FUKOKU MUTUAL LIFE INSURANCE COMPANY

Annual Report 2012

Year Ended March 31, 2012

Tokyo Head Office

Osaka Fukoku Mutual Life Insurance Building

Contents

Financial Highlights (Non-consolidated)

As of March 31,	2010	2011	2012	2012
		Millions of yen		Millions of U.S. dollars
Life insurance in force	¥47,457,381	¥46,297,750	¥45,008,889	$547,620
Total assets	5,613,104	5,675,214	5,699,527	69,345
Securities	3,800,984	3,778,639	4,148,127	50,469
Loans	1,220,945	1,143,863	1,039,363	12,645
Tangible fixed assets	279,476	284,670	276,619	3,365
Total liabilities	5,401,158	5,480,612	5,446,071	66,261
Policy reserves	5,225,501	5,216,576	5,226,726	64,079
Subordinated bonds	37,406	35,214	32,896	400
Total net assets	211,946	194,601	253,455	3,083
For the years ended March 31,				
Total ordinary revenues	787,517	836,916	754,842	9,184
Premium and other income	623,778	665,844	589,918	7,177
Investment income	147,754	146,400	145,676	1,772
Total ordinary expenditures	754,558	777,909	704,413	8,570
Net surplus for the year	26,135	41,524	28,778	350
Solvency margin ratio (%)	1,127.6	668.4	741.1	—
Employees	14,207	13,702	13,502	—

Notes 1. U.S. dollar amounts are converted from yen, for convenience only, at the rate of U.S.$1=¥82.19, the rate of exchange on March 31, 2012.
2. Yen and U.S. dollar amounts are rounded down to the nearest million yen or million dollars.
3. Since fiscal year 2011, ended March 31, 2012, counting of solvency margin and measurement of risks on assets have changed stricter and more defined in some parts.
4. Solvency margin ratio for fiscal year 2011 ended March 31, 2012 was based on new standard. Figure for the fiscal year 2010 ended March 31, 2011 was released in March 2012 and was based on new standard. Figure for the fiscal year 2009 ended March 31, 2010 was based on old standard.

Message from the President

Yoshiteru Yoneyama
President

Today, more than one year since the Great East Japan Earthquake of March 11, 2011, efforts toward a full recovery continue while those in affected regions are forced to put their lives on hold. Once again, I would like to express my profound sympathy and prayers for a return to normal life as soon as possible.

Immediately after the disaster, Fukoku Life visited customers in affected regions and made every effort to ensure that insurance payments were made without delay. We will continue such efforts so that we can deliver peace of mind to the many affected Fukoku Life customers.

In fiscal 2011, ended March 31, 2012, the Japanese economy showed signs of a moderate recovery from January 2012, despite struggling temporarily once it had recovered from the slump in the immediate aftermath of the disaster. Meanwhile, uncertainties remain surrounding the future of financial and capital markets amid a worsening European debt crisis.

Since the revision of the Company's management philosophy in 2005, all executives and employees have adopted a "Customer-Centric" approach in their daily business activities. Under this philosophy, all employees treat customers as they themselves would like to be treated. Furthermore, guided by the "Personnel Pledge" that underpins Fukoku Life's personnel development policy, we will continue fostering personnel capable of adopting the customer's perspective.

In May 2011, we launched a new insurance product to help alleviate the economic burden borne by customers unable to work for 121 days or more due to illness or injury. This product pays annuities to customers who are hospitalized or receive nursing care at home. As a product that assures customers long-term care that is not fully covered by conventional insurance products, it is proving extremely popular.

With respect to asset management, we sought to maintain the safety and liquidity of customer assets entrusted to us and mitigate risks, by concentrating on domestic public bonds while reducing holdings of equities and other instruments.

Ahead of the scheduled redemption of a ¥25.0 billion foundation fund set up in September 2006, we raised an additional foundation fund of ¥20.0 billion in September 2011 to further enhance our financial soundness and provide customers with peace of mind. At the same time, we reinforced equity capital by bolstering internal resources, which entailed increasing the reserve for price fluctuation of securities and the contingency reserve.

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

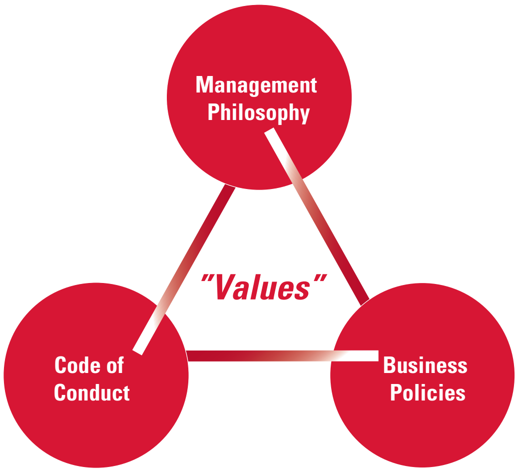
Yoshiteru Yoneyama
President

Fukoku Life's Management Philosophy

Values

Our "Customer-Centric" Values

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



Tomofumi Akiyama
Chairman of the Board

Yoshiteru Yoneyama
President

Management Philosophy

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

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

Code of Conduct

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

To us, "Customer-Centric" values means:

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

Business Policies

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

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

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

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

Overview

Individual Insurance

Based on our "Customer-Centric" approach, we endeavor to earn the satisfaction of customers by designing and proposing policies that they truly need and offering comprehensive follow-up services. We believe that such an approach will translate into 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. In May 2011, for example, we launched a new insurance product to help alleviate the economic burden borne by customers unable to work for 121 days or more due to being hospitalized or receiving nursing care at home. In this way, we are upgrading our offerings for people requiring long-term hospital or at-home care but are not fully covered by conventional insurance products.

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 10,600 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 credit unions with close ties to local communities.

At the end of the period under review, our products were being sold via 280 financial institution branches and 1,767 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 and individual annuities 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. In the lead-up to the abolition of qualified retirement pensions on March 31, 2012, we provided consulting services for the transition of all customers to defined-benefit pension plans and defined-contribution pension plans.

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

Globalization

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

Business Performance in FY2011

Life Insurance in Force

At fiscal year-end, life insurance in force, which comprises individual life insurance, individual annuities, and group insurance, amounted to ¥45,008.8 billion, down 2.8% from a year earlier. Within this amount, life insurance for individuals declined 4.1%, to ¥25,953.6 billion, and individual annuities edged up 0.8%, to ¥2,998.9 billion. By contrast, the year-end balance of life insurance in force for groups decreased 1.2%, to ¥16,056.2 billion. Meanwhile, group annuities in force (policy reserve) rose 0.3%, to ¥1,972.0 billion

Annualized Premiums for New Policies and Policies in Force

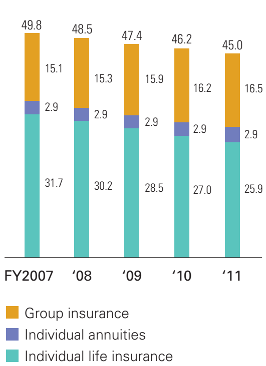
In the year under review, annualized premiums for new policies increased 7.4%, to ¥26.8 billion. Within this amount, individual insurance was up 0.5%, to ¥20.5 billion, and individual annuities rose 15.6%, to ¥6.3 billion. Annualized premiums from medical insurance and living benefit insurance climbed 8.7%, to ¥8.3 billion.

Annualized premiums for policies in force edged down 0.2%, ¥411.1 billion. Within this amount, individual insurance decreased 1.4%, to ¥280.9 billion, but individual annuities increased 2.6%, to ¥130.2 billion. Annualized premiums from medical insurance and living benefit insurance rose 1.7%, to ¥103.5 billion.

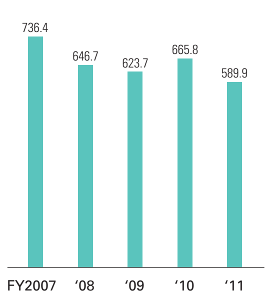
Premium Income and Payments

In the year under review, premium and other income declined 11.4%, to ¥589.9 billion. This was due mainly to a decrease in premium income in the group insurance field, although premium income in the individual field slightly increased. Claims and other payments fell 21.4%, to ¥482.7 billion, due to a decline in benefit payments for group annuity insurance.

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 24.7%, or ¥18.8 billion, decline in annualized premiums for new policies, to ¥57.3 billion, mainly due to sales adjustments for lump-sum-payment products sold via financial institutions. Within this amount, however, annualized premiums from medical insurance and living benefit insurance climbed 10.7%, or ¥0.8 billion, to ¥8.5 billion, owing to healthy sales of new products.

Annualized premiums for policies in force increased 5.3%, or ¥27.3 billion, to ¥538.7 billion. Annualized premiums from medical insurance and living benefit insurance were up 1.7%, or ¥1.8 billion, to ¥105.3 billion.

The total value of premium and other income declined 21.5%, or ¥259.9 billion, to ¥950.9 billion. Individual insurance and annuities in force generated from sales via branches of financial institutions fell 34.6%, or ¥183.6 billion, to ¥347.5 billion. This was due to a significant decline based on sales adjustments in fixed-amount annuities sold by Fukokushinrai Life Insurance via branches of financial institutions.

Assets, Liabilities, and Net Assets

The outstanding balance of non-consolidated total assets, including separate accounts, edged up 0.4%, or ¥24.3 billion, to ¥5,699.5 billion. General account assets, which constitute 98.6% of this total, rose 0.4%, to ¥5,619.2 billion.

Total liabilities edged down 0.6%, or ¥34.6 billion, to ¥5,446.0 billion. Net assets at fiscal year-end amounted to ¥253.4 billion, up 0.4% from a year earlier.

On a consolidated basis, total assets rose 5.4%, to ¥7,033.7 billion, and net assets jumped 31.1%, to ¥259.2 billion.

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

Strengthening Our Capital Base

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

In the year under review, the Company increased its contingency reserve by ¥0.1 billion, to ¥146.1 billion, and its reserve for price fluctuation of securities by ¥2.0 billion, to ¥35.4 billion.

Solvency Margin

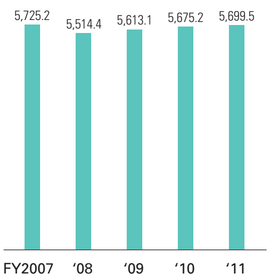
Fukoku Life's solvency margin ratio at fiscal year-end was 741.1%, up 72.7 points year-on-year. This was due primarily to an increase in unrealized gains on bonds stemming from declines in interest rates. Nevertheless, the Company's solvency margin far exceeds 200%, the level set as an indicator of financial soundness for life insurance companies, and clearly illustrates our ability to meet a high level of payments. In the year under review, the Company applied new, more stringent standards for assessing price fluctuation risk for securities and other assets.

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.

