

## **Financial Results for the Nine Months Ended December 31, 2017**

Fukoku Mutual Life Insurance Company (President: Yoshiteru Yoneyama) announces financial results for the nine months ended December 31, 2017.

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# 1. Business Highlights

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

### (i) Policies in Force

		As of March 31, 2017		As of December 31, 2017			
		Number of policies (Thousands)	Amount (100 millions of yen)	Number of policies		Amount	
				(Thousands)	Changes (%, Pre-FYE)	(100 millions of yen)	Changes (%, Pre-FYE)
	Individual insurance	3,171	231,606	3,182	100.3	229,045	98.9
	Individual annuities	719	27,903	695	96.7	26,982	96.7
	Subtotal	3,890	259,509	3,877	99.7	256,027	98.7
	Group insurance	—	171,515	—	—	170,130	99.2
	Group annuities	—	21,567	—	—	21,834	101.2

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

### (ii) New Policies

Nine months ended December 31, 2016		Total		New business	Net increase by conversion
		Number of policies (Thousands)	Amount (100 millions of yen)	Amount (100 millions of yen)	Amount (100 millions of yen)
	Individual insurance	298	11,726	10,938	788
	Individual annuities	17	657	670	(13)
	Subtotal	315	12,384	11,609	774
	Group insurance	—	752	752	—
	Group annuities	—	16	16	—

Nine months ended December 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	280	93.8	10,861	92.6	10,338	94.5	522	66.3
	Individual annuities	5	29.3	148	22.7	159	23.7	(10)	—
	Subtotal	285	90.2	11,010	88.9	10,497	90.4	512	66.2
	Group insurance	—	—	338	45.0	338	45.0	—	—
	Group annuities	—	—	158	980.6	158	980.6	—	—

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

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

	Nine months ended December 31, 2016	Nine months ended December 31, 2017	
			Changes (%, YoY)
Amount of surrender and lapse (100 millions of yen)	9,725	9,486	97.5
Surrender and lapse ratio (%)	3.71	3.66	(0.05)

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, 2017	As of December 31, 2017	
			Changes (%, Pre-FYE)
Individual insurance	2,779	2,759	99.3
Individual annuities	1,343	1,308	97.4
Total	4,123	4,067	98.6
Medical coverage and living benefits	1,091	1,105	101.3

### (ii) New Policies

(100 millions of yen, %)

	Nine months ended December 31, 2016	Nine months ended December 31, 2017	
			Changes (%, YoY)
Individual insurance	149	113	76.1
Individual annuities	21	4	20.3
Total	171	118	69.0
Medical coverage and living benefits	59	60	100.6

- Notes: 1. Annualized premiums are calculated by using coefficients based on the premium payment method. (For single premium contracts, the amount is calculated by dividing the premium by the coverage period.)  
2. Figures for medical coverage and living benefits represent portion of annualized premium corresponding to the medical benefits (hospitalization benefits and surgery benefits, etc.), living benefits (nursing care benefits, etc.) and premium waiver benefits, in which disability cause is excluded but causes such as specific illness are included.  
3. New policies include net increase by conversion.

## (3) Selected Items of Statements of Operations

(100 millions of yen, %)

	Nine months ended December 31, 2016	Nine months ended December 31, 2017	
			Changes (%, YoY)
Premium and other income	4,441	4,397	99.0
Investment income	1,100	1,385	125.8
Claims and other payments	3,734	3,880	103.9
Investment expenses	267	354	132.2
Ordinary profits	516	636	123.3

## (4) Total Assets

(100 millions of yen, %)

	As of March 31, 2017	As of December 31, 2017	
			Changes (%, Pre-FYE)
Total assets	65,656	67,694	103.1

## 2. Investment Results of General Account Assets

### (1) Asset Composition

(Millions of yen)

