Annual Report 2008

Year Ended March 31, 2008

FUKOKU MUTUAL LIFE INSURANCE COMPANY

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

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

Financial Highlights (Non-Concolidated)

As of March 31,	Millions of yen 2006	2007	2008	Millions of U.S. dollars 2008
Life insurance in force	¥50,026,617	¥49,974,534	**¥49,827,169**	**$497,326**
Total assets	5,684,365	5,893,024	**5,725,231**	**57,143**
Securities	3,916,311	4,109,729	**3,962,459**	**39,549**
Loans	1,250,813	1,266,226	**1,231,963**	**12,296**
Real estate and movables	196,413	—	**—**	**—**
Tangible fixed assets	—	206,472	**205,952**	**2,055**
Total liabilities	5,317,957	5,497,755	**5,478,270**	**54,678**
Policy reserves	5,033,427	5,189,257	**5,262,578**	**52,525**
Subordinated bonds	42,843	47,092	**47,362**	**472**
Total capital	366,408	—	**—**	**—**
Total net assets	—	395,268	**246,961**	**2,464**
For the year ended March 31,				
Total ordinary revenues	1,028,769	888,739	**906,459**	**9,047**
Premium and other income	846,008	721,989	**736,468**	**7,350**
Investment income	165,112	147,397	**146,216**	**1,459**
Total ordinary expenditures	971,311	828,525	**848,381**	**8,467**
Net surplus for the year	37,874	43,502	**45,385**	**452**
Solvency margin ratio (%)	1,139.6	1,228.8	**1,146.9**	
Employees	13,954	13,771	**13,477**	

Notes 1. U.S. dollar amounts are converted from yen, for convenience only, at the rate of U.S.$1=¥100.19, the rate of exchange on March 31, 2008.
2. Yen and U.S. dollar amounts are rounded down to the nearest million yen or million dollars.

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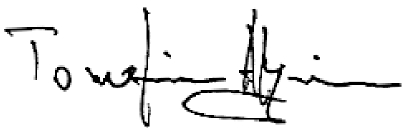
Message from the President

In fiscal 2007, ended March 31, 2008, the Japanese economy remained strong in the first half of the period, but slowed down slightly in the second half. During this latter half, the credit crunch caused by the U.S. subprime mortgage crisis spread to world financial markets, and the flow-on effects were felt in Japan in the form of a steadily appreciating yen and substantial declines in share markets.

Under these circumstances, on the insurance sales side, the Company's sales staff worked hard to provide comprehensive follow-up services and we endeavored to offer insurance products designed to meet customers' needs. On the asset management side, we worked proactively to raise profitability while paying due attention to risk management.

As a result, in fiscal 2007 the Company achieved a considerable increase in fundamental profits thanks to a decline in negative spread and other factors. We used this to return profits to policyholders through dividends, and we maintained a sound financial status by boosting retained earnings.

In January 2008, we acquired an 80% stake in The Kyoei Kasai Shinrai Life Insurance Company, and in February we changed that company's name to Fukokushinrai Life Insurance Company. Following the acquisition, the new company began handling our bancassurance business in April 2008, while Fukoku Life retains its focus on operations through the sales representative channel.



Tomofumi Akiyama
President

Management Philosophy

To protect the interests of our policyholders

To contribute to society

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

Business Policies

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

Reinforce sales staff structure

Meticulous services by sales staff are vital for assuring customer satisfaction during each process, from initial contract through to insurance payout. We strive to be the insurance company of choice by providing personally tailored services to individual customers made possible through our reinforced sales staff structure.

Reaffirm focus on net increase in policies in force

Obtaining policies in force, the source of the Company's income, is important in order to continue providing customers with "peace of mind." Under this basic policy, insurance proposals designed to meet customer needs not only encourage customers to take out policies, but also our comprehensive follow-up services give them the peace of mind to retain our services. We intend to continue with this approach, which we have embraced and implemented for many years.

Enhance business efficiency

We will work hard to provide customers with high-quality services and secure management resources. To this end, we will strive to improve efficiency and conduct a comprehensive reassessment of our business processes, based on our "Customer-Centric" policy, which is not bound by the conventions of the industry or the past.

Review of Operations (Non-Consolidated)

Overview

Business Policies

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

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

Individual Insurance

Recently, the needs of our customers have become increasingly diverse in response to lifestyle changes. With the aim of increasing net policies in force for individual customers and in our quest to assure their satisfaction, we provide the best possible service by developing optimal products and scrutinizing the services we provide from every possible angle.

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

Fukoku Life's nationwide sales network consists of 65 branches and more than 10,000 salespeople promoting insurance and annuities to individuals and companies. We make effective use of our mobile computers, known as "PlanDo," introduced to raise the efficiency of sales staff when conducting face-to-face sale, and we work hard to provide optimal products to customers. We have also reinforced our regular six-monthly and 12-monthly follow-up services provided after a customer takes out a new policy.

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

In order to enhance communication between ourselves and our customers, we provide consulting services at all of our sales offices and have a customer call center that offers customer guidance via the telephone.

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 optimum retirement pensions to defined-benefit pension plans and defined-contribution pension plans.

We provide a separate account for corporate pension plans for socially responsible investments (SRIs) as a vehicle for investments in companies that work proactively in areas of environmental protection and social contribution. We also have the Fukoku Life SRI Fund, an investment trust fund offered in defined-contribution pension plans.

BUSINESS PERFORMANCE IN FY2007

Life Insurance in Force

In the year under review, the total balance of life insurance in force edged down 0.3%, to ¥49,827.1 billion. Within this amount, life insurance for individuals declined 3.4%, to ¥31,742.1 billion, mainly due to a drop in protection-type insurance. Individual annuities rose 1.8%, to ¥2,938.8 billion, and the balance of life insurance in force for groups increased 6.4%, to ¥15,146.1 billion.

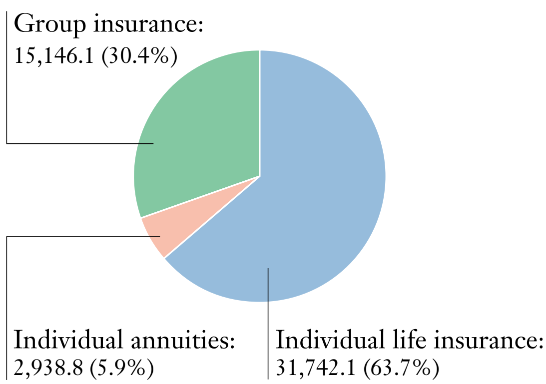
The main factor behind the fall in individual life insurance was the shift in demand from protection-type products to medical and nursing care insurance stemming from the aging society and the falling birthrate. The increase in individual annuities was attributable to higher demand for asset-building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

Annualized premiums for policies in force declined 3.8%, to ¥323.6 billion for individual insurance, but rose 4.8%, to ¥119.4 billion for individual annuities. Annualized premiums from medical insurance and living benefit insurance premiums increased 2.4%.

Premium Income and Other Income

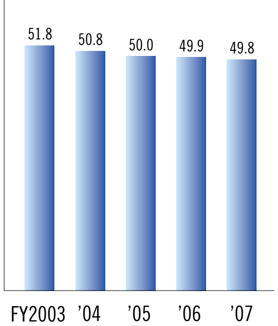
In the year under review, premium and other income rose 2.0%. This was mainly attributable to an increase in income from group pension insurance premiums.

Breakdown of life insurance in force
(¥ billions)

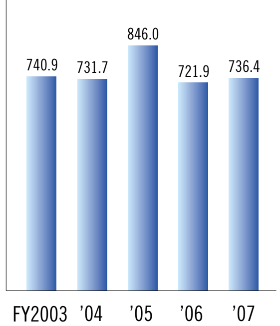


Total: ¥49,827.1 billion

Life insurance in force
(¥ trillions)



Premium and other income
(¥ billions)



Assets, Liabilities and Net Assets

The outstanding balance of non-consolidated total assets, including separate accounts, at fiscal year-end declined 2.8%, to ¥5,725.2 billion. This included a 2.7% fall in general account assets, to ¥5,610.5 billion. The main reason for the decrease in total assets was a fall in the market value of securities stemming from declining share values in the domestic share market.

Policy reserves grew 1.4%, to ¥5,262.5 billion, and total liabilities, including policy reserves, edged down 0.4%, to ¥5,478.2 billion.

Net assets at fiscal year-end amounted to ¥246.9 billion, down 37.5% from a year earlier.

On a consolidated basis, total assets declined 1.6%, to ¥5,802.4 billion, and net assets also fell, by 36.7%, to ¥251.3 billion.

Strengthening Our Capital Base

Fukoku Life is constantly reinforcing its financial fundamentals in preparation for various risks. During the year under review, we increased our contingency reserve by ¥23.7 billion, to ¥154.5 billion, and our reserve for price fluctuation of securities by ¥3.8 billion, to ¥53.9 billion.

Solvency Margin

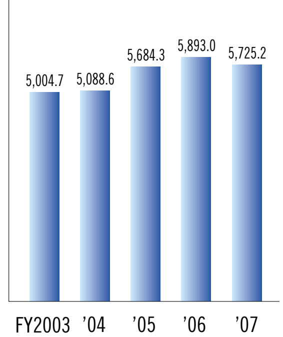
The solvency margin ratio is a benchmark indicator for management soundness of life insurance companies. Fukoku Life's solvency margin ratio at fiscal year-end was 1,146.9%, down 81.9 points year-on-year. This far exceeds the 200% set by the government as an indicator of financial soundness, and clearly illustrates our ability to meet a high level of payments. The drop in the ratio is due to considerable declines in unrealized gains, primarily in shares, stemming from the fall in the stock market at fiscal year end, despite an increase in retained earnings owing to increases in contingency reserves and reserves for price fluctuation of securities.

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

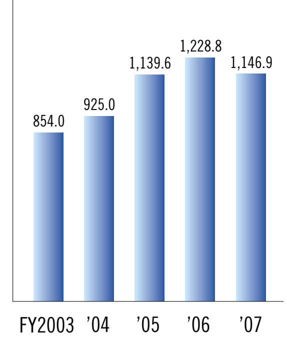
Rating

In October 2007, Rating and Investment Information raised Fukoku Life's rating for its ability to meet insurance payments one ranking from A+ to AA-. We have also received ratings of A- from Standard & Poor's and A+ from Fitch Ratings.

Total assets
(¥ billions)



Solvency margin ratio
(%)



Investment Performance in FY2007 (General Account)

Overview

In fiscal 2007, ended March 31, 2008, the Japanese economy remained strong in the first half of the period, but slowed down slightly in the second half, mainly due to a decline in production activities by companies. Financial and capital markets fluctuated wildly due to financial instability in the U.S. and Europe caused by the subprime mortgage crisis.

Against this backdrop, Fukoku Life allocated funds centered on foreign bonds in order to raise profitability while maintaining liquidity. We shifted our emphasis from low-interest bearing domestic bonds to those with higher rates of return and longer investment terms.

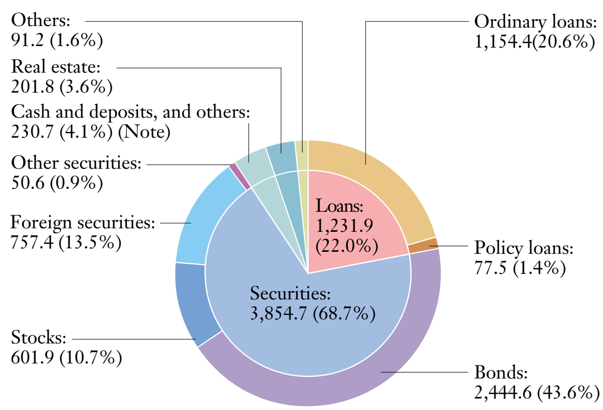
At fiscal year-end, general account assets, which comprise 98.0% of total assets, fell 2.7%, or ¥153.4 billion, to ¥5,610.5 billion.

Interest and dividends, the main components of investment income, rose 15.5%, or ¥16.4 billion, to ¥122.9 billion, owing to an increase in the balance of foreign bonds and higher interest rates for domestic bonds. Income from general accounts increased 3.3%, or ¥4.6 billion, to ¥146.2 billion.

Investment expenses increased 9.6%, or ¥3.4 billion, to ¥39.8 billion on the back of losses from money held in trust and losses on the sale of shares, despite the ongoing decline in expenses for derivative instruments and a fall in provision for allowance for possible loan losses. This includes a ¥0.8 billion loss in securitized products guaranteed by monoline insurers, whose creditworthiness has declined markedly due to the subprime mortgage crisis. Fukoku Life does not have any securitized products that are backed by subprime mortgages.