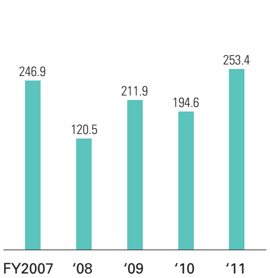
Ratings

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, 2012, we have received ratings of AA- from Rating and Investment Information, A- from Standard & Poor's, A from Fitch Ratings, and A2 from Moody's. Despite global financial crises in the autumn of 2008 and thereafter, these ratings have not changed from year to year. Going forward, we will continue striving to maintain and further improve our high financial ratings.

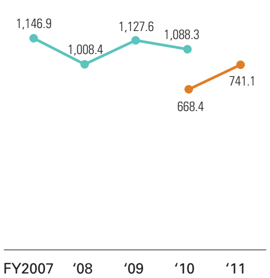
Total assets
(¥ billions)



Net assets
(¥ billions)



Solvency margin ratio
(%)



The figures for FY2010 indicated two ways, 668.4% was calculated by same methodology as FY2011, and released on the end of FY2011.

Investment Performance in FY2011 (General Account)

Overview

In fiscal 2011, ended March 31, 2012, the Japanese economy turned around after a decline in the wake of the Great East Japan Earthquake, and then came to a temporary standstill before returning to a path of moderate recovery in the final quarter. Financial and capital markets, facing growing concerns about global economic slowdown, continued to remain volatile, especially after August 2011 as the European debt crisis became more severe.

Against this backdrop, Fukoku Life, seeking to protect the interests of policyholders, maintains a basic asset management policy emphasizing generation of high levels of profit according to the principles of safety and customer benefits, while at the same time taking into consideration the characteristics of the liability of life insurance. Following this policy, we are striving to build a portfolio that can respond swiftly to changing conditions, adopting medium-and long-term perspectives in allocating assets while preserving asset liquidity. Specifically, from the ALM perspective, our investment portfolio is built around a core of yen-denominated assets, such as domestic bonds and loans, while at the same time undertaking diversified investments in foreign securities, domestic equities, real estate, and other areas, within acceptable risk parameters, in order to boost profitability.

At fiscal year-end, total general account assets stood at ¥5,619.2 billion, up ¥24.7 billion from a year earlier. Investment income from general accounts slipped 1.6%, to ¥143.9 billion. Interest, dividends and other income, the main components of investment income, rose 1.4%, or ¥1.5 billion, to ¥113.5 billion, mainly through extending duration of domestic bonds and increasing holdings of foreign bonds. And interest and dividends income, including from trading securities, rose 1.9%, or ¥2.2 billion, to ¥121.0 billion. We also posted ¥12.8 billion in gains from trading securities, up from losses of ¥5.0 billion in the previous year, due to valuation gains on foreign bonds as a result of lowered overseas interest rates. Meanwhile, gains on sales of securities fell 44.7%, or ¥13.6 billion, to ¥16.8 billion, due mainly to decreased sales of domestic bonds and stocks.

Investment expenses increased 16.1%, to ¥54.6 billion. Major factors were a 22.1%, or 4.5 billion, rise in losses on sales of securities, to ¥24.9 billion, centering on stocks. We also posted a ¥5.7 billion loss from derivative instruments, net, stemming from expenses incurred in hedging currency risk and interest rate risk.

As a result, investment income, net of investment expenses, amounted to ¥89.3 billion, down 10.0%, or ¥9.9 billion, from the previous fiscal year.

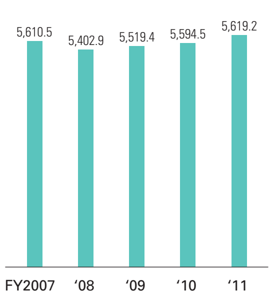
Bonds:

Our year-end holdings of domestic bonds stood at ¥2,737.3 billion, up 12.6%, or ¥306.7 billion, from a year earlier. This mainly reflected a shift to bonds following reductions in cash and deposits built up at the end of the previous year in response to the Great East Japan Earthquake and also reduction in Loans.

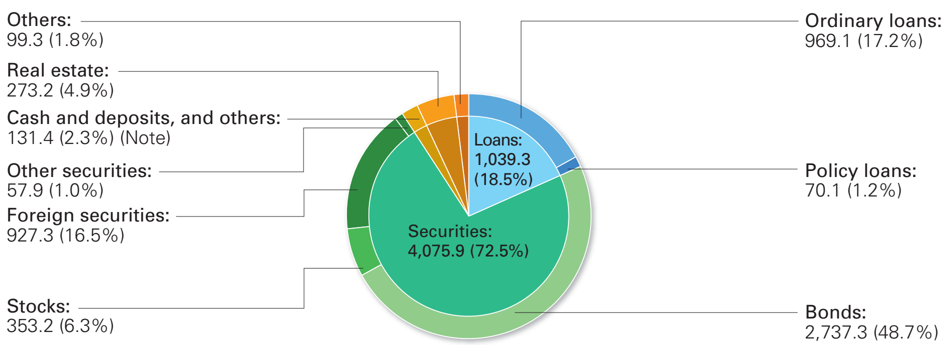
Stocks:

Our year-end holdings of domestic equities edged up 0.2%, or ¥0.6 billion, to ¥353.2 billion. This was due to increases in stock prices, although the book value of domestic equities decreased by ¥22.3 billion with our ongoing efforts since the global financial crisis to reduce equity holdings in order to mitigate risk.

General account assets
(¥ billions)



Breakdown of general account assets
(¥ billions)

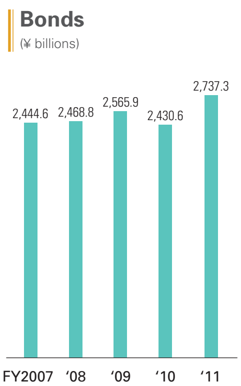


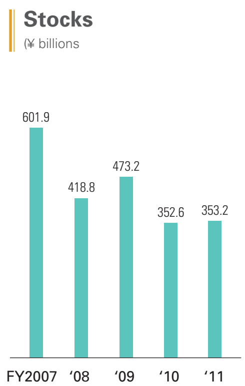
Total: ¥5,619.2 billion

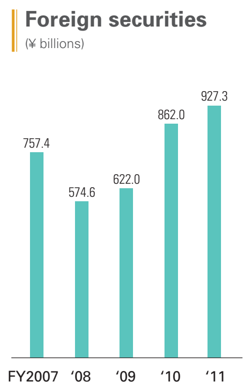
Note: It is including cash and deposits, call loans, monetary claims bought and money held in trust

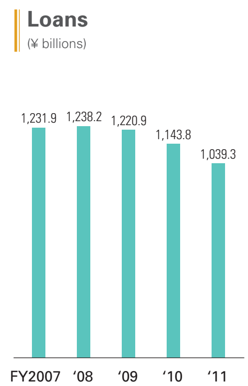
Foreign Securities:
Our year-end holdings of foreign securities grew 7.6%, or ¥65.3 billion, to ¥927.3 billion, due mainly to increases in our foreign bond holdings, as well as higher bond prices caused by falling overseas interest rates.

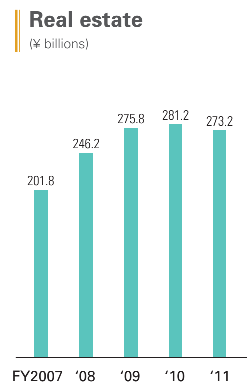
Loans:
During the period, there was a decline in loans, especially to corporations. As a result, the fiscal year-end balance of outstanding loans slipped 9.1%, or ¥104.5 billion, to ¥1,039.3 billion.











Investment Policies for FY2012

Investment Environment

In the fiscal year ending March 31, 2013, we expect the Japanese economy to recover moderately, driven by internal demand reflecting solid demand for post-disaster reconstruction, as well as government economic stimulus measures. From the autumn of 2012, however, we predict that the economic recovery will come to a temporary standstill due to the end of various government measures, such as subsidies for the purchase of eco-friendly vehicles. Overseas, although we expect continued economic recovery in the United States and China, various uncertainties remain. We also forecast economic stagnation in Europe.

In the financial and securities markets, we expect conditions to remain unstable amid extreme uncertainty surrounding the European sovereign debt situation.

Bonds:
Our policy going forward is to increase its holdings of bonds, centering on super-long-term national bonds. From the ALM perspective, meanwhile, we will continue doing duration control within appropriate level.

Stocks:
Regarding stocks, we will strive to enhance profitability and unrealized profit ratios through ongoing reshuffling of our portfolio, while maintaining the balance of holdings mostly unchanged.

Foreign Securities:
Our policy is to increase our holdings of foreign bonds while closely monitoring the strength of overseas interest rates and flexibly controlling currency risk. With respect to foreign stocks, we will continue raising our weighting of Asian securities. At the same time, we will increase the balance of investment trust funds, which are carefully selected with an emphasis in those containing stocks that pay stable dividends.

Loans:
With respect to loans, our policy is to underpin profitability through continued meticulous selection of new loans.

Real Estate:
In real estate, we will strive to improve yields, with a focus on attracting tenants mainly to our business-use office buildings.

Governance System

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

Establishment of Management Control Measures

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

Enhancement of Internal Control System

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

Risk Management System

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

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

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

Compliance System

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

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

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

Protection of Personal Information

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

Board of Representative Members of Policyholders

Contributions to Society

Fukoku Life engages in a variety of activities aimed at building a better society in line with the management philosophy of "contributing to society," which it has embraced since its foundation. We believe it is important for employees to take the initiative in such activities, which form the core of our CSR approach.

Charity concert

Visiting concert

Fukoku Life Concerts

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

A Visiting Concert is held after a Charity Concert has been held. Musicians who performed at the Charity Concert visit a local welfare facility where they play music and improvise as necessary to create an enjoyable musical occasion for residents. Since 1993, the Company has held 220 Charity Concerts. Visiting Concerts, which were introduced in 2003, have been held at a total of 172 welfare facilities.

Organization of concerts is handled directly by Fukoku Life employees, and employees join with musicians to plan the specific programs.

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.

Post-Disaster Relief

To provide assistance for people impacted by the Great East Japan Earthquake, we arrange Visiting Concerts at special support schools and other facilities in disaster-affected areas. We also endeavor to help economically, including by selling locally made products to executives and employees throughout the Fukoku Life Group.

Flora Preservation

Recently in Japan, there has been an increase in forests left to grow unchecked due to the lack of people willing to take over forestry businesses. One particular problem is uncontrolled groves of the vigorously growing Moso bamboo, which not only invades forests, but also takes over farmland and causes landslides due to the shallowness of their roots. This bamboo problem is even found on land owned by the Company in Shizuoka Prefecture. Fukoku Life has set up a forest regeneration project to tackle this problem. The aim of the project is to not only assist forest regeneration by felling bamboo groves, but to also return some bamboo groves to a healthy state. Since 2006, Fukoku Life's executives and employees have taken part in the project. In the year under review, 245 executives, employees, and their family members volunteered their time to take part in these activities.