	As of March 31, 2017		As of December 31, 2017	
	Amount	% of total	Amount	% of total
Cash, deposits, and call loans	236,274	3.6 %	243,676	3.6 %
Monetary claims bought	753	0.0	453	0.0
Money held in trust	29,787	0.5	31,637	0.5
Securities	5,297,476	81.6	5,528,065	82.7
Domestic bonds	2,843,537	43.8	2,869,537	42.9
Domestic stocks	656,590	10.1	781,410	11.7
Foreign securities	1,702,602	26.2	1,764,986	26.4
Foreign bonds	1,445,002	22.3	1,475,127	22.1
Foreign stocks and other securities	257,599	4.0	289,858	4.3
Other securities	94,745	1.5	112,131	1.7
Loans	627,722	9.7	598,489	9.0
Policy loans	59,238	0.9	57,585	0.9
Ordinary loans	568,483	8.8	540,903	8.1
Real estate	214,427	3.3	211,741	3.2
Others	85,302	1.3	73,520	1.1
Allowance for possible loan losses	(1,776)	( 0.0)	(1,954)	(0.0)
Total	6,489,968	100.0	6,685,629	100.0
Foreign currency denominated assets	1,966,868	30.3	2,090,442	31.3

Note: The amount of real estate is equal to the amounts of land, buildings, and construction in progress.

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

(Millions of yen)

	As of March 31, 2017					As of December 31, 2017				
	Book value	Fair value		Gains/losses		Book value	Fair value		Gains/losses	
				Gains	Losses				Gains	Losses
Held-to-maturity debt securities	764,914	908,680	143,766	143,766	—	760,857	901,321	140,463	140,463	—
Domestic bonds	739,830	882,479	142,649	142,649	—	739,450	879,033	139,582	139,582	—
Foreign bonds	25,084	26,201	1,116	1,116	—	21,406	22,287	881	881	—
Monetary claims bought	—	—	—	—	—	—	—	—	—	—
Negotiable certificate of deposits	—	—	—	—	—	—	—	—	—	—
Others	—	—	—	—	—	—	—	—	—	—
Policy-reserve-matching bonds	1,008,212	1,166,744	158,531	161,427	2,895	977,495	1,135,376	157,881	160,341	2,459
Domestic bonds	1,002,413	1,160,832	158,418	161,313	2,895	975,395	1,133,190	157,794	160,254	2,459
Foreign bonds	5,799	5,912	113	113	—	2,099	2,186	86	86	—
Investments in subsidiaries and affiliates	—	—	—	—	—	—	—	—	—	—
Available-for-sale securities	2,796,789	3,256,735	459,945	484,808	24,862	2,908,304	3,520,837	612,532	627,571	15,038
Domestic bonds	997,892	1,067,639	69,746	74,152	4,405	1,058,260	1,125,951	67,691	71,327	3,636
Domestic stocks	302,413	587,201	284,787	289,023	4,235	304,248	711,933	407,684	409,557	1,872
Foreign securities	1,426,510	1,516,052	89,542	104,688	15,146	1,471,237	1,584,758	113,521	121,960	8,439
Foreign bonds	1,207,319	1,268,525	61,205	73,765	12,559	1,240,875	1,306,085	65,209	72,685	7,476
Foreign stocks and other securities	219,190	247,527	28,336	30,922	2,586	230,361	278,673	48,311	49,274	963
Other securities	69,973	85,842	15,868	16,944	1,075	74,557	98,193	23,635	24,725	1,089
Money held in trust	—	—	—	—	—	—	—	—	—	—
Monetary claims bought	—	—	—	—	—	—	—	—	—	—
Negotiable certificate of deposits	—	—	—	—	—	—	—	—	—	—
Others	—	—	—	—	—	—	—	—	—	—
Total	4,569,917	5,332,161	762,243	790,001	27,757	4,646,657	5,557,535	910,878	928,375	17,497
Domestic bonds	2,740,136	3,110,951	370,814	378,115	7,300	2,773,107	3,138,175	365,068	371,164	6,096
Domestic stocks	302,413	587,201	284,787	289,023	4,235	304,248	711,933	407,684	409,557	1,872
Foreign securities	1,457,394	1,548,166	90,772	105,918	15,146	1,494,743	1,609,232	114,488	122,928	8,439
Foreign bonds	1,238,203	1,300,639	62,436	74,995	12,559	1,264,381	1,330,559	66,177	73,653	7,476
Foreign stocks and other securities	219,190	247,527	28,336	30,922	2,586	230,361	278,673	48,311	49,274	963
Other securities	69,973	85,842	15,868	16,944	1,075	74,557	98,193	23,635	24,725	1,089
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, 2017	As of December 31, 2017
Held-to-maturity debt securities	—	—
Unlisted foreign bonds	—	—
Others	—	—
Policy-reserve-matching bonds	—	—
Investments in subsidiaries and affiliates	64,837	64,837
Available-for-sale securities	22,044	27,924
Unlisted domestic stocks (except over-the-counter stocks)	6,109	6,196
Unlisted foreign stocks (except over-the-counter stocks)	—	—
Unlisted foreign bonds	—	—
Others	15,934	21,728
Total	86,881	92,761

