

FUKOKU MUTUAL LIFE INSURANCE COMPANY

Annual Report 2011

Year Ended March 31, 2011





Tokyo Head Office



Osaka Fukoku Mutual Life Insurance Building

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Financial Highlights (Non-consolidated)

	2009	2010	2011	2011
As of March 31,	Millions of yen			Millions of U.S. dollars
Life insurance in force	¥48,555,655	¥47,457,381	¥46,297,750	\$556,797
Total assets	5,514,454	5,613,104	5,675,214	68,252
Securities	3,596,377	3,800,984	3,778,639	45,443
Loans	1,238,205	1,220,945	1,143,863	13,756
Tangible fixed assets	250,065	279,476	284,670	3,423
Total liabilities	5,393,901	5,401,158	5,480,612	65,912
Policy reserves	5,221,451	5,225,501	5,216,576	62,736
Subordinated bonds	38,870	37,406	35,214	423
Total net assets	120,553	211,946	194,601	2,340
For the years ended March 31,				
Total ordinary revenues	881,685	787,517	836,916	10,065
Premium and other income	646,726	623,778	665,844	8,007
Investment income	166,730	147,754	146,400	1,760
Total ordinary expenditures	879,520	754,558	777,909	9,355
Net surplus for the year	56,863	26,135	41,524	499
Solvency margin ratio (%)	1,008.4	1,127.6	1,088.3	—
Employees	13,836	14,207	13,702	—

Notes 1. U.S. dollar amounts are converted from yen, for convenience only, at the rate of U.S.\$1=¥83.15, the rate of exchange on March 31, 2011.

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

Message from the President



The recent massive earthquake and subsequent tsunami caused unprecedented damage to Japan's eastern region. In response, Fukoku Life made a united effort to visit customers in regions affected by the disaster and ensure that insurance payments were made without delay.

In fiscal 2010, ended March 31, 2011, the Japanese economy in general showed signs of emerging from a lackluster period, buoyed by a number of factors. These included a firming of residential purchases by individuals, a moderate increase in corporate capital expenditures amid improvement in earnings, and a recovery in overseas demand from the beginning of calendar 2011. Due to the Great East Japan Earthquake, however, economy activity took a sharp downturn as production facilities and distribution networks suffered major damage.

In the course of managing and executing our business, we have always worked hard to ensure that our "Customer-Centric" philosophy underpins all ideas and actions. Under the philosophy, the assumption is that all employees treat customers as they themselves would like to be treated. This serves as the starting point for our provision of services.

In the areas of insurance sales, during the year we launched an educational endowment insurance product with more savings benefits than previous products. The new product addresses the needs of customers wishing to prepare efficiently for investment in education. Going forward, we will step up efforts to broadly embrace the ideas and demands of customers, and reflect them in our business activities.

With respect to asset management, we sought to maintain the safety and liquidity of customer assets entrusted to us, by concentrating on domestic public bonds while reducing holdings of equities and other instruments. At the same time, we increased our holdings of foreign public bonds in order to raise profitability.

During the period, we upgraded voluntary surplus reserves by establishing an accumulated fund for price fluctuation. We also reinforced equity capital by bolstering internal reserves, which entailed increasing the reserve for price fluctuation of securities and the contingency reserve. In these ways, we worked hard to provide customers with peace of mind.

As a company engaged in the highly public business of mutual life insurance based on the spirit of mutual assistance, Fukoku Life adheres to its management philosophy of "to protect the interests of our policyholders." Under this philosophy, all executives and employees will continue implementing our "Customer-Centric" approach as we strive to be a company that is rated the most highly by customers.

A handwritten signature in black ink that reads "Yoshiteru Yoneyama". The signature is written in a cursive, flowing style.

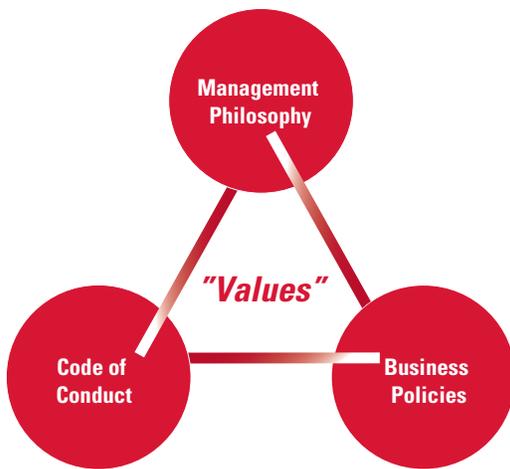
Yoshiteru Yoneyama

President

Values

Our "Customer-Centric" Values

Possessing "Customer-Centric" values means creating and providing unique services that provide true peace of mind to customers based on the assumption that all employees treat customers as they themselves would like to be treated.



Tomofumi Akiyama
Chairman of the Board

Yoshiteru Yoneyama
President

Management Philosophy

Fukoku Life will continue adhering to its original management philosophy of protecting the interests of policyholders and contributing to society. In addition, we will provide a workplace that enables personal fulfillment so that all executives and employees find their work rewarding.

To protect the interests of our policyholders

To contribute to society

Personal expression

Code of Conduct

A "Customer-Centric" code of conduct to be reflected in the attitudes of all executives and employees as they carry out their daily business.

To us, "Customer-Centric" values means:

- ❖ Valuing teamwork
- ❖ Deserving the trust of each and every customer
- ❖ Being enthusiastic and proud of our work
- ❖ Possessing common sense
- ❖ Continuing to highlight the importance of life insurance
- ❖ Overcoming any kind of difficulty
- ❖ Aiming to create a bright and friendly work environment

Business Policies

1. Foster personnel with "Customer-Centric" values

With the aim of providing customers with peace of mind, foster confident and proud employees who have the ability to adopt the customer's perspective.

2. Reinforce sales staff structure

With the aim of providing meticulous services to customers, reinforce the structure under which sales personnel conduct face-to-face sales.

3. Net increase in customers

With the aim of earning the trust of more and more customers, strengthen insurance product design, provision, and follow-up services to meet customer needs.

4. Enhance business efficiency

With the aim of achieving stable growth, improve the efficiency of the Company's wide range of business activities.

Review of Operations (Non-consolidated)

Overview

Individual Insurance

The insurance needs of customers have become increasingly diverse over time. We endeavor to the satisfaction of customers by designing and proposing policies to meet current needs, and offering comprehensive follow-up services. In these ways, we attach importance to providing customers with continued peace of mind, and thus achieving a net increase in the number of policyholders.

In addition to nursing care insurance, medical insurance, and life insurance, we provide a wide range of products and services that meet the varied needs of our customers. We are further expanding the scope of coverage in the nursing care insurance sector and constantly reviewing our products in various other insurance fields, in order to provide customers with optimum insurance that covers the various risks they are exposed to in the course of their lives.

Sales Channels

Fukoku Life's products are sold through two major channels: its own salespeople and the offices of financial institutions. Our nationwide sales network consists of 62 branches and around 11,000 salespeople promoting insurance and annuities to individuals and companies. With the aid of dedicated mobile computers, introduced to enhance the consulting skills of sales staff when conducting face-to-face sales, we work hard to provide optimal products to customers. We have also boosted our follow-up services provided after a customer takes out a new policy. In alliance with Fukokushinrai Life Insurance Co., Ltd., a subsidiary, we sell our prod-

ucts through financial institutions, mainly credit unions with close ties to local communities.

At the end of the period under review, our products we were being sold via 279 financial institution branches and 1,859 other agency outlets. Both Fukoku Life and Fukokushinrai Life Insurance provide ongoing support for the insurance sales activities of their partner financial institutions.

We are also developing other sales channels for such products as tuition insurance through venues that include large shopping centers and the Internet.

Group Insurance

Fukoku Life's group insurance system provides consulting services for corporate welfare programs. We provide professional consulting services for the design of corporate retirement funds and pension plans. We also offer consulting services for the transition from qualified retirement pensions to defined-benefit pension plans and defined-contribution pension plans.

We also make socially responsible investments (SRIs) in companies that work proactively in areas of environmental protection and social contribution.

Globalization

On July 1, 2011, Fukoku Life opened a representative office in Singapore, having obtained approvals from local authorities in April. We already conduct asset management activities in London and New York via subsidiaries, and now we have augmented those activities with a presence in Singapore, which continues to advance as an international financial center. The representative office will conduct research into insurance and asset management markets in Asia, which is enjoying significant, ongoing economic development.



Business Performance in FY2010

Life Insurance in Force

At fiscal year-end, life insurance in force, which comprises individual life insurance, individual annuities, and group insurance, amounted to ¥46,297.7 billion, down 2.4% from a year earlier. Within this amount, life insurance for individuals declined 5.1%, to ¥27,075.0 billion, and individual annuities edged down 0.2%, to ¥2,975.4 billion. By contrast, the year-end balance of life insurance in force for groups increased 1.8%, to ¥16,247.2 billion. Meanwhile, group annuities in force (policy reserve) declined 1.8%, to ¥1,966.4 billion.

Annualized Premiums for New Policies and Policies in Force

In the year under review, annualized premiums for new policies edged down 0.8%, to ¥25.0 billion. Within this amount, individual insurance was up 0.6%, to ¥19.5 billion, and individual annuities declined 5.7%, to ¥5.5 billion. Annualized premiums from medical insurance and living benefit insurance fell 12.1%, to ¥7.6 billion.

Annualized premiums for policies in force slipped 1.7%, ¥411.8 billion. Within this amount, individual insurance decreased 3.0%, to ¥284.8 billion, but individual annuities increased 1.4%, to ¥126.9 billion. Annualized premiums from medical insurance and living benefit insurance rose 1.0%, to ¥101.8 billion.

Premium Income and Payments

In the year under review, premium and other income increased 6.7%, to ¥665.8 billion. This was due mainly to a rise in premium income in the group insurance field,

although premium income in the individual field remained mostly unchanged year-on-year. Claims and other payments increased 8.8%, to ¥614.0 billion, due to a rise in benefit payments for group annuity insurance.

Performance of Fuku Life Group (Fuku Life and Fuku Kushinrai Life Insurance)

The Fuku Life Group, including Fuku Kushinrai Life Insurance, posted a 43.1%, or ¥22.9 billion, increase in annualized premiums for new policies, to ¥76.1 billion, owing mainly due to healthy sales of fixed-amount annuities by Fuku Kushinrai Life Insurance. Within this amount, however, annualized premiums from medical insurance and living benefit insurance declined 12.4%, or ¥1.0 billion, to ¥7.7 billion. This was due to a retreat in sales following a period of robust sales of new products in the previous fiscal year.

Annualized premiums for policies in force increased 9.0%, or ¥42.4 billion, to ¥511.4 billion. Annualized premiums from medical insurance and living benefit insurance edged up 0.9%, or ¥0.9 billion, to ¥103.5 billion.

The total value of premium and other income jumped 31.6%, or ¥290.7 billion, to ¥1,210.8 billion. Individual insurance and annuities in force generated from sales via branches of financial institutions jumped 88.1%, or ¥248.7 billion, to ¥531.1 billion. This was due to Fuku Kushinrai Life Insurance's focus on sales of fixed-amount annuities.

Assets, Liabilities, and Net Assets

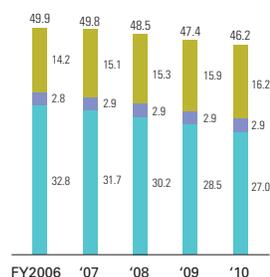
The outstanding balance of non-consolidated total assets, including separate accounts, increased 1.4%, or ¥62.1 billion, to ¥5,675.2 billion. General account assets, which constitute 98.6% of this total, rose 1.4%, to ¥5,594.5 billion. Total liabilities increased 1.5%, or ¥79.4 billion, to ¥6,480.6 billion. Net assets at fiscal year-end amounted to ¥194.6 billion, down 8.2% from a year earlier.

On a consolidated basis, total assets rose 9.6%, to ¥6,670.3 billion, and net assets fell 7.8%, to ¥197.6 billion.

With respect to our estimates for insurance payouts associated with the recent earthquake, we increased a reserve for outstanding claims, which was accounted for in the fiscal year ended March 31, 2011.

Life insurance in force

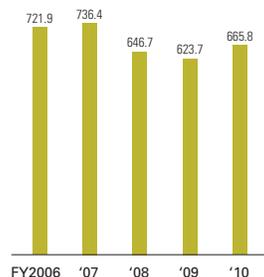
(¥ trillions)



■ Group insurance
■ Individual annuities
■ Individual life insurance

Premium and other income

(¥ billions)



Review of Operations (Non-consolidated)



In the year under review, the Company increased its contingency reserve by ¥0.4 billion, to ¥146.0 billion, and its reserve for price fluctuation of securities by ¥6.9 billion, to ¥33.4 billion.

Solvency Margin

Fukoku Life's solvency margin ratio at fiscal year-end was 1,088.3%, down 39.3 points year-on-year. The main factors were insurance payouts associated with the earthquake and a decline in unrealized gains on securities due to falling stock prices during the period. Nevertheless, the Company's solvency margin far exceeds 200%, the level set as an indicator of financial soundness for life insurance companies, and clearly illustrates our ability to meet a high level of payments.

In accordance with Cabinet Office Ordinance No. 23 of 2010 and Financial Services Agency Public Notice No. 48 of 2010, part of the calculation standard for the solvency margin gross amount and the total amount of risk has been changed (tightening of margin calculations, tightening and refining of risk measurements, etc.). These changes are applied from the fiscal year ending March 31, 2012. We are estimating the new solvency margin ratio to 668.4% as of March 31, 2012.

We will continue making every effort to maintain a high solvency margin ratio as one indicator of the added peace of mind we offer our customers.

Ratings

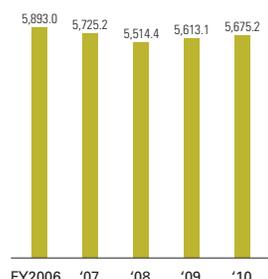
Fukoku Life relies on four neutral rating organizations to provide an objective assessment of the Company's ability to meet insurance payments. As of September 1, 2011, we have received ratings of AA- from Rating and Investment Information, A- from Standard & Poor's, A from Fitch Ratings, and A2 from Moody's. Despite global financial crises in the autumn of 2008 and thereafter, these ratings have not changed from year to year. Going forward, we will continue striving to maintain and further improve our high financial ratings.

Strengthening Our Capital Base

Fukoku Life is constantly bolstering its internal reserves in order to reinforce its operational foundation. We place particular emphasis on reinforcing the contingency reserve and the reserve for price fluctuation of securities. The contingency reserve is a legal reserve set up in preparation for future risks, and the reserve for price fluctuation covers potential future losses on major assets subject to price fluctuation risks. The Company regards both reserves as part of its equity capital.

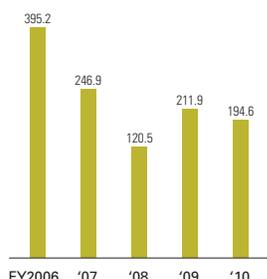
Total assets

(¥ billions)



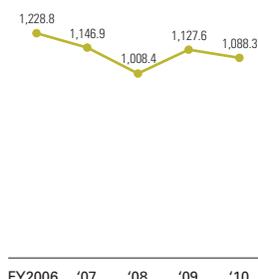
Net assets

(¥ billions)



Solvency margin ratio

(%)



Investment Performance in FY2010 (General Account)

Overview

At the beginning of fiscal 2010, ended March 31, 2011, Japanese economy continued showing signs of a turnaround. From autumn onwards, however, the economy stalled due to a slowdown in overseas economies. Although those economies subsequently recovered toward the end of fiscal year, which provided a boost to the domestic economy, the Great East Japan Earthquake in March sparked a sharp deceleration in the Japanese economy. Despite some remaining uncertainty stemming from fiscal problems in peripheral European nations, financial and capital markets were generally stable at the end of fiscal year.

Against this backdrop, Fukoku Life, seeking to build a portfolio that can respond swiftly to changing conditions, adopted medium- and long-term perspectives in allocating assets while preserving asset liquidity. Specifically, we maintained our emphasis on yen-denominated assets, such as public bonds and debt, while at the same time undertaking diversified investments in foreign securities, domestic equities, real estate, and other areas in order to boost profitability.

At fiscal year-end, total general account assets stood at ¥5,594.5 billion, up ¥75.0 billion from a year earlier.