The Metropolitan Opera HD LIVE

MET Live Viewing 2011-2012
©Nick Heavican/Metropolitan Opera

Other Activities

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

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

The Company is a proud sponsor of the Pink Ribbon Campaign, which promotes the importance of the early detection, diagnosis, and treatment of breast cancer. We also participate in the Hello Smile campaign aimed at providing education about prevention of cervical cancer.

Fukoku Life provides space and sales staff to support a mobile bakery business operated by disabled people. Our employees also participate in various other initiatives, including neighborhood cleanup campaigns and collections of PET bottle lids.

Communicating with Societies

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

Alliance with Sanrio

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

Providing Information

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

Non-consolidated Balance Sheets

Fukoku Mutual Life Insurance Company
As of March 31, 2010, 2011 and 2012

	As of March 31,			
	2010	2011	2012	2012
	Millions of yen			Millions of U.S. dollars
Assets:				
Cash and deposits:				
Cash	¥ 164	¥ 156	¥ 154	$ 1
Bank deposits	68,945	237,667	29,191	355
	69,110	237,823	29,345	357
Call loans	91,000	—	65,600	798
Monetary claims bought	1,752	1,424	1,351	16
Money held in trust	32,902	33,169	35,194	428
Securities:				
Government bonds	1,887,071	1,695,927	1,991,905	24,235
Local government bonds	124,642	149,399	158,459	1,927
Corporate bonds	588,041	615,051	614,449	7,475
Stocks	505,012	379,416	377,385	4,591
Foreign securities	646,118	884,029	947,574	11,529
Other securities	50,097	54,814	58,354	709
	3,800,984	3,778,639	4,148,127	50,469
Loans:				
Policy loans	74,186	71,479	70,164	853
Ordinary loans	1,146,758	1,072,383	969,199	11,792
	1,220,945	1,143,863	1,039,363	12,645
Tangible fixed assets:				
Land	162,160	163,574	161,076	1,959
Buildings	96,661	116,548	109,935	1,337
Lease assets	31	47	117	1
Construction in progress	17,009	1,165	2,234	27
Other tangible fixed assets	3,613	3,334	3,255	39
	279,476	284,670	276,619	3,365
Intangible fixed assets:				
Software	7,007	8,318	8,126	98
Other intangible fixed assets	447	447	446	5
	7,454	8,765	8,573	104
Reinsurance receivables	279	170	117	1
Other assets:				
Accounts receivable	12,284	63,859	10,577	128
Prepaid expenses	2,051	1,653	1,249	15
Accrued income	22,040	23,444	23,784	289
Deposits	2,228	2,145	2,058	25
Differential account for futures trading	—	73	42	0
Derivatives	1,216	881	1,588	19
Suspense payments	5,430	4,740	6,497	79
Other assets	4,207	5,070	4,606	56
	49,460	101,867	50,404	613
Deferred tax assets	62,170	87,332	47,130	573
Allowance for possible loan losses	(2,430)	(2,513)	(2,299)	(27)
Total assets	¥5,613,104	¥5,675,214	¥5,699,527	$ 69,345

	As of March 31,			
	2010	2011	2012	2012
		Millions of yen		Millions of U.S. dollars
Liabilities:				
Policy reserves:				
Reserve for outstanding claims	¥ 25,342	¥ 31,053	¥ 22,615	$ 275
Policy reserve	5,145,399	5,132,317	5,190,141	63,148
Reserve for dividends to policyholders	54,759	53,205	53,969	656
	5,225,501	5,216,576	5,266,726	64,079
Reinsurance payables	117	86	67	0
Subordinated bonds	37,406	35,214	32,896	400
Other liabilities:				
Corporate income tax payable	1,291	10,850	1,291	15
Accounts payable	3,290	72,288	5,894	71
Accrued expenses	10,434	9,989	11,169	135
Unearned income	452	435	435	5
Deposits received	5,016	5,637	5,301	64
Guarantee deposits received	12,893	13,402	13,577	165
Differential account for futures trading	337	—	142	1
Derivatives	6,867	8,661	6,530	79
Asset retirement obligations	—	2,846	2,846	34
Suspense receipts	1,338	1,143	1,188	14
	41,921	125,256	48,377	588
Reserve for employees' retirement benefits	49,776	50,109	46,320	563
Reserve for price fluctuation of securities	26,451	33,432	35,488	431
Deferred tax liabilities for revaluation reserve for land	19,983	19,936	16,195	197
Total liabilities	5,401,158	5,480,612	5,446,071	66,261
Net assets:				
Foundation funds	40,000	40,000	35,000	425
Accumulated foundation funds redeemed	46,000	46,000	71,000	863
Reserve for revaluation	112	112	112	1
Surplus:				
Legal reserve for future losses	2,187	2,249	2,325	28
Other surplus:				
Reserve for redemption of foundation funds	15,000	20,000	—	—
Reserve for dividend allowances	3,895	3,895	3,895	47
Accumulated fund for price fluctuation	—	—	11,000	133
Reserve for advanced depreciation of real estate for tax purpose	303	296	289	3
Other reserves	767	767	767	9
Unappropriated surplus	54,075	69,554	57,827	703
	74,042	94,513	73,779	897
	76,229	96,763	76,104	925
Total foundation funds, surplus and others	162,341	182,875	182,216	2,217
Net unrealized gains (losses) on available-for-sale securities, net of tax	48,291	9,994	67,684	823
Deferred valuation gains (losses) under hedge accounting	538	365	170	2
Revaluation reserve for land, net of tax	773	1,366	3,383	41
Total valuation and translation adjustments	49,604	11,726	71,239	866
Total net assets	211,946	194,601	253,455	3,083
Total liabilities and net assets	¥5,613,104	¥5,675,214	¥5,699,527	$69,345

See notes to the non-consolidated financial statements.

Non-consolidated Statements of Operations

Fukoku Mutual Life Insurance Company
For the years ended March 31, 2010, 2011 and 2012

	Years ended March 31,			
	2010	2011	2012	2012
	Millions of yen			Millions of U.S. dollars
Ordinary revenues:				
Premium and other income:				
Premium income	¥623,490	¥665,618	¥589,599	$7,173
Reinsurance income	288	226	319	3
	623,778	665,844	589,918	7,177
Investment income:				
Interest, dividends and other income:				
Interest on deposits	493	899	93	1
Interest and dividends on securities	70,444	72,789	76,265	927
Interest on loans	24,812	23,883	22,163	269
Income from real estate for rent	14,718	14,141	14,775	179
Other interest and dividends	287	252	219	2
	110,757	111,965	113,517	1,381
Gains from money held in trust, net	—	361	162	1
Gains from trading securities, net	165	—	12,872	156
Gains on sales of securities	22,043	30,455	16,854	205
Gains from redemption of securities	—	—	338	4
Gains from derivative instruments, net	—	3,335	—	—
Reversal of allowance for possible loan losses	—	—	103	1
Other investment income	358	281	148	1
Gains from separate accounts, net	14,428	—	1,679	20
	147,754	146,400	145,676	1,772
Other ordinary revenues:				
Fund receipt from annuity rider	777	842	1,347	16
Fund receipt from deposit of claims paid	10,120	8,295	6,422	78
Reversal of reserve for outstanding claims	2,878	—	8,438	102
Reversal of policy reserve	—	13,081	—	—
Reversal of reserve for employees' retirement benefits	—	—	639	7
Others	2,208	2,452	2,399	29
	15,984	24,671	19,247	234
Total ordinary revenues	787,517	836,916	754,842	9,184
Ordinary expenditures:				
Claims and other payments:				
Claims	178,959	176,286	140,375	1,707
Annuities	88,092	91,536	94,983	1,155
Benefits	146,378	185,770	127,082	1,546
Surrenders	114,050	130,881	94,006	1,143
Other payments	36,396	29,194	26,070	317
Reinsurance premiums	336	335	278	3
	564,214	614,005	482,797	5,874
Provision for policy reserve and others:				
Provision for reserve for outstanding claims	—	5,711	—	—
Provision for policy reserve	9,485	—	57,823	703
Interest on accumulated dividends to policyholders	157	116	83	1
	¥ 9,643	¥ 5,828	¥ 57,906	$ 704

	Years ended March 31,			
	2010	2011	2012	2012
		Millions of yen		Millions of U.S. dollars
Investment expenses:				
Interest expenses	¥ 1,852	¥ 1,525	¥ 1,409	$ 17
Losses from money held in trust, net	197	—	—	—
Losses from trading securities, net	—	5,069	—	—
Losses on sales of securities	41,494	20,418	24,925	303
Losses on valuation of securities	1,588	5,922	7,986	97
Losses from derivative instruments, net	11,555	—	5,725	69
Foreign exchange losses, net	1,706	2,654	1,874	22
Depreciation of real estate for rent and other assets	5,230	5,732	6,477	78
Other investment expenses	6,618	5,717	6,208	75
Losses from separate accounts, net	—	3,034	—	—
	70,244	50,074	54,608	664
Operating expenses	87,658	86,511	88,725	1,079
Other ordinary expenditures:				
Claim deposit payments	11,551	10,421	9,746	118
Taxes	4,916	4,793	4,831	58
Depreciation	5,430	5,413	5,276	64
Provision for reserve for employees' retirement benefits	483	332	—	—
Others	417	530	520	6
	22,799	21,490	20,375	247
Total ordinary expenditures	754,558	777,909	704,413	8,570
Ordinary profits	32,958	59,006	50,429	613
Extraordinary gains:				
Gains on disposal of fixed assets	326	16	4,645	56
Reversal of allowance for possible loan losses	606	899	—	—
Total extraordinary gains	933	915	4,645	56
Extraordinary losses:				
Losses on disposal of fixed assets	685	96	160	1
Impairment losses	865	318	433	5
Provision for reserve for price fluctuation of securities	1,829	6,981	2,056	25
Losses on reduction entry of real estate for tax purpose	—	—	9	0
Effect of applying the accounting standard for asset retirement obligations	—	966	—	—
Total extraordinary losses	3,380	8,362	2,659	32
Surplus before income taxes	30,511	51,559	52,414	637
Income taxes:				
Current	3,746	13,406	8,623	104
Deferred	629	(3,370)	15,013	182
Total income taxes	4,375	10,035	23,636	287
Net surplus for the year	¥ 26,135	¥ 41,524	¥ 28,778	$ 350

