FUKOKU MUTUAL LIFE INSURANCE COMPANY

Annual Report 2010

Year Ended March 31, 2010

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 uncertainty surrounding the 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)

As of March 31,	2008	2009	2010	2010
		Millions of yen		Millions of U.S. dollars
Life insurance in force	¥49,827,169	¥48,555,655	¥47,457,381	$510,075
Total assets	5,725,231	5,514,454	5,613,104	60,330
Securities	3,962,459	3,596,377	3,800,984	40,853
Loans	1,231,963	1,238,205	1,220,945	13,122
Tangible fixed assets	205,952	250,065	279,476	3,003
Total liabilities	5,478,270	5,393,901	5,401,158	58,052
Policy reserves	5,262,578	5,221,451	5,225,501	56,164
Subordinated bonds	47,362	38,870	37,406	402
Total net assets	246,961	120,553	211,946	2,278
For the year ended March 31,				
Total ordinary revenues	906,459	881,685	787,517	8,464
Premium and other income	736,468	646,726	623,778	6,704
Investment income	146,216	166,730	147,754	1,588
Total ordinary expenditures	848,381	879,520	754,558	8,110
Net surplus for the year	45,385	56,863	26,135	280
Solvency margin ratio (%)	1,146.9	1,008.4	1,127.6	—
Employees	13,477	13,836	14,207	—

Notes 1. U.S. dollar amounts are converted from yen, for convenience only, at the rate of U.S.$1=¥93.04, the rate of exchange on March 31, 2010.
2. Yen and U.S. dollar amounts are rounded down to the nearest million yen or million dollars.

Head Office

Message from the President

Firstly, I would like to take this opportunity to express my sincere gratitude for the understanding and support shown to Fukoku Life to date by our policyholders. I am Yoshiteru Yoneyama, appointed in July 2010 as the new president to replace Tomofumi Akiyama. In my new role, I will do my utmost to earn the trust of all of Fukoku Life's policyholders.

In fiscal 2009, ended March 31, 2010, financial markets around the world continued to experience uncertainties sparked by the financial crisis, although financial and economic measures by individual countries contributed to a general easing of the situation. In Japan too, the environment surrounding the life insurance industry improved compared with the previous year.

Amid these circumstances, we worked hard to ensure that our "Customer-Centric" philosophy underpinned all ideas and actions. Under this philosophy, the assumption is that all employees treat customers as they themselves would like to be treated. This serves as the starting point for our provision of services.

In fiscal 2009, we sought to provide products that were easy for customers to use and understand. In April 2009, for example, we launched a medical insurance product combining generous cover and easy-to-comprehend benefit payment conditions. On the management side too, we endeavored to utilize the opinions of customers to improve management by widely seeking their views and requirements.

On the asset management side, amid ongoing uncertainty surrounding the future, we sought to maintain the safety and liquidity of assets we hold on behalf of our customers. To this end, we continued the strategy adopted in the second half of fiscal 2008 of increasing our holdings of corporate bonds and primarily domestic bonds, while decreasing our holdings of stocks and foreign currency-denominated assets.

In addition to securing additional foundation funds, we worked hard to provide further peace of mind to customers by strengthening our solvency margin ratio. To this end, we boosted internal reserves by increasing the accumulated foundation funds redeemed and the reserve for price fluctuation of securities.

In light of the Company's business performance in fiscal 2009, we will maintain dividends paid to policyholders at the same level as the previous fiscal year.

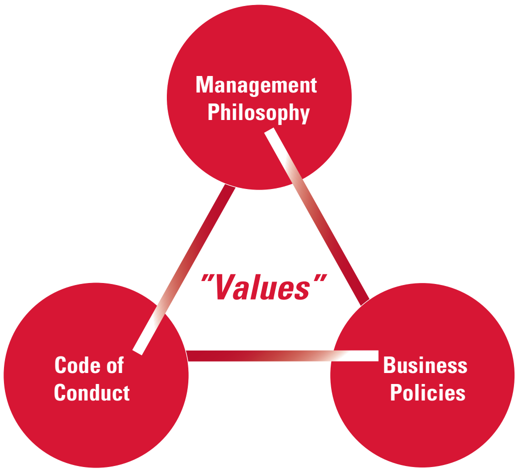
As a company engaged in the highly public business of mutual life insurance based on the spirit of mutual assistance, Fukoku Life adheres to its management philosophy of "to protect the interests of our policyholders." Under this philosophy, all executives and employees will continue implementing our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

Yoshiteru Yoneyama
President

Values

Our "Customer-Centric" Values

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



Tomofumi Akiyama
Chairman of the Board

Yoshiteru Yoneyama
President

Management Philosophy

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

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

Code of Conduct

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

To us, "Customer-Centric" values means:

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

Business Policies

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

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

3. Net increase in customers
With the aim of 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.

Overview

Individual Insurance

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

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

Sales Channels

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

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

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

Group Insurance

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

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

Business Performance in FY2009

Life Insurance in Force

At fiscal year-end, life insurance in force, which comprises individual life insurance, individual annuities, and group insurance, amounted to ¥47,457.3 billion, down 2.3% from a year earlier. Within this amount, life insurance for individuals declined 5.7%, to ¥28,515.9 billion, and individual annuities edged down 0.2%, to ¥2,980.2 billion. By contrast, the year-end balance of life insurance in force for groups increased 4.1%, to ¥15,961.1 billion. Meanwhile, group annuities in force (policy reserve) rose 0.2%, to ¥2,001.6 billion.

Annualized Premiums for New Policies and Policies in Force

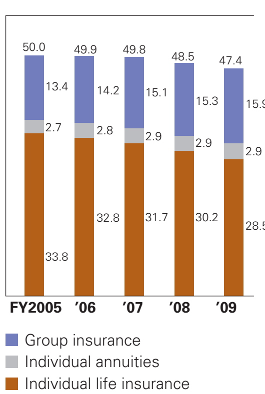
In the year under review, annualized premiums for new policies declined 8.8%, to ¥25.2 billion. Within this amount, individual insurance edged down 0.1%, to ¥19.3 billion, and individual annuities fell 29.0%, to ¥5.8 billion. However, annualized premiums from medical insurance and living benefit insurance increased 17.1%, to ¥8.7 billion.

Annualized premiums for policies in force slipped 2.4%, ¥418.9 billion. Within this amount, individual insurance decreased 3.9%, to ¥293.7 billion, but individual annuities increased 1.5%, to ¥125.2 billion. Annualized premiums from medical insurance and living benefit insurance rose 2.1%, to ¥100.7 billion.

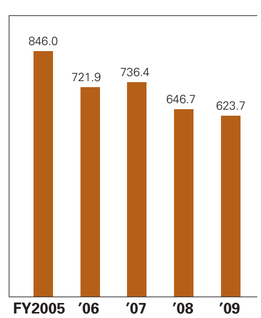
Premium Income and Payments

In the year under review, premium and other income declined 3.5%, to ¥623.7 billion. This was due mainly to a decrease in premium income from lump-payment-type products in the individual insurance field. By contrast, claims and other payments declined 5.4%, to ¥564.2 billion.

Life insurance in force
(¥ trillions)



Premium and other income
(¥ billions)



Performance of Fukoku Life Group (Fukoku Life and Fukokushinrai Life Insurance)

The Fukoku Life Group, including Fukokushinrai Life Insurance, posted a 32.7%, or ¥13.1 billion, increase in annualized premiums for new policies, to ¥53.1 billion, owing mainly due to healthy sales of fixed-amount annuities by Fukokushinrai Life Insurance. Within this amount, annualized premiums from medical insurance and living benefit insurance rose 16.6%, or ¥1.3 billion, to ¥8.8 billion, thanks to robust sales of a new product launched by the Company in April 2009.

Annualized premiums for policies in force increased 3.6%, or ¥0.1 billion, to ¥469.0 billion. Annualized premiums from medical insurance and living benefit insurance totaled ¥102.5 billion.

The total value of premium and other income grew 17.7%, or ¥1.3 billion, to ¥920.1 billion and individual insurance and annuities in force generated from sales via branches of financial institutions jumped 133.3%, or ¥1.6 billion, to ¥282.4 billion. This was due to Fukokushinrai Life Insurance's focus on sales of fixed-amount annuities.

Assets, Liabilities, and Net Assets

The outstanding balance of non-consolidated total assets, including separate accounts, increased 1.8%, to ¥5,613.1 billion. General account assets, which constitute 98.3% of this total, rose 2.1%, to ¥5,519.4 billion. The main reason for the increase in total assets was growth in equity prices due to a stock market recovery during the period, which contrasted with the previous year, when the value of the Company's equity holdings declined due to falling share values in the domestic equities market.

Policy reserves edged up 0.1%, to ¥5,225.5 billion, and the reserve for price fluctuation of securities rose 7.4%, to ¥26.4 billion. As a result, total liabilities moved up 0.1%, to ¥5,401.1 billion.

Net assets at fiscal year-end amounted to ¥211.9 billion, up 75.8% from a year earlier. This was due to a major recovery in unrealized gains (losses) on available-for-sale securities compared with the previous year.

On a consolidated basis, total assets increased 6.6%, to ¥6,088.0 billion, and net assets jumped 77.0%, to ¥214.4 billion.

Strengthening Our Capital Base

Fukoku Life is constantly bolstering its internal reserves in order to reinforce its operational foundation. In the year under review, the Company increased its contingency reserve and the reserve for price fluctuation of securities, which stood at ¥145.6 billion and ¥26.4 billion, respectively.

The contingency reserve is a legal reserve set up in preparation for future risks, and the reserve for price fluctuation covers potential future losses on major assets subject to price fluctuation risks. Both reserves are stated as liabilities in the financial statements, but the Company regards them as part of its equity capital.

Solvency Margin

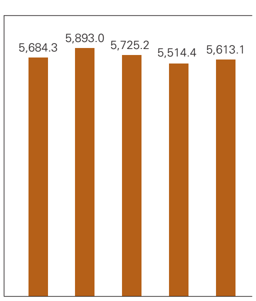
Fukoku Life's solvency margin ratio at fiscal year-end was 1,127.6%, up 119.2 points year-on-year. This shows that the Company's solvency margin far exceeds 200%, the level set as an indicator of financial soundness for life insurance companies, and clearly illustrates our ability to meet a high level of payments. The increase in the year under review stemmed mainly from rises in additional foundation funds and various reserves, as well as an increase in unrealized gains on securities due to stock prices increases during the period.

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.

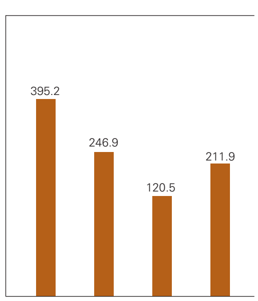
Ratings

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, 2010, 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. Going forward, we will continue striving to maintain and further improve our high financial ratings.

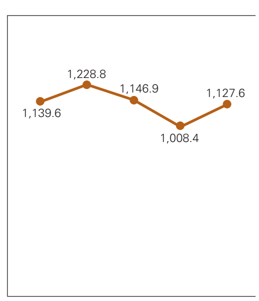
Total assets
(¥ billions)



Net assets
(¥ billions)



Solvency margin ratio
(%)



Investment Performance in FY2009 (General Account)

Overview

In fiscal 2009, ended March 31, 2010, the Japanese economy turned around thanks to recovery of overseas economies and economic stimulus measures by the government. Reflecting economic recovery in Asia, especially China, and a bottoming out of economies in Europe and North America as well, the domestic economy benefited from a moderate increase in exports and a corresponding continued upturn in production activities. Despite some remaining uncertainty, financial and capital markets returned to stability owing to financial measures adopted by various countries.

Against this backdrop, in its asset management activities Fukoku Life continued shifting its emphasis from risk-based assets to yen-denominated fixed-income assets, with the aim of maintaining asset stability and liquidity. Specifically, we increased our holdings of public bonds, centering on a national government bonds, while at the same time reducing our holdings of equities and foreign currency denominated assets. In addition, we increased our holdings of yen denominated foreign bonds, which produce high yields, and our holdings of other foreign bonds as a hedge against currency risk.

At fiscal year-end, total assets including separate accounts, amounted to ¥5,613.1 billion, up 1.8%, or ¥98.6 billion, from a year earlier, due largely to an increase in valuation gains on shares held. General account assets, which comprise 98.3% of total assets, rose 2.2%, or ¥116.4 billion, to ¥5,519.4 billion.

