

## Financial Results for the Three Months Ended June 30, 2018

Fukoku Mutual Life Insurance Company (President: Yoshiteru Yoneyama) announces financial results for the three months ended June 30, 2018.

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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, 2018		As of June 30, 2018			
		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	3,180	227,653	3,182	100.1	227,473	99.9
	Individual annuities	687	26,684	679	98.9	26,397	98.9
	Subtotal	3,868	254,338	3,862	99.9	253,870	99.8
	Group insurance	—	170,732	—	—	171,370	100.4
	Group annuities	—	21,803	—	—	21,879	100.3

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, 2017		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	90	3,677	3,528	149
	Individual annuities	1	41	45	(3)
	Subtotal	92	3,719	3,573	145
	Group insurance	—	143	143	—
	Group annuities	—	158	158	—

Three months ended June 30, 2018		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	100.0	4,089	111.2	3,532	100.1	557	373.5
	Individual annuities	1	142.7	55	133.4	59	131.2	(3)	—
	Subtotal	92	100.6	4,144	111.4	3,591	100.5	553	380.2
	Group insurance	—	—	70	49.2	70	49.2	—	—
	Group annuities	—	—	0	0.4	0	0.4	—	—

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, 2017	Three months ended June 30, 2018	
			Changes (%, YoY)
Amount of surrender and lapse (100 millions of yen)	3,271	3,158	96.5
Surrender and lapse ratio (%)	1.26	1.24	(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, 2018	As of June 30, 2018	
			Changes (% , Pre-FYE)
Individual insurance	2,747	2,741	99.8
Individual annuities	1,296	1,283	99.0
Total	4,043	4,024	99.5
Medical coverage and living benefits	1,107	1,110	100.3

### (ii) New Policies

(100 millions of yen, %)

	Three months ended June 30, 2017	Three months ended June 30, 2018	
			Changes (% , YoY)
Individual insurance	35	41	117.4
Individual annuities	1	1	130.1
Total	36	43	117.8
Medical coverage and living benefits	20	19	94.4

- 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, %)

	Three months ended June 30, 2017	Three months ended June 30, 2018	
			Changes (% , YoY)
Premium and other income	1,919	1,560	81.3
Investment income	464	419	90.3
Claims and other payments	1,757	1,391	79.2
Investment expenses	125	119	95.5
Ordinary profits	217	151	69.8

## (4) Total Assets

(100 millions of yen, %)

	As of March 31, 2018	As of June 30, 2018	
			Changes (% , Pre-FYE)
Total assets	66,266	66,717	100.7

## 2. Investment Results of General Account Assets

### (1) Total Assets

(Millions of yen, %)

	As of March 31, 2018		As of June 30, 2018	
	Amount	% of total	Amount	% of total
Cash, deposits, and call loans	240,462	3.7 %	187,525	2.8 %
Monetary claims bought	443	0.0	434	0.0
Money held in trust	31,502	0.5	31,539	0.5
Securities	5,380,830	82.2	5,505,157	83.6
Domestic bonds	2,818,618	43.1	2,797,483	42.5
Domestic stocks	740,828	11.3	755,510	11.5
Foreign securities	1,713,869	26.2	1,823,896	27.7
Foreign bonds	1,434,457	21.9	1,534,398	23.3
Foreign stocks and other securities	279,412	4.3	289,497	4.4
Other securities	107,514	1.6	128,265	1.9
Loans	593,734	9.1	576,000	8.7
Policy loans	57,181	0.9	56,724	0.9
Ordinary loans	536,553	8.2	519,275	7.9
Real estate	213,674	3.3	213,083	3.2
Others	85,664	1.3	74,557	1.1
Allowance for possible loan losses	(2,049)	(0.0)	(2,014)	(0.0)
Total	6,544,262	100.0	6,586,283	100.0
Foreign currency denominated assets	1,998,720	30.5	2,108,190	32.0

