

## **Financial Results for the Three Months Ended June 30, 2017**

Fukoku Mutual Life Insurance Company (President: Yoshiteru Yoneyama) announces financial results for the three months ended June 30, 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 June 30, 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	3,173	100.1	230,824	99.7
	Individual annuities	719	27,903	712	99.0	27,611	99.0
	Subtotal	3,890	259,509	3,885	99.9	258,436	99.6
	Group insurance	—	171,515	—	—	167,973	97.9
	Group annuities	—	21,567	—	—	21,607	100.2

- 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

Three months ended June 30, 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	102	4,103	3,809	293
	Individual annuities	5	202	206	(4)
	Subtotal	108	4,305	4,015	289
	Group insurance	—	21	21	—
	Group annuities	—	14	14	—

Three months ended June 30, 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	90	88.3	3,677	89.6	3,528	92.6	149	50.8
	Individual annuities	1	25.2	41	20.5	45	21.8	(3)	—
	Subtotal	92	85.2	3,719	86.4	3,573	89.0	145	50.3
	Group insurance	—	—	143	650.4	143	650.4	—	—
	Group annuities	—	—	158	1,122.8	158	1,122.8	—	—

- 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)

	Three months ended June 30, 2016	Three months ended June 30, 2017	
			Changes (%, YoY)
Amount of surrender and lapse (100 millions of yen)	3,245	3,271	100.8
Surrender and lapse ratio (%)	1.24	1.26	0.02

- 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 June 30, 2017	
			Changes (%, Pre-FYE)
Individual insurance	2,779	2,768	99.6
Individual annuities	1,343	1,335	99.4
Total	4,123	4,103	99.5
Medical coverage and living benefits	1,091	1,095	100.4

### (ii) New Policies

(100 millions of yen, %)

	Three months ended June 30, 2016	Three months ended June 30, 2017	
			Changes (%, YoY)
Individual insurance	53	35	66.8
Individual annuities	6	1	18.9
Total	59	36	61.5
Medical coverage and living benefits	20	20	97.1

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, %)

	Three months ended June 30, 2016	Three months ended June 30, 2017	
			Changes (%, YoY)
Premium and other income	1,980	1,919	96.9
Investment income	564	464	82.3
Claims and other payments	1,458	1,757	120.5
Investment expenses	339	125	37.0
Ordinary profits	160	217	135.6

## (4) Total Assets

(100 millions of yen, %)

	As of March 31, 2017	As of June 30, 2017	
			Changes (%, Pre-FYE)
Total assets	65,656	66,724	101.6

## 2. Investment Results of General Account Assets

### (1) Asset Composition

(Millions of yen)

	As of March 31, 2017		As of June 30, 2017	
	Amount	% of total	Amount	% of total
Cash, deposits, call loans	236,274	3.6 %	255,183	3.9 %
Monetary claims bought	753	0.0	738	0.0
Money held in trust	29,787	0.5	30,231	0.5
Securities	5,297,476	81.6	5,363,643	81.3
Domestic bonds	2,843,537	43.8	2,847,353	43.2
Domestic stocks	656,590	10.1	702,988	10.7
Foreign securities	1,702,602	26.2	1,707,631	25.9
Foreign bonds	1,445,002	22.3	1,429,395	21.7
Foreign stocks and other securities	257,599	4.0	278,235	4.2
Other securities	94,745	1.5	105,670	1.6
Loans	627,722	9.7	623,084	9.4
Policy loans	59,238	0.9	58,783	0.9
Ordinary loans	568,483	8.8	564,301	8.6
Real estate	214,427	3.3	213,638	3.2
Others	85,302	1.3	109,077	1.7
Allowance for possible loan losses	(1,776)	( 0.0)	(1,866)	(0.0)
Total	6,489,968	100.0	6,593,730	100.0
Foreign currency denominated assets	1,966,868	30.3	2,042,908	31.0

