2009

# FUKOKU MUTUAL LIFE INSURANCE COMPANY

## Annual Report 2009

Year Ended March 31, 2009

**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 such problems as the aging of society and the worsening investment environment. 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.**

Contents

# FINANCIAL HIGHLIGHTS
## (NON-CONSOLIDATED)

| | Millions of yen | | | Millions of U.S. dollars |
|---|---|---|---|---|
| As of March 31, | 2007 | 2008 | **2009** | **2009** |
| Life insurance in force | ¥49,974,534 | ¥49,827,169 | **¥48,555,655** | **$494,305** |
| Total assets | 5,893,024 | 5,725,231 | **5,514,454** | **56,138** |
| Securities | 4,109,729 | 3,962,459 | **3,596,377** | **36,611** |
| Loans | 1,266,226 | 1,231,963 | **1,238,205** | **12,605** |
| Tangible fixed assets | 206,472 | 205,952 | **250,065** | **2,545** |
| Total liabilities | 5,497,755 | 5,478,270 | **5,393,901** | **54,910** |
| Policy reserves | 5,189,257 | 5,262,578 | **5,221,451** | **53,155** |
| Subordinated bonds | 47,092 | 47,362 | **38,870** | **395** |
| Total net assets | 395,268 | 246,961 | **120,553** | **1,227** |
| For the year ended March 31, | | | | |
| Total ordinary revenues | 888,739 | 906,459 | **881,685** | **8,975** |
| Premium and other income | 721,989 | 736,468 | **646,726** | **6,583** |
| Investment income | 147,397 | 146,216 | **166,730** | **1,697** |
| Total ordinary expenditures | 828,525 | 848,381 | **879,520** | **8,953** |
| Net surplus for the year | 43,502 | 45,385 | **56,863** | **578** |
| Solvency margin ratio (%) | 1,228.8 | 1,146.9 | **1,008.4** | |
| Employees | 13,771 | 13,477 | **13,836** | |

Notes 1. U.S. dollar amounts are converted from yen, for convenience only, at the rate of U.S.$1=¥98.23, the rate of exchange on March 31, 2009.
2. Yen and U.S. dollar amounts are rounded down to the nearest million yen or million dollars.

Head Office

# MESSAGE FROM THE PRESIDENT

In fiscal 2008, ended March 31, 2009, financial markets in Japan and around the world continued to experience extremely challenging conditions due to the worsening financial crisis in the United States and Europe and growing uncertainties surrounding the global economy. In Japan, the financial foundations of life insurance companies were affected by the fall in share prices and the appreciating yen.

Under these circumstances, on the asset management side, from the beginning of the period we ensured that our activities factored in price fluctuation risks and credit risks. In the second half of the year, when turbulence in financial and capital markets around the world worsened, the Company positioned risk reduction as its number one priority in order to prevent further losses caused by the sharp fall in share prices and the rapidly appreciating yen.

On the insurance sales side, adhering to our "Customer-Centric" policy, we endeavored to offer insurance products designed to meet customers' needs. We worked tirelessly to provide comprehensive follow-up services to give customers continued peace of mind.

Despite drawdowns in the contingency reserve and the reserve for price fluctuation of securities, a flexible approach to reducing asset management risk in the second half of the year resulted in a solvency margin ratio that far exceeds the 200% set as an indicator of financial soundness. Consequently, Fukoku Life continues to maintain a sufficient level of capital.

Due to the impact of falling share prices, however, we will unfortunately have to decrease or leave unchanged dividends for shareholders in the year ending March 31, 2010.

Lastly, I would like to announce that we have made some adjustments from fiscal 2009, to the Company's management philosophy. Our philosophy has established a "Customer-Centric" approach advocated since fiscal 2004 as the starting point for all activities to ensure that Fukoku Life will remain the insurance company of choice regardless of the operating environment. Under the new management philosophy, we are striving even harder to become the provider of "peace of mind" to our customers.

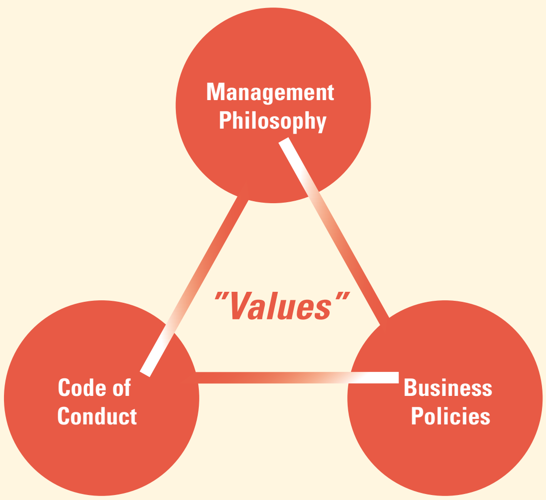
Tomofumi Akiyama
President

# FUKOKU LIFE'S MANAGEMENT PHILOSOPHY

## Management Philosophy

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

| To protect the interests of our policyholders | To contribute to society | Personal expression |
| --- | --- | --- |




## *Our "Customer-Centric" Values*

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

## Code of Conduct

A "Customer-Centric" code of conduct to be observed by all executives and employees

To us, "Customer-Centric" values means:

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

## Business Policies

1. **Foster personnel with "Customer-Centric" values**
With the aim of providing customers with peace of mind, foster confident and proud employees who have the ability to adopt the customer's perspective.

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

3. **Net increase in customers**
With the aim of increasing the number of net customers, strengthen the design, provision and follow-up services for insurance products that meet their diverse needs.

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

# REVIEW OF OPERATIONS
## (NON-CONSOLIDATED)

## OVERVIEW

### Individual Insurance

The insurance needs of customers have become increasingly diverse over time. With the aim of achieving a net increase in the number of policyholders, we endeavor to enhance their satisfaction by tailoring policies to meet current needs. Comprehensive follow-up services reflect the importance attached to providing customers with continued peace of mind.

In addition to providing basic protection-type products and medical insurance, we have developed a variety of products and services that meet the varied needs of our customers. Today we offer life insurance to business owners with longer-period coverage than before. In the field of protection-type products too, by constantly reviewing the products we offer, such as nursing care insurance and medical insurance, we provide customers with optimum insurance that covers the various risks they are exposed to in the course of their lives.

### Sales Channels

Fukoku Life's nationwide sales network consists of 64 branches and around 11,000 salespeople promoting insurance and annuities to individuals and companies. With the aid of our mobile computers, known as "PlanDo," introduced to enhance the consulting skills of sales staff when conducting face-to-face sales, we work hard to provide optimal products to customers. We have also boosted our regular six-monthly and 12-monthly follow-up services provided after a customer takes out a new policy.

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

In line with the Company's focus on communication between ourselves and our customers, moreover, 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 qualified retirement pensions to defined-benefit pension plans and defined-contribution pension plans.

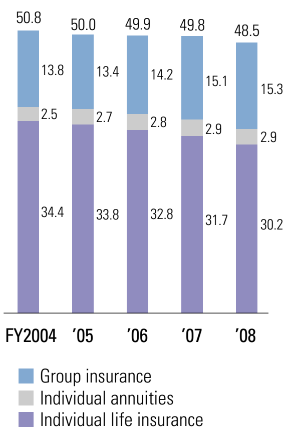
We also make socially responsible investments (SRIs) in companies that work proactively in areas of environmental protection and social contribution.

## BUSINESS PERFORMANCE IN FY2008

### Life Insurance in Force

At fiscal year-end, life insurance in force, which comprises individual life insurance, individual annuities, and group insurance, amounted to ¥48,555.6 billion, down 2.6% from a year earlier. Within this amount, life insurance for individuals declined 4.8%, to ¥30,232.7 billion, mainly due to a fall in protection-type insurance. By contrast, individual annuities rose 1.6%, to ¥2,986.4 billion, and the year-end balance of life insurance in force for groups increased 1.3%, to ¥15,336.5 billion. Meanwhile, group annuities in force (policy reserve), slipped 1.3%, to ¥1,997.5 billion.


**Life insurance in force**
(¥ trillions)




## Annualized Premiums for New Policies and Policies in Force

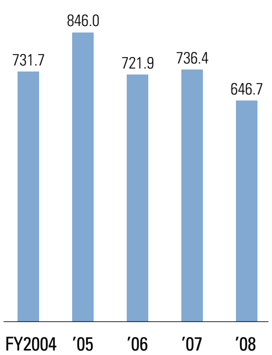
In the year under review, annualized premiums for new policies fell 14.4%. Within this amount, individual insurance decreased 16.1%, to ¥19.4 billion and individual annuities fell 10.0%, to ¥8.2 billion. Annualized premiums from medical insurance and living benefit insurance decreased 14.4%, to ¥7.4 billion.

Annualized premiums for policies in force declined 3.2%. Within this amount, individual insurance decreased 5.5%, to ¥305.7 billion, but individual annuities increased 3.2%, to ¥123.3 billion. Annualized premiums from medical insurance and living benefit insurance edged up 0.8%.

## Premium Income and Payments

In the year under review, premium and other income declined 12.2%, to ¥646.7 billion. This was due to a decrease in income from individual annuities stemming from the transfer of the Company's bank insurance business to subsidiary Fukokushinrai Life Insurance Company at the start of fiscal 2008. Claims and other payments edged down 0.9%, to ¥596.5 billion.

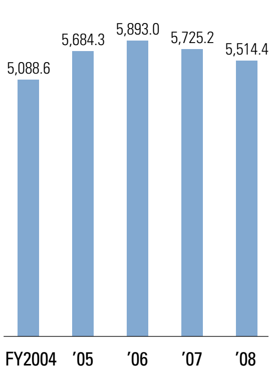
**Premium and other income**
(¥ billions)




### Combined Value with Fukokushinrai Life Insurance Company

In April 2008, Fukoku Life transferred its bank insurance business to subsidiary Fukokushinrai Life Insurance Company. At fiscal year-end, the combined value of both companies' individual insurance and individual annuities in force stood at ¥34,069.3 billion, and annualized premiums for policies in force totaled ¥452.5 billion. For the year, the combined value of premium and other income, which includes group insurance, was ¥781.9 billion.

**Total assets**
(¥ billions)




## Assets, Liabilities, and Net Assets

The outstanding balance of non-consolidated total assets, including separate accounts, declined 3.7%, to ¥5,514.4 billion. General account assets, which constitute 98.0% of this total, fell 3.7%, to ¥5,402.9 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 equities market.

Policy reserves edged down 0.8%, to ¥5,221.4 billion, and total liabilities, including policy reserves, declined 1.5%, to ¥5,393.9 billion.

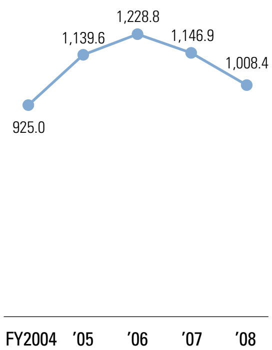
Net assets at fiscal year-end amounted to ¥120.5 billion, down 51.2% from a year earlier.

On a consolidated basis, total assets declined 1.6%, to ¥5,710.1 billion, and net assets fell 51.8%, to ¥121.1 billion.

## Strengthening Our Capital Base

Fukoku Life is constantly bolstering its internal reserves by increasing its contingency reserve and the reserve for price fluctuation of securities. In fiscal 2008, however, these reserves decreased due to the need to address an increase in negative spread and a rise in capital losses. At fiscal year-end, the contingency reserve stood at ¥145.1 billion, down ¥9.3 billion year-on-year, and the reserve for price fluctuation of securities was ¥24.6 billion, down ¥29.2 billion.

**Solvency margin ratio**
(%)




## Solvency Margin

Fukoku Life's solvency margin ratio at fiscal year-end was 1,008.4%, down 138.5 points year-on-year. The decline was due to a number of factors, including a reversal of the contingency reserve and reserve for price fluctuation of securities, as well as unrealized losses on securities stemming from the fall in share prices and the high Japanese yen. Even so, the Company's solvency margin far exceeds 200%, the level set as an indicator of financial soundness for life insurance companies, and clearly illustrates our ability to meet a high level of payments.

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

## Ratings

Fukoku Life relies on four neutral rating organizations to provide an objective assessment of the Company's ability to meet insurance payments. As of September 1, 2009, we have received ratings of AA- from Rating and Investment Information, A- from Standard & Poor's, A from Fitch Ratings, and A2 from Moody's.

# INVESTMENT PERFORMANCE IN FY2008 (GENERAL ACCOUNT)

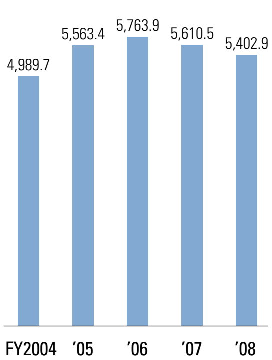
## Overview

In the second half of fiscal 2008, ended March 31, 2009, the Japanese economy worsened rapidly due to the worldwide economic repercussions of the financial crisis in the United States and Europe. Financial and capital markets continued to experience extremely challenging conditions amid growing alarm generated by the state of U.S. and European financial systems and uncertainties surrounding the future of the world economy.

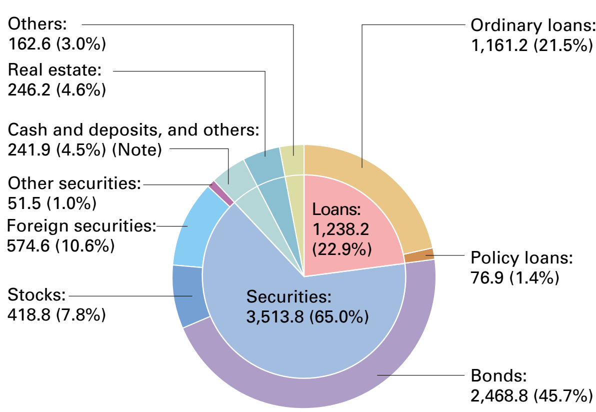
Against this backdrop, from the beginning of the period Fukoku Life emphasized stability rather than profitability. From the second half of the period, when the chaos in global financial markets worsened, we worked tirelessly to reduce risks associated with asset management. We strengthened our defenses against falling financial markets by selling foreign securities and stocks in order to reduce holdings of assets that have a relatively high level of risk, as well as by increasing the hedge ratio.

At fiscal year-end, general account assets, which comprise 98.0% of total assets, amounted to ¥5,402.9 billion, down 3.7%, or ¥207.5 billion, from a year earlier. Total assets fell 3.7%, or ¥210.7 billion, to ¥5,514.4 billion.