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, 2010, 2011 and 2012

	Years ended March 31,			
	2010	2011	2012	2012
	Millions of yen			Millions of U.S. dollars
Foundation funds, surplus and others:				
Foundation funds				
Balance at the beginning of current fiscal year	¥40,000	¥40,000	¥ 40,000	$ 486
Changes in the current fiscal year:				
Financing of additional foundation funds	15,000	—	20,000	243
Redemption of foundation funds	(15,000)	—	(25,000)	(304)
Total changes in the current fiscal year	—	—	(5,000)	(60)
Balance at the end of current fiscal year	40,000	40,000	35,000	425
Accumulated foundation funds redeemed				
Balance at the beginning of current fiscal year	31,000	46,000	46,000	559
Changes in the current fiscal year:				
Additions to accumulated foundation funds redeemed	15,000	—	25,000	304
Total changes in the current fiscal year	15,000	—	25,000	304
Balance at the end of current fiscal year	46,000	46,000	71,000	863
Reserve for revaluation				
Balance at the beginning of current 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 beginning of current fiscal year	1,987	2,187	2,249	27
Changes in the current fiscal year:				
Additions to legal reserve for future losses	200	62	76	0
Total changes in the current fiscal year	200	62	76	0
Balance at the end of current fiscal year	2,187	2,249	2,325	28
Other surplus:				
Reserve for redemption of foundation funds				
Balance at the beginning of current fiscal year	20,000	15,000	20,000	243
Changes in the current fiscal year:				
Additions to reserve for redemption of foundation funds	10,000	5,000	5,000	60
Reversal of reserve for redemption of foundation funds	(15,000)	—	(25,000)	(304)
Total changes in the current fiscal year	(5,000)	5,000	(20,000)	(243)
Balance at the end of current fiscal year	15,000	20,000	—	—
Reserve for dividend allowances				
Balance at the beginning of current fiscal year	3,895	3,895	3,895	47
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	47
Accumulated fund for price fluctuation				
Balance at the beginning of current fiscal year	—	—	—	—
Changes in the current fiscal year:				
Additions to accumulated fund for price fluctuation	—	—	11,000	133
Total changes in the current fiscal year	—	—	11,000	133
Balance at the end of current fiscal year	—	—	11,000	133
Reserve for advanced depreciation of real estate for tax purpose				
Balance at the beginning of current fiscal year	311	303	296	3
Changes in the current fiscal year:				
Reversal of reserve for advanced depreciation of real estate for tax purpose	(7)	(7)	(7)	(0)
Total changes in the current fiscal year	(7)	(7)	(7)	(0)
Balance at the end of current fiscal year	¥ 303	¥ 296	¥ 289	$ 3

	Years ended March 31,			
	2010	2011	2012	2012
	Millions of yen			Millions of U.S. dollars
Other reserves				
Balance at the beginning of current fiscal year	¥ 767	¥ 767	¥ 767	$ 9
Changes in the current fiscal year:				
Total changes in the current fiscal year	—	—	—	—
Balance at the end of current fiscal year	767	767	767	9
Unappropriated surplus				
Balance at the beginning of current fiscal year	56,660	54,075	69,554	846
Changes in the current fiscal year:				
Additions to reserve for dividends to policyholders	(17,856)	(19,505)	(24,381)	(296)
Additions to legal reserve for future losses	(200)	(62)	(76)	(0)
Payment of interest on foundation funds	(716)	(892)	(892)	(10)
Net surplus for the year	26,135	41,524	28,778	350
Additions to reserve for redemption of foundation funds	(10,000)	(5,000)	(5,000)	(60)
Additions to accumulated fund for price fluctuation	—	—	(11,000)	(133)
Reversal of reserve for advanced depreciation of real estate for tax purpose	7	7	7	0
Reversal of revaluation reserve for land	44	(592)	837	10
Total changes in the current fiscal year	(2,584)	15,479	(11,727)	(142)
Balance at the end of current fiscal year	54,075	69,554	57,827	703
Total surplus				
Balance at the beginning of current fiscal year	83,621	76,229	96,763	1,177
Changes in the current fiscal year:				
Additions to reserve for dividends to policyholders	(17,856)	(19,505)	(24,381)	(296)
Payment of interest on foundation funds	(716)	(892)	(892)	(10)
Net surplus for the year	26,135	41,524	28,778	350
Reversal of reserve for redemption of foundation funds	(15,000)	—	(25,000)	(304)
Reversal of revaluation reserve for land	44	(592)	837	10
Total changes in the current fiscal year	(7,392)	20,533	(20,658)	(251)
Balance at the end of current fiscal year	76,229	96,763	76,104	925
Total foundation funds, surplus and others				
Balance at the beginning of current fiscal year	154,733	162,341	182,875	2,225
Changes in the current fiscal year:				
Financing of additional foundation funds	15,000	—	20,000	243
Additions to reserve for dividends to policyholders	(17,856)	(19,505)	(24,381)	(296)
Additions to accumulated foundation funds redeemed	15,000	—	25,000	304
Payment of interest on foundation funds	(716)	(892)	(892)	(10)
Net surplus for the year	26,135	41,524	28,778	350
Redemption of foundation funds	(15,000)	—	(25,000)	(304)
Reversal of reserve for redemption of foundation funds	(15,000)	—	(25,000)	(304)
Reversal of revaluation reserve for land	44	(592)	837	10
Total changes in the current fiscal year	7,607	20,533	(658)	(8)
Balance at the end of current fiscal year	¥162,341	¥182,875	¥182,216	$2,217

	2010	2011	2012	2012
		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 beginning of current fiscal year	¥ (35,474)	¥ 48,291	¥ 9,994	$ 121
Changes in the current fiscal year:				
Net changes, excluding foundation funds, surplus and others	83,766	(38,297)	57,690	701
Total changes in the current fiscal year	83,766	(38,297)	57,690	701
Balance at the end of current fiscal year	48,291	9,994	67,684	823
Deferred valuation gains (losses) under hedge accounting				
Balance at the beginning of current fiscal year	479	538	365	4
Changes in the current fiscal year:				
Net changes, excluding foundation funds, surplus and others	59	(173)	(194)	(2)
Total changes in the current fiscal year	59	(173)	(194)	(2)
Balance at the end of current fiscal year	538	365	170	2
Revaluation reserve for land, net of tax				
Balance at the beginning of current fiscal year	814	773	1,366	16
Changes in the current fiscal year:				
Net changes, excluding foundation funds, surplus and others	(40)	592	2,016	24
Total changes in the current fiscal year	(40)	592	2,016	24
Balance at the end of current fiscal year	773	1,366	3,383	41
Total valuation and translation adjustments				
Balance at the beginning of current fiscal year	(34,180)	49,604	11,726	142
Changes in the current fiscal year:				
Net changes, excluding foundation funds, surplus and others	83,785	(37,878)	59,512	724
Total changes in the current fiscal year	83,785	(37,878)	59,512	724
Balance at the end of current fiscal year	49,604	11,726	71,239	866
Total net assets				
Balance at the beginning of current fiscal year	120,553	211,946	194,601	2,367
Changes in the current fiscal year:				
Financing of additional foundation funds	15,000	—	20,000	243
Additions to reserve for dividends to policyholders	(17,856)	(19,505)	(24,381)	(296)
Additions to accumulated foundation funds redeemed	15,000	—	25,000	304
Payment of interest on foundation funds	(716)	(892)	(892)	(10)
Net surplus for the year	26,135	41,524	28,778	350
Redemption of foundation funds	(15,000)	—	(25,000)	(304)
Reversal of reserve for redemption of foundation funds	(15,000)	—	(25,000)	(304)
Reversal of revaluation reserve for land	44	(592)	837	10
Net changes, excluding foundation funds, surplus and others	83,785	(37,878)	59,512	724
Total changes in the current fiscal year	91,393	(17,344)	58,854	716
Balance at the end of current fiscal year	¥ 211,946	¥194,601	¥253,455	$3,083

Years ended March 31,

Non-consolidated Statements of Surplus

Fukoku Mutual Life Insurance Company
For the years ended March 31, 2010, 2011 and 2012

	Years ended March 31,			
	2010	2011	2012	2012
	Millions of yen			Millions of U.S. dollars
Unappropriated surplus	¥54,075	¥69,554	¥57,827	$703
Reversal of voluntary surplus reserve:				
Reversal of reserve for advanced depreciation of real estate for tax purpose	7	7	32	0
	7	7	32	0
Total	54,083	69,561	57,859	703
Appropriation of surplus:				
Reserve for dividends to policyholders	19,505	24,381	23,989	291
Net surplus:				
Legal reserve for future losses	62	76	74	0
Interest payment for foundation funds	892	892	621	7
Voluntary surplus reserve:				
Reserve for redemption of foundation funds	5,000	5,000	9,000	109
Accumulated fund for price fluctuation	—	11,000	—	—
Revaluation reserve for land, net of tax	—	—	3,857	46
	5,000	16,000	12,857	156
	5,954	16,968	13,552	164
Total appropriation of surplus	25,460	41,350	37,542	456
Unappropriated surplus carried forward	¥28,622	¥28,211	¥20,317	$247

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

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 ¥82.19 = US$1.00, the effective rate of exchange at the balance sheet date of March 31, 2012. The translations should not be construed as representations that such yen amounts have been or could in the future be, converted into U.S. dollars at that or any other rates.

II. Notes to Balance Sheets

1. Significant Accounting Policies

(1) Valuation methods of securities

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

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

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

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

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

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

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

(2) Valuation methods of derivative instruments

Derivative instruments are stated at fair market value.

(3) Revaluation of land

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

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

(4) Depreciation of tangible fixed assets

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

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

■ Assets other than buildings (excluding lease assets)
- i) Acquired on or before March 31, 2007: Previous declining-balance method
- ii) Acquired on or after April 1, 2007: Declining-balance method

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

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

(5) Foreign currency translation

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

(6) Allowance for possible loan losses

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

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

ii) For the credits of borrowers who are not currently bankrupt but have a high possibility of bankruptcy (hereinafter called "not currently bankrupt borrowers"), 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, 2010, 2011 and 2012 were, ¥9,036 million, ¥260 million and ¥287 million (US$3 million), respectively.

(7) Reserve for employees' retirement benefits

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

The Company adopts "Guidance on Accounting for Transfers between Retirement Benefit Plans" (ASBJ Guidance No.1 issued by the Accounting Standards Board of Japan on January 31, 2002) as the Company transferred qualified retirement pension plans to defined benefit corporate pension plans, and part of lump sum benefit plans to defined contribution pension plans on July 1, 2011.

(8) Reserve for price fluctuation of securities

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

(9) Lease Transactions as a Lessee

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

(10) Lease Transactions as a Lessor

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

(11) Accounting for hedge activities

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

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

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

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

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

(12) Accounting for consumption taxes

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

(13) Policy reserve

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

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

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

(14) Software

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

(15) Deferred assets

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

(16) Policy-reserve-matching bonds

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

The amounts of policy-reserve-matching bonds recorded on the balance sheets and the market value of these bonds as of March 31, 2010, 2011 and 2012, were written in Notes No. 3 “Financial Instruments”.

2. Changes in Presentation

(1) Effective for the fiscal year ended March 31, 2012, in accordance with the amendment of the Enforcement Regulation of the Insurance Business Law, the presentation of financial statements has been changed as follows.
   (a) As for the statement of operations, “reversal of allowance for possible loan losses” which was presented in “extraordinary gains” until previous fiscal year is included in “investment income”.
   (b) As for the statement of changes in net assets, the item which was presented as “balance at the end of previous fiscal year” until previous fiscal year is presented as “balance at the beginning of current period”.