Investment income from general accounts increased 9.8%, to ¥146.4 billion. Interest, dividends and other income, the main components of investment income, rose 1.1%, or ¥1.2 billion, to ¥111.9 billion. Meanwhile, interest and dividend income, including income on trading securities, rose 4.9%, or ¥5.4 billion, to ¥118.7 billion, due to an increase in holdings of foreign public bonds. In addition, gains on sales of securities jumped 38.2%, or ¥8.4 billion, to ¥30.4 billion,

due mainly to increased sales of domestic public bonds and stocks. We also posted ¥3.3 billion in gains from derivative instruments, mainly hedge-related income aimed at addressing yen appreciation risk.

Investment expenses declined 33.0%, to ¥47.0 billion. Major factors were a 50.8% fall in losses on sales of securities, to ¥20.4 billion, centering on foreign securities. We also posted ¥5.0 billion in losses from trading securities. This was due to losses on foreign public bonds stemming from rising overseas interest rates and the yen's appreciation.

As a result, investment income, net of investment expenses, amounted to ¥99.3 billion, up 57.5%, or ¥36.2 billion, from the previous fiscal year.

Bonds:

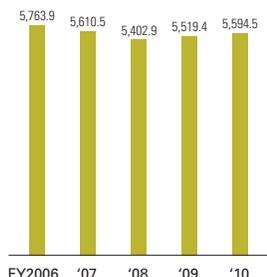
In the year under review, we focused on domestic public bonds from an ALM perspective, while reducing the balance of equities, which are risk-based assets. At the same time, we sought to increase profitability by raising our holdings of foreign public bonds while closely monitoring interest rates and foreign exchange trends. As a result, the Company's bond portfolio at fiscal year-end stood at ¥2,430.6 billion, down 5.3%, or ¥135.3 billion, from a year earlier.

Stocks:

Our year-end holdings of domestic equities fell 25.5%, or ¥120.5 billion, to ¥352.6 billion. This was due to a reduction in the balance of stocks aimed at lowering risk and raising profitability, as well as a decline in unrealized gains stemming from falling equity prices. Accordingly, the proportion of stocks in general account assets fell to the 6.3%.

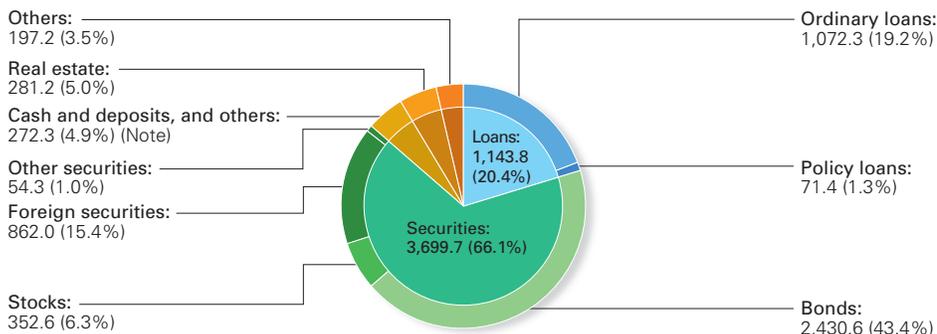
General account assets

(¥ billions)



Breakdown of general account assets

(¥ billions)



Total: ¥5,594.5 billion

Note: It is including cash and deposits, call loans, monetary claims bought and money held in trust

Foreign Securities:

Our holdings of foreign securities increased due mainly to a rise in foreign public bonds. As a result, the Company's holdings of foreign securities, including equity holdings, grew 38.6%, or ¥240.0 billion, to ¥862.0 billion.

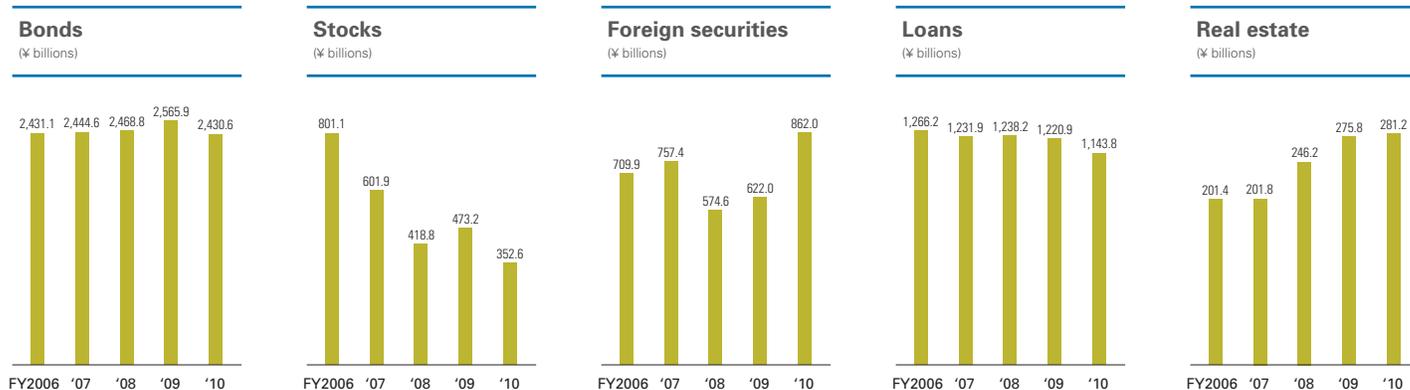
Loans:

During the period, there was a decline in loans, especially

to corporations. As a result, the fiscal year-end balance of outstanding loans slipped 6.3%, or ¥77.0 billion, to ¥1,143.8 billion.

Real Estate:

The year-end balance of the Company's real estate holdings rose 2.0%, or ¥5.4 billion, to ¥281.2 billion, mainly reflecting the Osaka Fukoku Mutual Life Insurance Building reconstruction project, which has been completed in October 2010.



Investment Policies for FY2011

Investment Environment

In the fiscal year ending March 31, 2012, we expect the Japanese economy to continue languishing initially, due to the Great East Japan Earthquake and other factors. In the summer months and thereafter, however, we expect the economy to turn upwards as corporate results return to stability, despite the weight of restrictions on electricity supply. In the latter half of the year, we forecast an increase in the economic growth rate, boosted by full-scale reconstruction-related demand.

Bonds:

Fukoku Life's policy going forward is to increase its holdings of domestic public bonds in order to maintain long-term asset management stability. From the ALM perspective, moreover, we will continue emphasizing bonds with longer-term durations.

Stocks:

Regarding stocks, our policy is to continue decreasing our holdings of domestic equities, with the aim of limiting price fluctuation risk.

Foreign Securities:

Our policy is to increase our holdings of foreign public bonds while deploying hedges and limiting interest rate fluctuation

In the financial and securities markets, we expect stock prices to trend upwards after a period of stagnation stemming from weak corporate results related to the earthquake. We also expect long-term interest rates to remain low thanks to strong investment sentiment among institutional investors. However, we recognize the possibility that interest rates may increase, due to concerns of fiscal deterioration associated with procurement of funds for post-disaster reconstruction.

risk and currency risk. With respect to investment trust funds, we will continue investing in public bonds issued by emerging nations, centering on Asia.

Loans:

With respect to financing, our policy is to limit new loans and reduce the balance of loans outstanding, due to falling interest rates and profitability stemming from declining structural demand for funds.

Real Estate:

While maintaining real estate holdings, which center on business-use office buildings, at the current level, we will work to improve the profitability of existing properties.

Governance System

As a mutual life insurance company, Fukoku Life is engaged in the highly public business of protecting policyholders' rights. Therefore, we are committed to establishing a management system that ensures the soundness of operations,

and to enhancing management measures, including our risk management system and compliance measures. In addition, we employ our internal control systems to ensure the efficient operation of these measures.

Establishment of Management Control Measures

The Board of Directors makes important business decisions and monitors business execution. The two external directors bring an outside perspective to the deliberations of the Board. In April 2009, Fukoku Life introduced an executive officer system. Under this system, we have separated and strengthened decision-making and business execution functions, with the Board of Directors fulfilling decision-making and supervisory functions. We are striving to strengthen internal controls through the activities of various committees, including the Risk Management Committee and the Compliance Committee, which are under the direct supervision of the Board of Directors.

Enhancement of Internal Control System

The Company's Board of Directors has set the terms for the creation of a system of internal controls to ensure the soundness of operations. We are working to enhance the efficiency of operations, strengthen risk management, and promote compliance based on the core policies of our internal control system.

Risk Management System

We must enhance financial soundness by addressing the various risks we face in order to be able to meet customers' expectations over the long term, while maintaining their policies. We are working across the entire company to improve the risk management system in an initiative that includes the full involvement of top management.

The Risk Management Committee manages risk comprehensively in accordance with core policies set by the Board of Directors. We also have five dedicated committees, each providing expert risk management in its own specific risk category: underwriting risk, asset management risk (covering market-related risk, credit risk, and real estate investment risk), liquidity risk, administrative risk, system risk, and other risk.

Each of these committees is chaired by a Company director, thus ensuring efficacy and restraint with respect to managing its respective risk type. We also have a system in which management teams themselves take the initiative in implementing risk management. In addition, the internal auditing department monitors the effective operation of the risk management system.

Compliance System

As members of the community, all executives and employees undergo ongoing training in compliance-related matters so that they not only observe laws and regulations, but also comply with protocols and social conventions. To this end, as well as improving and reinforcing the compliance system, we hold regular hands-on training programs.

However, we recognize that even the most robust of systems cannot guarantee the complete elimination of improper conduct. We believe that it is important to detect any improper conduct early, deal with it swiftly and appropriately, and make constant improvements and work to rectify the situation in order to prevent a recurrence.

The Compliance Committee, which is chaired by the President, is mandated by the Board of Directors to promote compliance-related activities. The Chief Compliance Officer and Compliance Officers stationed at our Head Office ensure the constant monitoring of compliance.

Protection of Personal Information

As an insurance company that is trusted by its customers, Fukoku Life takes great care in the handling of personal information. We ensure compliance with the Personal Information Protection Law enacted in Japan in April 2005, as well as related laws and guidelines. The appropriate management of personal information is also governed by the Company's own privacy policy.



Board of Representative Members of Policyholders

Contributions to Society

Fukoku Life engages in a variety of activities aimed at building a better society in line with the management philosophy of “contributing to society,” which it has embraced since its foundation.



Charity concert



Visiting concert

Fukoku Life Concerts

Fukoku Life holds two types of concerts throughout the country: Visiting Concerts and Charity Concerts. Visiting Concerts give children attending schools for the disabled and disabled people living in institutions who cannot easily get the opportunity to hear performances of classical music in concert halls. Charity Concerts are held at concert halls as part of the Company’s commitment to fostering community welfare.

A Visiting Concert is held after a Charity Concert has been held. Musicians who performed at the Charity Concert visit a local welfare facility where they play music and improvise as necessary to create an enjoyable musical occasion for residents. Since 1993, the Company has held 206 Charity Concerts. Visiting Concerts, which were introduced in 2003, have been held at a total of 157 welfare facilities.

At Charity Concerts, members of the audience are asked to make donations, which are given to local welfare groups, and goods made by the disabled are sold from stalls in the hall foyer.

Other Activities

We plan to attract universities and corporations to the new Osaka Fukoku Mutual Life Insurance Building, completed in 2010, to provide information of interest related to culture and health to local communities.

The Company is a proud sponsor of the Pink Ribbon Campaign, which promotes the importance of the early detection, diagnosis, and treatment of breast cancer.

Together with Shochiku Co., Ltd., which is involved with such entertainment business as Japanese Kabuki and films, Fukoku Life is a sponsor of the Metropolitan Opera: Live in High Definition series of screenings, which give members of the general public the opportunity to see some of the finest opera performances in the world.

The Metropolitan Opera



©Marty Soh/Metropolitan Opera



Flora Preservation

Recently in Japan, there has been an increase in forests left to grow unchecked due to the lack of people willing to take over forestry businesses. One particular problem is uncontrolled groves of the vigorously growing Moso bamboo, which not only invades forests, but also takes over farmland and causes landslides due to the shallowness of their roots. This bamboo problem is even found on land owned by the Company in Shizuoka Prefecture. Fukoku Life has set up a forest regeneration project to tackle this problem. The aim of the project is to not only assist forest regeneration by felling bamboo groves, but to also return some bamboo groves to a healthy state. Since 2006, Fukoku Life's executives and employees have taken part in the project. In the year under review, 308 executives, employees and their family members volunteered their time to take part in these activities.

Other Activities

Fukoku Life provides space and sales staff to support a mobile bakery business operated by disabled people. Our employees also participate in various other initiatives, including neighborhood cleanup campaigns and collections of PET bottle lids. In addition, we continue to provide support aimed at swiftly restoring communities affected by the Great East Japan Earthquake.

Communicating with Societies



★ HELLO KITTY ★

©1976,2011 SANRIO CO.,LTD. APPROVAL No. G521113



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©'11 SANRIO APPROVAL No.P0308301

Fukoku Life engages in advertising activities aimed at raising awareness of its operations. We are also upgrading our corporate communications to help more and more stakeholders understand the nature of our business.

Alliance with Sanrio

The Sanrio character Hello Kitty is famous all over the world. Fukoku Life uses Hello Kitty in posters and pamphlets, and sponsors the "Sanrio Character Boat Ride," one of the many attractions in the Sanrio Puroland indoor theme park.

Providing Information

Fukoku Life publishes a variety of materials for its stakeholders. Publications that provide information on the Company's business activities include the Japanese-language magazine, "Disclosure" (and abridged versions thereof), booklets written for policyholders, and this English-language annual report. Our diverse lineup of public relations and advertising activities include the production of 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

Fukoku Mutual Life Insurance Company
As of March 31, 2009, 2010 and 2011

	As of March 31,			
	2009	2010	2011	2011
	Millions of yen			Millions of U.S. dollars
Assets:				
Cash and deposits:				
Cash	¥ 134	¥ 164	¥ 156	\$ 1
Bank deposits	49,248	68,945	237,667	2,858
	49,382	69,110	237,823	2,860
Call loans	183,600	91,000	—	—
Monetary claims bought	2,055	1,752	1,424	17
Money held in trust	33,053	32,902	33,169	398
Securities:				
Government bonds	1,746,556	1,887,071	1,695,927	20,395
Local government bonds	136,848	124,642	149,399	1,796
Corporate bonds	616,227	588,041	615,051	7,396
Stocks	448,295	505,012	379,416	4,563
Foreign securities	596,372	646,118	884,029	10,631
Other securities	52,077	50,097	54,814	659
	3,596,377	3,800,984	3,778,639	45,443
Loans:				
Policy loans	76,967	74,186	71,479	859
Ordinary loans	1,161,237	1,146,758	1,072,383	12,896
	1,238,205	1,220,945	1,143,863	13,756
Tangible fixed assets:				
Land	141,825	162,160	163,574	1,967
Buildings	98,937	96,661	116,548	1,401
Lease assets	—	31	47	0
Construction in progress	5,457	17,009	1,165	14
Other tangible fixed assets	3,845	3,613	3,334	40
	250,065	279,476	284,670	3,423
Intangible fixed assets:				
Software	7,337	7,007	8,318	100
Other intangible fixed assets	448	447	447	5
	7,785	7,454	8,765	105
Reinsurance receivables	122	279	170	2
Other assets:				
Accounts receivable	12,930	12,284	63,859	767
Prepaid expenses	2,393	2,051	1,653	19
Accrued income	21,523	22,040	23,444	281
Deposits	2,416	2,228	2,145	25
Differential account for futures trading	5,027	—	73	0
Derivatives	1,682	1,216	881	10
Suspense payments	4,340	5,430	4,740	57
Other assets	4,360	4,207	5,070	60
	54,674	49,460	101,867	1,225
Deferred tax assets	110,422	62,170	87,332	1,050
Allowance for possible loan losses	(11,290)	(2,430)	(2,513)	(30)
Total assets	¥5,514,454	¥5,613,104	¥5,675,214	\$ 68,252

As of March 31,

	2009	2010	2011	2011
	Millions of yen			Millions of U.S. dollars
Liabilities:				
Policy reserves:				
Reserve for outstanding claims	¥ 28,220	¥ 25,342	¥ 31,053	\$ 373
Policy reserve	5,135,913	5,145,399	5,132,317	61,723
Reserve for dividends to policyholders	57,317	54,759	53,205	639
	5,221,451	5,225,501	5,216,576	62,736
Reinsurance payables	87	117	86	1
Subordinated bonds	38,870	37,406	35,214	423
Other liabilities:				
Corporate income tax payable	107	1,291	10,850	130
Accounts payable	1,680	3,290	72,288	869
Accrued expenses	9,975	10,434	9,989	120
Unearned income	517	452	435	5
Deposits received	5,050	5,016	5,637	67
Guarantee deposits received	11,712	12,893	13,402	161
Differential account for futures trading	—	337	—	—
Derivatives	8,879	6,867	8,661	104
Asset retirement obligations	—	—	2,846	34
Suspense receipts	1,625	1,338	1,143	13
	39,550	41,921	125,256	1,506
Reserve for employees' retirement benefits	49,293	49,776	50,109	602
Reserve for price fluctuation of securities	24,622	26,451	33,432	402
Deferred tax liabilities for revaluation reserve for land	20,026	19,983	19,936	239
Total liabilities	5,393,901	5,401,158	5,480,612	65,912
Net assets:				
Foundation funds.....	40,000	40,000	40,000	481
Accumulated foundation funds redeemed	31,000	46,000	46,000	553
Reserve for revaluation.....	112	112	112	1
Surplus:				
Legal reserve for future losses.....	1,987	2,187	2,249	27
Other surplus:				
Reserve for redemption of foundation funds	20,000	15,000	20,000	240
Reserve for dividend allowances.....	3,895	3,895	3,895	46
Reserve for advanced depreciation of real estate for tax purpose.....	311	303	296	3
Other reserves.....	767	767	767	9
Unappropriated surplus	56,660	54,075	69,554	836
	81,634	74,042	94,513	1,136
	83,621	76,229	96,763	1,163
Total foundation funds, surplus and others	154,733	162,341	182,875	2,199
Net unrealized gains (losses) on available-for-sale securities, net of tax.....	(35,474)	48,291	9,994	120
Deferred valuation gains (losses) under hedge accounting	479	538	365	4
Revaluation reserve for land, net of tax.....	814	773	1,366	16
Total valuation and translation adjustments.....	(34,180)	49,604	11,726	141
Total net assets	120,553	211,946	194,601	2,340
Total liabilities and net assets	¥5,514,454	¥5,613,104	¥5,675,214	\$68,252

See notes to the non-consolidated financial statements.