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 June 30, 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	—	760,677	902,404	141,727	141,727	—
	Domestic bonds	739,830	882,479	142,649	142,649	—	739,659	880,210	140,551	140,551	—
	Foreign bonds	25,084	26,201	1,116	1,116	—	21,017	22,193	1,176	1,176	—
	Monetary claims bought	—	—	—	—	—	—	—	—	—	—
	Negotiable certificate of deposits	—	—	—	—	—	—	—	—	—	—
	Others	—	—	—	—	—	—	—	—	—	—
	Policy-reserve-matching bonds	1,008,212	1,166,744	158,531	161,427	2,895	988,766	1,145,712	156,945	159,775	2,830
	Domestic bonds	1,002,413	1,160,832	158,418	161,313	2,895	984,667	1,141,519	156,851	159,682	2,830
	Foreign bonds	5,799	5,912	113	113	—	4,099	4,193	93	93	—
	Investments in subsidiaries and affiliates	—	—	—	—	—	—	—	—	—	—
	Available-for-sale securities	2,796,789	3,256,735	459,945	484,808	24,862	2,838,993	3,348,975	509,982	526,349	16,366
	Domestic bonds	997,892	1,067,639	69,746	74,152	4,405	1,020,860	1,092,416	71,556	74,432	2,875
	Domestic stocks	302,413	587,201	284,787	289,023	4,235	313,048	633,598	320,550	323,573	3,023
	Foreign securities	1,426,510	1,516,052	89,542	104,688	15,146	1,425,748	1,526,235	100,486	109,796	9,310
	Foreign bonds	1,207,319	1,268,525	61,205	73,765	12,559	1,191,445	1,258,522	67,076	74,244	7,168
	Foreign stocks and other securities	219,190	247,527	28,336	30,922	2,586	234,303	267,712	33,409	35,551	2,141
	Other securities	69,973	85,842	15,868	16,944	1,075	79,335	96,724	17,389	18,547	1,157
	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	4,588,437	5,397,092	808,655	827,852	19,197
	Domestic bonds	2,740,136	3,110,951	370,814	378,115	7,300	2,745,187	3,114,146	368,959	374,665	5,705
	Domestic stocks	302,413	587,201	284,787	289,023	4,235	313,048	633,598	320,550	323,573	3,023
	Foreign securities	1,457,394	1,548,166	90,772	105,918	15,146	1,450,866	1,552,622	101,756	111,066	9,310
	Foreign bonds	1,238,203	1,300,639	62,436	74,995	12,559	1,216,562	1,284,909	68,346	75,514	7,168
	Foreign stocks and other securities	219,190	247,527	28,336	30,922	2,586	234,303	267,712	33,409	35,551	2,141
	Other securities	69,973	85,842	15,868	16,944	1,075	79,335	96,724	17,389	18,547	1,157
	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 June 30, 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	22,296
Unlisted domestic stocks (except over-the-counter stocks)	6,109	6,109
Unlisted foreign stocks (except over-the-counter stocks)	—	—
Unlisted foreign bonds	—	—
Others	15,934	16,186
Total	86,881	87,133

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 ¥1,724 million as of June 30, 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 June 30, 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	—	—	—	30,231	30,231	—	—	—

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

(Millions of yen)

	As of March 31, 2017		As of June 30, 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	29,231	212

#### • 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 June 30, 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 June 30, 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	125,271	241,214	115,943

Notes: 1 As of June 30, 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, 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 June 30, 2017
<b>Assets:</b>		
Cash and deposits	44,681	56,813
Call loans	193,000	200,000
Monetary claims bought	753	738
Money held in trust	29,787	30,231
Securities	5,369,678	5,438,421
[Government bonds]	[2,015,161]	[2,002,848]
[Local government bonds]	[123,972]	[119,693]
[Corporate bonds]	[733,459]	[754,249]
[Stocks]	[679,556]	[727,346]
[Foreign securities]	[1,722,752]	[1,728,584]
Loans	627,722	623,084
Policy loans	59,238	58,783
Ordinary loans	568,483	564,301
Tangible fixed assets	219,515	218,536
Intangible fixed assets	22,052	22,681
Reinsurance receivables	200	15
Other assets	60,032	83,841
Allowance for possible loan losses	(1,776)	(1,866)
<b>Total assets</b>	<b>6,565,647</b>	<b>6,672,497</b>
	As of March 31, 2017	As of June 30, 2017
<b>Liabilities:</b>		
Policy reserves	5,604,007	5,631,115
Reserve for outstanding claims	19,533	17,996
Policy reserve	5,533,544	5,538,972
Reserve for dividends to policyholders	50,929	74,146
Reinsurance payables	62	57
Subordinated bonds	191,935	191,935
Other liabilities	44,797	91,284
Corporate income tax payable	4,733	2,838
Asset retirement obligations	3,250	3,265
Rest of the other liabilities	36,812	85,180
Reserve for employees' retirement benefits	25,789	25,529
Reserve for price fluctuation	82,464	83,273
Deferred tax liabilities	19,132	32,942
Deferred tax liabilities for land revaluation	14,265	14,264
<b>Total liabilities</b>	<b>5,982,454</b>	<b>6,070,402</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	112,131
Legal reserve for future losses	2,849	2,954
Other surplus	126,578	109,177
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	41,154
Total foundation funds, surplus and others	245,539	228,243
Net unrealized gains (losses) on available-for-sale securities, net of tax	333,545	369,746
Revaluation reserve for land, net of tax	4,107	4,104
Total valuation and translation adjustments	337,652	373,851
<b>Total net assets</b>	<b>583,192</b>	<b>602,094</b>
<b>Total liabilities and net assets</b>	<b>6,565,647</b>	<b>6,672,497</b>