(2) Effective for the year ended March 31, 2011, the Company adopted “Accounting Standard for Asset Retirement Obligations” (ASBJ Statement No. 18 issued by the Accounting Standards Board of Japan on March 31, 2008) and “Guidance on Accounting Standard for Asset Retirement Obligations” (ASBJ Guidance No. 21 issued by the Accounting Standards Board of Japan on March 31, 2008). As a result, tangible fixed assets increased by ¥1,722 million and the amount of asset retirement obligations recorded in balance sheet was ¥2,846 million. Ordinary profit decreased by ¥157 million and surplus before income taxes decreased by ¥1,124 million.

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

3. Financial Instruments

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

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

The carrying amounts, fair values and their related differences of major financial assets and liabilities as of March 31, 2010, 2011 and 2012 were as follows:

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

	As of March 31,					
	2012			2012		
	Millions of yen			Millions of U.S. dollars		
	Carrying amount	Fair value	Difference	Carrying amount	Fair value	Difference
Call loans	¥ 65,600	¥ 65,600	¥ —	$ 798	$ 798	$ —
Monetary claims bought:						
Claims treated as loans	1,351	1,374	23	16	16	0
Total monetary claims bought	1,351	1,374	23	16	16	0
Money held in trust:						
Trading securities	34,194	34,194	—	416	416	—
Total money held in trust	34,194	34,194	—	416	416	—
Securities:						
Trading securities	214,053	214,053	—	2,604	2,604	—
Held-to-maturity debt securities	823,530	852,343	28,812	10,019	10,370	350
Policy-reserve-matching bonds	684,915	722,269	37,354	8,333	8,787	454
Investments in subsidiaries and affiliates	1,393	854	(538)	16	10	(6)
Available-for-sale securities	2,300,260	2,300,260	—	27,987	27,987	—
Total securities	4,024,152	4,089,780	65,628	48,961	49,760	798
Loans:						
Policy loans	70,164	70,163	(0)	853	853	(0)
Ordinary loans	969,199	995,761	26,562	11,792	12,115	323
Total loans	1,039,363	1,065,924	26,561	12,645	12,969	323
Derivative instruments:						
Hedge accounting not applied	(1,442)	(1,442)	—	(17)	(17)	—
Hedge accounting applied	(3,506)	(3,506)	—	(42)	(42)	—
Total derivative instruments	¥ (4,948)	¥ (4,948)	¥ —	$ (60)	$ (60)	$ —

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

Carrying amounts, fair values and related differences of deposits are omitted from the current fiscal year since the materiality has decreased.

(2) Call loans:
The fair values of call loans are based on their book values since fair values approximate book values due to their short maturities.

Carrying amounts, fair values and related differences of call loans have been disclosed from the current fiscal year since the materiality has increased. In order to reflect the change in presentation, those amounts for the prior fiscal years have been disclosed.

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

Investments in subsidiaries and affiliates, unlisted stocks and investments in partnerships whereby partnership assets consist of unlisted stocks whose fair values are deemed extremely difficult to obtain, are excluded from above securities. The carrying amounts of investments in subsidiaries and affiliates, unlisted stocks and investments in partnerships were ¥26,132 million, ¥8,851 million and ¥8,306 million as of March 31, 2010, ¥26,616 million, ¥8,845 million and ¥8,201 million as of March 31, 2011, and ¥35,969 million (US$437 million), ¥8,086million (US$98 million), and ¥7,729 million (US$ 94 million) as of March 31, 2012, respectively.

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

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

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

4. Investment and Rental Property

The Company holds investment and rental properties such as office buildings in Tokyo and other areas. The carrying amounts and the fair values of investment and rental properties were ¥227,544 million and ¥298,967 million as of March 31, 2010, ¥233,921 million and ¥284,059 million as of March 31, 2011, and ¥226,884 million (US$2,760 million) and ¥275,039 million (US$3,346 million) as of March 31, 2012 respectively. The fair value is mainly based on the value calculated by the Company in accordance with real estate appraisal standards which includes some adjustments using the reference prices.

The amount corresponding to asset retirement obligations included in the carrying amount of investment and rental properties were ¥1,434 million and ¥1,355 million (US$16 million) as of March 31, 2011 and 2012, respectively.

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 ¥2,638 million, ¥3,308 million and ¥3,023 million (US$36 million) as of March 31, 2010, 2011 and 2012, respectively.
i) The balances of credits to bankrupt borrowers were ¥352 million, ¥297 million and ¥280 million (US$3 million) as of March 31, 2010, 2011 and 2012, respectively.
ii) The balances of delinquent loans were ¥2,119 million, ¥774 million and ¥689 million (US$8 million) as of March 31, 2010, 2011 and 2012, respectively.
iii) There were no balances of delinquent loans past 3 months or more as of March 31, 2010, 2011 and 2012.
iv) The balances of restructured loans were ¥166 million, ¥2,236 million, and ¥2,053 million (US$ 24 million) as of March 31, 2010, 2011 and 2012, respectively.

Credits to bankrupt borrowers represent loans, excluding the balances already written-off, which meet the conditions prescribed in Article 96 Paragraph 1 Item 3 and 4 of the Enforcement Regulations of the Corporate Tax Law. Moreover, accruing interest on these loans is not recorded as income after determining that principal 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 ¥8,097 million, ¥1 million and ¥1million (US$17 thousand) as of March 31, 2010, 2011 and 2012, respectively.

The direct write-offs related to loans decreased delinquent loans described above by ¥938 million, ¥258 million and ¥286 million (US$3 million) as of March 31, 2010, 2011 and 2012, respectively.

6. Accumulated Depreciation of Tangible Fixed Assets

Accumulated depreciation of tangible fixed assets totaled to ¥129,610 million, ¥137,343 million and ¥137,319 million (US$ 1,670 million) as of March 31, 2010, 2011 and 2012, respectively.

7. Separate Accounts

Total assets in separate accounts provided for in Article 118 of the Insurance Business Law were ¥95,207 million, ¥83,280 million, and ¥82,053 million (US$998 million) as of March 31, 2010, 2011 and 2012, 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 ¥3,463 million and ¥1,433 million as of March 31, 2010, ¥2,675 million and ¥1,855 million as of March 31, 2011, and ¥2,592 million (US$31 million) and ¥1,544 million (US$18 million), as of March 31, 2012, respectively.

9. Monetary Claims to Directors

Monetary claims to directors as of March 31, 2010, 2011 and 2012 were ¥8 million, ¥6 million and ¥5 million (US$64 thousand), respectively.

10. Income Taxes

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

Major components of deferred tax assets were ¥57,349 million of policy reserves, ¥18,024 million of reserve for employees' retirement benefits and ¥9,577 million of reserve for price fluctuation of securities as of March 31, 2010.

Major component of deferred tax liabilities was ¥27,412 million of net unrealized gains on available-for-sale securities as of March 31, 2010.

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

Deferred tax assets and deferred tax liabilities as of March 31, 2011 were ¥98,663 million and ¥8,191 million, respectively. Valuation allowance for deferred tax assets was ¥3,139 million.

Major components of deferred tax assets were ¥58,929 million of policy reserves, ¥18,144 million of reserve for employees' retirement benefits and ¥12,105 million of reserve for price fluctuation of securities as of March 31, 2011.

Major component of deferred tax liabilities was ¥5,673 million of net unrealized gains on available-for-sale securities as of March 31, 2011.

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

Deferred tax assets and deferred tax liabilities as of March 31, 2012 were ¥83,977 million (US$1,021 million) and ¥33,810 million (US$411 million), respectively. Valuation allowance for deferred tax assets was ¥3,035 million (US$36 million).

Major components of deferred tax assets were ¥48,892 million (US$594 million) of policy reserves, ¥14,257 million (US$173 million) of reserve for employees' retirement benefits and ¥10,923 million (US$132 million) of reserve for price fluctuation of securities as of March 31, 2012.

Major component of deferred tax liabilities was ¥30,097 million (US$366 million) of net unrealized gains on available-for-sale securities as of March 31, 2012.

The statutory tax rate and the actual effective tax rate for the year ended March 31, 2012 were 36.2% and 45.1%, respectively. The major differences between the statutory tax rate and the actual effective tax rate were 24.7% of the reduction of deferred tax assets due to the changes in tax rates and (16.6%) of reserve for dividends to the policyholders.

Following the promulgation of the "Act for Partial Amendment of the Income Tax Act, etc. for the Purpose of Creating a Taxation System Responding to Changes in Economic and Social Structures" (Act No.114, 2011) and the "Act on Special Measures for Securing Financial Resources Necessary to Implement Measures for Reconstruction following the Great East Japan Earthquake" (Act No.117, 2011) on December 2, 2011, the corporate income tax rate will be lowered from the fiscal year beginning on April 1, 2012 and a special restoration surtax will be imposed from the fiscal year beginning on April 1, 2012 through the fiscal year beginning on April 1, 2014.

The effective statutory tax rate used by the Company for the calculation of deferred tax assets and deferred tax liabilities will consequently be changed from the current rate of 36.2% to 33.3% for a temporary difference which is expected to be reversed in the period from April 1, 2012 to March 31, 2015, and to 30.8% for a temporary difference which is expected to be reversed after April 1, 2015. As a result of these changes, deferred tax assets as for March 31, 2012 decreased by ¥639 million (US$7 million) and ¥7,009 million (US$85 million), respectively and deferred tax liabilities for revaluation reserve for land as of March 31, 2012 decreased by ¥1 million (US$24 thousand) and ¥2,853 million (US$34 million), respectively. Income taxes deferred for the fiscal year ended March 31, 2012 increased by ¥12,966 million (US$157 million).

11. Reserve for Dividends to Policyholders

Changes in reserve for dividends to policyholders were as follows:

	Years ended March 31,			
	2010	2011	2012	2012
		Millions of yen		Millions of U.S. dollars
Balance at the beginning of current fiscal year	¥ 57,317	¥ 54,759	¥53,205	$647
Transfer from surplus in previous fiscal year	17,856	19,505	24,381	296
Dividends paid in the current fiscal year	(20,571)	(21,176)	(23,700)	(288)
Increase in interest	157	116	83	1
Balance at the end of fiscal year	¥ 54,759	¥ 53,205	¥53,969	$656

12. Stocks of Subsidiaries

The amounts of stocks of subsidiaries the Company held as of March 31, 2010, 2011 and 2012 were ¥27,525 million, ¥28,009 million and ¥37,362 million (US$454 million), respectively.

13. Pledged Assets and Secured Debts

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

Assets pledged as collateral as of March 31, 2011 were ¥23,633 million of securities. Secured debts as of March 31, 2011 were ¥4,629 million.

