017

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 March 31, 2017			
		Number of policies		Amount		Number of policies		Amount	
		(Thousands)	Changes (%, Pre-FYE)	(100 millions of yen)	Changes (%, Pre-FYE)	(Thousands)	Changes (%, Pre-FYE)	(100 millions of yen)	Changes (%, Pre-FYE)
	Individual insurance	3,109	101.4	234,174	98.9	3,171	102.0	231,606	98.9
	Individual annuities	715	96.8	27,833	96.9	719	100.5	27,903	100.3
	Subtotal	3,825	100.5	262,008	98.7	3,890	101.7	259,509	99.0
	Group insurance	—	—	169,723	101.8	—	—	171,515	101.1
	Group annuities	—	—	21,189	99.8	—	—	21,567	101.8

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

Year ended March 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	358	101.0	16,316	104.3	14,915	102.8	1,400	123.2
	Individual annuities	28	128.1	1,009	139.2	1,029	138.2	(20)	—
	Subtotal	386	102.6	17,325	105.8	15,945	104.5	1,379	123.6
	Group insurance	—	—	452	340.7	452	340.7	—	—
	Group annuities	—	—	30	13,528.6	30	13,528.6	—	—

Year ended March 31, 2017		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	405	113.0	15,601	95.6	14,669	98.4	932	66.6
	Individual annuities	40	145.5	1,582	156.8	1,599	155.3	(16)	—
	Subtotal	446	115.3	17,184	99.2	16,268	102.0	915	66.3
	Group insurance	—	—	774	171.2	774	171.2	—	—
	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)

	Year ended March 31, 2016		Year ended March 31, 2017	
		Changes (%, YoY)		Changes (%, YoY)
Amount of surrender and lapse (100 millions of yen)	13,417	93.2	13,135	97.9
Surrender and lapse ratio (%)	5.05	(0.25)	5.01	(0.04)

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 March 31, 2017	
		Changes (%, Pre-FYE)		Changes (%, Pre-FYE)
Individual insurance	2,748	100.4	2,779	101.2
Individual annuities	1,322	99.7	1,343	101.6
Total	4,071	100.2	4,123	101.3
Medical coverage and living benefits	1,075	100.8	1,091	101.5

(ii) New Policies

(100 millions of yen, %)

	Year ended March 31, 2016		Year ended March 31, 2017	
		Changes (%, YoY)		Changes (%, YoY)
Individual insurance	200	104.2	212	106.1
Individual annuities	34	107.2	50	148.5
Total	234	104.6	263	112.3
Medical coverage and living benefits	70	100.0	78	111.4

- 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, %)

	Year ended March 31, 2016		Year ended March 31, 2017	
		Changes (%, YoY)		Changes (%, YoY)
Premium and other income	6,180	96.1	5,744	92.9
Investment income	1,866	87.3	1,601	85.8
Claims and other payments	5,905	120.4	4,891	82.8
Investment expenses	478	134.1	445	93.1
Ordinary profits	603	62.3	541	89.7

(4) Statements of Surplus

(100 millions of yen, %)

	Year ended March 31, 2016		Year ended March 31, 2017	
		Changes (%, YoY)		Changes (%, YoY)
Unappropriated surplus	655	70.4	605	92.4
Reserve for dividends to policyholders	352	96.0	345	98.2
Net surplus	65	20.0	22	33.8
Unappropriated surplus carried forward	237	100.0	237	100.0

Note: Unappropriated surplus for the years ended March 31, 2016 and 2017 included reversal of voluntary surplus reserve of ¥11 million and ¥102 million, respectively.

(5) Total Assets

(100 millions of yen, %)

	As of March 31, 2016		As of March 31, 2017	
		Changes (%, Pre-FYE)		Changes (%, Pre-FYE)
Total assets	64,898	98.2	65,656	101.2

2. Investment Results of General Account Assets

(1) Asset Composition

(Millions of yen)

	As of March 31, 2016		As of March 31, 2017	
	Amount	% of total	Amount	% of total
Cash, deposits, call loans	312,405	4.9 %	236,274	3.6 %
Monetary claims bought	813	0.0	753	0.0
Money held in trust	87,793	1.4	29,787	0.5
Securities	5,017,719	78.3	5,297,476	81.6
Domestic bonds	2,659,186	41.5	2,843,537	43.8
Domestic stocks	570,386	8.9	656,590	10.1
Foreign securities	1,700,012	26.5	1,702,602	26.2
Foreign bonds	1,505,637	23.5	1,445,002	22.3
Foreign stocks and other securities	194,374	3.0	257,599	4.0
Other securities	88,134	1.4	94,745	1.5
Loans	693,680	10.8	627,722	9.7
Policy loans	61,437	1.0	59,238	0.9
Ordinary loans	632,242	9.9	568,483	8.8
Real estate	212,879	3.3	214,427	3.3
Others	87,309	1.4	85,302	1.3
Allowance for possible loan losses	(1,850)	(0.0)	(1,776)	(0.0)
Total	6,410,750	100.0	6,489,968	100.0
Foreign currency denominated assets	1,875,134	29.2	1,966,868	30.3

(2) Changes (Increase/Decrease) in Assets

(Millions of yen)

	Year ended March 31, 2016	Year ended March 31, 2017
Cash, deposits, call loans	29,435	(76,130)
Monetary claims bought	(57)	(60)
Money held in trust	53,473	(58,005)
Securities	(145,891)	279,757
Domestic bonds	(196,964)	184,350
Domestic stocks	(70,680)	86,204
Foreign securities	116,233	2,590
Foreign bonds	218,334	(60,634)
Foreign stocks and other securities	(102,100)	63,224
Other securities	5,520	6,611
Loans	(70,219)	(65,958)
Policy loans	(1,873)	(2,199)
Ordinary loans	(68,345)	(63,759)
Real estate	(10,914)	1,547
Others	24,559	(2,006)
Allowance for possible loan losses	97	74
Total	(119,516)	79,217
Foreign currency denominated assets	302,432	91,734

(3) Investment Income

(Millions of yen)

	Year ended March 31, 2016	Year ended March 31, 2017
Interest, dividends and other income	137,324	134,451
Interest from deposits	27	21
Interest and dividends from securities	110,276	109,253
Interest from loans	13,343	11,314
Income from real estate for rent	13,444	13,736
Other interest and dividends	231	125
Gains on money held in trust, net	11,332	—
Gains on sales of securities	37,548	14,473
Gains on sales of domestic bonds	30,067	11,175
Gains on sales of domestic stocks	2,934	2,741
Gains on sales of foreign securities	4,546	556
Gain on derivative instruments, net	—	7,018
Reversal of allowance for possible loan losses	77	90
Other investment income	360	122
Total	186,642	156,155

(4) Investment Expenses

(Millions of yen)

	Year ended March 31, 2016	Year ended March 31, 2017
Interest expenses	4,314	4,057
Losses on money held in trust, net	—	1,144
Losses on trading securities, net	12,422	7,042
Losses on sales of securities	5,820	5,493
Losses on sales of domestic bonds	—	441
Losses on sales of domestic stocks	2,701	1,312
Losses on sales of foreign securities	3,119	3,739
Losses on valuation of securities	—	24
Losses on valuation of foreign securities	—	24
Losses on derivative instruments, net	3,549	—
Foreign exchange losses, net	8,600	15,624
Depreciation of real estate for rent and other assets	4,482	4,319
Other investment expenses	6,340	6,875
Total	45,532	44,581

(5) Net Investment Income

(Millions of yen)

	Year ended March 31, 2016	Year ended March 31, 2017
Net investment income	141,110	111,573

(6) Other Information on Investments

(i) Investment Yield by Asset Categories

(%)

	Year ended March 31, 2016	Year ended March 31, 2017
Cash, deposits, call loans	0.06	0.00
Monetary claims bought	1.45	1.40
Money held in trust	32.88	3.11
Securities	2.57	2.08
Domestic bonds	2.09	2.09
Domestic stocks	3.53	3.30
Foreign securities	3.17	1.58
Foreign bonds	2.36	1.20
Foreign stocks and other securities	7.94	4.46
Loans	1.83	1.75
Ordinary loans	1.60	1.50
Real estate	2.41	2.33
Total	2.40	1.82
Overseas investments	2.88	1.62

Notes: 1. Investment yield above are calculated by dividing the net investment income by the average daily balance on a book value basis.
2. Overseas investments represent the total of foreign currency denominated assets and yen denominated assets.

(ii) Average Daily Balance

(Millions of yen)

	Year ended March 31, 2016	Year ended March 31, 2017
Cash, deposits, call loans	185,218	333,361
Monetary claims bought	841	783
Money held in trust	34,465	36,685
Securities	4,540,109	4,719,222
Domestic bonds	2,641,549	2,650,655
Domestic stocks	329,310	341,965
Foreign securities	1,497,783	1,643,790
Foreign bonds	1,281,227	1,452,058
Foreign stocks and other securities	216,556	191,732
Loans	734,390	655,723
Ordinary loans	672,149	595,334
Real estate	216,949	216,026
Total	5,883,829	6,141,816
Overseas investments	1,699,826	1,966,259

(iii) Net Valuation Gains/Losses on Trading Securities

(Millions of yen)

	As of March 31, 2016		As of March 31, 2017	
	Carrying value on the balance sheet	Net valuation gains/losses included in the statement of operations	Carrying value on the balance sheet	Net valuation gains/losses included in the statement of operations
Trading securities	319,809	(36,617)	208,034	(17,796)

Note: The table above includes money held in trust for trading purpose.

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

(Millions of yen)

	As of March 31, 2016					As of March 31, 2017				
	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	—	764,914	908,680	143,766	143,766	—
Domestic bonds	740,989	906,313	165,323	165,323	—	739,830	882,479	142,649	142,649	—
Foreign bonds	27,797	30,000	2,202	2,202	—	25,084	26,201	1,116	1,116	—
Monetary claims bought	—	—	—	—	—	—	—	—	—	—
Negotiable certificate of deposits	—	—	—	—	—	—	—	—	—	—
Others	—	—	—	—	—	—	—	—	—	—
Policy-reserve-matching bonds	1,074,535	1,280,612	206,077	206,077	—	1,008,212	1,166,744	158,531	161,427	2,895
Domestic bonds	1,044,436	1,250,268	205,832	205,832	—	1,002,413	1,160,832	158,418	161,313	2,895
Foreign bonds	30,098	30,343	244	244	—	5,799	5,912	113	113	—
Investments in subsidiaries and affiliates	—	—	—	—	—	—	—	—	—	—
Available-for-sale securities	2,412,509	2,880,337	467,828	484,876	17,048	2,796,789	3,256,735	459,945	484,808	24,862
Domestic bonds	735,758	822,513	86,754	87,055	300	997,892	1,067,639	69,746	74,152	4,405
Domestic stocks	291,475	528,697	237,221	244,234	7,012	302,413	587,201	284,787	289,023	4,235
Foreign securities	1,320,427	1,450,900	130,472	138,130	7,658	1,426,510	1,516,052	89,542	104,688	15,146
Foreign bonds	1,157,841	1,265,973	108,131	111,881	3,750	1,207,319	1,268,525	61,205	73,765	12,559
Foreign stocks and other securities	162,586	184,927	22,341	26,249	3,908	219,190	247,527	28,336	30,922	2,586
Other securities	64,846	78,226	13,379	15,456	2,076	69,973	85,842	15,868	16,944	1,075
Money held in trust	—	—	—	—	—	—	—	—	—	—
Monetary claims bought	—	—	—	—	—	—	—	—	—	—
Negotiable certificate of deposits	—	—	—	—	—	—	—	—	—	—
Others	—	—	—	—	—	—	—	—	—	—
Total	4,255,831	5,097,263	841,432	858,480	17,048	4,569,917	5,332,161	762,243	790,001	27,757
Domestic bonds	2,521,184	2,979,095	457,910	458,211	300	2,740,136	3,110,951	370,814	378,115	7,300
Domestic stocks	291,475	528,697	237,221	244,234	7,012	302,413	587,201	284,787	289,023	4,235
Foreign securities	1,378,324	1,511,244	132,919	140,578	7,658	1,457,394	1,548,166	90,772	105,918	15,146
Foreign bonds	1,215,738	1,326,317	110,578	114,328	3,750	1,238,203	1,300,639	62,436	74,995	12,559
Foreign stocks and other securities	162,586	184,927	22,341	26,249	3,908	219,190	247,527	28,336	30,922	2,586
Other securities	64,846	78,226	13,379	15,456	2,076	69,973	85,842	15,868	16,944	1,075
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 March 31, 2017
Held-to-maturity debt securities	—	—
Unlisted foreign bonds	—	—
Others	—	—
Policy-reserve-matching bonds	—	—
Investments in subsidiaries and affiliates	36,994	64,837
Available-for-sale securities	21,848	22,044
Unlisted domestic stocks (except over-the-counter stocks)	6,127	6,109
Unlisted foreign stocks (except over-the-counter stocks)	—	—
Unlisted foreign bonds	—	—
Others	15,720	15,934
Total	58,843	86,881

Note: In this table, domestic and overseas investment partnerships are included in "Others" within "Available-for-sale securities." However, unrealized gains on available-for-sale securities corresponding to these holdings by domestic and overseas investment partnerships (¥2,201 million as of March 31, 2016 and ¥1,484 million as of March 31, 2017) are included in their balance sheet carrying amounts.