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, 2018					As of June 30, 2018				
	Book value	Fair value	Gains/losses			Book value	Fair value	Gains/losses		
			Gains	Losses				Gains	Losses	
Held-to-maturity debt securities	758,872	897,574	138,702	138,702	—	759,826	896,343	136,517	136,517	—
Domestic bonds	738,632	876,835	138,203	138,203	—	738,904	875,076	136,171	136,171	—
Foreign bonds	20,239	20,738	498	498	—	20,921	21,266	345	345	—
Monetary claims bought	—	—	—	—	—	—	—	—	—	—
Negotiable certificate of deposits	—	—	—	—	—	—	—	—	—	—
Others	—	—	—	—	—	—	—	—	—	—
Policy-reserve-matching bonds	973,736	1,134,148	160,412	162,375	1,962	969,672	1,129,517	159,844	161,596	1,751
Domestic bonds	971,937	1,132,289	160,352	162,315	1,962	967,872	1,127,663	159,791	161,542	1,751
Foreign bonds	1,799	1,859	59	59	—	1,799	1,853	53	53	—
Investments in subsidiaries and affiliates	—	—	—	—	—	—	—	—	—	—
Available-for-sale securities	2,941,466	3,404,811	463,345	531,772	68,427	3,074,990	3,562,974	487,984	543,463	55,479
Domestic bonds	1,023,447	1,080,932	57,484	67,947	10,462	1,014,331	1,073,467	59,135	68,404	9,268
Domestic stocks	305,353	671,850	366,497	370,278	3,780	313,879	686,533	372,653	377,032	4,379
Foreign securities	1,538,185	1,558,823	20,637	73,359	52,721	1,652,531	1,688,897	36,365	76,915	40,549
Foreign bonds	1,290,483	1,290,268	(214)	46,425	46,640	1,398,796	1,410,571	11,775	47,856	36,081
Foreign stocks and other securities	247,701	268,554	20,852	26,933	6,081	253,735	278,325	24,590	29,058	4,468
Other securities	74,480	93,205	18,725	20,187	1,462	94,247	114,076	19,828	21,110	1,281
Money held in trust	—	—	—	—	—	—	—	—	—	—
Monetary claims bought	—	—	—	—	—	—	—	—	—	—
Negotiable certificate of deposits	—	—	—	—	—	—	—	—	—	—
Others	—	—	—	—	—	—	—	—	—	—
Total	4,674,074	5,436,534	762,459	832,849	70,390	4,804,489	5,588,835	784,346	841,577	57,231
Domestic bonds	2,734,016	3,090,057	356,040	368,465	12,425	2,721,109	3,076,208	355,098	366,119	11,020
Domestic stocks	305,353	671,850	366,497	370,278	3,780	313,879	686,533	372,653	377,032	4,379
Foreign securities	1,560,224	1,581,421	21,196	73,918	52,721	1,675,252	1,712,017	36,764	77,314	40,549
Foreign bonds	1,312,522	1,312,866	343	46,984	46,640	1,421,517	1,433,691	12,174	48,255	36,081
Foreign stocks and other securities	247,701	268,554	20,852	26,933	6,081	253,735	278,325	24,590	29,058	4,468
Other securities	74,480	93,205	18,725	20,187	1,462	94,247	114,076	19,828	21,110	1,281
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, 2018	As of June 30, 2018
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	28,021	27,546
Unlisted domestic stocks (except over-the-counter stocks)	5,697	5,697
Unlisted foreign stocks (except over-the-counter stocks)	—	—
Unlisted foreign bonds	—	—
Others	22,323	21,849
Total	92,858	92,383

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 (¥1,285 million as of March 31, 2018 and ¥1,954 million as of June 30, 2018) are included in their balance sheet carrying amounts.

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

(Millions of yen)

	As of March 31, 2018					As of June 30, 2018				
	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	31,502	31,502	—	—	—	31,539	31,539	—	—	—

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

(Millions of yen)

	As of March 31, 2018		As of June 30, 2018	
	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	30,502	0	30,539	(14)

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

(Millions of yen)

	As of March 31, 2018					As of June 30, 2018				
	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, 2018			As of June 30, 2018		
Carrying value on the balance sheet	Fair value	Gains/losses	Carrying value on the balance sheet	Fair value	Gains/losses
125,280	253,938	128,658	125,267	253,986	128,719

Notes: As of June 30, 2018, fair value is based on the appraisal value by the real-estate appraiser, the appraisal value for property tax as of January 1, 2018 and the road rate as of January 1, 2017.

As of March 31, 2018, fair value is based on the appraisal value by the real-estate appraiser, the appraisal value for property tax as of January 1, 2018 and the road rate as of January 1, 2017.