Assets pledged as collateral as of March 31, 2012 were ¥24,300 million (US$295 million) of securities and ¥397 million (US$4 million) of bank deposits. Secured debts as of March 31, 2012 were ¥4,608 million (US$56 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 ¥32 million, ¥42 million and ¥1 million (US$21 thousand) as of March 31, 2010, 2011, and 2012, respectively.

Policy reserve for the reinsurance contracts provided in accordance with Article 71 Paragraph 1 of the Enforcement Regulation of the Insurance Business Law (hereinafter called "policy reserve for ceded reinsurance") were ¥30 million, ¥31 million and ¥30 million (US$371 thousand) as of March 31, 2010, 2011 and 2012, 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 ¥49,716 million, ¥11,838 million and ¥71,351 million (US$868 million) as of March 31, 2010, 2011 and 2012, respectively.

16. Additional Foundation Funds

The Company raised additional foundation funds of ¥15,000 million and ¥20,000 million (US$243 million) during the year ended March 31, 2010 and 2012 in accordance with Article 60 of the Insurance Business Law.

17. Redemption of Foundation Funds

In the fiscal year ended March 31, 2010 and 2012, in connection with the redemption of foundation funds of ¥15,000 million and ¥25,000 million (US$304 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, 2010, 2011 and 2012, there were unused commitment line agreements under which the Company is the lender of ¥5,653 million, ¥4,056 million and ¥1,023 million (US$12 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, 2010, 2011 and 2012 totaled to ¥482,896 million, ¥718,304 million and ¥791,485 million (US$9,629 million), respectively. The principal foreign currency asset amounts were 1,466 million euros and US$2,937 million as of March 31, 2010, 1,799 million euros and US$4,169 million as of March 31, 2011, and 2,024 million euros and US$ 4,693 million as of March 31, 2012 respectively.

Liabilities denominated in foreign currencies as of March 31, 2010, 2011 and 2012 totaled to ¥38,330 million, ¥36,075 million and ¥33,787 million (US$411 million), respectively. The principal foreign currency liability amounts as of March 31, 2010, 2011 and 2012 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 ¥10,639 million, ¥10,770 million and ¥10,731 million (US$130 million) as of March 31, 2010, 2011 and 2012, 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, 2010, 2011 and 2012 were calculated as follows:

	As of March 31,			
	2010	2011	2012	2012
	Millions of yen			Millions of U.S. dollars
a. Projected benefit obligation	¥(71,591)	¥(71,742)	¥(72,872)	$(886)
b. Fair value of pension plan assets	16,009	15,728	17,167	208
c. Unfunded benefit obligation (a+b)	(55,581)	(56,014)	(55,704)	(677)
d. Unrecognized actuarial differences	5,667	5,802	10,021	121
e. Unrecognized prior service cost	137	102	(636)	(7)
f. Reserve for employees' retirement benefits (c+d+e)	¥(49,776)	¥(50,109)	¥(46,320)	$(563)

(2) Gross amount of retirement benefit expenses for the years ended March 31, 2010, 2011 and 2012 were as follows:

	Years ended March 31,			
	2010	2011	2012	2012
	Millions of yen			Millions of U.S. dollars
Service cost	¥3,166	¥3,096	¥2,943	$35
Interest cost	1,438	1,430	1,451	17
Expected return on pension plan assets	(450)	(480)	(471)	(5)
Amortization of actuarial differences	1,231	1,171	1,218	14
Amortization of prior service cost	34	34	(20)	(0)
	¥5,420	¥5,252	¥5,122	$62

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

	Years ended March 31,		
	2010	2011	2012
Method of attributing the projected benefits to periods of service	Straight-line basis	Straight-line basis	Straight-line basis
Discount rate	2.0%	2.0%	2.0%
Expected rate of return on pension plan assets	3.0%	3.0%	3.0%
Amortization period of actuarial differences	10 years	10 years	10 years
Amortization period of prior service cost	10 years	10 years	10 years

III. Notes to Statements of Operations

1. Transactions with Subsidiaries

The total amounts of revenues and expenditures in connection with subsidiaries were ¥982 million and ¥7,764 million for the year ended March 31, 2010, ¥998 million and ¥7,576 million for the year ended March 31, 2011 and ¥966 million (US$11 million) and ¥7,682 million (US$93 million) for the year ended March 31, 2012, respectively.

2. Gains on Sales of Securities

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

	Years ended March 31,			
	2010	2011	2012	2012
	Millions of yen			Millions of U.S. dollars
Domestic bonds	¥14,017	¥19,211	¥11,747	$142
Domestic stocks and others	7,664	11,239	3,780	45
Foreign securities	333	4	1,326	16

3. Losses on Sales of Securities

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

	Years ended March 31,			
	2010	2011	2012	2012
	Millions of yen			Millions of U.S. dollars
Domestic bonds	¥ 564	¥ 908	¥ 1,324	$ 16
Domestic stocks and others	12,771	13,036	17,027	207
Foreign securities	28,158	6,473	6,573	79

4. Losses on Valuation of Securities

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

	Years ended March 31,			
	2010	2011	2012	2012
	Millions of yen			Millions of U.S. dollars
Domestic bonds	¥ —	¥ —	¥1,444	$17
Domestic stocks and others	1,313	5,870	6,017	73
Foreign securities	—	52	—	—

5. Policy Reserves for the Reinsurance Contracts

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

For the year ended March 31, 2011, provision for reserve for outstanding claims for ceded reinsurance considered in calculation of provision for reserve for outstanding claims was ¥9 million and provision for policy reserve for ceded reinsurance considered in calculation of reversal of policy reserve was ¥1 million.

For the year ended March 31, 2012, provision for reserve for outstanding claims for ceded reinsurance considered in calculation of provision for reserve for outstanding claims was ¥40 million (US$498 thousand) and provision for policy reserve for ceded reinsurance considered in calculation of reversal of policy reserve was ¥1 million (US$17 thousand).

6. Gains (Losses) from Trading Securities

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

	Years ended March 31,			
	2010	2011	2012	2012
	Millions of yen			Millions of U.S. dollars
Interest, dividends and other income	¥ 2,527	¥ 6,814	¥7,556	$ 91
Gains (Losses) on sales of trading securities	(494)	(8,234)	(977)	(11)
Gains (Losses) on valuation of trading securities	(1,866)	(3,640)	8,474	103

7. Gains (Losses) from Money Held in Trust

Gains (Losses) from money held in trust for the years ended March 31, 2010, 2011 and 2012 included valuation gains of ¥0 million, valuation losses of ¥0 million and valuation gains of ¥0 million (US$0 thousand), respectively.

8. Gains (Losses) from Derivative Instruments

Gains (Losses) from derivative instruments for the years ended March 31, 2010, 2011 and 2012 included valuation gains of ¥5,607 million, valuation losses of ¥4,346 million and valuation gains of ¥4,273 million (US$51 million), respectively.

9. Impairment Losses of Fixed Assets

For the year ended March 31, 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

	Year ended March 31, 2010
	Millions of yen
Real estate for rent:	
Land	¥ 71
Buildings and others	5
Total real estate for rent (i)	76
Unused real estate:	
Land	136
Buildings and others	651
Total unused lease property (ii)	788
Total:	
Land	208
Buildings and others	656
Total (i)+(ii)	¥865

(4) Calculation method of recoverable amount

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

(5) Changes in presentation

The amount of impairment losses have been omitted for the current and previous fiscal year since there is less materiality.

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 (the "Company") as of March 31, 2012, and the related non-consolidated statements of operations, surplus and changes in net assets for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information all expressed in Japanese yen.

Management's Responsibility for the Non-consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these non-consolidated financial statements in conformity with accounting principles generally accepted in Japan and for designing and operating such internal control as management determines is necessary to enable the preparation of non-consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to independently express an opinion on these non-consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the non-consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the non-consolidated financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the non-consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the Company's preparation and fair presentation of the non-consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the non-consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Audit 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, 2012, and the non-consolidated results of their operations for the year then ended in conformity with accounting principles generally accepted in Japan.

Interest

Our firm and the engagement partners do not have any interest in the Company for which disclosure is required under the provisions of the Certified Public Accountants Act.

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, 2012.

Tokyo, Japan
May 21, 2012

Kisaragi Audit Corporation

Kisaragi Audit Corporation

Consolidated Balance Sheets

Fukoku Mutual Life Insurance Company and consolidated subsidiaries
As of March 31, 2010, 2011 and 2012

	As of March 31,			
	2010	2011	2012	2012
	Millions of yen			Millions of U.S. dollars
Assets:				
Cash and deposits	¥ 83,557	¥ 314,392	¥ 73,260	$ 891
Call loans	91,000	—	65,600	798
Monetary claims bought	1,752	1,424	1,351	16
Money held in trust	32,902	33,169	35,194	428
Securities	4,248,119	4,681,280	5,422,669	65,977
Loans	1,223,402	1,146,719	1,042,359	12,682
Tangible fixed assets:				
Land	162,160	163,574	161,076	1,959
Buildings	96,764	116,647	110,051	1,338
Lease assets	31	47	117	1
Construction in progress	17,009	1,165	2,234	27
Other tangible fixed assets	3,728	3,427	3,348	40
	279,694	284,863	276,828	3,368
Intangible fixed assets:				
Software	7,626	8,750	8,696	105
Goodwill	6,304	5,520	4,618	56
Lease assets	—	987	761	9
Other intangible fixed assets	454	453	453	5
	14,384	15,712	14,529	176
Agency receivables	1	4	7	0
Reinsurance receivables	281	174	123	1
Other assets	52,243	106,524	56,062	682
Deferred tax assets	63,308	88,745	48,211	586
Allowance for possible loan losses	(2,586)	(2,665)	(2,468)	(30)
Total assets	¥6,088,061	¥6,670,346	¥7,033,729	$85,578

See notes to the consolidated financial statements.

