

FUKOKU MUTUAL LIFE INSURANCE COMPANY

Annual Report 2007
Year Ended March 31, 2007



Fukoku Life was founded in 1923. Since then, we have held as our fundamental principle that the interests of policyholders must be protected to the utmost of our ability. Throughout the life insurance industry, Fukoku Life is noted for its distinguished investment record and efficient corporate management.

The operating environment for the life insurance industry is becoming increasingly difficult, as a result of ongoing deregulation. Given these conditions, Fukoku Life will devote still more attention to ensuring the soundness of insurance operations, and endeavor to develop products tailored to meet increasingly diverse customer needs. At the same time, it is committed to enhancing efficiency throughout its businesses and to making active efforts to establish a highly competitive operating base. In this way, it will continue to translate into practice its management principle of protecting the interests of policyholders.

Financial Highlights (Non-Consolidated)

	Millions of yen			Millions of U.S. dollars
As of March 31,	2005	2006	2007	2007
Life insurance in force	¥50,811,690	¥50,026,617	¥49,974,534	\$423,333
Total assets	5,088,630	5,684,365	5,893,024	49,919
Securities	3,318,250	3,916,311	4,109,729	34,813
Loans	1,282,439	1,250,813	1,266,226	10,726
Real estate and movables	195,086	196,413	—	—
Tangible fixed assets	—	—	206,472	1,749
Total liabilities	4,875,749	5,317,957	5,497,755	46,571
Policy reserves	4,713,388	5,033,427	5,189,257	43,958
Subordinated bonds	32,500	42,843	47,092	398
Total capital	212,881	366,408	—	—
Total net assets	—	—	395,268	3,348
For the year ended March 31,				
Total ordinary revenues	859,811	1,028,769	888,739	7,528
Premium and other income	731,704	846,008	721,989	6,115
Investment income	107,238	165,112	147,397	1,248
Total ordinary expenditures	807,157	971,311	828,525	7,018
Net surplus for the year	26,482	37,874	43,502	368
Solvency margin ratio (%)	925.0	1,139.6	1,228.8	
Employees	13,922	13,954	13,771	

Notes 1. U.S. dollar amounts are converted from yen, for convenience only, at the rate of U.S.\$1=¥118.05, the rate of exchange on March 31, 2007.

2. Yen and U.S. dollar amounts are rounded down to the nearest million yen or million dollars.

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During fiscal 2006, ended March 31, 2007, the Japanese life insurance industry saw shrinking demand for protection-type products, stemming from the aging society and falling birthrate. However, there was firm demand for products related to medical and nursing care, as well as individual annuities and other asset building products. Meanwhile, the asset management environment was favorable owing to a strong Japanese economy, underpinned primarily by corporate earnings.

On the insurance sales side, the Company reinforced its sales system to offer insurance products designed to meet customers' needs and provide comprehensive follow-up services. On the asset management side, we worked hard to raise profitability while paying due attention to risk management.

As a result, in fiscal 2006 the Company achieved a significant increase in fundamental profits. We used this to return profits to policyholders through dividends, and maintained a sound financial status by boosting retained earnings. We further strengthened our financial position by raising additional foundation funds in September 2006.

Fukuoku Life will continue returning profits to customers and taking advantage of higher retained earnings to maintain a sound financial position.

Tomofumi Akiyama
President

MANAGEMENT PHILOSOPHY

**To protect the interests of
our policyholders**

To contribute to society

Fukoku Life will continue striving to become a company that provides its customers with greater peace of mind. To this end, we will adhere to our philosophy of “protecting the interests of our policyholders,” which we have maintained since our establishment. We will also continue contributing to society through our insurance business activities.

BUSINESS POLICIES

Adhering to our management philosophy and supported by our “Customer-Centric” policy, we have endeavored to differentiate ourselves from our competitors and become more efficient. To this end, we are committed to implementing the business policies outlined below.

Reinforce sales staff structure

Meticulous services by each salesperson are vital for assuring customer satisfaction during each process, from initial contract to follow-up services. We are emphasizing our finely tuned services when in contact with customers, and we will continue providing insurance products where the customer comes first.

Reaffirm focus on net increase in policies in force

Fukoku Life is not interested solely in expanding the balance of policies in force. Rather, we emphasize provision of insurance products that meet customer needs, thus encouraging them to deal with us. We also give high priority to delivering peace of mind through comprehensive follow-up, so that customers will retain our services indefinitely. By rigorously implementing this policy, we will seek to generate a net increase in customers, which in turn will help increase net policies in force. The entire company will continue working together toward this goal of increasing net policies in force.

Enhance business efficiency

To obtain an even higher level of customer satisfaction amid more intensified competition, we must further highlight our strengths. To this end, we will continue to improve the efficiency of our business processes. Through these measures, we will make effective use of our management resources and enhance customer services.

Overview

Business Policies

Based on its management policy, Fukoku Life always takes the customer's perspective when selling life insurance and financial products by proposing the best possible options. We accord top priority to frequent communications with individual customers to ensure that we accurately meet their needs. We also strive to offer optimal solutions tailored to customers' individual life plans and lifestyles. Moreover, our sales managers take the responsibility to provide long-term follow-up to ensure ongoing support.

Fukoku Life's sales approach is based on three main principles: Face-to-face contract, proposals carefully tailored to the specific needs of each customer, and a personal sales manager system.

Individual Insurance

Recently, the needs of our customers have become increasingly diverse in response to social and lifestyle changes. In our constant quest to assure the satisfaction of individual customers, we provide the best possible service by developing optimal products and scrutinizing the services we provide from every possible angle.

In addition to providing protection-type products and health insurance, we have developed a variety of products and services to meet the diverse needs of our customers. Today we provide nursing care insurance and medical insurance products that provide customers with optimum insurance, covering the various risks they are exposed to during the course of their lives.

Fukoku Life's nationwide sales network consists of 65 branches and more than 11,000 salespeople promoting insurance and annuities to individuals and companies. We have upgraded our mobile computers, known as "PlanDo," to raise the efficiency of sales staff when conducting face-to-face sales.

Shinkin Banks and other financial institutions nationwide also sell individual annuities and single-premium whole life insurance on our behalf. During fiscal 2006, we strengthened sales support for Shinkin Banks throughout Japan.

We have also increased sales of juvenile insurance, individual annuities, and single-premium endowment insurance sold via the Internet and at agent offices located in large shopping centers.

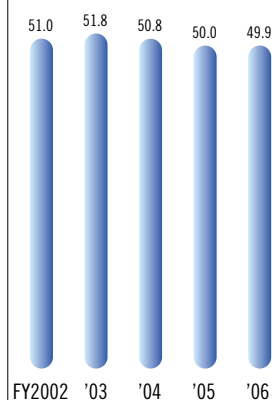
Fukoku Life believes that it is important to maintain communication with its customers. In addition to providing consulting services at all of our sales offices, we have a customer call center that enables customers to receive guidance via the telephone.

Group Insurance

Fukoku Life's group insurance system provides professional consulting services for the design of corporate retirement funds and pension plans. We provide a separate account for corporate pension plans for socially responsible investments (SRIs) as a vehicle for investments in companies that work proactively in areas of environmental protection and social contribution. We also have the Fukoku Life SRI Fund, an investment trust fund offered in defined contribution pension plans.

Business Performance in FY2006

Life insurance in force (¥ trillions)



Life Insurance in Force

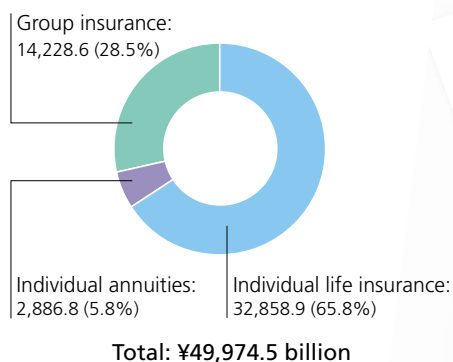
In the year under review, the total balance of life insurance in force edged down 0.1%, to ¥49,974.5 billion. Within this amount, life insurance for individuals declined 2.8%, to ¥32,858.9 billion, mainly due to a drop in protection-type insurance. Individual annuities rose 3.3%, to ¥2,886.8 billion, and the balance of life insurance in force for groups increased 5.9%, to ¥14,228.6 billion.

The main factor behind the fall in individual life insurance was the declining need for protection-type products, stemming from the aging society and the falling birthrate. The increase in individual annuities was attributable to higher demand for asset-building products, also attributable to Japan's aging low-birthrate society.

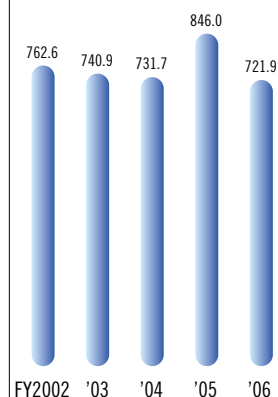
Premium Income and Other Income

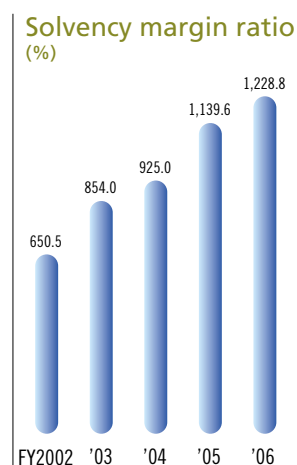
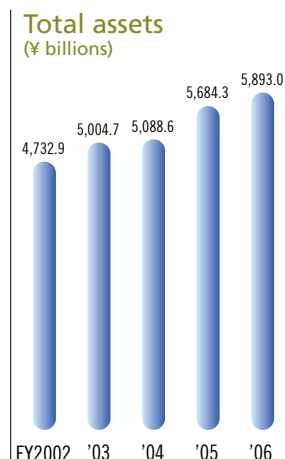
In the year under review, premium and other income fell 14.7%, to ¥721.9 billion. This was mainly the result of the decline in premium income from individual annuities.

Breakdown of life insurance in force (¥ billions)



Premium and other income (¥ billions)





Assets, Liabilities and Net Assets

Non-consolidated total assets, including separate accounts, rose 3.7%, to ¥5,893.0 billion. This included a 3.6% increase in general account assets, to ¥5,763.9 billion. The main factor for the increase in total assets was an increase of the balance of securities, consisting mainly of domestic and foreign bonds.

Policy reserves grew 3.1%, to ¥5,189.2 billion, and total liabilities, including policy reserves, increased 3.4%, to ¥5,497.7 billion.

In the year under review, a change in accounting policy led to the adoption of a different method that focuses on net assets instead of capital. Net assets at fiscal year-end amounted to ¥395.2 billion, up 7.9% from total capital at the end of the previous fiscal year.

On a consolidated basis, total assets rose 3.7%, to ¥5,895.1 billion, and net assets reached ¥397.2 billion, up ¥29.9 billion from total capital at the end of the previous fiscal year.

Strengthening Our Capital Base

Fukoku Life has further reinforced its financial fundamentals to prepare for various risks. During the year under review, we increased our contingency reserve by ¥22.1 billion, to ¥130.7 billion and our reserve for price fluctuation of securities by ¥7.4 billion, to ¥50.0 billion. Our financial foundation was further enhanced by the raising of ¥40.0 billion in additional foundation funds in September 2006.

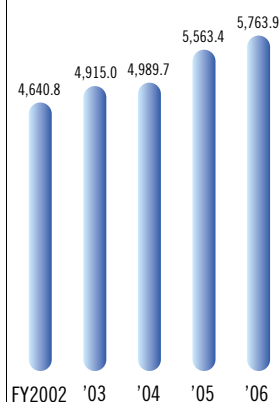
Solvency Margin

The solvency margin ratio is a benchmark indicator for management soundness of life insurance companies. Fukoku Life's solvency margin ratio at fiscal year-end was 1,228.8%, up 89.2 points year-on-year. This far exceeds the 200% set by the government as an indicator of financial soundness, and clearly illustrates our ability to meet a high level of payments. The high ratio is attributable to a rise in retained earnings owing to increases in contingency reserves and reserves for price fluctuation of securities, the raising of additional foundation funds, and an increase in unrealized gains on securities and land.

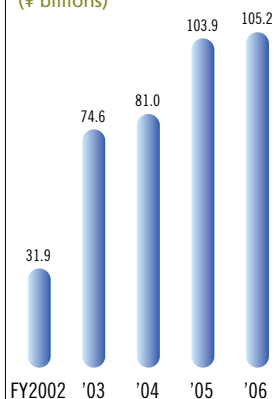
We make every effort to maintain a high solvency margin ratio as we continue to provide our customers with peace of mind.

Investment Activities of General Account Assets in FY2006

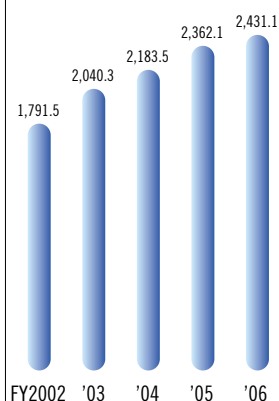
General account assets
(¥ billions)



Investment income
minus expenses
(¥ billions)



Bonds
(¥ billions)



Overview

In fiscal 2006, ended March 31, 2007, the Japanese economy continued to grow. Corporate earnings remained high on the back of export growth, supported by strong economic conditions overseas. These higher earnings contributed to increased capital investments across a wide range of industries. Private consumption also grew, underpinned by an improvement in the employment situation. Such conditions prompted the Bank of Japan to abolish its zero interest rate policy in July 2006, and raise its policy rate in February 2007.

Against this backdrop, Fukoku Life allocated funds centered on foreign bonds in order to raise profitability while maintaining liquidity. We transferred previous low-interest bearing domestic bonds to those with higher rates of return.