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 (¥1,484 million as of March 31, 2017 and ¥1,837 million as of December 31, 2017) are included in their balance sheet carrying amounts.

### (3) Fair Value Information on Money Held in Trust

(Millions of yen)

	As of March 31, 2017					As of December 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	29,787	29,787	—	—	—	31,637	31,637	—	—	—

#### • Money held in trust for trading purpose

(Millions of yen)

	As of March 31, 2017		As of December 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	28,787	0	30,637	64

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

(Millions of yen)

	As of March 31, 2017					As of December 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 of Real Estate (Land and Leaseholds)

(Millions of yen)

As of March 31, 2017			As of December 31, 2017		
Carrying value on the balance sheet	Fair value	Gains/losses	Carrying value on the balance sheet	Fair value	Gains/losses
125,278	241,184	115,905	124,978	241,343	116,364

Notes: As of December 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, 2017.

∴ 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.

### 3. Non-consolidated Balance Sheets

(Millions of yen)

	As of March 31, 2017	As of December 31, 2017
<b>Assets:</b>		
Cash and deposits	44,681	45,464
Call loans	193,000	200,000
Monetary claims bought	753	453
Money held in trust	29,787	31,637
Securities	5,369,678	5,609,733
[Government bonds]	[2,015,161]	[2,029,149]
[Local government bonds]	[123,972]	[115,946]
[Corporate bonds]	[733,459]	[753,346]
[Stocks]	[679,556]	[811,038]
[Foreign securities]	[1,722,752]	[1,788,094]
Loans	627,722	598,489
Policy loans	59,238	57,585
Ordinary loans	568,483	540,903
Tangible fixed assets	219,515	216,808
Intangible fixed assets	22,052	24,106
Reinsurance receivables	200	36
Other assets	60,032	44,704
Allowance for possible loan losses	(1,776)	(1,954)
<b>Total assets</b>	<b>6,565,647</b>	<b>6,769,479</b>
	As of March 31, 2017	As of December 31, 2017
<b>Liabilities:</b>		
Policy reserves	5,604,007	5,634,186
Reserve for outstanding claims	19,533	18,805
Policy reserve	5,533,544	5,551,267
Reserve for dividends to policyholders	50,929	64,112
Reinsurance payables	62	77
Subordinated bonds	191,935	191,935
Other liabilities	44,797	47,389
Corporate income tax payable	4,733	2,622
Asset retirement obligations	3,250	3,231
Rest of the other liabilities	36,812	41,535
Reserve for employees' retirement benefits	25,789	25,536
Reserve for price fluctuation	82,464	84,912
Deferred tax liabilities	19,132	61,641
Deferred tax liabilities for land revaluation	14,265	14,258
<b>Total liabilities</b>	<b>5,982,454</b>	<b>6,059,936</b>
<b>Net assets:</b>		
Foundation funds	10,000	10,000
Accumulated foundation funds redeemed	106,000	106,000
Reserve for revaluation	112	112
Surplus	129,427	145,357
Legal reserve for future losses	2,849	2,954
Other surplus	126,578	142,403
Reserve for redemption of foundation funds	4,000	6,000
Reserve for dividend allowances	20,000	20,000
Accumulated fund for price fluctuation	41,000	41,000
Reserve for advanced depreciation of real estate for tax purpose	257	255
Reserve for special account for advanced depreciation of real estate for tax purpose	100	—
Other reserves	767	767
Unappropriated surplus	60,453	74,380
Total foundation funds, surplus and others	245,539	261,469
Net unrealized gains (losses) on available-for-sale securities, net of tax	333,545	443,879
Revaluation reserve for land, net of tax	4,107	4,192
Total valuation and translation adjustments	337,652	448,072
<b>Total net assets</b>	<b>583,192</b>	<b>709,542</b>
<b>Total liabilities and net assets</b>	<b>6,565,647</b>	<b>6,769,479</b>