Investment income from general accounts fell 20.0%, or ¥33.4 billion, to ¥133.3 billion. Interest and dividends, the main components of investment income, declined 3.7%, or ¥4.2 billion, to ¥110.7 billion. Major factors included a decline in the balance of foreign securities, a decrease in interest income due to the appreciation of the yen, and a decline in dividends from other equities. Gains on sales of securities fell 57.2%, or ¥29.4 billion, to ¥22.0 billion, due mainly to lower sales of domestic bonds.

Investment expenses declined 51.3%, or ¥74.1 billion, to ¥70.2 billion. Major factors were a ¥41.4 billion loss on sales of securities, centering on foreign securities and domestic equities, and ¥11.5 billion in losses from derivative instruments, mainly hedge-related expenses aimed at addressing stock price fluctuation risk.

As a result, investment income, net of investment expenses, amounted to ¥63.0 billion, up 181.8% from the previous fiscal year.

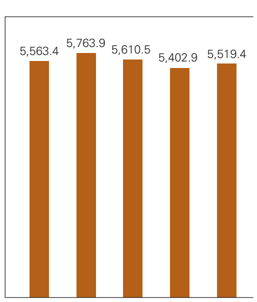
Bonds:

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 ¥2,565.9 billion, up 3.9%, or ¥97.1 billion, from a year earlier.

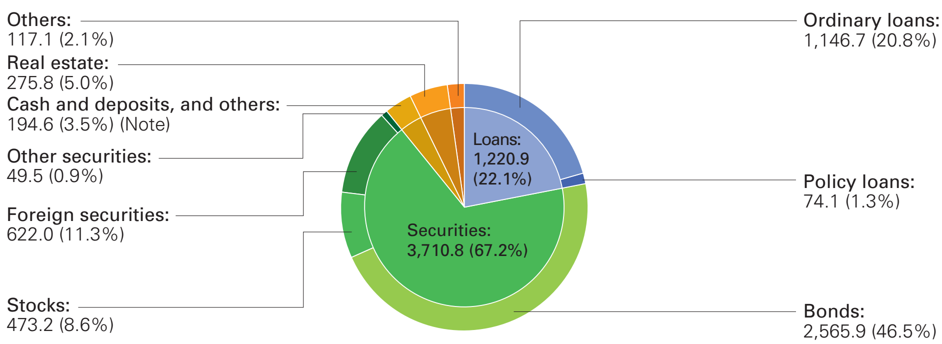
Stocks:

Our year-end holdings of domestic equities were up 13.0%, or ¥54.3 billion, to ¥473.2 billion. This was mainly due to an increase in unrealized gains stemming from a recovery in share prices, which compensated for a ¥39.9 billion fall in book value.

General account assets
(¥ billions)



Breakdown of general account assets
(¥ billions)



Total: ¥5,519.4 billion

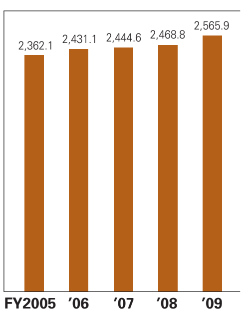
Note: It is including cash and deposits, call loans, monetary claims bought and money held in trust

Foreign Securities:
Our holdings of foreign securities Increased due mainly to a rise in foreign bonds and recovery in prices of foreign equities. As a result, the Company's holdings of foreign securities, including equity holdings, grew 8.3%, or ¥47.4 billion, to ¥622.0 billion.

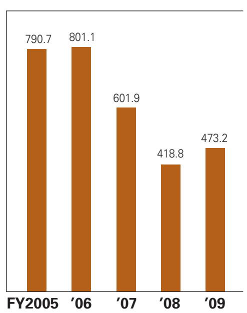
Loans:
During the period, there was a decline in loans provided to individuals. As a result, the fiscal year-end balance of outstanding loans, including policy loans, slipped 1.4%, or ¥17.2 billion, to ¥1,220.9 billion.

Real Estate:
The year-end balance of Fukoku Life's real estate holdings rose 12.0%, or ¥29.6 billion, to ¥275.8 billion, mainly reflecting the Osaka Fukoku Mutual Life Insurance Building reconstruction project, currently under way. This project is located at the Umeda Terminal, the largest transportation hub in Western Japan, and is expected to contribute to the Company's real estate income in the future.

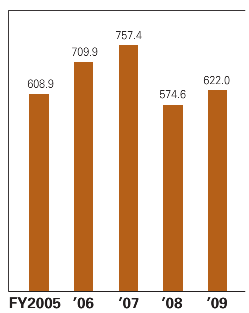
Bonds
(¥ billions)



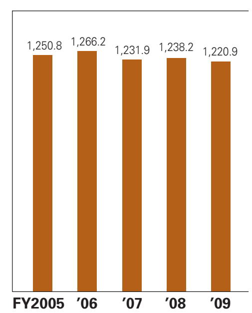
Stocks
(¥ billions)



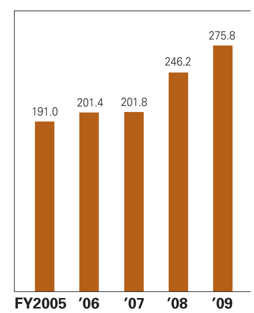
Foreign securities
(¥ billions)



Loans
(¥ billions)



Real estate
(¥ billions)



Investment Policies for FY2010

Investment Environment

In the fiscal year ending March 31, 2011, we expect the Japanese economy to maintain a recovery trend, although the level of growth will be low. In addition to a pullback in overseas demand, the strong yen will also have a restraining impact, causing exports to weaken. We also expect personal consumption to stagnate, reflecting erosion of consumer sentiment stemming from low stock prices. By contrast, we predict that capital expenditures will show a moderate uptrend, especially in environmental protection and other fields earmarked for future growth, amid improvements in corporate earnings.

We expect long-term investment rates to remain low thanks to strong investment sentiment among institutional investors in a difficult operating climate. As investors adopt a strongly cautious view of the economic outlook, meanwhile, growth in share prices will be sluggish.

Bonds:
Fukoku Life will leave the balance of its bond holdings unchanged. In a rising interest rate environment, we will work to enhance profitability by investing in bonds with longer periods to maturity.

Stocks:
Our policy here is to boost earnings by decreasing our holdings of stocks while reshuffling our portfolio.

Foreign Securities:
With respect to foreign securities, we will make efficient allocations in yen-denominated and foreign currency-denominated securities while closely monitoring foreign exchange markets and interest rates.

Loans:
Emphasizing profitability and credit risk, we will provide financing while ensuring diversification of borrower sectors.

Real Estate:
Maintaining real estate holdings at the current level, we will work to improve the profitability of existing properties.

Governance System

As a mutual life insurance company, Fukoku Life is engaged in the highly public business of protecting policyholders' rights. Therefore, we are committed to establishing a management system that ensures the soundness of operations, and to enhancing management measures, including our risk management system and compliance measures. In addition, we employ our internal control systems to ensure the efficient operation of these measures.

Establishment of Management Control Measures

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

Enhancement of Internal Control System

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

Risk Management System

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

The Risk Management Committee manages risk rigorously in accordance with core policies set by the Board of Directors. We have committees that provide expert risk management in each of the five risk categories: underwriting risks, asset management risks, administration risks, system risks, and other risks. In addition, the audit department monitors the effective operation of the risk management system.

Compliance System

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

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

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

Protection of Personal Information

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

Board of Representative Members of Policyholders

Contributions to Society

Fukoku Life engages in a variety of activities aimed at building a 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


Charity concert


Visiting concert

The Metropolitan Opera HD LIVE


©Marty Sohl/Metropolitan Opera

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 189 Charity Concerts. Visiting Concerts, which were introduced in 2003, have been held at a total of 140 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.

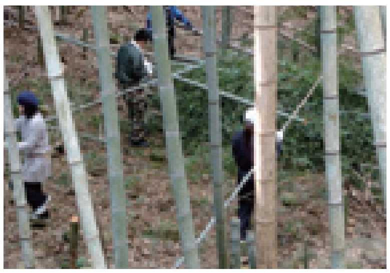
Other Activities

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.

Employee Activities



Flora Preservation

Recently in Japan, there has been an increase in forests left to grow unchecked due to the lack of people willing to take over forestry businesses. One particular problem is uncontrolled groves of the vigorously growing Moso bamboo, which not only invades forests, but also takes over farmland and causes landslides due to the shallowness of their roots. This bamboo problem is even found in land owned by the Company in Shizuoka Prefecture. Fukoku Life has set up a forest regeneration project to tackle this problem. The aim of the project is to not only assist forest regeneration by felling bamboo groves, but to also return some bamboo groves to a healthy state. Since 2006, Fukoku Life's executives and employees have taken part in the project. In the year under review, 166 executives, employees and their family members volunteered their time to take part in these activities.

Other Activities

All of the company's employees participate in various other initiatives, including neighborhood cleanup campaigns and collections of PET bottle lids.

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 Financial Statements

Non-consolidated Balance Sheets

Fukoku Mutual Life Insurance Company
As of March 31, 2008, 2009 and 2010

	As of March 31,			
	2008	2009	2010	2010
	Millions of yen			Millions of U.S. dollars
Assets:				
Cash and deposits:				
Cash	¥ 128	¥ 134	¥ 164	$ 1
Bank deposits	45,168	49,248	68,945	741
	45,296	49,382	69,110	742
Call loans	125,500	183,600	91,000	978
Monetary claims bought	2,533	2,055	1,752	18
Money held in trust	57,527	33,053	32,902	353
Securities:				
Government bonds	1,782,029	1,746,556	1,887,071	20,282
Local government bonds	138,278	136,848	124,642	1,339
Corporate bonds	560,305	616,227	588,041	6,320
Stocks	643,452	448,295	505,012	5,427
Foreign securities	787,019	596,372	646,118	6,944
Other securities	51,373	52,077	50,097	538
	3,962,459	3,596,377	3,800,984	40,853
Loans:				
Policy loans	77,540	76,967	74,186	797
Ordinary loans	1,154,423	1,161,237	1,146,758	12,325
	1,231,963	1,238,205	1,220,945	13,122
Tangible fixed assets:				
Land	106,720	141,825	162,160	1,742
Buildings	94,416	98,937	96,661	1,038
Lease assets	—	—	31	0
Construction in progress	759	5,457	17,009	182
Other tangible fixed assets	4,056	3,845	3,613	38
	205,952	250,065	279,476	3,003
Intangible fixed assets:				
Software	7,973	7,337	7,007	75
Other intangible fixed assets	449	448	447	4
	8,423	7,785	7,454	80
Reinsurance receivables	120	122	279	2
Other assets:				
Accounts receivable	19,165	12,930	12,284	132
Prepaid expenses	1,414	2,393	2,051	22
Accrued income	26,603	21,523	22,040	236
Deposits	2,247	2,416	2,228	23
Differential account for futures trading	—	5,027	—	—
Derivatives	1,434	1,682	1,216	13
Suspense payment	4,560	4,340	5,430	58
Other assets	3,974	4,360	4,207	45
	59,400	54,674	49,460	531
Deferred tax assets	36,106	110,422	62,170	668
Allowance for possible loan losses	(10,052)	(11,290)	(2,430)	(26)
Total assets	¥5,725,231	¥5,514,454	¥5,613,104	$60,330

Non-consolidated Balance Sheets (Continued)

	As of March 31,			
	2008	2009	2010	2010
	Millions of yen			Millions of U.S. dollars
Liabilities:				
Policy reserves:				
Reserve for outstanding claims	¥ 26,415	¥ 28,220	¥ 25,342	$ 272
Policy reserve	5,181,780	5,135,913	5,145,399	55,303
Reserve for dividends to policyholders	54,382	57,317	54,759	588
	5,262,578	5,221,451	5,225,501	56,164
Reinsurance payables	102	87	117	1
Subordinated bonds	47,362	38,870	37,406	402
Other liabilities:				
Corporate income tax payable	9,316	107	1,291	13
Accounts payable	3,274	1,680	3,290	35
Accrued expenses	10,931	9,975	10,434	112
Unearned income	479	517	452	4
Deposits received	5,043	5,050	5,016	53
Guarantee deposits received	12,708	11,712	12,893	138
Differential account for futures trading	—	—	337	3
Derivatives	1,422	8,879	6,867	73
Suspense receipt	1,557	1,625	1,338	14
	44,733	39,550	41,921	450
Reserve for employees' retirement benefits	49,504	49,293	49,776	535
Reserve for price fluctuation of securities	53,911	24,622	26,451	284
Deferred tax liabilities for revaluation reserve for land	20,076	20,026	19,983	214
Total liabilities	5,478,270	5,393,901	5,401,158	58,052
Net assets:				
Foundation funds	40,000	40,000	40,000	429
Accumulated foundation funds redeemed	31,000	31,000	46,000	494
Reserve for revaluation	112	112	112	1
Surplus:				
Legal reserve for future losses	1,787	1,987	2,187	23
Other surplus:				
Reserve for redemption of foundation funds	10,000	20,000	15,000	161
Reserve for dividend allowances	3,895	3,895	3,895	41
Reserve for advanced depreciation of real estate for tax purpose	319	311	303	3
Other reserves	767	767	767	8
Unappropriated surplus	55,671	56,660	54,075	581
	70,653	81,634	74,042	795
	72,441	83,621	76,229	819
Total foundation funds and surplus	143,553	154,733	162,341	1,744
Net unrealized gains (losses) on available-for-sale securities, net of tax	115,334	(35,474)	48,291	519
Deferred valuation gains under hedge accounting	408	479	538	5
Revaluation reserve for land, net of tax	(12,335)	814	773	8
Total valuation and translation adjustments	103,407	(34,180)	49,604	533
Total net assets	246,961	120,553	211,946	2,278
Total liabilities and net assets	¥5,725,231	¥5,514,454	¥5,613,104	$60,330

See notes to the non-consolidated financial statements.