### 3. Non-consolidated Balance Sheets

(Millions of yen)

	As of March 31, 2018	As of June 30, 2018
<b>Assets:</b>		
Cash and deposits	66,260	54,692
Call loans	176,000	135,000
Monetary claims bought	443	434
Money held in trust	31,502	31,539
Securities:	5,458,790	5,585,290
[Government bonds]	[2,030,971]	[2,030,642]
[Local government bonds]	[114,036]	[102,375]
[Corporate bonds]	[702,661]	[696,008]
[Stocks]	[768,000]	[781,403]
[Foreign securities]	[1,735,580]	[1,846,569]
Loans:	593,734	576,000
Policy loans	57,181	56,724
Ordinary loans	536,553	519,275
Tangible fixed assets	218,549	217,814
Intangible fixed assets	23,701	23,007
Reinsurance receivables	167	20
Other assets	59,508	49,944
Allowance for possible loan losses	(2,049)	(2,014)
<b>Total assets</b>	<b>6,626,609</b>	<b>6,671,730</b>

	As of March 31, 2018	As of June 30, 2018
<b>Liabilities:</b>		
Policy reserves:	5,650,879	5,684,372
Reserve for outstanding claims	19,295	17,369
Policy reserve	5,578,187	5,586,123
Reserve for dividends to policyholders	53,395	80,880
Reinsurance payables	56	55
Subordinated bonds	191,935	191,935
Other liabilities:	46,066	58,280
Corporate income tax payable	2,445	1,092
Asset retirement obligations	3,088	3,100
Rest of the other liabilities	40,532	54,087
Reserve for employees' retirement benefits	25,417	25,290
Reserve for price fluctuation	95,798	96,661
Deferred tax liabilities	10,733	16,977
Deferred tax liabilities for land revaluation	14,241	14,239
<b>Total liabilities</b>	<b>6,035,126</b>	<b>6,087,812</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:	135,538	109,723
Legal reserve for future losses	2,954	3,071
Other surplus	132,584	106,652
Reserve for redemption of foundation funds	6,000	8,000
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	255	210
Other reserves	767	767
Unappropriated surplus	64,561	36,674
Total foundation funds, surplus and others	251,650	225,836
Net unrealized gains (losses) on available-for-sale securities, net of tax	335,658	353,912
Revaluation reserve for land, net of tax	4,173	4,169
Total valuation and translation adjustments	339,831	358,081
<b>Total net assets</b>	<b>591,482</b>	<b>583,917</b>
<b>Total liabilities and net assets</b>	<b>6,626,609</b>	<b>6,671,730</b>

## 4. Non-consolidated Statements of Operations

(Millions of yen)

	Three months ended June 30, 2017	Three months ended June 30, 2018
<b>Ordinary revenues:</b>		
Premium and other income	191,933	156,016
[Premium income]	[191,917]	[155,995]
Investment income	46,485	41,971
[Interest, dividends and other income]	[33,221]	[34,215]
[Gains on money held in trust, net]	[483]	[38]
[Gains on trading securities, net]	[3,511]	[1,868]
[Gains on sales of securities]	[6,684]	[4,186]
[Gains on separate accounts, net]	[2,561]	[1,617]
Other ordinary revenues	3,536	3,995
[Reversal of reserve for outstanding claims]	[1,536]	[1,926]
<b>Total ordinary revenues</b>	<b>241,955</b>	<b>201,983</b>
<b>Ordinary expenses:</b>		
Claims and other payments	175,703	139,182
[Claims]	[66,131]	[49,540]
[Annuities]	[40,320]	[40,363]
[Benefits]	[27,980]	[29,672]
[Surrenders]	[32,105]	[12,324]
[Other payments]	[9,108]	[7,225]
Provision of policy reserve and others:	5,430	7,938
Provision of policy reserve	5,427	7,935
Provision of interest portion of reserve for dividends to policyholders	2	3
Investment expenses	12,547	11,980
[Interest expenses]	[1,082]	[965]
[Losses on sales of securities]	[845]	[2,660]
[Losses on derivative instruments, net]	[4,786]	[3,690]
[Foreign exchange losses, net]	[3,029]	[2,082]
Operating expenses	21,807	22,274
Other ordinary expenses	4,718	5,419
<b>Total ordinary expenses</b>	<b>220,208</b>	<b>186,796</b>
<b>Ordinary profits</b>	<b>21,747</b>	<b>15,186</b>
<b>Extraordinary gains:</b>		
Gains on disposal of fixed assets	0	—
<b>Total extraordinary gains</b>	<b>0</b>	<b>—</b>
<b>Extraordinary losses:</b>		
Losses on disposal of fixed assets	11	11
Impairment losses	0	45
Provision of reserve for price fluctuation	809	863
<b>Total extraordinary losses</b>	<b>821</b>	<b>920</b>
<b>Surplus before income taxes</b>	<b>20,925</b>	<b>14,266</b>
<b>Income taxes:</b>		
Current	3,800	2,164
Deferred	(266)	(810)
<b>Total income taxes</b>	<b>3,533</b>	<b>1,353</b>
<b>Net surplus for the period</b>	<b>17,392</b>	<b>12,912</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. As the proposal for appropriation of unappropriated surplus for the fiscal year ended March 31, 2018 was approved by the Board of Representative Member of Policyholders on July 3, 2018, it is included in the non-consolidated balance sheet as of June 30, 2018.
2. The amount of securities lent under lending agreements was ¥258,166 million as of June 30, 2018.
3. Changes in reserve for dividends to policyholders for the three months ended June 30, 2018 were as follows:

	(Millions of yen)
Balance at the beginning of the current period.....	¥ 53,395
Transfer from surplus in the previous fiscal year.....	38,630
Dividend payments to policyholders during the current period.....	(11,149)
Increase in interest.....	3
Balance at the end of the current period.....	<u>¥ 80,880</u>

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

(Millions of yen)

		Three months ended June 30, 2017	Three months ended June 30, 2018
<b>Fundamental profit</b>	<b>A</b>	<b>21,149</b>	<b>20,561</b>
Capital gains		9,211	4,893
Gains on money held in trust, net		463	16
Gains on trading securities, net		2,063	690
Gains on sales of securities		6,684	4,186
Gains on derivative instruments, net		—	—
Foreign exchange gains, net		—	—
Other capital gains		—	—
Capital losses		8,661	8,432
Losses on money held in trust, net		—	—
Losses on trading securities, net		—	—
Losses on sales of securities		845	2,660
Losses on valuation of securities		—	—
Losses on derivative instruments, net		4,786	3,690
Foreign exchange losses, net		3,029	2,082
Other capital losses		—	—
Net capital gains (losses)	<b>B</b>	<b>550</b>	<b>(3,539)</b>
Fundamental profit plus net capital gains (losses)	<b>A+B</b>	<b>21,699</b>	<b>17,021</b>
Non-recurring gains		52	2
Reinsurance income		—	—
Reversal of contingency reserve		52	—
Reversal of specific allowance for possible loan losses		—	2
Others		—	—
Non-recurring losses		5	1,837
Reinsurance premiums		—	—
Provision for contingency reserve		—	175
Provision of specific allowance for possible loan losses		5	—
Provision of allowance for specified overseas loans		—	—
Write-off of loans		—	—
Others		—	1,662
Non-recurring gains (losses)	<b>C</b>	<b>47</b>	<b>(1,834)</b>
Ordinary profits	<b>A+B+C</b>	<b>21,747</b>	<b>15,186</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): ¥20 million in respect of the three months ended June 30, 2017 and ¥21 million in respect of the three months ended June 30, 2018.

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): ¥1,447 million in respect of the three months ended June 30, 2017 and ¥1,177 million in respect of the three months ended June 30, 2018.

## 6. Solvency Margin Ratio

(Millions of yen)

	As of March 31, 2018	As of June 30, 2018
Total solvency margin (A)	1,475,658	1,507,411
Foundation funds and surplus	210,194	213,507
Reserve for price fluctuation	95,798	96,661
Contingency reserve	187,050	187,225
General allowance for possible loan losses	1,501	1,470
(Net unrealized gains (losses) on securities (before tax) and deferred hedge gains (losses) (before tax)) × 90%	418,167	440,945
Net unrealized gains on real estate × 85%	122,692	123,681
Excess amount of policy reserve based on full-time Zillmer method	252,776	255,277
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	42,325	43,490
Total amount of risk $\sqrt{(R_1 + R_8)^2 + (R_2 + R_3 + R_7)^2} + R_4$ (B)	272,942	286,255
Insurance risk $R_1$	23,252	23,178
3rd sector insurance risk $R_8$	9,687	9,699
Assumed investment yield risk $R_2$	32,156	31,990
Minimum guarantee risk $R_7$	—	—
Investment risk $R_3$	232,788	246,108
Business risk $R_4$	5,957	6,219
Solvency margin ratio $\frac{(A)}{(1/2) \times (B)} \times 100$	1,081.2%	1,053.1%

Notes: 1. Figures as of March 31, 2018, 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 June 30, 2018, 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, 2018	As of June 30, 2018
	Amount	Amount
Individual variable insurance	—	—
Individual variable annuities	33	34
Group annuities	82,313	85,413
Total	82,347	85,447

### (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, 2018		As of June 30, 2018	
	Number of policies	Amount	Number of policies	Amount
Individual variable annuities	10	27	10	27
Total	10	27	10	27