## 4. Non-consolidated Statements of Operations

(Millions of yen)

	Nine months ended December 31, 2016	Nine months ended December 31, 2017
<b>Ordinary revenues:</b>		
Premium and other income	444,117	439,712
[Premium income]	[444,015]	[439,593]
Investment income	110,084	138,510
[Interest, dividends and other income]	[95,287]	[104,159]
[Gains on money held in trust, net]	[—]	[1,895]
[Gains on trading securities, net]	[—]	[8,506]
[Gains on sales of securities]	[8,353]	[14,307]
[Gains on derivative instruments, net]	[2,309]	[—]
[Gains on separate accounts, net]	[3,923]	[8,856]
Other ordinary revenues	7,797	6,801
[Reversal of reserve for outstanding claims]	[2,439]	[727]
<b>Total ordinary revenues</b>	<b>561,998</b>	<b>585,025</b>
<b>Ordinary expenses:</b>		
Claims and other payments	373,425	388,047
[Claims]	[83,368]	[105,376]
[Annuities]	[132,441]	[125,439]
[Benefits]	[79,391]	[77,093]
[Surrenders]	[54,845]	[59,161]
[Other payments]	[23,054]	[20,768]
Provision of policy reserve and others	31,501	17,731
Provision of policy reserve	31,483	17,722
Provision of interest portion of reserve for dividends to policyholders	18	8
Investment expenses	26,779	35,414
[Interest expenses]	[2,972]	[3,251]
[Losses on money held in trust, net]	[1,390]	[—]
[Losses on trading securities, net]	[3,358]	[—]
[Losses on sales of securities]	[2,862]	[2,059]
[Losses on valuation of securities]	[—]	[44]
[Losses on derivative instruments, net]	[—]	[10,918]
[Foreign exchange losses, net]	[8,470]	[10,321]
Operating expenses	64,510	66,158
Other ordinary expenses	14,177	14,048
<b>Total ordinary expenses</b>	<b>510,394</b>	<b>521,400</b>
<b>Ordinary profits</b>	<b>51,604</b>	<b>63,625</b>
<b>Extraordinary gains:</b>		
Gains on disposal of fixed assets	2	244
Others	42	—
<b>Total extraordinary gains</b>	<b>45</b>	<b>244</b>
<b>Extraordinary losses:</b>		
Losses on disposal of fixed assets	82	162
Impairment losses	51	140
Provision of reserve for price fluctuation	2,381	2,448
Losses on advanced depreciation of real estate for tax purpose	—	3
<b>Total extraordinary losses</b>	<b>2,514</b>	<b>2,754</b>
<b>Surplus before income taxes</b>	<b>49,134</b>	<b>61,114</b>
<b>Income taxes:</b>		
Current	9,820	10,511
Deferred	(3,209)	(104)
<b>Total income taxes</b>	<b>6,611</b>	<b>10,407</b>
<b>Net surplus for the period</b>	<b>42,522</b>	<b>50,707</b>