**General account assets**
(¥ billions)

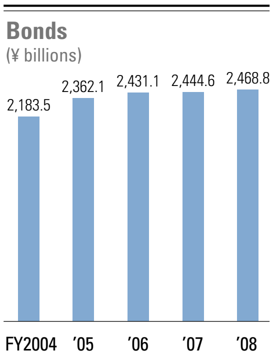


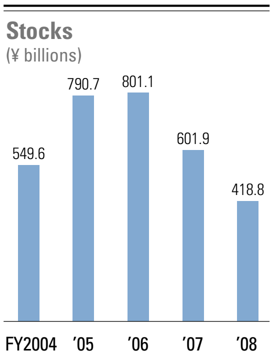

**Breakdown of general account assets**
(¥ billions)

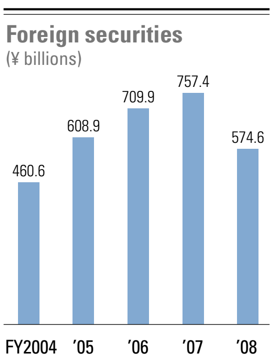


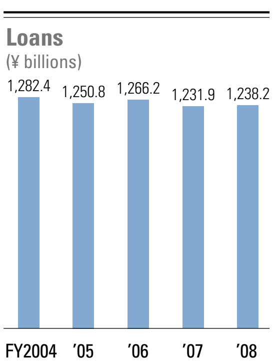

Total: ¥5,402.9 billion

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




Investment income from general accounts increased 14.0%, or ¥20.5 billion, to ¥166.7 billion. Interest and dividends, the main components of investment income, declined 6.5%, or ¥7.9 billion, to ¥115.0 billion, stemming from a decrease in interest income from foreign bonds due to the high yen and other factors. Gains on sales of securities increased 144.8%, or ¥30.4 billion, to ¥51.4 billion, owing mainly to the sale of domestic bonds.

Investment expenses increased 262.4%, or ¥104.5 billion, to ¥144.3 billion. We recorded ¥95.4 billion in losses on sales of securities due to the sale of foreign securities and shares that generated unrealized losses. These sales were carried out to prevent further losses. We recorded ¥25.2 billion in losses on the valuation of securities, mainly domestic shares, due to lower share prices caused by the turbulence in financial markets.

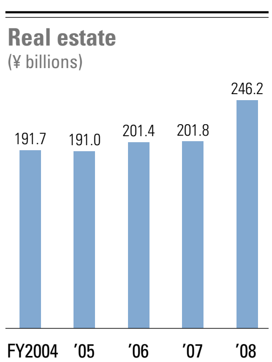
**Bonds:** In the year under review, we allocated proceeds from the sale of foreign securities and shares primarily to domestic bonds. As a result, the Company's bond portfolio at fiscal year-end stood at ¥2,468.8 billion, up 1.0%, or ¥24.1 billion, from a year earlier.

**Stocks:** Our year-end holdings of domestic equities were down 30.4%, or ¥183.0 billion, to ¥418.8 billion, due to the sale of stocks and a decline in unrealized gains stemming from the drop in share prices.

**Foreign Securities:** Our holdings of foreign securities declined due to the sale of mainly foreign bonds. As a result, the Company's holdings of foreign securities, including equity holdings, fell 24.1%, or ¥182.8 billion, to ¥574.6 billion.

**Loans:** Fukoku Life increased loans provided to corporations amid higher demand for loans by companies arising from the difficulty in procuring funds through direct financing. As a result, the fiscal year-end balance of outstanding loans, including policy loans, increased, 0.5%, or ¥6.2 billion, to ¥1,238.2 billion.

**Real Estate:** In fiscal 2008, we reshuffled our property portfolio in order to enhance profitability. As a result of these activities, the balance of our real estate holdings rose 22.0%, or ¥44.3 billion, to ¥246.2 billion. The current project to renovate the Osaka Fukoku Mutual Life Insurance Building located at the Umeda Terminal, the largest transportation hub in Western Japan, is scheduled for completion in the autumn of 2010, and is expected to contribute to the Company's real estate income in the future.



## INVESTMENT POLICIES FOR FY2009

### Investment Environment

In the fiscal year ending March 31, 2010, we expect the Japanese economy to remain lackluster, as the downturn in corporate performance continues to ripple outward into the real economy. At the same time, we believe the rate of decline will become less severe, owing to ongoing inventory adjustments. We also expect companies that responded quickly to the sharp decline will enjoy revenue increases, and anticipate that economic stimulus measures, including government cash handouts, will help prop up the economy. We also anticipate that exports will improve owing to a gradual recovery in overseas demand.

Amid a challenging investment environment, long-term investment rates are not expected to rise due to strong demand for bonds. Although share prices have been on the upturn since hitting bottom, the increase in value will be sluggish due to considerable uncertainty surrounding the future of the world's share markets.

**Bonds:** Fukoku Life will increase its bond holdings. We will ensure profitability by investing in bonds with longer periods of maturity while carefully monitoring interest rates.

**Stocks:** We plan to decrease our holdings of stocks. We will also minimize extreme risks by the flexible use of hedging.

**Foreign Securities:** We plan to decrease our foreign bond holdings. While reducing holdings of foreign currency-denominated assets in our portfolio, we will invest in yen-denominated foreign securities with low exchange rate risks expected to yield higher interest than Japanese bonds.

**Loans:** We will apply stringent selection criteria to loans, while emphasizing profitability and credit risk.

**Real Estate:** While continuing our policy of reshuffling our property portfolio, we will work hard to maintain the profitability of existing properties.

# GOVERNANCE SYSTEM


Board of Representative Members of Policyholders

## Internal Governance and Internal Control System

As a mutual life insurance company, Fukoku Life is engaged in the highly public business of protecting policyholders' rights, and is also an institutional investor obliged to safely and profitably manage the valuable assets of policyholders. Therefore, we constantly strive to enhance our internal control systems, which consist of a risk management system based on the principle of self-responsibility, a compliance system, insurance claim payment system based on our "Customer-Centric" philosophy, and a personal information protection system for safeguarding the privacy of customers.

In addition, our Board of Directors set the terms for the creation of a system of internal controls to ensure the soundness of operations. We will establish and enhance a system of internal controls by promoting compliance and improving risk management based on those core policies.

## Risk Management System

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

Fukoku Life manages risk rigorously through the Risk Management Committee, as well as committees each tasked with addressing one of the five risk categories: underwriting risks, asset management risks, administration risks, system risks, and large-scale disaster and information leakage risks. We also have a risk management advisory panel with expertise in risk management.

## Compliance System

As members of the community, all executives and employees undergo ongoing training in compliance-related matters so that they not only observe laws and regulations, but also comply with protocols and social conventions. To this end, as well as improving and reinforcing the compliance system, we hold regular hands-on training programs. Our system ensures that in the unlikely event of improper conduct, it will be detected early and dealt with swiftly and appropriately, and we have in place a system to prevent their recurrence. We have also established a system under which those in charge of compliance-related matters acquire a qualification to become a compliance officer.

## Protection of Personal Information

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

# CORPORATE CITIZENSHIP

## Contributions to Society

Fukoku Life engages in a variety of activities aimed at building a happier and more affluent society in line with the management philosophy of "contributing to society," to which it has steadfastly adhered since its foundation. At the same time as sponsoring programs and events for the benefit of society, our employees also participate in a range of activities.

## COMPANY-SPONSORED ACTIVITIES

### Fukoku Life Concerts

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

A Visiting Concert is held after a Charity Concert has been held. Musicians who performed at the Charity Concert visit a local welfare facility where they play music and improvise as necessary to create an enjoyable musical occasion for residents. Since 1993, the Company has held 172 Charity Concerts. Visiting Concerts, which were introduced in 2003, have been held at a total of 123 welfare facilities.

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

### Other Activities

❖ We plan to attract the corporate tenants of the new Osaka Fukoku Mutual Life Insurance Building scheduled for completion in 2010, as well nearby universities and companies, and provide information of interest related to culture and health.

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

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

Visiting concert

Charity concert

## EMPLOYEE ACTIVITIES

### Flora Preservation

Recently in Japan, the lack of people willing to take over forestry businesses has seen an increase in land on which vegetation grows unchecked. One particular problem is uncontrolled groves of the vigorously growing Moso bamboo, which not only invades forests, but also causes landslides and takes over farmland. This bamboo problem is even found in land owned by the Company in Shizuoka Prefecture. Since 2006, Fukoku Life executives and employees have taken part in activities aimed at preserving the land's natural vegetation and protecting it from this invasive bamboo.

### Other Activities

Company employees also take part in community cleaning campaigns and campaigns to collect the caps of plastic bottles. Recycling the recovered caps from plastic bottles has two benefits. First, it limits the generation of $CO_2$. Second the funds obtained from the sale of the caps are contributed to the Japan Committee "Vaccines for the world's children" (JCV) through the volunteers who collected the bottles.

President Akiyama directing the work to chop down bamboo

Employees participating in community cleaning campaigns

Recovering plastic bottle caps

## COMMUNICATING WITH SOCIETIES

### Alliance with Sanrio

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







### Providing Information

Fukoku Life publishes a variety of materials for its stakeholders. Publications that provide information on the Company's business activities include the Japanese-language magazine, "Disclosure" (and abridged versions thereof), booklets written for policyholders, and this English-language annual report. Our diverse lineup of public relations and advertising activities include the production of a variety of publications as needed, in order to strengthen the channels of communication between the Company, its policyholders, and its many other customers.

# Non-consolidated Balance Sheets

Fukoku Mutual Life Insurance Company
As of March 31, 2007, 2008 and 2009

| | As of March 31, | | | |
|---|---|---|---|---|
| | 2007 | 2008 | 2009 | 2009 |
| | Millions of yen | | | Millions of U.S. dollars |
| **Assets:** | | | | |
| Cash and deposits: | | | | |
| Cash | ¥ 115 | ¥ 128 | ¥ 134 | $ 1 |
| Bank deposits | 60,764 | 45,168 | 49,248 | 501 |
| | 60,880 | 45,296 | 49,382 | 502 |
| Call loans | 96,400 | 125,500 | 183,600 | 1,869 |
| Monetary claims bought | 2,865 | 2,533 | 2,055 | 20 |
| Money held in trust | 102,186 | 57,527 | 33,053 | 336 |
| Securities: | | | | |
| Government bonds | 1,891,859 | 1,782,029 | 1,746,556 | 17,780 |
| Local government bonds | 114,761 | 138,278 | 136,848 | 1,393 |
| Corporate bonds | 460,854 | 560,305 | 616,227 | 6,273 |
| Stocks | 853,113 | 643,452 | 448,295 | 4,563 |
| Foreign securities | 746,343 | 787,019 | 596,372 | 6,071 |
| Other securities | 42,796 | 51,373 | 52,077 | 530 |
| | 4,109,729 | 3,962,459 | 3,596,377 | 36,611 |
| Loans: | | | | |
| Policy loans | 79,286 | 77,540 | 76,967 | 783 |
| Ordinary loans | 1,186,939 | 1,154,423 | 1,161,237 | 11,821 |
| | 1,266,226 | 1,231,963 | 1,238,205 | 12,605 |
| Tangible fixed assets: | | | | |
| Land | 103,200 | 106,720 | 141,825 | 1,443 |
| Buildings | 97,384 | 94,416 | 98,937 | 1,007 |
| Construction in progress | 819 | 759 | 5,457 | 55 |
| Other tangible fixed assets | 5,068 | 4,056 | 3,845 | 39 |
| | 206,472 | 205,952 | 250,065 | 2,545 |
| Intangible fixed assets: | | | | |
| Software | 7,942 | 7,973 | 7,337 | 74 |
| Other intangible fixed assets | 451 | 449 | 448 | 4 |
| | 8,393 | 8,423 | 7,785 | 79 |
| Reinsurance receivables | 52 | 120 | 122 | 1 |
| Other assets: | | | | |
| Accounts receivable | 11,625 | 19,165 | 12,930 | 131 |
| Prepaid expenses | 587 | 1,414 | 2,393 | 24 |
| Accrued income | 25,024 | 26,603 | 21,523 | 219 |
| Deposits | 2,416 | 2,247 | 2,416 | 24 |
| Differential account for futures trading | — | — | 5,027 | 51 |
| Derivatives | 197 | 1,434 | 1,682 | 17 |
| Suspense payment | 5,471 | 4,560 | 4,340 | 44 |
| Other assets | 3,893 | 3,974 | 4,360 | 44 |
| | 49,215 | 59,400 | 54,674 | 556 |
| Deferred tax assets | — | 36,106 | 110,422 | 1,124 |
| Allowance for possible loan losses | (9,399) | (10,052) | (11,290) | (114) |
| **Total assets** | ¥5,893,024 | ¥5,725,231 | ¥5,514,454 | $56,138 |

## Non-consolidated Balance Sheets (Continued)

| | As of March 31, | | | |
|---|---|---|---|---|
| | 2007 | 2008 | 2009 | 2009 |
| | | Millions of yen | | Millions of U.S. dollars |
| **Liabilities:** | | | | |
| Policy reserves: | | | | |
| Reserve for outstanding claims | ¥ 28,371 | ¥ 26,415 | ¥ 28,220 | $ 287 |
| Policy reserve | 5,108,013 | 5,181,780 | 5,135,913 | 52,284 |
| Reserve for dividends to policyholders | 52,872 | 54,382 | 57,317 | 583 |
| | 5,189,257 | 5,262,578 | 5,221,451 | 53,155 |
| Reinsurance payables | 74 | 102 | 87 | 0 |
| Subordinated bonds | 47,092 | 47,362 | 38,870 | 395 |
| Other liabilities: | | | | |
| Subordinated debt loans | 5,000 | — | — | — |
| Corporate income tax payable | 10,155 | 9,316 | 107 | 1 |
| Accounts payable | 28,849 | 3,274 | 1,680 | 17 |
| Accrued expenses | 11,368 | 10,931 | 9,975 | 101 |
| Unearned income | 797 | 479 | 517 | 5 |
| Deposits received | 5,056 | 5,043 | 5,050 | 51 |
| Guarantee deposits received | 12,672 | 12,708 | 11,712 | 119 |
| Differential account for futures trading | 10 | — | — | — |
| Derivatives | 1,210 | 1,422 | 8,879 | 90 |
| Suspense receipt | 1,297 | 1,557 | 1,625 | 16 |
| | 76,419 | 44,733 | 39,550 | 402 |
| Reserve for employees' retirement benefits | 50,248 | 49,504 | 49,293 | 501 |
| Reserve for directors' and corporate auditors' retirement benefits | 547 | — | — | — |
| Reserve for price fluctuation of securities | 50,066 | 53,911 | 24,622 | 250 |
| Deferred tax liabilities | 63,851 | — | — | — |
| Deferred tax liabilities for revaluation reserve for land | 20,199 | 20,076 | 20,026 | 203 |
| **Total liabilities** | 5,497,755 | 5,478,270 | 5,393,901 | 54,910 |
| **Net assets:** | | | | |
| Foundation funds | 40,000 | 40,000 | 40,000 | 407 |
| Accumulated foundation funds redeemed | 31,000 | 31,000 | 31,000 | 315 |
| Reserve for revaluation | 112 | 112 | 112 | 1 |
| Surplus: | | | | |
| Legal reserve for future losses | 1,587 | 1,787 | 1,987 | 20 |
| Other surplus: | | | | |
| Reserve for redemption of foundation funds | — | 10,000 | 20,000 | 203 |
| Reserve for dividend allowances | 3,895 | 3,895 | 3,895 | 39 |
| Reserve for advanced depreciation of real estate for tax purpose | 343 | 319 | 311 | 3 |
| Reserve for directors' retirement allowances | 2,770 | — | — | — |
| Other reserves | 767 | 767 | 767 | 7 |
| Unappropriated surplus | 53,771 | 55,671 | 56,660 | 576 |
| | 61,548 | 70,653 | 81,634 | 831 |
| | 63,135 | 72,441 | 83,621 | 851 |
| Total foundation funds and surplus | 134,247 | 143,553 | 154,733 | 1,575 |
| Net unrealized gains (losses) on available-for-sale securities, net of tax | 273,377 | 115,334 | (35,474) | (361) |
| Deferred valuation gains (losses) under hedge accounting | (152) | 408 | 479 | 4 |
| Revaluation reserve for land, net of tax | (12,204) | (12,335) | 814 | 8 |
| Total valuation and translation adjustments | 261,020 | 103,407 | (34,180) | (347) |
| **Total net assets** | 395,268 | 246,961 | 120,553 | 1,227 |
| **Total liabilities and net assets** | ¥5,893,024 | ¥5,725,231 | ¥5,514,454 | $56,138 |

See notes to the non-consolidated financial statements.