## 4. Non-consolidated Statements of Operations

(Millions of yen)

	Three months ended June 30, 2016	Three months ended June 30, 2017
<b>Ordinary revenues:</b>		
Premium and other income	198,010	191,933
[Premium income]	[197,971]	[191,917]
Investment income	56,497	46,485
[Interest, dividends and other income]	[28,792]	[33,221]
[Gains on money held in trust, net]	[—]	[483]
[Gains on trading securities, net]	[—]	[3,511]
[Gains on sales of securities]	[201]	[6,684]
[Gains on derivative instruments, net]	[27,422]	[—]
[Gains on separate accounts, net]	[—]	[2,561]
Other ordinary revenues	4,869	3,536
[Reversal of reserve for outstanding claims]	[2,983]	[1,536]
<b>Total ordinary revenues</b>	<b>259,376</b>	<b>241,955</b>
<b>Ordinary expenses:</b>		
Claims and other payments	145,827	175,703
[Claims]	[44,134]	[66,131]
[Annuities]	[44,642]	[40,320]
[Benefits]	[27,775]	[27,980]
[Surrenders]	[19,163]	[32,105]
[Other payments]	[9,999]	[9,108]
Provision of policy reserve and others	37,300	5,430
Provision of policy reserve	37,288	5,427
Provision of interest portion of reserve for dividends to policyholders	11	2
Investment expenses	33,944	12,547
[Interest expenses]	[955]	[1,082]
[Losses on money held in trust, net]	[2,178]	[—]
[Losses on trading securities, net]	[20,545]	[—]
[Losses on sales of securities]	[—]	[845]
[Losses on valuation of securities]	[138]	[—]
[Losses on derivative instruments, net]	[—]	[4,786]
[Foreign exchange losses, net]	[5,606]	[3,029]
[Losses on separate accounts, net]	[2,182]	[—]
Operating expenses	21,281	21,807
Other ordinary expenses	4,979	4,718
<b>Total ordinary expenses</b>	<b>243,333</b>	<b>220,208</b>
<b>Ordinary profits</b>	<b>16,043</b>	<b>21,747</b>
<b>Extraordinary gains:</b>		
Gains on disposal of fixed assets	0	0
Others	42	—
<b>Total extraordinary gains</b>	<b>43</b>	<b>0</b>
<b>Extraordinary losses:</b>		
Losses on disposal of fixed assets	8	11
Impairment losses	18	0
Provision of reserve for price fluctuation	753	809
<b>Total extraordinary losses</b>	<b>779</b>	<b>821</b>
<b>Surplus before income taxes</b>	<b>15,306</b>	<b>20,925</b>
<b>Income taxes:</b>		
Current	5,603	3,800
Deferred	(3,738)	(266)
<b>Total income taxes</b>	<b>1,865</b>	<b>3,533</b>
<b>Net surplus for the period</b>	<b>13,440</b>	<b>17,392</b>



## 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 Fukuoku 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. As the proposal for appropriation of unappropriated surplus for the fiscal year ended March 31, 2017 was approved by the Board of Representative Member of Policyholders on July 4, 2017, it is included in the non-consolidated balance sheet as of June 30, 2017.
2. The amount of securities lent under lending agreements was ¥90,321 million as of June 30, 2017.
3. Changes in reserve for dividends to policyholders for the three months ended June 30, 2017 were as follows:

	(Millions of yen)
Balance at the beginning of the current period.....	¥ 50,929
Transfer from surplus in the previous period.....	34,592
Dividend payments to policyholders in the current period.....	(11,378)
Increase in interest.....	2
Balance at the end of the current period.....	<u>¥ 74,146</u>

4. At a Board of Directors meeting on June 26, 2017, a resolution was passed to issue subordinated bonds of up to ¥30,000 million during the fiscal year ending March 31, 2018.