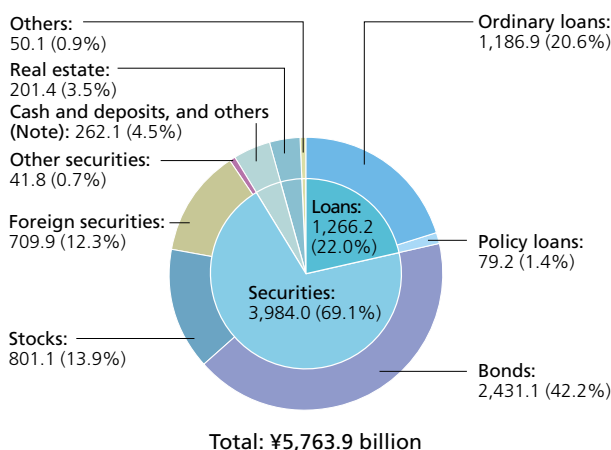
At fiscal year-end, general account assets rose 3.6%, or ¥200.5 billion, to ¥5,763.9 billion.

Investment income rose 1.4%, or ¥1.9 billion, to ¥141.5 billion. Interest and dividends income — the main component of investment income — rose 28.0%, or

¥23.3 billion, to ¥106.4 billion. Investment expenses increased 2.0%, or ¥0.7 billion, to ¥36.3 billion, on the back of an increase in provision for allowance for possible loan losses despite a decline in losses from derivative instruments.

As a result, investment income, minus expenses, increased 1.2%, or ¥1.2 billion, to ¥105.2 billion. However, the rate of return edged down 0.07 point, to 1.98%.

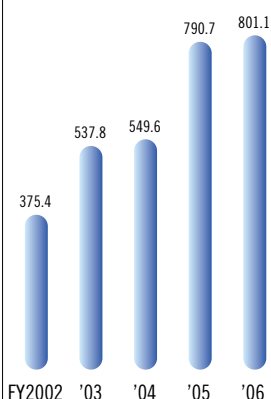
Breakdown of general account assets
(¥ billions)



Bonds

In response to the increase in long-term interest rates during fiscal 2006, we transferred previous low-interest-bearing investments to higher-coupon bonds, and also lengthened the duration of our bond portfolio. As a result, the Company's bond holdings at fiscal year-end stood at ¥2,431.1 billion, up 2.9%, or ¥68.9 billion, from a year earlier.

Stocks (¥ billions)



Stocks

We increased our equities holdings in companies with strong indications of medium-term growth and stable dividends. As a result, our year-end holdings of domestic equities were up 1.3%, or ¥10.3 billion, to ¥801.1 billion.

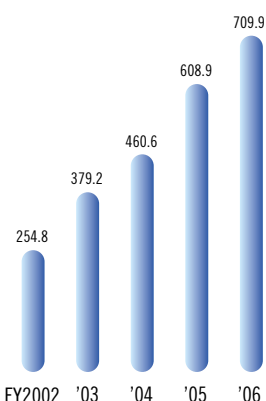
Foreign Securities

We increased our foreign securities holdings, primarily through euro-denominated bonds, while considering differences in domestic and foreign interest rates and currencies. As a result, the Company's holdings of foreign securities, including equity holdings, rose 16.6%, or ¥101.0 billion, to ¥709.9 billion.

Loans

Fukoku Life increased the balance of outstanding corporate loans owing to recovery in demand from Japanese companies for long-term funding. Despite an increase in housing loans, individual loans declined overall, stemming from a drop in consumer loans. As a result, the fiscal year-end balance of outstanding loans grew 1.2%, or ¥15.4 billion, to ¥1,266.2 billion.

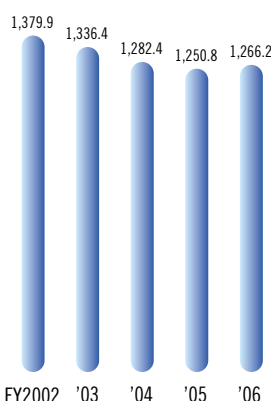
Foreign securities (¥ billions)



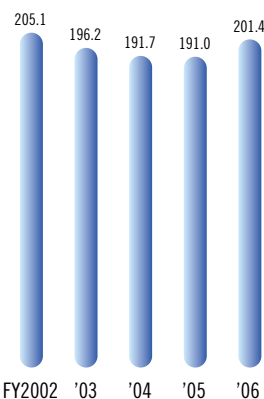
Real Estate

March 2007 saw the completion of construction of Tokyo Midtown, a large-scale commercial project on the former Defense Agency site in Roppongi, Tokyo. Fukoku Life has been involved in the project since 2001. During the year, we also invested in real estate funds. As a result, the balance of our real estate holdings rose 5.4%, or ¥10.3 billion, to ¥201.4 billion.

Loans (¥ billions)



Real estate (¥ billions)



Investment Policies for FY2007

Investment Environment

In the fiscal year ending March 31, 2008, we anticipate strong growth in capital investment by corporations, owing to favorable business results. We also notice signs of an increase in overall private consumption. In the domestic financial environment, the Bank of Japan is expected to raise interest rates once again halfway through the year, which should cause a slight rise in unsecured overnight call money. Long-term interest rates are also forecast to increase amid continued signs of economic growth. Meanwhile, we predict a continuation of moderate rises in equity prices, underpinned by the international competitiveness of Japanese corporations.

Bonds

Fukoku Life will continue to restrain increases in its bond holdings while raising overall profitability by replacing investments from low rates of return to higher coupon bonds and lengthening the duration of our bond portfolio.

Stocks

We will maintain our level of equities holdings and increase profits by investing in corporations earmarked for medium-to-long-term growth and companies that have been carefully selected for their ability to pay steady dividends.

Foreign Securities

We will increase our foreign bond holdings, centering on open foreign bonds, while carefully monitoring monetary policy and exchange rates in Japan, the United States, and Europe.

Loans

We will enhance the profitability of corporate loans by applying stringent selection criteria to prospective customers. We will expand loans to individuals while paying due regard to the profit margin and loan levels.

Real Estate

In fiscal 2007, we plan to continue making real estate investments based on a medium- to long-term perspective that emphasizes profitability and geographic distribution. We will also continue investing in real estate funds as a means of diversifying investment methods.

Internal Control, Risk Management, and Compliance Systems

Following the revision of the Insurance Business Law accompanying the enactment of Japan's new Company Law, the Board of Directors, at its meeting held in May 2006, adopted a basic policy for the Company's internal control systems. The policy emphasizes ongoing protection of the policyholders' interests and contribution to society in line with the Company's management philosophy. We are currently in the process of establishing and implementing our internal control systems based on this policy.

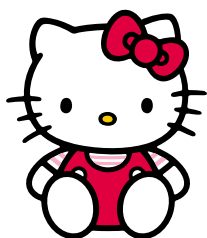
Fukoku Life is engaged in the highly public business of protecting policyholders' rights, and is also an institutional investor obliged to safely and profitably manage other people's assets. Therefore, we constantly strive to enhance the Company's internal control systems, which consist of a risk management system, compliance system, insurance claim payment administration system, and personal information protection system.

We undertake our business in the life insurance industry while recognizing the many risks in our business environment. We have established a risk management system that sets permissible limits for the different types of risks and ensures that they are controlled within those limits. In the unlikely event that a risk should arise, we will deal with it swiftly and minimize damage. We will also inform our policyholders and society about the exact details of the risk in question.

As members of the Company, all executives undergo ongoing training in compliance-related matters so that they not only observe laws and regulations, but also comply with protocols and social conventions. Our system ensures that in the unlikely event of improper conduct, it will be detected early and dealt with swiftly and appropriately.



Corporate Citizenship



HelloKitty

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Fukoku Life is engaged in various public relations activities that contribute toward building an affluent and heartfelt society.

Fukoku Life Charity Concert

Since 1993, the Company has held regular classical music Charity Concerts around the country as part of its commitment to enhancing interaction with customers through music and fostering community welfare. Although entry to the concerts is free, the audience is asked to make donations, which are given to local welfare groups. Since 2003, we have also held “Mini Concerts,” where musicians visit schools for disabled children, homes for the elderly, and other welfare facilities before or after our classical concerts. To date, we have held 127 charity concerts and 79 Mini Concerts.

Sanrio Puroland

Fukoku Life uses Sanrio’s world-famous Hello Kitty character in posters, pamphlets, and other promotional materials. In addition, Fukoku Life is a sponsor of the “Sanrio Character Boat Ride,” one of the many attractions in the Sanrio Puroland indoor theme park.

Communicating with Stakeholders

Every year, Fukoku Life publishes a variety of materials as a means of disclosing information on its business activities to stakeholders. These include its Japanese-language magazine, “Disclosure” (and abridged versions thereof), booklets written for policyholders, and this English-language annual report. In addition, we produce a variety of publications as needed, in order to strengthen the channels of communication between the Company, its policyholders, and its many other customers.

Non-consolidated Financial Statements

Non-consolidated Balance Sheets

As of March 31,				
	2005	2006	2007	2007
	Millions of yen			Millions of U.S. dollars
Assets:				
Cash and deposits:				
Cash	¥ 106	¥ 125	¥ 115	\$ 0
Bank deposits	26,112	69,967	60,764	514
	26,219	70,092	60,880	515
Call loans	131,300	65,000	96,400	816
Monetary claims bought	3,563	3,211	2,865	24
Money held in trust	79,554	95,849	102,186	865
Securities:				
Government bonds	1,702,075	1,918,058	1,891,859	16,025
Local government bonds	83,079	83,086	114,761	972
Corporate bonds	428,753	395,303	460,854	3,903
Stocks	586,706	840,970	853,113	7,226
Foreign securities	485,199	639,408	746,343	6,322
Other securities	32,436	39,484	42,796	362
	3,318,250	3,916,311	4,109,729	34,813
Loans:				
Policy loans	78,177	79,218	79,286	671
Ordinary loans	1,204,261	1,171,595	1,186,939	10,054
	1,282,439	1,250,813	1,266,226	10,726
Real estate and movables:				
Land	99,658	100,998	—	—
Buildings	90,730	85,311	—	—
Movables	3,308	5,378	—	—
Construction in progress	1,388	4,725	—	—
	195,086	196,413	—	—
Tangible fixed assets:				
Land	—	—	103,200	874
Buildings	—	—	97,384	824
Construction in progress	—	—	819	6
Other tangible fixed assets	—	—	5,068	42
	—	—	206,472	1,749
Intangible fixed assets:				
Software	—	—	7,942	67
Other intangible fixed assets	—	—	451	3
	—	—	8,393	71
Reinsurance receivables	77	108	52	0
Other assets:				
Accounts receivable	8,429	46,287	11,625	98
Prepaid expenses	1,252	703	587	4
Accrued income	20,210	20,464	25,024	211
Deposits	2,360	2,408	2,416	20
Differential account for futures trading	352	—	—	—
Derivatives	2,272	310	197	1
Deferred valuation losses on hedge	124	1,537	—	—
Suspense payment	2,304	3,753	5,471	46
Other assets	13,177	13,805	3,893	32
	50,483	89,270	49,215	416
Deferred tax assets	4,813	—	—	—
Allowance for possible loan losses	(3,157)	(2,704)	(9,399)	(79)
Total assets	¥5,088,630	¥5,684,365	¥5,893,024	\$49,919

Non-consolidated Balance Sheets (Continued)

As of March 31,

	2005	2006	2007	2007
	Millions of yen			Millions of U.S. dollars
Liabilities:				
Policy reserves:				
Reserve for outstanding claims	¥ 25,294	¥ 27,472	¥ 28,371	\$ 240
Policy reserve	4,630,543	4,951,438	5,108,013	43,269
Reserve for dividends to policyholders	57,550	54,516	52,872	447
	4,713,388	5,033,427	5,189,257	43,958
Reinsurance payables	78	85	74	0
Subordinated bonds	32,500	42,843	47,092	398
Other liabilities:				
Subordinated debt loans	5,000	5,000	5,000	42
Corporate income tax payable	4,261	7,426	10,155	86
Accounts payable	3,762	38,658	28,849	244
Accrued expenses	9,689	11,821	11,368	96
Unearned income	725	758	797	6
Deposits received	5,389	5,217	5,056	42
Guarantee deposits received	10,391	11,599	12,672	107
Differential account for futures trading	42	—	10	0
Derivatives	2,003	1,856	1,210	10
Deferred valuation gains on hedge	2,182	250	—	—
Suspense receipt	1,349	1,114	1,297	10
	44,797	83,705	76,419	647
Reserve for employees' retirement benefits	51,627	51,461	50,248	425
Reserve for directors' and corporate auditors' retirement benefits	—	—	547	4
Reserve for price fluctuation of securities	30,813	42,597	50,066	424
Deferred tax liabilities	—	60,860	63,851	540
Deferred tax liabilities for revaluation reserve for land	2,543	2,977	20,199	171
Total liabilities	4,875,749	5,317,957	5,497,755	46,571

Non-consolidated Balance Sheets (Continued)

	As of March 31,			
	2005	2006	2007	2007
	Millions of yen			Millions of U.S. dollars
Capital:				
Foundation funds	30,000	30,000	—	—
Accumulated foundation funds redeemed	1,000	1,000	—	—
Reserve for revaluation	112	112	—	—
Surplus:				
Legal reserve for future losses	1,187	1,387	—	—
Voluntary surplus reserves:				
Reserve for redemption of foundation funds	18,000	24,000	—	—
Reserve for dividend allowances	3,895	3,895	—	—
Reserve for advanced depreciation of real estate for tax purpose	427	412	—	—
Reserve for directors' retirement allowances	2,805	2,770	—	—
Other reserves	767	767	—	—
	25,895	31,845	—	—
Unappropriated surplus	35,847	47,270	—	—
Net surplus for the year	26,482	37,874	—	—
	62,930	80,503	—	—
Revaluation reserve for land, net of tax	4,480	5,244	—	—
Net unrealized gains on securities, net of tax	114,358	249,548	—	—
Total capital	212,881	366,408	—	—
Total liabilities and capital	¥5,088,630	¥5,684,365	—	—
Net assets:				
Foundation funds	—	—	40,000	338
Accumulated foundation funds redeemed	—	—	31,000	262
Reserve for revaluation	—	—	112	0
Surplus:				
Legal reserve for future losses	—	—	1,587	13
Other surplus:				
Reserve for dividend allowances	—	—	3,895	32
Reserve for advanced depreciation of real estate for tax purpose	—	—	343	2
Reserve for directors' retirement allowances	—	—	2,770	23
Other reserves	—	—	767	6
Unappropriated surplus	—	—	53,771	455
	—	—	61,548	521
	—	—	63,135	534
Total foundation funds and surplus	—	—	134,247	1,137
Net unrealized gains on securities, net of tax	—	—	273,377	2,315
Deferred valuation gains (losses) under hedge accounting	—	—	(152)	(1)
Revaluation reserve for land, net of tax	—	—	(12,204)	(103)
Total valuation and translation adjustments	—	—	261,020	2,211
Total net assets	—	—	395,268	3,348
Total liabilities and net assets	—	—	¥5,893,024	\$49,919

See notes to the non-consolidated financial statements.