Non-consolidated Statements of Operations

Fukoku Mutual Life Insurance Company
For the years ended March 31, 2009, 2010 and 2011

	Years ended March 31,			
	2009	2010	2011	2011
	Millions of yen			Millions of U.S. dollars
Ordinary revenues:				
Premium and other income:				
Premium income	¥646,500	¥623,490	¥665,618	\$8,005
Reinsurance income	226	288	226	2
	646,726	623,778	665,844	8,007
Investment income:				
Interest, dividends and other income:				
Interest on deposits	662	493	899	10
Interest and dividends on securities	75,050	70,444	72,789	875
Interest on loans	24,324	24,812	23,883	287
Income from real estate for rent	14,300	14,718	14,141	170
Other interest and dividends	689	287	252	3
	115,027	110,757	111,965	1,346
Gains from money held in trust, net	—	—	361	4
Gains from trading securities, net	—	165	—	—
Gains on sales of securities	51,491	22,043	30,455	366
Gains from derivative instruments, net	—	—	3,335	40
Other investment income	212	358	281	3
Gains from separate accounts, net	—	14,428	—	—
	166,730	147,754	146,400	1,760
Other ordinary revenues:				
Fund receipt from annuity rider	557	777	842	10
Fund receipt from deposit of claims paid	19,967	10,120	8,295	99
Reversal of reserve for outstanding claims	—	2,878	—	—
Reversal of policy reserve	45,866	—	13,081	157
Reversal of reserve for employees' retirement benefits	211	—	—	—
Others	1,624	2,208	2,452	29
	68,227	15,984	24,671	296
Total ordinary revenues	881,685	787,517	836,916	10,065
Ordinary expenditures:				
Claims and other payments:				
Claims	205,663	178,959	176,286	2,120
Annuities	89,550	88,092	91,536	1,100
Benefits	151,181	146,378	185,770	2,234
Surrenders	109,976	114,050	130,881	1,574
Other payments	39,840	36,396	29,194	351
Reinsurance premiums	338	336	335	4
	596,550	564,214	614,005	7,384
Provision for policy reserve and others:				
Provision for reserve for outstanding claims	1,804	—	5,711	68
Provision for policy reserve	—	9,485	—	—
Interest on accumulated dividends to policyholders	242	157	116	1
	¥ 2,047	¥ 9,643	¥ 5,828	\$ 70

	Years ended March 31,			
	2009	2010	2011	2011
	Millions of yen			Millions of U.S. dollars
Investment expenses:				
Interest expenses	¥ 1,974	¥ 1,852	¥ 1,525	\$ 18
Losses from money held in trust, net	3,912	197	—	—
Losses from trading securities, net	3,343	—	5,069	60
Losses on sales of securities	95,471	41,494	20,418	245
Losses on valuation of securities	25,268	1,588	5,922	71
Losses from derivative instruments, net	110	11,555	—	—
Foreign exchange losses, net	2,348	1,706	2,654	31
Provision for allowance for possible loan losses	1,243	—	—	—
Depreciation of real estate for rent and other assets	4,226	5,230	5,732	68
Other investment expenses	6,450	6,618	5,717	68
Losses from separate accounts, net	25,086	—	3,034	36
	169,435	70,244	50,074	602
Operating expenses	86,137	87,658	86,511	1,040
Other ordinary expenditures:				
Claim deposit payments	14,532	11,551	10,421	125
Taxes	4,957	4,916	4,793	57
Depreciation	5,583	5,430	5,413	65
Provision for reserve for employees' retirement benefits	—	483	332	4
Others	277	417	530	6
	25,349	22,799	21,490	258
Total ordinary expenditures	879,520	754,558	777,909	9,355
Ordinary profits	2,164	32,958	59,006	709
Extraordinary gains:				
Gains on disposal of fixed assets	41,724	326	16	0
Reversal of reserve for price fluctuation of securities	29,289	—	—	—
Reversal of allowance for possible loan losses	—	606	899	10
Total extraordinary gains	71,014	933	915	11
Extraordinary losses:				
Losses on disposal of fixed assets	904	685	96	1
Impairment losses	514	865	318	3
Provision for reserve for price fluctuation of securities	—	1,829	6,981	83
Effect of applying the accounting standard for asset retirement obligations	—	—	966	11
Total extraordinary losses	1,418	3,380	8,362	100
Surplus before income taxes	71,760	30,511	51,559	620
Income taxes:				
Current	3,645	3,746	13,406	161
Deferred	11,251	629	(3,370)	(40)
Total income taxes	14,896	4,375	10,035	120
Net surplus for the year	¥ 56,863	¥ 26,135	¥ 41,524	\$ 499

See notes to the non-consolidated financial statements.

Non-consolidated Statements of Changes in Net Assets

Fukoku Mutual Life Insurance Company
For the years ended March 31, 2009, 2010 and 2011

	Years ended March 31,			
	2009	2010	2011	2011
	Millions of yen			Millions of U.S. dollars
Foundation funds, surplus and others:				
Foundation funds				
Balance at the end of previous fiscal year.....	¥40,000	¥40,000	¥40,000	\$481
Changes in the current fiscal year:				
Financing of additional foundation funds	—	15,000	—	—
Redemption of foundation funds	—	(15,000)	—	—
Total changes in the current fiscal year.....	—	—	—	—
Balance at the end of current fiscal year	40,000	40,000	40,000	481
Accumulated foundation funds redeemed				
Balance at the end of previous fiscal year.....	31,000	31,000	46,000	553
Changes in the current fiscal year:				
Additions to accumulated foundation funds redeemed	—	15,000	—	—
Total changes in the current fiscal year.....	—	15,000	—	—
Balance at the end of current fiscal year	31,000	46,000	46,000	553
Reserve for revaluation				
Balance at the end of previous fiscal year.....	112	112	112	1
Changes in the current fiscal year:				
Total changes in the current fiscal year.....	—	—	—	—
Balance at the end of current fiscal year	112	112	112	1
Surplus:				
Legal reserve for future losses				
Balance at the end of previous fiscal year	1,787	1,987	2,187	26
Changes in the current fiscal year:				
Additions to legal reserve for future losses.....	200	200	62	0
Total changes in the current fiscal year	200	200	62	0
Balance at the end of current fiscal year.....	1,987	2,187	2,249	27
Other surplus:				
Reserve for redemption of foundation funds				
Balance at the end of previous fiscal year.....	10,000	20,000	15,000	180
Changes in the current fiscal year:				
Additions to reserve for redemption of foundation funds.....	10,000	10,000	5,000	60
Reversal of reserve for redemption of foundation funds.....	—	(15,000)	—	—
Total changes in the current fiscal year.....	10,000	(5,000)	5,000	60
Balance at the end of current fiscal year	20,000	15,000	20,000	240
Reserve for dividend allowances				
Balance at the end of previous fiscal year.....	3,895	3,895	3,895	46
Changes in the current fiscal year:				
Total changes in the current fiscal year.....	—	—	—	—
Balance at the end of current fiscal year	3,895	3,895	3,895	46
Reserve for advanced depreciation of real estate for tax purpose				
Balance at the end of previous fiscal year.....	319	311	303	3
Changes in the current fiscal year:				
Reversal of reserve for advanced depreciation of real estate for tax purpose.....	(8)	(7)	(7)	(0)
Total changes in the current fiscal year.....	(8)	(7)	(7)	(0)
Balance at the end of current fiscal year	311	303	296	3

	Years ended March 31,			
	2009	2010	2011	2011
	Millions of yen			Millions of U.S. dollars
Other reserves				
Balance at the end of previous fiscal year	767	767	767	9
Changes in the current fiscal year:				
Total changes in the current fiscal year	—	—	—	—
Balance at the end of current fiscal year	767	767	767	9
Unappropriated surplus				
Balance at the end of previous fiscal year	55,671	56,660	54,075	650
Changes in the current fiscal year:				
Additions to reserve for dividends to policyholders	(31,868)	(17,856)	(19,505)	(234)
Additions to legal reserve for future losses	(200)	(200)	(62)	(0)
Payment of interest on foundation funds	(716)	(716)	(892)	(10)
Net surplus for the year	56,863	26,135	41,524	499
Additions to reserve for redemption of foundation funds	(10,000)	(10,000)	(5,000)	(60)
Reversal of reserve for advanced depreciation of real estate for tax purpose	8	7	7	0
Reversal of revaluation reserve for land	(13,098)	44	(592)	(7)
Total changes in the current fiscal year	988	(2,584)	15,479	186
Balance at the end of current fiscal year	56,660	54,075	69,554	836
Total surplus				
Balance at the end of previous fiscal year	72,441	83,621	76,229	916
Changes in the current fiscal year:				
Additions to reserve for dividends to policyholders ..	(31,868)	(17,856)	(19,505)	(234)
Payment of interest on foundation funds	(716)	(716)	(892)	(10)
Net surplus for the year	56,863	26,135	41,524	499
Reversal of reserve for redemption of foundation funds	—	(15,000)	—	—
Reversal of revaluation reserve for land	(13,098)	44	(592)	(7)
Total changes in the current fiscal year	11,180	(7,392)	20,533	246
Balance at the end of current fiscal year	83,621	76,229	96,763	1,163
Total foundation funds, surplus and others				
Balance at the end of previous fiscal year	143,553	154,733	162,341	1,952
Changes in the current fiscal year:				
Financing of additional foundation funds	—	15,000	—	—
Additions to reserve for dividends to policyholders ...	(31,868)	(17,856)	(19,505)	(234)
Additions to accumulated foundation funds redeemed	—	15,000	—	—
Payment of interest on foundation funds	(716)	(716)	(892)	(10)
Net surplus for the year	56,863	26,135	41,524	499
Redemption of foundation funds	—	(15,000)	—	—
Reversal of reserve for redemption of foundation funds	—	(15,000)	—	—
Reversal of revaluation reserve for land	(13,098)	44	(592)	(7)
Total changes in the current fiscal year	11,180	7,607	20,533	246
Balance at the end of current fiscal year	154,733	162,341	182,875	2,199

	Years ended March 31,			
	2009	2010	2011	2011
	Millions of yen			Millions of U.S. dollars
Valuation and translation adjustments:				
Net unrealized gains (losses) on available-for-sale securities, net of tax				
Balance at the end of previous fiscal year.....	115,334	(35,474)	48,291	580
Changes in the current fiscal year:				
Net changes, excluding foundation funds, surplus and others	(150,809)	83,766	(38,297)	(460)
Total changes in the current fiscal year.....	(150,809)	83,766	(38,297)	(460)
Balance at the end of current fiscal year	(35,474)	48,291	9,994	120
Deferred valuation gains (losses) under hedge accounting				
Balance at the end of previous fiscal year.....	408	479	538	6
Changes in the current fiscal year:				
Net changes, excluding foundation funds, surplus and others	70	59	(173)	(2)
Total changes in the current fiscal year.....	70	59	(173)	(2)
Balance at the end of current fiscal year	479	538	365	4
Revaluation reserve for land, net of tax				
Balance at the end of previous fiscal year.....	(12,335)	814	773	9
Changes in the current fiscal year:				
Net changes, excluding foundation funds, surplus and others	13,149	(40)	592	7
Total changes in the current fiscal year.....	13,149	(40)	592	7
Balance at the end of current fiscal year	814	773	1,366	16
Total valuation and translation adjustments				
Balance at the end of previous fiscal year.....	103,407	(34,180)	49,604	596
Changes in the current fiscal year:				
Net changes, excluding foundation funds, surplus and others	(137,588)	83,785	(37,878)	(455)
Total changes in the current fiscal year.....	(137,588)	83,785	(37,878)	(455)
Balance at the end of current fiscal year	(34,180)	49,604	11,726	141
Total net assets				
Balance at the end of previous fiscal year.....	246,961	120,553	211,946	2,548
Changes in the current fiscal year:				
Financing of additional foundation funds.....	—	15,000	—	—
Additions to reserve for dividends to policyholders.....	(31,868)	(17,856)	(19,505)	(234)
Additions to accumulated foundation funds redeemed.....	—	15,000	—	—
Payment of interest on foundation funds.....	(716)	(716)	(892)	(10)
Net surplus for the year.....	56,863	26,135	41,524	499
Redemption of foundation funds.....	—	(15,000)	—	—
Reversal of reserve for redemption of foundation funds.....	—	(15,000)	—	—
Reversal of revaluation reserve for land.....	(13,098)	44	(592)	(7)
Net changes, excluding foundation funds, surplus and others	(137,588)	83,785	(37,878)	(455)
Total changes in the current fiscal year	(126,407)	91,393	(17,344)	(208)
Balance at the end of current fiscal year.....	¥ 120,553	¥ 211,946	¥194,601	\$2,340

Non-consolidated Statements of Surplus

Fukoku Mutual Life Insurance Company
For the years ended March 31, 2009, 2010 and 2011

	Years ended March 31,			
	2009	2010	2011	2011
	Millions of yen			Millions of U.S. dollars
Unappropriated surplus	¥56,660	¥54,075	¥69,554	\$836
Reversal of voluntary surplus reserve:				
Reversal of reserve for advanced depreciation				
of real estate for tax purpose	7	7	7	0
	7	7	7	0
Total	56,667	54,083	69,561	836
Appropriation of surplus:				
Reserve for dividends to policyholders	17,856	19,505	24,381	293
Net surplus:				
Legal reserve for future losses	200	62	76	0
Interest payment for foundation funds	716	892	892	10
Voluntary surplus reserve:				
Reserve for redemption of foundation funds	10,000	5,000	5,000	60
Accumulated fund for price fluctuation	—	—	11,000	132
	10,000	5,000	16,000	192
	10,916	5,954	16,968	204
Total appropriation of surplus	28,772	25,460	41,350	497
Unappropriated surplus carried forward	¥27,894	¥28,622	¥28,211	\$339

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

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 ¥83.15 = US\$1.00, the effective rate of exchange at the balance sheet date of March 31, 2011. 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 valuation of securities, including bank deposits and monetary claims bought which are equivalent to securities, and securities managed as trust assets in money held in trust, is as follows:

- i) Trading securities are stated at fair market value. Costs of their sales are determined by the moving average method.
- ii) Held-to-maturity debt securities are stated at amortized cost under the straight-line method, cost being determined by the moving average method.

- iii) Policy-reserve-matching bonds are stated at amortized cost under the straight-line method, cost being determined by the moving average method in accordance with "Temporary Treatment of Accounting and Auditing Concerning Policy-reserve-matching Bonds in 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 whose fair values are deemed extremely difficult to obtain are stated at cost, cost being determined by the moving average method, except for public and corporate bonds including foreign bonds, of which the difference between acquisition cost and face value is considered to be an adjustment of interest. Such bonds are stated at amortized cost under the straight-line method, cost being determined by the moving average method.