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

(Millions of yen)

	Three months ended June 30, 2016	Three months ended June 30, 2017
<b>Fundamental profit</b> A	<b>18,429</b>	<b>21,149</b>
Capital gains	27,623	9,211
Gains on money held in trust, net	—	463
Gains on trading securities, net	—	2,063
Gains on sales of securities	201	6,684
Gains on derivative instruments, net	27,422	—
Foreign exchange gains, net	—	—
Other capital gains	—	—
Capital losses	30,016	8,661
Losses on money held in trust, net	2,192	—
Losses on trading securities, net	22,078	—
Losses on sales of securities	—	845
Losses on valuation of securities	138	—
Losses on derivative instruments, net	—	4,786
Foreign exchange losses, net	5,606	3,029
Other capital losses	—	—
Net capital gains (losses) B	(2,392)	550
Fundamental profit plus net capital gains (losses) A+B	16,037	21,699
Non-recurring gains	6	52
Reinsurance income	—	—
Reversal of contingency reserve	2	52
Reversal of specific allowance for possible loan losses	4	—
Others	—	—
Non-recurring losses	—	5
Reinsurance premiums	—	—
Provision for contingency reserve	—	—
Provision of specific allowance for possible loan losses	—	5
Provision of allowance for specified overseas loans	—	—
Write-off of loans	—	—
Others	—	—
Non-recurring gains (losses) C	6	47
Ordinary profits A+B+C	16,043	21,747

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): ¥13 million in respect of the three months ended June 30, 2016 and ¥20 million in respect of the three months ended June 30, 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): ¥1,533 million in respect of the three months ended June 30, 2016 and ¥1,447 million in respect of the three months ended June 30, 2017.

## 6. Solvency Margin Ratio

(Millions of yen)

	As of March 31, 2017	As of June 30, 2017
Total solvency margin (A)	1,414,023	1,474,500
Foundation funds and surplus	208,227	217,037
Reserve for price fluctuation	82,464	83,273
Contingency reserve	171,033	170,981
General allowance for possible loan losses	1,213	1,298
(Net unrealized gains (losses) on securities (before tax) and deferred hedge gains (losses) (before tax)) × 90%	415,287	460,536
Net unrealized gains on real estate × 85%	111,340	112,016
Excess amount of policy reserve based on full-time Zillmer method	237,089	238,177
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	46,028
Total amount of risk $\sqrt{(R_1 + R_8)^2 + (R_2 + R_3 + R_7)^2} + R_4$ (B)	232,798	248,197
Insurance risk $R_1$	23,949	23,609
3rd sector insurance risk $R_8$	9,740	9,821
Assumed investment yield risk $R_2$	32,835	32,869
Minimum guarantee risk $R_7$	0	0
Investment risk $R_3$	192,279	207,537
Business risk $R_4$	5,176	5,476
Solvency margin ratio $\frac{(A)}{(1/2) \times (B)} \times 100$	1,214.8%	1,188.1%

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.

## 7. Status of Separate Account

### (1) Separate Account Assets by Products

(Millions of yen)

	As of March 31, 2017	As of June 30, 2017
	Amount	Amount
Individual variable insurance	—	—
Individual variable annuities	39	40
Group annuities	75,639	78,726
Total	75,678	78,767

### (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 June 30, 2017	
	Number of policies	Amount	Number of policies	Amount
Individual variable annuities	13	33	13	33
Total	13	33	13	33

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

### (1) Selected Financial Data

(100 millions of yen)

	Three months ended June 30, 2016	Three months ended June 30, 2017
Ordinary revenues	3,131	2,547
Ordinary profits	173	221
Net surplus attributable to the parent company	139	173
Comprehensive income	(356)	536

	As of March 31, 2017	As of June 30, 2017
Total assets	84,329	85,345
Solvency margin ratio	1,257.3%	1,230.8%