Non-consolidated Statements of Operations

	Year ended March 31,			
	2005	2006	2007	2007
	Millions of yen			Millions of U.S. dollars
Ordinary revenues:				
Premium and other income:				
Premium income	¥731,327	¥ 845,604	¥721,858	\$6,114
Reinsurance income	376	403	130	1
	731,704	846,008	721,989	6,115
Investment income:				
Interest, dividends and other income:				
Interest from deposits	61	1,358	1,135	9
Interest and dividends from securities	41,184	45,749	69,704	590
Interest from loans	27,756	25,101	24,981	211
Income from real estate for rent	10,502	10,887	10,371	87
Other interest and dividends	9	86	302	2
	79,514	83,184	106,495	902
Gains from money held in trust, net	5,080	11,050	3,846	32
Gains from trading securities, net	9,671	16,214	13,025	110
Gains on sales of securities	8,486	28,448	17,823	150
Gains on redemption of securities	—	—	26	0
Other investment income	529	701	365	3
Gains from separate accounts, net	3,955	25,514	5,813	49
	107,238	165,112	147,397	1,248
Other ordinary revenues:				
Fund receipt from annuity rider	485	404	432	3
Fund receipt from deposit of claims paid	19,590	16,371	16,552	140
Reversal of reserve for employees' retirement benefits	487	166	1,213	10
Others	304	705	1,153	9
	20,868	17,647	19,351	163
Total ordinary revenues	859,811	1,028,769	888,739	7,528
Ordinary expenditures:				
Claims and other payments:				
Claims	201,237	197,973	185,048	1,567
Annuities	58,477	64,442	71,522	605
Benefits	127,417	123,924	133,961	1,134
Surrenders	98,395	87,322	106,851	905
Other payments	77,938	23,841	22,019	186
Reinsurance premiums	335	315	292	2
	563,801	497,819	519,696	4,402
Provision for policy reserve and others:				
Provision for reserve for outstanding claims	790	2,178	898	7
Provision for policy reserve	110,348	320,894	156,575	1,326
Interest on accumulated dividends to policyholders	62	55	51	0
	¥111,200	¥ 323,128	¥157,525	\$1,334

Non-consolidated Statements of Operations (Continued)

	Year ended March 31,			
	2005	2006	2007	2007
	Millions of yen			Millions of U.S. dollars
Investment expenses:				
Interest expenses	¥ 666	¥ 1,655	¥ 2,342	\$ 19
Losses on sales of securities	3,814	5,941	11,168	94
Losses on valuation of securities	760	266	1,296	10
Losses on redemption of securities	2	19	—	—
Losses from derivative instruments, net	8,273	17,834	4,353	36
Foreign exchange losses, net	84	1,294	993	8
Provision for allowance for possible loan losses	—	—	6,855	58
Depreciation of real estate for rent and other assets	4,704	4,453	4,383	37
Other investment expenses	3,962	4,149	4,939	41
	22,267	35,615	36,333	307
Operating expenses	87,912	91,376	89,574	758
Other ordinary expenditures:				
Claim deposit payments	11,055	11,236	13,681	115
Taxes	5,346	5,931	5,265	44
Depreciation	5,507	5,612	6,094	51
Others	64	590	353	2
	21,975	23,370	25,395	215
Total ordinary expenditures	807,157	971,311	828,525	7,018
Ordinary profits	52,653	57,457	60,213	510
Extraordinary gains:				
Gains on disposal of real estate and movables	170	1,165	—	—
Gains on disposal of fixed assets	—	—	46	0
Reversal of allowance for possible loan losses	2,076	750	—	—
Total extraordinary gains	2,247	1,916	46	0
Extraordinary losses:				
Losses on disposal of real estate and movables	4,985	2,570	—	—
Losses on disposal of fixed assets	—	—	1,015	8
Impairment losses	—	3,920	466	3
Provision for reserve for employees' retirement benefits	7,887	—	—	—
Provision for reserve for directors' and corporate auditors' retirement benefits	—	—	547	4
Provision for reserve for price fluctuation of securities	9,130	11,784	7,468	63
Total extraordinary losses	22,002	18,275	9,496	80
Surplus before income taxes	32,898	41,098	50,762	430
Income taxes:				
Current	11,665	13,856	17,792	150
Deferred	(5,249)	(10,632)	(10,532)	(89)
Net surplus for the year	26,482	37,874	43,502	368
Surplus carried from the previous year	10,124	10,124	—	—
Reversal of revaluation reserve for land	(778)	(764)	—	—
Reversal of reserve for directors' retirement	20	35	—	—
Unappropriated surplus	¥ 35,847	¥ 47,270	¥ —	\$ —

See notes to the non-consolidated financial statements.

Non-consolidated Statements of Surplus

	Year ended March 31,			
	2005	2006	2007	2007
	Millions of yen			Millions of U.S. dollars
Unappropriated surplus	¥ 35,847	¥ 47,270	¥53,771	\$ 455
Reversal of voluntary surplus reserve:				
Reversal of reserve for advanced depreciation				
of real estate for tax purpose	14	69	23	0
Reversal of reserve for directors' retirement	—	—	2,770	23
	14	69	2,793	23
Total	35,862	47,339	56,565	479
Appropriation of surplus:				
Reserve for dividends to policyholders	18,966	30,454	35,525	300
Net surplus:				
Legal reserves for future losses	200	200	200	1
Interest payment for foundation funds	531	531	716	6
Bonus to directors	30	30	—	—
Bonus to corporate auditors	10	—	—	—
Voluntary reserve:				
Reserve for redemption of foundation funds	6,000	6,000	10,000	84
	6,771	6,761	10,916	92
Total appropriation of surplus	25,737	37,215	46,441	393
Unappropriated surplus carried forward	¥ 10,124	¥ 10,124	¥10,124	\$ 85

See notes to the non-consolidated financial statements.

Non-Consolidated Statement of Changes in Net Assets (For the year ended March 31, 2007)

	Millions of yen											
	Foundation funds and surplus											
	Surplus											
	Other surplus											Total founda- tion funds and surplus
Founda- tion funds	Accumu- lated foundation funds redeemed	Reserve for revaluation	Legal reserve for future losses	Reserve for redemption of foundation funds	Reserve for dividend allowances	Reserve for advanced depreciation of real estate for tax purpose	Reserve for directors' retirement allowances	Other reserves	Unappropri- ated surplus	Total surplus		
Balance at the end of previous fiscal year	¥ 30,000	¥ 1,000	¥112	¥1,387	¥24,000	¥3,895	¥412	¥2,770	¥767	¥ 47,270	¥ 80,503	¥111,615
Changes in the current fiscal year:												
Financing of additional foundation funds	40,000										—	40,000
Additions to reserve for dividends to policyholders										(30,454)	(30,454)	(30,454)
Additions to legal reserve for future losses				200						(200)	—	—
Additions to accumulated foundation funds redeemed		30,000									—	30,000
Payment of interest on foundation funds										(531)	(531)	(531)
Payment of bonus to directors										(30)	(30)	(30)
Net surplus for the year										43,502	43,502	43,502
Redemption of foundation funds	(30,000)										—	(30,000)
Additions to reserve for redemption of foundation funds ...					6,000					(6,000)	—	—
Reversal of reserve for redemption of foundation funds ...					(30,000)						(30,000)	(30,000)
Reversal of reserve for advanced depreciation of real estate for tax purpose							(69)			69	—	—
Reversal of revaluation reserve for land										144	144	144
Net change, excluding foundation funds and surplus												
Total changes in the current fiscal year	10,000	30,000	—	200	(24,000)	—	(69)	—	—	6,501	(17,367)	22,632
Balance at the end of current fiscal year	¥ 40,000	¥31,000	¥112	¥1,587	¥ —	¥3,895	¥343	¥2,770	¥767	¥ 53,771	¥ 63,135	¥134,247

	Millions of yen				
	Valuation and translation adjustments				
	Net unrealized gains on securities, net of tax	Deferred valuation gains (losses) under hedge accounting	Revaluation reserve for land, net of tax	Total valuation and translation adjustments	Total net assets
Balance at the end of previous fiscal year	¥249,548	¥ —	¥ 5,244	¥254,792	¥ 366,408
Changes in the current fiscal year:					
Financing of additional foundation funds					40,000
Additions to reserve for dividends to policyholders					(30,454)
Additions to legal reserve for future losses					—
Additions to accumulated foundation funds redeemed					30,000
Payment of interest on foundation funds					(531)
Payment of bonus to directors					(30)
Net surplus for the year					43,502
Redemption of foundation funds					(30,000)
Additions to reserve for redemption of foundation funds					—
Reversal of reserve for redemption of foundation funds					(30,000)
Reversal of reserve for advanced depreciation of real estate for tax purpose					—
Reversal of revaluation reserve for land					144
Net change, excluding foundation funds and surplus	23,829	(152)	(17,449)	6,227	6,227
Total changes in the current fiscal year	23,829	(152)	(17,449)	6,227	28,860
Balance at the end of current fiscal year	¥273,377	¥(152)	¥(12,204)	¥261,020	¥ 395,268

Non-Consolidated Statement of Changes in Net Assets (Continued)

(For the year ended March 31, 2007)

Millions of U.S. dollars												
	Foundation funds and surplus											
	Surplus											
	Other surplus											
	Founda- tion funds	Accum- lated foundation funds redeemed	Reserve for revaluation	Legal reserve for future losses	Reserve for redemption of foundation funds	Reserve for dividend allowances	Reserve for advanced depreciation of real estate for tax purpose	Reserve for directors' retirement allowances	Other reserves	Unappropri- ated surplus	Total surplus	Total founda- tion funds and surplus
Balance at the end of previous fiscal year	\$ 254	\$ 8	\$ 0	\$ 11	\$ 203	\$ 32	\$ 3	\$ 23	\$ 6	\$ 400	\$ 681	\$ 945
Changes in the current fiscal year:												
Financing of additional foundation funds	338										—	338
Additions to reserve for dividends to policyholders										(257)	(257)	(257)
Additions to legal reserve for future losses				1						(1)	—	—
Additions to accumulated foundation funds redeemed		254									—	254
Payment of interest on foundation funds										(4)	(4)	(4)
Payment of bonus to directors										(0)	(0)	(0)
Net surplus for the year										368	368	368
Redemption of foundation funds	(254)										—	(254)
Additions to reserve for redemption of foundation funds ...					(50)					(50)	—	—
Reversal of reserve for redemption of foundation funds ...					(254)						(254)	(254)
Reversal of reserve for advanced depreciation of real estate for tax purpose							(0)			0	—	—
Reversal of revaluation reserve for land										1	1	1
Net change, excluding foundation funds and surplus												
Total changes in the current fiscal year	84	254	—	1	(203)	—	(0)	—	—	55	(147)	191
Balance at the end of current fiscal year	\$ 338	\$ 262	\$ 0	\$ 13	\$ —	\$ 32	\$ 2	\$ 23	\$ 6	\$ 455	\$ 534	\$ 1,137

Millions of U.S. dollars					
	Valuation and translation adjustments				
	Net unrealized gains on securities, net of tax	Deferred valuation gains (losses) under hedge accounting	Revaluation reserve for land, net of tax	Total valuation and translation adjustments	Total net assets
Balance at the end of previous fiscal year	\$ 2,113	\$ —	\$ 44	\$ 2,158	\$ 3,103
Changes in the current fiscal year:					
Financing of additional foundation funds					338
Additions to reserve for dividends to policyholders					(257)
Additions to legal reserve for future losses					—
Additions to accumulated foundation funds redeemed					254
Payment of interest on foundation funds					(4)
Payment of bonus to directors					(0)
Net surplus for the year					368
Redemption of foundation funds					(254)
Additions to reserve for redemption of foundation funds					—
Reversal of reserve for redemption of foundation funds					(254)
Reversal of reserve for advanced depreciation of real estate for tax purpose					—
Reversal of revaluation reserve for land					1
Net change, excluding foundation funds and surplus	201	(1)	(147)	52	52
Total changes in the current fiscal year	201	(1)	(147)	52	244
Balance at the end of current fiscal year	\$ 2,315	\$ (1)	\$ (103)	\$ 2,211	\$ 3,348

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 Law of Japan and its related rules and regulations and in conformity with accounting principles generally accepted in Japan, which are different in certain respects from accounting principles generally accepted in countries and jurisdictions other than Japan.