As a result, investment income, minus expenses, increased 1.0%, or ¥1.1 billion, to ¥106.3 billion. However, the rate of return edged down 0.03 point, to 1.95%.

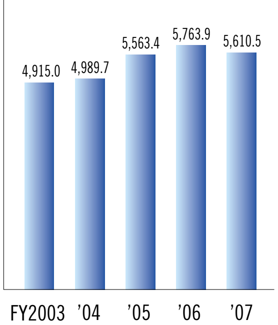
Breakdown of general account assets
(¥ billions)



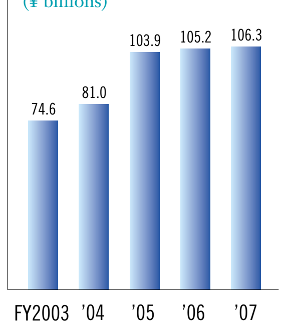
Total: ¥5,610.5 billion

Note: Cash and deposits, call loans, monetary claims bought and money held in trust

General account assets
(¥ billions)



Investment income minus expenses
(¥ billions)



Bonds

In the year under review, we continued replacing low-interest-bearing investments with higher-coupon bonds and strove to lengthen the maturity periods of our bond portfolio. As a result, the Company's bond portfolio at fiscal year-end stood at ¥2,444.6 billion, up 0.6%, or ¥13.5 billion, from a year earlier.

Stocks

Our year-end holdings of domestic equities were down 24.9%, or ¥199.1 billion, to ¥601.9 billion, due to a decline in valuation difference stemming from the sizeable drop in share prices around the end of the fiscal year.

Foreign Securities

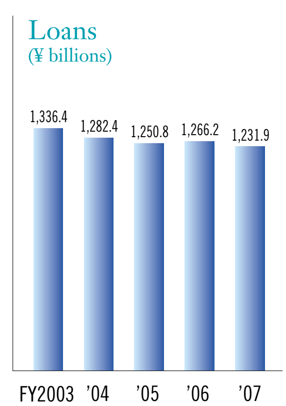
We increased our foreign securities holdings, primarily through euro-dominated bonds, while considering differences in domestic and foreign interest rates and currencies. As a result, the Company's holdings of foreign securities, including equity holdings, rose 6.7%, or ¥47.4 billion, to ¥757.4 billion.

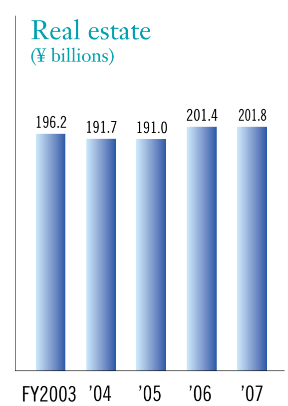
Loans

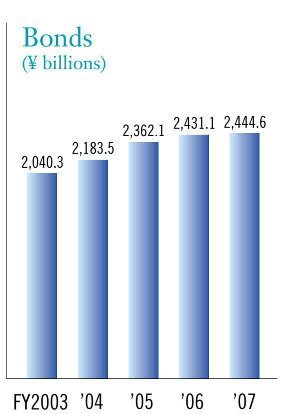
Fukoku Life decreased the balance of outstanding corporate loans due to a slump in demand from Japanese companies for long-term funding. Individual housing loans and consumer loans decreased overall. As a result, the fiscal year-end balance of outstanding loans fell 2.7%, or ¥34.2 billion, to ¥1,231.9 billion.

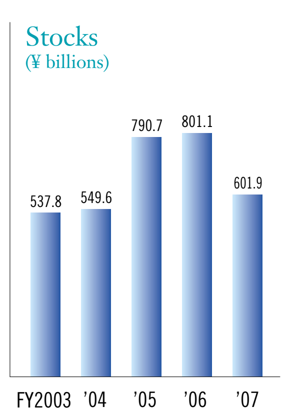
Real Estate

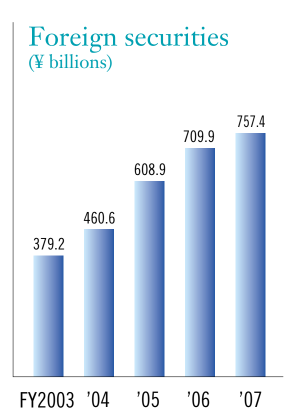
In fiscal 2007, we undertook a project to renovate the Osaka Fukoku Mutual Life Insurance Building located at the Umeda Terminal, the largest transportation terminal in Western Japan. As a result of this project and other activities, the balance of our real estate holdings rose 0.2%, or ¥0.4 billion, to ¥201.8 billion.











Investment Policies for FY2008

Investment Environment

In the fiscal year ending March 31, 2009, we anticipate that the temporary lull in the Japanese economy will continue for the first half of the year, but that the worst will then be over owing to continued strong economic growth in China and other emerging economies, as well as the impact of tax cuts in the United States in the second quarter. We expect that these conditions will contribute to a gradual upturn in the Japanese economy as exports increase and capital expenditures recover. Long-term interest rates are forecast to fluctuate significantly amid fears of inflation and a cautious approach to business development. However, we expect to see a mild improvement as the danger of an economic downturn recedes. Although equity prices will continue to be influenced by world economic trends, we expect to see a steady recovery, primarily in international blue chip equities, which are currently undervalued.

Bonds

Fukoku Life will continue to restrain increases in its bond holdings while raising overall profitability. Specifically, we will reduce investments in government bonds and invest in corporate bonds offering higher rates of return.

Stocks

In light of recent declines in stock market values, we will increase profits by investing in corporations earmarked for medium-to-long-term growth and companies expected to be able to pay steady dividends.

Foreign Securities

We plan to increase our foreign bond holdings, centering on open foreign bonds, while carefully monitoring monetary policy and exchange rates in Japan, the United States, and Europe. At the same time, we will pay due regard to exchange rate risks, including increasing investment in yen-dominated foreign securities.

Loans

We will apply stringent selection criteria relating to interest rates and other terms, while paying due regard to profitability.

Real Estate

In fiscal 2008, we plan to continue making real estate investments based on a medium-to-long-term perspective that emphasizes profitability and geographic distribution. We will also continue investing in real estate funds as a means of diversifying investment methods.

Internal Control System, Risk Management System and Compliance System

Fukoku Life's basic policy on internal control systems emphasizes ongoing protection of policyholders' interests and contribution to society in line with the Company's management philosophy. We are currently in the process of establishing and implementing our internal control systems based on this policy.

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

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

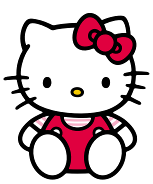
Fukoku Life is engaged in various public relation activities toward building an affluent and heartfelt society.

Fukoku Life Charity Concert

Since 1993, the Company has held regular classical music Charity Concerts around the country as part of its commitment to enhancing interaction with customers through music and fostering community welfare. Although entry to the concerts is free, the audience is asked to make donations, which are given to local welfare groups. Since 2003, we have also held "Mini Concerts," where musicians visit schools for disable children, homes for the elderly, and other welfare facilities before or after our classical concerts. To date, we have held 151 charity concerts and 101 Mini Concerts.

Sanrio Puroland

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



HelloKitty

Communicating with Stakeholders

In addition to Company-led initiatives, in order to raise awareness of social contribution, Fukoku Life executives plan and implement a diverse range of activities on their own that contribute to local communities and the environment.

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

Non-Consolidated Financial Statements

Non-consolidated Balance Sheets

Fukoku Mutual Life Insurance Company
As of March 31, 2006, 2007 and 2008

	As of March 31,			
	2006	2007	**2008**	**2008**
		Millions of yen		Millions of U.S. dollars
Assets:				
Cash and deposits:				
Cash	¥ 125	¥ 115	**¥ 128**	**$ 1**
Bank deposits	69,967	60,764	**45,168**	**450**
	70,092	60,880	**45,296**	**452**
Call loans	65,000	96,400	**125,500**	**1,252**
Monetary claims bought	3,211	2,865	**2,533**	**25**
Money held in trust	95,849	102,186	**57,527**	**574**
Securities:				
Government bonds	1,918,058	1,891,859	**1,782,029**	**17,786**
Local government bonds	83,086	114,761	**138,278**	**1,380**
Corporate bonds	395,303	460,854	**560,305**	**5,592**
Stocks	840,970	853,113	**643,452**	**6,422**
Foreign securities	639,408	746,343	**787,019**	**7,855**
Other securities	39,484	42,796	**51,373**	**512**
	3,916,311	4,109,729	**3,962,459**	**39,549**
Loans:				
Policy loans	79,218	79,286	**77,540**	**773**
Ordinary loans	1,171,595	1,186,939	**1,154,423**	**11,522**
	1,250,813	1,266,226	**1,231,963**	**12,296**
Real estate and movables:				
Land	100,998	—	**—**	**—**
Buildings	85,311	—	**—**	**—**
Movables	5,378	—	**—**	**—**
Construction in progress	4,725	—	**—**	**—**
	196,413	—	**—**	**—**
Tangible fixed assets:				
Land	—	103,200	**106,720**	**1,065**
Buildings	—	97,384	**94,416**	**942**
Construction in progress	—	819	**759**	**7**
Other tangible fixed assets	—	5,068	**4,056**	**40**
	—	206,472	**205,952**	**2,055**
Intangible fixed assets:				
Software	—	7,942	**7,973**	**79**
Other intangible fixed assets	—	451	**449**	**4**
	—	8,393	**8,423**	**84**
Reinsurance receivables	108	52	**120**	**1**
Other assets:				
Accounts receivable	46,287	11,625	**19,165**	**191**
Prepaid expenses	703	587	**1,414**	**14**
Accrued income	20,464	25,024	**26,603**	**265**
Deposits	2,408	2,416	**2,247**	**22**
Derivatives	310	197	**1,434**	**14**
Deferred valuation losses on hedge	1,537	—	**—**	**—**
Suspense payment	3,753	5,471	**4,560**	**45**
Other assets	13,805	3,893	**3,974**	**39**
	89,270	49,215	**59,400**	**592**
Deferred tax assets	—	—	**36,106**	**360**
Allowance for possible loan losses	(2,704)	(9,399)	**(10,052)**	**(100)**
Total assets	¥5,684,365	¥5,893,024	**¥5,725,231**	**$57,143**

	As of March 31,			
	2006	2007	**2008**	**2008**
	Millions of yen			Millions of U.S. dollars
Liabilities:				
Policy reserves:				
Reserve for outstanding claims	¥ 27,472	¥ 28,371	**¥ 26,415**	**$ 263**
Policy reserve	4,951,438	5,108,013	**5,181,780**	**51,719**
Reserve for dividends to policyholders	54,516	52,872	**54,382**	**542**
	5,033,427	5,189,257	**5,262,578**	**52,525**
Reinsurance payables	85	74	**102**	**1**
Subordinated bonds	42,843	47,092	**47,362**	**472**
Other liabilities:				
Subordinated debt loans	5,000	5,000	**—**	**—**
Corporate income tax payable	7,426	10,155	**9,316**	**92**
Accounts payable	38,658	28,849	**3,274**	**32**
Accrued expenses	11,821	11,368	**10,931**	**109**
Unearned income	758	797	**479**	**4**
Deposits received	5,217	5,056	**5,043**	**50**
Guarantee deposits received	11,599	12,672	**12,708**	**126**
Differential account for futures trading	—	10	**—**	**—**
Derivatives	1,856	1,210	**1,422**	**14**
Deferred valuation gains on hedge	250	—	**—**	**—**
Suspense receipt	1,114	1,297	**1,557**	**15**
	83,705	76,419	**44,733**	**446**
Reserve for employees' retirement benefits	51,461	50,248	**49,504**	**494**
Reserve for directors' and corporate auditors' retirement benefits	—	547	**—**	**—**
Reserve for price fluctuation of securities	42,597	50,066	**53,911**	**538**
Deferred tax liabilities	60,860	63,851	**—**	**—**
Deferred tax liabilities for revaluation reserve for land	2,977	20,199	**20,076**	**200**
Total liabilities	5,317,957	5,497,755	**5,478,270**	**54,678**