## Notes to the Non-consolidated Financial Statements

### I. Presentation of the Non-consolidated Financial Statements

#### 1. Basis of presentation

The accompanying non-consolidated financial statements have been prepared from the accounts maintained by 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 the Non-consolidated Balance Sheets

1. The amount of securities lent under lending agreements was ¥209,955 million as of December 31, 2017.

2. Changes in reserve for dividends to policyholders for the nine months ended December 31, 2017 were as follows:

	(Millions of yen)
Balance at the beginning of the current period.....	¥ 50,929
Transfer from surplus in the previous fiscal year.....	34,592
Dividend payments to policyholders during the current period.....	(21,417)
Increase in interest.....	8
Balance at the end of the current period.....	<u>¥ 64,112</u>

## 5. Breakdown of Ordinary Profits (Fundamental Profit)

(Millions of yen)		
	Nine months ended December 31, 2016	Nine months ended December 31, 2017
<b>Fundamental profit</b> <b>A</b>	<b>61,959</b>	<b>66,884</b>
Capital gains	10,663	20,187
Gains on money held in trust, net	—	1,769
Gains on trading securities, net	—	4,110
Gains on sales of securities	8,353	14,307
Gains on derivative instruments, net	2,309	—
Foreign exchange gains, net	—	—
Other capital gains	—	—
Capital losses	21,140	23,345
Losses on money held in trust, net	1,486	—
Losses on trading securities, net	8,320	—
Losses on sales of securities	2,862	2,059
Losses on valuation of securities	—	44
Losses on derivative instruments, net	—	10,918
Foreign exchange losses, net	8,470	10,321
Other capital losses	—	—
Net capital gains (losses) <b>B</b>	<b>(10,477)</b>	<b>(3,157)</b>
Fundamental profit plus net capital gains (losses) <b>A+B</b>	<b>51,481</b>	<b>63,726</b>
Non-recurring gains	122	17
Reinsurance income	—	—
Reversal of contingency reserve	91	—
Reversal of specific allowance for possible loan losses	31	17
Others	—	—
Non-recurring losses	—	118
Reinsurance premiums	—	—
Provision for contingency reserve	—	118
Provision of specific allowance for possible loan losses	—	—
Provision of allowance for specified overseas loans	—	—
Write-off of loans	—	—
Others	—	—
Non-recurring gains (losses) <b>C</b>	<b>122</b>	<b>(101)</b>
Ordinary profits <b>A+B+C</b>	<b>51,604</b>	<b>63,625</b>

- 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): ¥95 million in respect of the nine months ended December 31, 2016 and ¥126 million in respect of the nine months ended December 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): ¥4,962 million in respect of the nine months ended December 31, 2016 and ¥4,395 million in respect of the nine months ended December 31, 2017.

## 6. Solvency Margin Ratio

(Millions of yen)

	As of March 31, 2017	As of December 31, 2017
Total solvency margin (A)	1,414,023	1,595,849
Foundation funds and surplus	208,227	232,861
Reserve for price fluctuation	82,464	84,912
Contingency reserve	171,033	171,152
General allowance for possible loan losses	1,213	1,408
(Net unrealized gains (losses) on securities (before tax) and deferred hedge gains (losses) (before tax)) × 90%	415,287	552,933
Net unrealized gains on real estate × 85%	111,340	114,424
Excess amount of policy reserve based on full-time Zillmer method	237,089	239,541
Qualifying subordinated debt	191,935	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	(46,783)	(46,783)
Others	42,217	53,463
Total amount of risk $\sqrt{(R_1 + R_8)^2 + (R_5 + R_3 + R_7)^2} + R_4$ (B)	232,798	272,823
Insurance risk $R_1$	23,949	23,379
3rd sector insurance risk $R_8$	9,740	9,684
Assumed investment yield risk $R_2$	32,835	32,907
Minimum guarantee risk $R_7$	0	—
Investment risk $R_3$	192,279	231,901
Business risk $R_4$	5,176	5,957
Solvency margin ratio $\frac{(A)}{(1/2) \times (B)} \times 100$	1,214.8%	1,169.8%