(v) Fair Value Information on Money Held in Trust

(Millions of yen)

	As of March 31, 2016					As of March 31, 2017				
	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	—	—	—	29,787	29,787	—	—	—

• Money held in trust for trading purpose

(Millions of yen)

	As of March 31, 2016		As of March 31, 2017	
	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)	28,787	0

• 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 March 31, 2017				
	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 Information on Derivative Instruments (General Account)

(i) Gains and Losses on Derivatives

(Millions of yen)

As of March 31, 2016	Interest-related	Currency-related	Stock-related	Bond-related	Others	Total
Hedge accounting applied	—	18,558	265	—	—	18,823
Hedge accounting not applied	(972)	(797)	—	(212)	—	(1,982)
Total	(972)	17,760	265	(212)	—	16,841
As of March 31, 2017	Interest-related	Currency-related	Stock-related	Bond-related	Others	Total
Hedge accounting applied	—	13,542	(440)	—	—	13,102
Hedge accounting not applied	(500)	1,116	—	(80)	—	535
Total	(500)	14,659	(440)	(80)	—	13,638

Note: Gains and losses from applying fair value hedge accounting (currency-related, gains of ¥18,558 million, stock-related gains of ¥265 million as of March 31, 2016, and currency-related gains of ¥13,542 million, stock-related losses of ¥(440) million as of March 31, 2017) included in gains and losses with hedge accounting applied, and gains and losses with hedge accounting not applied are reported in the statements of operations.

(ii) Interest-related Transactions

(Millions of yen)

	As of March 31, 2016				As of March 31, 2017			
	Notional amount/ contract value		Fair value	Gains (losses)	Notional amount/ contract value		Fair value	Gains (losses)
		Over 1 year				Over 1 year		
Over-the-counter transactions								
Yen interest rate swaption contracts								
Sold								
Receipt fixed, payment floating	[—]	—	—	—	[—]	—	—	—
Payment fixed, receipt floating	[—]	—	—	—	[—]	—	—	—
Bought								
Receipt fixed, payment floating	[—]	—	—	—	[—]	—	—	—
Payment fixed, receipt floating	300,000 [1,164]	100,000	191	(972)	320,000 [692]	160,000	192	(500)
Total				(972)				(500)

Notes: Figures in [] are option premiums which are included in the balance sheet.

(iii) Currency-related Transactions

(Millions of yen)

	As of March 31, 2016				As of March 31, 2017			
	Notional amount/ contract value		Fair value	Gains (losses)	Notional amount/ contract value		Fair value	Gains (losses)
		Over 1 year				Over 1 year		
Over-the-counter transactions								
Currency forward contracts								
Sold								
U.S. dollar	1,375,442	—	1,357,681	17,760	1,182,216	—	1,167,557	14,659
British Pound	1,128,269	—	1,109,234	19,035	949,252	—	936,300	12,951
Canadian dollar	81,926	—	80,870	1,055	77,101	—	77,008	92
Euro	41,782	—	42,490	(707)	72,311	—	71,359	951
Australian dollar	76,339	—	76,871	(531)	48,704	—	48,167	537
	47,124	—	48,215	(1,091)	34,847	—	34,721	125
Bought	—	—	—	—	—	—	—	—
Total				17,760				14,659

Notes: 1. Forward exchange rates are used for exchange rates as of March 31, 2017.

2. Regarding assets and liabilities which are denominated in foreign currencies but have fixed settlement in yen under currency forward contracts and are reported in yen amounts in the balance sheet, those currency forward contracts are excluded from the table above.

(iv) Stock-related Transactions

(Millions of yen)

	As of March 31, 2016				As of March 31, 2017			
	Notional amount/ contract value	Over 1 year	Fair value	Gains (losses)	Notional amount/ contract value	Over 1 year	Fair value	Gains (losses)
Over-the-counter transactions								
Yen stock forward contract								
Sold	823	823	557	265	517	517	958	(440)
Bought	—	—	—	—	—	—	—	—
Total				265				(440)

(v) Bond-related Transactions

(Millions of yen)

	As of March 31, 2016				As of March 31, 2017			
	Notional amount/ contract value	Over 1 year	Fair value	Gains (losses)	Notional amount/ contract value	Over 1 year	Fair value	Gains (losses)
Exchange-traded transactions								
Yen bond futures								
Sold	151,069	—	151,300	(231)	—	—	—	—
Bought	—	—	—	—	—	—	—	—
Foreign bond futures								
Sold	38,343	—	38,324	18	36,815	—	36,896	(80)
Bought	—	—	—	—	—	—	—	—
Total				(212)				(80)

Reference: Fair Value of Real Estate (Land and Leaseholds)

(millions of yen)

As of March 31, 2016			As of March 31, 2017		
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	125,278	241,184	115,905

Notes: 1. As of March 31, 2017, fair value is based on the appraisal value by the real-estate appraiser, the appraisal value for property tax as of January 1, 2017 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 March 31, 2017		As of March 31, 2016	As of March 31, 2017
Assets:			Liabilities:		
Cash and deposits	114,182	44,681	Policy reserves	5,555,450	5,604,007
Cash	182	162	Reserve for outstanding claims	20,719	19,533
Bank deposits	113,999	44,518	Policy reserve	5,484,362	5,533,544
Call loans	200,000	193,000	Reserve for dividends to policyholders	50,368	50,929
Monetary claims bought	813	753	Reinsurance payables	133	62
Money held in trust	87,793	29,787	Subordinated bonds	141,935	191,935
Securities	5,091,762	5,369,678	Other liabilities	43,653	44,797
Government bonds	1,881,618	2,015,161	Corporate income tax payable	891	4,733
Local government bonds	142,336	123,972	Accounts payable	3,869	3,501
Corporate bonds	663,209	733,459	Accrued expenses	10,281	10,520
Stocks	594,312	679,556	Unearned income	362	364
Foreign securities	1,722,110	1,722,752	Deposits received	5,625	5,579
Other securities	88,175	94,774	Guarantee deposits received	12,929	13,505
Loans	693,680	627,722	Differential account for future trading	99	—
Policy loans	61,437	59,238	Derivatives	5,037	2,186
Ordinary loans	632,242	568,483	Asset retirement obligations	3,351	3,250
Tangible fixed assets	218,565	219,515	Suspense receipts	1,204	1,154
Land	125,310	125,276	Reserve for employees' retirement benefits	26,083	25,789
Buildings	85,978	88,010	Reserve for price fluctuation	68,288	82,464
Lease assets	2,324	2,013	Deferred tax liabilities	33,050	19,132
Construction in progress	1,590	1,140	Deferred tax liabilities for land revaluation	14,274	14,265
Other tangible fixed assets	3,360	3,074	Total liabilities	5,882,868	5,982,454
Intangible fixed assets	16,093	22,052	Net assets:		
Software	10,526	10,836	Foundation funds	30,000	10,000
Other intangible fixed assets	5,567	11,216	Accumulated foundation funds redeemed	86,000	106,000
Reinsurance receivables	144	200	Reserve for revaluation	112	112
Other assets	68,631	60,032	Surplus	148,284	129,427
Accounts receivable	8,585	5,883	Legal reserve for future losses	2,742	2,849
Prepaid expenses	1,053	1,291	Other surplus	145,542	126,578
Accrued income	27,731	27,680	Reserve for redemption of foundation funds	18,000	4,000
Deposits	2,239	2,241	Reserve for dividend allowances	20,000	20,000
Differential account for futures trading	761	25	Accumulated fund for price fluctuation	41,000	41,000
Derivatives	21,877	15,824	Reserve for advanced depreciation of real estate for tax purpose	266	257
Suspense payments	2,192	2,487	Reserve for special account for advanced depreciation of real estate for tax purpose	—	100
Lease investment assets	767	734	Other reserves	767	767
Rest of the other asset	3,421	3,864	Unappropriated surplus	65,509	60,453
Allowance for possible loan losses	(1,850)	(1,776)	Total foundation funds, surplus and others	264,397	245,539
			Net unrealized gains (losses) on available-for-sale securities, net of tax	338,421	333,545
			Revaluation reserve for land, net of tax	4,128	4,107
			Total valuation and translation adjustments	342,549	337,652
			Total net assets	606,947	583,192
Total assets	6,489,815	6,565,647	Total liabilities and net assets	6,489,815	6,565,647

4. Non-consolidated Statements of Operations

(Millions of yen)

	Year ended March 31, 2016	Year ended March 31, 2017
Ordinary revenues:		
Premium and other income	618,073	574,427
Premium income	617,742	574,124
Reinsurance income	331	302
Investment income	186,642	160,197
Interest, dividends and other income	137,324	134,451
Interest on deposits	27	21
Interest and dividends on securities	110,276	109,253
Interest on loans	13,343	11,314
Income from real estate for rent	13,444	13,736
Other interest and dividends	231	125
Gains on money held in trust, net	11,332	—
Gains on sales of securities, net	37,548	14,473
Gains on derivative instruments, net	—	7,018
Reversal of allowance for possible loan losses	77	90
Other investment income	360	122
Gains on separate accounts, net	—	4,041
Other ordinary revenues	9,606	8,545
Fund receipt from annuity rider	656	743
Proceeds from deferred insurance	3,741	3,368
Reversal of reserve for outstanding claims	586	1,185
Reversal of reserve for employees' retirement benefits	1,641	288
Others	2,980	2,959
Total ordinary revenues	814,323	743,169
Ordinary expenses:		
Claims and other payments	590,510	489,162
Claims	126,262	104,168
Annuities	202,982	173,825
Benefits	119,535	109,736
Surrenders	110,088	71,388
Other payments	31,163	29,658
Reinsurance premiums	477	385
Provision of policy reserve and others	9,379	49,202
Provision for policy reserve	9,332	49,181
Provision of interest portion of reserve for dividends to policyholders	47	20
Investment expenses	47,886	44,581
Interest expenses	4,314	4,057
Losses on money held in trust, net	—	1,144
Losses on trading securities, net	12,422	7,042
Losses on sales of securities, net	5,820	5,493
Losses on valuation of securities, net	—	24
Losses on derivative financial instruments, net	3,549	—
Foreign exchange losses, net	8,600	15,624
Depreciation of real estate for rent and other assets	4,482	4,319
Other investment expenses	6,340	6,875
Losses on separate accounts, net	2,354	—
Operating expenses	86,500	87,218
Other ordinary expenses	19,702	18,891
Deferred annuity payments	6,327	5,388
Taxes	6,061	5,976
Depreciation	6,499	6,647
Others	814	879
Total ordinary expenses	753,979	689,056
Ordinary profits	60,344	54,113
Extraordinary gains:		
Gains on disposal of fixed assets	1,503	2
Gains on contribution of securities to retirement benefit trust	7,913	—
State subsidy and others	140	195
Others	—	42
Total extraordinary gains	9,557	240
Extraordinary losses:		
Losses on disposal of fixed assets	266	180
Impairment losses	242	71
Provision of reserve for price fluctuation	21,754	14,176
Total extraordinary losses	22,263	14,428
Surplus before income taxes	47,638	39,925
Income taxes :		
Current	14,390	13,453
Deferred	(8,304)	(10,202)
Total income taxes	6,086	3,251
Net surplus for the year	41,551	36,674