	As of March 31,			
	2010	2011	2012	2012
	Millions of yen			Millions of U.S. dollars
Liabilities:				
Policy reserves:				
Reserve for outstanding claims	¥ 26,407	¥ 32,792	¥ 24,149	$ 293
Policy reserve	5,612,304	6,115,914	6,510,809	79,216
Reserve for dividends to policyholders	54,759	53,205	53,969	656
Reserve for dividends to policyholders (subsidiary)	585	654	648	7
	5,694,057	6,202,567	6,589,577	80,174
Agency payables	1,872	1,685	560	6
Reinsurance payables	140	100	88	1
Subordinated bonds	37,406	35,214	32,896	400
Other liabilities	43,681	129,127	50,593	615
Reserve for employees' retirement benefits	49,803	50,153	46,384	564
Reserve for price fluctuation of securities	26,697	33,865	38,183	464
Deferred tax liabilities for revaluation reserve for land	19,983	19,936	16,195	197
Total liabilities	5,873,642	6,472,650	6,774,480	82,424
Net assets:				
Foundation funds	40,000	40,000	35,000	425
Accumulated foundation funds redeemed	46,000	46,000	71,000	863
Reserve for revaluation	112	112	112	1
Consolidated surplus	77,020	98,228	77,183	939
Total foundation funds, surplus and others	163,132	184,340	183,295	2,230
Net unrealized gains (losses) on available-for-sale securities, net of tax	48,045	10,006	68,806	837
Deferred valuation gains (losses) under hedge accounting	538	365	170	2
Revaluation reserve for land, net of tax	773	1,366	3,383	41
Foreign currency translation adjustment	(583)	(761)	(828)	(10)
Total accumulated other comprehensive income	48,774	10,977	71,532	870
Minority interests	2,513	2,378	4,421	53
Total net assets	214,419	197,696	259,249	3,154
Total liabilities and net assets	¥6,088,061	¥6,670,346	¥7,033,729	$85,578

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, 2010, 2011 and 2012

	Years ended March 31,			
	2010	2011	2012	2012
	Millions of yen			Millions of U.S. dollars
Ordinary revenues:				
Premium and other income	¥ 920,125	¥1,210,851	¥ 950,986	$11,570
Investment income:				
Interest, dividends and other income	116,073	124,544	131,529	1,600
Gains from money held in trust, net	—	361	162	1
Gains from trading securities, net	165	—	12,872	156
Gains on sales of securities	22,398	30,678	19,630	238
Gains from redemption of securities	—	—	338	4
Gains from derivative instruments, net	—	3,335	—	—
Reversal of allowance for possible loan losses	—	—	57	0
Other investment income	358	354	156	1
Gains from separate accounts, net	14,428	—	1,679	20
	153,424	159,276	166,427	2,024
Other ordinary revenues	16,412	12,507	20,396	248
Total ordinary revenues	1,089,963	1,382,635	1,137,810	13,843
Ordinary expenditures:				
Claims and other payments:				
Claims	181,213	178,210	142,771	1,737
Annuities	88,245	91,729	95,211	1,158
Benefits	147,812	189,273	133,356	1,622
Surrenders	119,422	138,695	107,691	1,310
Other payments	37,075	29,923	26,800	326
	573,769	627,832	505,831	6,154
Provision for policy reserve and others:				
Provision for reserve for outstanding claims	—	6,385	—	—
Provision for policy reserve	285,029	503,609	394,895	4,804
Interest on accumulated dividends to policyholders	157	116	83	1
Interest on accumulated dividends to policyholders (subsidiary)	1	0	0	0
	285,188	510,113	394,979	4,805
Investment expenses:				
Interest expenses	1,852	1,540	1,423	17
Losses from money held in trust, net	197	—	—	—
Losses from trading securities, net	—	5,069	—	—
Losses on sales of securities	41,753	20,511	26,405	321
Losses on valuation of securities	1,676	5,922	9,222	112
Losses from derivative instruments, net	11,555	—	5,725	69
Foreign exchange losses, net	1,711	2,654	1,876	22
Write-off of loans	0	—	—	—
Depreciation of real estate for rent and other assets	5,230	5,732	6,477	78
Other investment expenses	6,093	5,238	5,607	68
Losses from separate accounts, net	—	3,034	—	—
	70,070	49,704	56,740	690
Operating expenses	102,349	109,797	103,441	1,258
Other ordinary expenditures	24,114	23,869	22,985	279
Total ordinary expenditures	1,055,492	1,321,317	1,083,978	13,188
Ordinary profits	¥ 34,470	¥ 61,318	¥ 53,832	$ 654

	Years ended March 31,			
	2010	2011	2012	2012
	Millions of yen			Millions of U.S. dollars
Extraordinary gains:				
Gains on disposal of fixed assets	¥ 326	¥ 16	¥ 4,645	$ 56
Reversal of allowance for possible loan losses	527	957	—	—
Gain on change in equity	—	—	55	0
Other extraordinary gains	—	6	—	—
Total extraordinary gains	853	980	4,700	57
Extraordinary losses:				
Losses on disposal of fixed assets	696	111	161	1
Impairment losses	865	318	433	5
Provision for reserve for price fluctuation of securities	1,924	7,167	4,318	52
Losses on reduction entry of real estate for tax purpose	—	—	9	0
Effect of applying the accounting standard for asset retirement obligations	—	967	—	—
Total extraordinary losses	3,486	8,564	4,923	59
Provision for reserve for dividends to policyholders (subsidiary)	397	456	440	5
Surplus before income taxes	31,439	53,277	53,168	646
Income taxes:				
Current	4,379	14,719	9,859	119
Deferred	(350)	(3,809)	14,823	180
Total income taxes	4,029	10,909	24,683	300
Net surplus before minority interests	27,410	42,367	28,485	346
Minority interests	227	168	93	1
Net surplus for the year	¥27,182	¥42,199	¥28,391	$345

See notes to the consolidated financial statements.

Consolidated Statement of Comprehensive Income

Fukoku Mutual Life Insurance Company and consolidated subsidiaries
For the year ended March 31, 2011 and 2012

	Years ended March 31,			
	2010	2011	2012	2012
	Millions of yen			Millions of U.S. dollars
Net surplus before minority interests	¥ 27,410	¥ 42,367	¥28,485	$ 346
Other comprehensive income:				
Net unrealized gains (losses) on available-for-sale securities, net of tax	84,310	(38,009)	58,955	717
Deferred valuation gains (losses) under hedge accounting	59	(173)	(194)	(2)
Revaluation reserve for land, net of tax	3	—	2,854	34
Foreign currency translation adjustment	83	(177)	(67)	(0)
	84,457	(38,360)	61,548	748
Comprehensive income attributable to:				
Parent company	111,585	3,809	89,784	1,092
Minority interests	281	196	248	3
	¥ 11,867	¥ 4,006	¥90,033	$1,095

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, 2010, 2011 and 2012

	Years ended March 31,			
	2010	2011	2012	2012
	Millions of yen			Millions of U.S. dollars
Cash flows from operating activities:				
Surplus before income taxes	¥ 31,439	¥ 53,277	¥ 53,168	$ 646
Depreciation of real estate for rent and other assets	5,230	5,732	6,477	78
Depreciation	5,622	5,841	5,802	70
Impairment losses	865	318	433	5
Amortization of goodwill	783	793	763	9
Increase (Decrease) in reserve for outstanding claims	(2,448)	6,385	(8,643)	(105)
Increase (Decrease) in policy reserve	285,029	503,609	394,895	4,804
Interest on accumulated dividends to policyholders	157	116	83	1
Interest on accumulated dividends to policyholders (subsidiary)	1	0	0	0
Provision for reserve for dividends to policyholders (subsidiary)	397	456	440	5
Increase (Decrease) in allowance for possible loan losses	(8,849)	78	(196)	(2)
Increase (Decrease) in reserve for employees' retirement benefits	490	349	(3,768)	(45)
Increase (Decrease) in reserve for price fluctuation of securities	1,924	7,167	4,318	52
Interest, dividends and other income	(116,073)	(124,544)	(131,529)	(1,600)
(Gains) Losses on securities	18,190	161	6,670	81
Interest expenses	1,852	1,540	1,423	17
Foreign exchange (gains) losses, net	1,711	2,654	1,876	22
(Gains) Losses on tangible fixed assets	370	1,041	(4,496)	(54)
(Increase) Decrease in agency receivables	0	(2)	(2)	(0)
(Increase) Decrease in reinsurance receivables	(153)	106	51	0
(Increase) Decrease in other assets except from investing and financing activities	(2,064)	(929)	(1,365)	(16)
Increase (Decrease) in agency payables	663	(187)	(1,124)	(13)
Increase (Decrease) in reinsurance payables	27	(39)	(12)	(0)
Increase (Decrease) in other liabilities except from investing and financing activities	1,815	985	2,364	28
Others	31,101	18,819	18,780	228
Subtotal	258,083	483,734	346,411	4,214
Interest, dividends and other income received	118,875	129,665	140,383	1,708
Interest paid	(1,851)	(1,556)	(1,439)	(17)
Dividends to policyholders paid	(20,571)	(21,176)	(23,700)	(288)
Dividends to policyholders paid (subsidiary)	(346)	(388)	(446)	(5)
Corporate income tax (paid) refunded	3,601	(4,563)	(19,825)	(241)
Net cash provided by (used in) operating activities (I)	357,790	585,713	441,382	5,370
Cash flows from investing activities:				
(Increase) Decrease in deposits	29	160	84	1
Proceeds from sales and redemption of monetary claims bought	303	327	73	0
Payments for increase in money held in trust	(7,000)	(3,500)	(9,800)	(119)
Proceeds from decrease in money held in trust	6,950	3,581	7,929	96
Payments for purchase of securities	(2,095,137)	(2,011,445)	(1,758,975)	(21,401)
Proceeds from sales and redemption of securities	1,720,166	1,505,910	1,066,150	12,971
Payments for additions to loans	(155,444)	(124,767)	(101,397)	(1,233)
Proceeds from collections of loans	148,816	189,114	193,911	2,359
Proceeds from settlement of derivatives	(11,775)	7,271	(9,825)	(119)
Others	(1,395)	5,654	(2,328)	(28)
Subtotal (IIa)	(394,485)	(427,690)	(614,177)	(7,472)
(I+IIa)	¥ (36,695)	¥ 158,023	¥ (172,795)	$ (2,102)

	2010	2011	2012	2012
		Millions of yen		Millions of U.S. dollars
Payments for purchase of tangible fixed assets	¥ (38,458)	¥ (13,047)	¥ (3,226)	$ (39)
Proceeds from sales of tangible fixed assets	753	116	7,078	86
Payments for purchase of intangible fixed assets	(2,156)	(2,737)	(2,225)	(27)
Payments for additional acquisition of shares of consolidated subsidiary	—	(326)	—	—
Net cash provided by (used in) investing activities	(434,346)	(443,686)	(612,551)	(7,452)
Cash flows from financing activities:				
Financing of additional foundation funds	15,000	—	20,000	243
Redemption of foundation funds	(15,000)	—	(25,000)	(304)
Interest payment for foundation funds	(716)	(892)	(892)	(10)
Proceeds from stock issuance to minority share holders	—	—	1,999	24
Dividends paid to minority interests	(23)	(15)	(12)	(0)
Payments for lease obligations	—	(222)	(252)	(3)
Net cash provided by (used in) financing activities	(739)	(1,130)	(4,157)	(50)
Effect of exchange rate changes on cash and cash equivalents	(445)	(842)	(108)	(1)
Net increase (decrease) in cash and cash equivalents	(77,740)	140,053	(175,434)	(2,134)
Cash and cash equivalents at the beginning of the year	251,626	173,885	313,939	3,819
Cash and cash equivalents at the end of the year	¥173,885	¥313,939	¥ 138,504	$ 1,685