# Non-consolidated Statements of Operations

Fukoku Mutual Life Insurance Company
For the years ended March 31, 2007, 2008 and 2009

| | Year ended March 31, | | | |
|---|---|---|---|---|
| | 2007 | 2008 | 2009 | 2009 |
| | Millions of yen | | | Millions of U.S. dollars |
| **Ordinary revenues:** | | | | |
| Premium and other income: | | | | |
| Premium income | ¥721,858 | ¥736,241 | ¥646,500 | $6,581 |
| Reinsurance income | 130 | 226 | 226 | 2 |
| | 721,989 | 736,468 | 646,726 | 6,583 |
| Investment income: | | | | |
| Interest, dividends and other income: | | | | |
| Interest from deposits | 1,135 | 584 | 662 | 6 |
| Interest and dividends from securities | 69,704 | 83,910 | 75,050 | 764 |
| Interest from loans | 24,981 | 25,075 | 24,324 | 247 |
| Income from real estate for rent | 10,371 | 12,771 | 14,300 | 145 |
| Other interest and dividends | 302 | 641 | 689 | 7 |
| | 106,495 | 122,983 | 115,027 | 1,171 |
| Gains from money held in trust, net | 3,846 | — | — | — |
| Gains from trading securities, net | 13,025 | 1,827 | — | — |
| Gains on sales of securities | 17,823 | 21,031 | 51,491 | 524 |
| Gains on redemption of securities | 26 | — | — | — |
| Other investment income | 365 | 373 | 212 | 2 |
| Gains from separate accounts, net | 5,813 | — | — | — |
| | 147,397 | 146,216 | 166,730 | 1,697 |
| Other ordinary revenues: | | | | |
| Fund receipt from annuity rider | 432 | 851 | 557 | 5 |
| Fund receipt from deposit of claims paid | 16,552 | 18,702 | 19,967 | 203 |
| Reversal of reserve for outstanding claims | — | 1,955 | — | — |
| Reversal of policy reserve | — | — | 45,866 | 466 |
| Reversal of reserve for employees' retirement benefits | 1,213 | 743 | 211 | 2 |
| Others | 1,153 | 1,521 | 1,624 | 16 |
| | 19,351 | 23,774 | 68,227 | 694 |
| **Total ordinary revenues** | 888,739 | 906,459 | 881,685 | 8,975 |
| **Ordinary expenditures:** | | | | |
| Claims and other payments: | | | | |
| Claims | 185,048 | 235,444 | 205,663 | 2,093 |
| Annuities | 71,522 | 76,212 | 89,550 | 911 |
| Benefits | 133,961 | 144,598 | 151,181 | 1,539 |
| Surrenders | 106,851 | 120,386 | 109,976 | 1,119 |
| Other payments | 22,019 | 24,934 | 39,840 | 405 |
| Reinsurance premiums | 292 | 349 | 338 | 3 |
| | 519,696 | 601,926 | 596,550 | 6,073 |
| Provision for policy reserve and others: | | | | |
| Provision for reserve for outstanding claims | 898 | — | 1,804 | 18 |
| Provision for policy reserve | 156,575 | 73,766 | — | — |
| Interest on accumulated dividends to policyholders | 51 | 200 | 242 | 2 |
| | ¥157,525 | ¥ 73,967 | ¥ 2,047 | $ 20 |

| | Year ended March 31, 2007 | 2008 | 2009 | 2009 |
|---|---|---|---|---|
| | Millions of yen | | | Millions of U.S. dollars |
| Investment expenses: | | | | |
| Interest expenses | ¥ 2,342 | ¥ 2,466 | ¥ 1,974 | $ 20 |
| Losses from money held in trust, net | — | 6,251 | 3,912 | 39 |
| Losses from trading securities, net | — | — | 3,343 | 34 |
| Losses on sales of securities | 11,168 | 15,511 | 95,471 | 971 |
| Losses on valuation of securities | 1,296 | 2,731 | 25,268 | 257 |
| Losses from derivative instruments, net | 4,353 | 961 | 110 | 1 |
| Foreign exchange losses, net | 993 | 443 | 2,348 | 23 |
| Provision for allowance for possible loan losses | 6,855 | 745 | 1,243 | 12 |
| Depreciation of real estate for rent and other assets | 4,383 | 4,753 | 4,226 | 43 |
| Other investment expenses | 4,939 | 5,965 | 6,450 | 65 |
| Losses from separate accounts, net | — | 19,765 | 25,086 | 255 |
| | 36,333 | 59,595 | 169,435 | 1,724 |
| Operating expenses | 89,574 | 87,913 | 86,137 | 876 |
| Other ordinary expenditures: | | | | |
| Claim deposit payments | 13,681 | 13,377 | 14,532 | 147 |
| Taxes | 5,265 | 5,100 | 4,957 | 50 |
| Depreciation | 6,094 | 6,149 | 5,583 | 56 |
| Others | 353 | 350 | 277 | 2 |
| | 25,395 | 24,978 | 25,349 | 258 |
| Total ordinary expenditures | 828,525 | 848,381 | 879,520 | 8,953 |
| Ordinary profits | 60,213 | 58,077 | 2,164 | 22 |
| Extraordinary gains: | | | | |
| Gains on disposal of fixed assets | 46 | 42 | 41,724 | 424 |
| Reversal of reserve for price fluctuation of securities | — | — | 29,289 | 298 |
| Total extraordinary gains | 46 | 42 | 71,014 | 722 |
| Extraordinary losses: | | | | |
| Losses on disposal of fixed assets | 1,015 | 240 | 904 | 9 |
| Impairment losses | 466 | 398 | 514 | 5 |
| Provision for reserve for directors' and corporate auditors' retirement benefits | 547 | — | — | — |
| Provision for reserve for price fluctuation of securities | 7,468 | 3,845 | — | — |
| Total extraordinary losses | 9,496 | 4,484 | 1,418 | 14 |
| Surplus before income taxes | 50,762 | 53,635 | 71,760 | 730 |
| Income taxes: | | | | |
| Current | 17,792 | 18,905 | 3,645 | 37 |
| Deferred | (10,532) | (10,655) | 11,251 | 114 |
| Total income taxes | 7,259 | 8,249 | 14,896 | 151 |
| Net surplus for the year | ¥ 43,502 | ¥ 45,385 | ¥ 56,863 | $ 578 |

See notes to the non-consolidated financial statements.

# Non-consolidated Statements of Changes in Net Assets

Fukoku Mutual Life Insurance Company
For the years ended March 31, 2007, 2008 and 2009

| | Year ended March 31, | | | |
|---|---|---|---|---|
| | 2007 | 2008 | **2009** | **2009** |
| | | Millions of yen | | Millions of U.S. dollars |
| **Foundation funds and surplus:** | | | | |
| **Foundation funds** | | | | |
| Balance at the end of previous fiscal year | ¥ 30,000 | ¥40,000 | **¥40,000** | **$407** |
| Changes in the current fiscal year: | | | | |
| Financing of additional foundation funds | 40,000 | — | — | — |
| Redemption of foundation funds | (30,000) | — | — | — |
| Total changes in the current fiscal year | 10,000 | — | — | — |
| Balance at the end of current fiscal year | 40,000 | 40,000 | **40,000** | **407** |
| **Accumulated foundation funds redeemed** | | | | |
| Balance at the end of previous fiscal year | 1,000 | 31,000 | **31,000** | **315** |
| Changes in the current fiscal year: | | | | |
| Additions to accumulated foundation funds redeemed | 30,000 | — | — | — |
| Total changes in the current fiscal year | 30,000 | — | — | — |
| Balance at the end of current fiscal year | 31,000 | 31,000 | **31,000** | **315** |
| **Reserve for revaluation** | | | | |
| Balance at the end of previous fiscal year | 112 | 112 | **112** | **1** |
| Changes in the current fiscal year: | | | | |
| Total changes in the current fiscal year | — | — | — | — |
| Balance at the end of current fiscal year | 112 | 112 | **112** | **1** |
| **Surplus:** | | | | |
| **Legal reserve for future losses** | | | | |
| Balance at the end of previous fiscal year | 1,387 | 1,587 | **1,787** | **18** |
| Changes in the current fiscal year: | | | | |
| Additions to legal reserve for future losses | 200 | 200 | **200** | **2** |
| Total changes in the current fiscal year | 200 | 200 | **200** | **2** |
| Balance at the end of current fiscal year | 1,587 | 1,787 | **1,987** | **20** |
| **Other surplus:** | | | | |
| **Reserve for redemption of foundation funds** | | | | |
| Balance at the end of previous fiscal year | 24,000 | — | **10,000** | **101** |
| Changes in the current fiscal year: | | | | |
| Additions to reserve for redemption of foundation funds | 6,000 | 10,000 | **10,000** | **101** |
| Reversal of reserve for redemption of foundation funds | (30,000) | — | — | — |
| Total changes in the current fiscal year | (24,000) | 10,000 | **10,000** | **101** |
| Balance at the end of current fiscal year | — | 10,000 | **20,000** | **203** |
| **Reserve for dividend allowances** | | | | |
| Balance at the end of previous fiscal year | 3,895 | 3,895 | **3,895** | **39** |
| Changes in the current fiscal year: | | | | |
| Total changes in the current fiscal year | — | — | — | — |
| Balance at the end of current fiscal year | 3,895 | 3,895 | **3,895** | **39** |
| **Reserve for advanced depreciation of real estate for tax purpose** | | | | |
| Balance at the end of previous fiscal year | 412 | 343 | **319** | **3** |
| Changes in the current fiscal year: | | | | |
| Reversal of reserve for advanced depreciaiton of real estate for tax purpose | (69) | (23) | **(8)** | **(0)** |
| Total changes in the current fiscal year | (69) | (23) | **(8)** | **(0)** |
| Balance at the end of current fiscal year | 343 | 319 | **311** | **3** |

| | 2007 | 2008 | 2009 | 2009 |
|---|---|---|---|---|
| | Year ended March 31, | | | |
| | | Millions of yen | | Millions of U.S. dollars |
| **Reserve for directors' retirement allowances** | | | | |
| Balance at the end of previous fiscal year | 2,770 | 2,770 | — | — |
| Changes in the current fiscal year: | | | | |
| Reversal of reserve for directors' retirement allowances | — | (2,770) | — | — |
| Total changes in the current fiscal year | — | (2,270) | — | — |
| Balance at the end of current fiscal year | 2,770 | — | — | — |
| **Other reserves** | | | | |
| Balance at the end of previous fiscal year | 767 | 767 | 767 | 7 |
| Changes in the current fiscal year: | | | | |
| Total changes in the current fiscal year | — | — | — | — |
| Balance at the end of current fiscal year | 767 | 767 | 767 | 7 |
| **Unappropriated surplus** | | | | |
| Balance at the end of previous fiscal year | 47,270 | 53,771 | 55,671 | 566 |
| Changes in the current fiscal year: | | | | |
| Additions to reserve for dividends to policyholders | (30,454) | (35,525) | (31,868) | (324) |
| Additions to legal reserve for future losses | (200) | (200) | (200) | (2) |
| Payment of interest on foundation funds | (531) | (716) | (716) | (7) |
| Payment of bonus to directors | (30) | — | — | — |
| Net surplus for the year | 43,502 | 45,385 | 56,863 | 578 |
| Additions to reserve for redemption of foundation funds | (6,000) | (10,000) | (10,000) | (101) |
| Reversal of reserve for advanced depreciation of real estate for tax purpose | 69 | 23 | 8 | 0 |
| Reversal of reserve for directors' retirement allowances | — | 2,770 | — | — |
| Reversal of revaluation reserve for land | 144 | 161 | (13,098) | (133) |
| Total changes in the current fiscal year | 6,501 | 1,899 | 988 | 10 |
| Balance at the end of current fiscal year | 53,771 | 55,671 | 56,660 | 576 |
| **Total surplus** | | | | |
| Balance at the end of previous fiscal year | 80,503 | 63,135 | 72,441 | 737 |
| Changes in the current fiscal year: | | | | |
| Additions to reserve for dividends to policyholders | (30,454) | (35,525) | (31,868) | (324) |
| Payment of interest on foundation funds | (531) | (716) | (716) | (7) |
| Payment of bonus to directors | (30) | — | — | — |
| Net surplus for the year | 43,502 | 45,385 | 56,863 | 578 |
| Reversal of reserve for redemption of foundation funds | (30,000) | — | — | — |
| Reversal of revaluation reserve for land | 144 | 161 | (13,098) | (133) |
| Total changes in the current fiscal year | (17,367) | 9,305 | 11,180 | 113 |
| Balance at the end of current fiscal year | 63,135 | 72,441 | 83,621 | 851 |
| **Total foundation funds and surplus** | | | | |
| Balance at the end of previous fiscal year | 111,615 | 134,247 | 143,553 | 1,461 |
| Changes in the current fiscal year: | | | | |
| Financing of additional foundation funds | 40,000 | — | — | — |
| Additions to reserve for dividends to policyholders | (30,454) | (35,525) | (31,868) | (324) |
| Additions to accumulated foundation funds redeemed | 30,000 | — | — | — |
| Payment of interest on foundation funds | (531) | (716) | (716) | (7) |
| Payment of bonus to directors | (30) | — | — | — |
| Net surplus for the year | 43,502 | 45,385 | 56,863 | 578 |
| Redemption of foundation funds | (30,000) | — | — | — |
| Reversal of reserve for redemption of foundation funds | (30,000) | — | — | — |
| Reversal of revaluation reserve for land | 144 | 161 | (13,098) | (133) |
| Total changes in the current fiscal year | 22,632 | 9,305 | 11,180 | 113 |
| Balance at the end of current fiscal year | 134,247 | 143,553 | 154,733 | 1,575 |