Non-consolidated Statements of Operations

Fukoku Mutual Life Insurance Company
For the years ended March 31, 2008, 2009 and 2010

	Year ended March 31,			
	2008	2009	2010	2010
		Millions of yen		Millions of U.S. dollars
Ordinary revenues:				
Premium and other income:				
Premium income	¥736,241	¥646,500	¥623,490	$6,701
Reinsurance income	226	226	288	3
	736,468	646,726	623,778	6,704
Investment income:				
Interest, dividends and other income:				
Interest from deposits	584	662	493	5
Interest and dividends from securities	83,910	75,050	70,444	757
Interest from loans	25,075	24,324	24,812	266
Income from real estate for rent	12,771	14,300	14,718	158
Other interest and dividends	641	689	287	3
	122,983	115,027	110,757	1,190
Gains from trading securities, net	1,827	—	165	1
Gains on sales of securities	21,031	51,491	22,043	236
Other investment income	373	212	358	3
Gains from separate accounts, net	—	—	14,428	155
	146,216	166,730	147,754	1,588
Other ordinary revenues:				
Fund receipt from annuity rider	851	557	777	8
Fund receipt from deposit of claims paid	18,702	19,967	10,120	108
Reversal of reserve for outstanding claims	1,955	—	2,878	30
Reversal of policy reserve	—	45,866	—	—
Reversal of reserve for employees' retirement benefits	743	211	—	—
Others	1,521	1,624	2,208	23
	23,774	68,227	15,984	171
Total ordinary revenues	906,459	881,685	787,517	8,464
Ordinary expenditures:				
Claims and other payments:				
Claims	235,444	205,663	178,959	1,923
Annuities	76,212	89,550	88,092	946
Benefits	144,598	151,181	146,378	1,573
Surrenders	120,386	109,976	114,050	1,225
Other payments	24,934	39,840	36,396	391
Reinsurance premiums	349	338	336	3
	601,926	596,550	564,214	6,064
Provision for policy reserve and others:				
Provision for reserve for outstanding claims	—	1,804	—	—
Provision for policy reserve	73,766	—	9,485	101
Interest on accumulated dividends to policyholders	200	242	157	1
	¥ 73,967	¥ 2,047	¥ 9,643	$ 103

Non-consolidated Statements of Operations (Continued)

	Year ended March 31, 2008	2009	2010	2010
	Millions of yen			Millions of U.S. dollars
Investment expenses:				
Interest expenses	¥ 2,466	¥ 1,974	¥ 1,852	$ 19
Losses from money held in trust, net	6,251	3,912	197	2
Losses from trading securities, net	—	3,343	—	—
Losses on sales of securities	15,511	95,471	41,494	445
Losses on valuation of securities	2,731	25,268	1,588	17
Losses from derivative instruments, net	961	110	11,555	124
Foreign exchange losses, net	443	2,348	1,706	18
Provision for allowance for possible loan losses	745	1,243	—	—
Depreciation of real estate for rent and other assets	4,753	4,226	5,230	56
Other investment expenses	5,965	6,450	6,618	71
Losses from separate accounts, net	19,765	25,086	—	—
	59,595	169,435	70,244	754
Operating expenses	87,913	86,137	87,658	942
Other ordinary expenditures:				
Claim deposit payments	13,377	14,532	11,551	124
Taxes	5,100	4,957	4,916	52
Depreciation	6,149	5,583	5,430	58
Provision for reserve for employees' retirement benefits	—	—	483	5
Others	350	277	417	4
	24,978	25,349	22,799	245
Total ordinary expenditures	848,381	879,520	754,558	8,110
Ordinary profits	58,077	2,164	32,958	354
Extraordinary gains:				
Gains on disposal of fixed assets	42	41,724	326	3
Reversal of reserve for price fluctuation of securities	—	29,289	—	—
Reversal of allowance for possible loan losses	—	—	606	6
Total extraordinary gains	42	71,014	933	10
Extraordinary losses:				
Losses on disposal of fixed assets	240	904	685	7
Impairment losses	398	514	865	9
Provision for reserve for price fluctuation of securities	3,845	—	1,829	19
Total extraordinary losses	4,484	1,418	3,380	36
Surplus before income taxes	53,635	71,760	30,511	327
Income taxes:				
Current	18,905	3,645	3,746	40
Deferred	(10,655)	11,251	629	6
Total income taxes	8,249	14,896	4,375	47
Net surplus for the year	¥ 45,385	¥ 56,863	¥ 26,135	$ 280

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, 2008, 2009 and 2010

	2008	2009	2010	2010
	Millions of yen			Millions of U.S. dollars
Foundation funds and surplus:				
Foundation funds				
Balance at the end of previous fiscal year	¥40,000	¥40,000	¥40,000	$429
Changes in the current fiscal year:				
Financing of additional foundation funds	—	—	15,000	161
Redemption of foundation funds	—	—	(15,000)	(161)
Total changes in the current fiscal year	—	—	—	—
Balance at the end of current fiscal year	40,000	40,000	40,000	429
Accumulated foundation funds redeemed				
Balance at the end of previous fiscal year	31,000	31,000	31,000	333
Changes in the current fiscal year:				
Additions to accumulated foundation funds redeemed	—	—	15,000	161
Total changes in the current fiscal year	—	—	15,000	161
Balance at the end of current fiscal year	31,000	31,000	46,000	494
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	1,587	1,787	1,987	21
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	1,787	1,987	2,187	23
Other surplus:				
Reserve for redemption of foundation funds				
Balance at the end of previous fiscal year	—	10,000	20,000	214
Changes in the current fiscal year:				
Additions to reserve for redemption of foundation funds	10,000	10,000	10,000	107
Reversal of reserve for redemption of foundation funds	—	—	(15,000)	(161)
Total changes in the current fiscal year	10,000	10,000	(5,000)	(53)
Balance at the end of current fiscal year	10,000	20,000	15,000	161
Reserve for dividend allowances				
Balance at the end of previous fiscal year	3,895	3,895	3,895	41
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	41
Reserve for advanced depreciation of real estate for tax purpose				
Balance at the end of previous fiscal year	343	319	311	3
Changes in the current fiscal year:				
Reversal of reserve for advanced depreciaiton of real estate for tax purpose	(23)	(8)	(7)	(0)
Total changes in the current fiscal year	(23)	(8)	(7)	(0)
Balance at the end of current fiscal year	319	311	303	3

Non-consolidated Statements of Changes in Net Assets (Continued)

	Year ended March 31,			
	2008	2009	2010	2010
	Millions of yen			Millions of U.S. dollars
Reserve for directors' retirement allowances				
Balance at the end of previous fiscal year	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	—	—	—	—
Other reserves				
Balance at the end of previous fiscal year	767	767	767	8
Changes in the current fiscal year:				
Total changes in the current fiscal year	—	—	—	—
Balance at the end of current fiscal year	767	767	767	8
Unappropriated surplus				
Balance at the end of previous fiscal year	53,771	55,671	56,660	608
Changes in the current fiscal year:				
Additions to reserve for dividends to policyholders	(35,525)	(31,868)	(17,856)	(191)
Additions to legal reserve for future losses	(200)	(200)	(200)	(2)
Payment of interest on foundation funds	(716)	(716)	(716)	(7)
Net surplus for the year	45,385	56,863	26,135	280
Additions to reserve for redemption of foundation funds	(10,000)	(10,000)	(10,000)	(107)
Reversal of reserve for advanced depreciation of real estate for tax purpose	23	8	7	0
Reversal of reserve for directors' retirement allowances	2,770	—	—	—
Reversal of revaluation reserve for land	161	(13,098)	44	0
Total changes in the current fiscal year	1,899	988	(2,584)	(27)
Balance at the end of current fiscal year	55,671	56,660	54,075	581
Total surplus				
Balance at the end of previous fiscal year	63,135	72,441	83,621	898
Changes in the current fiscal year:				
Additions to reserve for dividends to policyholders	(35,525)	(31,868)	(17,856)	(191)
Payment of interest on foundation funds	(716)	(716)	(716)	(7)
Net surplus for the year	45,385	56,863	26,135	280
Reversal of reserve for redemption of foundation funds	—	—	(15,000)	(161)
Reversal of revaluation reserve for land	161	(13,098)	44	0
Total changes in the current fiscal year	9,305	11,180	(7,392)	(79)
Balance at the end of current fiscal year	72,441	83,621	76,229	819
Total foundation funds and surplus				
Balance at the end of previous fiscal year	134,247	143,553	154,733	1,663
Changes in the current fiscal year:				
Financing of additional foundation funds	—	—	15,000	161
Additions to reserve for dividends to policyholders	(35,525)	(31,868)	(17,856)	(191)
Additions to accumulated foundation funds redeemed	—	—	15,000	161
Payment of interest on foundation funds	(716)	(716)	(716)	(7)
Net surplus for the year	45,385	56,863	26,135	280
Redemption of foundation funds	—	—	(15,000)	(161)
Reversal of reserve for redemption of foundation funds	—	—	(15,000)	(161)
Reversal of revaluation reserve for land	161	(13,098)	44	0
Total changes in the current fiscal year	9,305	11,180	7,607	81
Balance at the end of current fiscal year	143,553	154,733	162,341	1,744

Non-consolidated Statements of Changes in Net Assets (Continued)

	2008	2009	2010	2010
		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	273,377	115,334	(35,474)	(381)
Changes in the current fiscal year:				
Net changes, excluding foundation funds and surplus	(158,043)	(150,809)	83,766	900
Total changes in the current fiscal year	(158,043)	(150,809)	83,766	900
Balance at the end of current fiscal year	115,334	(35,474)	48,291	519
Deferred valuation gains (losses) under hedge accounting				
Balance at the end of previous fiscal year	(152)	408	479	5
Changes in the current fiscal year:				
Net changes, excluding foundation funds and surplus	560	70	59	0
Total changes in the current fiscal year	560	70	59	0
Balance at the end of current fiscal year	408	479	538	5
Revaluation reserve for land, net of tax				
Balance at the end of previous fiscal year	(12,204)	(12,335)	814	8
Changes in the current fiscal year:				
Net changes, excluding foundation funds and surplus	(130)	13,149	(40)	(0)
Total changes in the current fiscal year	(130)	13,149	(40)	(0)
Balance at the end of current fiscal year	(12,335)	814	773	8
Total valuation and translaiton adjustments				
Balance at the end of previous fiscal year	261,020	103,407	(34,180)	(367)
Changes in the current fiscal year:				
Net changes, excluding foundation funds and surplus	(157,612)	(137,588)	83,785	900
Total changes in the current fiscal year	(157,612)	(137,588)	83,785	900
Balance at the end of current fiscal year	103,407	(34,180)	49,604	533
Total net assets				
Balance at the end of previous fiscal year	395,268	246,961	120,553	1,295
Changes in the current fiscal year:				
Financing of additional foundation funds	—	—	15,000	161
Additions to reserve for dividends to policyholders	(35,525)	(31,868)	(17,856)	(191)
Additions to accumulated foundation funds redeemed	—	—	15,000	161
Payment of interest on foundation funds	(716)	(716)	(716)	(7)
Net surplus for the year	45,385	56,863	26,135	280
Redemption of foundation funds	—	—	(15,000)	(161)
Reversal of reserve for redemption of foundation funds	—	—	(15,000)	(161)
Reversal of revaluation reserve for land	161	(13,098)	44	0
Net changes, excluding foundation funds and surplus	(157,612)	(137,588)	83,785	900
Total changes in the current fiscal year	(148,307)	(126,407)	91,393	982
Balance at the end of current fiscal year	¥ 246,961	¥ 120,553	¥ 211,946	$ 2,278