	As of March 31,			
	2006	2007	**2008**	**2008**
		Millions of yen		Millions of U.S. dollars
Capital:				
Foundation funds	30,000	—	—	—
Accumulated foundation funds redeemed	1,000	—	—	—
Reserve for revaluation	112	—	—	—
Surplus:				
Legal reserve for future losses	1,387	—	—	—
Voluntary surplus reserves:				
Reserve for redemption of foundation funds	24,000	—	—	—
Reserve for dividend allowances	3,895	—	—	—
Reserve for advanced depreciation of real estate for tax purpose	412	—	—	—
Reserve for directors' retirement allowances	2,770	—	—	—
Other reserves	767	—	—	—
	31,845	—	—	—
Unappropriated surplus	47,270	—	—	—
Net surplus for the year	37,874	—	—	—
	80,503	—	—	—
Revaluation reserve for land, net of tax	5,244	—	—	—
Net unrealized gains on securities, net of tax	249,548	—	—	—
Total capital	366,408	—	—	—
Total liabilities and capital	¥5,684,365	—	—	—
Net assets:				
Foundation funds	—	40,000	**40,000**	**399**
Accumulated foundation funds redeemed	—	31,000	**31,000**	**309**
Reserve for revaluation	—	112	**112**	**1**
Surplus:				
Legal reserve for future losses	—	1,587	**1,787**	**17**
Other surplus:				
Reserve for redemption of foundation funds	—	—	**10,000**	**99**
Reserve for dividend allowances	—	3,895	**3,895**	**38**
Reserve for advanced depreciation of real estate for tax purpose	—	343	**319**	**3**
Reserve for directors' retirement allowances	—	2,770	**—**	**—**
Other reserves	—	767	**767**	**7**
Unappropriated surplus	—	53,771	**55,671**	**555**
	—	61,548	**70,653**	**705**
	—	63,135	**72,441**	**723**
Total foundation funds and surplus	—	134,247	**143,553**	**1,432**
Net unrealized gains on securities, net of tax	—	273,377	**115,334**	**1,151**
Deferred valuation gains (losses) under hedge accounting	—	(152)	**408**	**4**
Revaluation reserve for land, net of tax	—	(12,204)	**(12,335)**	**(123)**
Total valuation and translation adjustments	—	261,020	**103,407**	**1,032**
Total net assets	—	395,268	**246,961**	**2,464**
Total liabilities and net assets	—	¥5,893,024	**¥5,725,231**	**$57,143**

See notes to the non-consolidated financial statements.

Non-consolidated Statements of Operations

Fukoku Mutual Life Insurance Company
For the years ended March 31, 2006, 2007 and 2008

	Year ended March 31,			
	2006	2007	**2008**	**2008**
	Millions of yen			Millions of U.S. dollars
Ordinary revenues:				
Premium and other income:				
Premium income	¥ 845,604	¥721,858	**¥736,241**	**$7,348**
Reinsurance income	403	130	**226**	**2**
	846,008	721,989	**736,468**	**7,350**
Investment income:				
Interest, dividends and other income:				
Interest from deposits	1,358	1,135	**584**	**5**
Interest and dividends from securities	45,749	69,704	**83,910**	**837**
Interest from loans	25,101	24,981	**25,075**	**250**
Income from real estate for rent	10,887	10,371	**12,771**	**127**
Other interest and dividends	86	302	**641**	**6**
	83,184	106,495	**122,983**	**1,227**
Gains from money held in trust, net	11,050	3,846	**—**	**—**
Gains from trading securities, net	16,214	13,025	**1,827**	**18**
Gains on sales of securities	28,448	17,823	**21,031**	**209**
Gains on redemption of securities	—	26	**—**	**—**
Other investment income	701	365	**373**	**3**
Gains from separate accounts, net	25,514	5,813	**—**	**—**
	165,112	147,397	**146,216**	**1,459**
Other ordinary revenues:				
Fund receipt from annuity rider	404	432	**851**	**8**
Fund receipt from deposit of claims paid	16,371	16,552	**18,702**	**186**
Reversal of reserve for outstanding claims	—	—	**1,955**	**19**
Reversal of reserve for employees' retirement benefits	166	1,213	**743**	**7**
Others	705	1,153	**1,521**	**15**
	17,647	19,351	**23,774**	**237**
Total ordinary revenues	1,028,769	888,739	**906,459**	**9,047**
Ordinary expenditures:				
Claims and other payments:				
Claims	197,973	185,048	**235,444**	**2,349**
Annuities	64,442	71,522	**76,212**	**760**
Benefits	123,924	133,961	**144,598**	**1,443**
Surrenders	87,322	106,851	**120,386**	**1,201**
Other payments	23,841	22,019	**24,934**	**248**
Reinsurance premiums	315	292	**349**	**3**
	497,819	519,696	**601,926**	**6,007**
Provision for policy reserve and others:				
Provision for reserve for outstanding claims	2,178	898	**—**	**—**
Provision for policy reserve	320,894	156,575	**73,766**	**736**
Interest on accumulated dividends to policyholders	55	51	**200**	**2**
	¥ 323,128	¥157,525	**¥ 73,967**	**$ 738**

	Year ended March 31,			
	2006	2007	**2008**	**2008**
	Millions of yen			Millions of U.S. dollars
Investment expenses:				
Interest expenses	¥ 1,655	¥ 2,342	**¥ 2,466**	**$ 24**
Losses from money held in trust, net	—	—	**6,251**	**62**
Losses on sales of securities	5,941	11,168	**15,511**	**154**
Losses on valuation of securities	266	1,296	**2,731**	**27**
Losses on redemption of securities	19	—	**—**	**—**
Losses from derivative instruments, net	17,834	4,353	**961**	**9**
Foreign exchange losses, net	1,294	993	**443**	**4**
Provision for allowance for possible loan losses	—	6,855	**745**	**7**
Depreciation of real estate for rent and other assets	4,453	4,383	**4,753**	**47**
Other investment expenses	4,149	4,939	**5,965**	**59**
Losses from separate accounts, net	—	—	**19,765**	**197**
	35,615	36,333	**59,595**	**594**
Operating expenses	91,376	89,574	**87,913**	**877**
Other ordinary expenditures:				
Claim deposit payments	11,236	13,681	**13,377**	**133**
Taxes	5,931	5,265	**5,100**	**50**
Depreciation	5,612	6,094	**6,149**	**61**
Others	590	353	**350**	**3**
	23,370	25,395	**24,978**	**249**
Total ordinary expenditures	971,311	828,525	**848,381**	**8,467**
Ordinary profits	57,457	60,213	**58,077**	**579**
Extraordinary gains:				
Gains on disposal of real estate and movables	1,165	—	**—**	**—**
Gains on disposal of fixed assets	—	46	**42**	**0**
Reversal of allowance for possible loan losses	750	—	**—**	**—**
Total extraordinary gains	1,916	46	**42**	**0**
Extraordinary losses:				
Losses on disposal of real estate and movables	2,570	—	**—**	**—**
Losses on disposal of fixed assets	—	1,015	**240**	**2**
Impairment losses	3,920	466	**398**	**3**
Provision for reserve for directors' and corporate auditors' retirement benefits	—	547	**—**	**—**
Provision for reserve for price fluctuation of securities	11,784	7,468	**3,845**	**38**
Total extraordinary losses	18,275	9,496	**4,484**	**44**
Surplus before income taxes	41,098	50,762	**53,635**	**535**
Income taxes:				
Current	13,856	17,792	**18,905**	**188**
Deferred	(10,632)	(10,532)	**(10,655)**	**(106)**
Net surplus for the year	37,874	43,502	**45,385**	**452**
Surplus carried from the previous year	10,124	—	**—**	**—**
Reversal of revaluation reserve for land	(764)	—	**—**	**—**
Reversal of reserve for directors' retirement	35	—	**—**	**—**
Unappropriated surplus	¥ 47,270	¥ —	**¥ —**	**$ —**

See notes to the non-consolidated financial statements.

Non-consolidated Statements of Surplus

Fukoku Mutual Life Insurance Company
For the years ended March 31, 2006, 2007 and 2008

	Year ended March 31,			
	2006	2007	**2008**	**2008**
		Millions of yen		Millions of U.S. dollars
Unappropriated surplus	¥ 47,270	¥53,771	**¥55,671**	**$555**
Reversal of voluntary surplus reserve:				
Reversal of reserve for advanced depreciation				
of real estate for tax purpose	69	23	**8**	**0**
Reversal of reserve for directors' retirement	—	2,770	**—**	**—**
	69	2,793	**8**	**0**
Total	47,339	56,565	**55,679**	**555**
Appropriation of surplus:				
Reserve for dividends to policyholders	30,454	35,525	**31,868**	**318**
Net surplus:				
Legal reserves for future losses	200	200	**200**	**1**
Interest payment for foundation funds	531	716	**716**	**7**
Bonus to directors	30	—	**—**	**—**
Voluntary reserve:				
Reserve for redemption of foundation funds	6,000	10,000	**10,000**	**99**
	6,761	10,916	**10,916**	**108**
Total appropriation of surplus	37,215	46,441	**42,784**	**427**
Unappropriated surplus carried forward	¥ 10,124	¥10,124	**¥12,894**	**$128**

See notes to the non-consolidated financial statements.

NON-CONSOLIDATED STATEMENT OF CHANGES IN NET ASSETS

Fukoku Mutual Life Insurance Company
For the years ended March 31, 2007 and 2008

	Millions of yen											
	Foundation funds and surplus											
				Surplus								
					Other surplus							
Year ended March 31, 2007	Foundation funds	Accumulated foundation funds redeemed	Reserve for revaluation	Legal reserve for future losses	Reserve for redemption of foundation funds	Reserve for dividend allowances	Reserve for advanced depreciation of real estate for tax purpose	Reserve for directors' retirement allowances	Other reserves	Unappropriated surplus	Total surplus	Total foundation funds and surplus
Balance at the end of previous fiscal year	¥ 30,000	¥ 1,000	¥112	¥1,387	¥ 24,000	¥3,895	¥ 412	¥ 2,770	¥767	¥ 47,270	¥ 80,503	¥111,615
Changes in the current fiscal year:												
Financing of additional foundation funds	40,000										—	40,000
Additions to reserve for dividends to policyholders										(30,454)	(30,454)	(30,454)
Additions to legal reserve for future losses				200						(200)	—	—
Additions to accumulated foundation funds redeemed		30,000									—	30,000
Payment of interest on foundation funds										(531)	(531)	(531)
Payment of bonus to directors										(30)	(30)	(30)
Net surplus for the year										43,502	43,502	43,502
Redemption of foundation funds	(30,000)										—	(30,000)
Additions to reserve for redemption of foundation funds					6,000					(6,000)	—	—
Reversal of reserve for redemption of foundation funds					(30,000)						(30,000)	(30,000)
Reversal of reserve for advanced depreciation of real estate for tax purpose							(69)			69	—	—
Reversal of revaluation reserve for land										144	144	144
Net change, excluding foundation funds and surplus												
Total changes in the current fiscal year	10,000	30,000	—	200	(24,000)	—	(69)	—	—	6,501	(17,367)	22,632
Balance at the end of current fiscal year	¥ 40,000	¥31,000	¥112	¥1,587	¥ —	¥3,895	¥ 343	¥ 2,770	¥767	¥ 53,771	¥ 63,135	¥134,247

	Millions of yen				
	Valuation and translation adjustments				
Year ended March 31, 2007	Net unrealized gains on securities, net of tax	Deferred valuation gains (losses) under hedge accounting	Revaluation reserve for land, net of tax	Total valuation and translation adjustments	Total net assets
Balance at the end of previous fiscal year	¥249,548	¥ —	¥ 5,244	¥254,792	¥ 366,408
Changes in the current fiscal year:					
Financing of additional foundation funds					40,000
Additions to reserve for dividends to policyholders					(30,454)
Additions to legal reserve for future losses					—
Additions to accumulated foundation funds redeemed					30,000
Payment of interest on foundation funds					(531)
Payment of bonus to directors					(30)
Net surplus for the year					43,502
Redemption of foundation funds					(30,000)
Additions to reserve for redemption of foundation funds					—
Reversal of reserve for redemption of foundation funds					(30,000)
Reversal of reserve for advanced depreciation of real estate for tax purpose					—
Reversal of revaluation reserve for land					144
Net change, excluding foundation funds and surplus	23,829	(152)	(17,449)	6,227	6,227
Total changes in the current fiscal year	23,829	(152)	(17,449)	6,227	28,860
Balance at the end of current fiscal year	¥273,377	¥(152)	¥(12,204)	¥261,020	¥ 395,268