Notes to the Non-consolidated Financial Statements

I. 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.

II. Notes to Non-consolidated Balance Sheets

1. (1) The valuation of securities, including bank deposits and monetary claims bought which are equivalent to securities, and securities managed as trust assets in money held in trust, is as follows:
 - i) Trading securities are stated at fair market value. Costs of their sales are determined by the moving average method.
 - ii) Held-to-maturity debt securities are stated at amortized cost under the straight-line method, cost being determined by the moving average method.
 - iii) Policy-reserve-matching bonds are stated at amortized cost under the straight-line method, cost being determined by the moving average method in accordance with “Temporary Treatment of Accounting and Auditing Concerning Policy-reserve-matching Bonds in the Insurance Industry” (Industry Audit Committee Report No.21 issued by the Japanese Institute of Certified Public Accountants on November 16, 2000).
 - iv) Investments in subsidiaries and affiliates are stated at cost, cost being determined by the moving average method.
 - v) Available-for-sale securities with fair market value are stated at fair market value based on the market prices at the end of the fiscal year. Costs of their sales are determined by the moving average method. Net unrealized gains or losses on these available-for-sale securities, net of taxes, are recorded as a separate component of net assets.

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

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

- (3) The Company revalued the land used in the operations based on the Act for Revaluation of Land (Act No.34 promulgated on March 31, 1998). The difference between fair value and book value resulting from the revaluation, net of related taxes, is recorded as revaluation reserve for land as a separate component of net assets and the related tax is recorded as deferred tax liabilities for land revaluation.

- Date of revaluation: March 31, 2002
- Method of revaluation as prescribed for in Article 3 Paragraph 3 of the said Law:
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 was ¥1 million.

- (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.

At the end of the fiscal year ended March 31, 2013, among individual annuity insurance policies with an assumed interest rate of 5.00% or higher, policies that have an annuity commencement date on or prior to March 31, 2013 (excluding wife's annuity insurance additional rider), the Company reduced the assumed interest rate to 1.00% and funded additional policy reserves. As of March 31, 2017, the balance of these policy reserves was ¥42,748 million.

At the end of the fiscal year ended March 31, 2016, among individual annuity insurance policies with an assumed interest rate of 5.00% or higher, policies that have an annuity commencement date from April 1, 2013, through March 31, 2017 (excluding wife's annuity insurance additional rider), the Company reduced the assumed interest rate of policy reserve to 1.00% and funded additional policy reserves. Furthermore, for certain whole life insurance policies that include distribution of surplus every five years the Company funded additional policy reserves. As of March 31, 2017, the balance of these policy reserves was ¥29,931 million.

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

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

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

As a result, both ordinary profits and the surplus before income taxes increased by ¥100 million.

3. Asset management of the general accounts other than the separate accounts stipulated in Article 118 Paragraph 1 of the Insurance Business Act is conducted on the principle of prudent and profitable investments, considering public and social responsibilities of the insurance business. Based on this policy, the Company allocates the fund, securing its liquidity, from the medium-to-long term viewpoints. The Company is diversifying investments in assets such as foreign securities, stocks and real estates within acceptable risks 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 as of March 31, 2017 were as follows:

	(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	¥ –

*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.

(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, 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.

4. The Company holds investment and rental properties such as office buildings in Tokyo and other areas. The carrying amounts and the fair values of investment and rental properties were ¥172,312 million and ¥283,598 million as of March 31, 2017, respectively. The fair value is mainly based on the value calculated by the Company in accordance with real estate appraisal standards which includes some adjustments using the reference prices.

The amount corresponding to asset retirement obligations included in the carrying amount of investment and rental properties was ¥974 million as of March 31, 2017.

5. The amount of securities lent under lending agreements was ¥38,863 million as of March 31, 2017.

6. The total amounts of credits to bankrupt borrowers, delinquent loans, delinquent loans past 3 months or more and restructured loans, which were included in loans, was ¥1,115 million as of March 31, 2017;

- i) The balance of credits to bankrupt borrowers was ¥230 million as of March 31, 2017.
- ii) The balance of delinquent loans was ¥884 million as of March 31, 2017.
- iii) There was no balance of delinquent loans past 3 months or more and restructured loans as of March 31, 2017.

The direct write-offs related to loans decreased credits to bankrupt borrowers described above by ¥1 million as of March 31, 2017.

Credits to bankrupt borrowers represent loans, excluding the balances already written-off, which meet the conditions prescribed in Article 96 Paragraph 1 item 3 and 4 of the Enforcement Regulations of the Corporate Tax Act. Moreover, accrued interest on these loans is not recorded as income after determining that principal or interest on these loans is unlikely to be collected due to the significant delay in repayment of principal or interest payment or for some other reasons.

Delinquent loans are credits which accrued interest is not recorded as income due to the same reasons as described above, and exclude credits to bankrupt borrowers and loans for which interest payments have been suspended and rescheduled to assist and support the borrowers in the restructuring of their business.

Delinquent loans past 3 months or more are loans for which interest payments or repayments of principal are delinquent for 3 months or more from the due date under the terms of the related loan agreements, excluding those loans classified as credits to bankrupt borrowers and delinquent loans.

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

7. Accumulated depreciation of tangible fixed assets were ¥158,873 million as of March 31, 2017.

8. Total assets in separate accounts provided for in Article 118 of the Insurance Business Act were ¥75,678 million as of March 31, 2017. The amounts of separate account liabilities were the same as separate account assets.

9. The total amounts of receivables from/payables to subsidiaries were ¥2,471 million and ¥2,187 million as of March 31, 2017, respectively.

10. 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.

11. Changes in reserve for dividends to policyholders for the year ended March 31, 2017 were as follows:

	(Millions of yen)
Balance at the beginning of the fiscal year.....	¥ 50,368
Transfer from surplus in the previous fiscal year.....	35,236
Dividend payments to policyholders during the fiscal year.....	(34,695)
Increase in interest.....	20
Balance at the end of the fiscal year.....	<u>¥ 50,929</u>

12. The amount of stocks of subsidiaries was ¥64,837 million as of March 31, 2017.

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.

14. Reserve 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") was ¥3 million as of March 31, 2017.

Policy reserve 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") was ¥30 million as of March 31, 2017.

15. The total amounts of adjustment items for redemption of foundation funds and appropriation of net surplus defined in Article 30 Paragraph 2 of the Enforcement Regulation of the Insurance Business Act was ¥337,765 million as of March 31, 2017.

16. 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 Act.

17. There were unused commitment line agreements under which the Company is the lender of ¥10,500 million as of March 31, 2017.

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

19. The future contribution to the Life Insurance Policyholders Protection Corporation of Japan under Article 259 of the Insurance Business Act was estimated at ¥9,406 million as of March 31, 2017.

The contribution is recognized as operating expenses when contributed.

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

(1) Overview of Employees' Retirement Benefit Plan

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

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

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

(2) Defined Benefit Plan

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

	(Millions of yen)
Retirement benefit obligation at the beginning of the fiscal year.....	¥ 85,184
Service cost.....	3,508
Interest cost.....	510
Actuarial differences occurred during the fiscal year.....	656
Retirement benefit payments.....	(4,583)
Retirement benefit obligation at the end of the fiscal year.....	<u>¥ 85,277</u>

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

	(Millions of yen)
Pension plan assets at the beginning of the fiscal year.....	¥ 44,636
Expected return on pension plan assets.....	671
Actuarial differences occurred during the fiscal year.....	57
Contributions by the employer.....	2,689
Retirement benefit payments.....	(1,400)
Pension plan assets at the end of the fiscal year.....	<u>¥ 46,654</u>

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

	(Millions of yen)
a. Funded plan retirement benefit obligation.....	¥ 73,902
b. Pension plan assets.....	(46,654)
c. (a + b)	<u>27,247</u>
d. Unfunded plan retirement benefit obligation.....	11,375
e. Unrecognized actuarial differences.....	(13,156)
f. Unrecognized prior service cost.....	323
g. Reserve for employees' retirement benefits (c + d + e + f)	<u>¥ 25,789</u>

iv) Breakdown of retirement benefit gains and losses

	(Millions of yen)
Service cost.....	¥ 3,508
Interest cost.....	510
Expected return on pension plan assets.....	(671)
Amortization of actuarial differences.....	2,306
Amortization of prior service cost.....	(76)
Retirement benefit expenses related to defined benefit plan.....	<u>¥ 5,578</u>

v) Breakdown of pension plan assets

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

Domestic stocks.....	46.1%
Life insurance general account.....	34.2%
Domestic bonds.....	8.0%
Foreign stocks.....	7.9%
Foreign bonds.....	2.7%
Others.....	1.1%
Total.....	<u>100.0%</u>

Within the total of pension assets, 37.2% of this amount is accounted for by the retirement benefit trust established in relation to the retirement lump-sum 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 as of March 31, 2017, were as follows:

Discount rate.....	0.6%
Expected long-term rate of return on pension plan assets	
Defined Benefit Plan.....	2.5%
Retirement benefit trust.....	0.0%

- (3) The required contribution amount by the Company to the defined contribution plan was ¥194 million as of March 31, 2017.

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

III. Notes to Non-consolidated Statements of Operations

1. The total amounts of revenues and expenses in connection with subsidiaries were ¥877 million and ¥8,084 million for the year ended March 31, 2017.

2. Major items of gains on sales of securities for the year ended March 31, 2017 were as follows:

	(Millions of yen)
Domestic bonds.....	¥ 11,175
Domestic stocks and others.....	2,741
Foreign securities.....	556

3. Major items of losses on sales of securities for the year ended March 31, 2017 were as follows:

	(Millions of yen)
Domestic bonds.....	¥ 441
Domestic stocks and others.....	1,312
Foreign securities.....	3,739

4. Major items of losses on valuation of securities for the year ended March 31, 2017 was as follows:

	(Millions of yen)
Foreign securities.....	¥ 24

5. For the year ended March 31, 2017, reversal of reserve for outstanding claims for ceded reinsurance considered in calculation of reversal of reserve for outstanding claims was ¥11 million, and provision of policy reserve for ceded reinsurance considered in calculation of provision for policy reserve was ¥0 million.