(2) 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.

(4) Depreciation of tangible fixed assets

Depreciation of tangible fixed assets is calculated by the following methods.

- Buildings (excluding lease assets)
 - i) Acquired on or before March 31, 1998: Previous declining-balance method
 - ii) Acquired on or after April 1, 1998 but on or before March 31, 2007: Previous straight-line method
 - iii) Acquired on or after April 1, 2007: Straight-line method
 - Assets other than buildings (excluding lease assets)
 - i) Acquired on or before March 31, 2007: Previous declining-balance method
 - ii) Acquired on or after April 1, 2007: Declining-balance method
 - Lease assets related to finance lease transactions that do not transfer ownership: Straight-line method over the lease term
- Other tangible fixed assets acquired for ¥100,000 or more but less than ¥200,000 are depreciated equally 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, 2009, 2010 and 2011 were ¥852 million, ¥9,036 million and ¥260 million (US\$3 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 price fluctuation of securities

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

(9) Lease Transactions as a Lessee

Finance lease transactions that do not transfer ownership to the lessee whose commencement day was on or before March 31, 2008 continued to be accounted for in a manner similar to accounting treatment for ordinary rental transactions.

(10) Lease Transactions as a Lessor

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

(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).

For the foreign currency forward contracts against the exchange rate fluctuations in the value of foreign currency-denominated bonds classified as available-for-sale securities, which qualify for hedge accounting because of high correlation and effectiveness between the hedging instruments and the hedged items, valuation gains and losses on the foreign currency forward contracts are recorded in the statements of operations.

For the interest rate swaps against the interest rate fluctuations regarding loans, which qualify for hedge accounting because of high correlation and effectiveness between the hedging instruments and the hedged items, valuation gains and losses on the interest rate swaps are deferred until the maturity of the hedged transactions.

Deposits 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 the exchange rate on the trade date and the 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 fluctuations in the fair value or cash flows of hedged items and 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 is amortized based on straight-line method over the estimated useful lives.

(15) Deferred assets

Discount on bonds is amortized equally over the period for which interest on bonds is fixed. This amount is deducted from bonds.

(16) Policy-reserve-matching bonds

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

The amounts of policy-reserve-matching bonds recorded on the balance sheets and the market value of these bonds were ¥628,570 million and ¥644,212 million as of March 31, 2009 and for as of March 31, 2010 and 2011, are written in Notes No. 3 "Financial Instruments".

2. Changes in Accounting Policies

- (1) Effective for the year ended March 31, 2011, the Company adopted "Accounting Standard for Asset Retirement Obligations" (ASBJ Statement No. 18 issued by the Accounting Standards Board of Japan on March 31, 2008) and "Guidance on Accounting Standard for Asset Retirement Obligations" (ASBJ Guidance No. 21 issued by the Accounting Standards Board of Japan on March 31, 2008). As a result, tangible fixed assets increased by ¥1,722 million (US\$20 million) and the amount of asset retirement obligations recorded in balance sheet was ¥2,846 million (US\$34 million). Ordinary profit decreased by ¥157 million (US\$1 million) and surplus before income taxes decreased by ¥1,124 million (US\$13 million).
- (2) Effective for the year ended March 31, 2010, the Company adopted "Partial Amendments to Accounting Standard for Retirement Benefits (Part 3)" (ASBJ Statement No.19 issued by the Accounting Standards Board of Japan on July 31, 2008). There is no effect of the change on ordinary profit and surplus before income taxes since the Company has decided to use the same discount rate as before.
- (3) Effective for the year ended March 31, 2009, the Company adopted "Accounting Standard for Lease Transactions" (ASBJ Statement No. 13 issued by the Accounting Standards Board of Japan on March 30, 2007). As a result, ordinary profit decreased by ¥2 million, compared to the previous methods.

3. Financial Instruments

Asset management of the general accounts other than the separate accounts stipulated in Article 118 Paragraph 1 of the Insurance Business Law is conducted on the principle of prudent and profitable investments, considering public and social responsibilities of the insurance business. Based on this policy, the Company allocates the fund, securing its liquidity, from the medium-to-long term viewpoints. The Company is diversifying investments in assets such as foreign securities and equity securities within the acceptable range of risk in order to enhance the profitability, although yen-denominated interest bearing assets including debt securities such as Japanese government bonds and loans are the cores of the portfolios. Derivatives are mainly used to mitigate the market risk regarding the securities and loans. Major financial instruments including securities, loans and derivatives are exposed to market risk and credit risk.

The Company manages its asset management risk by establishing internal control systems including various rules pursuant to the "Basic Policy for Risk Management" established by the Board of Directors. Specifically, the Company eliminates excessive risk deviating from the basic principle and secures the safety of the assets by utilizing control functions of the Financial and Investment Risk Management Department towards the asset management sections, monitoring the status of market risk and credit risk periodically on a daily or monthly basis. In addition, the Company quantifies the market risk and credit risk using value-at-risk (VaR) method in order to control the possible maximum losses which may arise from the holding assets within a certain range of risk buffers.

The carrying amounts, fair values and their related differences of major financial assets and liabilities as of March 31, 2010 and 2011 were as follows:

	As of March 31,									
	2010			2011			2011			
	Millions of yen			Millions of U.S. dollars						
	Carrying amount	Fair value	Difference	Carrying amount	Fair value	Difference	Carrying amount	Fair value	Difference	
Deposits:										
Deposits not treated as securities ..	¥ 68,839	¥ 68,839	¥ —	¥ 237,583	¥ 237,583	¥ —	\$ 2,857	\$ 2,857	\$ —	
Total deposits	68,839	68,839	—	237,583	237,583	—	2,857	2,857	—	
Call loans	91,000	91,000	—	—	—	—	—	—	—	
Monetary claims bought:										
Claims treated as loans	1,752	1,743	(8)	1,424	1,424	0	17	17	0	
Total monetary claims bought	1,752	1,743	(8)	1,424	1,424	0	17	17	0	
Money held in trust:										
Trading securities	31,902	31,902	—	32,169	32,169	—	386	386	—	
Total money held in trust	31,902	31,902	—	32,169	32,169	—	386	386	—	
Securities:										
Trading securities	79,317	79,317	—	228,171	228,171	—	2,744	2,744	—	
Held-to-maturity debt securities	430,883	433,717	2,834	427,312	436,409	9,096	5,139	5,248	109	
Policy-reserve-matching bonds	639,749	657,551	17,801	652,180	672,087	19,907	7,843	8,082	239	
Investments in subsidiaries and affiliates	1,393	933	(459)	1,393	868	(524)	16	10	(6)	
Available-for-sale securities	2,516,197	2,516,197	—	2,347,024	2,347,024	—	28,226	28,226	—	
Total securities	3,667,541	3,687,718	20,176	3,656,081	3,684,560	28,478	43,969	44,312	342	
Loans:										
Policy loans	74,186	74,186	(0)	71,479	71,479	(0)	859	859	(0)	
Ordinary loans	1,146,758	1,174,444	27,685	1,072,383	1,099,281	26,897	12,896	13,220	323	
Total loans	1,220,945	1,248,630	27,685	1,143,863	1,170,761	26,897	13,756	14,080	323	
Derivative instruments:										
Hedge accounting not applied	(1,644)	(1,644)	—	(6,049)	(6,049)	—	(72)	(72)	—	
Hedge accounting applied	(4,006)	(4,006)	—	(1,730)	(1,730)	—	(20)	(20)	—	
Total derivative instruments	¥ (5,650)	¥ (5,650)	¥ —	¥ (7,780)	¥ (7,780)	¥ —	\$ (93)	\$ (93)	\$ —	

(1) Deposits excluding those which are treated as securities based on "Accounting Standards for Financial Instruments" (ASBJ Statement No.10) and call loans:

The fair values of deposits and call loans are based on their book values since fair values approximate book values due to their short maturities.

(2) Securities including deposits and monetary claims bought which are treated as securities based on "Accounting Standards for Financial Instruments" (ASBJ Statement No.10) and securities managed as trust assets in money held in trust:

The fair values of marketable securities are measured at the quoted market price at the end of fiscal year. The fair values of other securities without the quoted market price are based on the prices reasonably calculated such as the prices offered by the information vendors or counterparty financial institutions.

Investments in subsidiaries and affiliates, unlisted stocks and investments in partnerships whereby partnership assets consist of unlisted stocks whose fair values are deemed extremely difficult to obtain, are excluded from above securities. The carrying amounts of investments in subsidiaries and affiliates, unlisted stocks and investments in partnerships were ¥26,132 million, ¥8,851 million and ¥8,306 million as of March 31, 2010, and ¥26,616 million (US\$320 million), ¥8,845 million (US\$106 million) and ¥8,201 million (US\$98 million) as of March 31, 2011, respectively.

(3) Loans and monetary claims bought treated as loans:

The fair values of policy loans are deemed to approximate book values, considering estimated repayment period and interest rate conditions since their repayment deadline have not been set up due to the characteristics that the loan is limited to the amount of cash surrender values. Therefore, the book values are used as the fair values of policy loans.

The fair values of floating interest rate loans among the ordinary loans and monetary claims bought treated as loans approximate the book values because the market interest rates are reflected in future cash flows in a short period. Therefore, the fair values of floating interest rate loans and monetary claims bought treated as loans are based on their book values. The fair values of fixed interest rate loans are measured by discounting the future cash flows to the present values. The fair values of loans receivable from legally bankrupt borrowers, substantially bankrupt borrowers and borrowers who are not currently bankrupt but have a high

possibility of bankruptcy and monetary claims bought treated as loans are computed by deducting the amount of the allowance for doubtful accounts from the book values before direct write-offs.

(4) Derivative instruments:

- i) The fair values of the futures and options traded at the exchange are measured at the settlement price of the exchange.
- ii) The fair values of options and swaps traded over the counter are based on the quoted prices offered by counterparty financial institutions.
- iii) The fair values of foreign currency forward contracts are determined based on the spot exchange rate and forward contract rate.

4. Investment and Rental Property

The Company holds investment and rental properties such as office buildings in Tokyo and other areas. The carrying amounts and the fair values of investment and rental properties were ¥227,544 million and ¥298,967 million as of March 31, 2010 and ¥233,921 million (US\$2,813 million) and ¥284,059 million (US\$3,416 million) as of March 31, 2011, respectively. The fair value is mainly based on the value calculated by the Company in accordance with real estate appraisal standards which includes some adjustments using the reference prices.

The amount corresponding to asset retirement obligations included in the carrying amount of investment and rental properties was ¥1,434 million (US\$17 million) as of March 31, 2011.

5. 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 ¥10,749 million, ¥2,638 million and ¥3,308 million (US\$39 million) as of March 31, 2009, 2010 and 2011, respectively.

- i) The balances of credits to bankrupt borrowers were ¥471 million, ¥352 million and ¥297 million (US\$3 million) as of March 31, 2009, 2010 and 2011, respectively.
- ii) The balances of delinquent loans were ¥10,277 million, ¥2,119 million and ¥774 million (US\$9 million) as of March 31, 2009, 2010 and 2011, respectively.
- iii) There were no balances of delinquent loans past 3 months or more as of March 31, 2009, 2010 and 2011.
- iv) The balances of restructured loans were ¥166 million and ¥2,236 million (US\$26 million) as of March 31, 2010 and 2011, and no balance as of March 31, 2009.

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 on these loans is not recorded as income after determining that principal or interest on these loans is unlikely to be collected due to the significant delay in repayment of principal or interest payment or for some other reasons.

Delinquent loans are credits 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 rescheduled to assist and support the borrowers in the restructuring of their business.

Delinquent loans past 3 months or more are loans for which interest 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 ¥66 million, ¥8,097 million and ¥1 million (US\$14 thousand) as of March 31, 2009, 2010 and 2011, respectively.

The direct write-offs related to loans decreased delinquent loans described above by ¥786 million, ¥938 million and ¥258 million (US\$3 million) as of March 31, 2009, 2010 and 2011, respectively.

6. Accumulated Depreciation of Tangible Fixed Assets

Accumulated depreciation of tangible fixed assets totaled to ¥124,586 million, ¥129,610 million and ¥137,343 million (US\$1,651 million) as of March 31, 2009, 2010 and 2011, respectively.

7. Separate Accounts

Total assets in separate accounts provided for in Article 118 of the Insurance Business Law were ¥113,498 million, ¥95,207 million and ¥83,280 million (US\$1,001 million) as of March 31, 2009, 2010 and 2011, respectively. The amounts of separate account liabilities were the same as separate account assets.

8. Receivables from/Payables to Subsidiaries

The total amounts of receivables from/payables to subsidiaries were ¥3,579 million and ¥1,281 million as of March 31, 2009, ¥3,463 million and ¥1,433 million as of March 31, 2010 and

¥2,675 million (US\$32 million) and ¥1,855 million (US\$22 million), as of March 31, 2011, respectively.

9. Monetary Claims to Directors

Monetary claims to directors as of March 31, 2009, 2010 and 2011 were ¥12 million, ¥8 million and ¥6 million (US\$77 thousand), respectively.

10. Income Taxes

Deferred tax assets and deferred tax liabilities as of March 31, 2009 were ¥115,089 million and ¥1,939 million, respectively. Valuation allowance for deferred tax assets was ¥2,727 million.

Major components of deferred tax assets were ¥57,150 million of policy reserves, ¥20,136 million of net unrealized losses on available-for-sale securities and ¥17,849 million of reserve for employees' retirement benefits as of March 31, 2009.

The statutory tax rate and the actual effective tax rate for the year ended March 31, 2009 were 36.2% and 20.8%, respectively. The major differences between the statutory tax rate and the actual effective tax rate were (9.0%) of reserve for dividends to policyholders and (6.6%) of revaluation reserve for land.

Deferred tax assets and deferred tax liabilities as of March 31, 2010 were ¥94,720 million and ¥29,692 million, respectively. Valuation allowance for deferred tax assets was ¥2,857 million.

Major components of deferred tax assets were ¥57,349 million of policy reserves, ¥18,024 million of reserve for employees' retirement benefits and ¥9,577 million of reserve for price fluctuation of securities as of March 31, 2010. Major component of deferred tax liabilities was ¥27,412 million of net unrealized gains on available-for-sale securities as of March 31, 2010.

The statutory tax rate and the actual effective tax rate for the year ended March 31, 2010 were 36.2% and 14.3%, respectively. The major difference between the statutory tax rate and the actual effective tax rate was (23.1%) of reserve for dividends to policyholders.

Deferred tax assets and deferred tax liabilities as of March 31, 2011 were ¥98,663 million (US\$1,186 million) and ¥8,191 million (US\$98 million), respectively. Valuation allowance for deferred tax assets was ¥3,139 million (US\$37 million).

Major components of deferred tax assets were ¥58,929 million (US\$708 million) of policy reserves, ¥18,144 million (US\$218 million) of reserve for employees' retirement benefits and ¥12,105 million (US\$145 million) of reserve for price fluctuation of securities as of March 31, 2011. Major component of deferred tax liabilities was ¥5,673 million (US\$68 million) of net unrealized gains on available-for-sale securities as of March 31, 2011.

The statutory tax rate and the actual effective tax rate for the year ended March 31, 2011 were 36.2% and 19.5%, respectively. The major difference between the statutory tax rate and the actual effective tax rate was (17.1%) of reserve for dividends to policyholders.

11. Reserve for Dividends to Policyholders

Changes in reserve for dividends to policyholders were as follows:

	Years ended March 31,			
	2009	2010	2011	2011
	Millions of yen			Millions of U.S. dollars
Balance at the end of previous fiscal year	¥ 54,382	¥ 57,317	¥ 54,759	\$ 658
Transfer from surplus in previous fiscal year	31,868	17,856	19,505	234
Dividends paid in the current fiscal year	(29,176)	(20,571)	(21,176)	(254)
Increase in interest	242	157	116	1
Balance at the end of fiscal year	¥ 57,317	¥ 54,759	¥ 53,205	\$ 639

12. Stocks of Subsidiaries

The amounts of stocks of subsidiaries the Company held as of March 31, 2009, 2010 and 2011 were ¥27,525 million, ¥27,525 million and ¥28,009 million (US\$336 million), respectively.

13. Pledged Assets and Secured Debts

Assets pledged as collateral as of March 31, 2009 were ¥25,959 million of securities. Secured debts as of March 31, 2009 were ¥4,645 million.

Assets pledged as collateral as of March 31, 2010 were ¥21,642 million of securities. Secured debts as of March 31, 2010 were ¥4,548 million.