| | 2007 | 2008 | 2009 | 2009 |
|---|---|---|---|---|
| | Year ended March 31, | | | |
| | | Millions of yen | | Millions of U.S. dollars |
| **Valuation and translation adjustments:** | | | | |
| **Net unrealized gains (losses) on available-for-sale securities, net of tax** | | | | |
| Balance at the end of previous fiscal year | 249,548 | 273,377 | **115,334** | **1,174** |
| Changes in the current fiscal year: | | | | |
| Net changes, excluding foundation funds and surplus | 23,829 | (158,043) | **(150,809)** | **(1,535)** |
| Total changes in the current fiscal year | 23,829 | (158,043) | **(150,809)** | **(1,535)** |
| Balance at the end of current fiscal year | 273,377 | 115,334 | **(35,474)** | **(361)** |
| **Deferred valuation gains (losses) under hedge accounting** | | | | |
| Balance at the end of previous fiscal year | — | (152) | **408** | **4** |
| Changes in the current fiscal year: | | | | |
| Net changes, excluding foundation funds and surplus | (152) | 560 | **70** | **0** |
| Total changes in the current fiscal year | (152) | 560 | **70** | **0** |
| Balance at the end of current fiscal year | (152) | 408 | **479** | **4** |
| **Revaluation reserve for land, net of tax** | | | | |
| Balance at the end of previous fiscal year | 5,244 | (12,204) | **(12,335)** | **(125)** |
| Changes in the current fiscal year: | | | | |
| Net changes, excluding foundation funds and surplus | (17,449) | (130) | **13,149** | **133** |
| Total changes in the current fiscal year | (17,449) | (130) | **13,149** | **133** |
| Balance at the end of current fiscal year | (12,204) | (12,335) | **814** | **8** |
| **Total valuation and translaiton adjustments** | | | | |
| Balance at the end of previous fiscal year | 254,792 | 261,020 | **103,407** | **1,052** |
| Changes in the current fiscal year: | | | | |
| Net changes, excluding foundation funds and surplus | 6,227 | (157,612) | **(137,588)** | **(1,400)** |
| Total changes in the current fiscal year | 6,227 | (157,612) | **(137,588)** | **(1,400)** |
| Balance at the end of current fiscal year | 261,020 | 103,407 | **(34,180)** | **(347)** |
| **Total net assets** | | | | |
| Balance at the end of previous fiscal year | 366,408 | 395,268 | **246,961** | **2,514** |
| Changes in the current fiscal year: | | | | |
| Financing of additional foundation funds | 40,000 | — | — | — |
| Additions to reserve for dividends to policyholders | (30,454) | (35,525) | **(31,868)** | **(324)** |
| Additions to accumulated foundation funds redeemed | 30,000 | — | — | — |
| Payment of interest on foundation funds | (531) | (716) | **(716)** | **(7)** |
| Payment of bonus to directors | (30) | — | — | — |
| Net surplus for the year | 43,502 | 45,385 | **56,863** | **578** |
| Redemption of foundation funds | (30,000) | — | — | — |
| Reversal of reserve for redemption of foundation funds | (30,000) | — | — | — |
| Reversal of revaluation reserve for land | 144 | 161 | **(13,098)** | **(133)** |
| Net changes, excluding foundation funds and surplus | 6,227 | (157,612) | **(137,588)** | **(1,400)** |
| Total changes in the current fiscal year | 28,860 | (148,307) | **(126,407)** | **(1,286)** |
| Balance at the end of current fiscal year | ¥395,268 | ¥ 246,961 | **¥ 120,553** | **$ 1,227** |

# Non-consolidated Statements of Surplus

Fukoku Mutual Life Insurance Company
For the years ended March 31, 2007, 2008 and 2009

| | Year ended March 31, | | | |
|---|---|---|---|---|
| | 2007 | 2008 | **2009** | **2009** |
| | Millions of yen | | | Millions of U.S. dollars |
| Unappropriated surplus | ¥53,771 | ¥55,671 | **¥56,660** | **$576** |
| Reversal of voluntary surplus reserve: | | | | |
| Reversal of reserve for advanced depreciation | | | | |
| of real estate for tax purpose | 23 | 8 | **7** | **0** |
| Reversal of reserve for directors' retirement | 2,770 | — | — | — |
| | 2,793 | 8 | **7** | **0** |
| Total | 56,565 | 55,679 | **56,667** | **576** |
| Appropriation of surplus: | | | | |
| Reserve for dividends to policyholders | 35,525 | 31,868 | **17,856** | **181** |
| Net surplus: | | | | |
| Legal reserve for future losses | 200 | 200 | **200** | **2** |
| Interest payment for foundation funds | 716 | 716 | **716** | **7** |
| Voluntary surplus reserve: | | | | |
| Reserve for redemption of foundation funds | 10,000 | 10,000 | **10,000** | **101** |
| | 10,916 | 10,916 | **10,916** | **111** |
| Total appropriation of surplus | 46,441 | 42,784 | **28,772** | **292** |
| Unappropriated surplus carried forward | ¥10,124 | ¥12,894 | **¥27,894** | **$283** |

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

# Notes to the Non-consolidated Financial Statements

## I. Presentation of the Non-consolidated Financial Statements

### 1. Basis of Presentation

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

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

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

### 2. U.S. Dollar Amounts

The translations of yen amounts into U.S. dollar amounts are included solely for the convenience of the reader and have been made, as a matter of arithmetical computation only, at the rate of ¥98.23 = US$1.00, the effective rate of exchange at the balance sheet date of March 31, 2009. The translations should not be construed as representations that such yen amounts have been or could in the future be, converted into U.S. dollars at that or any other rates.

## II. Notes to Balance Sheets

### 1. Significant Accounting Policies

*(1) Valuation methods of securities*

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

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

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

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

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

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

Available-for-sale securities 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, 2007, 2008 and 2009 were ¥784 million, ¥875 million and ¥852 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 as of March 31, 2007 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*

For the years ended March 31, 2007 and 2008, finance lease transactions that do not transfer ownership to the lessee were accounted for in a manner similar to accounting treatment for ordinary rental transactions.

For the year ended March 31, 2009, finance lease transactions that do not transfer ownership to the lessee whose commencement day was on or before March 31, 2008 continued to be accounted for in a manner similar to accounting treatment for ordinary rental transactions. For finance lease transaction where the Company is lessor, the lease fee was recorded in "interest, dividends and other income" and the amount after deduction of the amount equivalent to interest allocated over the lease term from lease fee was recorded in "other investment expenses" as the cost of the corresponding lease assets, at time of receiving lease fee.

### *(11) Accounting for hedge activities*

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

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

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

Deposits denominated in foreign currencies for which forward foreign exchange contracts are used to hedge the foreign currency fluctuations are translated at the contract rates if the forward contracts qualify for specific hedge accounting. In this case, exchange differences between 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 is amortized based on straight-line method over the estimated useful lives.

### *(15) Deferred assets*

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

### *(16) Policy-reserve-matching bonds*

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

The amounts of policy-reserve-matching bonds recorded on the balance sheets and the market value of these bonds were ¥540,923 million and ¥542,462 million as of March 31, 2007, ¥598,156 million and ¥612,619 million as of March 31, 2008 and ¥628,570 million (US$6,398million) and ¥644,212 million (US$ 6,558 million) as of March 31, 2009, respectively.

## 2. Changes in Accounting Policy

(1) Effective for the year ended March 31, 2009, the Company adopted "Accounting Standard for Lease Transactions" (ASBJ Statement No. 13 issued by the Accounting Standards Board of Japan on March 30, 2007). As a result, ordinary profits decreased by ¥2 million (US$20 thousand), compared to the previous methods.

(2) 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, 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.

(3) 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.

(4) 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.

(5) 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.

## 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 ¥11,332 million, ¥11,032 million and ¥10,749 million (US$109 million) as of March 31, 2007, 2008 and 2009, respectively.

i) The balances of credits to bankrupt borrowers were ¥443 million, ¥492 million and ¥471 million (US$4 million) as of March 31, 2007, 2008 and 2009, respectively.

ii) The balances of delinquent loans were ¥10,889 million, ¥10,539 million and ¥10,277 million (US$104 million) as of March 31, 2007, 2008 and 2009, respectively.

iii) There were no balances of delinquent loans past 3 months or more as of March 31, 2007, 2008 and 2009.

iv) There were no balances of restructured loans as of March 31, 2007, 2008 and 2009.

Credits to bankrupt borrowers represent loans, excluding the balances already written-off, which meet the conditions prescribed in Article 96 Paragraph 1 Item 3 and 4 of the Enforcement Regulations of the Corporate Tax Law. Moreover, accruing interest 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 ¥2 million, ¥87 million and ¥66 million (US$674 thousand) as of March 31, 2007, 2008 and 2009, respectively.

The direct write-offs related to loans decreased delinquent loans described above by ¥782 million, ¥787 million and ¥786 million (US$8 million) as of March 31, 2007, 2008 and 2009, respectively.

## 4. Accumulated Depreciation of Tangible Fixed Assets

Accumulated depreciation of tangible fixed assets totaled to ¥116,318 million, ¥122,527 million and ¥124,586 million (US$1,268 million) as of March 31, 2007, 2008 and 2009, respectively.

## 5. Separate Accounts

Total assets in separate accounts provided for in Article 118 of the Insurance Business Law were ¥131,182 million, ¥117,591 million and ¥113,498 million (US$1,155 million) as of March 31, 2007, 2008 and 2009, 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 ¥2,886 million and ¥1,933 million as of March 31, 2007, ¥3,642 million and ¥1,479 million as of March 31, 2008, and ¥3,579 million (US$36 million) and ¥1,281 million (US$13 million) as of March 31, 2009, respectively.

## 7. Monetary Claims to Directors

Monetary claims to directors as of March 31, 2007, 2008 and 2009 were ¥11 million, ¥16 million and ¥12 million (US$128 thousand), respectively.

## 8. Income Taxes

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.

Major components of deferred tax assets were ¥51,572 million of policy reserves, ¥18,194 million of reserve for employees' retirement benefits and ¥18,128 million of reserve for price fluctuation of securities and major component of deferred tax liabilities was ¥155,181 million of net unrealized gains on available-for-sale securities as of March 31, 2007.

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 difference between the statutory tax rate and the actual effective tax rate was (25.3%) of reserve for dividends to policyholders.

Deferred tax assets and deferred tax liabilities as of March 31, 2008 were ¥106,636 million and ¥67,693 million, respectively. Valuation allowance for deferred tax assets was ¥2,836 million.

Major components of deferred tax assets were ¥60,587 million of policy reserves, ¥19,521 million of reserve for price fluctuation of securities and ¥17,925 million of reserve for employees' retirement benefits and major component of deferred tax liabilities was ¥65,469 million of net unrealized gains on available-for-sale securities as of March 31, 2008.

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 difference between the statutory tax rate and the actual effective tax rate was (21.5%) of reserve for dividends to policyholders.

Deferred tax assets and deferred tax liabilities as of March 31, 2009 were ¥115,089 million (US$1,171 million) and ¥1,939 million (US$19 million), respectively. Valuation allowance for deferred tax assets was ¥2,727 million (US$27 million).

Major components of deferred tax assets were ¥57,150 million (US$581 million) of policy reserves, ¥20,136 million (US$204 million) of net unrealized losses of available-for-sale securities and ¥17,849 million (US$181 million) of reserve for employees' retirement benefits as of March 31, 2009.

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

## 9. Reserve for Dividends to Policyholders

Changes in reserve for dividends to policyholders were as follows:

| | Year ended March 31, | | | |
|---|---|---|---|---|
| | 2007 | 2008 | **2009** | **2009** |
| | | Millions of yen | | Millions of U.S. dollars |
| Balance at the end of previous fiscal year | ¥ 54,516 | ¥ 52,872 | **¥ 54,382** | **$ 553** |
| Transfer from surplus in previous fiscal year | 30,454 | 35,525 | **31,868** | **324** |
| Dividends paid in fiscal year | (32,149) | (34,216) | **(29,176)** | **(297)** |
| Increase in interest | 51 | 200 | **242** | **2** |
| Balance at the end of fiscal year | ¥ 52,872 | ¥ 54,382 | **¥ 57,317** | **$ 583** |

## 10. Stocks of Subsidiaries

The amounts of stocks of subsidiaries the Company held as of March 31, 2007, 2008 and 2009 were ¥2,828 million, ¥17,525 million and ¥27,525 million (US$280 million), respectively.

## 11. Pledged Assets and Secured Debts

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 of securities and ¥19 million of money held in trust. Secured debts as of March 31, 2008 was ¥4,660 million.

Assets pledged as collateral as of March 31, 2009 were ¥25,959 million (US$264 million) of securities. Secured debts as of March 31, 2009 was ¥4,645 million (US$47 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 ¥43 million, ¥31 million and ¥55 million (US$566 thousand) as of March 31, 2007, 2008 and 2009, 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 ¥32 million, ¥29 million and ¥30 million (US$309 thousand) as of March 31, 2007, 2008 and 2009, respectively.

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

Adjustment items for redemption of foundation funds and appropriation of net surplus defined in Article 30 Paragraph 2 of the Enforcement Regulation of the Insurance Business Law were ¥273,337 million, ¥115,855 million and ¥1,406 million (US$14 million) as of March 31, 2007, 2008 and 2009, 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, 2007, 2008 and 2009, there were unused commitment line agreements under which the Company is the lender of ¥1,581 million, ¥1,681 million and ¥1,481 million (US$15 million), respectively.