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

### (1) Selected Financial Data

(100 millions of yen)

	Three months ended June 30, 2017	Three months ended June 30, 2018
Ordinary revenues	2,547	2,163
Ordinary profits	221	155
Net surplus attributable to the parent company	173	123
Comprehensive income	536	308

	As of March 31, 2018	As of June 30, 2018
Total assets	84,888	85,261
Solvency margin ratio	1,127.4%	1,098.2%

### (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, 2018	As of June 30, 2018
<b>Assets:</b>		
Cash and deposits	157,703	146,490
Call loans	176,000	135,000
Monetary claims bought	443	434
Money held in trust	31,502	31,539
Securities	7,203,196	7,321,908
Loans	597,285	579,526
Tangible fixed assets	218,895	218,147
Intangible fixed assets	38,056	36,833
Agency receivables	0	0
Reinsurance receivables	221	26
Other assets	67,341	57,992
Net defined benefit asset	107	125
Deferred tax assets	166	153
Allowance for possible loan losses	(2,049)	(2,014)
<b>Total assets</b>	<b>8,488,872</b>	<b>8,526,164</b>

	As of March 31, 2018	As of June 30, 2018
<b>Liabilities:</b>		
Policy reserves:	7,467,875	7,494,521
Reserve for outstanding claims	22,166	20,045
Policy reserve	7,391,773	7,393,165
Reserve for dividends to policyholders	53,395	80,880
Reserve for dividends to policyholders (subsidiary)	539	430
Agency payables	70	61
Reinsurance payables	75	65
Subordinated bonds	191,935	191,935
Other liabilities	59,509	70,674
Net defined benefit liabilities	34,019	33,481
Reserve for price fluctuation	105,521	106,473
Deferred tax liabilities	8,875	15,882
Deferred tax liabilities for land revaluation	14,241	14,239
<b>Total liabilities</b>	<b>7,882,122</b>	<b>7,927,334</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	139,621	113,247
Total foundation funds, surplus and others	255,733	229,359
Net unrealized gains (losses) on available-for-sale securities, net of tax	344,585	362,824
Revaluation reserve for land, net of tax	4,173	4,169
Foreign currency translation adjustment	(377)	(462)
Accumulated remeasurements of defined benefit plans	(6,055)	(5,752)
Total accumulated other comprehensive income	342,326	360,778
Non-controlling interests	8,690	8,692
<b>Total net assets</b>	<b>606,750</b>	<b>598,830</b>
<b>Total liabilities and net assets</b>	<b>8,488,872</b>	<b>8,526,164</b>

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

[Consolidated Statements of Operations]

(Millions of yen)

	Three months ended June 30, 2017	Three months ended June 30, 2018
<b>Ordinary revenues:</b>		
Premium and other income	198,165	163,630
Investment income	52,495	48,210
[Interest, dividends and other income]	[39,166]	[39,968]
[Gains on money held in trust, net]	[483]	[38]
[Gains on trading securities, net]	[3,511]	[1,868]
[Gains on sales of securities]	[6,752]	[4,671]
[Gains on separate accounts, net]	[2,561]	[1,617]
Other ordinary revenues	4,128	4,514
[Reversal of reserve for outstanding claims]	[1,930]	[2,121]
<b>Total ordinary revenues</b>	<b>254,790</b>	<b>216,355</b>
<b>Ordinary expenses:</b>		
Claims and other payments	189,601	156,796
[Claims]	[67,507]	[51,219]
[Annuities]	[40,627]	[44,248]
[Benefits]	[31,449]	[32,929]
[Surrenders]	[40,814]	[21,089]
[Other payments]	[9,113]	[7,232]
Provision of policy reserve and others:	1,453	1,395
Provision of policy reserve	1,450	1,392
Provision of interest portion of reserve for dividends to policyholders	2	3
Provision of interest portion of reserve for dividends to policyholders (subsidiary)	0	0
Investment expenses	12,221	11,640
[Interest expenses]	[1,083]	[973]
[Losses on sales of securities]	[845]	[2,660]
[Losses on derivative instruments, net]	[4,786]	[3,690]
[Foreign exchange losses, net]	[3,029]	[2,083]
Operating expenses	24,168	24,301
Other ordinary expenses	5,202	6,647
<b>Total ordinary expenses</b>	<b>232,647</b>	<b>200,780</b>
<b>Ordinary profits</b>	<b>22,142</b>	<b>15,574</b>
<b>Extraordinary gains:</b>		
Gains on disposal of fixed assets	0	—
<b>Total extraordinary gains</b>	<b>0</b>	<b>—</b>
<b>Extraordinary losses:</b>		
Losses on disposal of fixed assets	11	11
Impairment losses	0	45
Provision of reserve for price fluctuation	900	952
<b>Total extraordinary losses</b>	<b>913</b>	<b>1,009</b>
<b>Provision of reserve for dividends to policyholders (subsidiary)</b>	<b>92</b>	<b>94</b>
<b>Surplus before income taxes</b>	<b>21,137</b>	<b>14,470</b>
<b>Income taxes:</b>		
Current	3,987	2,250
Deferred	(282)	(144)
<b>Total income taxes</b>	<b>3,704</b>	<b>2,105</b>
<b>Net surplus for the period</b>	<b>17,432</b>	<b>12,365</b>
<b>Net surplus attributable to non-controlling interests</b>	<b>33</b>	<b>12</b>
<b>Net surplus attributable to the parent company</b>	<b>17,399</b>	<b>12,353</b>