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

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

2. U.S. Dollar Amounts

The translations of yen amounts into U.S. dollar amounts are included solely for the convenience of the reader and have been made, as a matter of arithmetical computation only, at the rate of ¥118.05 = US\$1.00, the effective rate of exchange at the balance sheet date of March 31, 2007. The translations should not be construed as representations that such yen amounts have been or could in the future be, converted into U.S. dollars at that or any other rates.

II. Notes to Balance Sheets

1. Significant Accounting Policies

(1) Valuation methods of securities

The valuations of securities, including bank deposits and monetary claims bought which are equivalent to securities, and securities managed as trust assets in money held in trust, are as follows:

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

Available-for-sale securities with no fair market value are stated at cost, cost being determined by the moving average method, except for public and corporate bonds including foreign bonds, of which the difference between acquisition cost and face value is considered to be an adjustment of interest. Such bonds are stated at amortized cost under the straight-line method, cost being determined by the moving average method.

(2) Valuation methods of derivative instruments

Derivative instruments are stated at fair market value.

(3) Revaluation of land

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

- Date of revaluation: March 31, 2002
- Method of revaluation as prescribed for in Article 3 Paragraph 3 of the said Law:
Calculation is based on the appraisal value for property tax set forth in Article 2 item 3 of the Enforcement Ordinance of the Law for Revaluation of Land (Government Ordinance No.119 promulgated on March 31, 1998) and the road rate set forth in Article 2 item 4 of the said Ordinance with certain reasonable adjustments.
- The excess of the aggregate new book value of land for business purposes after revaluation over the total fair value of land, which is required to be disclosed in accordance with Article 10 of the Law for Revaluation of Land, was ¥4,178 million as of March 31, 2005. The total fair value of land exceeded the aggregated new book value of land after revaluation as of March 31, 2006 and 2007.

(4) Depreciation of tangible fixed assets

Depreciation of tangible fixed assets held by the Company, except for the buildings acquired on and after April 1, 1998 which are depreciated based on the straight-line method, is computed based on the declining-balance method. Other tangible assets acquired for ¥100,000 or more but less than ¥200,000 are depreciated by equal amounts over three years.

(5) Foreign currency translation

Foreign currency-denominated assets and liabilities, except for investments in subsidiaries and affiliates, are translated into Japanese yen at the effective exchange rate prevailing at the balance sheet date. Investments in subsidiaries and affiliates are translated into Japanese yen at the exchange rate on the date of acquisition.

(6) Allowance for possible loan losses

Allowance for possible loan losses is provided in accordance with the Company's standards of self-assessment and write-offs and reserves on credit quality:

- i) For the credits of borrowers who are legally bankrupt such as being in the proceedings of bankruptcy or civil rehabilitation (hereinafter called "legally bankrupt borrowers") and who are substantially bankrupt (hereinafter called "substantially bankrupt borrowers"), the Company provides the remaining amount of credits after the direct write-off described below and the deductions of the amount expected to be collected through the disposal of collateral or the execution of guarantees.
- ii) For the credits of borrowers who are not currently bankrupt but have a high possibility of bankruptcy, the Company provides the amounts deemed as necessary considering the borrowers' ability to pay, within the amounts after deductions of the amount expected to be collected through the disposal of collateral or the execution of guarantees.
- iii) For the credits of borrowers other than the above, the Company provides the amounts calculated by multiplying the borrowers' balance by the actual ratio of bad debt losses on defaults during a certain past period.

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

For the credits of legally bankrupt borrowers and substantially bankrupt borrowers, the amounts remaining after deductions of collateral value or the amounts collectible through the execution of guarantees is written-off directly from the borrower's balance as the estimated uncollectible amounts. The amounts written-off as of March 31, 2005, 2006 and 2007 were ¥22,408 million, ¥833 million and ¥784 million (US\$6 million), respectively.

(7) Reserve for employees' retirement benefits

The Company adopts accounting standards for employees' retirement benefits (Business Accounting Council dated June 16, 1998) and accounts for the reserve for employees' retirement benefits based on the projected benefit obligation and plan assets at the balance sheet date.

(8) Reserve for directors' and corporate auditors' retirement benefits

Reserve for directors' and corporate auditors' retirement benefits represents the estimated amounts to be paid due to abolishing internal rule of retirement benefit plan in relation to directors and corporate auditors.

(9) Reserve for price fluctuation of securities

Reserve for price fluctuation of securities is calculated in accordance with the ruling in Article 115 of the Insurance Business Law.

(10) Lease transactions

Finance leases, except those leases for which the ownership of the leased property is considered to be transferred to the lessee, are primarily accounted for as operating leases.

(11) Accounting for hedge activities

Hedge accounting is based on "Accounting Standards for Financial Instruments" (ASBJ Statement No.10 issued by the Accounting Standards Board of Japan on August 11, 2006).

Primarily, for the interest rate swaps on loans qualifying for hedge accounting because of high correlation and effectiveness between the hedging instruments and the hedged item, gains and losses on the interest rate swaps are deferred until the maturity of the hedged transactions.

Deposits and bonds denominated in foreign currencies for which forward foreign exchange contracts are used to hedge the foreign currency fluctuations are translated at the contract rates if the forward contracts qualify for specific hedge accounting. In this case, exchange differences between exchange rate on trade date and forward contract rate are allocated to each fiscal year from the date contracted to the date settled.

For judging the effectiveness of hedge used, ratio analysis of comparing the cash flow fluctuation of hedged item with the same of hedging instruments is mostly applied.

(12) Accounting for consumption taxes

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

(13) Policy reserve

Policy reserve is based on Article 116 of the Insurance Business Law, and the premium reserve at the end of fiscal year is calculated by the following method:

In regard to the policies subject to the standard policy reserve, the method as prescribed by the Commissioner of Financial Services Agency (Ministry of Finance Ordinance No. 48, 1996) is applied.

In regard to the policies not subject to the standard policy reserve, the net level premium method is applied.

(14) Software

The software for internal use, which was included in other assets as of March 31, 2005 and 2006 and in software as of March 31, 2007, is amortized based on straight-line method over the estimated useful lives.

(15) Deferred assets

Bond issuance expenses are charged to income when paid.

Discount on bonds is amortized equally over the period for which interest on bonds is fixed. For the year ended March 31, 2007, discount on bonds which was recorded in other assets in previous year is deducted from bonds in accordance with "Tentative Solution on Accounting for Deferred Assets" (ASBJ PITF No.19 issued by the Accounting Standards Board of Japan on August 11, 2006).

(16) Policy-reserve-matching bonds

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

The amount of policy-reserve-matching bonds recorded on the balance sheets as of March 31, 2007 was ¥540,923 million (US\$4,582 million). The market value of these bonds as of March 31, 2007 was ¥542,462 million (US\$4,595 million).

2. Changes in Accounting Policy

(1) Effective for the year ended March 31, 2007, the Company adopted "Accounting Standards for Presentation of Net Assets in the Balance Sheet" (ASBJ Statement No.5 issued by the Accounting Standards Board of Japan on December 9, 2005). If the previous accounting policy were to be applied, the amount of "Total capital" as of March 31, 2007 was ¥395,420 million (US\$3,349 million).

(2) Effective for the year ended March 31, 2007, the Company adopted "Tentative Solution on Accounting for Deferred Assets" (ASBJ PITF No.19 issued by the Accounting Standards Board of Japan on August 11, 2006). As a result, discount on bonds of ¥106 million (US\$905 thousand) as of March 31, 2007, which was recorded in other assets in previous year, is deducted from bonds.

(3) In accordance with the revised form of the Enforcement Regulation of the Insurance Business Law, the balance sheet presentation has been changed as follows, effective for the year ended March 31, 2007.

(a) "Real estate and movables" which was presented as a separate line item is presented as "tangible fixed assets".

(b) "Intangible fixed assets" which was included in "Other assets" is presented as a separate line item. The amount of "Intangible fixed assets" included in "Other assets" was ¥9,649 million as of March 31, 2006.

3. Loans Receivable

The total amounts of credits to bankrupt borrowers, delinquent loans, delinquent loans past 3 months or more and restructured loans, which were included in loans, were ¥1,971 million, ¥2,317 million and ¥11,332 million (US\$95 million) as of March 31, 2005, 2006 and 2007, respectively.

- i) The balances of credits to bankrupt borrowers were ¥556 million, ¥429 million and ¥443 million (US\$3 million) as of March 31, 2005, 2006 and 2007, respectively.
- ii) The balances of delinquent loans were ¥807 million, ¥1,882 million and ¥10,889 million (US\$92 million) as of March 31, 2005, 2006 and 2007, respectively.
- iii) There were no balances of delinquent loans past 3 months or more as of March 31, 2005, 2006 and 2007.
- iv) The balance of restructured loans was ¥607 million and ¥5 million as of March 31, 2005 and 2006, and there was no balance as of March 31, 2007.

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

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

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

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

The direct write-offs related to loans decreased credits to bankrupt borrowers described above by ¥21,615 million, ¥51 million and ¥2 million (US\$21 thousand) as of March 31, 2005, 2006 and 2007, respectively.

The direct write-offs related to loans decreased delinquent loans described above by ¥793 million, ¥782 million and ¥782 million (US\$6 million) as of March 31, 2005, 2006 and 2007, respectively.

4. Accumulated Depreciation of Tangible Fixed Assets

Accumulated depreciation of tangible fixed assets which was presented as accumulated depreciation of real estate and movables until previous fiscal year totaled to ¥112,678 million, ¥113,289 million and ¥116,318 million (US\$985 million) as of March 31, 2005, 2006 and 2007, respectively.

5. Separate Accounts

Total assets in separate accounts provided for in Article 118 of the Insurance Business Law were ¥101,227 million, ¥123,046 million and ¥131,182 million (US\$1,111 million) as of March 31, 2005, 2006 and 2007, respectively. The amounts of liabilities were the same as these figures.

6. Receivables from / Payables to Subsidiaries

The total amounts of receivables from / payables to subsidiaries were ¥23 million and ¥1,231 million as of March 31, 2005, ¥21 million and ¥1,602 million as of March 31, 2006, and ¥2,886 million (US\$24 million) and ¥1,933 million (US\$16 million) as of March 31, 2007, respectively.

7. Monetary Claims to Directors

Monetary claims to directors as of March 31, 2005, 2006 and 2007 were ¥21 million, ¥16 million and ¥11 million (US\$99 thousand), respectively.

8. Income Taxes

Deferred tax assets and deferred tax liabilities as of March 31, 2005 and 2006 were ¥71,200 million and ¥66,387 million, and ¥82,460 million and ¥143,320 million, respectively.

Deferred tax assets and deferred tax liabilities as of March 31, 2007 were ¥93,069 million (US\$788 million) and ¥156,920 million (US\$1,329 million), respectively. Valuation allowance for deferred tax assets was ¥2,653 million (US\$22 million).

Major components of deferred tax assets and liabilities were as follows:

	As of March 31,			
	2005	2006	2007	2007
	Millions of yen			Millions of U.S. dollars
Deferred tax assets:				
Policy reserves	¥32,962	¥ 43,026	¥ 51,572	\$ 436
Reserve for employees' retirement benefits	18,359	18,634	18,194	154
Reserve for price fluctuation of securities	11,157	15,424	18,128	153
Allowance for possible loan losses	4,610	—	—	—
Deferred tax liabilities:				
Net unrealized gains on securities	64,914	141,654	155,181	1,314

The statutory tax rate and the actual effective tax rates for the years ended March 31, 2005, 2006 and 2007 were 36.2% and 19.5%, 36.2% and 7.8% and 36.2% and 14.3%, respectively. The major differences between the statutory tax rate and the actual effective tax rate were reserve for dividends to policyholders of 20.9%, 26.8% and 25.3% for the years ended March 31, 2005, 2006 and 2007, respectively.

9. Contingent Liabilities

Contingent liabilities as of March 31, 2007 related to the cost for system development in The Kyoei Kasai Shinrai Life Insurance Company, Limited were ¥233 million (US\$1 million).

10. Reserve for Dividends to Policyholders

Changes in reserve for dividends to policyholders were as follows:

	As of March 31,			
	2005	2006	2007	2007
	Millions of yen			Millions of U.S. dollars
Balance at the end of previous fiscal year	¥ 63,879	¥ 57,550	¥ 54,516	\$ 461
Transfer from surplus in previous fiscal year	16,688	18,966	30,454	257
Dividends paid in fiscal year	(23,079)	(22,057)	(32,149)	(272)
Increase in interest	62	55	51	0
Balance at the end of fiscal year	¥ 57,550	¥ 54,516	¥ 52,872	\$ 447

11. Stocks of Subsidiaries

The amounts of stocks of subsidiaries the Company held as of March 31, 2005, 2006 and 2007 were ¥2,826 million, ¥2,826 million and ¥2,828 million (US\$23 million), respectively.

12. Pledged Assets and Secured Debts

Assets pledged as collateral as of March 31, 2005 and 2006 were ¥20,834 million and ¥19,440 million. Secured debts as of March 31, 2005 and 2006 were ¥5,080 million and ¥4,868 million.

Assets pledged as collateral as of March 31, 2007 were ¥18,050 million (US\$152 million) of securities and ¥856 million (US\$7 million) of money held in trust. Secured debts as of March 31, 2007 was ¥4,710 million (US\$39 million).

13. Policy Reserves for the Reinsurance Contracts

Reserve for outstanding claims for the reinsurance contracts provided in accordance with Article 71 Item 1 of the Enforcement Regulation of the Insurance Business Law ("reserve for outstanding claims for ceded reinsurance") were ¥27 million, ¥900 thousand and ¥43 million (US\$367 thousand) as of March 31, 2005, 2006 and 2007, respectively.