## 17. Subordinated Bonds

Repayments of subordinated bonds are subordinated to other obligations.

## 18. Subordinated Debt Loans

Repayments of subordinated debt loans as of March 31, 2007 are subordinated to other obligations.

## 19. Assets Denominated in Foreign Currencies

Assets denominated in foreign currencies as of March 31, 2007, 2008 and 2009 totaled to ¥672,918 million, ¥716,763 million and ¥463,674 million (US$4,720 million), respectively. The principal foreign currency asset amounts were 2,022 million euros and US$2,579 million as of March 31, 2007, 2,401 million euros and US$2,584 million as of March 31, 2008, and 1,551 million euros and US$2,465 million as of March 31, 2009, respectively.

Liabilities denominated in foreign currencies as of March 31, 2007, 2008 and 2009 totaled to ¥48,275 million, ¥48,542 million and ¥39,840 million (US$405 million), respectively. The foreign currency liability amounts as of March 31, 2007, 2008 and 2009 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 ¥285 million as of March 31, 2007. The contribution was charged as operating expenses in the year in which they were 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 ¥11,174 million, ¥11,302 million and ¥11,059 million (US$112 million) as of March 31, 2007, 2008 and 2009, respectively. The contributions were charged as operating expenses in the year in which they were paid.

## 22. Reserve for Employees' Retirement Benefits

(1) The reserve for employees' retirement benefits as of March 31, 2007, 2008 and 2009 were calculated as follows:

| | As of March 31, | | | |
|---|---|---|---|---|
| | 2007 | 2008 | **2009** | **2009** |
| | | Millions of yen | | Millions of U.S. dollars |
| a. Projected benefit obligation | ¥ (73,651) | ¥ (71,776) | **¥ (71,981)** | **$ (732)** |
| b. Fair value of pension plan assets | 21,438 | 18,307 | **15,016** | **152** |
| c. Unfunded benefit obligation (a+b) | (52,212) | (53,469) | **(56,965)** | **(579)** |
| d. Unrecognized actuarial differences | 1,722 | 3,758 | **7,499** | **76** |
| e. Unrecognized prior service cost | 241 | 206 | **172** | **1** |
| f. Reserve for employees' retirement benefits (c+d+e) | ¥ (50,248) | ¥ (49,504) | **¥ (49,293)** | **$ (501)** |

(2) Gross amount of retirement benefit expenses for the years ended March 31, 2007, 2008 and 2009 were as follows:

| | Year ended March 31, | | | |
|---|---|---|---|---|
| | 2007 | 2008 | **2009** | **2009** |
| | Millions of yen | | | Millions of U.S. dollars |
| Service cost | ¥ 3,472 | ¥ 3,400 | **¥ 3,218** | **$ 32** |
| Interest cost | 1,470 | 1,472 | **1,434** | **14** |
| Expected return on plan assets | (792) | (964) | **(640)** | **(6)** |
| Recognized actuarial differences | 502 | 523 | **779** | **7** |
| Amortization of prior service cost | 34 | 34 | **34** | **0** |
| | ¥ 4,687 | ¥ 4,465 | **¥ 4,826** | **$ 49** |

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

| | Year ended March 31, | | |
|---|---|---|---|
| | 2007 | 2008 | **2009** |
| Method of attributing the projected benefits to periods of service | Straight-line basis | Straight-line basis | **Straight-line basis** |
| Discount rate | 2.0% | 2.0% | **2.0%** |
| Expected rate of return on pension plan assets | 4.0% | 4.5% | **3.5%** |
| Recognition period of actuarial differences | 10 years | 10 years | **10 years** |
| Amortization period of prior service cost | 10 years | 10 years | **10 years** |

## III. Notes to Statements of Operations

### 1. 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 ¥516 million and ¥7,811 million for the year ended March 31, 2007, ¥694 million and ¥8,023 million for the year ended March 31, 2008, and ¥1,032 million (US$10 million) and ¥7,170 million (US$72 million) for the year ended March 31, 2009, respectively.

### 3. Gains on Sales of Securities

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

| | Year ended March 31, | | | |
|---|---|---|---|---|
| | 2007 | 2008 | **2009** | **2009** |
| | Millions of yen | | | Millions of U.S. dollars |
| Domestic bonds | ¥ 93 | ¥ 2,722 | **¥ 29,312** | **$ 298** |
| Domestic stocks and other | 15,033 | 11,566 | **17,176** | **174** |
| Foreign securities | 2,697 | 6,743 | **5,002** | **50** |

## 4. Losses on Sales of Securities

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

| | Year ended March 31, | | | |
|---|---|---|---|---|
| | 2007 | 2008 | **2009** | **2009** |
| | | Millions of yen | | Millions of U.S. dollars |
| Domestic bonds | ¥ 9,232 | ¥ 4,720 | **¥ 2,427** | **$ 24** |
| Domestic stocks and other | 1,739 | 7,182 | **43,679** | **444** |
| Foreign securities | 197 | 3,608 | **49,363** | **502** |

## 5. Losses on Valuation of Securities

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

| | Year ended March 31, | | | |
|---|---|---|---|---|
| | 2007 | 2008 | **2009** | **2009** |
| | | Millions of yen | | Millions of U.S. dollars |
| Domestic stocks and other | ¥1,296 | ¥1,949 | **¥21,507** | **$218** |
| Foreign securities | — | 782 | **3,761** | **38** |

## 6. Policy Reserves for the Reinsurance Contracts

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 and reversal of policy reserve for ceded reinsurance considered in calculation of provision for policy reserve was ¥2 million.

For the year ended March 31, 2009, provision for reserve for outstanding claims for ceded reinsurance considered in calculation of provision for reserve for outstanding claims was ¥24 million (US$248 thousand) and provision for policy reserve for ceded reinsurance considered in calculation of reversal of policy reserve was ¥0 million (US$5 thousand).

## 7. Gains / Losses from Trading Securities

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

| | Year ended March 31, | | | |
|---|---|---|---|---|
| | 2007 | 2008 | **2009** | **2009** |
| | | Millions of yen | | Millions of U.S. dollars |
| Interest, dividends and other income | ¥ 5,706 | ¥ 3,798 | **¥ 2,645** | **$ 26** |
| Gains / (Losses) on sales of trading securities | 5,702 | 1,920 | **734** | **7** |
| Gains / (Losses) on valuation of trading securities | 1,357 | (4,006) | **(6,724)** | **(68)** |

## 8. Gains / Losses from Money Held in Trust

Gains / losses from money held in trust for the years ended March 31, 2007, 2008 and 2009 included valuation losses of ¥1,945 million, valuation losses of ¥5,701 million and valuation gains of ¥520 million (US$5 million), respectively.

## 9. Losses from derivative Instruments

Losses from derivative instruments for the years ended March 31, 2007, 2008 and 2009 included valuation losses of ¥513 million, valuation gains of ¥95 million and valuation losses of ¥6,298 million (US$64 million), respectively.

## 10. Impairment of Fixed Assets

For the year ended March 31, 2009, impairment losses of fixed assets was as follows:

### *(1) Method of grouping*

Real estate and other assets used for insurance business operations are classified as one asset group as a whole. Other assets such as 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 decline of market value of land, the Company reduced the book value of lease property and unused real estate to recoverable amount. The amounts reduced were recognized as impairment losses included in extraordinary losses.

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

| | 2009 | |
|---|---|---|
| | Millions of yen | Millions of U.S. dollars |
| Lease property: | | |
| Land | ¥205 | $2 |
| Buildings and others | 40 | 0 |
| Total lease property (i) | 245 | 2 |
| Unused real estate: | | |
| Land | 55 | 0 |
| Buildings and others | 213 | 2 |
| Total unused lease property (ii) | 269 | 2 |
| Total: | | |
| Land | 260 | 2 |
| Buildings and others | 254 | 2 |
| Total (i)+(ii) | ¥514 | $5 |

### *(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 sheet of Fukoku Mutual Life Insurance Company as of March 31, 2007, 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 audit.

We conducted our audit 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 audit provides 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, 2007, and the non-consolidated results of its operations for the year then ended in conformity with accounting principles generally accepted in Japan.

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 sheets of Fukoku Mutual Life Insurance Company as of March 31, 2008 and 2009, and the related non-consolidated statements of operations, surplus and changes in net assets for the years then ended, all expressed in Japanese yen. These non-consolidated financial statements are the responsibility of the Company's management. Our responsibility is to independently express an opinion on these non-consolidated financial statements based on our audits.

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

In our opinion, the non-consolidated financial statements referred to above present fairly, in all material respects, the non-consolidated financial position of Fukoku Mutual Life Insurance Company as of March 31, 2008 and 2009, and the non-consolidated results of their operations for the years then ended in conformity with accounting principles generally accepted in Japan.

The amounts expressed in U.S. dollars, which are provided solely for the convenience of the reader, have been translated on the basis set forth in Note I. 2 to the accompanying non-consolidated financial statements with respect to the year ended March 31, 2009.

Tokyo, Japan
May 19, 2009

Kisaragi Audit Corporation

Kisaragi Audit Corporation

# Consolidated Balance Sheets

Fukoku Mutual Life Insurance Company and consolidated subsidiaries
As of March 31, 2007, 2008 and 2009

| | As of March 31, | | | |
|---|---|---|---|---|
| | 2007 | 2008 | **2009** | **2009** |
| | | Millions of yen | | Millions of U.S. dollars |
| **Assets:** | | | | |
| Cash and deposits | ¥ 65,223 | ¥ 52,963 | **¥ 68,692** | **$ 699** |
| Call loans | 96,400 | 125,500 | **183,600** | **1,869** |
| Monetary claims bought | 2,865 | 2,533 | **2,055** | **20** |
| Money held in trust | 102,186 | 57,527 | **33,053** | **336** |
| Securities | 4,107,183 | 4,019,758 | **3,760,762** | **38,285** |
| Loans | 1,266,226 | 1,233,951 | **1,240,369** | **12,627** |
| Tangible fixed assets: | | | | |
| Land | 103,200 | 106,720 | **141,825** | **1,443** |
| Buildings | 97,436 | 94,499 | **99,014** | **1,007** |
| Construction in progress | 819 | 759 | **5,457** | **55** |
| Other tangible fixed assets | 5,110 | 4,171 | **3,944** | **40** |
| | 206,565 | 206,150 | **250,242** | **2,547** |
| Intangible fixed assets: | | | | |
| Software | 7,890 | 8,285 | **7,856** | **79** |
| Goodwill | — | 7,447 | **7,087** | **72** |
| Other intangible fixed assets | 453 | 456 | **454** | **4** |
| | 8,343 | 16,189 | **15,398** | **156** |
| Agency receivables | — | 1 | **2** | **0** |
| Reinsurance receivables | 52 | 123 | **127** | **1** |
| Other assets | 49,575 | 61,148 | **56,693** | **577** |
| Deferred tax assets | 190 | 36,769 | **110,604** | **1,125** |
| Allowance for possible loan losses | (9,648) | (10,189) | **(11,436)** | **(116)** |
| **Total assets** | ¥5,895,164 | ¥5,802,427 | **¥5,710,164** | **$58,130** |

See notes to the consolidated financial statements.

## Consolidated Balance Sheets (Continued)

| | As of March 31, | | | |
|---|---|---|---|---|
| | 2007 | 2008 | **2009** | **2009** |
| | Millions of yen | | | Millions of U.S. dollars |
| **Liabilities:** | | | | |
| Policy reserves: | | | | |
| Reserve for outstanding claims | ¥ 28,371 | ¥ 27,073 | **¥ 28,855** | **$ 293** |
| Policy reserve | 5,108,013 | 5,252,471 | **5,327,274** | **54,232** |
| Reserve for dividends to policyholders | 52,872 | 55,063 | **57,317** | **583** |
| Reserve for dividends to policyholders (subsidiary) | — | — | **533** | **5** |
| | 5,189,257 | 5,334,607 | **5,413,981** | **55,115** |
| Agency payables | 2 | 51 | **1,208** | **12** |
| Reinsurance payables | 74 | 138 | **113** | **1** |
| Subordinated bonds | 47,092 | 47,362 | **38,870** | **395** |
| Other liabilities | 76,521 | 45,293 | **40,730** | **414** |
| Reserve for employees' retirement benefits | 50,260 | 49,519 | **49,313** | **502** |
| Reserve for directors' and corporate auditors' retirement benefits | 573 | 27 | **—** | **—** |
| Reserve for price fluctuation of securities | 50,066 | 54,022 | **24,772** | **252** |
| Deferred tax liabilities | 63,856 | 0 | **0** | **0** |
| Deferred tax liabilities for revaluation reserve for land | 20,199 | 20,076 | **20,026** | **203** |
| **Total liabilities** | 5,497,903 | 5,551,101 | **5,589,016** | **56,897** |
| **Net assets:** | | | | |
| Foundation funds | 40,000 | 40,000 | **40,000** | **407** |
| Accumulated foundation funds redeemed | 31,000 | 31,000 | **31,000** | **315** |
| Reserve for revaluation | 112 | 112 | **112** | **1** |
| Consolidated surplus | 64,559 | 74,369 | **83,365** | **848** |
| Total foundation funds and surplus | 135,671 | 145,481 | **154,477** | **1,572** |
| Net unrealized gains (losses) on available-for-sale securities, net of tax | 273,382 | 115,335 | **(36,210)** | **(368)** |
| Deferred valuation gains (losses) under hedge accounting | (152) | 408 | **479** | **4** |
| Revaluation reserve for land, net of tax | (12,204) | (12,335) | **814** | **8** |
| Foreign currency translation adjustment | 53 | (3) | **(667)** | **(6)** |
| Total valuation and translation adjustments | 261,079 | 103,405 | **(35,584)** | **(362)** |
| Minority interests | 511 | 2,438 | **2,254** | **22** |
| **Total net assets** | 397,261 | 251,325 | **121,147** | **1,233** |
| **Total liabilities and net assets** | ¥5,895,164 | ¥5,802,427 | **¥5,710,164** | **$58,130** |