### (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 June 30, 2017
<b>Assets:</b>		
Cash and deposits	136,494	124,503
Call loans	193,000	200,000
Monetary claims bought	753	738
Money held in trust	29,787	30,231
Securities	7,130,780	7,217,390
Loans	631,109	626,499
Tangible fixed assets	219,873	218,875
Intangible fixed assets	26,326	26,814
Agency receivables	4	2
Reinsurance receivables	200	38
Other assets	66,237	91,103
Net defined benefit asset	42	58
Deferred tax assets	153	149
Allowance for possible loan losses	(1,776)	(1,866)
<b>Total assets</b>	<b>8,432,988</b>	<b>8,534,540</b>
<b>Liabilities:</b>		
Policy reserves	7,438,936	7,461,533
Reserve for outstanding claims	22,223	20,293
Policy reserve	7,365,185	7,366,635
Reserve for dividends to policyholders	50,929	74,146
Reserve for dividends to policyholders (subsidiary)	598	457
Agency payables	98	83
Reinsurance payables	79	72
Subordinated bonds	191,935	191,935
Other liabilities	46,006	92,118
Net defined benefit liabilities	38,767	37,972
Reserve for price fluctuation	91,827	92,728
Deferred tax liabilities	16,233	30,052
Deferred tax liabilities for land revaluation	14,265	14,264
<b>Total liabilities</b>	<b>7,838,150</b>	<b>7,920,759</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	115,927
Total foundation funds, surplus and others	249,329	232,040
Net unrealized gains (losses) on available-for-sale securities, net of tax	342,470	378,368
Revaluation reserve for land, net of tax	4,107	4,104
Foreign currency translation adjustment	(433)	(489)
Accumulated remeasurements of defined benefit plans	(9,240)	(8,831)
Total accumulated other comprehensive income	336,904	373,152
Non-controlling interests	8,603	8,588
<b>Total net assets</b>	<b>594,837</b>	<b>613,780</b>
<b>Total liabilities and net assets</b>	<b>8,432,988</b>	<b>8,534,540</b>

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

[Consolidated Statements of Operations]

(Millions of yen)

	Three months ended June 30, 2016	Three months ended June 30, 2017
<b>Ordinary revenues:</b>		
Premium and other income	245,223	198,165
Investment income	62,985	52,495
[Interest, dividends and other income]	[34,609]	[39,166]
[Gains on money held in trust, net]	[—]	[483]
[Gains on trading securities, net]	[—]	[3,511]
[Gains on sales of securities]	[874]	[6,752]
[Gains on derivative instruments, net]	[27,422]	[—]
[Gains on separate accounts, net]	[—]	[2,561]
Other ordinary revenues	4,926	4,128
[Reversal of reserve for outstanding claims]	[2,783]	[1,930]
<b>Total ordinary revenues</b>	<b>313,135</b>	<b>254,790</b>
<b>Ordinary expenses:</b>		
Claims and other payments	158,802	189,601
[Claims]	[45,200]	[67,507]
[Annuities]	[44,920]	[40,627]
[Benefits]	[30,710]	[31,449]
[Surrenders]	[27,774]	[40,814]
[Other payments]	[10,054]	[9,113]
Provision of policy reserve and others	73,631	1,453
Provision of policy reserve	73,619	1,450
Provision of interest portion of reserve for dividends to policyholders	11	2
Provision of interest portion of reserve for dividends to policyholders (subsidiary)	0	0
Investment expenses	33,651	12,221
[Interest expenses]	[957]	[1,083]
[Losses on money held in trust, net]	[2,178]	[—]
[Losses on trading securities, net]	[20,545]	[—]
[Losses on sales of securities]	[—]	[845]
[Losses on valuation of securities]	[138]	[—]
[Losses on derivative financial instruments, net]	[—]	[4,786]
[Foreign exchange losses, net]	[5,605]	[3,029]
[Losses on separate accounts, net]	[2,182]	[—]
Operating expenses	24,042	24,168
Other ordinary expenses	5,629	5,202
<b>Total ordinary expenses</b>	<b>295,757</b>	<b>232,647</b>
<b>Ordinary profits</b>	<b>17,378</b>	<b>22,142</b>
<b>Extraordinary gains:</b>		
Gains on disposal of fixed assets	0	0
Others	42	—
<b>Total extraordinary gains</b>	<b>43</b>	<b>0</b>
<b>Extraordinary losses:</b>		
Losses on disposal of fixed assets	9	11
Impairment losses	18	0
Provision of reserve for price fluctuation	843	900
<b>Total extraordinary losses</b>	<b>871</b>	<b>913</b>
<b>Provision of reserve for dividends to policyholders (subsidiary)</b>	<b>109</b>	<b>92</b>
<b>Surplus before income taxes</b>	<b>16,441</b>	<b>21,137</b>
<b>Income taxes:</b>		
Current	6,008	3,987
Deferred	(3,695)	(282)
<b>Total income taxes</b>	<b>2,312</b>	<b>3,704</b>
<b>Net surplus</b>	<b>14,128</b>	<b>17,432</b>
<b>Net surplus attributable to non-controlling interests</b>	<b>130</b>	<b>33</b>
<b>Net surplus attributable to the parent company</b>	<b>13,998</b>	<b>17,399</b>