Year ended March 31,

Non-consolidated Statements of Surplus

Fukoku Mutual Life Insurance Company
For the years ended March 31, 2008, 2009 and 2010

	Year ended March 31,			
	2008	2009	2010	2010
	Millions of yen			Millions of U.S. dollars
Unappropriated surplus	¥55,671	¥56,660	¥54,075	$581
Reversal of voluntary surplus reserve:				
Reversal of reserve for advanced depreciation of real estate for tax purpose	8	7	7	0
	8	7	7	0
Total	55,679	56,667	54,083	581
Appropriation of surplus:				
Reserve for dividends to policyholders	31,868	17,856	19,505	209
Net surplus:				
Legal reserve for future losses	200	200	62	0
Interest payment for foundation funds	716	716	892	9
Voluntary surplus reserve:				
Reserve for redemption of foundation funds	10,000	10,000	5,000	53
	10,916	10,916	5,954	64
Total appropriation of surplus	42,784	28,772	25,460	273
Unappropriated surplus carried forward	¥12,894	¥27,894	¥28,622	$307

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 ¥93.04 = US$1.00, the effective rate of exchange at the balance sheet date of March 31, 2010. 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 (excluding lease assets)
  - i) Acquired on or before March 31, 1998: Previous declining-balance method
  - ii) Acquired on or after April 1, 1998 but on or before March 31, 2007: Previous straight-line method
  - iii) Acquired on or after April 1, 2007: Straight-line method
- Assets other than buildings (excluding lease assets)
  - i) Acquired on or before March 31, 2007: Previous declining-balance method
  - ii) Acquired on or after April 1, 2007: Declining-balance method
- Lease assets related to finance lease transactions that do not transfer ownership: Straight-line method over the lease term

Other tangible fixed assets acquired for ¥100,000 or more but less than ¥200,000 are depreciated equally over three years.

(5) Foreign currency translation

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

(6) Allowance for possible loan losses

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

i) For the credits of borrowers who are legally bankrupt such as being in the proceedings of bankruptcy or civil rehabilitation (hereinafter called "legally bankrupt borrowers") and who are substantially bankrupt (hereinafter called "substantially bankrupt borrowers"), the Company provides the remaining amount of credits after the direct write-off described below and the deductions of the amount expected to be collected through the disposal of collateral or the execution of guarantees.

ii) For the credits of borrowers who are not currently bankrupt but have a high possibility of bankruptcy, the Company provides the amounts deemed as necessary considering the borrowers' ability to pay, within the amounts after deductions of the amount expected to be collected through the disposal of collateral or the execution of guarantees.

iii) For the credits of borrowers other than the above, the Company provides the amounts calculated by multiplying the borrowers' balance by the actual ratio of bad debt losses on defaults during a certain past period.

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

For the credits of legally bankrupt borrowers and substantially bankrupt borrowers, the amounts remaining after deductions of collateral value or the amounts collectible through the execution of guarantees is written-off directly from the borrower's balance as the estimated uncollectible amounts. The amounts written-off as of March 31, 2008, 2009 and 2010 were ¥875 million, ¥852 million and ¥9,036 million (US$97 million), respectively.

(7) Reserve for employees' retirement benefits

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

(8) Reserve for price fluctuation of securities

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

(9) Lease Transactions as a Lessee

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

(10) Lease Transactions as a Lessor

For the years ended March 31, 2009 and 2010, as for the finance lease transactions where the Company is a lessor, the lease fee is recorded in “interest, dividends and other income” at the time of receiving lease fee. The corresponding cost of the lease assets is recorded in “other investment expenses”, which is calculated by deducting an amount equivalent to the interest allocated over the lease term from the lease fee received.

(11) Accounting for hedge activities

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

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

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

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

For judging the effectiveness of hedge used, ratio analysis of comparing the fluctuations in the fair value or cash flows of hedged items and hedging instruments is mostly applied.

(12) Accounting for consumption taxes

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

(13) Policy reserve

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

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

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

(14) Software

The software for internal use is amortized based on straight-line method over the estimated useful lives.

(15) Deferred assets

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

(16) Policy-reserve-matching bonds

Of the bonds corresponding to the sub-groups 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 ¥598,156 million and ¥612,619 million as of March 31, 2008 and ¥628,570 million and ¥644,212 million as of March 31, 2009, and ¥639,749 million (US$6,876 million) and ¥657,551 million (US$7,067 million) as of March 31, 2010, respectively.

2. Changes in Accounting Policies

(1) Effective for the year ended March 31, 2010, the Company adopted "Partial Amendments to Accounting Standard for Retirement Benefits (Part 3)" (ASBJ Statement No.19 issued by the Accounting Standards Board of Japan on July 31, 2008). There is no effect of the change on ordinary profit and surplus before income taxes since the Company has decided to use the same discount rate as before.

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

(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 ¥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. Financial Instruments

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

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

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

	As of March 31,					
	2010					
	Millions of yen			Millions of U.S. dollars		
	Carrying amount	Fair value	Difference	Carrying amount	Fair value	Difference
Deposits:						
Deposits not treated as securities	¥ 68,839	¥ 68,839	¥ —	$ 739	$ 739	$ —
Total deposits	68,839	68,839	—	739	739	—
Call loans	91,000	91,000	—	978	978	—
Monetary claims bought:						—
Claims treated as loans	1,752	1,743	(8)	18	18	(0)
Total monetary claims bought	1,752	1,743	(8)	18	18	(0)
Money held in trust:						
Trading securities	31,902	31,902	—	342	342	—
Total money held in trust	31,902	31,902	—	342	342	—
Securities:						
Trading securities	79,317	79,317	—	852	852	—
Held-to-maturity dept securities	430,883	433,717	2,834	4,631	4,661	30
Policy-reserve-matching bonds	639,749	657,551	17,801	6,876	7,067	191
Investments in subsidiaries and affiliates	1,393	933	(459)	14	10	(4)
Available-for-sale securities	2,516,197	2,516,197	—	27,044	27,044	—
Total securities	3,667,541	3,687,718	20,176	39,418	39,635	216
Loans:						
Policy loans	74,186	74,186	(0)	797	797	(0)
Ordinary loans	1,146,758	1,174,444	27,685	12,325	12,623	297
Total loans	1,220,945	1,248,630	27,685	13,122	13,420	297
Derivative instruments:						
Hedge accounting not applied	(1,644)	(1,644)	—	(17)	(17)	—
Hedge accounting applied	(4,006)	(4,006)	—	(43)	(43)	—
Total derivative instruments	¥ (5,650)	¥ (5,650)	¥ —	$ (60)	$ (60)	$ —

(1) Deposits excluding those which are treated as securities based on "Accounting Standards for Financial Instruments" (ASBJ Statement No.10) and call loans:
The fair values of deposits and call loans are based on their carrying values since fair values approximate carrying values due to their short maturities.

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

Investments in subsidiaries and affiliates, unlisted equity securities and investments in partnerships whereby partnership assets consist of unlisted equity securities whose fair values are deemed extremely difficult to obtain, are excluded from above securities. The carrying amounts of investments in subsidiaries and affiliates, unlisted equity securities and investments in partnerships as of March 31, 2010 were ¥26,132 million (US$280 million), ¥8,851 million (US$95 million) and ¥8,306 million (US$89 million), respectively.

(3) Loans and monetary claims bought treated as loans:
The fair values of policy loans are deemed to approximate carrying values, considering estimated repayment period and interest rate conditions since their repayment deadline have not been set up due to the characteristics that the loan is limited to the amount of cash surrender values. Therefore, the carrying values are used as the fair values of policy loans.

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

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

4. Investment and Rental Property

The Company holds investment and rental properties such as office buildings in Tokyo and other areas. The carrying amount and the fair value of these investment and rental properties as of March 31, 2010 were ¥227,544 million (US$2,445 million) and ¥298,967 million (US$3,213 million), respectively. The fair value is mainly based on the value calculated by the Company in accordance with real estate appraisal standards which includes some adjustments using the reference prices.

5. Loans Receivable

The total amounts of credits to bankrupt borrowers, delinquent loans, delinquent loans past 3 months or more and restructured loans, which were included in loans, were ¥11,032 million, ¥10,749 million and ¥2,638 million (US$28 million) as of March 31, 2008, 2009 and 2010, respectively.
i) The balances of credits to bankrupt borrowers were ¥492 million, ¥471 million and ¥352 million (US$3 million) as of March 31, 2008, 2009 and 2010, respectively.
ii) The balances of delinquent loans were ¥10,539 million, ¥10,277 million and ¥2,119 million (US$22 million) as of March 31, 2008, 2009 and 2010, respectively.
iii) There were no balances of delinquent loans past 3 months or more as of March 31, 2008, 2009 and 2010.
iv) The balances of restructured loans were ¥166 million (US$1 million) as of March 31, 2010, and no balances as of March 31, 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 ¥87 million, ¥66 million and ¥8,097 million (US$87 million) as of March 31, 2008, 2009 and 2010, respectively.

The direct write-offs related to loans decreased delinquent loans described above by ¥787 million, ¥786 million and ¥938 million (US$10 million) as of March 31, 2008, 2009 and 2010, respectively.

6. Accumulated Depreciation of Tangible Fixed Assets

Accumulated depreciation of tangible fixed assets totaled to ¥122,527 million, ¥124,586 million and ¥129,610 million (US$1,393 million) as of March 31, 2008, 2009 and 2010, respectively.

7. Separate Accounts

Total assets in separate accounts provided for in Article 118 of the Insurance Business Law were ¥117,591 million, ¥113,498 million and ¥95,207 million (US$1,023 million) as of March 31, 2008, 2009 and 2010, respectively. The amounts of separate account liabilities were the same as separate account assets.

8. Receivables from/Payables to Subsidiaries

The total amounts of receivables from/payables to subsidiaries were ¥3,642 million and ¥1,479 million as of March 31, 2008, ¥3,579 million and ¥1,281 million as of March 31, 2009 and ¥3,463 million (US$37 million) and ¥1,433 million (US$15 million), as of March 31, 2010, respectively.

9. Monetary Claims to Directors

Monetary claims to directors as of March 31, 2008, 2009 and 2010 were ¥16 million, ¥12 million and ¥8 million (US$93 thousand), respectively.

10. Income Taxes

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 rate 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 and ¥1,939 million, respectively. Valuation allowance for deferred tax assets was ¥2,727 million.

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

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

Deferred tax assets and deferred tax liabilities as of March 31, 2010 were ¥94,720 million (US$1,018 million) and ¥29,692 million (US$319 million), respectively. Valuation allowance for deferred tax assets was ¥2,857 million (US$30 million).

Major components of deferred tax assets were ¥57,349 million (US$616 million) of policy reserves, ¥18,024 million (US$193 million) of reserve for employees' retirement benefits and ¥9,577 million (US$102 million) of reserve for price fluctuation of securities as of March 31, 2010. Major component of deferred tax liabilities was ¥27,412 million (US$294 million) of net unrealized gains on available-for-sale securities as of March 31, 2010.