Policy reserve for the reinsurance contracts provided in accordance with Article 71 Item 1 of the Enforcement Regulation of the Insurance Business Law ("policy reserve for ceded reinsurance") were ¥39 million, ¥31 million and ¥32 million (US\$273 thousand) as of March 31, 2005, 2006 and 2007, respectively.

14. Net Assets

Net assets defined in Article 30 Paragraph 2 (former Article 24-2 Paragraph 2 Item 2) of the Enforcement Regulation of the Insurance Business Law were ¥120,090 million, ¥259,925 million and ¥273,337 million (US\$2,315 million) as of March 31, 2005, 2006 and 2007, respectively.

15. Additional Foundation Funds

The Company raised additional foundation funds of ¥40,000 million (US\$338 million) during the year ended March 31, 2007 in accordance with Article 60 of the Insurance Business Law.

16. Redemption of Foundation Funds

In the year ended March 31, 2007, according to the redemption of foundation funds of ¥30,000 million (US\$254 million), the Company reversed the reserve for redemption of foundation funds and provided the equivalent amount for accumulated foundation funds redeemed in accordance with Article 56 of the Insurance Business Law.

17. Commitment Line

As of March 31, 2005, 2006 and 2007, there were unused commitment line agreements under which the Company is the lender of ¥12,812 million, ¥3,624 million and ¥1,581 million (US\$13 million), respectively.

18. Subordinated Bonds

Repayments of subordinated bonds are subordinated to other obligations.

19. Subordinated Debt Loans

Repayments of subordinated debt loans are subordinated to other obligations.

20. Assets Denominated in Foreign Currencies

Assets denominated in foreign currencies as of March 31, 2005, 2006 and 2007 totaled to ¥396,364 million, ¥569,822 million and ¥672,918 million (US\$5,700 million), respectively. The principal foreign currency asset amounts as of March 31, 2005, 2006 and 2007 were US\$1,644 million and 1,017 million euros, US\$2,567 million and 1,487 million euros and 2,022 million euros and US\$2,579 million, respectively.

Liabilities denominated in foreign currencies as of March 31, 2006 and 2007 totaled to ¥43,820 million and ¥48,275 million, respectively. The foreign currency liability amounts as of March 31, 2006 and 2007 were 306 million euros.

21. Contribution to Policyholders Protection Fund

The future contribution to the former Insurance Policyholders Protection Fund of Japan, which was succeeded by the Life Insurance Policyholders Protection Corporation of Japan based on the Supplementary Article 140 Paragraph 5 of the Financial System Reform Law, were estimated at ¥1,306 million, ¥800 million and ¥285 million (US\$2 million) as of March 31, 2005, 2006 and 2007, respectively. The contribution is charged as operating expenses in the year in which they are paid.

22. Contribution to Policyholders Protection Corporation

The future contribution to the Life Insurance Policyholders Protection Corporation of Japan under Article 259 of the Insurance Business Law were estimated at ¥7,243 million, ¥10,615 million and ¥11,174 million (US\$94 million) as of March 31, 2005, 2006 and 2007, respectively. The contribution is charged as operating expenses in the year in which they are paid.

23. Reserve for Employees' Retirement Benefits

(1) The reserve for retirement benefits as of March 31, 2005, 2006 and 2007 were calculated as follows:

As of March 31,				
	2005	2006	2007	2007
	Millions of yen			Millions of U.S. dollars
a. Projected benefit obligation	¥ (73,281)	¥ (73,568)	¥ (73,651)	\$ (623)
b. Fair value of pension plan assets	15,771	19,810	21,438	181
c. Unfunded benefit obligation (a+b)	(57,510)	(53,758)	(52,212)	(442)
d. Unrecognized actuarial differences	5,572	2,020	1,722	14
e. Unrecognized prior service cost	310	276	241	2
f. Reserve for employees' retirement benefits (c+d+e)	¥ (51,627)	¥ (51,461)	¥ (50,248)	\$ (425)

(2) Gross amount of retirement benefit expenses for the years ended March 31, 2005, 2006 and 2007 were as follows:

Year ended March 31,				
	2005	2006	2007	2007
	Millions of yen			Millions of U.S. dollars
Service cost	¥ 3,826	¥ 3,563	¥ 3,472	\$ 29
Interest cost	1,478	1,464	1,470	12
Expected return on plan assets	(501)	(551)	(792)	(6)
Amortization of transition obligation	7,887	—	—	—
Recognized actuarial differences	851	780	502	4
Amortization of prior service cost	34	34	34	0
	¥13,576	¥5,290	¥ 4,687	\$ 39

Notes: The amortization of transition obligation is recorded as provision for reserve for retirement benefits which is included in extraordinary losses.

(3) The assumptions used in calculation of the above information were as follows:

- Method of attributing the projected benefits to periods of service Straight-line basis
- Discount rate 2.0%
- Expected rate of return on pension plan assets (See Note) 4.0%
- Amortization period of transition obligation 5 years
- Recognition period of actuarial differences 10 years
- Amortization period of prior service cost 10 years

Note: Expected rate of return on pension plan assets for the year ended March 31, 2005 and 2006 were 3.5%.

III. Notes to Statements of Operations

1. Changes in Accounting Policy

(1) Effective for the year ended March 31, 2007, the Company adopted "Guidance on Accounting for Other Compound Financial Instruments (Compound Financial Instruments Other than Those with Option to Increase Paid-in Capital)" (ASBJ Guidance No.12 issued by the Accounting Standards Board of Japan on March 30, 2006). As a result, ordinary profits decreased by ¥33 million (US\$282 thousand), compared to the previous methods.

(2) In accordance with the revised form of the Enforcement Regulation of the Insurance Business Law, the presentation of statements of operations has been changed as follows, effective for the year ended March 31, 2007.

(a) "Gains (losses) on disposal of real estate and movables" which was presented as a separate line item is presented as "gains (losses) on disposal of fixed assets."

(b) The bottom line of statements of operations has been changed from "Unappropriated surplus" to "Net surplus for the year."

2. Transactions with Subsidiaries

The total amounts of revenues and expenditures in connection with subsidiaries for the years ended March 31, 2005, 2006 and 2007 were ¥351 million and ¥6,226 million, ¥405 million and ¥6,746 million, and ¥516 million (US\$4 million) and ¥7,811 million (US\$66 million), respectively.

3. Gains on Sales of Securities

Major items of gains on sales of securities were as follows:

	Year ended March 31,			
	2005	2006	2007	2007
	Millions of yen			Millions of U.S. dollars
Domestic bonds	¥1,731	¥ 1,341	¥ 93	\$ 0
Domestic stocks and other	6,405	25,607	15,033	127
Foreign securities	350	1,499	2,697	22

4. Losses on Sales of Securities

Major items of losses on sales of securities were as follows:

	Year ended March 31,			
	2005	2006	2007	2007
	Millions of yen			Millions of U.S. dollars
Domestic bonds	¥ 534	¥ 702	¥ 9,232	\$ 78
Domestic stocks and other	3,051	4,994	1,739	14
Foreign securities	228	244	197	1

5. Losses on Valuation of Securities

Major items of losses on valuation of securities were as follows:

	Year ended March 31,			
	2005	2006	2007	2007
	Millions of yen			Millions of U.S. dollars
Domestic stocks and other	¥693	¥266	¥1,296	\$ 10
Foreign securities	67	—	—	—

6. Policy Reserve for the Reinsurance Contracts

For the year ended March 31, 2006, reversal of reserve for outstanding claims for ceded reinsurance considered in calculation of provision for reserve for outstanding claims was ¥26 million and reversal of policy reserve for ceded reinsurance considered in calculation of provision for policy reserve was ¥8 million.

For the year ended March 31, 2007, provision for reserve for outstanding claims for ceded reinsurance considered in calculation of provision for reserve for outstanding claims was ¥42 million (US\$360 thousand) and provision for policy reserve for ceded reinsurance considered in calculation of provision for policy reserve was ¥718 thousand (US\$6 thousand).

7. Gains from Trading Securities

Major items of gains from trading securities were as follows:

	Year ended March 31,			
	2005	2006	2007	2007
	Millions of yen			Millions of U.S. dollars
Interest, dividends and other income	¥ 6,518	¥ 8,310	¥ 5,706	\$ 48
Gains (Losses) on sales of trading securities	(538)	3,299	5,702	48
Gains (Losses) on valuation of trading securities	3,475	4,036	1,357	11

8. Gains from Money Held in Trust

Gains from money held in trust for the years ended March 31, 2005, 2006 and 2007 included valuation gains of ¥2,446 million, ¥2,447 million and ¥1,945 million (US\$16 million), respectively.

9. Gains/Losses from derivative Instruments

Losses from derivative instruments for the years ended March 31, 2005, 2006 and 2007 included valuation losses of ¥3,965 million, valuation gains of ¥1,539 million and valuation losses of ¥513 million (US\$4 million), respectively.

10. Impairment of Fixed Assets

Effective for fiscal years beginning on or after April 1, 2005, the Company adopted accounting standards for impairment of fixed assets (Business Accounting Council dated August 9, 2002). As a result, surplus before income taxes for the year decreased by ¥3,920 million for the year ended March 31, 2006.

(1) Method of grouping

Real estate and other assets used for insurance business operations are classified as one asset group as a whole. Other assets such as lease property and unused real estate are classified as one group individually.

(2) Background of recognizing the impairment losses

As a result of decline in profitability due to decrease of rental income and of continuous decline of market value of land, the Company reduced the book value of lease property and unused real estate to recoverable amount. The amount reduced were recognized as impairment losses included in extraordinary losses.

(3) Asset groups recognized impairment losses and losses by fixed assets

- Year ended March 31, 2006

Asset	Millions of yen			
	Impairment losses			
	Land	Buildings	Others	Total
(i) Lease property	¥ 952	¥1,701	¥559	¥3,214
(ii) Unused real estate	307	397	1	706
Total (i)+(ii)	¥1,259	¥2,099	¥561	¥3,920

Note : Major item of others was impairment losses of land lease rights which were included in other assets of ¥559 million.

(4) Calculation method of recoverable amount

Recoverable amount is based on net sales value. Net sales value is determined based on appraisal value, posted price or road rate.

Report of Independent Auditors

The Board of Directors of Fukoku Mutual Life Insurance Company

We have audited the accompanying non-consolidated balance sheets of Fukoku Mutual Life Insurance Company as of March 31, 2005, 2006 and 2007, and the related non-consolidated statements of operations and surplus for the years then ended, and the non-consolidated statement of changes in net assets for the year ended March 31, 2007, all expressed in Japanese yen. These non-consolidated financial statements are the responsibility of the Company's management. Our responsibility is to independently express an opinion on these non-consolidated financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the non-consolidated financial statements referred to above present fairly, in all material respects, the non-consolidated financial position of Fukoku Mutual Life Insurance Company as of March 31, 2005, 2006 and 2007, and the non-consolidated results of its operations for the years then ended in conformity with accounting principles generally accepted in Japan.

As described in Note III. 10 in the year ended March 31, 2006, the Company adopted the new accounting standards for impairment of fixed assets.

The amounts expressed in U.S. dollars, which are provided solely for the convenience of the reader, have been translated on the basis set forth in Note I. 2 to the accompanying non-consolidated financial statements.

Tokyo, Japan

May 22, 2007



The Fuji Accounting Office

Consolidated Financial Statements

Consolidated Balance Sheets

As of March 31,				
	2005	2006	2007	2007
	Millions of yen			Millions of U.S. dollars
Assets:				
Cash and deposits	¥ 29,419	¥ 73,841	¥ 65,223	\$ 552
Call loans	131,300	65,000	96,400	816
Monetary claims bought	3,563	3,211	2,865	24
Money held in trust	79,554	95,849	102,186	865
Securities	3,315,697	3,913,767	4,107,183	34,791
Loans	1,282,439	1,250,813	1,266,226	10,726
Real estate and movables	195,172	196,510	—	—
Tangible fixed assets	—	—	206,565	1,749
Intangible fixed assets	—	—	8,343	70
Reinsurance receivables	77	108	52	0
Other assets	50,846	89,668	49,575	419
Deferred tax assets	4,898	191	190	1
Allowance for possible loan losses	(3,183)	(2,989)	(9,648)	(81)
Total assets	¥5,089,787	¥5,685,972	¥5,895,164	\$49,937
Liabilities:				
Policy reserves:				
Reserve for outstanding claims	¥ 25,294	¥ 27,472	¥ 28,371	\$ 240
Policy reserve	4,630,543	4,951,438	5,108,013	43,269
Reserve for dividends to policyholders	57,550	54,516	52,872	447
	4,713,388	5,033,427	5,189,257	43,958
Agency payable	—	—	2	0
Reinsurance payables	78	85	74	0
Subordinated bonds	32,500	42,843	47,092	398
Other liabilities	45,085	83,937	76,521	648
Reserve for employees' retirement benefits	51,639	51,477	50,260	425
Reserve for directors' and corporate auditors' retirement benefits	—	—	573	4
Reserve for price fluctuation of securities	30,813	42,597	50,066	424
Deferred tax liabilities	—	60,860	63,856	540
Deferred tax liabilities for revaluation reserve for land	2,543	2,977	20,199	171
Total liabilities	4,876,048	5,318,205	5,497,903	46,572
Minority interest	367	468	—	—

See notes to the consolidated financial statements.