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

Year ended March 31, 2008	Foundation funds	Accumulated foundation funds redeemed	Reserve for revaluation	Legal reserve for future losses	Reserve for redemption of foundation funds	Reserve for dividend allowances	Reserve for advanced depreciation of real estate for tax purpose	Reserve for directors' retirement allowances	Other reserves	Unappropriated surplus	Total surplus	Total foundation funds and surplus
	Millions of yen											
	Foundation funds and surplus											
				Surplus								
					Other surplus							
Balance at the end of previous fiscal year	¥40,000	¥31,000	¥112	¥1,587	¥ —	¥3,895	¥343	¥ 2,770	¥767	¥ 53,771	¥ 63,135	¥134,247
Changes in the current fiscal year:												
Additions to reserve for dividends to policyholders										(35,525)	(35,525)	(35,525)
Additions to legal reserve for future losses				200						(200)	—	—
Payment of interest on foundation funds										(716)	(716)	(716)
Net surplus for the year										45,385	45,385	45,385
Additions to reserve for redemption of foundation funds					10,000					(10,000)	—	—
Reversal of reserve for advanced depreciation of real estate for tax purpose							(23)			23	—	—
Reversal of reserve for directors' retirement allowances								(2,770)		2,770	—	—
Reversal of revaluation reserve for land										161	161	161
Net change, excluding foundation funds and surplus												
Total changes in the current fiscal year	—	—	—	200	10,000	—	(23)	(2,770)	—	1,899	9,305	9,305
Balance at the end of current fiscal year	¥40,000	¥31,000	¥112	¥1,787	¥10,000	¥3,895	¥319	¥ —	¥767	¥ 55,671	¥ 72,441	¥143,553

Year ended March 31, 2008	Net unrealized gains on securities, net of tax	Deferred valuation gains (losses) under hedge accounting	Revaluation reserve for land, net of tax	Total valuation and translation adjustments	Total net assets
	Millions of yen				
	Valuation and translation adjustments				
Balance at the end of previous fiscal year	¥ 273,377	¥(152)	¥(12,204)	¥ 261,020	¥ 395,268
Changes in the current fiscal year:					
Additions to reserve for dividends to policyholders					(35,525)
Additions to legal reserve for future losses					—
Payment of interest on foundation funds					(716)
Net surplus for the year					45,385
Additions to reserve for redemption of foundation funds					—
Reversal of reserve for advanced depreciation of real estate for tax purpose					—
Reversal of reserve for directors' retirement allowances					—
Reversal of revaluation reserve for land					161
Net change, excluding foundation funds and surplus	(158,043)	560	(130)	(157,612)	(157,612)
Total changes in the current fiscal year	(158,043)	560	(130)	(157,612)	(148,307)
Balance at the end of current fiscal year	¥ 115,334	¥ 408	¥(12,335)	¥ 103,407	¥ 246,961

NON-CONSOLIDATED STATEMENT OF CHANGES IN NET ASSETS (CONTINUED)

	Millions of U.S. dollars											
	Foundation funds and surplus											
				Surplus								
					Other surplus							
Year ended March 31, 2008	Founda-tion funds	Accumu-lated foundation funds redeemed	Reserve for revaluation	Legal reserve for future losses	Reserve for redemption of foundation funds	Reserve for dividend allowances	Reserve for advanced depreciation of real estate for tax purpose	Reserve for directors' retirement allowances	Other reserves	Unappropri-ated surplus	Total surplus	Total founda-tion funds and surplus
Balance at the end of previous fiscal year	$399	$309	$1	$15	$ —	$38	$3	$ 27	$7	$ 536	$ 630	$1,339
Changes in the current fiscal year:												
Additions to reserve for dividends to policyholders										(354)	(354)	(354)
Additions to legal reserve for future losses				1						(1)	—	—
Payment of interest on foundation funds										(7)	(7)	(7)
Net surplus for the year										452	452	452
Additions to reserve for redemption of foundation funds					99					(99)	—	—
Reversal of reserve for advanced depreciation of real estate for tax purpose							(0)			0	—	—
Reversal of reserve for directors' retirement allowances								(27)		27	—	—
Reversal of revaluation reserve for land										1	1	1
Net change, excluding foundation funds and surplus												
Total changes in the current fiscal year	—	—	—	1	99	—	(0)	(27)	—	18	92	92
Balance at the end of current fiscal year	$399	$309	$1	$17	$ 99	$38	$3	$ —	$7	$ 555	$ 723	$1,432

	Millions of U.S. dollars				
	Valuation and translation adjustments				
Year ended March 31, 2008	Net unrealized gains on securities, net of tax	Deferred valuation gains (losses) under hedge accounting	Revaluation reserve for land, net of tax	Total valuation and translation adjustments	Total net assets
Balance the end of previous fiscal year	$ 2,728	$ (1)	$(121)	$ 2,605	$ 3,945
Changes in the current fiscal year:					
Additions to reserve for dividends to policyholders					(354)
Additions to legal reserve for future losses					—
Payment of interest on foundation funds					(7)
Net surplus for the year					452
Additions to reserve for redemption of foundation funds					—
Reversal of reserve for advanced depreciation of real estate for tax purpose					—
Reversal of reserve for directors' retirement allowances					—
Reversal of revaluation reserve for land					1
Net change, excluding foundation funds and surplus	(1,577)	5	(1)	(1,573)	(1,573)
Total changes in the current fiscal year	(1,577)	5	(1)	(1,573)	(1,480)
Balance at the end of current fiscal year	$ 1,151	$ 4	$(123)	$ 1,032	$ 2,464

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 ¥100.19 = US$1.00, the effective rate of exchange at the balance sheet date of March 31, 2008. The translations should not be construed as representations that such yen amounts have been or could in the future be, converted into U.S. dollars at that or any other rates.

II. Notes to Balance Sheets

1. Significant Accounting Policies

(1) Valuation methods of securities

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

i) Trading securities are stated at fair market value. Costs of their sales are determined by the moving average method.

ii) Held-to-maturity debt securities are stated at amortized cost under the straight-line method, cost being determined by the moving average method.

iii) Policy-reserve-matching bonds are stated at amortized cost under the straight-line method, cost being determined by the moving average method in accordance with "Temporary Treatment of Accounting and Auditing Concerning Policy-reserve-matching Bonds in Insurance Industry" (Industry Audit Committee Report No.21 issued by the Japanese Institute of Certified Public Accountants on November 16, 2000).

iv) Investments in subsidiaries and affiliates are stated at cost, cost being determined by the moving average method.

v) Available-for-sale securities with fair market value are stated at fair market value based on the market prices at the end of fiscal year. Costs of their sales are determined by the moving average method. Net unrealized gains or losses on these available-for-sale securities, net of taxes, are recorded as a separate component of net assets.

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

(2) Valuation methods of derivative instruments

Derivative instruments are stated at fair market value.

(3) Revaluation of land

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

- Date of revaluation: March 31, 2002
- Method of revaluation as prescribed for in Article 3 Paragraph 3 of the said Law:
  Calculation is based on the appraisal value for property tax set forth in Article 2 item 3 of the Enforcement Ordinance of the Law for Revaluation of Land (Government Ordinance No.119 promulgated on March 31, 1998) and the road rate set forth in Article 2 item 4 of the said Ordinance with certain reasonable adjustments.

(4) Depreciation of tangible fixed assets

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

Buildings

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

i) Acquired on or before March 31, 2007: Previous declining-balance method
ii) Acquired on or after April 1, 2007: Declining-balance method
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, 2006, 2007 and 2008 were ¥833 million, ¥784 million and ¥875 million (US$8 million), respectively.

(7) Reserve for employees' retirement benefits

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

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

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

(9) Reserve for price fluctuation of securities

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

(10) Lease transactions

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

(11) Accounting for hedge activities

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

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

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

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

(12) Accounting for consumption taxes

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

(13) Policy reserve

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

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

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

(14) Software

The software for internal use, which was included in other assets as of March 31, 2006 and in software as of March 31, 2007 and 2008, 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.

(16) Policy-reserve-matching bonds

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

The amount of policy-reserve-matching bonds recorded on the balance sheets as of March 31, 2007 and 2008 were ¥540,923 million and ¥598,156 million (US$5,970 million), respectively. The market value of these bonds as of March 31, 2007 and 2008 were ¥542,462 million and ¥612,619 million (US$6,114 million), respectively.

2. Changes in Accounting Policy

(1) Effective for the year ended March 31, 2008, in accordance with the revision of Corporate Tax Law, depreciation of tangible fixed assets acquired on or after April 1, 2007 is calculated by the straight-line method and the declining-balance method stipulated in the revised law. As a result, ordinary profits decreased by ¥45 million (US$453 thousand), compared to the previous methods.

The tangible fixed assets acquired on or before March 31, 2007 that are depreciated to their final depreciable limit are depreciated equally over five years for their remaining book value. As a result, ordinary profits decreased by ¥71 million (US$712 thousand).

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

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

(4) In accordance with the revised form of the Enforcement Regulation of the Insurance Business Law, the balance sheet presentation has been changed as follows.

(a) Effective for the year ended March 31, 2007, "Real estate and movables" which was presented as a separate line item until previous fiscal year is presented as "tangible fixed assets".

(b) Effective for the year ended March 31, 2007, "Intangible fixed assets" which was included in "Other assets" until previous fiscal year is presented as a separate line item. The amount of "Intangible fixed assets" included in "Other assets" as of March 31, 2006 was ¥9,649 million.

3. Loans Receivable

The total amounts of credits to bankrupt borrowers, delinquent loans, delinquent loans past 3 months or more and restructured loans, which were included in loans, were ¥2,317 million, ¥11,332 million and ¥11,032 million (US$110 million) as of March 31, 2006, 2007 and 2008, respectively.

i) The balances of credits to bankrupt borrowers were ¥429 million, ¥443 million and ¥492 million (US$4 million) as of March 31, 2006, 2007 and 2008, respectively.
ii) The balances of delinquent loans were ¥1,882 million, ¥10,889 million and ¥10,539 million (US$105 million) as of March 31, 2006, 2007 and 2008, respectively.
iii) There were no balances of delinquent loans past 3 months or more as of March 31, 2006, 2007 and 2008.
iv) The balance of restructured loans was ¥5 million as of March 31, and 2006, and there were no balances as of March 31, 2007 and 2008.

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

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

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

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

The direct write-offs related to loans decreased credits to bankrupt borrowers described above by ¥51 million, ¥2 million and ¥87 million (US$872 thousand) as of March 31, 2006, 2007 and 2008, respectively.

The direct write-offs related to loans decreased delinquent loans described above by ¥782 million, ¥782 million and ¥787 million (US$7 million) as of March 31, 2006, 2007 and 2008, respectively.

4. Accumulated Depreciation of Tangible Fixed Assets

Accumulated depreciation of tangible fixed assets totaled to ¥116,318 million and ¥122,527 million (US$1,222 million) as of March 31, 2007 and 2008, respectively.

Accumulated depreciation of real estate and movables totaled to ¥113,289 million as of March 31, 2006.

5. Separate Accounts

Total assets in separate accounts provided for in Article 118 of the Insurance Business Law were ¥123,046 million, ¥131,182 million and ¥117,591 million (US$1,173 million) as of March 31, 2006, 2007 and 2008, respectively. The amounts of liabilities were the same as these figures.

6. Receivables from/Payables to Subsidiaries

The total amounts of receivables from/payables to subsidiaries were ¥21 million and ¥1,602 million as of March 31, 2006, ¥2,886 million and ¥1,933 million as of March 31, 2007, and ¥3,642 million (US$36 million) and ¥1,479 million (US$14 million) as of March 31, 2008, respectively.

7. Monetary Claims to Directors

Monetary claims to directors as of March 31, 2006, 2007 and 2008 were ¥16 million, ¥11 million and ¥16 million (US$163 thousand), respectively.

8. Income Taxes

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

Deferred tax assets and deferred tax liabilities as of March 31, 2007 were ¥93,069 million and ¥156,920 million, respectively. Valuation allowance for deferred tax assets was ¥2,653 million.

Deferred tax assets and deferred tax liabilities as of March 31, 2008 were ¥106,636 million (US$1,064 million) and ¥67,693 million (US$675 million), respectively. Valuation allowance for deferred tax assets was ¥2,836 million (US$28 million).