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, 2007, 2008 and 2009

| | Year ended March 31, | | | |
|---|---|---|---|---|
| | 2007 | 2008 | **2009** | **2009** |
| | Millions of yen | | | Millions of U.S. dollars |
| **Ordinary revenues:** | | | | |
| Premium and other income | ¥721,935 | ¥736,468 | **¥781,963** | **$7,960** |
| Investment income: | | | | |
| Interest, dividends and other income | 106,296 | 122,744 | **117,035** | **1,191** |
| Gains from money held in trust, net | 3,867 | — | **—** | **—** |
| Gains from trading securities, net | 13,025 | 1,827 | **—** | **—** |
| Gains on sales of securities | 17,823 | 21,031 | **52,184** | **531** |
| Gains on redemption of securities | 26 | — | **—** | **—** |
| Other investment income | 365 | 373 | **212** | **2** |
| Gains from separate accounts, net | 5,813 | — | **—** | **—** |
| | 147,219 | 145,977 | **169,432** | **1,724** |
| Other ordinary revenues | 20,687 | 25,375 | **23,506** | **239** |
| **Total ordinary revenues** | 889,842 | 907,821 | **974,902** | **9,924** |
| **Ordinary expenditures:** | | | | |
| Claims and other payments: | | | | |
| Claims | 185,009 | 235,444 | **207,944** | **2,116** |
| Annuities | 71,522 | 76,212 | **89,662** | **912** |
| Benefits | 133,961 | 144,598 | **152,251** | **1,549** |
| Surrenders | 106,851 | 120,386 | **114,574** | **1,166** |
| Other payments | 22,312 | 25,284 | **40,503** | **412** |
| | 519,657 | 601,926 | **604,936** | **6,158** |
| Provision for policy reserve and others: | | | | |
| Provision for reserve for outstanding claims | 898 | — | **1,782** | **18** |
| Provision for policy reserve | 156,575 | 73,766 | **74,803** | **761** |
| Interest on accumulated dividends to policyholders | 51 | 200 | **242** | **2** |
| Interest on accumulated dividends to policyholders (subsidiary) | — | — | **0** | **0** |
| | 157,525 | 73,967 | **76,829** | **782** |
| Investment expenses: | | | | |
| Interest expenses | 2,342 | 2,466 | **1,974** | **20** |
| Losses from money held in trust, net | — | 6,244 | **3,913** | **39** |
| Losses from trading securities, net | — | — | **3,343** | **34** |
| Losses on sales of securities | 11,168 | 15,511 | **96,043** | **977** |
| Losses on valuation of securities | 1,296 | 2,731 | **25,556** | **260** |
| Losses from derivative instruments, net | 4,353 | 961 | **110** | **1** |
| Foreign exchange losses, net | 995 | 445 | **2,348** | **23** |
| Provision for allowance for possible loan losses | 6,830 | 746 | **1,292** | **13** |
| Depreciation of real estate for rent and other assets | 4,383 | 4,753 | **4,226** | **43** |
| Other investment expenses | 4,175 | 5,224 | **5,923** | **60** |
| Losses from separate accounts, net | — | 19,765 | **25,086** | **255** |
| | 35,546 | 58,850 | **169,818** | **1,728** |
| Operating expenses | 90,405 | 88,775 | **95,922** | **976** |
| Other ordinary expenditures | 25,446 | 25,031 | **26,226** | **266** |
| **Total ordinary expenditures** | 828,580 | 848,550 | **973,732** | **9,912** |
| **Ordinary profits** | 61,261 | 59,270 | **1,169** | **11** |

## Consolidated Statements of Operations (Continued)

| | Year ended March 31, 2007 | 2008 | 2009 | 2009 |
|---|---|---|---|---|
| | Millions of yen | | | Millions of U.S. dollars |
| **Extraordinary gains:** | | | | |
| Gains on disposal of fixed assets | ¥ 46 | ¥ 42 | ¥41,724 | $424 |
| Reversal of reserve for price fluctuation of securities | — | — | 29,249 | 297 |
| Other extraordinary gains | — | 3 | — | — |
| **Total extraordinary gains** | 46 | 46 | 70,974 | 722 |
| **Extraordinary losses:** | | | | |
| Losses on disposal of fixed assets | 1,026 | 243 | 904 | 9 |
| Impairment losses | 466 | 398 | 514 | 5 |
| Provision for reserve for directors' and corporate auditors' retirement benefits | 547 | — | — | — |
| Provision for reserve for price fluctuation of securities | 7,468 | 3,845 | — | — |
| Other extraordinary losses | — | 6 | 8 | 0 |
| **Total extraordinary losses** | 9,508 | 4,493 | 1,427 | 14 |
| **Provision for reserve for dividends to policyholders (subsidiary)** | — | — | 276 | 2 |
| **Surplus before income taxes** | 51,799 | 54,823 | 70,440 | 717 |
| **Income taxes:** | | | | |
| Current | 18,359 | 19,412 | 4,123 | 41 |
| Deferred | (10,525) | (10,647) | 11,970 | 121 |
| **Total income taxes** | 7,833 | 8,765 | 16,094 | 163 |
| **Minority interests** | 72 | 167 | (332) | (3) |
| **Net surplus for the year** | ¥ 43,893 | ¥ 45,890 | ¥54,678 | $556 |

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, 2008 and 2009

| | Year ended March 31, | | | |
|---|---|---|---|---|
| | 2007 | 2008 | **2009** | **2009** |
| | | Millions of yen | | Millions of U.S. dollars |
| **Foundation funds and surplus:** | | | | |
| **Foundation funds** | | | | |
| Balance at the end of previous fiscal year | ¥ 30,000 | ¥ 40,000 | **¥ 40,000** | **$ 407** |
| Changes in the current fiscal year: | | | | |
| Financing of additional foundation funds | 40,000 | — | — | — |
| Redemption of foundation funds | (30,000) | — | — | — |
| Total changes in the current fiscal year | 10,000 | — | — | — |
| Balance at the end of current fiscal year | 40,000 | 40,000 | **40,000** | **407** |
| **Accumulated foundation funds redeemed** | | | | |
| Balance at the end of previous fiscal year | 1,000 | 31,000 | **31,000** | **315** |
| Changes in the current fiscal year: | | | | |
| Additions to accumulated foundation funds redeemed | 30,000 | — | — | — |
| Total changes in the current fiscal year | 30,000 | — | — | — |
| Balance at the end of current fiscal year | 31,000 | 31,000 | **31,000** | **315** |
| **Reserve for revaluation** | | | | |
| Balance at the end of previous fiscal year | 112 | 112 | **112** | **1** |
| Changes in the current fiscal year: | | | | |
| Total changes in the current fiscal year | — | — | — | — |
| Balance at the end of current fiscal year | 112 | 112 | **112** | **1** |
| **Consolidated surplus** | | | | |
| Balance at the end of previous fiscal year | 81,488 | 64,559 | **74,369** | **757** |
| Changes in the current fiscal year: | | | | |
| Additions to reserve for dividends to policyholders | (30,406) | (35,525) | **(31,868)** | **(324)** |
| Payment of interest on foundation funds | (531) | (716) | **(716)** | **(7)** |
| Payment of bonus to directors | (30) | — | — | — |
| Net surplus for the year | 43,893 | 45,890 | **54,678** | **556** |
| Reversal of reserve for redemption of foundation funds | (30,000) | — | — | — |
| Reversal of revaluation reserve for land | 144 | 161 | **(13,098)** | **(133)** |
| Total changes in the current fiscal year | (16,929) | 9,810 | **8,995** | **91** |
| Balance at the end of current fiscal year | 64,559 | 74,369 | **83,365** | **848** |
| **Total foundation funds and surplus** | | | | |
| Balance at the end of previous fiscal year | 112,600 | 135,671 | **145,481** | **1,481** |
| Changes in the current fiscal year: | | | | |
| Financing of additional foundation funds | 40,000 | — | — | — |
| Additions to reserve for dividends to policyholders | (30,406) | (35,525) | **(31,868)** | **(324)** |
| Additions to accumulated foundation funds redeemed | 30,000 | — | — | — |
| Payment of interest on foundation funds | (531) | (716) | **(716)** | **(7)** |
| Payment of bonus to directors | (30) | — | — | — |
| Net surplus for the year | 43,893 | 45,890 | **54,678** | **556** |
| Redemption of foundation funds | (30,000) | — | — | — |
| Reversal of reserve for redemption of foundation funds | (30,000) | — | — | — |
| Reversal of revaluation reserve for land | 144 | 161 | **(13,098)** | **(133)** |
| Total changes in the current fiscal year | 23,070 | 9,810 | **8,995** | **91** |
| Balance at the end of current fiscal year | 135,671 | 145,481 | **154,477** | **1,572** |

## Consolidated Statement of Changes in Net Assets (Continued)

| | 2007 | 2008 | 2009 | 2009 |
|---|---|---|---|---|
| | Millions of yen | | | Millions of U.S. dollars |
| **Valuation and translation adjustments:** | | | | |
| **Net unrealized gains (losses) on available-for-sale securities, net of tax** | | | | |
| Balance at the end of previous fiscal year | 249,554 | 273,382 | **115,335** | **1,174** |
| Changes in the current fiscal year: | | | | |
| Net changes, excluding foundation funds and surplus | 23,828 | (158,046) | **(151,546)** | **(1,542)** |
| Total changes in the current fiscal year | 23,828 | (158,046) | **(151,546)** | **(1,542)** |
| Balance at the end of current fiscal year | 273,382 | 115,335 | **(36,210)** | **(368)** |
| **Deferred valuation gains (losses) under hedge accounting** | | | | |
| Balance at the end of previous fiscal year | — | (152) | **408** | **4** |
| Changes in the current fiscal year: | | | | |
| Net changes, excluding foundation funds and surplus | (152) | 560 | **70** | **0** |
| Total changes in the current fiscal year | (152) | 560 | **70** | **0** |
| Balance at the end of current fiscal year | (152) | 408 | **479** | **4** |
| **Revaluation reserve for land, net of tax** | | | | |
| Balance at the end of previous fiscal year | 5,244 | (12,204) | **(12,335)** | **(125)** |
| Changes in the current fiscal year: | | | | |
| Net changes, excluding foundation funds and surplus | (17,449) | (130) | **13,149** | **133** |
| Total changes in the current fiscal year | (17,449) | (130) | **13,149** | **133** |
| Balance at the end of current fiscal year | (12,204) | (12,335) | **814** | **8** |
| **Foreign currency translation adjustment** | | | | |
| Balance at the end of previous fiscal year | (101) | 53 | **(3)** | **(0)** |
| Changes in the current fiscal year: | | | | |
| Net changes, excluding foundation funds and surplus | 154 | (56) | **(663)** | **(6)** |
| Total changes in the current fiscal year | 154 | (56) | **(663)** | **(6)** |
| Balance at the end of current fiscal year | 53 | (3) | **(667)** | **(6)** |
| **Total valuation and translaiton adjustments** | | | | |
| Balance at the end of previous fiscal year | 254,697 | 261,079 | **103,405** | **1,052** |
| Changes in the current fiscal year: | | | | |
| Net changes, excluding foundation funds and surplus | 6,381 | (157,673) | **(138,989)** | **(1,414)** |
| Total changes in the current fiscal year | 6,381 | (157,673) | **(138,989)** | **(1,414)** |
| Balance at the end of current fiscal year | 261,079 | 103,405 | **(35,584)** | **(362)** |
| **Minority interests** | | | | |
| Balance at the end of previous fiscal year | 468 | 511 | **2,438** | **24** |
| Changes in the current fiscal year: | | | | |
| Net changes, excluding foundation funds and surplus | 42 | 1,927 | **(184)** | **(1)** |
| Total changes in the current fiscal year | 42 | 1,927 | **(184)** | **(1)** |
| Balance at the end of current fiscal year | 511 | 2,438 | **2,254** | **22** |
| **Total net assets** | | | | |
| Balance at the end of previous fiscal year | 367,767 | 397,261 | **251,325** | **2,558** |
| Changes in the current fiscal year: | | | | |
| Financing of additional foundation funds | 40,000 | — | **—** | **—** |
| Additions to reserve for dividends to policyholders | (30,406) | (35,525) | **(31,868)** | **(324)** |
| Additions to accumulated foundation funds redeemed | 30,000 | — | **—** | **—** |
| Payment of interest on foundation funds | (531) | (716) | **(716)** | **(7)** |
| Payment of bonus to directors | (30) | — | **—** | **—** |
| Net surplus for the year | 43,893 | 45,890 | **54,678** | **556** |
| Redemption of foundation funds | (30,000) | — | **—** | **—** |
| Reversal of reserve for redemption of foundation funds | (30,000) | — | **—** | **—** |
| Reversal of revaluation reserve for land | 144 | 161 | **(13,098)** | **(133)** |
| Net changes, excluding foundation funds and surplus | 6,423 | (155,746) | **(139,173)** | **(1,416)** |
| Total changes in the current fiscal year | 29,494 | (145,935) | **(130,177)** | **(1,325)** |
| Balance at the end of current fiscal year | ¥ 397,261 | ¥ 251,325 | **¥ 121,147** | **$ 1,233** |