Assets pledged as collateral as of March 31, 2011 were ¥23,633 million (US\$284 million) of securities. Secured debts as of March 31, 2011 were ¥4,629 million (US\$55 million).

14. Policy Reserves for the Reinsurance Contracts

Reserve for outstanding claims for the reinsurance contracts provided in accordance with Article 71 Paragraph 1 of the Enforcement Regulation of the Insurance Business Law (hereinafter called "reserve for outstanding claims for ceded reinsurance") were ¥55 million, ¥32 million and ¥42 million (US\$513 thousand) as of March 31, 2009, 2010 and 2011, respectively.

Policy reserve for the reinsurance contracts provided in accordance with Article 71 Paragraph 1 of the Enforcement Regulation of the Insurance Business Law (hereinafter called "policy reserve for ceded reinsurance") were ¥30 million, ¥30 million and ¥31 million (US\$384 thousand) as of March 31, 2009, 2010 and 2011, respectively.

15. Adjustment Items for Redemption of Foundation Funds and Appropriation of Net Surplus

The total amounts of adjustment items for redemption of foundation funds and appropriation of net surplus defined in Article 30 Paragraph 2 of the Enforcement Regulation of the Insurance Business Law were ¥1,406 million, ¥49,716 million and ¥11,838

million (US\$142 million) as of March 31, 2009, 2010 and 2011, respectively.

16. Additional Foundation Funds

The Company raised additional foundation funds of ¥15,000 million during the year ended March 31, 2010 in accordance with Article 60 of the Insurance Business Law.

17. Redemption of Foundation Funds

In the year ended March 31, 2010, in connection with the redemption of foundation funds of ¥15,000 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.

18. Commitment Line

As of March 31, 2009, 2010 and 2011, there were unused commitment line agreements under which the Company is the lender of ¥1,481 million, ¥5,653 million and ¥4,056 million (US\$48 million), respectively.

19. Subordinated Bonds

Repayments of subordinated bonds are subordinated to other obligations.

20. Assets Denominated in Foreign Currencies

Assets denominated in foreign currencies as of March 31, 2009, 2010 and 2011 totaled to ¥463,674 million, ¥482,896 million and ¥718,304 million (US\$8,638 million), respectively. The principal foreign currency asset amounts were 1,551 million euros and US\$2,465 million as of March 31, 2009, 1,466 million euros and US\$2,937 million as of March 31, 2010 and 1,799 million euros and US\$4,169 million as of March 31, 2011, respectively.

Liabilities denominated in foreign currencies as of March 31, 2009, 2010 and 2011 totaled to ¥39,840 million, ¥38,330 million

and ¥36,075 million (US\$433 million), respectively. The foreign currency liability amounts as of March 31, 2009, 2010 and 2011 were 306 million euros.

21. 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 ¥11,059 million, ¥10,639 million and ¥10,770 million (US\$129 million) as of March 31, 2009, 2010 and 2011, respectively. The contributions were charged as operating expenses in the year in which they were paid.

22. Reserve for Employees' Retirement Benefits

(1) The reserve for employees' retirement benefits as of March 31, 2009, 2010 and 2011 were calculated as follows:

	As of March 31,			
	2009	2010	2011	2011
	Millions of yen			Millions of U.S. dollars
a. Projected benefit obligation	¥(71,981)	¥(71,591)	¥(71,742)	\$(862)
b. Fair value of pension plan assets.....	15,016	16,009	15,728	189
c. Unfunded benefit obligation (a+b)	(56,965)	(55,581)	(56,014)	(673)
d. Unrecognized actuarial differences	7,499	5,667	5,802	69
e. Unrecognized prior service cost	172	137	102	1
f. Reserve for employees' retirement benefits (c+d+e)	¥(49,293)	¥(49,776)	¥(50,109)	\$(602)

(2) Gross amount of retirement benefit expenses for the years ended March 31, 2009, 2010 and 2011 were as follows:

	Years ended March 31,			
	2009	2010	2011	2011
	Millions of yen			Millions of U.S. dollars
Service cost	¥3,218	¥3,166	¥3,096	\$ 37
Interest cost	1,434	1,438	1,430	17
Expected return on pension plan assets	(640)	(450)	(480)	(5)
Amortization of actuarial differences	779	1,231	1,171	14
Amortization of prior service cost.....	34	34	34	0
	¥4,826	¥5,420	¥5,252	\$ 63

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

	Years ended March 31,		
	2009	2010	2011
Method of attributing the projected benefits to periods of service.....	Straight-line basis	Straight-line basis	Straight-line basis
Discount rate	2.0%	2.0%	2.0%
Expected rate of return on pension plan assets	3.5%	3.0%	3.0%
Amortization period of actuarial differences	10 years	10 years	10 years
Amortization period of prior service cost.....	10 years	10 years	10 years

III. Notes to Statements of Operations

1. Transactions with Subsidiaries

The total amounts of revenues and expenditures in connection with subsidiaries were ¥1,032 million and ¥7,170 million for the year ended March 31, 2009, ¥982 million and ¥7,764 million for

the year ended March 31, 2010 and ¥998 million (US\$12 million) and ¥7,576 million (US\$91 million) for the year ended March 31, 2011, respectively.

2. Gains on Sales of Securities

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

	Years ended March 31,			
	2009	2010	2011	2011
	Millions of yen			Millions of U.S. dollars
Domestic bonds	¥29,312	¥14,017	¥19,211	\$231
Domestic stocks and others.....	17,176	7,664	11,239	135
Foreign securities	5,002	333	4	0

3. Losses on Sales of Securities

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

	Years ended March 31,			
	2009	2010	2011	2011
	Millions of yen			Millions of U.S. dollars
Domestic bonds	¥ 2,427	¥ 564	¥ 908	\$ 10
Domestic stocks and others.....	43,679	12,771	13,036	156
Foreign securities	49,363	28,158	6,473	77

4. Losses on Valuation of Securities

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

	Years ended March 31,			
	2009	2010	2011	2011
	Millions of yen			Millions of U.S. dollars
Domestic stocks and others.....	¥21,507	¥1,313	¥5,870	\$70
Foreign securities	3,761	—	52	0

5. Policy Reserves for the Reinsurance Contracts

For the year ended March 31, 2009, provision for reserve for outstanding claims for ceded reinsurance considered in calculation of provision for reserve for outstanding claims was ¥24 million and provision for policy reserve for ceded reinsurance considered in calculation of reversal of policy reserve was ¥0 million.

For the year ended March 31, 2010, reversal of reserve for outstanding claims for ceded reinsurance considered in calculation

of reversal of reserve for outstanding claims was ¥22 million and provision for policy reserve for ceded reinsurance considered in calculation of provision for policy reserve was ¥0 million.

For the year ended March 31, 2011, provision for reserve for outstanding claims for ceded reinsurance considered in calculation of provision for reserve for outstanding claims was ¥9 million (US\$118 thousand) and provision for policy reserve for ceded reinsurance considered in calculation of reversal of policy reserve was ¥1 million (US\$14 thousand).

6. Gains(Losses) from Trading Securities

Major items of gains(losses) from trading securities were as follows:

	Years ended March 31,			
	2009	2010	2011	2011
				Millions of U.S. dollars
				Millions of yen
Interest, dividends and other income	¥ 2,645	¥ 2,527	¥ 6,814	\$ 81
Gains(Losses) on sales of trading securities	734	(494)	(8,234)	(99)
Gains(Losses) on valuation of trading securities	(6,724)	(1,866)	(3,640)	(43)

7. Gains (Losses) from Money Held in Trust

Gains (Losses) from money held in trust for the years ended March 31, 2009, 2010 and 2011 included valuation gains of ¥520 million, valuation gains of ¥0 million and valuation losses of ¥0 million (US\$0 thousand), respectively.

8. Gains (Losses) from Derivative Instruments

Gains (Losses) from derivative instruments for the years ended March 31, 2009, 2010 and 2011 included valuation losses of ¥6,298 million, valuation gains of ¥5,607 million and valuation losses of ¥4,346 million (US\$52 million), respectively.

9. Impairment Losses of Fixed Assets

For the years ended March 31, 2009 and 2010, impairment losses of fixed assets were as follows:

(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 real estate for rent and unused real estate are classified as one group individually.

(2) Background of recognizing the impairment losses

Profitability of certain real estate for rent dropped down significantly due to a decrease in the level of rental income and a declining trend of market prices of land. The Company reduced its book values of such real estate for rent and unused real estate to their recoverable amounts. The amounts reduced were recognized as impairment losses and included in the extraordinary losses.

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

	Years ended March 31,	
	2009	2010
	Millions of yen	
Real estate for rent:		
Land	¥205	¥ 71
Buildings and others	40	5
Total real estate for rent (i)	245	76
Unused real estate:		
Land	55	136
Buildings and others	213	651
Total unused lease property (ii)	269	788
Total:		
Land	260	208
Buildings and others	254	656
Total (i)+(ii)	¥514	¥865

(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, 2009, 2010 and 2011, and the related non-consolidated statements of operations, surplus and changes in net assets for the years then ended, 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, 2009, 2010 and 2011, and the non-consolidated results of their operations for the years then ended in conformity with accounting principles generally accepted in Japan.

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 with respect to the year ended March 31, 2011.

Tokyo, Japan
May 20, 2011

Kisaragi Audit Corporation

Kisaragi Audit Corporation

Consolidated Financial Statements

Consolidated Balance Sheets

Fukoku Mutual Life Insurance Company and consolidated subsidiaries
As of March 31, 2009, 2010 and 2011

	As of March 31,			
	2009	2010	2011	2011
	Millions of yen			Millions of U.S. dollars
Assets:				
Cash and deposits	¥ 68,692	¥ 83,557	¥ 314,392	\$ 3,781
Call loans	183,600	91,000	—	—
Monetary claims bought	2,055	1,752	1,424	17
Money held in trust	33,053	32,902	33,169	398
Securities	3,760,762	4,248,119	4,681,280	56,299
Loans	1,240,369	1,223,402	1,146,719	13,790
Tangible fixed assets:				
Land.....	141,825	162,160	163,574	1,967
Buildings.....	99,014	96,764	116,647	1,402
Lease assets.....	—	31	47	0
Construction in progress	5,457	17,009	1,165	14
Other tangible fixed assets.....	3,944	3,728	3,427	41
	250,242	279,694	284,863	3,425
Intangible fixed assets:				
Software	7,856	7,626	8,750	105
Goodwill.....	7,087	6,304	5,520	66
Lease assets.....	—	—	987	11
Other intangible fixed assets.....	454	454	453	5
	15,398	14,384	15,712	188
Agency receivables.....	2	1	4	0
Reinsurance receivables	127	281	174	2
Other assets	56,693	52,243	106,524	1,281
Deferred tax assets	110,604	63,308	88,745	1,067
Allowance for possible loan losses	(11,436)	(2,586)	(2,665)	(32)
Total assets	¥5,710,164	¥6,088,061	¥6,670,346	\$80,220

See notes to the consolidated financial statements.

As of March 31,

	2009	2010	2011	2011
	Millions of yen			Millions of U.S. dollars
Liabilities:				
Policy reserves:				
Reserve for outstanding claims	¥ 28,855	¥ 26,407	¥ 32,792	\$ 394
Policy reserve	5,327,274	5,612,304	6,115,914	73,552
Reserve for dividends to policyholders	57,317	54,759	53,205	639
Reserve for dividends to policyholders (subsidiary).....	533	585	654	7
	5,413,981	5,694,057	6,202,567	74,594
Agency payables	1,208	1,872	1,685	20
Reinsurance payables	113	140	100	1
Subordinated bonds	38,870	37,406	35,214	423
Other liabilities	40,730	43,681	129,127	1,552
Reserve for employees' retirement benefits	49,313	49,803	50,153	603
Reserve for price fluctuation of securities	24,772	26,697	33,865	407
Deferred tax liabilities	0	—	—	—
Deferred tax liabilities for revaluation reserve for land	20,026	19,983	19,936	239
Total liabilities	5,589,016	5,873,642	6,472,650	77,843
Net assets:				
Foundation funds	40,000	40,000	40,000	481
Accumulated foundation funds redeemed	31,000	46,000	46,000	553
Reserve for revaluation	112	112	112	1
Consolidated surplus	83,365	77,020	98,228	1,181
Total foundation funds, surplus and others	154,477	163,132	184,340	2,216
Net unrealized gains (losses) on available-for-sale securities, net of tax	(36,210)	48,045	10,006	120
Deferred valuation gains (losses) under hedge accounting	479	538	365	4
Revaluation reserve for land, net of tax	814	773	1,366	16
Foreign currency translation adjustment	(667)	(583)	(761)	(9)
Total accumulated other comprehensive income	(35,584)	48,774	10,977	132
Minority interests	2,254	2,513	2,378	28
Total net assets	121,147	214,419	197,696	2,377
Total liabilities and net assets	¥5,710,164	¥6,088,061	¥6,670,346	\$80,220

See notes to the consolidated financial statements.

Consolidated Statements of Operations

Fukoku Mutual Life Insurance Company and consolidated subsidiaries
For the years ended March 31, 2009, 2010 and 2011

	Years ended March 31,			
	2009	2010	2011	2011
	Millions of yen			Millions of U.S. dollars
Ordinary revenues:				
Premium and other income	¥781,963	¥920,125	¥1,210,851	\$14,562
Investment income:				
Interest, dividends and other income	117,035	116,073	124,544	1,497
Gains from money held in trust, net	—	—	361	4
Gains from trading securities, net	—	165	—	—
Gains on sales of securities	52,184	22,398	30,678	368
Gains from derivative instruments, net	—	—	3,335	40
Other investment income	212	358	354	4
Gains from separate accounts, net	—	14,428	—	—
	169,432	153,424	159,276	1,915
Other ordinary revenues	23,506	16,412	12,507	150
Total ordinary revenues	974,902	1,089,963	1,382,635	16,628
Ordinary expenditures:				
Claims and other payments:				
Claims	207,944	181,213	178,210	2,143
Annuities	89,662	88,245	91,729	1,103
Benefits	152,251	147,812	189,273	2,276
Surrenders	114,574	119,422	138,695	1,668
Other payments	40,503	37,075	29,923	359
	604,936	573,769	627,832	7,550
Provision for policy reserve and others:				
Provision for reserve for outstanding claims	1,782	—	6,385	76
Provision for policy reserve	74,803	285,029	503,609	6,056
Interest on accumulated dividends to policyholders	242	157	116	1
Interest on accumulated dividends to policyholders (subsidiary).....	0	1	0	0
	76,829	285,188	510,113	6,134
Investment expenses:				
Interest expenses	1,974	1,852	1,540	18
Losses from money held in trust, net	3,913	197	—	—
Losses from trading securities, net	3,343	—	5,069	60
Losses on sales of securities	96,043	41,753	20,511	246
Losses on valuation of securities	25,556	1,676	5,922	71
Losses from derivative instruments, net	110	11,555	—	—
Foreign exchange losses, net	2,348	1,711	2,654	31
Provision for allowance for possible loan losses	1,292	—	—	—
Write-off of loans	—	0	—	—
Depreciation of real estate for rent and other assets	4,226	5,230	5,732	68
Other investment expenses	5,923	6,093	5,238	63
Losses from separate accounts, net	25,086	—	3,034	36
	169,818	70,070	49,704	597
Operating expenses	95,922	102,349	109,797	1,320
Other ordinary expenditures	26,226	24,114	23,869	287
Total ordinary expenditures	973,732	1,055,492	1,321,317	15,890
Ordinary profits	1,169	34,470	61,318	737

	Years ended March 31,			
	2009	2010	2011	2011
	Millions of yen			Millions of U.S. dollars
Extraordinary gains:				
Gains on disposal of fixed assets	¥41,724	¥ 326	¥ 16	\$ 0
Reversal of reserve for price fluctuation of securities	29,249	—	—	—
Reversal of allowance for possible loan losses	—	527	957	11
Other extraordinary gains	—	—	6	0
Total extraordinary gains	70,974	853	980	11
Extraordinary losses:				
Losses on disposal of fixed assets	904	696	111	1
Impairment losses	514	865	318	3
Provision for reserve for price fluctuation of securities	—	1,924	7,167	86
Effect of applying the accounting standard for asset retirement obligations	—	—	967	11
Other extraordinary losses	8	—	—	—
Total extraordinary losses	1,427	3,486	8,564	103
Provision for reserve for dividends to policyholders (subsidiary)	276	397	456	5
Surplus before income taxes	70,440	31,439	53,277	640
Income taxes:				
Current	4,123	4,379	14,719	177
Deferred	11,970	(350)	(3,809)	(45)
Total income taxes	16,094	4,029	10,909	131
Net surplus before minority interests	—	—	42,367	509
Minority interests	(332)	227	168	2
Net surplus for the year	¥54,678	¥27,182	¥42,199	\$507

See notes to the consolidated financial statements.