Notes: 1. Figures as of March 31, 2017, are calculated based on the provisions of Articles 86 and 87 of the Enforcement Regulation of the Insurance Business Act and Ministry of Finance Notification No. 50, 1996. Figures as of December 31, 2017, are calculated in accordance with these provisions.

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

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

## 7. Status of Separate Account

### (1) Separate Account Assets by Products

(Millions of yen)

	As of March 31, 2017	As of December 31, 2017
	Amount	Amount
Individual variable insurance	—	—
Individual variable annuities	39	34
Group annuities	75,639	83,814
Total	75,678	83,849

### (2) Policies in Force

#### (i) Individual Variable Insurance

The Company has not sold the individual variable insurance.

#### (ii) Individual Variable Annuities

(Millions of yen except number of policies)

	As of March 31, 2017		As of December 31, 2017	
	Number of policies	Amount	Number of policies	Amount
Individual variable annuities	13	33	10	27
Total	13	33	10	27

## 8. Status of the Company, Subsidiaries and Affiliates

### (1) Selected Financial Data

(100 millions of yen)

	Nine months ended December 31, 2016	Nine months ended December 31, 2017
Ordinary revenues	6,495	6,273
Ordinary profits	541	647
Net surplus attributable to the parent company	433	508
Comprehensive income	463	1,623

	As of March 31, 2017	As of December 31, 2017
Total assets	84,329	86,353
Solvency margin ratio	1,257.3%	1,212.5%

### (2) Scope of Consolidation and Application of Equity Method

Number of consolidated subsidiaries: 6

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

Number of affiliates accounted for under the equity method: 0

### (3) Consolidated Balance Sheets

(Millions of yen)

	As of March 31, 2017	As of December 31, 2017
<b>Assets:</b>		
Cash and deposits	136,494	123,030
Call loans	193,000	200,000
Monetary claims bought	753	453
Money held in trust	29,787	31,637
Securities	7,130,780	7,370,280
Loans	631,109	601,985
Tangible fixed assets	219,873	217,123
Intangible fixed assets	26,326	39,592
Agency receivables	4	0
Reinsurance receivables	200	37
Other assets	66,237	52,934
Net defined benefit asset	42	92
Deferred tax assets	153	162
Allowance for possible loan losses	(1,776)	(1,954)
<b>Total assets</b>	<b>8,432,988</b>	<b>8,635,376</b>
	As of March 31, 2017	As of December 31, 2017
<b>Liabilities:</b>		
Policy reserves	7,438,936	7,455,290
Reserve for outstanding claims	22,223	21,094
Policy reserve	7,365,185	7,369,597
Reserve for dividends to policyholders	50,929	64,112
Reserve for dividends to policyholders (subsidiary)	598	485
Agency payables	98	68
Reinsurance payables	79	95
Subordinated bonds	191,935	191,935
Other liabilities	46,006	60,867
Net defined benefit liabilities	38,767	36,856
Reserve for price fluctuation	91,827	94,547
Deferred tax liabilities	16,233	59,015
Deferred tax liabilities for land revaluation	14,265	14,258
<b>Total liabilities</b>	<b>7,838,150</b>	<b>7,912,934</b>
<b>Net assets:</b>		
Foundation funds	10,000	10,000
Accumulated foundation funds redeemed	106,000	106,000
Reserve for revaluation	112	112
Consolidated surplus	133,217	149,266
Total foundation funds, surplus and others	249,329	265,379
Net unrealized gains (losses) on available-for-sale securities, net of tax	342,470	452,643
Revaluation reserve for land, net of tax	4,107	4,192
Foreign currency translation adjustment	(433)	(387)
Accumulated remeasurements of defined benefit plans	(9,240)	(8,014)
Total accumulated other comprehensive income	336,904	448,434
Non-controlling interests	8,603	8,628
<b>Total net assets</b>	<b>594,837</b>	<b>722,441</b>
<b>Total liabilities and net assets</b>	<b>8,432,988</b>	<b>8,635,376</b>