Consolidated Balance Sheets (Continued)

As of March 31,

	2005	2006	2007	2007
	Millions of yen			Millions of U.S. dollars
Capital:				
Foundation funds	30,000	30,000	—	—
Accumulated foundation funds redeemed	1,000	1,000	—	—
Reserve for revaluation	112	112	—	—
Surplus	63,599	81,488	—	—
Revaluation reserve for land, net of tax	4,480	5,244	—	—
Net unrealized gains on securities, net of tax	114,360	249,554	—	—
Foreign currency translation adjustment	(181)	(101)	—	—
Total capital	213,370	367,298	—	—
Total liabilities, minority interest and capital	¥5,089,787	¥5,685,972	—	—
Net assets:				
Foundation funds	—	—	40,000	338
Accumulated foundation funds redeemed	—	—	31,000	262
Reserve for revaluation	—	—	112	0
Surplus	—	—	64,559	546
Total foundation funds and surplus	—	—	135,671	1,149
Net unrealized gains on securities, net of tax	—	—	273,382	2,315
Deferred valuation gains (losses)				
under hedge accounting	—	—	(152)	(1)
Revaluation reserve for land, net of tax	—	—	(12,204)	(103)
Foreign currency translation adjustment	—	—	53	0
Total valuation and translation adjustments	—	—	261,079	2,211
Minority interests	—	—	511	4
Total net assets	—	—	397,261	3,365
Total liabilities and net assets	—	—	¥5,895,164	\$49,937

See notes to the consolidated financial statements.

Consolidated Statements of Operations

Year ended March 31,

	2005	2006	2007	2007
	Millions of yen			Millions of U.S. dollars
Ordinary revenues:				
Premium and other income	¥731,703	¥846,007	¥721,935	\$6,115
Investment income:				
Interest, dividends and other income	79,552	83,229	106,296	900
Gains from money held in trust, net	5,103	11,070	3,867	32
Gains from trading securities, net	9,671	16,214	13,025	110
Gains on sales of securities	8,486	28,448	17,823	150
Gains on redemption of securities	—	—	26	0
Other investment income	557	730	365	3
Gains from separate accounts, net	3,955	25,514	5,813	49
	107,327	165,207	147,219	1,247
Other ordinary revenues	21,706	18,654	20,687	175
Total ordinary revenues	860,738	1,029,869	889,842	7,537
Ordinary expenditures:				
Claims and other payments:				
Claims	201,237	197,973	185,009	1,567
Annuities	58,477	64,442	71,522	605
Benefits	127,417	123,924	133,961	1,134
Surrenders	98,395	87,322	106,851	905
Other payments	78,273	24,156	22,312	189
	563,801	497,819	519,657	4,402
Provision for policy reserve and others:				
Provision for reserve for outstanding claims	790	2,178	898	7
Provision for policy reserve	110,348	320,894	156,575	1,326
Interest on accumulated dividends to policyholders	62	55	51	0
	111,200	323,128	157,525	1,334
Investment expenses:				
Interest expenses	666	1,655	2,342	19
Losses on sales of securities	3,814	5,941	11,168	94
Losses on valuation of securities	760	266	1,296	10
Losses on redemption of securities	2	19	—	—
Losses from derivative instruments, net	8,273	17,834	4,353	36
Foreign exchange losses, net	84	1,294	995	8
Provision for allowance for possible loan losses	—	—	6,830	57
Depreciation of real estate for rent and other assets	4,704	4,453	4,383	37
Other investment expenses	3,437	3,499	4,175	35
	21,742	34,965	35,546	301
Operating expenses	88,839	92,061	90,405	765
Other ordinary expenditures	22,020	23,417	25,446	215
Total ordinary expenditures	807,605	971,392	828,580	7,018
Ordinary profits	53,132	58,476	61,261	518

Consolidated Statements of Operations (Continued)

	Year ended March 31,			
	2005	2006	2007	2007
	Millions of yen			Millions of U.S. dollars
Extraordinary gains:				
Gains on disposal of real estate and movables	¥ 170	¥ 1,165	¥ —	\$ —
Gains on disposal of fixed assets	—	—	46	0
Reversal of allowance for possible loan losses	2,159	492	—	—
Total extraordinary gains	2,330	1,657	46	0
Extraordinary losses:				
Losses on disposal of real estate and movables	4,985	2,607	—	—
Losses on disposal of fixed assets	—	—	1,026	8
Impairment loss	—	3,920	466	3
Provision for reserve for employees' retirement benefits	7,887	—	—	—
Provision for reserve for directors' and corporate auditors' retirement benefits	—	—	547	4
Provision for reserve for price fluctuation of securities	9,130	11,784	7,468	63
Total extraordinary losses	22,002	18,312	9,508	80
Surplus before income taxes	33,460	41,821	51,799	438
Income taxes:				
Current	11,954	14,310	18,359	155
Deferred	(5,253)	(10,741)	(10,525)	(89)
Minority interest	39	118	72	0
Net surplus for the year	¥ 26,720	¥38,134	¥43,893	\$ 371

See notes to the consolidated financial statements.

Consolidated Statements of Surplus

	Year ended March 31,			
	2005	2006	2007	2007
	Millions of yen			Millions of U.S. dollars
Surplus at the beginning of the year	¥54,840	¥63,599	—	—
Additions:				
Net surplus for the year	26,720	38,134	—	—
	26,720	38,134	—	—
Deductions:				
Transfer to reserve for dividends to policyholders	16,611	18,910	—	—
Interest payment for foundation funds	531	531	—	—
Bonus to directors and statutory auditors	40	40	—	—
Reversal of revaluation reserve for land	778	764	—	—
	17,961	20,245	—	—
Surplus at the end of the year	¥63,599	¥81,488	—	—

See notes to the consolidated financial statements.

Consolidated Statement of Changes in Net Assets (For the year ended March 31, 2007)

	Millions of yen											
	Foundation funds and surplus					Valuation and translation adjustments						
	Founda- tion funds	Accumu- lated foundation funds redeemed	Reserve for revalua- tion	Surplus	Total foundation funds and surplus	Net unrealized gains on securities, net of tax	Deferred valuation gains (losses) under hedge accounting	Revalua- tion reserve for land, net of tax	Foreign currency translation adjustment	Total valuation and translation adjustments	Minority interests	Total net assets
Balance at the end of previous												
fiscal year	¥ 30,000	¥ 1,000	¥112	¥ 81,488	¥112,600	¥249,554	¥ —	¥ 5,244	¥(101)	¥254,697	¥468	¥367,767
Changes in the current fiscal year:												
Financing of additional												
foundation funds	40,000				40,000							40,000
Additions to reserve for												
dividends to policyholders				(30,406)	(30,406)							(30,406)
Additions to accumulated												
foundation funds redeemed		30,000			30,000							30,000
Payment of interest on												
foundation funds				(531)	(531)							(531)
Payment of bonus to directors				(30)	(30)							(30)
Net surplus for the year				43,893	43,893							43,893
Redemption of foundation												
funds	(30,000)				(30,000)							(30,000)
Reversal of reserve for												
redemption of foundation funds				(30,000)	(30,000)							(30,000)
Reversal of revaluation												
reserve for land				144	144							144
Net change, excluding												
foundation funds and surplus						23,828	(152)	(17,449)	154	6,381	42	6,423
Total changes in the current												
fiscal year	10,000	30,000	—	(16,929)	23,070	23,828	(152)	(17,449)	154	6,381	42	29,494
Balance at the end of current												
fiscal year	¥ 40,000	¥31,000	¥112	¥ 64,559	¥135,671	¥273,382	¥(152)	¥ (12,204)	¥ 53	¥261,079	¥511	¥397,261

Consolidated Statement of Changes in Net Assets (Continued)

(For the year ended March 31, 2007)

	Millions of U.S. dollars											
	Foundation funds and surplus					Valuation and translation adjustments						
	Founda- tion funds	Accumu- lated foundation funds redeemed	Reserve for revalua- tion	Surplus	Total foundation funds and surplus	Net unrealized gains on securities, net of tax	Deferred valuation gains (losses) under hedge accounting	Revalua- tion reserve for land, net of tax	Foreign currency translation adjustment	Total valuation and translation adjustments	Minority interests	Total net assets
Balance at the end of previous												
fiscal year	\$ 254	\$ 8	\$ 0	\$ 690	\$ 953	\$2,113	\$ —	\$ 44	\$ (0)	\$2,157	\$ 3	\$ 3,115
Changes in the current fiscal year:												
Financing of additional												
foundation funds	338				338							338
Additions to reserve for												
dividends to policyholders				(257)	(257)							(257)
Additions to accumulated												
foundation funds redeemed		254			254							254
Payment of interest on												
foundation funds				(4)	(4)							(4)
Payment of bonus to directors				(0)	(0)							(0)
Net surplus for the year				371	371							371
Redemption of foundation												
funds	(254)				(254)							(254)
Reversal of reserve for												
redemption of foundation funds				(254)	(254)							(254)
Reversal of revaluation												
reserve for land				1	1							1
Net change, excluding												
foundation funds and surplus						201	(1)	(147)	1	54	0	54
Total changes in the current												
fiscal year	84	254	—	(143)	195	201	(1)	(147)	1	54	0	249
Balance at the end of current												
fiscal year	\$ 338	\$ 262	\$ 0	\$ 546	\$1,149	\$2,315	\$ (1)	\$ (103)	\$ 0	\$ 2,211	\$ 4	\$ 3,365

Consolidated Statements of Cash Flows

Year ended March 31,

	2005	2006	2007	2007
	Millions of yen			Millions of U.S. dollars
Cash flows from operating activities:				
Surplus before income taxes	¥ 33,460	¥ 41,821	¥ 51,799	\$ 438
Depreciation of real estate for rent and other assets	4,704	4,453	4,383	37
Depreciation	5,536	5,643	6,118	51
Impairment loss	—	3,920	466	3
Increase (Decrease) in reserve for outstanding claims	790	2,178	898	7
Increase (Decrease) in policy reserve	110,348	320,894	156,575	1,326
Interest on accumulated dividends to policyholders	62	55	51	0
Increase (Decrease) in allowance for possible loan losses	(2,159)	(492)	6,830	57
Increase (Decrease) in reserve for employees' retirement benefits	7,402	(162)	(1,216)	(10)
Increase (Decrease) in reserve for price fluctuation of securities	9,130	11,784	7,468	63
Interest, dividends and other income	(79,552)	(83,229)	(106,296)	(900)
(Gains) Losses on securities	(14,366)	(57,185)	(23,739)	(201)
Interest expenses	666	1,655	2,342	19
Foreign exchange (gains) losses, net	84	1,294	995	8
(Gains) Losses on real estate and movables	4,814	1,441	—	—
(Gains) Losses on tangible fixed assets	—	—	980	8
(Increase) Decrease in reinsurance receivables	107	(30)	55	0
(Increase) Decrease in other assets	892	(5,768)	(3,307)	(28)
Increase (Decrease) in agency payable	—	—	2	0
Increase (Decrease) in reinsurance payables	(8)	6	(10)	(0)
Increase (Decrease) in other liabilities	(1,985)	195	1,777	15
Others	2,612	4,461	3,479	29
Subtotal	82,540	252,940	109,653	928
Interest, dividends and other income received	90,509	97,732	108,523	919
Interest paid	(666)	(1,649)	(2,230)	(18)
Dividends to policyholders paid	(23,002)	(22,000)	(32,101)	(271)
Others	4	—	—	—
Corporate income tax paid	(20,779)	(11,059)	(15,594)	(132)
Net cash provided by (used in) operating activities	128,605	315,963	168,251	1,425
Cash flows from investing activities:				
(Increase) Decrease in deposits	(233)	(15)	(412)	(3)
Proceeds from sales and redemption of monetary claims bought	—	351	201	1
Payments for increase in money held in trust	(11,007)	(10,299)	(14,582)	(123)
Proceeds from decrease in money held in trust	13,375	5,006	12,017	101
Payments for purchase of securities	(861,434)	(1,102,731)	(1,459,246)	(12,361)
Proceeds from sales and redemption of securities	609,363	762,325	1,345,372	11,396
Payments for additions to loans	(327,026)	(364,582)	(331,387)	(2,807)
Proceeds from collections of loans	379,926	398,529	317,902	2,692
Proceeds from settlement of derivative	—	(19,373)	(3,839)	(32)
Others	(5,342)	(728)	(3,087)	(26)
Subtotal	(202,379)	(331,517)	(137,061)	(1,161)
Payments for purchase of real estate and movables	(4,911)	(17,728)	—	—
Proceeds from sales of real estate and movables	1,001	5,204	—	—
Payments for purchase of tangible fixed assets	—	—	(17,621)	(149)
Proceeds from sales of tangible fixed assets	—	—	277	2
Net cash provided by (used in) investing activities	(206,289)	(344,041)	(154,405)	(1,307)
Cash flows from financing activities:				
Proceeds from issuing bonds	—	40,524	—	—
Payments for redemption of bonds	—	(32,500)	—	—
Raising of foundation funds	—	—	40,000	338
Redemption of foundation funds	—	—	(30,000)	(254)
Interest payment for foundation funds	(531)	(531)	(531)	(4)
Others	(10)	(18)	(30)	(0)
Net cash provided by (used in) financing activities	(541)	7,475	9,439	79
Effect of exchange rate changes on cash and cash equivalents	(27)	(1,290)	(952)	(8)
Net increase (decrease) in cash and cash equivalents	(78,251)	(21,893)	22,332	189
Cash and cash equivalents at the beginning of the year	238,737	160,485	138,592	1,174
Cash and cash equivalents at the end of the year	¥ 160,485	¥ 138,592	¥ 160,924	\$ 1,363

See notes to the consolidated financial statements.

Notes to the Consolidated Financial Statements

I. Presentation of the Consolidated Financial Statements

1. Basis of Presentation

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

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

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

2. U.S. Dollar Amounts

The translations of yen amounts into U.S. dollar amounts are included solely for the convenience of the reader and have been made, as a matter of arithmetical computation only, at the rate of ¥118.05 = US\$1.00, the effective rate of exchange at the balance sheet date of March 31, 2007. The translations should not be construed as representations that such yen amounts have been or could in the future be, converted into U.S. dollars at that or any other rates.