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

[Consolidated Statements of Comprehensive Income]

(Millions of yen)

	Three months ended June 30, 2017	Three months ended June 30, 2018
Net surplus	17,432	12,365
Other comprehensive income:	36,216	18,454
Net unrealized gains (losses) on available-for-sale securities, net of tax	35,863	18,236
Foreign currency translation adjustments	(55)	(85)
Remeasurements of defined benefit plan, net of tax	408	303
Comprehensive income:	53,649	30,819
Comprehensive income attributable to the parent company	53,650	30,809
Comprehensive income attributable to non-controlling interests	(1)	10



# 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 Fuku 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, 2018 was approved by the Board of Representative Member of Policyholders on July 3, 2018, it is included in the consolidated balance sheet as of June 30, 2018.
2. The amount of securities lent under lending agreements was ¥258,166 million as of June 30, 2018.
3. Changes in reserve for dividends to policyholders for the three months ended June 30, 2018 were as follows:

	(Millions of yen)
Balance at the beginning of the current period.....	¥ 53,395
Transfer from surplus in the previous fiscal year.....	38,630
Dividend payments to policyholders during the current period.....	(11,149)
Increase in interest.....	3
Balance at the end of the current period.....	<u>¥ 80,880</u>

4. Changes in reserve for dividends to policyholders (Fukokushinrai Life Insurance Co., Ltd.) for the three months ended June 30, 2018 were as follows:

	(Millions of yen)
Balance at the beginning of the current period.....	¥ 539
Dividend payments to policyholders during the current period.....	(202)
Increase in interest.....	0
Provision of reserve for dividends to policyholders.....	94
Balance at the end of the current period.....	<u>¥ 430</u>

## III. Notes to the Consolidated Statements of Operations

1. For the three months ended June 30, 2018, the total amount of depreciation, including depreciation of real estate for rent, was ¥4,016 million and the amount of amortization of goodwill was ¥9 million.

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

(Millions of yen)

	As of March 31, 2018	As of June 30, 2018
Total solvency margin (A)	1,556,422	1,588,191
Foundation funds and surplus	223,166	225,922
Reserve for price fluctuation	105,521	106,473
Contingency reserve	189,211	189,416
Catastrophe loss reserve	—	—
General allowance for possible loan losses	1,502	1,470
(Net unrealized gains (losses) on securities (before tax) and deferred hedge gains (losses) (before tax)) × 90%	429,908	452,670
Net unrealized gains on real estate × 85%	122,692	123,681
Sum of unrecognized actuarial differences and unrecognized prior service cost	(8,410)	(7,989)
Excess amount of policy reserve based on full-time Zillmer method	255,285	257,749
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	45,609	46,861
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)	276,097	289,217
Insurance risk $R_1$	23,756	23,680
General insurance risk $R_5$	—	—
Catastrophe risk $R_6$	—	—
3rd sector insurance risk $R_8$	9,798	9,810
Small amount and short-term insurance risk $R_9$	—	—
Assumed investment yield risk $R_2$	32,542	32,375
Minimum guarantee risk $R_7$	—	—
Investment risk $R_3$	235,431	248,563
Business risk $R_4$	6,030	6,288
Solvency margin ratio $\frac{(A)}{(1/2) \times (B)} \times 100$	1,127.4%	1,098.2%

Notes: 1. Figures as of March 31, 2018, 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, 2011. Figures as of June 30, 2018, are calculated in accordance with these provisions.

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