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

##### [Consolidated Statements of Operations]

(Millions of yen)

	Nine months ended December 31, 2016	Nine months ended December 31, 2017
<b>Ordinary revenues:</b>		
Premium and other income	512,255	462,010
Investment income	128,883	157,274
[Interest, dividends and other income]	[113,410]	[122,396]
[Gains on money held in trust, net]	[—]	[1,895]
[Gains on trading securities, net]	[—]	[8,506]
[Gains on sales of securities]	[9,037]	[14,839]
[Gains on derivative instruments, net]	[2,309]	[—]
[Gains on separate accounts, net]	[3,923]	[8,856]
Other ordinary revenues	8,448	8,086
[Reversal of reserve for outstanding claims]	[2,426]	[1,128]
<b>Total ordinary revenues</b>	<b>649,588</b>	<b>627,371</b>
<b>Ordinary expenses:</b>		
Claims and other payments	416,825	433,872
[Claims]	[87,164]	[110,105]
[Annuities]	[133,448]	[126,526]
[Benefits]	[87,971]	[86,638]
[Surrenders]	[84,649]	[89,465]
[Other payments]	[23,144]	[20,807]
Provision of policy reserve and others	64,881	4,420
Provision of policy reserve	64,863	4,412
Provision of interest portion of reserve for dividends to policyholders	18	8
Provision of interest portion of reserve for dividends to policyholders (subsidiary)	0	0
Investment expenses	25,891	34,402
[Interest expenses]	[2,976]	[3,260]
[Losses on money held in trust, net]	[1,390]	[—]
[Losses on trading securities, net]	[3,358]	[—]
[Losses on sales of securities]	[2,862]	[2,059]
[Losses on valuation of securities]	[—]	[44]
[Losses on derivative instruments, net]	[—]	[10,918]
[Foreign exchange losses, net]	[8,470]	[10,321]
Operating expenses	72,065	73,743
Other ordinary expenses	15,794	16,146
<b>Total ordinary expenses</b>	<b>595,458</b>	<b>562,585</b>
<b>Ordinary profits</b>	<b>54,129</b>	<b>64,785</b>
<b>Extraordinary gains:</b>		
Gains on disposal of fixed assets	2	244
Others	42	—
<b>Total extraordinary gains</b>	<b>45</b>	<b>244</b>
<b>Extraordinary losses:</b>		
Losses on disposal of fixed assets	84	163
Impairment losses	51	140
Provision of reserve for price fluctuation	2,653	2,719
Losses on advanced depreciation of real estate for tax purpose	—	3
<b>Total extraordinary losses</b>	<b>2,789</b>	<b>3,027</b>
<b>Provision of reserve for dividends to policyholders (subsidiary)</b>	<b>315</b>	<b>250</b>
<b>Surplus before income taxes</b>	<b>51,069</b>	<b>61,752</b>
<b>Income taxes:</b>		
Current	10,587	11,114
Deferred	(3,113)	(247)
<b>Total income taxes</b>	<b>7,473</b>	<b>10,867</b>
<b>Net surplus</b>	<b>43,595</b>	<b>50,884</b>
<b>Net surplus attributable to non-controlling interests</b>	<b>214</b>	<b>57</b>
<b>Net surplus attributable to the parent company</b>	<b>43,381</b>	<b>50,826</b>

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

[Consolidated Statements of Comprehensive Income]

(Millions of yen)