6. Major items of losses on trading securities for the year ended March 31, 2017 were as follows:

	(Millions of yen)
Interest, dividends and other income.....	¥ 6,464
Losses on valuation of trading securities.....	(17,796)

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

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

5. Breakdown of Ordinary Profits (Fundamental Profit)

(Millions of yen)

	Year ended March 31, 2016	Year ended March 31, 2017
A	92,329	88,938
Capital gains	48,666	21,492
Gains on money held in trust, net	11,118	—
Gains on trading securities, net	—	—
Gains on sales of securities	37,548	14,473
Gains on derivative instruments, net	—	7,018
Foreign exchange gains, net	—	—
Other capital gains	—	—
Capital losses	39,428	35,898
Losses on money held in trust, net	—	1,248
Losses on trading securities, net	21,456	13,507
Losses on sales of securities	5,820	5,493
Losses on valuation of securities	—	24
Losses on derivative instruments, net	3,549	—
Foreign exchange losses, net	8,600	15,624
Other capital losses	—	—
Net capital gains (losses) B	9,238	(14,406)
Fundamental profit plus net capital gains (losses) A+B	101,568	74,532
Non-recurring gains	—	51
Reinsurance income	—	—
Reversal of contingency reserve	—	—
Reversal of specific allowance for possible loan losses	—	51
Others	—	—
Non-recurring losses	41,224	20,470
Reinsurance premiums	—	—
Provision for contingency reserve	8,050	20,460
Provision of specific allowance for possible loan losses	73	—
Provision of allowance for specified overseas loans	—	—
Write-off of loans	—	—
Others	33,100	10
Non-recurring gains (losses) C	(41,224)	(20,148)
Ordinary profits A+B+C	60,344	54,113

- Notes: 1. The following amounts in respect of gains / losses on 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): ¥213 million in respect of the year ended March 31, 2016 and ¥103 million in respect of the year ended March 31, 2017.
2. The following amounts in respect of gains / losses on trading securities have been excluded from capital gains / losses and included in fundamental profit due to their income nature (being interest and dividend income): ¥9,034 million in respect of the year ended March 31, 2016 and ¥6,464 million in respect of the year ended March 31, 2017.
3. Other non-recurring losses represent the losses relating to provision of the additional policy reserves in accordance with Article 69, Paragraph 5 of the Enforcement Regulations of the Insurance Business Act.

6. Non-consolidated Statements of Changes in Net Assets

[For the year ended March 31, 2016]

(Millions of yen)

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

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

[For the year ended March 31, 2017]

(Millions of yen)

	Foundation funds, surplus and others												
	Foundation funds	Accumulated foundation funds redeemed	Reserve for revaluation	Surplus								Total foundation funds, surplus and others	
				Legal reserve for future losses	Other surplus						Total surplus		
					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
Balance at the beginning of the current period	30,000	86,000	112	2,742	18,000	20,000	41,000	266	—	767	65,509	148,284	264,397
Changes in the current period													
Additions to reserve for dividends to policyholders											(35,236)	(35,236)	(35,236)
Additions to legal reserve for future losses				106							(106)	—	—
Additons to accumulated foundation funds redeemed		20,000											20,000
Payment of interest on foundation funds											(316)	(316)	(316)
Net surplus for the current period											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 current period	(20,000)	20,000	—	106	(14,000)	—	—	(8)	100	—	(5,055)	(18,857)	(18,857)
Balance at the end of the current period	10,000	106,000	112	2,849	4,000	20,000	41,000	257	100	767	60,453	129,427	245,539

	Valuation and translation adjustments			Total net assets
	Net unrealized gains (losses) on available-for-sale securities, net of tax	Revaluation reserve for land, net of tax	Total valuation and translation adjustments	
Balance at the beginning of the current period	338,421	4,128	342,549	606,947
Changes in the current period				
Additions to reserve for dividends to policyholders				(35,236)
Additions to legal reserve for future losses				—
Additions to accumulated foundation funds redeemed				20,000
Payment of interest on foundation funds				(316)
Net surplus for the current period				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 current period	(4,876)	(20)	(4,896)	(23,754)
Balance at the end of the current period	333,545	4,107	337,652	583,192

7. Non-consolidated Statements of Surplus

(Millions of Yen)

	Year ended March 31, 2016	Year ended March 31, 2017
Unappropriated surplus	65,509	60,453
Reversal of voluntary surplus reserve	11	102
Reversal of reserve for advanced depreciation of real estate for tax purpose	11	1
Reversal of reserve for special account for advanced depreciation of real estate for tax purpose	—	100
Total	65,521	60,555
Appropriation of surplus	41,762	36,797
Reserve for dividends to policyholders	35,236	34,592
Net surplus	6,526	2,205
Legal reserve for future losses	106	105
Interest payment for foundation funds	316	100
Voluntary surplus reserve	6,103	2,000
Reserve for redemption of foundation funds	6,000	2,000
Reserve for advanced depreciation of real estate for tax purpose	2	—
Reserve for special account for advanced depreciation of real estate for tax purpose	100	—
Unappropriated surplus carried forward	23,758	23,758

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

8. Disclosed Claims Based on Categories of Obligors

(Millions of yen)

	As of March 31, 2016	As of March 31, 2017
Claims against bankrupt and quasi-bankrupt obligors	260	244
Claims with collection risk	736	878
Claims for special attention	—	—
Subtotal	996	1,123
[Percentage of total]	[0.14%]	[0.17%]
Claims against normal obligors	714,152	668,392
Total	715,149	669,516

- Notes: 1. Claims against bankrupt and quasi-bankrupt obligors are loans to borrowers who are subject to bankruptcy, corporate reorganisation or rehabilitation or other similar proceedings and other borrowers in serious financial difficulties.
2. Claims with collection risk are loans to obligors (other than bankrupt and quasi-bankrupt obligors) with deteriorated financial condition and results of operations from which it is unlikely that the principal and interest on the loans will be recovered.
3. Claims for special attention are loans on which principal and/or interest are past due for three months or more and loans with a concessionary interest rate, as well as loans with renegotiated conditions in favour of the borrower, including renegotiated schedule and/or waivers, in each case, other than the loans described in note 1 or 2 above.
4. Claims against normal obligors are all other loans.

9. Risk-monitored Loans

(Millions of yen)

	As of March 31, 2016	As of March 31, 2017
Credits to bankrupt borrowers	217	230
Delinquent loans	773	884
Delinquent loans past three months or more	—	—
Restructured loans	—	—
Total	990	1,115
[Percentage of total loans]	[0.14%]	[0.18%]

- Notes: 1. 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 is written-off directly from the borrower's balance as the estimated uncollectible amounts. The amounts written-off related to credits to bankrupt borrowers were ¥247 million as of March 31, 2016 and ¥1 million as of March 31, 2017.
2. Credits to bankrupt borrowers represent loans which are subject to bankruptcy, corporate reorganization or rehabilitation or other similar, including but not limited to foreign, proceedings. Accruing interest of these loans is not recorded as income after determining that principal or interest on these loans is unlikely to be collected due to the significant delay in repayment of principal or interest payment or for some other reasons.
3. Delinquent loans are credits whose accruing interest is not recorded as income due to the same reasons as described in note 2 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.
4. Delinquent loans past three months or more are loans for which interest payment or repayment of principal are delinquent for three 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.
5. Restructured loans are loans for which certain concessions favorable to borrowers, such as interest reduction or exemptions, rescheduling of due date of principal or interest payment, waiver of claim or other terms, have been negotiated for the purpose of assisting and supporting the borrowers in the restructuring of their business. This category excludes loans classified as credits to bankrupt borrowers, delinquent loans and delinquent loans past three months or more.

10. Solvency Margin Ratio

(Millions of yen)

	As of March 31, 2016	As of March 31, 2017
Total solvency margin (A)	1,374,588	1,414,023
Foundation funds and surplus	226,683	208,227
Reserve for price fluctuation	68,288	82,464
Contingency reserve	150,573	171,033
General allowance for possible loan losses	1,251	1,213
(Net unrealized gains (losses) on securities (before tax) and deferred hedge gains (losses) (before tax)) × 90%	423,026	415,287
Net unrealized gains on real estate × 85%	105,577	111,340
Excess amount of policy reserve based on full-time Zillmer method	236,087	237,089
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)	(46,783)
Others	40,165	42,217
Total amount of risk $\sqrt{(R_1 + R_8)^2 + (R_2 + R_3 + R_7)^2} + R_4$ (B)	207,983	232,798
Insurance risk R_1	24,616	23,949
3rd sector insurance risk R_8	9,577	9,740
Assumed investment yield risk R_2	33,481	32,835
Minimum guarantee risk R_7	0	0
Investment risk R_3	166,913	192,279
Business risk R_4	4,691	5,176
Solvency margin ratio $\frac{(A)}{(1/2) \times (B)} \times 100$	1,321.8%	1,214.8%

Notes: 1. The figures above are calculated based on Articles 86 and 87 of the Enforcement Regulation of the Insurance Business Act 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.

11. Status of Separate Account

(1) Separate Account Assets by Products

(Millions of yen)

	As of March 31, 2016	As of March 31, 2017
	Amount	Amount
Individual variable insurance	—	—
Individual variable annuities	67	39
Group annuities	78,997	75,639
Total	79,065	75,678

(2) Individual Variable Insurance (Separate Account)

The Company has not sold the individual variable insurance.

(3) Individual Variable Annuities (Separate Account)

(i) Policies in Force

(Millions of yen except number of policies)

	As of March 31, 2016		As of March 31, 2017	
	Number of policies	Amount	Number of policies	Amount
Individual variable annuities	23	64	13	33
Total	23	64	13	33

(ii) Breakdown of Separate Account Assets for Individual Variable Annuities

(Millions of yen)

	As of March 31, 2016		As of March 31, 2017	
	Amount	Percentage	Amount	Percentage
Cash, deposits, call loans	26	39.1%	10	27.3%
Securities	41	60.9%	28	72.7%
Domestic bonds	—	—	—	—
Domestic stocks	—	—	—	—
Foreign securities	—	—	—	—
Foreign bonds	—	—	—	—
Foreign stocks and other securities	—	—	—	—
Other securities	41	60.9%	28	72.7%
Loans	—	—	—	—
Others	—	—	—	—
Allowance for possible loan losses	—	—	—	—
Total	67	100.0%	39	100.0%

(iii) Investment Income and Expenses of Separate Account for Individual Variable Annuities

(Millions of yen)

	Year ended March 31, 2016	Year ended March 31, 2017
	Amount	Amount
Interest, dividends and other income	22	3
Gains on sales of securities	—	—
Gains on redemption of securities	—	—
Gains on valuation of securities	10	8
Foreign exchange gains, net	—	—
Gains on derivative instruments	—	—
Other investment income	0	0
Losses on sales of securities	—	—
Losses on redemption of securities	—	—
Losses on valuation of securities	32	10
Foreign exchange losses, net	—	—
Losses on derivative instruments	—	—
Other investment expenses	0	0
Net investment income	0	1

(iv) Fair Value Information on Securities in Separate Account for Individual Variable Annuities

• Net Valuation Gains/Losses on Trading Securities

(Millions of yen)

	As of March 31, 2016		As of March 31, 2017	
	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
Trading securities	41	(22)	28	(2)

Note: The Company had no balances of money held in trust and derivative instruments.

Reference: Fair Value Information on Securities (Total of General Account and Separate Account)

Net Valuation Gains/Losses on Trading Securities

(Millions of yen)

	As of March 31, 2016		As of March 31, 2017	
	Carrying value on the balance sheet	Net valuation gains/losses included in the statement of operations	Carrying value on the balance sheet	Net valuation gains/losses included in the statement of operations
Trading securities	393,852	(43,873)	280,236	(16,953)

Note: The table above includes money held in trust for trading purpose.