Consolidated Statement of Comprehensive Income

Fukoku Mutual Life Insurance Company and consolidated subsidiaries
For the year ended March 31, 2011

	Year ended March 31,	
	2011	2011
	Millions of yen	Millions of U.S. dollars
Net surplus before minority interests	¥42,367	\$509
Other comprehensive income:		
Net unrealized gains (losses) on available-for-sale securities, net of tax	(38,009)	(457)
Deferred valuation gains (losses) under hedge accounting	(173)	(2)
Foreign currency translation adjustment	(177)	(2)
	(38,360)	(461)
Comprehensive income attributable to:		
Parent company	3,809	45
Minority interests	196	2
	¥ 4,006	\$ 48

See notes to the consolidated financial statements.

Consolidated Statements of Cash Flows

Fukoku Mutual Life Insurance Company and consolidated subsidiaries
For the years ended March 31, 2009, 2010 and 2011

	Years ended March 31,			
	2009	2010	2011	2011
	Millions of yen			Millions of U.S. dollars
Cash flows from operating activities:				
Surplus before income taxes	¥ 70,440	¥ 31,439	¥ 53,277	\$ 640
Depreciation of real estate for rent and other assets	4,226	5,230	5,732	68
Depreciation	5,741	5,622	5,841	70
Impairment losses	514	865	318	3
Amortization of goodwill	744	783	793	9
Increase (Decrease) in reserve for outstanding claims	1,782	(2,448)	6,385	76
Increase (Decrease) in policy reserve	74,803	285,029	503,609	6,056
Interest on accumulated dividends to policyholders	242	157	116	1
Interest on accumulated dividends to policyholders (subsidiary)	0	1	0	0
Provision for reserve for dividends to policyholders (subsidiary)	276	397	456	5
Increase (Decrease) in allowance for possible loan losses	1,246	(8,849)	78	0
Increase (Decrease) in reserve for employees' retirement benefits	(206)	490	349	4
Increase (Decrease) in reserve for directors' and corporate auditors' retirement benefits	(27)	—	—	—
Increase (Decrease) in reserve for price fluctuation of securities	(29,249)	1,924	7,167	86
Interest, dividends and other income	(117,035)	(116,073)	(124,544)	(1,497)
(Gains) Losses on securities	101,869	18,190	161	1
Interest expenses	1,974	1,852	1,540	18
Foreign exchange (gains) losses, net	2,348	1,711	2,654	31
(Gains) Losses on tangible fixed assets	(40,820)	370	1,041	12
(Increase) Decrease in agency receivables	(0)	0	(2)	(0)
(Increase) Decrease in reinsurance receivables	(3)	(153)	106	1
(Increase) Decrease in other assets except from investing and financing activities	(3,158)	(2,064)	(929)	(11)
Increase (Decrease) in agency payables	1,156	663	(187)	(2)
Increase (Decrease) in reinsurance payables	(25)	27	(39)	(0)
Increase (Decrease) in other liabilities except from investing and financing activities	(964)	1,815	985	11
Others	22,152	31,101	18,819	226
Subtotal	98,027	258,083	483,734	5,817
Interest, dividends and other income received	125,583	118,875	129,665	1,559
Interest paid	(2,136)	(1,851)	(1,556)	(18)
Dividends to policyholders paid	(29,176)	(20,571)	(21,176)	(254)
Dividends to policyholders paid (subsidiary)	(423)	(346)	(388)	(4)
Corporate income tax (paid) refunded	(20,125)	3,601	(4,563)	(54)
Net cash provided by (used in) operating activities (I)	171,748	357,790	585,713	7,044
Cash flows from investing activities:				
(Increase) Decrease in deposits	(289)	29	160	1
Proceeds from sales and redemption of monetary claims bought	477	303	327	3
Payments for increase in money held in trust	(12,297)	(7,000)	(3,500)	(42)
Proceeds from decrease in money held in trust	32,932	6,950	3,581	43
Payments for purchase of securities	(1,587,041)	(2,095,137)	(2,011,445)	(24,190)
Proceeds from sales and redemption of securities	1,504,934	1,720,166	1,505,910	18,110
Payments for additions to loans	(181,269)	(155,444)	(124,767)	(1,500)
Proceeds from collections of loans	160,153	148,816	189,114	2,274
Proceeds from settlement of derivatives	1,160	(11,775)	7,271	87
Others	(2,856)	(1,395)	5,654	68
Subtotal (IIa)	(84,094)	(394,485)	(427,690)	(5,143)
(I+IIa)	87,653	(36,695)	158,023	1,900

	Years ended March 31,			
	2009	2010	2011	2011
	Millions of yen			Millions of U.S. dollars
Payments for purchase of tangible fixed assets	(67,428)	(38,458)	(13,047)	(156)
Proceeds from sales of tangible fixed assets	58,176	753	116	1
Payments for purchase of intangible fixed assets.....	(1,982)	(2,156)	(2,737)	(32)
Proceeds from sales of intangible fixed assets.....	2	—	—	—
Payments for additional acquisition of shares of consolidated subsidiary	—	—	(326)	(3)
Net cash provided by (used in) investing activities	(95,327)	(434,346)	(443,686)	(5,335)
Cash flows from financing activities:				
Financing of additional foundation funds	—	15,000	—	—
Redemption of foundation funds	—	(15,000)	—	—
Interest payment for foundation funds	(716)	(716)	(892)	(10)
Dividends paid to minority interests.....	(52)	(23)	(15)	(0)
Payments for lease obligations.....	—	—	(222)	(2)
Net cash provided by (used in) financing activities	(768)	(739)	(1,130)	(13)
Effect of exchange rate changes on cash and cash equivalents	(1,983)	(445)	(842)	(10)
Net increase (decrease) in cash and cash equivalents	73,669	(77,740)	140,053	1,684
Cash and cash equivalents at the beginning of the year	177,956	251,626	173,885	2,091
Cash and cash equivalents at the end of the year	¥251,626	¥173,885	¥313,939	\$3,775

See notes to the consolidated financial statements.

Consolidated Statements of Changes in Net Assets

Fukoku Mutual Life Insurance Company and consolidated subsidiaries
For the years ended March 31, 2009, 2010 and 2011

	Years ended March 31,			
	2009	2010	2011	2011
	Millions of yen			Millions of U.S. dollars
Foundation funds, surplus and others:				
Foundation funds				
Balance at the end of previous fiscal year	¥ 40,000	¥ 40,000	¥ 40,000	\$ 481
Changes in the current fiscal year:				
Financing of additional foundation funds	—	15,000	—	—
Redemption of foundation funds	—	(15,000)	—	—
Total changes in the current fiscal year	—	—	—	—
Balance at the end of current fiscal year	40,000	40,000	40,000	481
Accumulated foundation funds redeemed				
Balance at the end of previous fiscal year	31,000	31,000	46,000	553
Changes in the current fiscal year:				
Additions to accumulated foundation funds redeemed	—	15,000	—	—
Total changes in the current fiscal year	—	15,000	—	—
Balance at the end of current fiscal year	31,000	46,000	46,000	553
Reserve for revaluation				
Balance at the end of previous fiscal year	112	112	112	1
Changes in the current fiscal year:				
Total changes in the current fiscal year	—	—	—	—
Balance at the end of current fiscal year	112	112	112	1
Consolidated surplus				
Balance at the end of previous fiscal year	74,369	83,365	77,020	926
Changes in the current fiscal year:				
Additions to reserve for dividends to policyholders	(31,868)	(17,856)	(19,505)	(234)
Payment of interest on foundation funds	(716)	(716)	(892)	(10)
Net surplus for the year	54,678	27,182	42,199	507
Reversal of reserve for redemption of foundation funds	—	(15,000)	—	—
Reversal of revaluation reserve for land	(13,098)	44	(592)	(7)
Total changes in the current fiscal year	8,995	(6,345)	21,208	255
Balance at the end of current fiscal year	83,365	77,020	98,228	1,181
Total foundation funds, surplus and others				
Balance at the end of previous fiscal year	145,481	154,477	163,132	1,961
Changes in the current fiscal year:				
Financing of additional foundation funds	—	15,000	—	—
Additions to reserve for dividends to policyholders	(31,868)	(17,856)	(19,505)	(234)
Additions to accumulated foundation funds redeemed	—	15,000	—	—
Payment of interest on foundation funds	(716)	(716)	(892)	(10)
Net surplus for the year	54,678	27,182	42,199	507
Redemption of foundation funds	—	(15,000)	—	—
Reversal of reserve for redemption of foundation funds	—	(15,000)	—	—
Reversal of revaluation reserve for land	(13,098)	44	(592)	(7)
Total changes in the current fiscal year	8,995	8,654	21,208	255
Balance at the end of current fiscal year	154,477	163,132	184,340	2,216

	Years ended March 31,			
	2009	2010	2011	2011
	Millions of yen			Millions of U.S. dollars
Accumulated other comprehensive income:				
Net unrealized gains (losses) on available-for-sale securities, net of tax				
Balance at the end of previous fiscal year	115,335	(36,210)	48,045	577
Changes in the current fiscal year:				
Net changes, excluding foundation funds, surplus and others	(151,546)	84,255	(38,038)	(457)
Total changes in the current fiscal year	(151,546)	84,255	(38,038)	(457)
Balance at the end of current fiscal year	(36,210)	48,045	10,006	120
Deferred valuation gains (losses) under hedge accounting				
Balance at the end of previous fiscal year	408	479	538	6
Changes in the current fiscal year:				
Net changes, excluding foundation funds, surplus and others	70	59	(173)	(2)
Total changes in the current fiscal year	70	59	(173)	(2)
Balance at the end of current fiscal year	479	538	365	4
Revaluation reserve for land, net of tax				
Balance at the end of previous fiscal year	(12,335)	814	773	9
Changes in the current fiscal year:				
Net changes, excluding foundation funds, surplus and others	13,149	(40)	592	7
Total changes in the current fiscal year	13,149	(40)	592	7
Balance at the end of current fiscal year	814	773	1,366	16
Foreign currency translation adjustment				
Balance at the end of previous fiscal year	(3)	(667)	(583)	(7)
Changes in the current fiscal year:				
Net changes, excluding foundation funds, surplus and others	(663)	83	(177)	(2)
Total changes in the current fiscal year	(663)	83	(177)	(2)
Balance at the end of current fiscal year	(667)	(583)	(761)	(9)
Total accumulated other comprehensive income				
Balance at the end of previous fiscal year	103,405	(35,584)	48,774	586
Changes in the current fiscal year:				
Net changes, excluding foundation funds, surplus and others	(138,989)	84,358	(37,796)	(454)
Total changes in the current fiscal year	(138,989)	84,358	(37,796)	(454)
Balance at the end of current fiscal year	(35,584)	48,774	10,977	132
Minority interests				
Balance at the end of previous fiscal year	2,438	2,254	2,513	30
Changes in the current fiscal year:				
Net changes, excluding foundation funds, surplus and others	(184)	258	(134)	(1)
Total changes in the current fiscal year	(184)	258	(134)	(1)
Balance at the end of current fiscal year	2,254	2,513	2,378	28
Total net assets				
Balance at the end of previous fiscal year	251,325	121,147	214,419	2,578
Changes in the current fiscal year:				
Financing of additional foundation funds	—	15,000	—	—
Additions to reserve for dividends to policyholders	(31,868)	(17,856)	(19,505)	(234)
Additions to accumulated foundation funds redeemed ..	—	15,000	—	—
Payment of interest on foundation funds	(716)	(716)	(892)	(10)
Net surplus for the year	54,678	27,182	42,199	507
Redemption of foundation funds	—	(15,000)	—	—
Reversal of reserve for redemption of foundation funds	—	(15,000)	—	—
Reversal of revaluation reserve for land	(13,098)	44	(592)	(7)
Net changes, excluding foundation funds, surplus and others	(139,173)	84,617	(37,931)	(456)
Total changes in the current fiscal year	(130,177)	93,271	(16,723)	(201)
Balance at the end of current fiscal year	¥ 121,147	¥ 214,419	¥ 197,696	¥ 2,377

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 ¥83.15 = US\$1.00, the effective rate of exchange at the balance sheet date of March 31, 2011. 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, 2011 are listed below:

Fukoku Shinyo Hosho Company Limited
Fukoku Capital Management, Inc.
Fukokushinrai Life Insurance Company
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 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, 2009, 2010 and 2011.

(3) Fiscal year of consolidated subsidiaries

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

(4) Amortization of goodwill

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

(5) 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.

II. Notes to Balance Sheets

1. Significant Accounting Policies

(1) Valuation methods of securities

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

- i) Trading securities are stated at fair market value. Costs of their sales are determined by the moving average method.
- ii) Held-to-maturity debt securities are stated at amortized cost under the straight-line method, cost being determined by the moving average method.
- iii) Policy-reserve-matching bonds are stated at amortized cost under the straight-line method, cost being determined by the moving average method in accordance with "Temporary Treatment of Accounting and Auditing Concerning Policy-reserve-matching Bonds in Insurance Industry" (Industry Audit Committee Report No.21 issued by the Japanese Institute of Certified Public Accountants on November 16, 2000).

- iv) Investments in unconsolidated subsidiaries and affiliates which are not accounted for under the equity method are stated at cost, cost being determined by the moving average method.
- v) Available-for-sale securities with fair market value are stated at fair market value based on the market prices at the end of fiscal year. Costs of their sales are determined by the moving average method. Net unrealized gains or losses on these available-for-sale securities, net of taxes, are recorded as a separate component of net assets.

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

(2) 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.

(4) Depreciation of tangible fixed assets

Depreciation of the Company's tangible fixed assets is calculated by the following methods.

- Buildings (excluding lease assets)
 - i) Acquired on or before March 31, 1998: Previous declining-balance method
 - ii) Acquired on or after April 1, 1998 but on or before March 31, 2007: Previous straight-line method
 - iii) Acquired on or after April 1, 2007: Straight-line method

- Assets other than buildings (excluding lease assets)
 - i) Acquired on or before March 31, 2007: Previous declining-balance method
 - ii) Acquired on or after April 1, 2007: Declining-balance method
 - Lease assets related to finance lease transactions that do not transfer ownership: Straight-line method over the lease term
- Other tangible fixed assets acquired for ¥100,000 or more but less than ¥200,000 are depreciated equally 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, 2009, 2010 and 2011 were ¥941 million, ¥9,159 million and ¥287 million (US\$3 million), respectively.

(7) Reserve for employees' retirement benefits

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

(8) Reserve for price fluctuation of securities

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

(9) Lease Transactions as a Lessee

Finance lease transactions that do not transfer ownership to the lessee whose commencement day was on or before March 31, 2008 continued to be accounted for in a manner similar to accounting treatment for ordinary rental transactions.

(10) Lease Transactions as a Lessor

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

(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).

For the foreign currency forward contracts against the exchange rate fluctuations in the value of foreign currency-denominated bonds classified as available-for-sale securities, which qualify for hedge accounting because of high correlation and effectiveness between the hedging instruments and the hedged items, valuation gains and losses on the foreign currency forward contracts are recorded in the statements of operations.

For the interest rate swaps against the interest rate fluctuations regarding loans, which qualify for hedge accounting because of high correlation and effectiveness between the hedging instruments and the hedged items, valuation gains and losses on the interest rate swaps are deferred until the maturity of the hedged transactions.

Deposits 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 the exchange rate on the trade date and the 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 fluctuations in the fair value or cash flows of hedged items and 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) Amortization method for intangible fixed assets

Intangible fixed assets are amortized as follows:

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

(15) Deferred assets

Discount on bonds is amortized equally over the period for which interest on bonds is fixed. This amount is deducted from bonds.

(16) Policy-reserve-matching bonds

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

The amounts of policy-reserve-matching bonds recorded on the balance sheets and the market value of these bonds were ¥721,357 million and ¥737,056 million as of March 31, 2009, and for as of March 31, 2010 and 2011, are written in Notes No. 3 "Financial Instruments".