3. Principles of Consolidation

(1) Scope of consolidation

Consolidated subsidiaries for the year ended March 31, 2007 are listed below:

- Fukoku Shinyo Hosho Company Limited
- Fukoku Capital Management, Inc.
- Fukoku Information Systems Co., Ltd.
- Fukoku Life International (U.K.) Limited
- Fukoku Life International (America) Inc.

Major unconsolidated subsidiary is Fukoku Seimei Building Company Limited.

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

(2) Application of equity method

Unconsolidated subsidiaries (such as Fukoku Seimei building Company Limited, etc.) are insignificant in their impact on net surplus for the year and surplus, and also immaterial as a whole, therefore, application of equity method is withheld.

There are no affiliates for the years ended March 31, 2005, 2006 and 2007.

(3) Fiscal year of consolidated subsidiaries

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

(4) Valuation of subsidiary's assets and liabilities on acquisition

On acquisition of a subsidiary, all of the subsidiary's assets and liabilities that exist at the date of acquisition are recorded at their fair value.

(5) Amortization of consolidation goodwill

Consolidation goodwill is charged to operating expenses for the year in which it is incurred.

(6) Treatment of appropriation of surplus

Consolidated statements of surplus are prepared based on the final appropriation of surplus within the fiscal year.

(7) Cash and cash equivalents

Cash and cash equivalents, for the purpose of reporting cash flows, are composed of cash in hand, postal saving, current deposit, ordinary deposit, deposit at notice and call loan. They also include time deposit, foreign currency deposit and negotiable certificate of deposit, with maturity of three months or less when purchased.

II. Notes to Balance Sheets

1. Significant Accounting Policies

(1) Valuation methods of securities

The valuations of securities, including bank deposits and monetary claims bought which are equivalent to securities, and securities managed as trust assets in money held in trust, are as follows:

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

Available-for-sale securities with no fair market value are stated at cost, cost being determined by the moving average method, except for public and corporate bonds including foreign bonds, of which the difference between acquisition cost and face value is considered to be an adjustment of interest. Such bonds are stated at amortized cost under the straight-line method, cost being determined by the moving average method.

(2) Valuation methods of derivative instruments

Derivative instruments are stated at fair market value.

(3) Revaluation of land

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

- Date of revaluation: March 31, 2002
- Method of revaluation as prescribed for in Article 3 Paragraph 3 of the said Law:
Calculation is based on the appraisal value for property tax set forth in Article 2 item 3 of the Enforcement Ordinance of the Law for Revaluation of Land (Government Ordinance No.119 promulgated on March 31, 1998) and the road rate set forth in Article 2 item 4 of the said Ordinance with certain reasonable adjustments.
- The excess of the aggregate new book value of land for business purposes after revaluation over the total fair value of land, which is required to be disclosed in accordance with Article 10 of the Law for Revaluation of Land, was ¥4,178 million as of March 31, 2005. The total fair value of land exceeded the aggregated new book value of land after revaluation as of March 31, 2006 and 2007.

(4) Depreciation of tangible assets

Depreciation of tangible fixed assets held by the Company, except for the buildings acquired on and after April 1, 1998 which are depreciated based on the straight-line method, is computed based on the declining-balance method. Other tangible fixed assets acquired for ¥100,000 or more but less than ¥200,000 are depreciated by equal amounts over three years.

(5) Foreign currency translation

Foreign currency-denominated assets and liabilities are translated into Japanese yen at the effective exchange rate prevailing at the balance sheet date.

(6) Allowance for possible loan losses

Allowance for possible loan losses is provided in accordance with the Company's standards of self-assessment and write-offs and reserves on credit quality:

- i) For the credits of borrowers who are legally bankrupt such as being in the proceedings of bankruptcy or civil rehabilitation (hereinafter called "legally bankrupt borrowers") and who are substantially bankrupt (hereinafter called "substantially bankrupt borrowers"), the Company provides the remaining amount of credits after the direct write-off described below and the deductions of the amount expected to be collected through the disposal of collateral or the execution of guarantees.
- ii) For the credits of borrowers who are not currently bankrupt but have a high possibility of bankruptcy, the Company provides the amounts deemed as necessary considering the borrowers' ability to pay, within the amounts after deductions of the amount expected to be collected through the disposal of collateral or the execution of guarantees.
- iii) For the credits of borrowers other than the above, the Company provides the amounts calculated by multiplying the borrowers' balance by the actual ratio of bad debt losses on defaults during a certain past period.

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

For the credits of legally bankrupt borrowers and substantially bankrupt borrowers, the amounts remaining after deductions of collateral value or the amounts collectible through the execution of guarantees is written-off directly from the borrower's balance as the estimated uncollectible amounts. The amounts written-off as of March 31, 2005, 2006 and 2007 were ¥22,408 million, ¥833 million and ¥784 million (US\$6 million), respectively.

The allowance for possible loan losses of consolidated subsidiaries conforms to the standard used by the Company.

(7) Reserve for employees' retirement benefits

The Company and its consolidated subsidiaries adopt accounting standards for employees' retirement benefits (Business Accounting Deliberation Council dated June 16, 1998) and account for the reserve for retirement benefits based on the projected benefit obligation and plan assets at the balance sheet date.

(8) Reserve for directors' and corporate auditors' retirement benefits

Reserve for directors' and corporate auditors' retirement benefits represents the estimated amounts to be paid due to abolishing internal rule of retirement benefit plan in relation to directors and corporate auditors.

(9) Reserve for price fluctuation of securities

Reserve for price fluctuation of securities is calculated in accordance with the ruling in Article 115 of the Insurance Business Law.

(10) Lease transactions

Finance leases, except those leases for which the ownership of the leased property is considered to be transferred to the lessee, are primarily accounted for as operating leases.

(11) Accounting for hedge activities

Hedge accounting is based on "Accounting Standards for Financial Instruments" issued on January 22, 1999 by the Business Accounting Deliberation Council.

Primarily, for the interest rate swaps on loans qualifying for hedge accounting because of high correlation and effectiveness between the hedging instruments and the hedged item, gains and losses on the interest rate swaps are deferred until the maturity of the hedged transactions.

Deposits, bonds and loans denominated in foreign currencies for which forward foreign exchange contracts are used to hedge the foreign currency fluctuations are translated at the contract rates if the forward contracts qualify for specific hedge accounting. In this case, exchange differences between exchange rate on trade date and forward contract rate are allocated to each fiscal year from the date contracted to the date settled.

For judging the effectiveness of hedge used, ratio analysis of comparing the cash flow fluctuation of hedged item with the same of hedging instruments is mostly applied.

(12) Accounting for consumption taxes

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

(13) Policy reserve

Policy reserve is based on Article 116 of the Insurance Business Law, and the premium reserve at the end of fiscal year is calculated by the following method:

In regard to the policies subject to the standard policy reserve, the method as prescribed by the Commissioner of Financial Services Agency (Ministry of Finance Ordinance No. 48, 1996) is applied.

In regard to the policies not subject to the standard policy reserve, the net level premium method is applied.

(14) Software

The software for internal use, which was included in other assets as of March 31, 2005 and 2006 and in intangible fixed assets as of March 31, 2007, is amortized based on straight-line method over the estimated useful lives.

(15) Deferred assets

Bond issuance expenses are charged to income when paid.

Discount on bonds is amortized equally over the period for which interest on bonds is fixed. For the year ended March 31, 2007, discount on bonds which was recorded in other assets in previous year is deducted from bonds in accordance with "Tentative Solution on Accounting for Deferred Assets" (ASBJ PITF No.19 issued by the Accounting Standards Board of Japan on August 11, 2006).

(16) Policy-reserve-matching bonds

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

The amount of policy-reserve-matching bonds recorded on the balance sheets as of March 31, 2007 was ¥540,923 million (US\$4,582 million). The market value of these bonds as of March 31, 2007 was ¥542,462 million (US\$4,595 million).

2. Changes in Accounting Policy

(1) Effective for the year ended March 31, 2007, the Company adopted "Accounting Standards for Presentation of Net Assets in the Balance Sheet" (ASBJ Statement No.5 issued by the Accounting Standards Board of Japan on December 9, 2005). If the previous accounting policy were to be applied, the amount of "Total capital" as of March 31, 2007 was ¥396,902 million (US\$ 3,362 million) .

(2) Effective for the year ended March 31, 2007, the Company adopted "Tentative Solution on Accounting for Deferred Assets" (ASBJ PITF No.19 issued by the Accounting Standards Board of Japan on August 11, 2006). As a result, discount on bonds of ¥106 million (US\$905 thousand) as of March 31, 2007, which was recorded in other assets in previous year, is deducted from bonds.

(3) In accordance with the revised form of the Enforcement Regulation of the Insurance Business Law, the balance sheet presentation has been changed as follows, effective for the year ended March 31, 2007.

(a) "Real estate and movables" which was presented as a separate line item is presented as "tangible fixed assets".

(b) "Intangible fixed assets" which was included in "Other assets" is presented as a separate line item. The amount of "Intangible fixed assets" included in "Other assets" was ¥9,663 million as of March 31, 2006.

3. Loans Receivable

The total amounts of credits to bankrupt borrowers, delinquent loans, delinquent loans past 3 months or more and restructured loans, which were included in loans, were ¥1,971 million, ¥2,317 million and ¥11,332 million (US\$96 million) as of March 31, 2005, 2006 and 2007, respectively.

- i) The balances of credits to bankrupt borrowers were ¥556 million, ¥429 million and ¥443 million (US\$3 million) as of March 31, 2005, 2006 and 2007, respectively.
- ii) The balances of delinquent loans were ¥807 million, ¥1,882 million and ¥10,889 million (US\$92 million) as of March 31, 2005, 2006 and 2007, respectively.
- iii) The balances of delinquent loans past 3 months or more were no balances as of March 31, 2005, 2006 and 2007.
- iv) The balance of restructured loans was ¥607 million and ¥5 million as of March 31, 2005 and 2006, and there was no balance as of March 31, 2007.

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

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

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

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

The direct write-offs related to loans decreased credits to bankrupt borrowers described above by ¥21,615 million, ¥51 million and ¥2 million (US\$21 thousand) as of March 31, 2005, 2006 and 2007, respectively.

The direct write-offs related to loans decreased delinquent loans described above by ¥793 million, ¥782 million and ¥782 million (US\$6 million) as of March 31, 2005, 2006 and 2007, respectively.

4. Accumulated Depreciation of Tangible Fixed Assets

Accumulated depreciation of tangible fixed assets which was presented as accumulated depreciation of real estate and movables until previous fiscal year totaled to ¥112,744 million, ¥113,363 million and ¥116,397 million (US\$986 million) as of March 31, 2005, 2006 and 2007, respectively.

5. Separate Accounts

Total assets in separate accounts provided for in Article 118 of the Insurance Business Law were ¥101,227 million, ¥123,046 million and ¥131,182 million (US\$1,111 million) as of March 31, 2005, 2006 and 2007, respectively. The amounts of liabilities were the same as these figures.

6. Receivables from / Payables to Unconsolidated Subsidiaries

The total amounts of receivables from / payables to subsidiaries were ¥2,714 million and ¥184 million as of March 31, 2005, ¥2,869 million and ¥182 million as of March 31, 2006, and ¥2,872 million (US\$24 million) and ¥166 million (US\$1 million) as of March 31, 2007, respectively.

7. Monetary Claims to Directors

Monetary claims to directors as of March 31, 2005, 2006 and 2007 were ¥21 million, ¥16 million and ¥11 million (US\$99 thousand), respectively.

8. Income Taxes

Deferred tax assets and deferred tax liabilities as of March 31, 2005 and 2006 were ¥71,289 million and ¥66,390 million, and ¥82,658 million and ¥143,328 million, respectively.

Deferred tax assets and deferred tax liabilities as of March 31, 2007 were ¥93,260 million (US\$790 million) and ¥156,925 million (US\$1,329 million), respectively. Valuation allowance for deferred tax assets was ¥2,653 million (US\$22 million).

Major components of deferred tax assets and liabilities were as follows:

	As of March 31,			
	2005	2006	2007	2007
	Millions of yen			Millions of U.S. dollars
Deferred tax assets:				
Policy reserves	¥32,962	¥43,026	¥51,572	\$436
Reserve for employees' retirement benefits	18,364	18,640	18,199	154
Reserve for price fluctuation of securities	11,157	15,424	18,128	153
Allowance for possible loan losses	4,610	—	—	—
Deferred tax liabilities:				
Net unrealized gains on securities	64,916	141,659	155,185	1,314

The statutory tax rate and the actual effective tax rates for the years ended March 31, 2005, 2006 and 2007 were 36.2% and 20.0%, 36.2% and 8.5% and 36.2% and 15.1%, respectively. The major differences between the statutory tax rate and the actual effective tax rate were reserve for dividends to policyholders of 20.5%, 26.3% and 24.8% for the years ended March 31, 2005, 2006 and 2007, respectively.

9. Contingent Liabilities

Contingent liabilities as of March 31, 2007 related to the cost for system development in The Kyoei Kasai Shinrai Life Insurance Company, Limited were ¥233 million (US\$1 million).

10. Reserve for Dividends to Policyholders

Changes in reserve for dividends to policyholders were as follows:

	Year ended March 31,			
	2005	2006	2007	2007
	Millions of yen			Millions of U.S. dollars
Balance at the end of previous fiscal year	¥63,879	¥57,550	¥54,516	\$461
Transfer from surplus in previous fiscal year	16,688	18,966	30,454	257
Dividends paid in fiscal year	(23,079)	(22,057)	(32,149)	(272)
Increase in interest	62	55	51	0
Balance at the end of fiscal year	¥57,550	¥54,516	¥52,872	\$447

11. Stocks of Unconsolidated Subsidiaries

The amounts of stocks of subsidiaries the Company held as of March 31, 2005, 2006 and 2007 were ¥240 million, ¥240 million and ¥240 million (US\$2 million), respectively.