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

(Millions of yen)

	As of March 31, 2016					As of March 31, 2017				
	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	—	764,914	908,680	143,766	143,766	—
Domestic bonds	740,989	906,313	165,323	165,323	—	739,830	882,479	142,649	142,649	—
Foreign bonds	27,797	30,000	2,202	2,202	—	25,084	26,201	1,116	1,116	—
Monetary claims bought	—	—	—	—	—	—	—	—	—	—
Negotiable certificate of deposits	—	—	—	—	—	—	—	—	—	—
Others	—	—	—	—	—	—	—	—	—	—
Policy-reserve-matching bonds	1,074,535	1,280,612	206,077	206,077	—	1,008,212	1,166,744	158,531	161,427	2,895
Domestic bonds	1,044,436	1,250,268	205,832	205,832	—	1,002,413	1,160,832	158,418	161,313	2,895
Foreign bonds	30,098	30,343	244	244	—	5,799	5,912	113	113	—
Investments in subsidiaries and affiliates	—	—	—	—	—	—	—	—	—	—
Available-for-sale securities	2,412,509	2,800,337	467,828	484,876	17,048	2,796,789	3,256,735	459,945	484,808	24,862
Domestic bonds	735,758	822,513	86,754	87,055	300	997,892	1,067,639	69,746	74,152	4,405
Domestic stocks	291,475	528,697	237,221	244,234	7,012	302,413	587,201	284,787	289,023	4,235
Foreign securities	1,320,427	1,450,900	130,472	138,130	7,658	1,426,510	1,516,052	89,542	104,688	15,146
Foreign bonds	1,157,841	1,265,973	108,131	111,881	3,750	1,207,319	1,268,525	61,205	73,765	12,559
Foreign stocks and other securities	162,586	184,927	22,341	26,249	3,908	219,190	247,527	28,336	30,922	2,586
Other securities	64,846	78,226	13,379	15,456	2,076	69,973	85,842	15,868	16,944	1,075
Money held in trust	—	—	—	—	—	—	—	—	—	—
Monetary claims bought	—	—	—	—	—	—	—	—	—	—
Negotiable certificate of deposits	—	—	—	—	—	—	—	—	—	—
Others	—	—	—	—	—	—	—	—	—	—
Total	4,255,831	5,097,263	841,432	858,480	17,048	4,569,917	5,332,161	762,243	790,001	27,757
Domestic bonds	2,521,184	2,979,095	457,910	458,211	300	2,740,136	3,110,951	370,814	378,115	7,300
Domestic stocks	291,475	528,697	237,221	244,234	7,012	302,413	587,201	284,787	289,023	4,235
Foreign securities	1,378,324	1,511,244	132,919	140,578	7,658	1,457,394	1,548,166	90,772	105,918	15,146
Foreign bonds	1,215,738	1,326,317	110,578	114,328	3,750	1,238,203	1,300,639	62,436	74,995	12,559
Foreign stocks and other securities	162,586	184,927	22,341	26,249	3,908	219,190	247,527	28,336	30,922	2,586
Other securities	64,846	78,226	13,379	15,456	2,076	69,973	85,842	15,868	16,944	1,075
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.

[Held-to-maturity Debt Securities]

(Millions of yen)

	As of March 31, 2016			As of March 31, 2017		
	Carrying value on the balance sheet	Fair value	Differences	Carrying value on the balance sheet	Fair value	Differences
Securities whose fair value exceeds the carrying value on the balance sheet	768,786	936,313	167,526	764,914	908,680	143,766
Domestic bonds	740,989	906,313	165,323	739,830	882,479	142,649
Foreign bonds	27,797	30,000	2,202	25,084	26,201	1,116
Monetary claims bought	—	—	—	—	—	—
Negotiable certificate of deposits	—	—	—	—	—	—
Others	—	—	—	—	—	—
Securities whose fair value does not exceed the carrying value on the balance sheet	—	—	—	—	—	—
Domestic bonds	—	—	—	—	—	—
Foreign bonds	—	—	—	—	—	—
Monetary claims bought	—	—	—	—	—	—
Negotiable certificate of deposits	—	—	—	—	—	—
Others	—	—	—	—	—	—

[Policy-reserve-matching Bonds]

	As of March 31, 2016			As of March 31, 2017		
	Carrying value on the balance sheet	Fair value	Differences	Carrying value on the balance sheet	Fair value	Differences
Bonds whose fair value exceeds the carrying value on the balance sheet	1,064,535	1,270,612	206,077	977,623	1,139,050	161,427
Domestic bonds	1,044,436	1,250,268	205,832	971,824	1,133,138	161,313
Foreign bonds	20,098	20,343	244	5,799	5,912	113
Others	—	—	—	—	—	—
Bonds whose fair value does not exceed the carrying value on the balance sheet	10,000	10,000	—	30,589	27,694	(2,895)
Domestic bonds	—	—	—	30,589	27,694	(2,895)
Foreign bonds	10,000	10,000	—	—	—	—
Others	—	—	—	—	—	—

[Available-for-sale Securities]

	As of March 31, 2016			As of March 31, 2017		
	Book value	Carrying value on the balance sheet	Differences	Book value	Carrying value on the balance sheet	Differences
Securities whose carrying value on the balance sheet exceeds the book value	2,156,181	2,641,058	484,876	2,097,492	2,582,300	484,808
Domestic bonds	707,189	794,245	87,055	813,898	888,050	74,152
Domestic stocks	245,523	489,757	244,234	260,158	549,181	289,023
Foreign securities	1,162,372	1,300,503	138,130	964,556	1,069,245	104,688
Foreign bonds	1,028,891	1,140,772	111,881	800,165	873,930	73,765
Foreign stocks	133,481	159,730	26,249	164,391	195,314	30,922
Other securities	41,096	56,552	15,456	58,878	75,822	16,944
Money held in trust	—	—	—	—	—	—
Monetary claims bought	—	—	—	—	—	—
Negotiable certificate of deposits	—	—	—	—	—	—
Others	—	—	—	—	—	—
Securities whose carrying value on the balance sheet does not exceed the book value	256,327	239,278	(17,048)	699,297	674,435	(24,862)
Domestic bonds	28,568	28,268	(300)	183,993	179,588	(4,405)
Domestic stocks	45,952	38,939	(7,012)	42,254	38,019	(4,235)
Foreign securities	158,055	150,396	(7,658)	461,953	446,807	(15,146)
Foreign bonds	128,950	125,200	(3,750)	407,154	394,594	(12,559)
Foreign stocks	29,104	25,196	(3,908)	54,798	52,212	(2,586)
Other securities	23,750	21,674	(2,076)	11,095	10,019	(1,075)
Money held in trust	—	—	—	—	—	—
Monetary claims bought	—	—	—	—	—	—
Negotiable certificate of deposits	—	—	—	—	—	—
Others	—	—	—	—	—	—

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

	As of March 31, 2016	As of March 31, 2017
Held-to-maturity bonds	—	—
Unlisted foreign bonds	—	—
Others	—	—
Policy-reserve-matching bonds	—	—
Investments in subsidiaries and affiliates	36,994	64,837
Available-for-sale securities	21,848	22,044
Unlisted domestic stocks (except over-the-counter stocks)	6,127	6,109
Unlisted foreign stocks (except over-the-counter stocks)	—	—
Unlisted foreign bonds	—	—
Others	15,720	15,934
Total	58,843	86,881

Note: In this table, domestic and overseas investment partnerships are included in “others” within “available-for-sale securities.” However, unrealized gains on available-for-sale securities corresponding to these holdings by domestic and overseas investment partnerships (¥2,201 million as of March 31, 2016 and ¥1,484 million as of March 31, 2017) are included in their balance sheet carrying amounts.

Reference: Fair Value Information on Derivative Instruments
(Total of General Account and Separate Account)

(i) Gains and Losses on Derivatives

(Millions of yen)

As of March 31, 2016	Interest-related	Currency-related	Stock-related	Bond-related	Others	Total
Hedge accounting applied	—	18,558	265	—	—	18,823
Hedge accounting not applied	(972)	(799)	—	(212)	—	(1,983)
Total	(972)	17,759	265	(212)	—	16,840
As of March 31, 2017	Interest-related	Currency-related	Stock-related	Bond-related	Others	Total
Hedge accounting applied	—	13,542	(440)	—	—	13,102
Hedge accounting not applied	(500)	1,116	—	(80)	—	535
Total	(500)	14,659	(440)	(80)	—	13,638

Note: Gains and losses from applying fair value hedge accounting (currency-related, gains of ¥18,558 million, stock-related gains of ¥265 million as of March 31, 2016, and currency-related gains of ¥13,542 million, stock-related losses of ¥(440) million as of March 31, 2017) included in gains and losses with hedge accounting applied, and gains and losses with hedge accounting not applied are reported in the statements of operations.

(ii) Hedge Accounting not Applied

[Interest-related Transactions]

(Millions of yen)

Interest-related Transactions]		As of March 31, 2016				As of March 31, 2017			
		Notional amount/ contract value		Fair value	Gains (losses)	Notional amount/ contract value		Fair value	Gains (losses)
			Over 1 year				Over 1 year		
Over-the-counter transactions									
Yen interest rate swaption contracts									
Sold									
Receipt fixed, payment floating		—	—			—	—		
		[—]		—	—	[—]		—	—
Payment fixed, receipt floating		—	—			—	—		
		[—]		—	—	[—]		—	—
Bought									
Receipt fixed, payment floating		—	—			—	—		
		[—]		—	—	[—]		—	—
Payment fixed, receipt floating		300,000	100,000			320,000	160,000		
		[1,164]		191	(972)	[692]		192	(500)
Total					(972)				(500)

Note: Figures in [] are option premium which are included in the balance sheet.

[Currency-related Transactions]

(Millions of yen)

	As of March 31, 2016				As of March 31, 2017			
	Notional amount/ contract value	Fair value	Gains (losses)	Notional amount/ contract value	Fair value	Gains (losses)		
							Over 1 year	
Over-the-counter transactions								
Currency forward contracts								
Sold	331,876	—	332,676	(800)	215,605	—	214,489	1,116
US dollar	192,187	—	191,366	821	109,918	—	109,200	718
British Pound	34,101	—	34,100	1	30,646	—	30,803	(157)
Canadian dollar	32,451	—	32,992	(540)	27,984	—	27,723	260
Australian dollar	36,929	—	37,485	(555)	26,260	—	26,154	106
Euro	36,197	—	36,724	(526)	20,796	—	20,607	188
Swedish krona	8	—	8	(0)	—	—	—	—
Bought	100	—	101	1	—	—	—	—
Euro	100	—	101	1	—	—	—	—
Total				(799)				1,116

Notes: Forward exchange rates are used for exchange rates as of March 31, 2017.

[Stock-related Transactions]

No ending balance as of March 31, 2016 and March 31, 2017.

[Bond-related Transactions]

(Millions of yen)

		Over 1 year	Fair value	Gains (losses)		Over 1 year	Fair value	Gains (losses)
Exchange-traded transactions								
Yen bond futures								
Sold	151,069	—	151,300	(231)	—	—	—	—
Bought	—	—	—	—	—	—	—	—
Foreign bond futures								
Sold	38,343	—	38,324	18	36,815	—	36,896	(80)
Bought	—	—	—	—	—	—	—	—
Total				(212)				(80)

(iii) Hedge Accounting Applied

[Interest-related Transactions]

No ending balance as of March 31, 2016 and March 31, 2017

[Currency-related Transactions]

(Millions of yen)

		As of March 31, 2016				As of March 31, 2017			
Method of hedge accounting	Hedging instruments	Hedged items	Notional amount / contract value		Fair value	Hedged items	Notional amount / contract value		Fair value
				Over 1 year				Over 1 year	
Fair value hedge method	Currency forward contracts	Foreign currency-denominated bonds				Foreign currency-denominated bonds			
	Sold		1,045,083	—	1,026,525		966,610	—	953,067
	US dollar		936,723	—	918,504		839,333	—	827,099
	British Pound		47,937	—	46,883		46,454	—	46,205
	Canadian dollar		9,359	—	9,527		44,327	—	43,636
	Euro		40,849	—	40,862		27,908	—	27,559
	Australian dollar		10,213	—	10,748		8,586	—	8,567
	Bought		—	—	—		—	—	—
Total									

Notes 1. Forward exchange rates are used for exchange rates as of March 31, 2017.