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

[Consolidated Statements of Comprehensive Income]

(Millions of yen)

	Three months ended June 30, 2016	Three months ended June 30, 2017
Net surplus	14,128	17,432
Other comprehensive income	(49,788)	36,216
Net unrealized gains (losses) on available-for-sale securities, net of tax	(49,993)	35,863
Foreign currency translation adjustments	(196)	(55)
Remeasurements of defined benefit plan, net of tax	401	408
Comprehensive income	(35,659)	53,649
Comprehensive income attributable to the parent company	(36,121)	53,650
Comprehensive income attributable to non-controlling interests	461	(1)



# Notes to the Consolidated Financial Statements

## I. Basis of Presentation

### 1. Basis of Presentation

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

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

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

## II. Notes to the Consolidated Balance Sheets

1. As the proposal for appropriation of unappropriated surplus for the fiscal year ended March 31, 2017 was approved by the Board of Representative Member of Policyholders on July 4, 2017, it is included in the consolidated balance sheet as of June 30, 2017.

2. The amount of securities lent under lending agreements was ¥90,321 million as of June 30, 2017.

3. Changes in reserve for dividends to policyholders for the three months ended June 30, 2017 were as follows:

	(Millions of yen)
Balance at the beginning of the current period.....	¥50,929
Transfer from surplus in the previous period.....	34,592
Dividend payments to policyholders in the current period.....	(11,378)
Increase in interest.....	2
Balance at the end of the current period.....	<u>¥74,146</u>

4. Changes in reserve for dividends to policyholders (Fukokushinrai Life Insurance Co., Ltd.) for the three months ended June 30, 2017 were as follows:

	(Millions of yen)
Balance at the beginning of the current period.....	¥598
Dividend payments to policyholders in the current period.....	(232)
Increase in interest.....	0
Provision of reserve for dividends to policyholders.....	92
Balance at the end of the current period.....	<u>¥457</u>

5. At a Board of Directors meeting on June 26, 2017, a resolution was passed to issue subordinated bonds of up to ¥30,000 million during the fiscal year ending March 31, 2018.

## III. Notes to the Consolidated Statements of Operations

1. For the three months ended June 30, 2017, the total amount of depreciation, including depreciation of real estate for rent, was ¥2,834 million and the amount of amortization of goodwill was ¥190 million.

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

(Millions of yen)

	As of March 31, 2017	As of June 30, 2017
Total solvency margin (A)	1,488,469	1,549,545
Foundation funds and surplus	220,040	228,998
Reserve for price fluctuation	91,827	92,728
Contingency reserve	173,088	173,063
Catastrophe loss reserve	—	—
General allowance for possible loan losses	1,213	1,298
(Net unrealized gains (losses) on securities (before tax) and deferred hedge gains (losses) (before tax)) × 90%	427,019	471,893
Net unrealized gains on real estate × 85%	111,340	112,016
Sum of unrecognized actuarial differences and unrecognized prior service cost	(12,833)	(12,266)
Excess amount of policy reserve based on full-time Zillmer method	239,650	240,761
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	49,116
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)	236,754	251,789
Insurance risk $R_1$	24,459	24,117
General insurance risk $R_5$	—	—
Catastrophe risk $R_6$	—	—
3rd sector insurance risk $R_8$	9,851	9,931
Small amount and short-term insurance risk $R_9$	—	—
Assumed investment yield risk $R_2$	33,225	33,258
Minimum guarantee risk $R_7$	0	0
Investment risk $R_3$	195,706	210,606
Business risk $R_4$	5,264	5,558
Solvency margin ratio $\frac{(A)}{(1/2) \times (B)} \times 100$	1,257.3%	1,230.8%

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.