2. Changes in Accounting Policies

- (1) Effective for the year ended March 31, 2011, the Company and its consolidated subsidiaries adopted "Accounting Standard for Asset Retirement Obligations" (ASBJ Statement No. 18 issued by the Accounting Standards Board of Japan on March 31, 2008) and "Guidance on Accounting Standard for Asset Retirement Obligations" (ASBJ Guidance No. 21 issued by the Accounting Standards Board of Japan on March 31, 2008). As a result, tangible fixed assets increased by ¥1,725 million (US\$20 million) and the amount of asset retirement obligations recorded in balance sheet was ¥2,849 million (US\$34 million). Ordinary profit decreased by ¥157 million (US\$1 million) and surplus before income taxes decreased ¥1,124 million (US\$13 million).
- (2) Effective for the year ended March 31, 2010, the Company adopted "Partial Amendments to Accounting Standard for Retirement Benefits (Part 3)" (ASBJ Statement No.19 issued by the Accounting Standards Board of Japan on July 31, 2008). There is no effect of the change on ordinary profit and

surplus before income taxes since the Company has decided to use the same discount rate as before.

- (3) Effective for the year ended March 31, 2009, the Company adopted "Accounting Standard for Lease Transactions" (ASBJ Statement No. 13 issued by the Accounting Standards Board of Japan on March 30, 2007). As a result, ordinary profits decreased by ¥2 million, compared to the previous methods.
- (4) Effective for the year ended March 31, 2009, the Company adopted "Practical Solution on Unification of Accounting Policies Applied to Foreign Subsidiaries for Consolidated Financial Statements" (ASBJ PITF No.18 issued by the Accounting Standards Board of Japan on May 17, 2006). There was no effect of this change on the income.

3. Financial Instruments

Asset management of the Company's general accounts other than the separate accounts stipulated in Article 118 Paragraph 1 of the Insurance Business Law is conducted on the principle of prudent and profitable investments, considering public and social responsibilities of the insurance business. Based on this policy, the Company allocates the fund, securing its liquidity, from the medium-to-long term viewpoints. The Company is diversifying investments in assets such as foreign securities and equity securities within the acceptable range of risk in order to enhance the profitability, although yen-denominated interest bearing assets including debt securities such as Japanese government bonds and loans are the cores of the portfolios. Derivatives are mainly used to mitigate the market risk regarding the securities and loans. Major financial instruments including securities, loans and derivatives are exposed to market risk and credit risk.

The Company manages its asset management risk by establishing internal control systems including various rules pursuant to the "Basic Policy for Risk Management" established by the Board of Directors. Specifically, the Company eliminates excessive risk deviating from the basic principle and secures the safety of the assets by utilizing control functions of the Financial and Investment Risk Management Department towards the asset management sections, monitoring the status of market risk and credit risk periodically on a daily or monthly basis. In addition, the Company quantifies the market risk and credit risk using value-at-risk (VaR) method in order to control the possible maximum losses which may arise from the holding assets within a certain range of risk buffers.

The carrying amounts, fair values and their related differences of major financial assets and liabilities were as follows:

As of March 31,

	As of March 31,									
	2010			2011			2011			
	Millions of yen						Millions of U.S. dollars			
	Carrying amount	Fair value	Difference	Carrying amount	Fair value	Difference	Carrying amount	Fair value	Difference	
Monetary claims bought:										
Claims treated as loans	¥ 1,752	¥ 1,743	¥ (8)	¥ 1,424	¥ 1,424	¥ 0	\$ 17	\$ 17	\$ 0	
Total monetary claims bought	1,752	1,743	(8)	1,424	1,424	0	17	17	0	
Money held in trust:										
Trading securities	31,902	31,902	—	32,169	32,169	—	386	386	—	
Total money held in trust	31,902	31,902	—	32,169	32,169	—	386	386	—	
Securities:										
Trading securities	79,317	79,317	—	228,171	228,171	—	2,744	2,744	—	
Held-to-maturity debt securities	514,566	519,051	4,485	685,249	691,061	5,811	8,241	8,311	69	
Policy-reserve-matching bonds	987,697	1,005,145	17,448	1,270,781	1,291,435	20,654	15,282	15,531	248	
Available-for-sale securities	2,558,975	2,558,975	—	2,400,737	2,400,737	—	28,872	28,872	—	
Total securities	4,140,556	4,162,490	21,933	4,584,939	4,611,406	26,466	55,140	55,458	318	
Loans:										
Policy loans	76,695	76,694	(0)	74,357	74,357	(0)	894	894	(0)	
Ordinary loans	1,146,707	1,174,330	27,623	1,072,361	1,099,209	26,847	12,896	13,219	322	
Total loans	1,223,402	1,251,025	27,623	1,146,719	1,173,566	26,846	13,790	14,113	322	
Derivative instruments:										
Hedge accounting not applied	(1,644)	(1,644)	—	(6,049)	(6,049)	—	(72)	(72)	—	
Hedge accounting applied	(4,006)	(4,006)	—	(1,730)	(1,730)	—	(20)	(20)	—	
Total derivative instruments	¥ (5,650)	¥ (5,650)	¥ —	¥ (7,780)	¥ (7,780)	¥ —	\$ (93)	\$ (93)	\$ —	

(1) Securities including deposits and monetary claims bought which are treated as securities based on "Accounting Standards for Financial Instruments" (ASBJ Statement No.10) and securities managed as trust assets in money held in trust: The fair values of marketable securities are measured at the quoted market price at the end of fiscal year. The fair values of other securities without the quoted market price are based on the prices reasonably calculated such as the prices offered by the information vendors or counterparty financial institutions.

Investments in unconsolidated subsidiaries and affiliates, unlisted stocks and investments in partnerships whereby partnership assets consist of unlisted stocks whose fair values are deemed extremely difficult to obtain, are excluded from above securities. The carrying amounts of investments in unconsolidated subsidiaries and affiliates, unlisted stocks and investments in partnerships were ¥240 million, ¥8,863 million and ¥8,306 million as of March 31, 2010, and ¥398 million (US\$4 million), ¥8,847 million (US\$106 million) and ¥8,201 million (US\$98 million) as of March 31, 2011, respectively.

(2) Loans and monetary claims bought treated as loans:

The fair values of policy loans are deemed to approximate book values, considering estimated repayment period and interest rate conditions since their repayment deadline have not been set up due to the characteristics that the loan is limited to the amount of cash surrender values. Therefore, the book values are used as the fair values of policy loans.

The fair values of floating interest rate loans among the ordinary loans and monetary claims bought treated as loans approximate the book values because the market interest rates are reflected in future cash flows in a short period. Therefore, the fair values of floating interest rate loans and monetary claims bought treated as loans are based on their book values. The fair values of fixed interest rate loans are measured by discounting the future cash flows to the present values. The fair values of loans receivable from legally bankrupt borrowers, substantially bankrupt borrowers and borrowers who are not currently bankrupt but have a high possibility of bankruptcy and monetary claims bought treated as loans are computed by deducting the amount of the allowance for doubtful accounts from the book values before direct write-offs.

(3) Derivative instruments:

- i) The fair values of the futures and options traded at the exchange are measured at the settlement price of the exchange.
- ii) The fair values of options and swaps traded over the counter are based on the quoted prices offered by counterparty financial institutions.
- iii) The fair values of foreign currency forward contracts are determined based on the spot exchange rate and forward contract rate.

4. Investment and Rental Property

The Company holds investment and rental properties such as office buildings in Tokyo and other areas. The carrying amounts and the fair values of investment and rental properties were ¥223,701 million and ¥295,062 million as of March 31, 2010 and ¥230,127 million (US\$2,767 million) and ¥280,297 million (US\$3,370 million) as of March 31, 2011, respectively. The fair value is mainly based on the value calculated by the Company in accordance with real estate appraisal standards which includes some adjustments using the reference prices.

The amount corresponding to asset retirement obligations included in the carrying amount of investment and rental properties was ¥1,411 million (US\$16 million) as of March 31, 2011.

5. 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 ¥10,712 million, ¥2,586 million and ¥3,288 million (US\$39 million) as of March 31, 2009, 2010 and 2011, respectively.

- i) The balances of credits to bankrupt borrowers were ¥435 million, ¥300 million and ¥280 million (US\$3 million) as of March 31, 2009, 2010 and 2011, respectively.
- ii) The balances of delinquent loans were ¥10,277 million, ¥2,119 million and ¥770 million (US\$9 million) as of March 31, 2009, 2010 and 2011, respectively.
- iii) There were no balances of delinquent loans past 3 months or more as of March 31, 2009, 2010 and 2011.
- iv) The balances of restructured loans were ¥166 million and ¥2,237 million (US\$26 million) as of March 31, 2010 and 2011, and no balance as of March 31, 2009.

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

on these loans is not recorded as income after determining that principal or interest on these loans is unlikely to be collected due to the significant delay in repayment of principal or interest payment or for some other reasons.

Delinquent loans are credits 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 rescheduled to assist and support the borrowers in the restructuring of their business.

Delinquent loans past 3 months or more are loans for which interest 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 ¥102 million, ¥8,149 million and ¥19 million (US\$232 thousand) as of March 31, 2009, 2010 and 2011, respectively.

The direct write-offs related to loans decreased delinquent loans described above by ¥786 million, ¥938 million and ¥262 million (US\$3 million) as of March 31, 2009, 2010 and 2011, respectively.

6. Accumulated Depreciation of Tangible Fixed Assets

Accumulated depreciation of tangible fixed assets totaled to ¥124,761 million, ¥129,828 million and ¥137,605 million (US\$1,654 million) as of March 31, 2009, 2010 and 2011, respectively.

7. Separate Accounts

Total assets in separate accounts provided for in Article 118 of the Insurance Business Law were ¥113,498 million, ¥95,207 million and ¥83,280 million (US\$1,001 million) as of March 31, 2009, 2010 and 2011, respectively. The amounts of separate account liabilities were the same as separate account assets.

8. Receivables from/Payables to Unconsolidated Subsidiaries

The total amounts of receivables from/payables to unconsolidated subsidiaries were, ¥3,425 million and ¥165 million as of March 31, 2009, ¥3,308 million and ¥186 million as of March 31, 2010, and ¥2,508 million (US\$30 million) and ¥171 million (US\$2 million) as of March 31, 2011, respectively.

9. Monetary Claims to Directors

Monetary claims to directors of the Company as of March 31, 2009, 2010 and 2011 were ¥12 million, ¥8 million and ¥6 million (US\$77 thousand), respectively.

10. Income Taxes

Deferred tax assets and deferred tax liabilities as of March 31, 2009 were ¥116,732 million and ¥1,939 million, respectively. Valuation allowance for deferred tax assets was ¥4,188 million.

Major components of deferred tax assets were ¥57,809 million of policy reserves, ¥20,318 million of net unrealized losses on available-for-sale securities and ¥17,857 million of reserve for employees' retirement benefits as of March 31, 2009.

For the year ended March 31, 2009, the Company's statutory tax rate was 36.2%. The major differences between the statutory tax rate and 22.8% of the actual effective tax rate were (9.2%) of reserve for dividends to policyholders and (6.7%) of revaluation reserve for land.

Deferred tax assets and deferred tax liabilities as of March 31, 2010 were ¥96,103 million and ¥29,717 million, respectively.

11. Reserve for Dividends to Policyholders

Changes in reserve for dividends to policyholders were as follows:

	Years ended March 31,			
	2009	2010	2011	2011
	Millions of yen			Millions of U.S. dollars
Balance at the end of previous fiscal year	¥ 54,382	¥ 57,317	¥ 54,759	\$ 658
Transfer from surplus in previous fiscal year	31,868	17,856	19,505	234
Dividends paid in the current fiscal year.....	(29,176)	(20,571)	(21,176)	(254)
Increase in interest.....	242	157	116	1
Balance at the end of fiscal year.....	¥ 57,317	¥ 54,759	¥ 53,205	\$ 639

Valuation allowance for deferred tax assets was ¥3,077 million.

Major components of deferred tax assets were ¥57,858 million of policy reserves, ¥18,034 million of reserve for employees' retirement benefits and ¥9,667 million of reserve for price fluctuation of securities as of March 31, 2010. Major component of deferred tax liabilities was ¥27,435 million of net unrealized gains on available-for-sale securities as of March 31, 2010.

For the year ended March 31, 2010, the Company's statutory tax rate was 36.2%. The major difference between the statutory tax rate and 12.6% of the actual effective tax rate was (22.5%) of reserve for dividends to policyholders.

Deferred tax assets and deferred tax liabilities as of March 31, 2011 were ¥100,383 million (US\$1,207 million) and ¥8,381 million (US\$100 million), respectively. Valuation allowance for deferred tax assets was ¥3,257 million (US\$39 million).

Major components of deferred tax assets were ¥59,538 million (US\$716 million) of policy reserves, ¥18,161 million (US\$218 million) of reserve for employees' retirement benefits and ¥12,262 million (US\$147 million) of reserve for price fluctuation of securities as of March 31, 2011. Major component of deferred tax liabilities was ¥5,859 million (US\$70 million) of net unrealized gains on available-for-sale securities as of March 31, 2011.

For the year ended March 31, 2011, the Company's statutory tax rate was 36.2%. The major difference between the statutory tax rate and 20.5% of the actual effective tax rate was (16.6%) of reserve for dividends to policyholders.

12. Reserve for Dividends to Policyholders (Fukokushinrai Life Insurance Company)

Changes in reserve for dividends to policyholders were as follows:

	Years ended March 31,			
	2009	2010	2011	2011
	Millions of yen			Millions of U.S. dollars
Balance at the end of previous fiscal year.....	¥680	¥533	¥585	\$7
Dividends paid in the current fiscal year.....	(423)	(346)	(388)	(4)
Increase in interest.....	0	1	0	0
Provision for reserve for dividends to policyholders.....	276	397	456	5
Balance at the end of fiscal year.....	¥533	¥585	¥654	\$7

13. Stocks of Unconsolidated Subsidiaries

The amounts of stocks of unconsolidated subsidiaries the Company held as of March 31, 2009, 2010 and 2011 were ¥240 million, ¥240 million and ¥398 million (US\$4 million), respectively.

14. Pledged Assets and Secured Debts

Assets pledged as collateral as of March 31, 2009 were ¥26,010 million of securities. Secured debts as of March 31, 2009 were ¥4,645 million.

Assets pledged as collateral as of March 31, 2010 were ¥21,642 million of securities. Secured debts as of March 31, 2010 were ¥4,548 million.

Assets pledged as collateral as of March 31, 2011 were ¥23,633 million (US\$284 million) of securities. Secured debts as of March 31, 2011 were ¥4,629 million (US\$55 million).

15. Policy Reserves for the Reinsurance Contracts

Reserve for outstanding claims for the reinsurance contracts provided in accordance with Article 71 Paragraph 1 of the Enforcement Regulation of the Insurance Business Law (hereinafter called "reserve for outstanding claims for ceded reinsurance") were ¥55 million, ¥32 million and ¥42 million (US\$513 thousand) as of March 31, 2009, 2010 and 2011.

Policy reserve for the reinsurance contracts provided in accordance with Article 71 Paragraph 1 of the Enforcement Regulation of the Insurance Business Law (hereinafter called "policy

reserve for ceded reinsurance") were ¥57 million, ¥56 million and ¥55 million (US\$666 thousand), as of March 31, 2009, 2010 and 2011.

16. Additional Foundation Funds

The Company raised additional foundation funds of ¥15,000 million during the year ended March 31, 2010 in accordance with Article 60 of the Insurance Business Law.

17. Redemption of Foundation Funds

In the year ended March 31, 2010, in connection with the redemption of foundation funds of ¥15,000 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.

18. Commitment Line

As of March 31, 2009, 2010 and 2011, there were unused commitment line agreements under which the Company is the lender of ¥1,481 million, ¥5,653 million and ¥4,056 million (US\$48 million), respectively.

19. Subordinated Bonds

Repayments of subordinated bonds are subordinated to other obligations.

20. Contribution to Policyholders Protection Corporation

The future contribution to the Life Insurance Policyholders Pro-

tection Corporation of Japan under Article 259 of the Insurance Business Law were estimated at ¥11,283 million, ¥10,915 million and ¥11,285 million (US\$135 million) as of March 31, 2009, 2010 and 2011, respectively. The contributions were charged as operating expenses in the year in which they were paid.