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

11. Reserve for Dividends to Policyholders

Changes in reserve for dividends to policyholders were as follows:

	Year ended March 31,			
	2008	2009	2010	2010
	Millions of yen			Millions of U.S. dollars
Balance at the end of previous fiscal year	¥ 52,872	¥ 54,382	¥ 57,317	$ 616
Transfer from surplus in previous fiscal year	35,525	31,868	17,856	191
Dividends paid in the current fiscal year	(34,216)	(29,176)	(20,571)	(221)
Increase in interest	200	242	157	1
Balance at the end of fiscal year	¥ 54,382	¥ 57,317	¥ 54,759	$ 588

12. Stocks of Subsidiaries

The amounts of stocks of subsidiaries the Company held as of March 31, 2008, 2009 and 2010 were ¥17,525 million, ¥27,525 million and ¥27,525 million (US$295 million), respectively.

13. Pledged Assets and Secured Debts

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 were ¥4,660 million.

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

Assets pledged as collateral as of March 31, 2010 were ¥21,642 million (US$232 million) of securities. Secured debts as of March 31, 2010 were ¥4,548 million (US$48 million).

14. Policy Reserves for the Reinsurance Contracts

Reserve for outstanding claims for the reinsurance contracts provided in accordance with Article 71 Paragraph 1 of the Enforcement Regulation of the Insurance Business Law (hereinafter called "reserve for outstanding claims for ceded reinsurance") were ¥31 million, ¥55 million and ¥32 million (US$353 thousand) as of March 31, 2008, 2009 and 2010, respectively.

Policy reserve for the reinsurance contracts provided in accordance with Article 71 Paragraph 1 of the Enforcement Regulation of the Insurance Business Law (hereinafter called "policy reserve for ceded reinsurance") were ¥29 million, ¥30 million and ¥30 million (US$330 thousand) as of March 31, 2008, 2009 and 2010, respectively.

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

The total amounts of adjustment items for redemption of foundation funds and appropriation of net surplus defined in Article 30 Paragraph 2 of the Enforcement Regulation of the Insurance Business Law were ¥115,855 million, ¥1,406 million and ¥49,716 million (US$534 million) as of March 31, 2008, 2009 and 2010, respectively.

16. Additional Foundation Funds

The Company raised additional foundation funds of ¥15,000 million (US$161 million) during the year ended March 31, 2010 in accordance with Article 60 of the Insurance Business Law.

17. Redemption of Foundation Funds

In the year ended March 31, 2010, in connection with the redemption of foundation funds of ¥15,000 million (US$161 million), the Company reversed the reserve for redemption of foundation funds and provided the equivalent amount for accumulated foundation funds redeemed in accordance with Article 56 of the Insurance Business Law.

18. Commitment Line

As of March 31, 2008, 2009 and 2010, there were unused commitment line agreements under which the Company is the lender of ¥1,681 million, ¥1,481 million and ¥5,653 million (US$60 million), respectively.

19. Subordinated Bonds

Repayments of subordinated bonds are subordinated to other obligations.

20. Assets Denominated in Foreign Currencies

Assets denominated in foreign currencies as of March 31, 2008, 2009 and 2010 totaled to ¥716,763 million, ¥463,674 million and ¥482,896 million (US$5,190 million), respectively. The principal foreign currency asset amounts were 2,401 million euros and US$2,584 million as of March 31, 2008, 1,551 million euros and US$2,465 million as of March 31, 2009 and 1,466 million euros and US$2,937 million as of March 31, 2010, respectively.

Liabilities denominated in foreign currencies as of March 31, 2008, 2009 and 2010 totaled to ¥48,542 million, ¥39,840 million and ¥38,330 million (US$411 million), respectively. The foreign currency liability amounts as of March 31, 2008, 2009 and 2010 were 306 million euros.

21. Contribution to Policyholders Protection Corporation

The future contribution to the Life Insurance Policyholders Protection Corporation of Japan under Article 259 of the Insurance Business Law were estimated at ¥11,302 million, ¥11,059 million and ¥10,639 million (US$114 million) as of March 31, 2008, 2009 and 2010, 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, 2008, 2009 and 2010 were calculated as follows:

	As of March 31,			
	2008	2009	2010	2010
		Millions of yen		Millions of U.S. dollars
a. Projected benefit obligation	¥(71,776)	¥(71,981)	¥(71,591)	$(769)
b. Fair value of pension plan assets	18,307	15,016	16,009	172
c. Unfunded benefit obligation (a+b)	(53,469)	(56,965)	(55,581)	(597)
d. Unrecognized actuarial differences	3,758	7,499	5,667	60
e. Unrecognized prior service cost	206	172	137	1
f. Reserve for employees' retirement benefits (c+d+e)	¥(49,504)	¥(49,293)	¥(49,776)	$(535)

(2) Gross amount of retirement benefit expenses for the years ended March 31, 2008, 2009 and 2010 were as follows:

	Year ended March 31,			
	2008	2009	2010	2010
		Millions of yen		Millions of U.S. dollars
Service cost	¥3,400	¥3,218	¥3,166	$ 34
Interest cost	1,472	1,434	1,438	15
Expected return on plan assets	(964)	(640)	(450)	(4)
Recognized actuarial differences	523	779	1,231	13
Amortization of prior service cost	34	34	34	0
	¥4,465	¥4,826	¥5,420	$ 58

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

	Year ended March 31,		
	2008	2009	2010
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	4.5%	3.5%	3.0%
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. Transactions with Subsidiaries

The total amounts of revenues and expenditures in connection with subsidiaries were ¥694 million and ¥8,023 million for the year ended March 31, 2008, ¥1,032 million and ¥7,170 million for the year ended March 31, 2009 and ¥982 million (US$10 million) and ¥7,764 million (US$83 million) for the year ended March 31, 2010, respectively.

2. Gains on Sales of Securities

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

	Year ended March 31,			
	2008	2009	2010	2010
	Millions of yen			Millions of U.S. dollars
Domestic bonds	¥ 2,722	¥29,312	¥14,017	$150
Domestic stocks and others	11,566	17,176	7,664	82
Foreign securities	6,743	5,002	333	3

3. Losses on Sales of Securities

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

	Year ended March 31,			
	2008	2009	2010	2010
	Millions of yen			Millions of U.S. dollars
Domestic bonds	¥4,720	¥ 2,427	¥ 564	$ 6
Domestic stocks and others	7,182	43,679	12,771	137
Foreign securities	3,608	49,363	28,158	302

4. Losses on Valuation of Securities

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

	Year ended March 31,			
	2008	2009	2010	2010
	Millions of yen			Millions of U.S. dollars
Domestic stocks and others	¥1,949	¥21,507	¥1,313	$14
Foreign securities	782	3,761	—	—

5. Policy Reserves for the Reinsurance Contracts

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

For the year ended March 31, 2010, reversal of reserve for outstanding claims for ceded reinsurance considered in calculation of reversal of reserve for outstanding claims was ¥22 million (US$244 thousand) and provision for policy reserve for ceded reinsurance considered in calculation of provision for policy reserve was ¥0 million (US$3 thousand).

6. Gains(Losses) from Trading Securities

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

	Year ended March 31,			
	2008	2009	2010	2010
	Millions of yen			Millions of U.S. dollars
Interest, dividends and other income	¥ 3,798	¥ 2,645	¥ 2,527	$ 27
Gains(Losses) on sales of trading securities	1,920	734	(494)	(5)
Gains(Losses) on valuation of trading securities	(4,006)	(6,724)	(1,866)	(20)

7. Losses from Money Held in Trust

Losses from money held in trust for the years ended March 31, 2008, 2009 and 2010 included valuation losses of ¥5,701 million, valuation gains of ¥520 million and valuation gains of ¥0 million (US$0 thousand), respectively.

8. Losses from derivative Instruments

Losses from derivative instruments for the years ended March 31, 2008, 2009 and 2010 included valuation gains of ¥95 million, valuation losses of ¥6,298 million and valuation gains of ¥5,607 million (US$60 million), respectively.

9. Impairment of Fixed Assets

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

(1) Method of grouping

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

(2) Background of recognizing the impairment losses

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

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

	As of March 31,		
	2009	2010	2010
	Millions of yen		Millions of U.S. dollars
Real estate for rent:			
Land	¥205	¥ 71	$0
Buildings and others	40	5	0
Total real estate for rent (i)	245	76	0
Unused real estate:			
Land	55	136	1
Buildings and others	213	651	7
Total unused lease property (ii)	269	788	8
Total:			
Land	260	208	2
Buildings and others	254	656	7
Total (i)+(ii)	¥514	¥865	$9

(4) Calculation method of recoverable amount

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

Report of Independent Auditors

The Board of Directors of Fukoku Mutual Life Insurance Company

We have audited the accompanying non-consolidated balance sheets of Fukoku Mutual Life Insurance Company as of March 31, 2008, 2009 and 2010, 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, 2009 and 2010, 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, 2010.

Tokyo, Japan
May 20, 2010

Kisaragi Audit Corporation

Kisaragi Audit Corporation

Consolidated Financial Statements

Consolidated Balance Sheets

Fukoku Mutual Life Insurance Company and consolidated subsidiaries
As of March 31, 2008, 2009 and 2010

	As of March 31,			
	2008	2009	2010	2010
	Millions of yen			Millions of U.S. dollars
Assets:				
Cash and deposits	¥ 52,963	¥ 68,692	¥ 83,557	$ 898
Call loans	125,500	183,600	91,000	978
Monetary claims bought	2,533	2,055	1,752	18
Money held in trust	57,527	33,053	32,902	353
Securities	4,019,758	3,760,762	4,248,119	45,659
Loans	1,233,951	1,240,369	1,223,402	13,149
Tangible fixed assets:				
Land	106,720	141,825	162,160	1,742
Buildings	94,499	99,014	96,764	1,040
Lease assets	—	—	31	0
Construction in progress	759	5,457	17,009	182
Other tangible fixed assets	4,171	3,944	3,728	40
	206,150	250,242	279,694	3,006
Intangible fixed assets:				
Software	8,285	7,856	7,626	81
Goodwill	7,447	7,087	6,304	67
Other intangible fixed assets	456	454	454	4
	16,189	15,398	14,384	154
Agency receivables	1	2	1	0
Reinsurance receivables	123	127	281	3
Other assets	61,148	56,693	52,243	561
Deferred tax assets	36,769	110,604	63,308	680
Allowance for possible loan losses	(10,189)	(11,436)	(2,586)	(27)
Total assets	¥5,802,427	¥5,710,164	¥6,088,061	$65,434

See notes to the consolidated financial statements.

Consolidated Balance Sheets (Continued)

	As of March 31,			
	2008	2009	2010	2010
	Millions of yen			Millions of U.S. dollars
Liabilities:				
Policy reserves:				
Reserve for outstanding claims	¥ 27,073	¥ 28,855	¥ 26,407	$ 283
Policy reserve	5,252,471	5,327,274	5,612,304	60,321
Reserve for dividends to policyholders	55,063	57,317	54,759	588
Reserve for dividends to policyholders (subsidiary)	—	533	585	6
	5,334,607	5,413,981	5,694,057	61,200
Agency payables	51	1,208	1,872	20
Reinsurance payables	138	113	140	1
Subordinated bonds	47,362	38,870	37,406	402
Other liabilities	45,293	40,730	43,681	469
Reserve for employees' retirement benefits	49,519	49,313	49,803	535
Reserve for directors' and corporate auditors' retirement benefits	27	—	—	—
Reserve for price fluctuation of securities	54,022	24,772	26,697	286
Deferred tax liabilities	0	0	—	—
Deferred tax liabilities for revaluation reserve for land	20,076	20,026	19,983	214
Total liabilities	5,551,101	5,589,016	5,873,642	63,130
Net assets:				
Foundation funds	40,000	40,000	40,000	429
Accumulated foundation funds redeemed	31,000	31,000	46,000	494
Reserve for revaluation	112	112	112	1
Consolidated surplus	74,369	83,365	77,020	827
Total foundation funds and surplus	145,481	154,477	163,132	1,753
Net unrealized gains (losses) on available-for-sale securities, net of tax	115,335	(36,210)	48,045	516
Deferred valuation gains under hedge accounting	408	479	538	5
Revaluation reserve for land, net of tax	(12,335)	814	773	8
Foreign currency translation adjustment	(3)	(667)	(583)	(6)
Total valuation and translation adjustments	103,405	(35,584)	48,774	524
Minority interests	2,438	2,254	2,513	27
Total net assets	251,325	121,147	214,419	2,304
Total liabilities and net assets	¥5,802,427	¥5,710,164	¥6,088,061	$65,434