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

	As of March 31,			
	2006	2007	**2008**	**2008**
	Millions of yen			Millions of U.S. dollars
Deferred tax assets:				
Policy reserves	¥ 43,026	¥ 51,572	**¥60,587**	**$604**
Reserve for price fluctuation of securities	15,424	18,128	**17,925**	**178**
Reserve for employees' retirement benefits	18,634	18,194	**19,521**	**194**
Deferred tax liabilities:				
Net unrealized gains on securities	141,654	155,181	**65,469**	**653**

The statutory tax rate and the actual effective tax rates for the year ended March 31, 2006 were 36.2% and 7.8%, respectively. The major differences between the statutory tax rate and the actual effective tax rate was reserve for dividends to policyholders of (26.8%).

The statutory tax rate and the actual effective tax rates for the year ended March 31, 2007 were 36.2% and 14.3%, respectively. The major differences between the statutory tax rate and the actual effective tax rate was reserve for dividends to policyholders of (25.3%).

The statutory tax rate and the actual effective tax rates for the year ended March 31, 2008 were 36.2% and 15.4%, respectively. The major differences between the statutory tax rate and the actual effective tax rate was reserve for dividends to policyholders of (21.5%).

9. Reserve for Dividends to Policyholders

Changes in reserve for dividends to policyholders were as follows:

	Year ended March 31,			
	2006	2007	**2008**	**2008**
	Millions of yen			Millions of U.S. dollars
Balance at the end of previous fiscal year	¥ 57,550	¥ 54,516	**¥ 52,872**	**$ 527**
Transfer from surplus in previous fiscal year	18,966	30,454	**35,525**	**354**
Dividends paid in fiscal year	(22,057)	(32,149)	**(34,216)**	**(341)**
Increase in interest	55	51	**200**	**2**
Balance at the end of fiscal year	¥ 54,516	¥ 52,872	**¥ 54,382**	**$ 542**

10. Stocks of Subsidiaries

The amounts of stocks of subsidiaries the Company held as of March 31, 2006, 2007 and 2008 were ¥2,826 million, ¥2,828 million and ¥17,525 million (US$174 million), respectively.

11. Pledged Assets and Secured Debts

Assets pledged as collateral as of March 31, 2006 was ¥19,440 million. Secured debts as of March 31, and 2006 was ¥4,868 million.

Assets pledged as collateral as of March 31, 2007 were ¥18,050 million of securities and ¥856 million of money held in trust. Secured debts as of March 31, 2007 was ¥4,710 million.

Assets pledged as collateral as of March 31, 2008 were ¥15,145 million (US$151 million) of securities and ¥19 million (US$196 thousand) of money held in trust. Secured debts as of March 31, 2008 was ¥4,660 million (US$46 million).

12. Policy Reserves for the Reinsurance Contracts

Reserve for outstanding claims for the reinsurance contracts provided in accordance with Article 71 Item 1 of the Enforcement Regulation of the Insurance Business Law (hereinafter called "reserve for outstanding claims for ceded reinsurance") were ¥900 thousand, ¥43 million and ¥31 million (US$311 thousand) as of March 31, 2006, 2007 and 2008, respectively.

Policy reserve for the reinsurance contracts provided in accordance with Article 71 Item 1 of the Enforcement Regulation of the Insurance Business Law (hereinafter called "policy reserve for ceded reinsurance") were ¥31 million, ¥32 million and ¥29 million (US$297 thousand) as of March 31, 2006, 2007 and 2008, respectively.

13. Net Assets

Net assets defined in Article 30 Paragraph 2 (former Article 24-2 Paragraph 2 Item 2) of the Enforcement Regulation of the Insurance Business Law were ¥259,925 million, ¥273,337 million and ¥115,855 million (US$1,156 million) as of March 31, 2006, 2007 and 2008, respectively.

14. Additional Foundation Funds

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

15. Redemption of Foundation Funds

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

16. Commitment Line

As of March 31, 2006, 2007 and 2008, there were unused commitment line agreements under which the Company is the lender of ¥3,624 million, ¥1,581 million and ¥1,681 million (US$16 million), respectively.

17. Subordinated Bonds

Repayments of subordinated bonds are subordinated to other obligations.

18. Subordinated Debt Loans

Repayments of subordinated debt loans are subordinated to other obligations.

19. Assets Denominated in Foreign Currencies

Assets denominated in foreign currencies as of March 31, 2006, 2007 and 2008 totaled to ¥569,822 million, ¥672,918 million and ¥716,763 million (US$7,154 million), respectively. The principal foreign currency asset amounts were 1,487 million euros and US$2,567 million as of March 31, 2006, 2,022 million euros and US$2,579 million as of March 31, 2007, and 2,401 million euros and US$2,584 million as of March 31, 2008, respectively.

Liabilities denominated in foreign currencies as of March 31, 2006, 2007 and 2008 totaled to ¥43,820 million, ¥48,275 million and ¥48,542 million (US$484 million), respectively. The foreign currency liability amounts as of March 31, 2006, 2007 and 2008 were 306 million euros.

20. Contribution to Policyholders Protection Fund

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

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 ¥10,615 million, ¥11,174 million and ¥11,302 million (US$112 million) as of March 31, 2006, 2007 and 2008, respectively. The contribution is charged as operating expenses in the year in which they are paid.

22. Reserve for Employees' Retirement Benefits

(1) The reserve for retirement benefits as of March 31, 2006, 2007 and 2008 were calculated as follows:

	As of March 31,			
	2006	2007	**2008**	**2008**
	Millions of yen			Millions of U.S. dollars
a. Projected benefit obligation	¥ (73,568)	¥ (73,651)	**¥ (71,776)**	**$ (716)**
b. Fair value of pension plan assets	19,810	21,438	**18,307**	**182**
c. Unfunded benefit obligation (a+b)	(53,758)	(52,212)	**(53,469)**	**(533)**
d. Unrecognized actuarial differences	2,020	1,722	**3,758**	**37**
e. Unrecognized prior service cost	276	241	**206**	**2**
f. Reserve for employees' retirement benefits (c+d+e)	¥ (51,461)	¥ (50,248)	**¥ (49,504)**	**$ (494)**

(2) Gross amount of retirement benefit expenses for the years ended March 31, 2006, 2007 and 2008 were as follows:

	Year ended March 31,			
	2006	2007	**2008**	**2008**
		Millions of yen		Millions of U.S. dollars
Service cost	¥ 3,563	¥ 3,472	**¥ 3,400**	**$ 33**
Interest cost	1,464	1,470	**1,472**	**14**
Expected return on plan assets	(551)	(792)	**(964)**	**(9)**
Recognized actuarial differences	780	502	**523**	**5**
Amortization of prior service cost	34	34	**34**	**0**
	¥ 5,290	¥ 4,687	**¥ 4,465**	**$ 44**

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

- Method of attributing the projected benefits to periods of service .... Straight-line basis
- Discount rate 2.0%
- Expected rate of return on pension plan assets (See Note) 4.5%
- Recognition period of actuarial differences .... 10 years
- Amortization period of prior service cost .... 10 years

Note: Expected rate of return on pension plan assets for the years ended March 31, 2006 and 2007 were 3.5% and 4.0%, respectively.

III. Notes to Statements of Operations

1. Changes in Accounting Policy

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

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

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

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

2. Transactions with Subsidiaries

The total amounts of revenues and expenditures in connection with subsidiaries were ¥405 million and ¥6,746 million for the year ended March 31, 2006, ¥516 million and ¥7,811 million for the year ended March 31, 2007, and ¥694 million (US$6 million) and ¥8,023 million (US$80 million) for the year ended March 31, 2008, respectively.

3. Gains on Sales of Securities

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

	2006	2007	2008	2008
	Year ended March 31,			
	Millions of yen			Millions of U.S. dollars
Domestic bonds	¥ 1,341	¥ 93	**¥ 2,722**	**$ 27**
Domestic stocks and other	25,607	15,033	**11,566**	**115**
Foreign securities	1,499	2,697	**6,743**	**67**

4. Losses on Sales of Securities

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

	2006	2007	2008	2008
	Year ended March 31,			
	Millions of yen			Millions of U.S. dollars
Domestic bonds	¥ 702	¥ 9,232	**¥ 4,720**	**$ 47**
Domestic stocks and other	4,994	1,739	**7,182**	**71**
Foreign securities	244	197	**3,608**	**36**

5. Losses on Valuation of Securities

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

	2006	2007	2008	2008
	Year ended March 31,			
	Millions of yen			Millions of U.S. dollars
Domestic stocks and other	¥266	¥1,296	**¥1,949**	**$19**
Foreign securities	—	—	**782**	**7**

6. Policy Reserve for the Reinsurance Contracts

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

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

For the year ended March 31, 2008, reversal of reserve for outstanding claims for ceded reinsurance considered in calculation of reversal of reserve for outstanding claims was ¥12 million (US$121 thousand) and reversal of policy reserve for ceded reinsurance considered in calculation of provision for policy reserve was ¥2 million (US$24 thousand).

7. Gains from Trading Securities

Major items of gains from trading securities were as follows:

	Year ended March 31, 2006	2007	**2008**	**2008**
	Millions of yen			Millions of U.S. dollars
Interest, dividends and other income	¥ 8,310	¥ 5,706	**¥ 3,798**	**$ 37**
Gains (Losses) on sales of trading securities	3,299	5,702	**1,920**	**19**
Gains (Losses) on valuation of trading securities	4,036	1,357	**4,006**	**39**

8. Gains/Losses from Money Held in Trust

Gains from money held in trust for the years ended March 31, 2006 and 2007 included valuation gains of ¥2,447 million and valuation losses of ¥1,945 million, respectively.

Losses from money held in trust for the year ended March 31, 2008 included valuation losses of ¥5,701 million (US$56 million).

9. Gains/Losses from derivative Instruments

Losses from derivative instruments for the years ended March 31, 2006, 2007 and 2008 included valuation gains of ¥1,539 million, valuation loss of ¥513 million and valuation gains of ¥95 million (US$951 thousand), respectively.

10. Impairment of Fixed Assets

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

(1) Method of grouping

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

(2) Background of recognizing the impairment losses

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

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

• Year ended March 31, 2006

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

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

(4) Calculation method of recoverable amount

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

Report of Independent Auditors

The Board of Directors of Fukoku Mutual Life Insurance Company

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

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

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

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

Tokyo, Japan
May 22, 2007

The Fuji Accounting Office

The Board of Directors of Fukoku Mutual Life Insurance Company

We have audited the accompanying non-consolidated balance sheet of Fukoku Mutual Life Insurance Company as of March 31, 2008, and the related non-consolidated statements of operations, surplus and changes in net assets for the year 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, 2008, and the non-consolidated results of its operations for the year 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.

Tokyo, Japan
May 22, 2008

Kisaragi Audit Corporation

Kisaragi Audit Corporation

Consolidated Financial Statements

Consolidated Balance Sheets

Fukoku Mutual Life Insurance Company and consolidated subsidiaries
As of March 31, 2006, 2007 and 2008

	As of March 31,			
	2006	2007	**2008**	**2008**
	Millions of yen			Millions of U.S. dollars
Assets:				
Cash and deposits	¥ 73,841	¥ 65,223	**¥ 52,963**	**$ 528**
Call loans	65,000	96,400	**125,500**	**1,252**
Monetary claims bought	3,211	2,865	**2,533**	**25**
Money held in trust	95,849	102,186	**57,527**	**574**
Securities	3,913,767	4,107,183	**4,019,758**	**40,121**
Loans	1,250,813	1,266,226	**1,233,951**	**12,316**
Real estate and movables	196,510	—	**—**	**—**
Tangible fixed assets	—	206,565	**206,150**	**2,057**
Intangible fixed assets	—	8,343	**16,189**	**161**
Agency receivables	—	—	**1**	**0**
Reinsurance receivables	108	52	**123**	**1**
Other assets	89,668	49,575	**61,148**	**610**
Deferred tax assets	191	190	**36,769**	**366**
Allowance for possible loan losses	(2,989)	(9,648)	**(10,189)**	**(101)**
Total assets	¥5,685,972	¥5,895,164	**¥5,802,427**	**$ 57,914**
Liabilities:				
Policy reserves:				
Reserve for outstanding claims	¥ 27,472	¥ 28,371	**¥ 27,073**	**$ 270**
Policy reserve	4,951,438	5,108,013	**5,252,471**	**52,425**
Reserve for dividends to policyholders	54,516	52,872	**55,063**	**549**
	5,033,427	5,189,257	**5,334,607**	**53,244**
Agency payables	—	2	**51**	**0**
Reinsurance payables	85	74	**138**	**1**
Subordinated bonds	42,843	47,092	**47,362**	**472**
Other liabilities	83,937	76,521	**45,293**	**452**
Reserve for employees' retirement benefits	51,477	50,260	**49,519**	**494**
Reserve for directors' and corporate auditors' retirement benefits	—	573	**27**	**0**
Reserve for price fluctuation of securities	42,597	50,066	**54,022**	**539**
Deferred tax liabilities	60,860	63,856	**0**	**0**
Deferred tax liabilities for revaluation reserve for land	2,977	20,199	**20,076**	**200**
Total liabilities	5,318,205	5,497,903	**5,551,101**	**55,405**
Minority interest	468	—	**—**	**—**

See notes to the consolidated financial statements.