	Nine months ended December 31, 2016	Nine months ended December 31, 2017
Net surplus	43,595	50,884
Other comprehensive income	2,778	111,426
Net unrealized gains (losses) on available-for-sale securities, net of tax	2,124	110,154
Foreign currency translation adjustments	(550)	46
Remeasurements of defined benefit plan, net of tax	1,204	1,225
Comprehensive income	46,374	162,310
Comprehensive income attributable to the parent company	46,415	162,271
Comprehensive income attributable to non-controlling interests	(41)	38



# 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 Fukuoku Mutual Life Insurance Company (the "Company") and its consolidated subsidiaries in accordance with the provisions set forth in the Insurance Business Act of Japan and its related rules and regulations and in conformity with accounting principles generally accepted in Japan, which are different in certain respects from accounting principles generally accepted in countries and jurisdictions other than Japan.

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

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

## II. Notes to the Consolidated Balance Sheets

1. The amount of securities lent under lending agreements was ¥209,955 million as of December 31, 2017.

2. Changes in reserve for dividends to policyholders for the nine months ended December 31, 2017 were as follows:

(Millions of yen)

Balance at the beginning of the current period.....	¥50,929
Transfer from surplus in the previous fiscal year.....	34,592
Dividend payments to policyholders during the current period.....	(21,417)
Increase in interest.....	8
Balance at the end of the current period.....	<u>¥64,112</u>

3. Changes in reserve for dividends to policyholders (Fukokushinrai Life Insurance Co., Ltd.) for the nine months ended December 31, 2017 were as follows:

(Millions of yen)

Balance at the beginning of the current period.....	¥598
Dividend payments to policyholders during the current period.....	(363)
Increase in interest.....	0
Provision of reserve for dividends to policyholders.....	250
Balance at the end of the current period.....	<u>¥485</u>

## III. Notes to the Consolidated Statements of Operations

1. For the nine months ended December 31, 2017, the total amount of depreciation, including depreciation of real estate for rent, was ¥9,091 million and the amount of amortization of goodwill was ¥572 million.

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

(Millions of yen)

	As of March 31, 2017	As of December 31, 2017
Total solvency margin (A)	1,488,469	1,672,969
Foundation funds and surplus	220,040	245,326
Reserve for price fluctuation	91,827	94,547
Contingency reserve	173,088	173,298
Catastrophe loss reserve	—	—
General allowance for possible loan losses	1,213	1,408
(Net unrealized gains (losses) on securities (before tax) and deferred hedge gains (losses) (before tax)) × 90%	427,019	564,473
Net unrealized gains on real estate × 85%	111,340	114,424
Sum of unrecognized actuarial differences and unrecognized prior service cost	(12,833)	(11,131)
Excess amount of policy reserve based on full-time Zillmer method	239,650	242,089
Qualifying subordinated debt	191,935	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	45,187	56,597
Total amount of risk $\sqrt{(\sqrt{(R_1^2 + R_5^2 + R_6 + R_9)^2} + (R_2 + R_3 + R_7)^2 + R_4 + R_8}$ (B)	236,754	275,946
Insurance risk $R_1$	24,459	23,882
General insurance risk $R_5$	—	—
Catastrophe risk $R_6$	—	—
3rd sector insurance risk $R_8$	9,851	9,795
Small amount and short-term insurance risk $R_9$	—	—
Assumed investment yield risk $R_2$	33,225	33,294
Minimum guarantee risk $R_7$	0	—
Investment risk $R_3$	195,706	234,513
Business risk $R_4$	5,264	6,029
Solvency margin ratio $\frac{(A)}{(1/2) \times (B)} \times 100$	1,257.3%	1,212.5%

Notes: 1. Figures as of March 31, 2017, are calculated based on the provisions of Articles 86-2 and 88 of the Enforcement Regulation of the Insurance Business Act and Financial Service Agency Notification No. 23, 2012. Figures as of December 31, 2017, are calculated in accordance with these provisions.

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