2. Regarding assets and liabilities which are denominated in foreign currencies but have fixed settlement in yen under currency forward contracts and are reported in yen amounts in the balance sheet, those currency forward contracts are excluded from the table above.

[Stock-related Transactions]

(Millions of yen)

		As of March 31, 2016				As of March 31, 2017			
Method of hedge accounting	Hedging instruments	Hedged items	Notional amount / contract value		Fair value	Hedged items	Notional amount / contract value		Fair value
				Over 1 year				Over 1 year	
Fair value hedge method	Stock forward contracts	Domestic stocks				Domestic stocks			
	Sold		823	823	557		517	517	958
	Bought		—	—	—		—	—	—
Total									

[Bond-related Transactions]

No ending balance as of March 31, 2016 and March 31, 2017.

12. Status of the Company, Subsidiaries and Affiliates

(1) Selected Financial Data

(100 millions of yen)

	Year ended March 31, 2016	Year ended March 31, 2017
Ordinary revenues	10,104	8,429
Ordinary profits	631	568
Net surplus attributable to the parent company	421	374
Comprehensive income	(541)	308

	As of March 31, 2016	As of March 31, 2017
Total assets	83,306	84,329
Solvency margin ratio	1,341.5%	1,257.3%

(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 March 31, 2017		As of March 31, 2016	As of March 31, 2017
Assets:			Liabilities:		
Cash and deposits	172,049	136,494	Policy reserves	7,361,627	7,438,936
Call loans	200,000	193,000	Reserve for outstanding claims	23,003	22,223
Monetary claims bought	813	753	Policy reserve	7,287,604	7,365,185
Money held in trust	87,793	29,787	Reserve for dividends to policyholders	50,368	50,929
Securities	6,859,234	7,130,780	Reserve for dividends to policyholders (subsidiary)	650	598
Loans	697,056	631,109	Agency payables	480	98
Tangible fixed assets	218,974	219,873	Reinsurance payables	146	79
Land	125,310	125,276	Subordinated bonds	141,935	191,935
Buildings	86,217	88,212	Other liabilities	45,940	46,006
Lease assets	2,324	2,013	Net defined benefit liabilities	40,649	38,767
Construction in progress	1,590	1,140	Reserve for price fluctuation	77,289	91,827
Other tangible fixed assets	3,531	3,230	Deferred tax liabilities	30,837	16,233
Intangible fixed assets	20,941	26,326	Deferred tax liabilities for land revaluation	14,274	14,265
Software	11,259	11,316	Total liabilities	7,713,180	7,838,150
Goodwill	1,564	801	Net assets:		
Lease assets	658	210	Foundation funds	30,000	10,000
Other intangible fixed assets	7,457	13,997	Accumulated foundation funds redeemed	86,000	106,000
Agency receivables	2	4	Reserve for revaluation	112	112
Reinsurance receivables	144	200	Consolidated surplus	151,251	133,217
Other assets	75,308	66,237	Total foundation funds, surplus and others	267,363	249,329
Net defined benefit asset	—	42	Net unrealized gains (losses) on available-for-sale securities, net of tax	349,884	342,470
Deferred tax assets	137	153	Revaluation reserve for land, net of tax	4,128	4,107
Allowance for possible loan losses	(1,851)	(1,776)	Foreign currency translation adjustment	(115)	(433)
			Accumulated remeasurements of defined benefit plans	(10,414)	(9,240)
			Total accumulated other comprehensive income	343,482	336,904
			Non-controlling interests	6,578	8,603
			Total net assets	617,425	594,837
Total assets	8,330,606	8,432,988	Total liabilities and net assets	8,330,606	8,432,988

(4) Consolidated Statements of Operations and Comprehensive Income

[Consolidated Statements of Operations]

(Millions of yen)

	Year ended March 31, 2016	Year ended March 31, 2017
Ordinary revenues:		
Premium and other income	788,854	648,744
Investment income	210,908	185,088
Interest, dividends and other income	160,709	158,645
Gains on money held in trust, net	11,332	—
Gains on sales of securities	38,438	15,178
Gains on derivative instruments, net	—	7,018
Reversal of allowance for possible loan losses	77	90
Other investment income	350	114
Gains on separate accounts, net	—	4,041
Other ordinary revenues	10,715	9,082
Total ordinary revenues	1,010,478	842,915
Ordinary expenses:		
Claims and other payments	653,164	546,696
Claims	130,954	109,450
Annuities	204,136	175,156
Benefits	130,191	121,841
Surrenders	155,996	109,934
Other payments	31,884	30,314
Provision of policy reserve and others	127,052	77,601
Provision for policy reserve	127,004	77,580
Provision of interest portion of reserve for dividends to policyholders	47	20
Provision of interest portion of reserve for dividends to policyholders (subsidiary)	0	0
Investment expenses	46,596	43,371
Interest expenses	4,324	4,061
Losses on money held in trust, net	—	1,144
Losses on trading securities, net	12,422	7,042
Losses on sales of securities	5,820	5,493
Losses on valuation of securities	—	24
Losses on derivative financial instruments, net	3,549	—
Foreign exchange losses, net	8,603	15,619
Depreciation of real estate for rent and other assets	4,482	4,319
Other investment expenses	5,038	5,665
Losses on separate accounts, net	2,354	—
Operating expenses	98,078	97,218
Other ordinary expenses	22,435	21,161
Total ordinary expenses	947,327	786,049
Ordinary profits	63,151	56,866
Extraordinary gains:		
Gains on disposal of fixed assets	1,503	2
Gains on contribution of securities to retirement benefit trust	7,913	—
State subsidy and others	140	195
Others	—	42
Total extraordinary gains	9,557	240
Extraordinary losses:		
Losses on disposal of fixed assets	283	182
Impairment losses	242	71
Provision of reserve for price fluctuation	22,111	14,538
Total extraordinary losses	22,637	14,792
Provision for reserve for dividends to policyholders (subsidiary)	422	419
Surplus before income taxes	49,647	41,895
Income taxes:		
Current	15,619	14,409
Deferred	(8,336)	(10,231)
Total income taxes	7,282	4,178
Net surplus	42,364	37,716
Net surplus attributable to non-controlling interests	240	236
Net surplus attributable to the parent company	42,124	37,479

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

[Consolidated Statements of Comprehensive Income]

(Millions of yen)

	Year ended March 31, 2016	Year ended March 31, 2017
Net surplus	42,364	37,716
Other comprehensive income	(96,487)	(6,912)
Net unrealized gains (losses) on available-for-sale securities, net of tax	(89,444)	(7,768)
Deferred valuation gains (losses) under hedge accounting, net of tax	(0)	—
Revaluation reserve for land, net of tax	433	0
Foreign currency translation adjustments	(62)	(318)
Remeasurements of defined benefit plan, net of tax	(7,414)	1,174
Comprehensive income	(54,123)	30,804
Comprehensive income attributable to the parent company	(55,144)	30,922
Comprehensive income attributable to non-controlling interests	1,021	(117)

(5) Consolidated Statements of Cash Flows

	(Millions of yen)	
	Year ended March 31, 2016	Year ended March 31, 2017
Cash flows from operating activities:		
Surplus before income taxes	49,647	41,895
Depreciation of real estate for rent and other assets	4,482	4,319
Depreciation	7,425	7,518
Impairment losses	242	71
Amortization of goodwill	763	763
Losses (gains) on securities contribution to employees' retirement benefits trust	(7,913)	—
Increase (decrease) in reserve for outstanding claims	(498)	(780)
Increase (decrease) in policy reserve	127,004	77,580
Provision for interest on reserve for dividends to policyholders	47	20
Provision for interest on reserve for dividends to policyholders (subsidiary)	0	0
Provision of reserve for dividends to policyholders (subsidiary)	422	419
Increase (decrease) in allowance for possible loan losses	(96)	(74)
Increase (decrease) in net defined benefit liabilities	(1,623)	(293)
Increase (decrease) in reserve for price fluctuation	22,111	14,538
Interest, dividends and other income	(160,709)	(158,645)
Losses (gains) on securities, net	(25,624)	(12,532)
Interest expenses	4,324	4,061
Foreign exchange losses (gains), net	8,602	15,616
Losses (gains) on tangible fixed assets, net	(1,231)	110
Decrease (increase) in agency receivable	1	(1)
Decrease (increase) in reinsurance receivable	(37)	(56)
Decrease (increase) in other assets except from investing and financing activities	(1,037)	(851)
Increase (decrease) in agency payable	103	(382)
Increase (decrease) in reinsurance payable	21	(66)
Increase (decrease) in other liabilities except from investing and financing activities	1,626	(581)
Others	15,518	16,337
Subtotal	43,574	8,987
Interest, dividends and other income received	172,162	166,861
Interest expenses paid	(4,943)	(3,812)
Dividends to policyholders paid	(35,688)	(34,695)
Dividends to policyholders paid (subsidiary)	(479)	(472)
Corporate income tax (paid) refunded	(31,682)	(9,832)
Net cash provided by (used in) operating activities (a)	142,943	127,036
Cash flows from investing activities:		
Net decrease (increase) in deposits	(73)	74
Proceeds from sales and redemption of monetary claims bought	57	60
Decrease in money held in trust	—	56,742
Payments for purchase of securities	(1,050,013)	(944,430)
Proceeds from sales and redemption of securities	821,187	654,047
Payments for additions to loans	(71,613)	(66,549)
Proceeds from collections of loans	132,491	123,722
Proceeds from and payments for settlements of derivatives, net	45,173	1,311
Others	(4,093)	(5,309)
Subtotal (b)	(126,884)	(180,329)
(a + b)	[16,059]	[(53,292)]
Payments for purchase of tangible fixed assets	(7,838)	(9,040)
Proceeds from sales of tangible fixed assets	11,410	11
Payments for purchase of intangible fixed assets	(8,925)	(11,089)
Net cash provided by (used in) investing activities	(132,237)	(200,447)
Cash flows from financing activities:		
Proceeds from issuance of bonds	62,065	50,000
Redemption of subordinated bonds	(40,326)	—
Redemption of foundation funds	—	(20,000)
Interest payment for foundation funds	(316)	(316)
Proceeds from share issuance to non-controlling shareholders	—	2,215
Dividends paid to non-controlling interests	(19)	(85)
Payments for lease obligations	(520)	(501)
Net cash provided by (used in) financing activities	20,883	31,312
Effect of exchange rate changes on cash and cash equivalents	(377)	(193)
Net increase (decrease) in cash and cash equivalents	31,212	(42,292)
Cash and cash equivalents at the beginning of the year	339,246	370,458
Increase (decrease) in cash and cash equivalents resulting from change in scope of consolidation	—	70
Cash and cash equivalents at the end of the year	370,458	328,236

(6) Consolidated Statements of Changes in Net Assets

[For the year ended March 31, 2016]

(Millions of yen)

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

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

[For the year ended March 31, 2017]

(Millions of yen)

	Foundation funds, surplus and others				
	Foundation funds	Accumulated foundation funds redeemed	Reserve for revaluation	Consolidated surplus	Total foundation funds, surplus and others
Balance at the beginning of the current period	30,000	86,000	112	151,251	267,363
Changes in the current period					
Additions to reserve for dividends to policyholders				(35,236)	(35,236)
Additions to accumulated foundation funds redeemed		20,000			20,000
Payment of interest on foundation funds				(316)	(316)
Net surplus attributable to the parent company for the current period				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 current period	(20,000)	20,000	—	(18,033)	(18,033)
Balance at the end of the current period	10,000	106,000	112	133,217	249,329

	Accumulated other comprehensive income					Non-controlling interests	Total net assets
	Net unrealized gains (losses) on available-for-sale securities, net of tax	Revaluation reserve for land, net of tax	Foreign currency translation adjustments	Accumulated remeasurements of defined benefit plans	Total accumulated other comprehensive income		
Balance at the beginning of the current period	349,884	4,128	(115)	(10,414)	343,482	6,578	617,425
Changes in the current period							
Additions to reserve for dividends to policyholders							(35,236)
Additions to accumulated foundation funds redeemed							20,000
Payment of interest on foundation funds							(316)
Net surplus attributable to the parent company for the current period							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 current period	(7,413)	(20)	(318)	1,174	(6,578)	2,024	(22,587)
Balance at the end of the current period	342,470	4,107	(433)	(9,240)	336,904	8,603	594,837

Notes to the Consolidated Financial Statements

I. Presentation of the Consolidated Financial Statements

1. Basis of Presentation

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

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

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

2. Principles of Consolidation

(1) Scope of Consolidation

Consolidated subsidiaries as of March 31, 2017 are listed below:

Fukoku Capital Management, Inc.
Fukokushinrai Life Insurance Co., Ltd.
Fukoku Information Systems Co., Ltd.
Fukoku Life International (U.K.) Ltd.
Fukoku Life International (America) Inc.
Fukoku Life Investments Singapore Pte. Ltd.