	As of March 31,			
	2006	2007	**2008**	**2008**
		Millions of yen		Millions of U.S. dollars
Capital:				
Foundation funds	30,000	—	**—**	**—**
Accumulated foundation funds redeemed	1,000	—	**—**	**—**
Reserve for revaluation	112	—	**—**	**—**
Surplus	81,488	—	**—**	**—**
Revaluation reserve for land, net of tax	5,244	—	**—**	**—**
Net unrealized gains on securities, net of tax	249,554	—	**—**	**—**
Foreign currency translation adjustment	(101)	—	**—**	**—**
Total capital	367,298	—	**—**	**—**
Total liabilities, minority interest and capital	¥5,685,972	—	**—**	**—**
Net assets:				
Foundation funds	—	40,000	**40,000**	**399**
Accumulated foundation funds redeemed	—	31,000	**31,000**	**309**
Reserve for revaluation	—	112	**112**	**1**
Surplus	—	64,559	**74,369**	**742**
Total foundation funds and surplus	—	135,671	**145,481**	**1,452**
Net unrealized gains on securities, net of tax	—	273,382	**115,335**	**1,151**
Deferred valuation gains (losses) under hedge accounting	—	(152)	**408**	**4**
Revaluation reserve for land, net of tax	—	(12,204)	**(12,335)**	**(123)**
Foreign currency translation adjustment	—	53	**(3)**	**(0)**
Total valuation and translation adjustments	—	261,079	**103,405**	**1,032**
Minority interests	—	511	**2,438**	**24**
Total net assets	—	397,261	**251,325**	**2,508**
Total liabilities and net assets	—	¥5,895,164	**¥5,802,427**	**$57,914**

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, 2006, 2007 and 2008

	Year ended March 31,			
	2006	2007	**2008**	**2008**
	Millions of yen			Millions of U.S. dollars
Ordinary revenues:				
Premium and other income	¥846,007	¥721,935	**¥736,468**	**$7,350**
Investment income:				
Interest, dividends and other income	83,229	106,296	**122,744**	**1,225**
Gains from money held in trust, net	11,070	3,867	**—**	**—**
Gains from trading securities, net	16,214	13,025	**1,827**	**18**
Gains on sales of securities	28,448	17,823	**21,031**	**209**
Gains on redemption of securities	—	26	**—**	**—**
Other investment income	730	365	**373**	**3**
Gains from separate accounts, net	25,514	5,813	**—**	**—**
	165,207	147,219	**145,977**	**1,457**
Other ordinary revenues	18,654	20,687	**25,375**	**253**
Total ordinary revenues	1,029,869	889,842	**907,821**	**9,060**
Ordinary expenditures:				
Claims and other payments:				
Claims	197,973	185,009	**235,444**	**2,349**
Annuities	64,442	71,522	**76,212**	**760**
Benefits	123,924	133,961	**144,598**	**1,443**
Surrenders	87,322	106,851	**120,386**	**1,201**
Other payments	24,156	22,312	**25,284**	**252**
	497,819	519,657	**601,926**	**6,007**
Provision for policy reserve and others:				
Provision for reserve for outstanding claims	2,178	898	**—**	**—**
Provision for policy reserve	320,894	156,575	**73,766**	**736**
Interest on accumulated dividends to policyholders	55	51	**200**	**2**
	323,128	157,525	**73,967**	**738**
Investment expenses:				
Interest expenses	1,655	2,342	**2,466**	**24**
Losses from money held in trust, net	—	—	**6,244**	**62**
Losses on sales of securities	5,941	11,168	**15,511**	**154**
Losses on valuation of securities	266	1,296	**2,731**	**27**
Losses on redemption of securities	19	—	**—**	**—**
Losses from derivative instruments, net	17,834	4,353	**961**	**9**
Foreign exchange losses, net	1,294	995	**445**	**4**
Provision for allowance for possible loan losses	—	6,830	**746**	**7**
Depreciation of real estate for rent and other assets	4,453	4,383	**4,753**	**47**
Other investment expenses	3,499	4,175	**5,224**	**52**
Losses from separate accounts, net	—	—	**19,765**	**197**
	34,965	35,546	**58,850**	**587**
Operating expenses	92,061	90,405	**88,775**	**886**
Other ordinary expenditures	23,417	25,446	**25,031**	**249**
Total ordinary expenditures	971,392	828,580	**848,550**	**8,469**
Ordinary profits	58,476	61,261	**59,270**	**591**

	Year ended March 31,			
	2006	2007	**2008**	**2008**
	Millions of yen			Millions of U.S. dollars
Extraordinary gains:				
Gains on disposal of real estate and movables	¥ 1,165	¥ —	**¥ —**	**$ —**
Gains on disposal of fixed assets	—	46	**42**	**0**
Reversal of allowance for possible loan losses	492	—	**—**	**—**
Other extraordinary gains	—	—	**3**	**0**
Total extraordinary gains	1,657	46	**46**	**0**
Extraordinary losses:				
Losses on disposal of real estate and movables	2,607	—	**—**	**—**
Losses on disposal of fixed assets	—	1,026	**243**	**2**
Impairment loss	3,920	466	**398**	**3**
Provision for reserve for directors' and corporate auditors' retirement benefits	—	547	**—**	**—**
Provision for reserve for price fluctuation of securities	11,784	7,468	**3,845**	**38**
Other extraordinary losses	—	—	**6**	**0**
Total extraordinary losses	18,312	9,508	**4,493**	**44**
Surplus before income taxes	41,821	51,799	**54,823**	**547**
Income taxes:				
Current	14,310	18,359	**19,412**	**193**
Deferred	(10,741)	(10,525)	**(10,647)**	**(106)**
Minority interest	118	72	**167**	**1**
Net surplus for the year	¥38,134	¥ 43,893	**¥ 45,890**	**$ 458**

See notes to the consolidated financial statements.

CONSOLIDATED STATEMENTS OF SURPLUS

Fukoku Mutual Life Insurance Company and consolidated subsidiaries
For the year ended March 31, 2006

	Year ended March 31,			
	2006	2007	**2008**	**2008**
		Millions of yen		Millions of U.S. dollars
Surplus at the beginning of year	¥63,599	—	**—**	**—**
Additions:				
Net surplus for the year	38,134	—	**—**	**—**
	38,134	—	**—**	**—**
Deductions:				
Transfer to reserve for dividends to policyholders	18,910	—	**—**	**—**
Interest payment for foundation funds	531	—	**—**	**—**
Bonus to directors and statutory auditors	40	—	**—**	**—**
Reversal of revaluation reserve for land	764	—	**—**	**—**
	20,245	—	**—**	**—**
Surplus at the end of year	¥81,488	—	**—**	**—**

See notes to the consolidated financial statements.

Consolidated Statement of Changes in Net Assets

Fukoku Mutual Life Insurance Company and consolidated subsidiaries
For the years ended March 31, 2007 and 2008

	Millions of yen											
	Foundation funds and surplus					Valuation and translation adjustments						
Year ended March 31, 2007	Foundation funds	Accumulated foundation funds redeemed	Reserve for revaluation	Surplus	Total foundation funds and surplus	Net unrealized gains on securities, net of tax	Deferred valuation gains (losses) under hedge accounting	Revaluation reserve for land, net of tax	Foreign currency translation adjustment	Total valuation and translation adjustments	Minority interests	Total net assets
Balance at the end of previous fiscal year	¥ 30,000	¥ 1,000	¥112	¥ 81,488	¥112,600	¥249,554	¥ —	¥ 5,244	¥(101)	¥254,697	¥468	¥ 367,767
Changes in the current fiscal year:												
Financing of additional foundation funds	40,000				40,000							40,000
Additions to reserve for dividends to policyholders				(30,406)	(30,406)							(30,406)
Additions to accumulated foundation funds redeemed		30,000			30,000							30,000
Payment of interest on foundation funds				(531)	(531)							(531)
Payment of bonus to directors				(30)	(30)							(30)
Net surplus for the year				43,893	43,893							43,893
Redemption of foundation funds	(30,000)				(30,000)							(30,000)
Reversal of reserve for redemption of foundation funds				(30,000)	(30,000)							(30,000)
Reversal of revaluation reserve for land				144	144							144
Net change, excluding foundation funds and surplus						23,828	(152)	(17,449)	154	6,381	42	6,423
Total changes in the current fiscal year	10,000	30,000	—	(16,929)	23,070	23,828	(152)	(17,449)	154	6,381	42	29,494
Balance at the end of current fiscal year	¥ 40,000	¥31,000	¥112	¥ 64,559	¥135,671	¥273,382	¥(152)	¥(12,204)	¥ 53	¥261,079	¥511	¥ 397,261

Consolidated Statement of Changes in Net Assets (Continued)

	Millions of yen											
	Foundation funds and surplus					Valuation and translation adjustments						
Year ended March 31, 2008	Foundation funds	Accumulated foundation funds redeemed	Reserve for revaluation	Surplus	Total foundation funds and surplus	Net unrealized gains on securities, net of tax	Deferred valuation gains (losses) under hedge accounting	Revaluation reserve for land, net of tax	Foreign currency translation adjustment	Total valuation and translation adjustments	Minority interests	Total net assets
Balance at the end of previous fiscal year	¥ 40,000	¥31,000	¥112	¥ 64,559	¥135,671	¥ 273,382	¥(152)	¥ (12,204)	¥ 53	¥261,079	¥ 511	¥ 397,261
Changes in the current fiscal year:												
Additions to reserve for dividends to policyholders				(35,525)	(35,525)							(35,525)
Payment of interest on foundation funds				(716)	(716)							(716)
Net surplus for the year				45,890	45,890							45,890
Reversal of revaluation reserve for land				161	161							161
Net change, excluding foundation funds and surplus						(158,046)	560	(130)	(56)	(157,673)	1,927	(155,746)
Total changes in the current fiscal year	—	—	—	9,810	9,810	(158,046)	560	(130)	(56)	(157,673)	1,927	(145,935)
Balance at the end of current fiscal year	¥40,000	¥31,000	¥112	¥ 74,369	¥145,481	¥ 115,335	¥ 408	¥(12,335)	¥ (3)	¥103,405	¥2,438	¥ 251,325

	Millions of U.S. dollars											
	Foundation funds and surplus					Valuation and translation adjustments						
Year ended March 31, 2008	Foundation funds	Accumulated foundation funds redeemed	Reserve for revaluation	Surplus	Total foundation funds and surplus	Net unrealized gains on securities, net of tax	Deferred valuation gains (losses) under hedge accounting	Revaluation reserve for land, net of tax	Foreign currency translation adjustment	Total valuation and translation adjustments	Minority interests	Total net assets
Balance at the end of previous fiscal year	$399	$309	$1	$ 644	$1,354	$ 2,728	$(1)	$(121)	$ 0	$ 2,605	$ 5	$ 3,965
Changes in the current fiscal year:												
Additions to reserve for dividends to policyholders				(354)	(354)							(354)
Payment of interest on foundation funds				(7)	(7)							(7)
Net surplus for the year				458	458							458
Reversal of revaluation reserve for land				1	1							1
Net change, excluding foundation funds and surplus						(1,577)	5	(1)	(0)	(1,573)	19	(1,554)
Total changes in the current fiscal year	—	—	—	97	97	(1,577)	5	(1)	(0)	(1,573)	19	(1,456)
Balance at the end of current fiscal year	$399	$309	$1	$ 742	$1,452	$ 1,151	$ 4	$(123)	$(0)	$ 1,032	$24	$ 2,508

Consolidated Statements of Cash Flows

Fukoku Mutual Life Insurance Company and consolidated subsidiaries
For the years ended March 31, 2006, 2007 and 2008