21. Reserve for Employees' Retirement Benefits

(1) The reserve for employees' retirement benefits as of March 31, 2009, 2010 and 2011 were calculated as follows:

	As of March 31,			
	2009	2010	2011	2011
	Millions of yen			Millions of U.S. dollars
a. Projected benefit obligation	¥(72,001)	¥(71,617)	¥(71,786)	\$(863)
b. Fair value of pension plan assets.....	15,016	16,009	15,728	189
c. Unfunded benefit obligation (a+b)	(56,985)	(55,608)	(56,058)	(674)
d. Unrecognized actuarial differences	7,499	5,667	5,802	69
e. Unrecognized prior service cost	172	137	102	1
f. Reserve for employees' retirement benefits (c+d+e).....	¥(49,313)	¥(49,803)	¥(50,153)	\$(603)

(2) Gross amount of retirement benefit expenses for the years ended March 31, 2009, 2010 and 2011 were as follows:

	Years ended March 31,			
	2009	2010	2011	2011
	Millions of yen			Millions of U.S. dollars
Service cost	¥3,224	¥3,173	¥3,114	\$37
Interest cost	1,434	1,438	1,430	17
Expected return on pension plan assets	(640)	(450)	(480)	(5)
Amortization of actuarial differences	779	1,231	1,171	14
Amortization of prior service cost	34	34	34	0
	¥4,831	¥5,427	¥5,270	\$63

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

	Years ended March 31,		
	2009	2010	2011
Method of attributing the projected benefits to periods of service.....	Straight-line basis	Straight-line basis	Straight-line basis
Discount rate	2.0%	2.0%	2.0%
Expected rate of return on pension plan assets	3.5%	3.0%	3.0%
Amortization period of actuarial differences	10 years	10 years	10 years
Amortization period of prior service cost.....	10 years	10 years	10 years

III. Notes to Statements of Operations

1. Net Surplus before Minority Interests

Net surplus before minority interests is presented in the consolidated statement of operations for the year ended March 31, 2011 in accordance with the revision of the Enforcement Rule of the Insurance Business Law based on "Accounting Standard for Consolidated Financial Statements" (ASBJ Statement No. 22 issued by the Accounting Standards Board of Japan on December 26, 2008).

2. Transactions with Unconsolidated Subsidiaries

The total amounts of revenues and expenditures in connection with unconsolidated subsidiaries were ¥127 million and ¥2,558 million for the year ended March 31, 2009, ¥131 million and ¥2,825 million for the year ended March 31, 2010, and ¥108 million (US\$1 million) and ¥2,884 million (US\$34 million) for the year ended March 31, 2011, respectively.

3. Policy Reserves for the Reinsurance Contracts

For the year ended March 31, 2010, reversal of reserve for outstanding claims for ceded reinsurance considered in calculation of reversal of reserve for outstanding claims was ¥22 million and reversal of policy reserve for ceded reinsurance considered in calculation of provision for policy reserve was ¥0 million. For the

year ended March 31, 2011, provision for reserve for outstanding claims for ceded reinsurance considered in calculation of provision for reserve for outstanding claims was ¥9 million (US\$118 thousand) and reversal of policy reserve for ceded reinsurance considered in calculation of provision for policy reserve was 0 million (US\$10 thousand).

4. Impairment of Fixed Assets

For the years ended March 31, 2009 and 2010, impairment losses of fixed assets were as follows:

(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 real estate for rent and unused real estate are classified as one group individually.

(2) Background of recognizing the impairment losses

Profitability of certain real estate for rent dropped down significantly due to a decrease in the level of rental income and a declining trend of market prices of land. The Company reduced its book values of such real estate for rent and unused real estate to their recoverable amounts. The amounts reduced were recognized as impairment losses and included in the extraordinary losses.

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

	Years ended March 31,	
	2009	2010
	Millions of yen	
Real estate for rent:		
Land.....	¥205	¥ 71
Buildings and others.....	40	5
Total real estate for rent (i)	245	76
Unused real estate:		
Land.....	55	136
Buildings and others.....	213	651
Total unused lease property (ii).....	269	788
Total:		
Land.....	260	208
Buildings and others.....	254	656
Total (i)+(ii)	¥514	¥865

(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.

IV. Notes to Statement of Comprehensive Income

1. Comprehensive Income for Previous Fiscal Year

Total comprehensive income for previous fiscal year was as follows:

	Year ended March 31,	
	2010	
	Millions of yen	
Total comprehensive income attributable to:		
Parent company.....	¥111,585	
Minority interests	281	
Total comprehensive income.....	¥111,867	

2. Other Comprehensive Income for Previous Fiscal Year

Other comprehensive income for previous fiscal year consisted of the following:

	Year ended March 31,	
	2010	
	Millions of yen	
Other comprehensive income:		
Net unrealized gains on available-for-sale securities, net of tax.....	¥84,310	
Deferred valuation gains under hedge accounting	59	
Revaluation reserve for land, net of tax.....	3	
Foreign currency translation adjustment.....	83	
Total other comprehensive income	¥84,457	

V. Notes to Statements of Cash Flows

1. Scope of Cash and Cash Equivalents

Cash and cash equivalents as of March 31, 2009, 2010 and 2011 consist of "Cash", "Deposits in transfer account", "Current deposits", "Ordinary deposits", "Notice deposits", "Time deposits maturing within 3 months of the date of acquisition", "Foreign currency

deposits maturing within 3 months of the date of acquisition", "Negotiable certificate of deposits maturing within 3 months of the date of acquisition", "Call loans" and "Monetary claims bought maturing within 3 months of the date of acquisition".

2. Reconciliations of Cash and Cash Equivalents

Reconciliations of cash and cash equivalents in the consolidated

statements of cash flows to the consolidated balance sheets accounts as of March 31, 2009, 2010 and 2011 were as follows:

	As of March 31,			
	2009	2010	2011	2011
	Millions of yen			Millions of U.S. dollars
Cash and deposits	¥ 68,692	¥ 83,557	¥314,392	\$3,781
Call loans	183,600	91,000	—	—
Monetary claims bought.....	2,055	1,752	1,424	17
Time deposits maturing over 3 months of the date of acquisition	(300)	(200)	(200)	(2)
Foreign currency deposits maturing over 3 months of the date of acquisition	(366)	(472)	(252)	(3)
Monetary claims bought maturing over 3 months of the date of acquisition.....	(2,055)	(1,752)	(1,424)	(17)
Cash and cash equivalents	¥251,626	¥173,885	¥313,939	\$3,775

Management's Report on Internal Control over Financial Reporting

1. Matters relating to the basic framework of internal control over financial reporting

Yoshiteru Yoneyama, President of Fukuoku Mutual Life Insurance Company (the "Company"), is responsible for the design and operation of internal control over financial reporting for the Company's financial statements, namely, consolidated balance sheets and the related consolidated statements of operations, comprehensive income, cash flows and changes in net assets prepared in accordance with Article 110 Paragraph 2 of the Insurance Business Law. The Company designs and operates its internal control over financial reporting in accordance with the basic framework of internal control set forth in the "Standards and Practice Standards for Management Assessment and Audit concerning Internal Control Over Financial Reporting (Council Opinions)" issued by the Business Accounting Council of the Financial Service Agency of Japan.

Internal control aims at achieving the objectives to a reasonable extent with the organized and integrated function of individual components of internal control as a whole. Therefore, internal control over financial reporting cannot always ensure the prevention or detection of misstatements in the presentation of financial reporting.

2. Matters relating to the scope of assessment, the basis date of assessment and the assessment procedures

The Company performed an assessment of internal control over financial reporting for its consolidated financial statements as of the end of the fiscal years, March 31, 2009, 2010 and 2011, in accordance with generally accepted assessment standards in Japan for internal control over financial reporting.

In the assessment of internal control over financial reporting, the Company first assessed internal controls that have a material impact on overall consolidated financial reporting ("company-level controls") and, based on the results, the Company selected the business processes to be assessed. In assessing those business processes, the Company analyzed selected business processes, identified a key control that would have a material impact on the reliability of financial reporting, and assessed the establishment and operation with regard to the key control. The Company assessed the effectiveness of internal control by the aforementioned procedures.

For the Company and its consolidated subsidiaries, the Company determined the scope of assessment of internal control over financial reporting from the perspective of their materiality to the reliability of financial reporting. The materiality to the reliability of financial reporting is determined in light of their degree of quantitative and qualitative impact. The Company rationally determined the scope of assessment of internal controls incorporated into business processes ("process-level controls") based on the results of assessment of company-level controls regarding the Company and one consolidated subsidiary. Other than those indicated above, five consolidated subsidiaries were determined to be immaterial from quantitative and qualitative perspectives. Consequently, they are excluded from the scope of assessment of company-level controls.

With respect to the scope of assessment of process-level controls, the locations or business units were selected in descending order of ordinary revenues (after elimination of inter-company transactions) in the previous fiscal year until their combined amount reached about two-thirds of consolidated ordinary revenues. As a result, the Company was selected as "significant locations or business units". At selected significant locations and business units (the Company), business processes related to accounting items that were closely associated with the company's business objectives, including securities, ordinary loans and policy reserves, as well as premium and other income and claims and other payments, which have a material impact on the calculation of policy reserves, were determined to be within the scope of assessment. Furthermore, at selected significant locations and business units and any other locations and business units, added to the scope of assessment were business processes relating to important accounting items that have a high possibility of material misstatements and involve estimates and judgments, and business processes relating to businesses or operations dealing with high-risk transactions.

3. Matters relating to the results of the assessment

As a result of performing the assessment, the Company concluded that the design and operation of internal control over financial reporting for the Company were effective as of March 31, 2009, 2010 and 2011.

4. Supplementary Information (None)

May 19, 2011
Yoshiteru Yoneyama
President
Fukuoku Mutual Life Insurance Company

Report of Independent Auditors

The Board of Directors of Fukoku Mutual Life Insurance Company

Financial Statements Audit

We have audited the accompanying consolidated balance sheets of Fukoku Mutual Life Insurance Company and its consolidated subsidiaries as of March 31, 2009, 2010 and 2011, the related consolidated statements of operations, cash flows and changes in net assets for the years then ended, and the related consolidated statement of comprehensive income for the year ended March 31, 2011, 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, 2009, 2010 and 2011, 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.

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 with respect to the year ended March 31, 2011.

Internal Control Audit

We have also audited the management's report on internal control over financial reporting of the consolidated financial statements of Fukoku Mutual Life Insurance Company as of March 31, 2009, 2010 and 2011. The Company's management is responsible for designing and operating effective internal control over financial reporting and for preparing its report on internal control. Our responsibility is to express an opinion on management's report on internal control based on our audit. There is a possibility that material misstatements may not be completely prevented or detected by internal control over financial reporting.

We conducted our internal control audit in accordance with auditing standards for internal control over financial reporting generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether management's report on internal control is free of material misstatement. An internal control audit includes examining, on a test basis, representations on the scope, procedures and results of the assessment of internal control over financial reporting made by management, as well as evaluating the overall presentation of management's report on internal control. We believe that our internal control audit provides a reasonable basis for our opinion.

In our opinion, management's report on internal control referred to above, which represents that the internal control over financial reporting of the consolidated financial statements of Fukoku Mutual Life Insurance Company as of March 31, 2009, 2010 and 2011, is effectively maintained, presents fairly, in all material respects, the assessment of internal control over financial reporting in conformity with assessment standards for internal control over financial reporting generally accepted in Japan.

Tokyo, Japan
May 20, 2011

Kisaragi Audit Corporation

Kisaragi Audit Corporation

Corporate Organization

Organization (as of July 5, 2011)

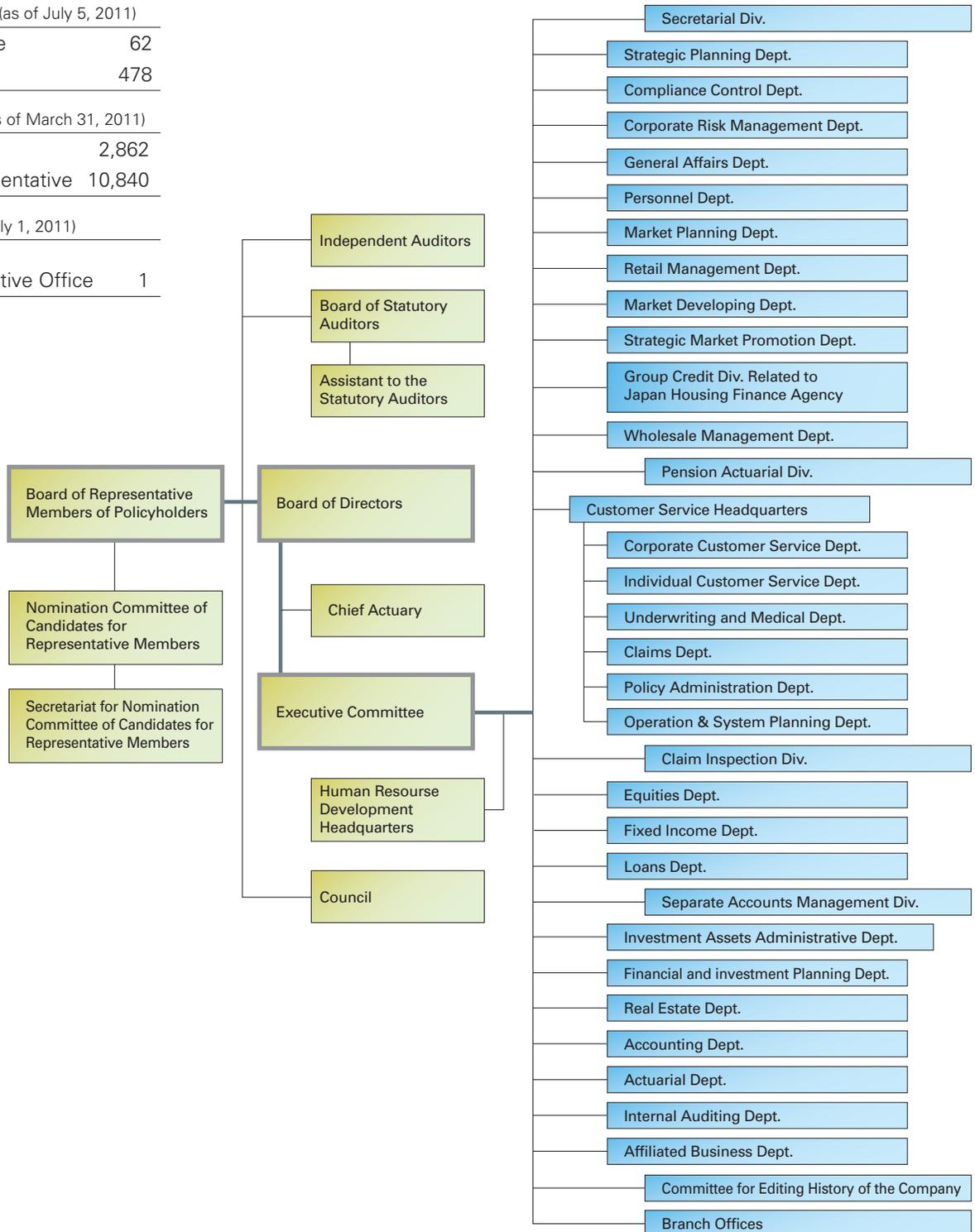
Branch Office	62
Field Office	478

Employees (as of March 31, 2011)

Office Staff	2,862
Sales Representative	10,840

Others (as of July 1, 2011)

Overseas Representative Office	1
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Corporate Information

Board of Directors and Statutory Auditors

Chairman of the Board
Tomofumi Akiyama

President and Chief Executive Officer
Yoshiteru Yoneyama*

Deputy Presidents and Executive Officer
Mikio Yamamoto

Deputy Presidents and Executive Officer
Katsumasa Furuya

Directors and Managing Executive Officer
Kenji Hirai

Directors and Managing Executive Officer
Tadashi Akikawa

Director
Katsuhiko Utada

Director
Kozo Isshiki

Directors and Executive Officer
Hitoshi Sakai

Directors and Executive Officer
Toshihiro Hayashi

Directors and Executive Officer
Toshihide Fujiwara

Statutory Auditor
Yoshizumi Nezu

Statutory Auditor
Mitsuo Ohashi

Statutory Auditor
Akihiro Mochizuki

Statutory Auditor (Standing):
Shuichi Maeda

Statutory Auditor (Standing):
Akio Imai

Executive Officer
Tsutomu Hiruma

Executive Officer
Toshiaki Kiwa

Executive Officer
Haruki Kawashima

Executive Officer
Toyoaki Oba

Executive Officer
Toshimitsu Furuhashi

Executive Officer
Shigeki Matsuoka

*Representative Director

(as of July 5, 2011)

Directory

Head Office

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Fukoku Mutual Life Insurance Company Singapore Representative Office

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Facsimile: 65-6220-8736



Fukoku Life International (U.K.) Ltd.

From left : D. Reynolds, J. Doran, J. Morita,
K. Sato and K. Ohkawa



Fukoku Life International (America) Inc.

From left : A. Chang, M. Xu, M. Jensen,
Y. Onodera and S. Nozaki



Fukoku Mutual Life Insurance Company Singapore Representative Office

From left: S. Narue and Y. Miki