Year ended March 31,

# Consolidated Statements of Cash Flows

Fukoku Mutual Life Insurance Company and consolidated subsidiaries
For the years ended March 31, 2007, 2008 and 2009

| | Year ended March 31, | | | |
|---|---|---|---|---|
| | 2007 | 2008 | **2009** | **2009** |
| | Millions of yen | | | Millions of U.S. dollars |
| **Cash flows from operating activities:** | | | | |
| Surplus before income taxes | ¥ 51,799 | ¥ 54,823 | **¥ 70,440** | **$ 717** |
| Depreciation of real estate for rent and other assets | 4,383 | 4,753 | **4,226** | **43** |
| Depreciation | 6,118 | 6,182 | **5,741** | **58** |
| Impairment losses | 466 | 398 | **514** | **5** |
| Amortization of goodwill | — | — | **744** | **7** |
| Increase (Decrease) in reserve for outstanding claims | 898 | (1,955) | **1,782** | **18** |
| Increase (Decrease) in policy reserve | 156,575 | 73,766 | **74,803** | **761** |
| Interest on accumulated dividends to policyholders | 51 | 200 | **242** | **2** |
| Interest on accumulated dividends to policyholders (subsidiary) | — | — | **0** | **0** |
| Provision for reserve for dividends to policyholders (subsidiary) | — | — | **276** | **2** |
| Increase (Decrease) in allowance for possible loan losses | 6,830 | 746 | **1,246** | **12** |
| Increase (Decrease) in reserve for employees' retirement benefits | (1,216) | (740) | **(206)** | **(2)** |
| Increase (Decrease) in reserve for directors' and corporate auditors' retirement benefits | — | — | **(27)** | **(0)** |
| Increase (Decrease) in reserve for price fluctuation of securities | 7,468 | 3,845 | **(29,249)** | **(297)** |
| Interest, dividends and other income | (106,296) | (122,744) | **(117,035)** | **(1,191)** |
| (Gains) Losses on securities | (23,739) | 22,354 | **101,869** | **1,037** |
| Interest expenses | 2,342 | 2,466 | **1,974** | **20** |
| Foreign exchange (gains) losses, net | 995 | 445 | **2,348** | **23** |
| (Gains) Losses on tangible fixed assets | 980 | 200 | **(40,820)** | **(415)** |
| (Increase) Decrease in agency receivables | — | — | **(0)** | **(0)** |
| (Increase) Decrease in reinsurance receivables | 55 | (67) | **(3)** | **(0)** |
| (Increase) Decrease in other assets | (3,307) | (767) | **(3,158)** | **(32)** |
| Increase (Decrease) in agency payables | 2 | 0 | **1,156** | **11** |
| Increase (Decrease) in reinsurance payables | (10) | 28 | **(25)** | **(0)** |
| Increase (Decrease) in other liabilities | 1,777 | (676) | **(964)** | **(9)** |
| Others | 3,479 | 4,762 | **22,152** | **225** |
| Subtotal | 109,653 | 48,023 | **98,027** | **997** |
| Interest, dividends and other income received | 108,523 | 124,359 | **125,583** | **1,278** |
| Interest paid | (2,230) | (2,422) | **(2,136)** | **(21)** |
| Dividends to policyholders paid | (32,101) | (34,216) | **(29,176)** | **(297)** |
| Dividends to policyholders paid (subsidiary) | — | — | **(423)** | **(4)** |
| Corporate income tax paid | (15,594) | (20,374) | **(20,125)** | **(204)** |
| Net cash provided by (used in) operating activities (I) | 168,251 | 115,369 | **171,748** | **1,748** |
| **Cash flows from investing activities:** | | | | |
| (Increase) Decrease in deposits | (412) | 184 | **(289)** | **(2)** |
| Proceeds from sales and redemption of monetary claims bought | 201 | 332 | **477** | **4** |
| Payments for increase in money held in trust | (14,582) | (6,000) | **(12,297)** | **(125)** |
| Proceeds from decrease in money held in trust | 12,017 | 44,448 | **32,932** | **335** |
| Payments for purchase of securities | (1,459,246) | (1,101,919) | **(1,587,041)** | **(16,156)** |
| Proceeds from sales and redemption of securities | 1,345,372 | 964,247 | **1,504,934** | **15,320** |
| Payments for additions to loans | (331,387) | (264,882) | **(181,269)** | **(1,845)** |
| Proceeds from collections of loans | 317,902 | 300,943 | **160,153** | **1,630** |
| Proceeds from settlement of derivative | (3,839) | (1,067) | **1,160** | **11** |
| Others | (3,087) | (4,086) | **(2,856)** | **(29)** |
| Subtotal (IIa) | (137,061) | (67,798) | **(84,094)** | **(856)** |
| (I+IIa) | 31,189 | 47,570 | **87,653** | **892** |

## Consolidated Statements of Cash Flows (Continued)

| | Year ended March 31, | | | |
|---|---|---|---|---|
| | 2007 | 2008 | **2009** | **2009** |
| | | Millions of yen | | Millions of U.S. dollars |
| Payments for purchase of tangible fixed assets | (17,621) | (10,933) | **(67,428)** | **(686)** |
| Proceeds from sales of tangible fixed assets | 277 | 387 | **58,176** | **592** |
| Payments for purchase of intangible fixed assets | — | (1,949) | **(1,982)** | **(20)** |
| Proceeds from sales of intangible fixed assets | — | 0 | **2** | **0** |
| Acquisition of subsidiary, net of cash acquired | — | (11,729) | **—** | **—** |
| Net cash provided by (used in) investing activities | (154,405) | (92,023) | **(95,327)** | **(970)** |
| **Cash flows from financing activities:** | | | | |
| Repayment of subordinated dept loans | — | (5,000) | **—** | **—** |
| Financing of additional foundation funds | 40,000 | — | **—** | **—** |
| Redemption of foundation funds | (30,000) | — | **—** | **—** |
| Interest payment for foundation funds | (531) | (716) | **(716)** | **(7)** |
| Dividends paid to minority interests | (30) | (52) | **(52)** | **(0)** |
| Net cash provided by (used in) financing activities | 9,439 | (5,768) | **(768)** | **(7)** |
| Effect of exchange rate changes on cash and cash equivalents | (952) | (546) | **(1,983)** | **(20)** |
| Net increase (decrease) in cash and cash equivalents | 22,332 | 17,031 | **73,669** | **749** |
| Cash and cash equivalents at the beginning of the year | 138,592 | 160,924 | **177,956** | **1,811** |
| Cash and cash equivalents at the end of the year | ¥ 160,924 | ¥177,956 | **¥251,626** | **$2,561** |

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 ¥98.23 = US$1.00, the effective rate of exchange at the balance sheet date of March 31, 2009. The translations should not be construed as representations that such yen amounts have been or could in the future be, converted into U.S. dollars at that or any other rates.

### 3. Principles of Consolidation

#### *(1) Scope of consolidation*

Consolidated subsidiaries for the year ended March 31, 2009 are listed below:

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

Fukokushinrai Life Insurance Company, whose shares were acquired by the Company on January 31, 2008, has been consolidated as a consolidated subsidiary since the year ended March 31, 2008.

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, 2007, 2008 and 2009.

### *(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 goodwill*

For the year ended March 31, 2007, goodwill was charged to operating expenses.

For the years ended March 31, 2008 and 2009, goodwill was amortized by the straight-line method over a period of 10 years and in case of the immaterial amount of goodwill, such amount is fully charged to operating expenses when incurred.

# II. Notes to Balance Sheets

## 1. Significant Accounting Policies

### *(1) Valuation methods of securities*

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

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

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

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

iv) Investments in 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, 2007, 2008 and 2009 were ¥784 million, ¥958 million and ¥941 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 Council dated June 16, 1998) and account for the reserve for employees' retirement benefits based on the projected benefit obligation and plan assets at the balance sheet date.

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

The Company's reserve for directors' and corporate auditors' retirement benefits as of March 31, 2007 represents the estimated amounts to be paid due to abolishing internal rule of retirement benefit plan in relation to directors and corporate auditors.

Reserve for directors' and corporate auditors' retirement benefits of the consolidated subsidiaries as of March 31, 2007 and 2008 represents the estimated amounts to be recognized to have accrued at the end of the fiscal year.

### *(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*

For the years ended March 31, 2007 and 2008, the Company's finance lease transactions that do not transfer ownership to the lessee were accounted for in a manner similar to accounting treatment for ordinary rental transactions.

For the year ended March 31, 2009, finance lease transactions that do not transfer ownership to the lessee whose commencement day was on or before March 31, 2008 continued to be accounted for in a manner similar to accounting treatment for ordinary rental transactions. For finance lease transaction where the Company is lessor, the lease fee was recorded in "interest, dividends and other income" and the amount after deduction of the amount equivalent to interest allocated over the lease term from lease fee was recorded in "other investment expenses" as the cost of the corresponding lease assets, at time of receiving lease fee.

### *(11) Accounting for hedge activities*

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

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

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

Deposits denominated in foreign currencies for which forward foreign exchange contracts are used to hedge the foreign currency fluctuations are translated at the contract rates if the forward contracts qualify for specific hedge accounting. In this case, exchange differences between 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 is amortized based on straight-line method over the estimated useful lives.

### *(15) Deferred assets*

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

### *(16) Policy-reserve-matching bonds*

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

The amounts of policy-reserve-matching bonds recorded on the balance sheets and the market value of these bonds were ¥540,923 million and ¥542,462 million as of March 31, 2007, ¥598,156 million and ¥612,619 million as of March 31, 2008 and ¥721,357 million (US$7,343 million) and ¥737,056 million (US$7,503 million) as of March 31, 2009, respectively.

## 2. Changes in Accounting Policy

(1) Effective for the year ended March 31, 2009, the Company adopted "Accounting Standard for Lease Transactions" (ASBJ Statement No. 13 issued by the Accounting Standards Board of Japan on March 30, 2007). As a result, ordinary profits decreased by ¥2 million (US$20 thousand), compared to the previous methods.

(2) Effective for the year ended March 31, 2009, the Company adopted "Practical Solution on Unification of Accounting Policies Applied to Foreign Subsidiaries for Consolidated Financial Statements" (ASBJ PITF No.18 issued by the Accounting Standards Board of Japan on May 17, 2006). There was no effect of this change on the income.

(3) 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 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.

(4) 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.

(5) 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.

(6) 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.

## 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 ¥11,332 million, ¥10,979 million and ¥10,712 million (US$109 million) as of March 31, 2007, 2008 and 2009, respectively.

i) The balances of credits to bankrupt borrowers were ¥443 million, ¥477 million and ¥435 million (US$4 million) as of March 31, 2007, 2008 and 2009, respectively.

ii) The balances of delinquent loans were ¥10,889 million, ¥10,502 million and ¥10,277 million (US$104 million) as of March 31, 2007, 2008 and 2009, respectively.

iii) There were no balances of delinquent loans past 3 months or more as of March 31, 2007, 2008 and 2009.

iv) There were no balances of restructured loans as of March 31, 2007, 2008 and 2009.

Credits to bankrupt borrowers represent loans, excluding the balances already written-off, which meet the conditions prescribed in Article 96 Paragraph 1 Item 3 and 4 of the Enforcement Regulations of the Corporate Tax Law. Moreover, accruing interest 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 ¥2 million, ¥102 million and ¥102 million (US$1 million) as of March 31, 2007, 2008 and 2009, respectively.

The direct write-offs related to loans decreased delinquent loans described above by ¥782 million, ¥824 million and ¥786 million (US$8 million) as of March 31, 2007, 2008 and 2009, respectively.

## 4. Accumulated Depreciation of Tangible Fixed Assets

Accumulated depreciation of tangible fixed assets totaled to ¥116,397 million, ¥122,670 million and ¥124,761 million (US$1,270 million) as of March 31, 2007, 2008 and 2009, respectively.

## 5. Separate Accounts

Total assets in separate accounts provided for in Article 118 of the Insurance Business Law were ¥131,182 million, ¥117,591 million and ¥113,498 million (US$1,155 million) as of March 31, 2007, 2008 and 2009, 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, ¥2,872 million and ¥166 million as of March 31, 2007, ¥3,540 million and ¥162 million as of March 31, 2008, and ¥3,425 million (US$34 million) and ¥165 million (US$1 million), respectively.

## 7. Monetary Claims to Directors

Monetary claims to directors of the Company as of March 31, 2007, 2008 and 2009 were ¥11 million, ¥16 million and ¥12 million (US$128 thousand), respectively.

## 8. Income Taxes

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.

Major components of deferred tax assets were ¥51,572 million of policy reserves, ¥18,199 million of reserve for employees' retirement benefits and ¥18,128 million of reserve for price fluctuation of securities and major component of deferred tax liabilities was ¥155,185 million of net unrealized gains on available-for-sale securities as of March 31, 2007.

For the year ended March 31, 2007, the Company's statutory tax rate was 36.2%. The major difference between the statutory tax rate and 15.1% of the actual effective tax rate was (24.8%) of reserve for dividends to policyholders.

Deferred tax assets and deferred tax liabilities as of March 31, 2008 were ¥107,538 million and ¥67,932 million, respectively. Valuation allowance for deferred tax assets was ¥2,836 million.

Major components of deferred tax assets were ¥61,054 million of policy reserves, ¥19,561 million of reserve for price fluctuation of securities and ¥17,931 million of reserve for employees' retirement benefits and major component of deferred tax liabilities was ¥65,707 million of net unrealized gains on available-for-sale securities as of March 31, 2008.

For the year ended March 31, 2008, the Company's statutory tax rate was 36.2%. The major difference between the statutory tax rate and 16.0% of the actual effective tax rate was (21.0%) of reserve for dividends to policyholders.

Deferred tax assets and deferred tax liabilities as of March 31, 2009 were ¥116,732 million (US$1,188 million) and ¥1,939 million (US$19 million), respectively. Valuation allowance for deferred tax assets was ¥4,188 million (US$42 million).

Major components of deferred tax assets were ¥57,809 million (US$588 million) of policy reserves, ¥20,318 million (US$206 million) of net unrealized losses of available-for-sale securities and ¥17,857 million (US$181 million) of reserve for employees' retirement benefits as of March 31, 2009.

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

## 9. Reserve for Dividends to Policyholders

Changes in reserve for dividends to policyholders were as follows:

| | Year ended March 31, | | | |
|---|---|---|---|---|
| | 2007 | 2008 | **2009** | **2009** |
| | | Millions of yen | | Millions of U.S. dollars |
| Balance at the end of previous fiscal year | ¥ 54,516 | ¥ 52,872 | **¥ 54,382** | **$ 553** |
| Transfer from surplus in previous fiscal year | 30,454 | 35,525 | **31,868** | **324** |
| Dividends paid in fiscal year | (32,149) | (34,216) | **(29,176)** | **(297)** |
| Increase in interest | 51 | 200 | **242** | **2** |
| Increase due to addition of consolidated subsidiary | — | 680 | **—** | **—** |
| Balance at the end of fiscal year | ¥ 52,872 | ¥ 55,063 | **¥ 57,317** | **$ 583** |

Reserve for dividends to policyholders as of March 31, 2008 on the balance sheets represented the total of the Company's reserve of ¥54,382 million and Fukokushinrai Life Insurance Company's reserve of ¥680 million.

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

Changes in reserve for dividends to policyholders were as follows:

| | Year ended March 31, | | | |
|---|---|---|---|---|
| | 2007 | 2008 | **2009** | **2009** |
| | | Millions of yen | | Millions of U.S. dollars |
| Balance at the end of previous fiscal year | — | — | **¥680** | **$6** |
| Dividends paid in fiscal year | — | — | **423** | **4** |
| Increase in interest | — | — | **0** | **0** |
| Provision for reserve for dividends to policyholders | — | — | **276** | **2** |
| Balance at the end of fiscal year | — | — | **¥533** | **$5** |

## 11. Stocks of Unconsolidated Subsidiaries

The amounts of stocks of unconsolidated subsidiaries the Company held as of March 31, 2007, 2008 and 2009 were ¥240 million, ¥240 million and ¥240 million (US$2 million), respectively.

## 12. Pledged Assets and Secured Debts

Assets pledged as collateral as of March 31, 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 of securities and ¥19 million of money held in trust. Secured debts as of March 31, 2008 was ¥4,660 million.

Assets pledged as collateral as of March 31, 2009 were ¥26,010 million (US$264 million) of securities. Secured debts as of March 31, 2009 was ¥4,645 million (US$47 million).