	Year ended March 31,			
	2006	2007	**2008**	**2008**
		Millions of yen		Millions of U.S. dollars
Cash flows from operating activities:				
Surplus before income taxes	¥ 41,821	¥ 51,799	**¥ 54,823**	**$ 547**
Depreciation of real estate for rent and other assets	4,453	4,383	**4,753**	**47**
Depreciation	5,643	6,118	**6,182**	**61**
Impairment loss	3,920	466	**398**	**3**
Increase (Decrease) in reserve for outstanding claims	2,178	898	**(1,955)**	**(19)**
Increase (Decrease) in policy reserve	320,894	156,575	**73,766**	**736**
Interest on accumulated dividends to policyholders	55	51	**200**	**2**
Increase (Decrease) in allowance for possible loan losses	(492)	6,830	**746**	**7**
Increase (Decrease) in reserve for employees' retirement benefits	(162)	(1,216)	**(740)**	**(7)**
Increase (Decrease) in reserve for price fluctuation of securities	11,784	7,468	**3,845**	**38**
Interest, dividends and other income	(83,229)	(106,296)	**(122,744)**	**(1,225)**
(Gains) Losses on securities	(57,185)	(23,739)	**22,354**	**223**
Interest expenses	1,655	2,342	**2,466**	**24**
Foreign exchange (gains) losses, net	1,294	995	**445**	**4**
(Gains) Losses on real estate and movables	1,441	—	**—**	**—**
(Gains) Losses on tangible fixed assets	—	980	**200**	**2**
(Increase) Decrease in reinsurance receivables	(30)	55	**(67)**	**(0)**
(Increase) Decrease in other assets	(5,768)	(3,307)	**(767)**	**(7)**
Increase (Decrease) in agency payable	—	2	**0**	**0**
Increase (Decrease) in reinsurance payables	6	(10)	**28**	**0**
Increase (Decrease) in other liabilities	195	1,777	**(676)**	**(6)**
Others	4,461	3,479	**4,762**	**47**
Subtotal	252,940	109,653	**48,023**	**479**
Interest, dividends and other income received	97,732	108,523	**124,359**	**1,241**
Interest paid	(1,649)	(2,230)	**(2,422)**	**(24)**
Dividends to policyholders paid	(22,000)	(32,101)	**(34,216)**	**(341)**
Corporate income tax paid	(11,059)	(15,594)	**(20,374)**	**(203)**
Net cash provided by (used in) operating activities	315,963	168,251	**115,369**	**1,151**
Cash flows from investing activities:				
(Increase) Decrease in deposits	(15)	(412)	**184**	**1**
Proceeds from sales and redemption of monetary claims bought	351	201	**332**	**3**
Payments for increase in money held in trust	(10,299)	(14,582)	**(6,000)**	**(59)**
Proceeds from decrease in money held in trust	5,006	12,017	**44,448**	**443**
Payments for purchase of securities	(1,102,731)	(1,459,246)	**(1,101,919)**	**(10,998)**
Proceeds from sales and redemption of securities	762,325	1,345,372	**964,247**	**9,624**
Payments for additions to loans	(364,582)	(331,387)	**(264,882)**	**(2,643)**
Proceeds from collections of loans	398,529	317,902	**300,943**	**3,003**
Proceeds from settlement of derivative	(19,373)	(3,839)	**(1,067)**	**(10)**
Others	(728)	(3,087)	**(4,086)**	**(40)**
Subtotal	(331,517)	(137,061)	**(67,798)**	**(676)**
Payments for purchase of real estate and movables	(17,728)	—	**—**	**—**
Proceeds from sales of real estate and movables	5,204	—	**—**	**—**
Payments for purchase of tangible fixed assets	—	(17,621)	**(10,933)**	**(109)**
Proceeds from sales of tangible fixed assets	—	277	**387**	**3**
Payments for purchase of intangible fixed assets	—	—	**(1,949)**	**(19)**
Proceeds from sale of intangible fixed assets	—	—	**0**	**0**
Acquisition of subsidiary, net of cash acquired	—	—	**(11,729)**	**(117)**
Net cash provided by (used in) investing activities	(344,041)	(154,405)	**(92,023)**	**(918)**
Cash flows from financing activities:				
Repayment of subordinated dept loans	—	—	**(5,000)**	**(49)**
Proceeds from issueing bonds	40,524	—	**—**	**—**
Payments for redemption of bonds	(32,500)	—	**—**	**—**
Raising of foundation funds	—	40,000	**—**	**—**
Redemption of foundation funds	—	(30,000)	**—**	**—**
Interest payment for foundation funds	(531)	(531)	**(716)**	**(7)**
Others	(18)	(30)	**(52)**	**(0)**
Net cash provided by (used in) financing activities	7,475	9,439	**(5,768)**	**(57)**
Effect of exchange rate changes on cash and cash equivalents	(1,290)	(952)	**(546)**	**(5)**
Net increase (decrease) in cash and cash equivalents	(21,893)	22,332	**17,031**	**169**
Cash and cash equivalents at the beginning of the year	160,485	138,592	**160,924**	**1,606**
Cash and cash equivalents at the end of the year	¥ 138,592	¥ 160,924	**¥ 177,956**	**$ 1,776**

See notes to the consolidated financial statements.

Notes to the Consolidated Financial Statements

I. Presentation of the Consolidated Financial Statements

1. Basis of Presentation

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

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

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

2. U.S. Dollar Amounts

The translations of yen amounts into U.S. dollar amounts are included solely for the convenience of the reader and have been made, as a matter of arithmetical computation only, at the rate of ¥100.19 = US$1.00, the effective rate of exchange at the balance sheet date of March 31, 2008. The translation 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, 2008 are listed below:

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

Fukoku Shinrai Life Insurance Company, whose shares were acquired by the Company on January 31, 2008, has ben consolidated as a consolidated subsidiary in the current fiscal year.

Major unconsolidated subsidiary is Fukoku Seimei Building Company Limited.

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

(2) Application of equity method

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

There are no affiliates for the years ended March 31, 2006, 2007 and 2008.

(3) Fiscal year of consolidated subsidiaries

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

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

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

(5) Amortization of consolidation goodwill

Consolidation goodwill is charged to operating expenses for the year ended March 31, 2006 and 2007. For the year ended March 31, 2008, it is calculated by straight-line method for 10 years. Goodwill is amortized by the straight-line method over a period of 10 years. In case of the immaterial amount of goodwill, such amount is fully charged to income when incurred.

(6) Treatment of appropriation of surplus

Consolidated statements of surplus for the year ended March 31, 2006 were prepared based on the final appropriation of surplus within the fiscal year.

(7) Cash and cash equivalents

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

II. Notes to Balance Sheets

1. Significant Accounting Policies

(1) Valuation methods of securities

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

i) Trading securities are stated at fair market value. Costs of their sales are determined by the moving average method.

ii) Held-to-maturity debt securities are stated at amortized cost under the straight-line method, cost being determined by the moving average method.

iii) Policy-reserve-matching bonds are stated at amortized cost under the straight-line method, cost being determined by the moving average method in accordance with "Temporary Treatment of Accounting and Auditing Concerning Policy-reserve-matching Bonds in Insurance Industry" (Industry Audit Committee Report No.21 issued by the Japanese Institute of Certified Public Accountants on November 16, 2000).

iv) Investments in non-consolidated subsidiaries and affiliates which are not accounted for under the equity method are stated at cost, cost being determined by the moving average method.

v) Available-for-sale securities with fair market value are stated at fair market value based on the market prices at the end of fiscal year. Costs of their sales are determined by the moving average method. Net unrealized gains or losses on these available-for-sale securities, net of taxes, are recorded as a separate component of net assets.

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

(2) Valuation methods of derivative instruments

Derivative instruments are stated at fair market value.

(3) Revaluation of land

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

- Date of revaluation: March 31, 2002
- Method of revaluation as prescribed for in Article 3 Paragraph 3 of the said Law:
  Calculation is based on the appraisal value for property tax set forth in Article 2 item 3 of the Enforcement Ordinance of the Law for Revaluation of Land (Government Ordinance No.119 promulgated on March 31, 1998) and the road rate set forth in Article 2 item 4 of the said Ordinance with certain reasonable adjustments.

(4) Depreciation of tangible fixed assets

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

Buildings

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

i) Acquired on or before March 31, 2007: Previous declining-balance method

ii) Acquired on or after April 1, 2007: Declining-balance method

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, 2006, 2007 and 2008 were ¥833 million, ¥784 million and ¥958 million (US$9 million), respectively.

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

(7) Reserve for employees' retirement benefits

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

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

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

(9) Reserve for price fluctuation of securities

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

(10) Lease transactions

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

(11) Accounting for hedge activities

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

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

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

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

(12) Accounting for consumption taxes

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

(13) Policy reserve

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

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

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

(14) Software

The software for internal use, which was included in other assets as of March 31, 2006 and in intangible fixed assets as of March 31, 2007 and 2008, 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.

(16) Policy-reserve-matching bonds

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

The amount of policy-reserve-matching bonds recorded on the balance sheets as of March 31, 2007 and 2008 were ¥540,923 million and ¥598,156 million (US$5,970 million), respectively. The market value of these bonds as of March 31, 2007 and 2008 were ¥542,462 million and ¥612,619 million (US$6,114 million), respectively.

2. Changes in Accounting Policy

(1) Effective for the year ended March 31, 2008, in accordance with the revision of Corporate Tax Law, depreciation of tangible fixed assets acquired on or after April 1, 2007 is calculated by the straight-line method and the declining-balance method stipulated in the revised law. As a result, ordinary profits decreased by ¥47 million (US$470 thousand), compared to the previous methods.

The tangible fixed assets acquired on or before March 31, 2007 that are depreciated to their final depreciable limit are depreciated equally over five years for their remaining book value. As a result, ordinary profits decreased by ¥71 million (US$713 thousand).

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

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

(4) In accordance with the revised form of the Enforcement Regulation of the Insurance Business Law, the balance sheet presentation has been changed as follows.

(a) Effective for the year ended March 31, 2007, "Real estate and movables" which was presented as a separate line item until previous fiscal year is presented as "tangible fixed assets".

(b) Effective for the year ended March 31, 2007, "Intangible fixed assets" which was included in "Other assets" until previous fiscal year is presented as a separate line item. The amount of "Intangible fixed assets" included in "Other assets" as of March 31, 2006 was ¥9,663 million.

3. Loans Receivable

The total amounts of credits to bankrupt borrowers, delinquent loans, delinquent loans past 3 months or more and restructured loans, which were included in loans, were ¥2,317 million, ¥11,332 million and ¥10,979 million (US$109 million) as of March 31, 2006, 2007 and 2008, respectively.

i) The balances of credits to bankrupt borrowers were ¥429 million, ¥443 million and ¥477 million (US$4 million) as of March 31, 2006, 2007 and 2008, respectively.

ii) The balances of delinquent loans were ¥1,882 million, ¥10,889 million and ¥10,502 million (US$104 million) as of March 31, 2006, 2007 and 2008, respectively.

iii) The balances of delinquent loans past 3 months or more were no balances as of March 31, 2006, 2007 and 2008.

iv) The balance of restructured loans was ¥5 million as of March 31, 2006, and there were no balances as of March 31, 2007 and 2008.

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

Delinquent loans are credits whose accruing interest is not recorded as income due to the same reasons as described above, and exclude credits to bankrupt borrowers and loans for which interest payments have been suspended and 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 ¥51 million, ¥2 million and ¥102 million (US$1 million) as of March 31, 2006, 2007 and 2008, respectively.

The direct write-offs related to loans decreased delinquent loans described above by ¥782 million, ¥782 million and ¥824 million (US$8 million) as of March 31, 2006, 2007 and 2008, respectively.

4. Accumulated Depreciation of Tangible Fixed Assets

Accumulated depreciation of tangible fixed assets totaled to ¥116,397 million and ¥122,670 million (US$1,224 million) as of March 31, 2007 and 2008, respectively.

Accumulated depreciation of real estate and movables totaled to ¥113,363 million as of March 31, 2006.

5. Separate Accounts

Total assets in separate accounts provided for in Article 118 of the Insurance Business Law were ¥123,046 million, ¥131,182 million and ¥117,591 million (US$1,173 million) as of March 31, 2006, 2007 and 2008, respectively. The amounts of liabilities were the same as these figures.