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, 2008, 2009 and 2010

	Year ended March 31,			
	2008	2009	2010	2010
	Millions of yen			Millions of U.S. dollars
Ordinary revenues:				
Premium and other income	¥736,468	¥781,963	¥920,125	$9,889
Investment income:				
Interest, dividends and other income	122,744	117,035	116,073	1,247
Gains from trading securities, net	1,827	—	165	1
Gains on sales of securities	21,031	52,184	22,398	240
Other investment income	373	212	358	3
Gains from separate accounts, net	—	—	14,428	155
	145,977	169,432	153,424	1,649
Other ordinary revenues	25,375	23,506	16,412	176
Total ordinary revenues	907,821	974,902	1,089,963	11,714
Ordinary expenditures:				
Claims and other payments:				
Claims	235,444	207,944	181,213	1,947
Annuities	76,212	89,662	88,245	948
Benefits	144,598	152,251	147,812	1,588
Surrenders	120,386	114,574	119,422	1,283
Other payments	25,284	40,503	37,075	398
	601,926	604,936	573,769	6,166
Provision for policy reserve and others:				
Provision for reserve for outstanding claims	—	1,782	—	—
Provision for policy reserve	73,766	74,803	285,029	3,063
Interest on accumulated dividends to policyholders	200	242	157	1
Interest on accumulated dividends to policyholders (subsidiary)	—	0	1	0
	73,967	76,829	285,188	3,065
Investment expenses:				
Interest expenses	2,466	1,974	1,852	19
Losses from money held in trust, net	6,244	3,913	197	2
Losses from trading securities, net	—	3,343	—	—
Losses on sales of securities	15,511	96,043	41,753	448
Losses on valuation of securities	2,731	25,556	1,676	18
Losses from derivative instruments, net	961	110	11,555	124
Foreign exchange losses, net	445	2,348	1,711	18
Provision for allowance for possible loan losses	746	1,292	—	—
Write-off of loans	—	—	0	0
Depreciation of real estate for rent and other assets	4,753	4,226	5,230	56
Other investment expenses	5,224	5,923	6,093	65
Losses from separate accounts, net	19,765	25,086	—	—
	58,850	169,818	70,070	753
Operating expenses	88,775	95,922	102,349	1,100
Other ordinary expenditures	25,031	26,226	24,114	259
Total ordinary expenditures	848,550	973,732	1,055,492	11,344
Ordinary profits	59,270	1,169	34,470	370

Consolidated Statements of Operations (Continued)

	Year ended March 31,			
	2008	2009	2010	2010
	Millions of yen			Millions of U.S. dollars
Extraordinary gains:				
Gains on disposal of fixed assets	¥ 42	¥41,724	¥ 326	$ 3
Reversal of reserve for price fluctuation of securities	—	29,249	—	—
Reversal of allowance for possible loan losses	—	—	527	5
Other extraordinary gains	3	—	—	—
Total extraordinary gains	46	70,974	853	9
Extraordinary losses:				
Losses on disposal of fixed assets	243	904	696	7
Impairment losses	398	514	865	9
Provision for reserve for price fluctuation of securities	3,845	—	1,924	20
Other extraordinary losses	6	8	—	—
Total extraordinary losses	4,493	1,427	3,486	37
Provision for reserve for dividends to policyholders (subsidiary)	—	276	397	4
Surplus before income taxes	54,823	70,440	31,439	337
Income taxes:				
Current	19,412	4,123	4,379	47
Deferred	(10,647)	11,970	(350)	(3)
Total income taxes	8,765	16,094	4,029	43
Minority interests	167	(332)	227	2
Net surplus for the year	¥45,890	¥54,678	¥27,182	$292

See notes to the consolidated financial statements.

Consolidated Statements of Cash Flows

Fukoku Mutual Life Insurance Company and consolidated subsidiaries
For the years ended March 31, 2008, 2009 and 2010

	Year ended March 31,			
	2008	2009	2010	2010
	Millions of yen			Millions of U.S. dollars
Cash flows from operating activities:				
Surplus before income taxes	¥ 54,823	¥ 70,440	¥ 31,439	$ 337
Depreciation of real estate for rent and other assets	4,753	4,226	5,230	56
Depreciation	6,182	5,741	5,622	60
Impairment losses	398	514	865	9
Amortization of goodwill	—	744	783	8
Increase (Decrease) in reserve for outstanding claims	(1,955)	1,782	(2,448)	(26)
Increase (Decrease) in policy reserve	73,766	74,803	285,029	3,063
Interest on accumulated dividends to policyholders	200	242	157	1
Interest on accumulated dividends to policyholders (subsidiary)	—	0	1	0
Provision for reserve for dividends to policyholders (subsidiary)	—	276	397	4
Increase (Decrease) in allowance for possible loan losses	746	1,246	(8,849)	(95)
Increase (Decrease) in reserve for employees' retirement benefits	(740)	(206)	490	5
Increase (Decrease) in reserve for directors' and corporate auditors' retirement benefits	—	(27)	—	—
Increase (Decrease) in reserve for price fluctuation of securities	3,845	(29,249)	1,924	20
Interest, dividends and other income	(122,744)	(117,035)	(116,073)	(1,247)
(Gains) Losses on securities	22,354	101,869	18,190	195
Interest expenses	2,466	1,974	1,852	19
Foreign exchange (gains) losses, net	445	2,348	1,711	18
(Gains) Losses on tangible fixed assets	200	(40,820)	370	3
(Increase) Decrease in agency receivables	—	(0)	0	0
(Increase) Decrease in reinsurance receivables	(67)	(3)	(153)	(1)
(Increase) Decrease in other assets	(767)	(3,158)	(2,064)	(22)
Increase (Decrease) in agency payables	0	1,156	663	7
Increase (Decrease) in reinsurance payables	28	(25)	27	0
Increase (Decrease) in other liabilities	(676)	(964)	1,815	19
Others	4,762	22,152	31,101	334
Subtotal	48,023	98,027	258,083	2,773
Interest, dividends and other income received	124,359	125,583	118,875	1,277
Interest paid	(2,422)	(2,136)	(1,851)	(19)
Dividends to policyholders paid	(34,216)	(29,176)	(20,571)	(221)
Dividends to policyholders paid (subsidiary)	—	(423)	(346)	(3)
Corporate income tax paid	(20,374)	(20,125)	3,601	38
Net cash provided by (used in) operating activities (I)	115,369	171,748	357,790	3,845
Cash flows from investing activities:				
(Increase) Decrease in deposits	184	(289)	29	0
Proceeds from sales and redemption of monetary claims bought	332	477	303	3
Payments for increase in money held in trust	(6,000)	(12,297)	(7,000)	(75)
Proceeds from decrease in money held in trust	44,448	32,932	6,950	74
Payments for purchase of securities	(1,101,919)	(1,587,041)	(2,095,137)	(22,518)
Proceeds from sales and redemption of securities	964,247	1,504,934	1,720,166	18,488
Payments for additions to loans	(264,882)	(181,269)	(155,444)	(1,670)
Proceeds from collections of loans	300,943	160,153	148,816	1,599
Proceeds from settlement of derivative	(1,067)	1,160	(11,775)	(126)
Others	(4,086)	(2,856)	(1,395)	(14)
Subtotal (IIa)	(67,798)	(84,094)	(394,485)	(4,239)
(I+IIa)	47,570	87,653	(36,695)	(394)

Consolidated Statements of Cash Flows (Continued)

	Year ended March 31,			
	2008	2009	2010	2010
	Millions of yen			Millions of U.S. dollars
Payments for purchase of tangible fixed assets	(10,933)	(67,428)	(38,458)	(413)
Proceeds from sales of tangible fixed assets	387	58,176	753	8
Payments for purchase of intangible fixed assets	(1,949)	(1,982)	(2,156)	(23)
Proceeds from sales of intangible fixed assets	0	2	—	—
Acquisition of subsidiary, net of cash acquired	(11,729)	—	—	—
Net cash provided by (used in) investing activities	(92,023)	(95,327)	(434,346)	(4,668)
Cash flows from financing activities:				
Repayment of subordinated dept loans	(5,000)	—	—	—
Financing of additional foundation funds	—	—	15,000	161
Redemption of foundation funds	—	—	(15,000)	(161)
Interest payment for foundation funds	(716)	(716)	(716)	(7)
Dividends paid to minority interests	(52)	(52)	(23)	(0)
Net cash provided by (used in) financing activities	(5,768)	(768)	(739)	(7)
Effect of exchange rate changes on cash and cash equivalents	(546)	(1,983)	(445)	(4)
Net increase (decrease) in cash and cash equivalents	17,031	73,669	(77,740)	(835)
Cash and cash equivalents at the beginning of the year	160,924	177,956	251,626	2,704
Cash and cash equivalents at the end of the year	¥177,956	¥251,626	¥173,885	$1,868

See notes to the consolidated financial statements.

Consolidated Statements of Changes in Net Assets

Fukoku Mutual Life Insurance Company and consolidated subsidiaries
For the years ended March 31, 2008, 2009 and 2010

	Year ended March 31,			
	2008	2009	2010	2010
	Millions of yen			Millions of U.S. dollars
Foundation funds and surplus:				
Foundation funds				
Balance at the end of previous fiscal year	¥ 40,000	¥ 40,000	¥ 40,000	$ 429
Changes in the current fiscal year:				
Financing of additional foundation funds	—	—	15,000	161
Redemption of foundation funds	—	—	(15,000)	(161)
Total changes in the current fiscal year	—	—	—	—
Balance at the end of current fiscal year	40,000	40,000	40,000	429
Accumulated foundation funds redeemed				
Balance at the end of previous fiscal year	31,000	31,000	31,000	333
Changes in the current fiscal year:				
Additions to accumulated foundation funds redeemed	—	—	15,000	161
Total changes in the current fiscal year	—	—	15,000	161
Balance at the end of current fiscal year	31,000	31,000	46,000	494
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	64,559	74,369	83,365	896
Changes in the current fiscal year:				
Additions to reserve for dividends to policyholders	(35,525)	(31,868)	(17,856)	(191)
Payment of interest on foundation funds	(716)	(716)	(716)	(7)
Net surplus for the year	45,890	54,678	27,182	292
Reversal of reserve for redemption of foundation funds	—	—	(15,000)	(161)
Reversal of revaluation reserve for land	161	(13,098)	44	0
Total changes in the current fiscal year	9,810	8,995	(6,345)	(68)
Balance at the end of current fiscal year	74,369	83,365	77,020	827
Total foundation funds and surplus				
Balance at the end of previous fiscal year	135,671	145,481	154,477	1,660
Changes in the current fiscal year:				
Financing of additional foundation funds	—	—	15,000	161
Additions to reserve for dividends to policyholders	(35,525)	(31,868)	(17,856)	(191)
Additions to accumulated foundation funds redeemed	—	—	15,000	161
Payment of interest on foundation funds	(716)	(716)	(716)	(7)
Net surplus for the year	45,890	54,678	27,182	292
Redemption of foundation funds	—	—	(15,000)	(161)
Reversal of reserve for redemption of foundation funds	—	—	(15,000)	(161)
Reversal of revaluation reserve for land	161	(13,098)	44	0
Total changes in the current fiscal year	9,810	8,995	8,654	93
Balance at the end of current fiscal year	145,481	154,477	163,132	1,753

Consolidated Statements of Changes in Net Assets (Continued)