## 13. Policy Reserves for the Reinsurance Contracts

Reserve for outstanding claims for the reinsurance contracts provided in accordance with Article 71 Item 1 of the Enforcement Regulation of the Insurance Business Law (hereinafter called "reserve for outstanding claims for ceded reinsurance") were ¥55 million (US$566 thousand) as of March 31, 2009.

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 ¥57 million (US$582 thousand) , as of March 31, 2009.

## 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, 2007, 2008 and 2009, there were unused commitment line agreements under which the Company is the lender of ¥1,581 million, ¥1,681 million and ¥1,481 million (US$15 million), respectively.

## 17. Subordinated Bonds

Repayments of subordinated bonds are subordinated to other obligations.

## 18. Subordinated Debt Loans

Repayment of subordinated debt loans included in other liabilities of ¥5,000 million as of March 31, 2007 was subordinated to other obligations.

## 19. 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 ¥285 million as of March 31, 2007. The contribution was charged as operating expenses in the year in which they were paid.

## 20. Contribution to Policyholders Protection Corporation

The future contribution to the Life Insurance Policyholders Protection Corporation of Japan under Article 259 of the Insurance Business Law were estimated at ¥11,174 million, ¥11,527 million and ¥11,283 million (US$114 million) as of March 31, 2007, 2008 and 2009, respectively. The contributions were charged as operating expenses in the year in which they were paid.

## 21. Reserve for Employees' Retirement Benefits

(1) The reserve for employees' retirement benefits as of March 31, 2007, 2008 and 2009 were calculated as follows:

| | As of March 31, | | | |
|---|---|---|---|---|
| | 2007 | 2008 | **2009** | **2009** |
| | Millions of yen | | | Millions of U.S. dollars |
| a. Projected benefit obligation | ¥(73,663) | ¥(71,792) | **¥(72,001)** | **$(732)** |
| b. Fair value of pension plan assets | 21,438 | 18,307 | **15,016** | **152** |
| c. Unfunded benefit obligation (a+b) | (52,224) | (53,485) | **(56,985)** | **(580)** |
| d. Unrecognized actuarial differences | 1,722 | 3,758 | **7,499** | **76** |
| e. Unrecognized prior service cost | 241 | 206 | **172** | **1** |
| f. Reserve for employees' retirement benefits (c+d+e) | ¥(50,260) | ¥(49,519) | **¥(49,313)** | **$(502)** |

(2) Gross amount of retirement benefit expenses for the years ended March 31, 2007, 2008 and 2009 were as follows:

| | Year ended March 31, | | | |
|---|---|---|---|---|
| | 2007 | 2008 | **2009** | **2009** |
| | | Millions of yen | | Millions of U.S. dollars |
| Service cost | ¥3,476 | ¥3,404 | **¥3,224** | **$32** |
| Interest cost | 1,470 | 1,472 | **1,434** | **14** |
| Expected return on plan assets | (792) | (964) | **(640)** | **(6)** |
| Recognized actuarial differences | 502 | 523 | **779** | **7** |
| Amortization of prior service cost | 34 | 34 | **34** | **0** |
| | ¥4,692 | ¥4,469 | **¥4,831** | **$49** |

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

| | Year ended March 31, | | |
|---|---|---|---|
| | 2007 | 2008 | **2009** |
| Method of attributing the projected benefits to periods of service | Straight-line basis | Straight-line basis | **Straight-line basis** |
| Discount rate | 2.0% | 2.0% | **2.0%** |
| Expected rate of return on pension plan assets | 4.0% | 4.5% | **3.5%** |
| Recognition period of actuarial differences | 10 years | 10 years | **10 years** |
| Amortization period of prior service cost | 10 years | 10 years | **10 years** |

# III. Notes to Statements of Operations

## 1. 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) Effective for the year ended March 31, 2007, in accordance with the revised form of the Enforcement Regulation of the Insurance Business Law, "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".

## 2. Transactions with Unconsolidated Subsidiaries

The total amounts of revenues and expenditures in connection with unconsolidated subsidiaries were ¥103 million and ¥2,536 million for the year ended March 31, 2007, ¥121 million and ¥2,604 million for the year ended March 31, 2008, and ¥127 million (US$1 million) and ¥2,558 million (US$26 million) for the year ended March 31, 2009, respectively.

## 3. Impairment of Fixed Assets

For the year ended March 31, 2009, impairment losses of fixed assets was as follows:

*(1) Method of grouping*

Real estate and other assets used for insurance business operations are classified as one asset group as a whole. Other assets such as 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 decline of market value of land, the Company reduced the book value of lease property and unused real estate to recoverable amount. The amounts reduced were recognized as impairment losses included in extraordinary losses.

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

| | 2009 | |
|---|---|---|
| | Millions of yen | Millions of U.S. dollars |
| Lease property: | | |
| Land | ¥205 | $2 |
| Buildings and others | 40 | 0 |
| Total lease property (i) | 245 | 2 |
| Unused real estate: | | |
| Land | 55 | 0 |
| Buildings and others | 213 | 2 |
| Total unused lease property (ii) | 269 | 2 |
| Total: | | |
| Land | 260 | 2 |
| Buildings and others | 254 | 2 |
| Total (i)+(ii) | ¥514 | $5 |

*(4) Calculation method of recoverable amount*

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

# IV. Notes to Statements of Cash Flows

## 1. Scope of Cash and Cash Equivalents

Cash and cash equivalents as of March 31, 2007 consist of "Cash", "Postal money order", "Current deposits", "Ordinary deposits", "Notice deposits", "Time deposits maturing within 3 months of the date of acquisition", "Foreign currency deposits maturing within 3 months of the date of acquisition", "Negotiable certificate of deposits maturing within 3 months of the date of acquisition" and "Call loans".

Cash and cash equivalents as of March 31, 2008 and 2009 consist of "Cash", "Deposits in transfer account", "Current deposits", "Ordinary deposits", "Notice deposits", "Time deposits maturing within 3 months of the date of acquisition", "Foreign currency deposits maturing within 3 months of the date of acquisition", "Negotiable certificate of deposits maturing within 3 months of the date of acquisition", "Call loans" and "Monetary claims bought maturing within 3 months of the date of acquisition".

## 2. Reconciliations of Cash and Cash Equivalents

Reconciliations of cash and cash equivalents in the consolidated statements of cash flows to the consolidated balance sheets accounts as of March 31, 2008 and 2009 were as follows:

| | As of March 31, | | |
|---|---|---|---|
| | 2008 | 2009 | 2009 |
| | Millions of yen | | Millions of U.S. dollars |
| Cash and deposits | ¥ 52,963 | ¥ 68,692 | $ 699 |
| Call loans | 125,500 | 183,600 | 1,869 |
| Monetary claims bought | 2,533 | 2,055 | 20 |
| Time deposits maturing within 3 months of the date of acquisition | (200) | (300) | (3) |
| Foreign currency deposits maturing within 3 months of the date of acquisition | (306) | (366) | (3) |
| Monetary claims bought maturing within 3 months of the date of acquisition | (2,533) | (2,055) | (20) |
| Cash and cash equivalents | ¥177,956 | ¥251,626 | $2,561 |

## 3. Acquisition of Fukokushinrai Life Insurance Company

Major components of assets and liabilities of Fukokushinrai Life Insurance Company which was newly consolidated as a subsidiary during the year ended March 31, 2008 and net payment for its acquisition were as follows:

| | As of March 31, 2008 |
|---|---|
| | Millions of yen |
| Assets | ¥ 81,897 |
| Securities | 74,549 |
| Goodwill | 7,447 |
| Liabilities | (72,835) |
| Policy reserves | (72,029) |
| Minority interests | (1,812) |
| Acquisition value of Fukokushinrai Life Insurance Company | ¥ 14,696 |
| Cash and cash equivalents of Fukokushinrai Life Insurance Company | (2,966) |
| Net payment for acquisition of Fukokushinrai Life Insurance Company | ¥ 11,729 |

# Management's Report on Internal Control over Financial Reporting

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

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

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

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

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

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

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

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

### 3. Matters relating to the results of the assessment

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

### 4. Supplementary Information (None)

Tomofumi Akiyama
*President*
Fukoku Mutual Life Insurance Company

# Report of Independent Auditors

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, 2007, 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 audit.

We conducted our audit 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 audit provides 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, 2007, and the consolidated results of their operations and their cash flows for the year then ended in conformity with accounting principles generally accepted in Japan.

Tokyo, Japan
May 22, 2007

The Fuji Accounting Office

# Report of Independent Auditors

The Board of Directors of Fukoku Mutual Life Insurance Company

**Financial Statements Audit**

We have audited the accompanying consolidated balance sheets of Fukoku Mutual Life Insurance Company and its consolidated subsidiaries as of March 31, 2008 and 2009, and the related consolidated statements of operations, changes in net assets and cash flows for the years 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 2009, and the consolidated results of their operations and their cash flows for the years then ended in conformity with accounting principles generally accepted in Japan.

The amounts expressed in U.S. dollars, which are provided solely for the convenience of the reader, have been translated on the basis set forth in Note I. 2 to the accompanying consolidated financial statements with respect to the year ended March 31, 2009.

**Internal Control Audit**

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

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

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

Tokyo, Japan
May 19, 2009

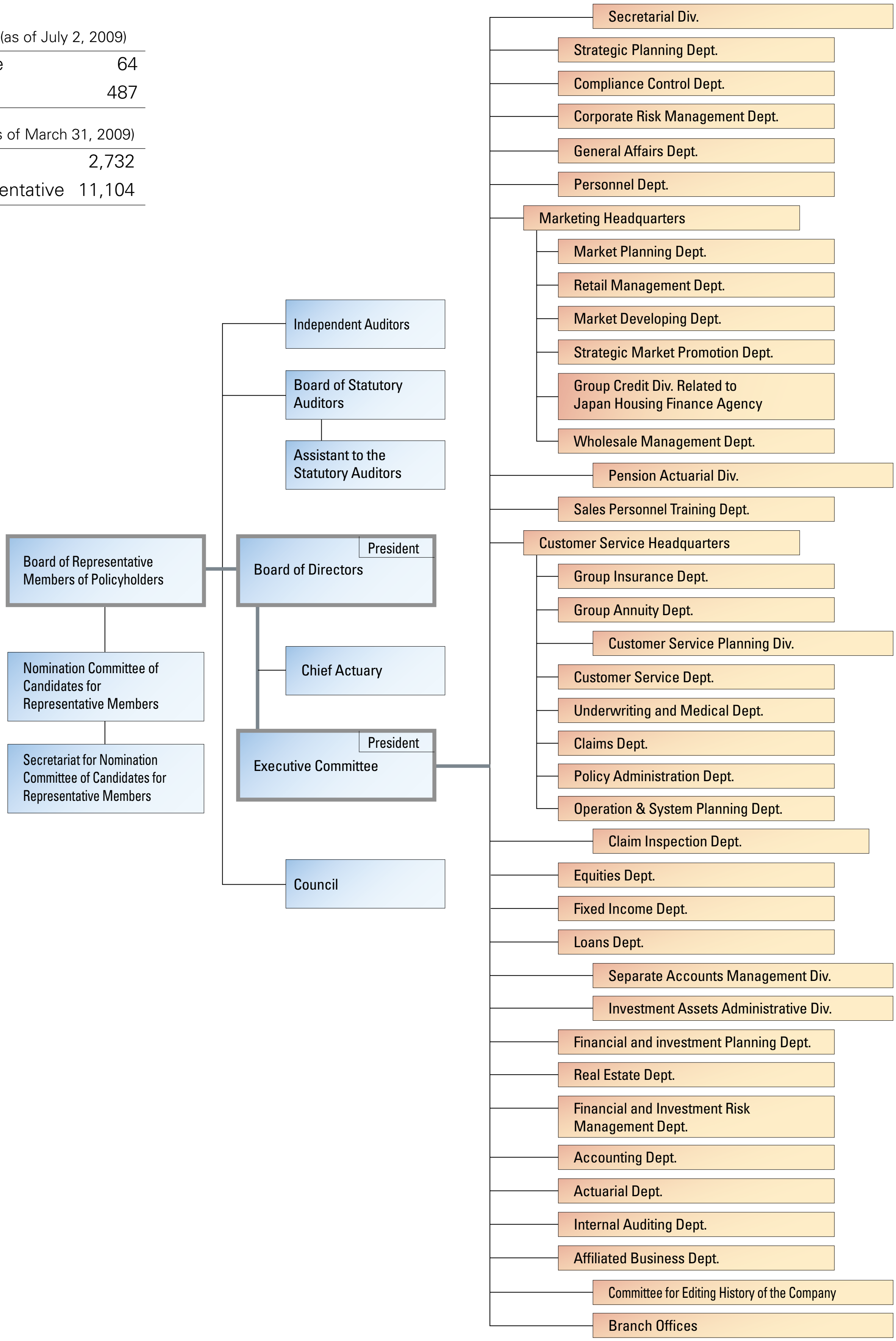
*Kisaragi Audit Corporation*

Kisaragi Audit Corporation

# CORPORATE ORGANIZATION

| Organization (as of July 2, 2009) | |
|---|---|
| Branch Office | 64 |
| Field Office | 487 |

| Employees (as of March 31, 2009) | |
|---|---|
| Office Staff | 2,732 |
| Sales Representative | 11,104 |



# CORPORATE INFORMATION

## Board of Directors and Statutory Auditors

*President and Chief Executive Officer*
Tomofumi Akiyama*

*Directors and Senior Managing Executive Officers:*
Yoshiki Murayama
Mikio Yamamoto

*Directors and Managing Executive Officers:*
Katsumasa Furuya
Yoshiteru Yoneyama
Kenji Hirai

*Directors:*
Katsuhiro Utada
Kozo Isshiki

*Directors and Executive Officers:*
Hitoshi Sakai
Toshihiro Hayashi
Tadashi Akikawa

*Statutory Auditors:*
Yoshizumi Nezu
Mitsuo Ohashi
Akihiro Mochizuki

*Statutory Auditors (Standing):*
Shuichi Maeda
Akio Imai

*Executive Officers:*
Tsutomu Hiruma
Toshihide Fujiwara
Toshiaki Kiwa
Toshiro Eto
Haruki Kawashima
Toyoaki Oba
Toshimitsu Furuhashi

*Representative Director
(as of September 1, 2009)

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**Fukoku Life International (U.K.) Ltd.**
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**Fukoku Life International (America) Inc.**
from left: M. Xu, Y. Suzuki, M. Jensen and A. Chang

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