12. Pledged Assets and Secured Debts

Assets pledged as collateral as of March 31, 2005 and 2006 were ¥20,834 million and ¥19,440 million. Secured debts as of March 31, 2005 and 2006 were ¥5,080 million and ¥4,868 million.

Assets pledged as collateral as of March 31, 2007 were ¥18,050 million (US\$152 million) of securities and ¥856 million (US\$7 million) of money held in trust. Secured debts as of March 31, 2007 was ¥4,710 million (US\$39 million).

13. Additional Foundation Funds

The Company raised additional foundation funds of ¥40,000 million (US\$338 million) during the year ended March 31, 2007 in accordance with Article 60 of the Insurance Business Law.

14. Redemption of Foundation Funds

In the year ended March 31, 2007, according to the redemption of foundation funds of ¥30,000 million (US\$254 million), the Company reversed the reserve for redemption of foundation funds and provided the equivalent amount for accumulated foundation funds redeemed in accordance with Article 56 of the Insurance Business Law.

15. Commitment Line

As of March 31, 2005, 2006 and 2007, there were unused commitment line agreements under which the Company is the lender of ¥12,812 million, ¥3,624 million and ¥1,581 million (US\$13 million), respectively.

16. Subordinated Bonds

Repayments of subordinated bonds are subordinated to other obligations.

17. Subordinated Debt Loans

Repayments of subordinated debt loans are subordinated to other obligations.

18. Contribution to Policyholders Protection Fund

The future contribution to the former Insurance Policyholders Protection Fund of Japan, which was succeeded by the Life Insurance Policyholders Protection Corporation of Japan based on the Supplementary Article 140 Paragraph 5 of the Financial System Reform Law, were estimated at ¥1,306 million, ¥800 million and ¥285 million (US\$2 million) as of March 31, 2005, 2006 and 2007, respectively. The contribution is charged as operating expenses in the year in which they are paid.

19. Contribution to Policyholders Protection Corporation

The future contribution to the Life Insurance Policyholders Protection Corporation of Japan under Article 259 of the Insurance Business Law were estimated at ¥7,243 million, ¥10,615 million and ¥11,174 million (US\$94 million) as of March 31, 2005, 2006 and 2007, respectively. The contribution is charged as operating expenses in the year in which they are paid.

20. Reserve for Employees' Retirement Benefits

(1) The reserve for retirement benefits as of March 31, 2005, 2006 and 2007 were calculated as follows:

As of March 31,				
	2005	2006	2007	2007
	Millions of yen			Millions of U.S. dollars
a. Projected benefit obligation	¥(73,293)	¥(73,584)	¥(73,663)	\$(624)
b. Fair value of pension plan assets	15,771	19,810	21,438	181
c. Unfunded benefit obligation (a + b)	(57,522)	(53,774)	(52,224)	(442)
d. Unrecognized actuarial differences	5,572	2,020	1,722	14
e. Unrecognized prior service cost	310	276	241	2
f. Reserve for employees' retirement benefits (c+d+e)	¥(51,639)	¥(51,477)	¥(50,260)	\$(425)

(2) Gross amount of retirement benefit expenses for the years ended March 31, 2005, 2006 and 2007 were as follows:

Year ended March 31,				
	2005	2006	2007	2007
	Millions of yen			Millions of U.S. dollars
Service cost	¥ 3,830	¥ 3,568	¥3,476	\$29
Interest cost	1,478	1,464	1,470	12
Expected return on plan assets	(501)	(551)	(792)	(6)
Amortization of transition obligation	7,887	—	—	—
Recognized actuarial differences	851	780	502	4
Amortization of prior service cost	34	34	34	0
	¥ 13,580	¥ 5,296	¥4,692	39

Note: The amortization of transition obligation is recorded as provision for reserve for retirement benefits which is included in extraordinary losses.

(3) The assumptions used in calculation of the above information were as follows:

- Method of attributing the projected benefits to periods of service Straight-line basis
- Discount rate 2.0%
- Expected rate of return on pension plan assets (Note) 4.0%
- Recognition period of actuarial differences 10 years
- Amortization period of prior service cost 10 years

Note: Expected rate of return on pension plan assets for the year ended March 31, 2005 and 2006 were 3.5%.

III. Notes to Statements of Operations

1. Changes in Accounting Policy

(1) Effective for the year ended March 31, 2007, the Company adopted "Guidance on Accounting for Other Compound Financial Instruments (Compound Financial Instruments Other than Those with Option to Increase Paid-in Capital)" (ASBJ Guidance No.12 issued by the Accounting Standards Board of Japan on March 30, 2006). As a result, ordinary profits decreased by ¥33 million (US\$282 thousand), compared to the previous methods.

(2) In accordance with the revised form of the Enforcement Regulation of the Insurance Business Law, the presentation of statements of operations has been changed as follows, effective for the year ended March 31, 2007.

(a) "Gains (losses) on disposal of real estate and movables" which was presented as a separate line item is presented as "gains (losses) on disposal of fixed assets".

(b) The bottom line of statements of operations has been changed from "Unappropriated surplus" to "Net surplus for the year".

2. Transactions with Unconsolidated Subsidiaries

The total amounts of revenues and expenditures in connection with subsidiaries were ¥98 million and ¥2,296 million, ¥104 million and ¥2,441 million, and ¥103 million (US\$874 thousand) and ¥2,536 million (US\$21 million) for the years ended March 31, 2005, 2006, and 2007, respectively.

3. Impairment of fixed assets

Effective for fiscal years beginning on or after April 1, 2005, the Company adopted accounting standards for impairment of fixed assets (Business Accounting Council dated August 9, 2002). As a result, surplus before income taxes for the year decreased by ¥3,920 million for the year ended March 31, 2006.

(1) Method of grouping

Real estate and other assets used for insurance business operations are classified as one asset group as a whole. Other assets such as lease property and unused real estate are classified as one group individually.

(2) Background of recognizing the impairment losses

As a result of decline in profitability due to decrease of rental income and of continuous decline of market value of land, the Company reduced the book value of lease property and unused real estate to recoverable amount. The amount reduced were recognized as impairment losses included in extraordinary losses.

(3) Asset groups recognized impairment losses and losses by fixed assets

- Year ended March 31, 2006

Asset	Millions of yen			
	Impairment losses			
	Land	Buildings	Others	Total
(i) Lease property	¥ 952	¥1,701	¥559	¥3,214
(ii) Unused real estate	307	397	1	706
Total (i)+(ii)	¥1,259	¥2,099	¥561	¥3,920

Note : Major item of others was impairment losses of land lease rights which were included in other assets of ¥559 million.

(4) Calculation method of recoverable amount

Recoverable amount is based on net sales value. Net sales value is determined based on appraisal value, posted price or road rate.

Report of Independent Auditors

The Board of Directors of Fukoku Mutual Life Insurance Company

We have audited the accompanying consolidated balance sheets of Fukoku Mutual Life Insurance Company and its consolidated subsidiaries as of March 31, 2005, 2006 and 2007, and the related consolidated statements of operations for the years then ended, the consolidated statements of surplus for the years ended March 31, 2005 and 2006, the consolidated statement of changes in net assets for the year ended March 31, 2007, and the consolidated statements of cash flows for the years ended March 31, 2005, 2006 and 2007, all expressed in Japanese yen. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to independently express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Fukoku Mutual Life Insurance Company and its consolidated subsidiaries as of March 31, 2005, 2006, and 2007, and the consolidated results of their operations and their cash flows for the years then ended in conformity with accounting principles generally accepted in Japan.

As described in Note III. 3 in the year ended March 31, 2006, the Company and its consolidated subsidiaries adopted the new accounting standards for impairment of fixed assets.

The amounts expressed in U.S. dollars, which are provided solely for the convenience of the reader, have been translated on the basis set forth in Note I. 2 to the accompanying consolidated financial statements.

Tokyo, Japan

May 22, 2007



The Fuji Accounting Office

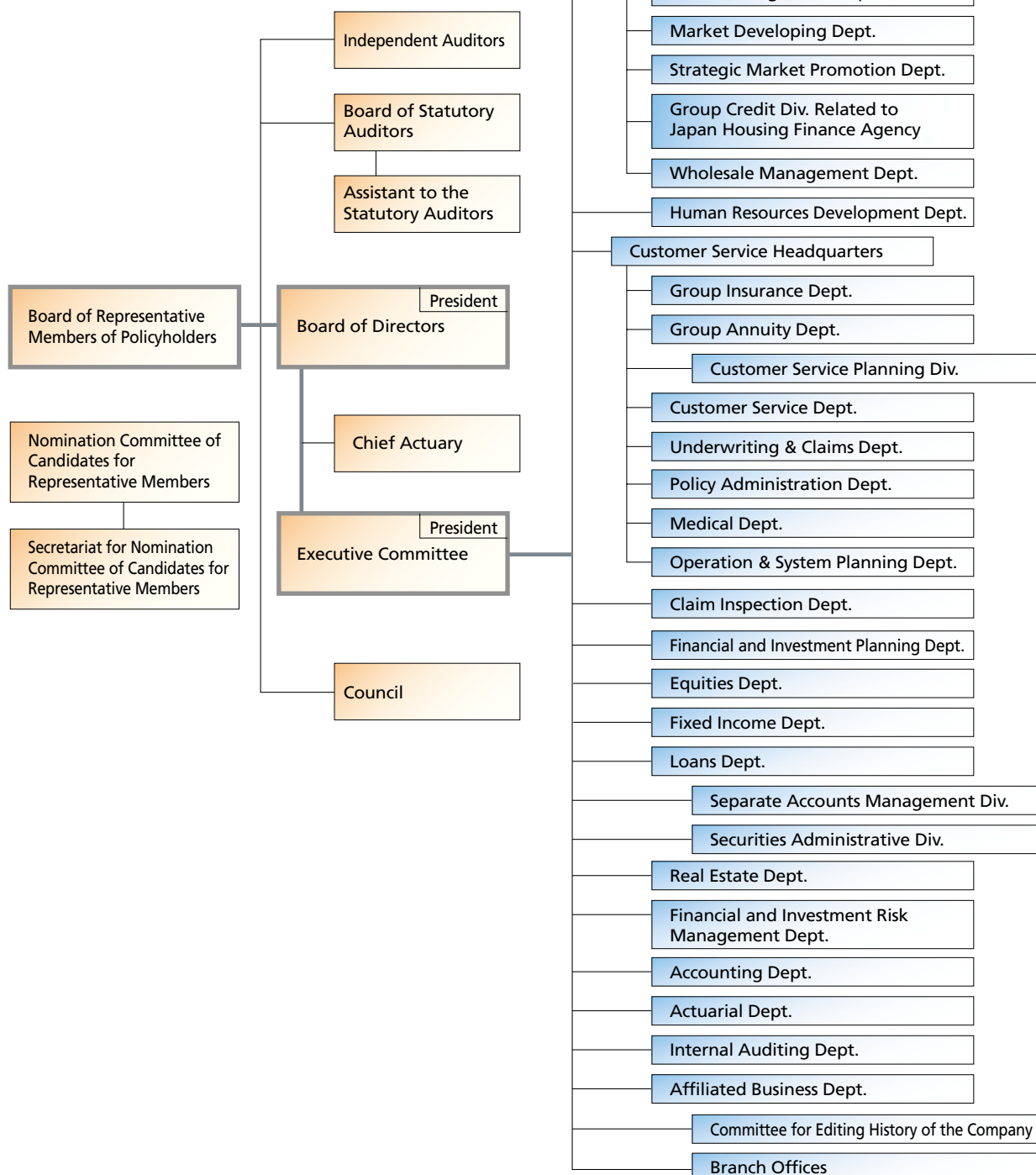
Corporate Organization

Organization (as of April 1, 2007)

Branch Office	65
Field Office	510

Employees (as of March 31, 2007)

Office Staff	2,681
Sales Representative	11,090



Board of Directors and Statutory Auditors

President

Tomofumi Akiyama*

Senior Managing Director

Haruhiko Sugimoto

Managing Directors:

Yoshiki Murayama

Mikio Yamamoto

Katsumasa Furuya

Yoshiteru Yoneyama

Kenji Hirai

Directors:

Katsuhiko Utada

Kozo Isshiki

Hitoshi Sakai

Tsutomu Hiruma

Toshihiro Hayashi

Toshihide Fujiwara

Tadashi Akikawa

Yuuki Sakurai

Statutory Auditors:

Yoshizumi Nezu

Mitsuo Ohashi

Akihiro Mochizuki

Statutory Auditors (Standing):

Shuuichi Maeda

Akio Imai

Senior Advisers to the Board:

Tetsuo Furuya

Takashi Kobayashi

(as of September 1, 2007)

*Representative Director

Directory

Head Office	Fukoku Life International (U.K.) Ltd.	Fukoku Life International (America) Inc.
2-2, Uchisaiwaicho 2-chome, Chiyoda-ku, Tokyo 100-0011, Japan Phone: 81-3-3508-1101 Facsimile: 81-3-3591-6446	3rd Floor, Baltic Exchange, 38 St. Mary Axe, London, EC3A 8EX, U.K. Phone: 44-20-7283-1331 Facsimile: 44-20-7626-7096	Times Square Tower, 7 Times Square, 35th Floor, New York, NY 10036, U.S.A. Phone: 1-212-221-7760 Facsimile: 1-212-221-7794



Fukoku Life International (U.K.) Ltd.
from left: J. Doran, K. Sato, Y. Onodera,
D. Reynolds, and A. Sato



Fukoku Life International (America) Inc.
from left (back): M. Xu, Y. Suzuki, and T. Yoshimoto
from left (front): J. Johanson, and A. Suzuki