	Year ended March 31,			
	2008	2009	2010	2010
		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	273,382	115,335	(36,210)	(389)
Changes in the current fiscal year:				
Net changes, excluding foundation funds and surplus	(158,046)	(151,546)	84,255	905
Total changes in the current fiscal year	(158,046)	(151,546)	84,255	905
Balance at the end of current fiscal year	115,335	(36,210)	48,045	516
Deferred valuation gains (losses) under hedge accounting				
Balance at the end of previous fiscal year	(152)	408	479	5
Changes in the current fiscal year:				
Net changes, excluding foundation funds and surplus	560	70	59	0
Total changes in the current fiscal year	560	70	59	0
Balance at the end of current fiscal year	408	479	538	5
Revaluation reserve for land, net of tax				
Balance at the end of previous fiscal year	(12,204)	(12,335)	814	8
Changes in the current fiscal year:				
Net changes, excluding foundation funds and surplus	(130)	13,149	(40)	(0)
Total changes in the current fiscal year	(130)	13,149	(40)	(0)
Balance at the end of current fiscal year	(12,335)	814	773	8
Foreign currency translation adjustment				
Balance at the end of previous fiscal year	53	(3)	(667)	(7)
Changes in the current fiscal year:				
Net changes, excluding foundation funds and surplus	(56)	(663)	83	0
Total changes in the current fiscal year	(56)	(663)	83	0
Balance at the end of current fiscal year	(3)	(667)	(583)	(6)
Total valuation and translaiton adjustments				
Balance at the end of previous fiscal year	261,079	103,405	(35,584)	(382)
Changes in the current fiscal year:				
Net changes, excluding foundation funds and surplus	(157,673)	(138,989)	84,358	906
Total changes in the current fiscal year	(157,673)	(138,989)	84,358	906
Balance at the end of current fiscal year	103,405	(35,584)	48,774	524
Minority interests				
Balance at the end of previous fiscal year	511	2,438	2,254	24
Changes in the current fiscal year:				
Net changes, excluding foundation funds and surplus	1,927	(184)	258	2
Total changes in the current fiscal year	1,927	(184)	258	2
Balance at the end of current fiscal year	2,438	2,254	2,513	27
Total net assets				
Balance at the end of previous fiscal year	397,261	251,325	121,147	1,302
Changes in the current fiscal year:				
Financing of additional foundation funds	—	—	15,000	161
Additions to reserve for dividends to policyholders	(35,525)	(31,868)	(17,856)	(191)
Additions to accumulated foundation funds redeemed	—	—	15,000	161
Payment of interest on foundation funds	(716)	(716)	(716)	(7)
Net surplus for the year	45,890	54,678	27,182	292
Redemption of foundation funds	—	—	(15,000)	(161)
Reversal of reserve for redemption of foundation funds	—	—	(15,000)	(161)
Reversal of revaluation reserve for land	161	(13,098)	44	0
Net changes, excluding foundation funds and surplus	(155,746)	(139,173)	84,617	909
Total changes in the current fiscal year	(145,935)	(130,177)	93,271	1,002
Balance at the end of current fiscal year	¥ 251,325	¥ 121,147	¥ 214,419	$ 2,304

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 ¥93.04 = US$1.00, the effective rate of exchange at the balance sheet date of March 31, 2010. 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, 2010 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, 2008, 2009 and 2010.

(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 years ended March 31, 2008, 2009 and 2010, 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 (excluding lease assets)

i) Acquired on or before March 31, 1998: Previous declining-balance method

ii) Acquired on or after April 1, 1998 but on or before March 31, 2007: Previous straight-line method

iii) Acquired on or after April 1, 2007: Straight-line method

- Assets other than buildings (excluding lease assets)

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

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

- Lease assets related to finance lease transactions that do not transfer ownership: Straight-line method over the lease term

Other tangible fixed assets acquired for ¥100,000 or more but less than ¥200,000 are depreciated equally over three years.

(5) Foreign currency translation

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

(6) Allowance for possible loan losses

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

i) For the credits of borrowers who are legally bankrupt such as being in the proceedings of bankruptcy or civil rehabilitation (hereinafter called "legally bankrupt borrowers") and who are substantially bankrupt (hereinafter called "substantially bankrupt borrowers"), the Company provides the remaining amount of credits after the direct write-off described below and the deductions of the amount expected to be collected through the disposal of collateral or the execution of guarantees.

ii) For the credits of borrowers who are not currently bankrupt but have a high possibility of bankruptcy, the Company provides the amounts deemed as necessary considering the borrowers' ability to pay, within the amounts after deductions of the amount expected to be collected through the disposal of collateral or the execution of guarantees.

iii) For the credits of borrowers other than the above, the Company provides the amounts calculated by multiplying the borrowers' balance by the actual ratio of bad debt losses on defaults during a certain past period.

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

For the credits of legally bankrupt borrowers and substantially bankrupt borrowers, the amounts remaining after deductions of collateral value or the amounts collectible through the execution of guarantees is written-off directly from the borrower's balance as the estimated uncollectible amounts. The amounts written-off as of March 31, 2008, 2009 and 2010 were ¥958 million, ¥941 million and ¥9,159 million (US$98 million), respectively.

(7) Reserve for employees' retirement benefits

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

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

Reserve for directors' and corporate auditors' retirement benefits of the consolidated subsidiaries as of March 31, 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 Article 115 of the Insurance Business Law.

(10) Lease Transactions as a Lessee

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

(11) Lease Transactions as a Lessor

For the years ended March 31, 2009 and 2010, as for the finance lease transactions where the Company is a lessor, the lease fee is recorded in "interest, dividends and other income" at the time of receiving lease fee. The corresponding cost of the lease assets is recorded in "other investment expenses", which is calculated by deducting an amount equivalent to the interest allocated over the lease term from the lease fee received.

(12) Accounting for hedge activities

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

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

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

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

For judging the effectiveness of hedge used, ratio analysis of comparing the fluctuations in the fair value or cash flows of hedged items and hedging instruments is mostly applied.

(13) 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.

(14) 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.

(15) Software

The software for internal use is amortized based on straight-line method over the estimated useful lives.

(16) Deferred assets

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

(17) 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 ¥598,156 million and ¥612,619 million as of March 31, 2008, ¥721,357 million and ¥737,056 million as of March 31, 2009, and ¥987,697 million (US$10,615 million) and ¥1,005,145 million (US$10,803 million) as of March 31, 2010, respectively.

2. Changes in Accounting Policies

(1) Effective for the year ended March 31, 2010, the Company adopted "Partial Amendments to Accounting Standard for Retirement Benefits (Part 3)" (ASBJ Statement No.19 issued by the Accounting Standards Board of Japan on July 31, 2008). There is no effect of the change on ordinary profit and surplus before income taxes since the Company has decided to use the same discount rate as before.

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

(3) 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.

(4) 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.

3. Financial Instruments

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

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

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

	As of March 31,					
	2010					
	Millions of yen			Millions of U.S. dollars		
	Carrying amount	Fair value	Difference	Carrying amount	Fair value	Difference
Monetary claims bought:						
Claims treated as loans	¥ 1,752	¥ 1,743	¥ (8)	$ 18	$ 18	$ (0)
Total monetary claims bought	1,752	1,743	(8)	18	18	(0)
Money held in trust:						
Trading securities	31,902	31,902	—	342	342	—
Total money held in trust	31,902	31,902	—	342	342	—
Securities:						
Trading securities	79,317	79,317	—	852	852	—
Held-to-maturity debt securities	514,566	519,051	4,485	5,530	5,578	48
Policy-reserve-matching bonds	987,697	1,005,145	17,448	10,615	10,803	187
Available-for-sale securities	2,558,975	2,558,975	—	27,504	27,504	—
Total securities	4,140,556	4,162,490	21,933	44,502	44,738	235
Loans:						
Policy loans	76,695	76,694	(0)	824	824	(0)
Ordinary loans	1,146,707	1,174,330	27,623	12,324	12,621	296
Total loans	1,223,402	1,251,025	27,623	13,149	13,446	296
Derivative instruments:						
Hedge accounting not applied	(1,644)	(1,644)	—	(17)	(17)	—
Hedge accounting applied	(4,006)	(4,006)	—	(43)	(43)	—
Total derivative instruments	¥ (5,650)	¥ (5,650)	¥ —	$ (60)	$ (60)	$ —

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

Investments in unconsolidated subsidiaries and affiliates, unlisted equity securities and investments in partnerships whereby partnership assets consist of unlisted equity securities whose fair values are deemed extremely difficult to obtain, are excluded from above securities. The carrying amounts of investments in unconsolidated subsidiaries and affiliates, unlisted equity securities and investments in partnerships as of March 31, 2010 were ¥240 million (US$2 million), ¥8,863 million (US$95 million) and ¥8,306 million (US$89 million), respectively.

(2) Loans and monetary claims bought treated as loans: The fair values of policy loans are deemed to approximate carrying values, considering estimated repayment period and interest rate conditions since their repayment deadline have not been set up due to the characteristics that the loan is limited to the amount of cash surrender values. Therefore, the carrying values are used as the fair values of policy loans.

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

(3) Derivative instruments:

i) The fair values of the futures and options traded at the exchange are measured at the settlement price of the exchange.

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

4. Investment and Rental Property

The Company holds investment and rental properties such as office buildings in Tokyo and other areas. The carrying amount and the fair value of these investment and rental properties as of March 31, 2010 were ¥223,701 million (US$2,404 million) and ¥295,062 million (US$3,171 million), respectively. The fair value is mainly based on the value calculated by the Company in accordance with real estate appraisal standards which includes some adjustments using the reference prices.

5. Loans Receivable

The total amounts of credits to bankrupt borrowers, delinquent loans, delinquent loans past 3 months or more and restructured loans, which were included in loans, were ¥10,979 million, ¥10,712 million and ¥2,586 million (US$27 million) as of March 31, 2008, 2009 and 2010, respectively.

i) The balances of credits to bankrupt borrowers were ¥477 million, ¥435 million and ¥300 million (US$3 million) as of March 31, 2008, 2009 and 2010, respectively.
ii) The balances of delinquent loans were ¥10,502 million, ¥10,277 million and ¥2,119 million (US$22 million) as of March 31, 2008, 2009 and 2010, respectively.
iii) There were no balances of delinquent loans past 3 months or more as of March 31, 2008, 2009 and 2010.
iv) The balances of restructured loans were ¥166 million (US$1 million) as of March 31, 2010, and no balances as of March 31, 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 ¥102 million, ¥102 million and ¥8,149 million (US$87 million) as of March 31, 2008, 2009 and 2010, respectively.

The direct write-offs related to loans decreased delinquent loans described above by ¥824 million, ¥786 million and ¥938 million (US$10 million) as of March 31, 2008, 2009 and 2010, respectively.

6. Accumulated Depreciation of Tangible Fixed Assets

Accumulated depreciation of tangible fixed assets totaled to ¥122,670 million, ¥124,761 million and ¥129,828 million (US$1,395 million) as of March 31, 2008, 2009 and 2010, respectively.

7. Separate Accounts

Total assets in separate accounts provided for in Article 118 of the Insurance Business Law were ¥117,591 million, ¥113,498 million and ¥95,207 million (US$1,023 million) as of March 31, 2008, 2009 and 2010, respectively. The amounts of separate account liabilities were the same as separate account assets.

8. Receivables from/Payables to Unconsolidated Subsidiaries

The total amounts of receivables from/payables to unconsolidated subsidiaries were, ¥3,540 million and ¥162 million as of March 31, 2008, ¥3,425 million and ¥165 million as of March 31, 2009, and ¥3,308 million (US$35 million) and ¥186 million (US$2 million) as of March 31, 2010, respectively.

9. Monetary Claims to Directors

Monetary claims to directors of the Company as of March 31, 2008, 2009 and 2010 were ¥16 million, ¥12 million and ¥8 million (US$93 thousand), respectively.

10. Income Taxes

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 and ¥1,939 million, respectively. Valuation allowance for deferred tax assets was ¥4,188 million.

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

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

Deferred tax assets and deferred tax liabilities as of March 31, 2010 were ¥96,103 million (US$1,032 million) and ¥29,717 million (US$319 million), respectively. Valuation allowance for deferred tax assets was ¥3,077 million (US$33 million).

Major components of deferred tax assets were ¥57,858 million (US$621 million) of policy reserves, ¥18,034 million (US$193 million) of reserve for employees' retirement benefits and ¥9,667 million (US$103 million) of reserve for price fluctuation of securities as of March 31, 2010. Major component of deferred tax liabilities was ¥27,435 million (US$294 million) of net unrealized gains on available-for-sale securities as of March 31, 2010.