6. Receivables from/Payables to Unconsolidated Subsidiaries

The total amounts of receivables from/payables to unconsolidated subsidiaries were ¥2,869 million and ¥182 million as of March 31, 2006, ¥2,872 million and ¥166 million as of March 31, 2007, and ¥3,540 million (US$35 million) and ¥162 million (US$1 million) as of March 31, 2008, respectively.

7. Monetary Claims to Directors

Monetary claims to directors as of March 31, 2006, 2007 and 2008 were ¥16 million, ¥11 million and ¥16 million (US$163 thousand), respectively.

8. Income Taxes

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

Deferred tax assets and deferred tax liabilities as of March 31, 2007 were ¥93,260 million and ¥156,925 million, respectively. Valuation allowance for deferred tax assets was ¥2,653 million.

Deferred tax assets and deferred tax liabilities as of March 31, 2008 were ¥107,538 million (US$1,073 million) and ¥67,932 million (US$678 million), respectively. Valuation allowance for deferred tax assets was ¥2,836 million (US$28 million).

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

	As of March 31,			
	2006	2007	**2008**	**2008**
	Millions of yen			Millions of U.S. dollars
Deferred tax assets:				
Policy reserves	¥43,026	¥51,572	**¥61,054**	**$609**
Reserve for employees' retirement benefits	18,640	18,199	**17,931**	**178**
Reserve for price fluctuation of securities	15,424	18,128	**19,561**	**195**
Deferred tax liabilities:				
Net unrealized gains on securities	141,659	155,185	**65,707**	**655**

The statutory tax rate and the actual effective tax rates for the year ended March 31, 2006 were 36.2% and 8.5%, respectively. The major differences between the statutory tax rate and the actual effective tax rate was reserve for dividends to policyholders of (26.3%).

The statutory tax rate and the actual effective tax rates for the year ended March 31, 2007 were 36.2% and 15.1%, respectively. The major differences between the statutory tax rate and the actual effective tax rate was reserve for dividends to policyholders of (24.8%).

The statutory tax rate and the actual effective tax rates for the year ended March 31, 2008 were 36.2% and 16.0%, respectively. The major differences between the statutory tax rate and the actual effective tax rate was reserve for dividends to policyholders of (21.0%).

9. Reserve for Dividends to Policyholders

Changes in reserve for dividends to policyholders were as follows:

	Year ended March 31,			
	2006	2007	**2008**	**2008**
	Millions of yen			Millions of U.S. dollars
Balance at the end of previous fiscal year	¥ 57,550	¥ 54,516	**¥ 52,872**	**$ 527**
Transfer from surplus in previous fiscal year	18,966	30,454	**35,525**	**354**
Dividends paid in fiscal year	(22,057)	(32,149)	**(34,216)**	**(341)**
Increase in interest	55	51	**200**	**2**
Increase due to addition of consolidated subsidiary	—	—	**680**	**6**
Balance at the end of fiscal year	¥ 54,516	¥ 52,872	**¥ 55,063**	**$ 549**

10. Stocks of Unconsolidated Subsidiaries

The amounts of stocks of unconsolidated subsidiaries the Company held as of March 31, 2006, 2007 and 2008 were ¥240 million, ¥240 million and ¥240 million (US$2 million), respectively.

11. Pledged Assets and Secured Debts

Assets pledged as collateral as of March 31, 2006 was ¥19,440 million. Secured debts as of March 31, 2006 was ¥4,868 million.

Assets pledged as collateral as of March 31, 2007 were ¥18,050 million of securities and ¥856 million of money held in trust. Secured debts as of March 31, 2007 was ¥4,710 million.

Assets pledged as collateral as of March 31, 2008 were ¥15,223 million (US$151 million) of securities and ¥19 million (US$196 thousand) of money held in trust. Secured debts as of March 31, 2008 was ¥4,660 million (US$46 million).

12. Additional Foundation Funds

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

13. Redemption of Foundation Funds

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

14. Commitment Line

As of March 31, 2006, 2007 and 2008, there were unused commitment line agreements under which the Company is the lender of ¥3,624 million, ¥1,581 million and ¥1,681 million (US$16 million), respectively.

15. Subordinated Bonds

Repayments of subordinated bonds are subordinated to other obligations.

16. Subordinated Debt Loans

Repayments of subordinated debt loans are subordinated to other obligations.

17. Contribution to Policyholders Protection Fund

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

18. 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 ¥10,615 million, ¥11,174 million and ¥11,527 million (US$115 million) as of March 31, 2006, 2007 and 2008, respectively. The contribution is charged as operating expenses in the year in which they are paid.

19. Reserve for Employees' Retirement Benefits

(1) The reserve for retirement benefits as of March 31, 2006, 2007 and 2008 were calculated as follows:

	As of March 31,			
	2006	2007	**2008**	**2008**
	Millions of yen			Millions of U.S. dollars
a. Projected benefit obligation	¥(73,584)	¥(73,663)	**¥(71,792)**	**$(716)**
b. Fair value of pension plan assets	19,810	21,438	**18,307**	**182**
c. Unfunded benefit obligation (a+b)	(53,774)	(52,224)	**(53,485)**	**(533)**
d. Unrecognized actuarial differences	2,020	1,722	**3,758**	**37**
e. Unrecognized prior service cost	276	241	**206**	**2**
f. Reserve for employees' retirement benefits (c+d+e)	¥(51,477)	¥(50,260)	**¥(49,519)**	**$(494)**

(2) Gross amount of retirement benefit expenses for the years ended March 31, 2006, 2007 and 2008 were as follows:

	Year ended March 31,			
	2006	2007	**2008**	**2008**
	Millions of yen			Millions of U.S. dollars
Service cost	¥3,568	¥3,476	**¥3,404**	**$33**
Interest cost	1,464	1,470	**1,472**	**14**
Expected return on plan assets	(551)	(792)	**(964)**	**(9)**
Recognized actuarial differences	780	502	**523**	**5**
Amortization of prior service cost	34	34	**34**	**0**
	¥5,296	¥4,692	**¥4,469**	**$44**

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

- Method of attributing the projected benefits to periods of service .... Straight-line basis
- Discount rate 2.0%
- Expected rate of return on pension plan assets (Note) 4.5%
- Recognition period of actuarial differences .... 10 years
- Amortization period of prior service cost .... 10 years

Note: Expected rate of return on pension plan assets for the years ended March 31, 2006 and 2007 were 3.5% and 4.0%, respectively.

III. Notes to Statements of Operations

1. Changes in Accounting Policy

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

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

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

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

2. Transactions with Unconsolidated Subsidiaries

The total amounts of revenues and expenditures in connection with subsidiaries were ¥104 million and ¥2,441 million for the year ended March 31, 2006, ¥103 million and ¥2,536 million for the year ended March 31, 2007, and ¥121 million (US$1 million) and ¥2,604 million (US$25 million) for the year ended March 31, 2008, respectively.

3. Impairment of fixed assets

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

(1) Method of grouping

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

(2) Background of recognizing the impairment losses

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

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

• Year ended March 31, 2006

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

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

(4) Calculation method of recoverable amount

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

Report of Independent Auditors

The Board of Directors of Fukoku Mutual Life Insurance Company

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

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

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

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

Tokyo, Japan
May 22, 2007

The Fuji Accounting Office

The Board of Directors of Fukoku Mutual Life Insurance Company

We have audited the accompanying consolidated balance sheet of Fukoku Mutual Life Insurance Company and its consolidated subsidiaries as of March 31, 2008, and the related consolidated statements of operations, changes in net assets and cash flows for the year then ended, 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, 2008, and the consolidated results of their operation and their cash flows for the year 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.

Tokyo, Japan
May 22, 2008

Kisaragi Audit Corporation

Kisaragi Audit Corporation

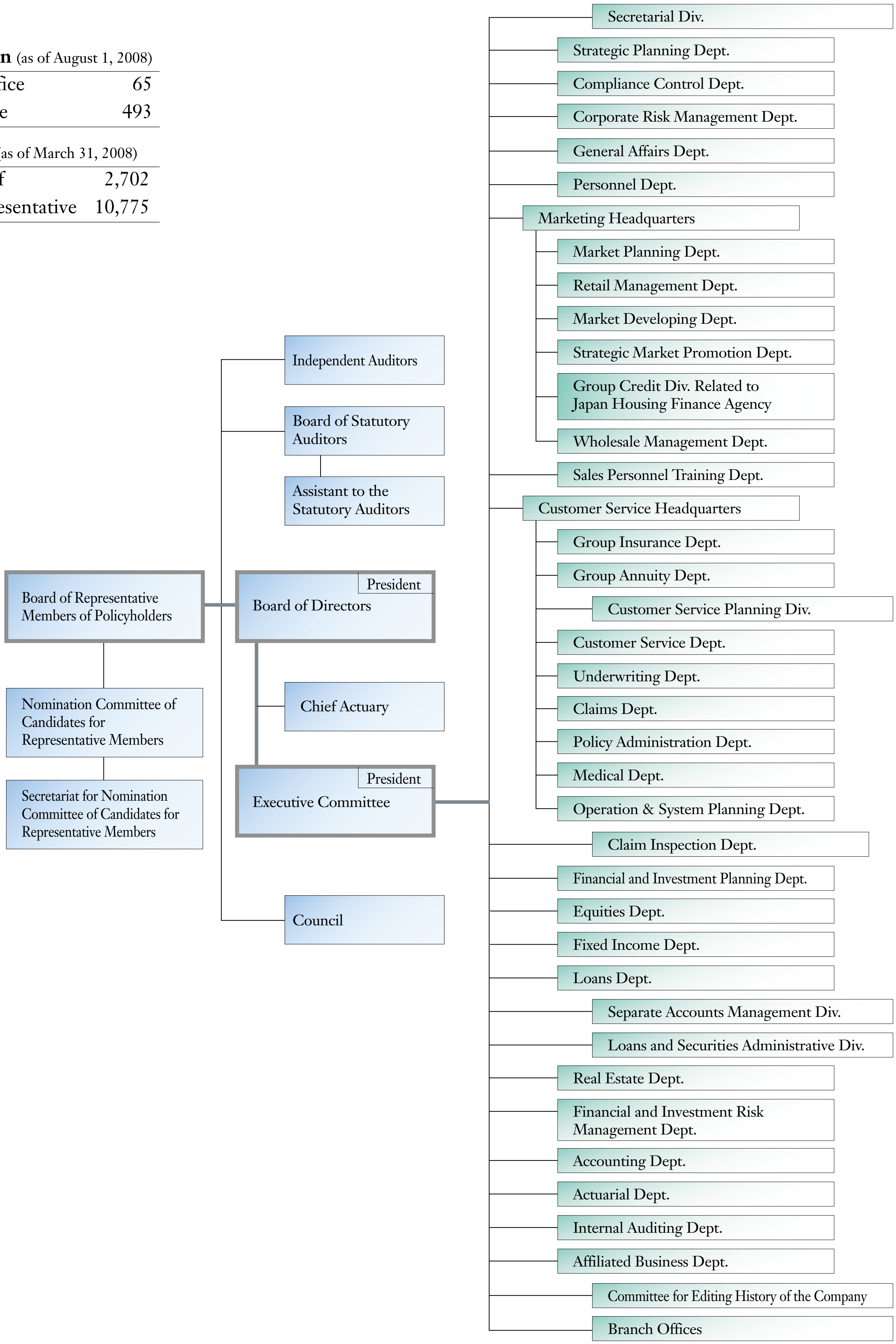
Corporate Organization

Organization (as of August 1, 2008)

Branch Office	65
Field Office	493

Employees (as of March 31, 2008)

Office Staff	2,702
Sales Representative	10,775



Corporate Information

Board of Directors and Statutory Auditors

President
Tomofumi Akiyama*

Senior Managing Director
Haruhiko Sugimoto

Managing Directors:
Yoshiki Murayama
Mikio Yamamoto
Katsumasa Furuya
Yoshiteru Yoneyama
Kenji Hirai

*Representative Director

Directors:
Katsuhiro Utada
Kozo Isshiki
Hitoshi Sakai
Tsutomu Hiruma
Toshihiro Hayashi
Toshihide Fujiwara
Tadashi Akikawa
Yuuki Sakurai

Statutory Auditors:
Yoshizumi Nezu
Mitsuo Ohashi
Akihiro Mochizuki

Statutory Auditors (Standing):
Shuuichi Maeda
Akio Imai

Senior Advisers to the Board:
Tetsuo Furuya
Takashi Kobayashi

(as of September 1, 2008)

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

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