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

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

Major unconsolidated subsidiary is Fukoku Business Service Company Limited.

Five subsidiaries are excluded from the scope of consolidation, as each one of them is small in its total assets, amount of sales, net surplus for the period and surplus and are sufficiently insignificant to reasonable judgement on their impact on the financial position and results of operation of the Company's group.

(2) Application of Equity method

Unconsolidated subsidiaries (such as Fukoku Business Service Company Limited, etc.) are insignificant in their impact on net surplus attributable to the parent company and consolidated surplus, and also immaterial as a whole, therefore, application of equity method is not applied.

There are no affiliates for the year ended March 31, 2017.

(3) Fiscal Year of Consolidated Subsidiaries

Among the subsidiaries to be consolidated, fiscal year-end of overseas subsidiaries is December 31. For the preparation of consolidated financial statements, financial statements as of that date are used and concerning any important transaction taking place in between December 31 and the consolidated closing date, necessary adjustments for consolidation are made.

(4) Amortization of Goodwill

Goodwill is amortized by the straight-line method over a period of 10 years and in case of the immaterial amount of goodwill, such amount is fully charged to operating expenses when incurred.

II. Notes to the Consolidated Balance Sheets

1. (1) The valuation of securities, including bank deposits and monetary claims bought which are equivalent to securities, and securities managed as trust assets in money held in trust, is as follows:
 - i) Trading securities are stated at fair market value. Costs of their sales are determined by the moving average method.
 - ii) Held-to-maturity debt securities are stated at amortized cost under the straight-line method, cost being determined by the moving average method.
 - iii) Policy-reserve-matching bonds are stated at amortized cost under the straight-line method, cost being determined by the moving average method in accordance with “Temporary Treatment of Accounting and Auditing Concerning Policy-reserve-matching Bonds in the Insurance Industry” (Industry Audit Committee Report No.21 issued by the Japanese Institute of Certified Public Accountants on November 16, 2000).
 - iv) Investments in unconsolidated subsidiaries and affiliates which are not accounted for under the equity method are stated at cost, cost being determined by the moving average method.
 - v) Available-for-sale securities with fair market value are stated at fair market value based on the market prices at the end of the fiscal year. Costs of their sales are determined by the moving average method. Net unrealized gains or losses on these available-for-sale securities, net of taxes, are recorded as a separate component of net assets.

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

- (2) Derivative instruments are stated at fair market value.
- (3) The Company revalued the land used in the operations based on the Act for Revaluation of Land (Act No.34 promulgated on March 31, 1998). The difference between fair value and book value resulting from the revaluation, net of related taxes, is recorded as revaluation reserve for land as a separate component of net assets and the related tax is recorded as deferred tax liabilities for land revaluation.
 - Date of revaluation: March 31, 2002
 - Method of revaluation as prescribed for in Article 3 Paragraph 3 of the said Act:
Calculation is based on the appraisal value for property tax set forth in Article 2 item 3 of the Enforcement Ordinance of the Act for Revaluation of Land (Government Ordinance No.119 promulgated on March 31, 1998) and the road rate set forth in Article 2 item 4 of the said Ordinance with certain reasonable adjustments.
- (4) Depreciation of the Company’s tangible fixed assets is calculated by the following methods.
 - Tangible fixed assets (excluding lease assets):Declining-balance method
However, buildings (excluding building attachments and structures acquired on or before March 31, 2016) acquired on or after April 1, 1998 are depreciated using Straight-line method.
 - Lease assets related to finance lease transactions that do not transfer ownership: Straight-line method over the lease term with no residual value.
Other tangible fixed assets acquired for ¥100,000 or more but less than ¥200,000 are depreciated equally over three years.
- (5) Assets and liabilities denominated in foreign currencies, except for investments in unconsolidated subsidiaries and affiliates, are translated into Japanese yen at the effective exchange rate prevailing at the balance sheet date. Investments in unconsolidated subsidiaries and affiliates are translated into Japanese yen at the exchange rate on the date of acquisition.
- (6) Allowance for possible loan losses is provided in accordance with the Company’s standards of self-assessment and write-offs and reserves on credit quality:
 - i) For the credits of borrowers who are legally bankrupt such as being in the proceedings of bankruptcy or civil rehabilitation (hereinafter called “legally bankrupt borrowers”) and who are substantially bankrupt (hereinafter called “substantially bankrupt borrowers”), the Company provides the remaining amount of credits after the direct write-off described below and the deductions of the amount expected to be collected through the disposal of collateral or the execution of guarantees.

- ii) For the credits of borrowers who are not currently bankrupt but have a high possibility of bankruptcy (hereinafter called “not currently bankrupt borrowers”), the Company provides the amounts deemed as necessary considering the borrowers’ ability to pay, within the amounts after deductions of the amount expected to be collected through the disposal of collateral or the execution of guarantees.
- iii) For the credits of borrowers other than the above, the Company provides the amounts calculated by multiplying the borrowers’ balance by the actual ratio of bad debt losses on defaults during a certain past period.

All credits are assessed by the relevant departments in accordance with the Company’s standards of self-assessment on credit quality. The results of the assessment are reviewed by the audit department, which is independent of business-related divisions. Subsequently, the allowance for possible loan losses is provided based on the results of these assessments.

For the credits of legally bankrupt borrowers and substantially bankrupt borrowers, the amounts remaining after deductions of collateral value or the amounts collectible through the execution of guarantees are written-off directly from the borrowers’ balances as the estimated uncollectible amounts. The amount written-off as of March 31, 2017 was ¥1 million.

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

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

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

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

- (9) As for the finance lease transactions where the Company is a lessor, the lease fee is recorded in “Interest, dividends and other income” at the time of receiving lease fee. The corresponding cost of the lease transactions is recorded in “Other investment expenses”, which is calculated by deducting an amount equivalent to the interest allocated over the lease term from the lease fee received.

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

For assessing the effectiveness of hedge used, ratio analysis of comparing the fluctuations in the fair value or cash flows of hedged items and hedging instruments is mainly applied.

- (11) The Company accounts for consumption taxes by the tax-exclusion method. The consumption taxes on certain assets, which are not deductible from consumption taxes withheld and that are stipulated to be deferred under the Tax Act, are deferred as prepaid expenses and amortized equally over five years. Consumption taxes other than deferred consumption taxes are recognized as an expense when incurred.

- (12) Policy reserve is based on Article 116 of the Insurance Business Act, and the premium reserve is calculated by the following method:

- i) In regard to the policies subject to the standard policy reserve, the method as prescribed by the Commissioner of Financial Services Agency (Ministry of Finance Ordinance No. 48, 1996) is applied.
- ii) In regard to the policies not subject to the standard policy reserve, the net level premium method is applied.

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

At the end of the fiscal year ended March 31, 2013, among individual annuity insurance policies with an assumed interest rate of 5.00% or higher, policies that have an annuity commencement date on or prior to March 31, 2013 (excluding wife’s annuity insurance additional rider), the Company reduced the assumed interest rate to 1.00% and funded additional policy reserves. As of March 31, 2017, the balance of these policy reserves was ¥42,748 million.

At the end of the fiscal year ended March 31, 2016, among individual annuity insurance policies with an assumed interest rate of 5.00% or higher, policies that have an annuity commencement date from April 1, 2013,

through March 31, 2017 (excluding wife's annuity insurance additional rider), the Company reduced the assumed interest rate of policy reserve to 1.00% and funded additional policy reserves. Furthermore, for certain whole life insurance policies that include distribution of surplus every five years the Company funded additional policy reserves. As of March 31, 2017, the balance of these policy reserves was ¥29,931 million.

(13) Intangible fixed assets are amortized as follows:

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

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

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

As a result, both ordinary profits and the surplus before income taxes increased by ¥100 million.

3. Asset management of the general accounts other than the separate accounts stipulated in Article 118 Paragraph 1 of the Insurance Business Act is conducted on the principle of prudent and profitable investments, considering public and social responsibilities of the insurance business. Based on this policy, the Company allocates the fund, securing its liquidity, from the medium-to-long term viewpoints. The Company is diversifying investments in assets such as foreign securities, stocks and real estates within the 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 as of March 31, 2017 were as follows:

	(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	¥ –

*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.

(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, 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.

4. The Company holds investment and rental properties such as office buildings in Tokyo and other areas. The carrying amounts and the fair values of investment and rental properties were ¥171,021 million and ¥282,301 million as of March 31, 2017, respectively. The fair value is mainly based on the value calculated by the Company in accordance with real estate appraisal standards which includes some adjustments using the reference prices.

The amount corresponding to asset retirement obligations included in the carrying amount of investment and rental properties was ¥972 million as of March 31, 2017.

5. The amount of securities lent under lending agreements was ¥38,863 million as of March 31, 2017.

6. The total amounts of credits to bankrupt borrowers, delinquent loans, delinquent loans past 3 months or more and restructured loans, which were included in loans, was ¥1,124 million as of March 31, 2017;

- i) The balance of credits to bankrupt borrowers was ¥239 million as of March 31, 2017.
- ii) The balance of delinquent loans was ¥884 million as of March 31, 2017.
- iii) There was no balance of delinquent loans past 3 months or more and restructured loans as of March 31, 2017.

The direct write-offs related to loans decreased credits to bankrupt borrowers described above by ¥1 million as of March 31, 2017.

Credits to bankrupt borrowers represent loans, excluding the balances already written-off, which meet the conditions prescribed in Article 96 Paragraph 1 item 3 and 4 of the Enforcement Regulations of the Corporate Tax Act. Moreover, accrued interest on these loans is not recorded as income after determining that principal or interest on these loans is unlikely to be collected due to the significant delay in repayment of principal or interest payment or for some other reasons.

Delinquent loans are credits which accrued interest is not recorded as income due to the same reasons as described above, and exclude credits to bankrupt borrowers and loans for which interest payments have been suspended and rescheduled to assist and support the borrowers in the restructuring of their business.

Delinquent loans past 3 months or more are loans for which interest payments or repayments of principal are delinquent for 3 months or more from the due date under the terms of the related loan agreements, excluding those loans classified as credits to bankrupt borrowers and delinquent loans.

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

7. Accumulated depreciation of tangible fixed assets were ¥159,372 million as of March 31, 2017.

8. Total assets in separate accounts provided for in Article 118 of the Insurance Business Act were ¥75,678 million as of March 31, 2017. The amounts of separate account liabilities were the same as separate account assets.