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

11. Reserve for Dividends to Policyholders

Changes in reserve for dividends to policyholders were as follows:

	Year ended March 31,			
	2008	2009	2010	2010
	Millions of yen			Millions of U.S. dollars
Balance at the end of previous fiscal year	¥ 52,872	¥ 54,382	¥57,317	$616
Transfer from surplus in previous fiscal year	35,525	31,868	17,856	191
Dividends paid in the current fiscal year	(34,216)	(29,176)	(20,571)	(221)
Increase in interest	200	242	157	1
Increase due to addition of consolidated subsidiary	680	—	—	—
Balance at the end of fiscal year	¥ 55,063	¥ 57,317	¥54,759	$588

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

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

Changes in reserve for dividends to policyholders were as follows:

	Year ended March 31,		
	2009	2010	2010
	Millions of yen		Millions of U.S. dollars
Balance at the end of previous fiscal year	¥680	¥533	$5
Dividends paid in the current fiscal year	(423)	(346)	(3)
Increase in interest	0	1	0
Provision for reserve for dividends to policyholders	276	397	4
Balance at the end of fiscal year	¥533	¥585	$6

13. Stocks of Unconsolidated Subsidiaries

The amounts of stocks of unconsolidated subsidiaries the Company held as of March 31, 2008, 2009 and 2010 were ¥240 million, ¥240 million and ¥240 million (US$2 million), respectively.

14. Pledged Assets and Secured Debts

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 were ¥4,660 million.

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

Assets pledged as collateral as of March 31, 2010 were ¥21,642 million (US$232 million) of securities. Secured debts as of March 31, 2010 were ¥4,548 million (US$48 million).

15. Policy Reserves for the Reinsurance Contracts

Reserve for outstanding claims for the reinsurance contracts provided in accordance with Article 71 Paragraph 1 of the Enforcement Regulation of the Insurance Business Law (hereinafter called "reserve for outstanding claims for ceded reinsurance") were ¥55 million and ¥32 million (US$353 thousand) as of March 31, 2009 and 2010.

Policy reserve for the reinsurance contracts provided in accordance with Article 71 Paragraph 1 of the Enforcement Regulation of the Insurance Business Law (hereinafter called "policy reserve for ceded reinsurance") were ¥57 million and ¥56 million (US$604 thousand), as of March 31, 2009 and 2010.

16. Additional Foundation Funds

The Company raised additional foundation funds of ¥15,000 million (US$161 million) during the year ended March 31, 2010 in accordance with Article 60 of the Insurance Business Law.

17. Redemption of Foundation Funds

In the year ended March 31, 2010, in connection with the redemption of foundation funds of ¥15,000 million (US$161 million), the Company reversed the reserve for redemption of foundation funds and provided the equivalent amount for accumulated foundation funds redeemed in accordance with Article 56 of the Insurance Business Law.

18. Commitment Line

As of March 31, 2008, 2009 and 2010, there were unused commitment line agreements under which the Company is the lender of ¥1,681 million, ¥1,481 million and ¥5,653 million (US$60 million), respectively.

19. Subordinated Bonds

Repayments of subordinated bonds are subordinated to other obligations.

20. Contribution to Policyholders Protection Corporation

The future contribution to the Life Insurance Policyholders Protection Corporation of Japan under Article 259 of the Insurance Business Law were estimated at ¥11,527 million, ¥11,283 million and ¥10,915 million (US$117 million) as of March 31, 2008, 2009 and 2010, 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, 2008, 2009 and 2010 were calculated as follows:

	As of March 31,			
	2008	2009	2010	2010
		Millions of yen		Millions of U.S. dollars
a. Projected benefit obligation	¥(71,792)	¥(72,001)	¥(71,617)	$769
b. Fair value of pension plan assets	18,307	15,016	16,009	172
c. Unfunded benefit obligation (a+b)	(53,485)	(56,985)	(55,608)	(597)
d. Unrecognized actuarial differences	3,758	7,499	5,667	60
e. Unrecognized prior service cost	206	172	137	1
f. Reserve for employees' retirement benefits (c+d+e)	¥(49,519)	¥(49,313)	¥(49,803)	$(535)

(2) Gross amount of retirement benefit expenses for the years ended March 31, 2008, 2009 and 2010 were as follows:

	Year ended March 31,			
	2008	2009	2010	2010
		Millions of yen		Millions of U.S. dollars
Service cost	¥3,404	¥3,224	¥3,173	$34
Interest cost	1,472	1,434	1,438	15
Expected return on plan assets	(964)	(640)	(450)	(4)
Recognized actuarial differences	523	779	1,231	13
Amortization of prior service cost	34	34	34	0
	¥4,469	¥4,831	¥5,427	$58

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

	Year ended March 31,		
	2008	2009	2010
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	4.5%	3.5%	3.0%
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. Transactions with Unconsolidated Subsidiaries

The total amounts of revenues and expenditures in connection with unconsolidated subsidiaries were ¥121 million and ¥2,604 million for the year ended March 31, 2008, ¥127 million and ¥2,558 million for the year ended March 31, 2009, and ¥131 million (US$1 million) and ¥2,825 million (US$30 million) for the year ended March 31, 2010, respectively.

2. Policy Reserves for the Reinsurance Contracts

For the year ended March 31, 2010, reversal of reserve for outstanding claims for ceded reinsurance considered in calculation of reversal of reserve for outstanding claims was ¥22 million (US$244 thousand) and reversal of policy reserve for ceded reinsurance considered in calculation of provision for policy reserve was ¥0 million (US$10 thousand).

3. Impairment of Fixed Assets

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

(1) Method of grouping

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

(2) Background of recognizing the impairment losses

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

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

	As of March 31,		
	2009	2010	2010
	Millions of yen		Millions of U.S. dollars
Real estate for rent:			
Land	¥205	¥ 71	$0
Buildings and others	40	5	0
Total real estate for rent (i)	245	76	0
Unused real estate:			
Land	55	136	1
Buildings and others	213	651	7
Total unused lease property (ii)	269	788	8
Total:			
Land	260	208	2
Buildings and others	254	656	7
Total (i)+(ii)	¥514	¥865	$9

(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, 2008, 2009 and 2010 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, 2009 and 2010 were as follows:

	As of March 31,			
	2008	2009	2010	2010
	Millions of yen			Millions of U.S. dollars
Cash and deposits	¥ 52,963	¥ 68,692	¥83,557	$ 898
Call loans	125,500	183,600	91,000	978
Monetary claims bought	2,533	2,055	1,752	18
Time deposits maturing over 3 months of the date of acquisition	(200)	(300)	(200)	(2)
Foreign currency deposits maturing over 3 months of the date of acquisition	(306)	(366)	(472)	(5)
Monetary claims bought maturing over 3 months of the date of acquisition	(2,533)	(2,055)	(1,752)	(18)
Cash and cash equivalents	¥177,956	¥251,626	¥173,885	$1,868

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 years, March 31, 2009 and 2010, 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 and 2010.

4. Supplementary Information (None)

May 19, 2010
Tomofumi Akiyama
President
Fukoku Mutual Life Insurance Company

Report of Independent Auditors

The Board of Directors of Fukoku Mutual Life Insurance Company

Financial Statements Audit

We have audited the accompanying consolidated balance sheets of Fukoku Mutual Life Insurance Company and its consolidated subsidiaries as of March 31, 2008, 2009 and 2010, 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, 2009 and 2010, 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, 2010.

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 and 2010. 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 and 2010, is effectively maintained, presents fairly, in all material respects, the assessment of internal control over financial reporting in conformity with assessment standards for internal control over financial reporting generally accepted in Japan.

Tokyo, Japan
May 20, 2010

Kisaragi Audit Corporation

Kisaragi Audit Corporation

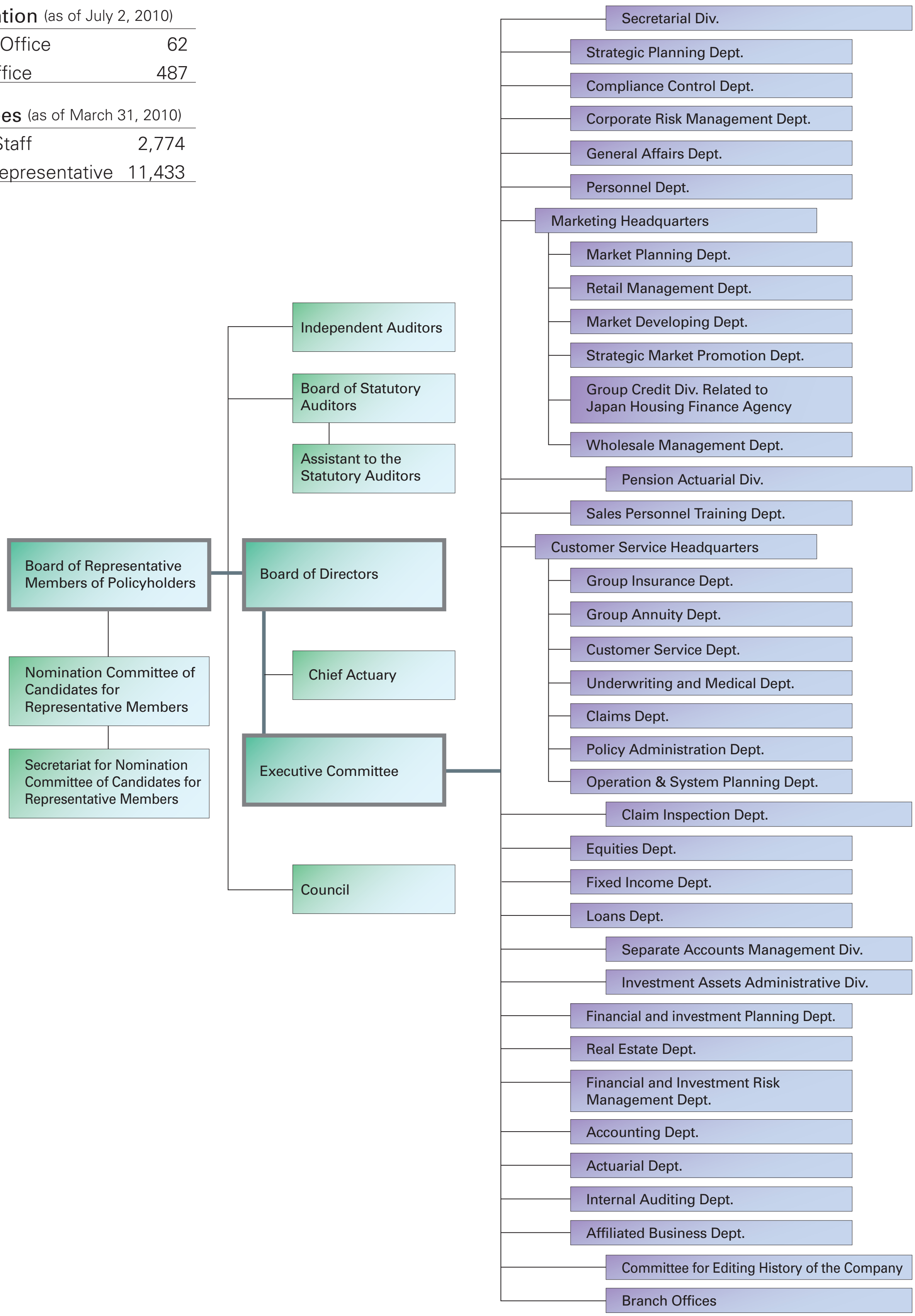
Corporate Organization

Organization (as of July 2, 2010)

Branch Office	62
Field Office	487

Employees (as of March 31, 2010)

Office Staff	2,774
Sales Representative	11,433



Corporate Information

Board of Directors and Statutory Auditors

Chairman of the Board
Tomofumi Akiyama

President and Chief Executive Officer
Yoshiteru Yoneyama*

Deputy Presidents and Executive Officers:
Mikio Yamamoto
Katsumasa Furuya

Directors and Managing Executive Officers:
Kenji Hirai
Tadashi Akikawa

Directors:
Katsuhiro Utada
Kozo Isshiki

Directors and Executive Officers:
Hitoshi Sakai
Toshihiro Hayashi
Toshihide Fujiwara

Statutory Auditors:
Yoshizumi Nezu
Mitsuo Ohashi
Akihiro Mochizuki

Statutory Auditors (Standing):
Shuichi Maeda
Akio Imai

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

*Representative Director
(as of July 2, 2010)

Directory

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Fukoku Life International (U.K.) Ltd.
From left: J. Doran, K. Sato, J. Morita,
K. Ohkawa and D. Reynolds

Fukoku Life International (America) Inc.
From left: M. Xu, M. Jensen, Y. Onodera,
S. Nozaki and A. Chang

FUKOKU MUTUAL LIFE INSURANCE COMPANY

Annual Report 2010

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