9. The total amounts of receivables from/payables to unconsolidated subsidiaries were ¥2,349 million and ¥117 million as of March 31, 2017, respectively.

10. 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.

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

11. Changes in reserve for dividends to policyholders for the year ended March 31, 2017 were as follows:

	(Millions of yen)
Balance at the beginning of the fiscal year.....	¥ 50,368
Transfer from surplus in the previous fiscal year	35,236
Dividend payments to policyholders during the fiscal year.....	(34,695)
Increase in interest.....	20
Balance at the end of the fiscal year.....	<u>¥ 50,929</u>

12. Changes in reserve for dividends to policyholders (Fukokushinrai Life Insurance Co., Ltd.) for the year ended March 31, 2017 were as follows:

	(Millions of yen)
Balance at the beginning of the fiscal year.....	¥ 650
Dividend payments to policyholders during the fiscal year.....	(472)
Increase in interest.....	0
Provision for reserve for dividends to policyholders.....	419
Balance at the end of the fiscal year.....	<u>¥ 598</u>

13. The amount of stocks of unconsolidated subsidiaries was ¥454 million as of March 31, 2017.

14. 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.

15. Reserve 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”) was ¥5 million as of March 31, 2017.

Policy reserve 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”) was ¥53 million as of March 31, 2017.

16. 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 Act.

17. There were unused commitment line agreements under which the Company is the lender of ¥500 million as of March 31, 2017.

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

19. The future contribution to the Life Insurance Policyholders Protection Corporation of Japan under Article 259 of the Insurance Business Act was estimated at ¥11,474 million as of March 31, 2017.

The contribution is recognized as operating expenses when contributed.

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

(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

	(Millions of yen)
Retirement benefit obligation at the beginning of the fiscal year.....	¥ 85,285
Service cost.....	3,610
Interest cost.....	510
Actuarial differences occurred during the fiscal year.....	656
Retirement benefit payments.....	(4,591)
Others.....	(25)
Retirement benefit obligation at the end of the fiscal year.....	<u>¥ 85,446</u>

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

	(Millions of yen)
Pension plan assets at the beginning of the fiscal year.....	¥ 44,636
Expected return on pension plan assets.....	671
Actuarial differences occurred during the fiscal year.....	57
Contributions by the employer.....	2,757
Retirement benefit payments.....	(1,401)
Others.....	(0)
Pension plan assets at the end of the fiscal year.....	<u>¥ 46,721</u>

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

	(Millions of yen)
a. Funded plan retirement benefit obligation.....	¥ 73,926
b. Pension plan assets.....	<u>(46,721)</u>
c. (a + b)	27,205
d. Unfunded plan retirement benefit obligation.....	<u>11,519</u>
e. Net amount of liabilities and assets presented on the consolidated balance sheet.....	38,725
f. Net defined benefit liabilities.....	<u>38,767</u>
g. Net defined benefit assets.....	<u>(42)</u>
h. Net amount of liabilities and assets presented on the consolidated balance sheet.....	<u>¥ 38,725</u>

iv) Breakdown of retirement benefit gains and losses

	(Millions of yen)
Service cost.....	¥ 3,610
Interest cost.....	510
Expected return on pension plan assets.....	(671)
Amortization of actuarial differences.....	2,306
Amortization of prior service cost.....	(76)
Others.....	0
Retirement benefit expenses related to defined benefit plan.....	<u>¥ 5,680</u>

v) Remeasurements of defined benefit plan

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

	(Millions of yen)
Amortization of actuarial differences.....	¥ 1,707
Amortization of prior service cost.....	(76)
Total.....	<u>¥ 1,631</u>

vi) Accumulated remeasurements of defined benefit plan

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

	(Millions of yen)
Unrecognized actuarial differences.....	¥ (13,156)
Unrecognized prior service cost.....	323
Total.....	<u>¥ (12,833)</u>

vii) Breakdown of pension plan assets

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

Domestic stocks.....	46.0%
Life insurance general account.....	34.3%
Domestic bonds.....	8.0%
Foreign stocks.....	7.9%
Foreign bonds.....	2.7%
Others.....	1.1%
Total.....	<u>100.0%</u>

Within the total of pension assets, 37.1% of this amount is accounted for by the retirement benefit trust established in relation to the retirement lump-sum payments plan for sales employees.

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.

i) Underlying actuarial assumptions

Main underlying actuarial assumptions as of March 31, 2017, were as follows:

Discount rate.....	0.6%
Expected long-term rate of return on pension plan assets	
Defined Benefit Plan.....	2.5%
Retirement benefit trust.....	0.0%

(3) Defined Contribution Plan

The required contribution amount by the Company and its consolidated subsidiaries to the defined contribution plan was ¥297million.

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

III. Notes to the Consolidated Statements of Operations

1. The total amounts of revenues and expenses in connection with unconsolidated subsidiaries were ¥75 million and ¥2,202 million for the year ended March 31, 2017.

2. For the year ended March 31, 2017, reversal of reserve for outstanding claims for ceded reinsurance considered in calculation of reversal of reserve for outstanding claims was ¥9 million, and provision of policy reserve for ceded reinsurance considered in calculation of provision for policy reserve was ¥1 million.

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 for the year ended March 31, 2017 were as follows:

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

	(Millions of yen)
Amount incurred during the fiscal year.....	¥ (13,419)
Reclassification adjustments.....	797
Before tax adjustments.....	(12,621)
Tax effects.....	4,853
Net unrealized gains (losses) on available-for-sale securities, net of tax.....	(7,768)

ii) Revaluation reserve for land, net of tax

	(Millions of yen)
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

	(Millions of yen)
Amount incurred during the fiscal year.....	¥ (318)
Reclassification adjustments.....	–
Before tax adjustments.....	(318)
Tax effects.....	–
Foreign currency translation adjustments.....	(318)

iv) Remeasurements of defined benefit plans, net of tax

	(Millions of yen)
Amount incurred during the fiscal year.....	¥ (599)
Reclassification adjustments.....	2,230
Before tax adjustments.....	1,631
Tax effects.....	(456)
Remeasurements of defined benefit plans, net of tax.....	1,174
Total other comprehensive income.....	¥ (6,912)

V. Notes to the Consolidated Statements of Cash Flows

1. Cash and cash equivalents as of March 31, 2017 consist of "Cash," "Deposits in transfer account," "Current deposits," "Ordinary deposits," "Notice deposits," "Time deposits maturing within 3 months of the date of acquisition," "Foreign currency deposits maturing within 3 months of the date of acquisition," "Negotiable certificate of deposits maturing within 3 months of the date of acquisition," "Call loans" and "Monetary claims bought maturing within 3 months of the date of acquisition."
2. Reconciliations of cash and cash equivalents in the consolidated statements of cash flows to the consolidated balance sheet accounts as of March 31, 2017 were as follows:

	(Millions of yen)
Cash and deposits.....	¥ 136,494
Call loans.....	193,000
Monetary claims bought.....	753
Time deposits maturing over 3 months of the date of acquisition.....	(100)
Foreign currency deposits maturing over 3 months of the date of acquisition.....	(1,157)
Monetary claims bought maturing over 3 months of the date of acquisition.....	(753)
Cash and cash equivalents.....	<u>¥ 328,236</u>

(7) Risk-monitored Loans

(Millions of yen)

	As of March 31, 2016	As of March 31, 2017
Credits to bankrupt borrowers	223	239
Delinquent loans	773	884
Delinquent loans past three months or more	—	—
Restructured loans	—	—
Total	997	1,124
[Percentage of total loans]	[0.14%]	[0.18%]

- Notes: 1. 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 is written-off directly from the borrower's balance as the estimated uncollectible amounts. The amounts written-off related to credits to bankrupt borrowers were ¥247 million as of March, 2016 and ¥1 million as of March 31, 2017.
2. Credits to bankrupt borrowers represent loans which are subject to bankruptcy, corporate reorganization or rehabilitation or other similar, including but not limited to foreign, proceedings. Accruing interest of these loans is not recorded as income after determining that principal or interest on these loans is unlikely to be collected due to the significant delay in repayment of principal or interest payment or for some other reasons.
3. Delinquent loans are credits whose accruing interest is not recorded as income due to the same reasons as described in note 2 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.
4. Delinquent loans past three months or more are loans for which interest payment or repayment of principal are delinquent for three 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.
5. Restructured loans are loans for which certain concessions favorable to borrowers, such as interest reduction or exemptions, rescheduling of due date of principal or interest payment, waiver of claim or other terms, have been negotiated for the purpose of assisting and supporting the borrowers in the restructuring of their business. This category excludes loans classified as credits to bankrupt borrowers, delinquent loans and delinquent loans past three months or more.

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

(Millions of yen)

	As of March 31, 2016	As of March 31, 2017
Total solvency margin (A)	1,417,685	1,488,469
Foundation funds and surplus	234,905	220,040
Reserve for price fluctuation	77,289	91,827
Contingency reserve	152,554	173,088
Catastrophe loss reserve	—	—
General allowance for possible loan losses	1,251	1,213
(Net unrealized gains (losses) on securities (before tax) and deferred hedge gains (losses) (before tax)) × 90%	437,678	427,019
Net unrealized gains on real estate × 85%	105,577	111,340
Sum of unrecognized actuarial differences and unrecognized prior service cost	(14,465)	(12,833)
Excess amount of policy reserve based on full-time Zillmer method	238,473	239,650
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	45,187
Total amount of risk $\sqrt{(\sqrt{R_1^2 + R_5^2 + R_8 + R_9})^2 + (R_2 + R_3 + R_7)^2} + R_4 + R_6$ (B)	211,354	236,754
Insurance risk R_1	25,164	24,459
General insurance risk R_5	—	—
Catastrophe risk R_6	—	—
3rd sector insurance risk R_8	9,690	9,851
Small amount and short-term insurance risk R_9	—	—
Assumed investment yield risk R_2	33,872	33,225
Minimum guarantee risk R_7	0	0
Investment risk R_3	169,750	195,706
Business risk R_4	4,769	5,264
Solvency margin ratio $\frac{(A)}{(1/2) \times (B)} \times 100$	1,341.5%	1,257.3%

Notes: 1. Above figures are calculated based on Articles 86-2 and 88 of the Enforcement Regulation of the Insurance Business Act and Notification of the Financial Services Agency No.23, 2011.

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

(9) Status of Insurance Claims Paying Ability of Insurance Subsidiaries

(Solvency Margin Ratio)

[Fukokushinrai Life Insurance Company]

(Millions of yen)

	As of March 31, 2016	As of March 31, 2017
Total solvency margin (A)	69,244	98,596
Foundation funds and surplus	36,875	68,584
Reserve for price fluctuation	9,000	9,363
Contingency reserve	1,981	2,054
General allowance for possible loan losses	0	0
(Net unrealized gains (losses) on securities (before tax) and deferred hedge gains (losses) (before tax)) × 90%	16,681	13,061
Net unrealized gains on real estate × 85%	—	—
Excess amount of policy reserve based on full-time Zillmer method	2,385	2,561
Qualifying subordinated debt	—	—
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	2,319	2,970
Total amount of risk $\sqrt{(R_1 + R_8)^2 + (R_2 + R_3 + R_7)^2} + R_4$ (B)	20,455	21,403
Insurance risk R_1	570	527
3rd sector insurance risk R_8	112	110
Assumed investment yield risk R_2	391	389
Minimum guarantee risk R_7	—	—
Investment risk R_3	19,638	20,572
Business risk R_4	414	432
Solvency margin ratio $\frac{(A)}{(1/2) \times (B)} \times 100$	677.0%	921.3%

Note: Above figures are calculated based on Articles 86 and 87 of the Enforcement Regulation of the Insurance Business Act and Ministry of Finance No.50, 1996.