Years ended March 31,

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, 2010, 2011 and 2012

	Years ended March 31,			
	2010	2011	2012	2012
	Millions of yen			Millions of U.S. dollars
Foundation funds, surplus and others:				
Foundation funds				
Balance at the beginning of current fiscal year	¥ 40,000	¥ 40,000	¥ 40,000	$ 486
Changes in the current fiscal year:				
Financing of additional foundation funds	15,000	—	20,000	243
Redemption of foundation funds	(15,000)	—	(25,000)	(304)
Total changes in the current fiscal year	—	—	(5,000)	(60)
Balance at the end of current fiscal year	40,000	40,000	35,000	425
Accumulated foundation funds redeemed				
Balance at the beginning of current fiscal year	31,000	46,000	46,000	559
Changes in the current fiscal year:				
Additions to accumulated foundation funds redeemed	15,000	—	25,000	304
Total changes in the current fiscal year	15,000	—	25,000	304
Balance at the end of current fiscal year	46,000	46,000	71,000	863
Reserve for revaluation				
Balance at the beginning of current 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 beginning of current fiscal year	83,365	77,020	98,228	1,195
Changes in the current fiscal year:				
Additions to reserve for dividends to policyholders	(17,856)	(19,505)	(24,381)	(296)
Payment of interest on foundation funds	(716)	(892)	(892)	(10)
Net surplus for the year	27,182	42,199	28,391	345
Reversal of reserve for redemption of foundation funds	(15,000)	—	(25,000)	(304)
Reversal of revaluation reserve for land	44	(592)	837	10
Total changes in the current fiscal year	(6,345)	21,208	(21,045)	(256)
Balance at the end of current fiscal year	77,020	98,228	77,183	939
Total foundation funds, surplus and others				
Balance at the beginning of current fiscal year	154,477	163,132	184,340	2,242
Changes in the current fiscal year:				
Financing of additional foundation funds	15,000	—	20,000	243
Additions to reserve for dividends to policyholders	(17,856)	(19,505)	(24,381)	(296)
Additions to accumulated foundation funds redeemed	15,000	—	25,000	304
Payment of interest on foundation funds	(716)	(892)	(892)	(10)
Net surplus for the year	27,182	42,199	28,391	345
Redemption of foundation funds	(15,000)	—	(25,000)	(304)
Reversal of reserve for redemption of foundation funds	(15,000)	—	(25,000)	(304)
Reversal of revaluation reserve for land	44	(592)	837	10
Total changes in the current fiscal year	8,654	21,208	(1,045)	(12)
Balance at the end of current fiscal year	¥163,132	¥184,340	¥183,295	$2,230

	Years ended March 31,			
	2010	2011	2012	2012
	Millions of yen			Millions of U.S. dollars
Accumulated other comprehensive income:				
Net unrealized gains (losses) on available-for-sale securities, net of tax				
Balance at the beginning of current fiscal year	¥ (36,210)	¥ 48,045	¥ 10,006	$ 121
Changes in the current fiscal year:				
Net changes, excluding foundation funds, surplus and others	84,255	(38,038)	58,799	715
Total changes in the current fiscal year	84,255	(38,038)	58,799	715
Balance at the end of current fiscal year	48,045	10,006	68,806	837
Deferred valuation gains (losses) under hedge accounting				
Balance at the beginning of current fiscal year	479	538	365	4
Changes in the current fiscal year:				
Net changes, excluding foundation funds, surplus and others	59	(173)	(194)	(2)
Total changes in the current fiscal year	59	(173)	(194)	(2)
Balance at the end of current fiscal year	538	365	170	2
Revaluation reserve for land, net of tax				
Balance at the beginning of current fiscal year	814	773	1,366	16
Changes in the current fiscal year:				
Net changes, excluding foundation funds, surplus and others	(40)	592	2,016	24
Total changes in the current fiscal year	(40)	592	2,016	24
Balance at the end of current fiscal year	773	1,366	3,383	41
Foreign currency translation adjustment				
Balance at the beginning of current fiscal year	(667)	(583)	(761)	(9)
Changes in the current fiscal year:				
Net changes, excluding foundation funds, surplus and others	83	(177)	(67)	(0)
Total changes in the current fiscal year	83	(177)	(67)	(0)
Balance at the end of current fiscal year	(583)	(761)	(828)	(10)
Total accumulated other comprehensive income				
Balance at the beginning of current fiscal year	(35,584)	48,774	10,977	133
Changes in the current fiscal year:				
Net changes, excluding foundation funds, surplus and others	84,358	(37,796)	60,555	736
Total changes in the current fiscal year	84,358	(37,796)	60,555	736
Balance at the end of current fiscal year	48,774	10,977	71,532	870
Minority interests				
Balance at the beginning of current fiscal year	2,254	2,513	2,378	28
Changes in the current fiscal year:				
Net changes, excluding foundation funds, surplus and others	258	(134)	2,043	24
Total changes in the current fiscal year	258	(134)	2,043	24
Balance at the end of current fiscal year	2,513	2,378	4,421	53
Total net assets				
Balance at the beginning of current fiscal year	121,147	214,419	197,696	2,405
Changes in the current fiscal year:				
Financing of additional foundation funds	15,000	—	20,000	243
Additions to reserve for dividends to policyholders	(17,856)	(19,505)	(24,381)	(296)
Additions to accumulated foundation funds redeemed	15,000	—	25,000	304
Payment of interest on foundation funds	(716)	(892)	(892)	(10)
Net surplus for the year	27,182	42,199	28,391	345
Redemption of foundation funds	(15,000)	—	(25,000)	(304)
Reversal of reserve for redemption of foundation funds	(15,000)	—	(25,000)	(304)
Reversal of revaluation reserve for land	44	(592)	837	10
Net changes, excluding foundation funds, surplus and others	84,617	(37,931)	62,598	761
Total changes in the current fiscal year	93,271	(16,723)	61,553	748
Balance at the end of current fiscal year	¥ 214,419	¥ 197,696	¥259,249	$3,154

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 ¥82.19 = US$1.00, the effective rate of exchange at the balance sheet date of March 31, 2012. 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 years ended March 31, 2010, 2011 and 2012 are listed below:

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

Major unconsolidated subsidiary is Fukoku Seimei Building Company Limited.

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

(2) Application of equity method

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

There are no affiliates for the years ended March 31, 2010, 2011 and 2012.

(3) Fiscal year of consolidated subsidiaries

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

(4) Amortization of goodwill

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

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

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

II. Notes to Balance Sheets

1. Significant Accounting Policies

(1) Valuation methods of securities

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

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

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

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

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

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

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

(2) Valuation methods of derivative instruments

Derivative instruments are stated at fair market value.

(3) Revaluation of land

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

■ Date of revaluation: March 31, 2002

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

(4) Depreciation of tangible fixed assets

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

■ Buildings (excluding lease assets)

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

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

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

i) Assets other than buildings (excluding lease assets)

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

iii) 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 (hereinafter called “not currently bankrupt borrowers”), 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, 2010, 2011 and 2012 were ¥9,159 million, ¥287 million and ¥332 million (US$4 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.

The Company adopts "Guidance on Accounting for Transfers between Retirement Benefit Plans" (ASBJ Guidance No.1 issued by the Accounting Standards Board of Japan on January 31, 2002) as the Company transferred qualified retirement pension plans to defined benefit pension plans, and part of lump sum benefit plans to defined contribution pension plans on July 1, 2011.

(8) Reserve for price fluctuation of securities

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

(9) Lease Transactions as a Lessee

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

(10) Lease Transactions as a Lessor

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

(11) Accounting for hedge activities

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

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

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

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

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

(12) Accounting for consumption taxes

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

(13) Policy reserve

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

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

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

(14) Amortization method for intangible fixed assets

Intangible fixed assets are amortized as follows:

i) Software

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

ii) Lease assets

Lease assets are amortized based on a straight-line method over the lease term.

(15) Deferred assets

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

(16) Policy-reserve-matching bonds

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

The amounts of policy-reserve-matching bonds recorded on the balance sheets and the market value of these bonds as of March 31, 2010, 2011 and 2012 were written in Notes No. 3 "Financial Instruments".

2. Changes in Presentation

(1)Effective for the fiscal year ended March 31, 2012, in accordance with the amendment of the Enforcement Regulation of the Insurance Business Law, the presentation of financial statements has been changed as follows.

(a) As for the statement of operations, "reversal of allowance for possible loan losses" which was presented in "extraordinary gains" until previous fiscal year is included in "investment income".

(b) As for the statement of changes in net assets, the item which was presented as "balance at the end of previous fiscal year" until previous fiscal year is presented as "balance at the beginning of current period".

(2) Effective for the year ended March 31, 2011, the Company and its consolidated subsidiaries adopted "Accounting Standard for Asset Retirement Obligations" (ASBJ Statement No. 18 issued by the Accounting Standards Board of Japan on March 31, 2008) and "Guidance on Accounting Standard for Asset Retirement Obligations" (ASBJ Guidance No. 21 issued by the Accounting Standards Board of Japan on March 31, 2008). As a result, tangible fixed assets increased by ¥1,725 million and the amount of asset retirement obligations recorded in balance sheet was ¥2,849 million. Ordinary profit decreased by ¥157 million and surplus before income taxes decreased ¥1,124 million.

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

3. 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 as of March 31, 2010, 2011 and 2012, were as follows:

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

	As of March 31,					
	2012			2012		
	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	1,351	1,374	23	16	16	0
Total monetary claims bought	1,351	1,374	23	16	16	0
Money held in trust:						
Trading securities	34,194	34,194	—	416	416	—
Total money held in trust	34,194	34,194	—	416	416	—
Securities:						
Trading securities	214,053	214,053	—	2,604	2,604	—
Held-to-maturity debt securities	1,179,852	1,218,634	38,781	14,355	14,827	471
Policy-reserve-matching bonds	1,461,155	1,522,287	61,132	17,777	18,521	743
Available-for-sale securities	2,479,204	2,479,204	—	30,164	30,164	—
Total securities	5,334,265	5,434,179	99,914	64,901	66,117	1,215
Loans:						
Policy loans	73,176	73,176	(0)	890	890	(0)
Ordinary loans	969,182	995,689	26,506	11,791	12,114	322
Total loans	1,042,359	1,068,865	26,506	12,682	13,004	322
Derivative instruments:						
Hedge accounting not applied	(1,442)	(1,442)	—	(17)	(17)	—
Hedge accounting applied	(3,506)	(3,506)	—	(42)	(42)	—
Total derivative instruments	¥ (4,948)	¥ (4,948)	¥ —	$ (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 stocks and investments in partnerships whereby partnership assets consist of unlisted stocks whose fair values are deemed extremely difficult to obtain, are excluded from above securities. The carrying amounts of investments in unconsolidated subsidiaries and affiliates, unlisted stocks and investments in partnerships were ¥240 million, ¥8,863 million and ¥8,306 million as of March 31, 2010, ¥398 million, ¥8,847 million and ¥8,201 million as of March 31, 2011, and ¥398 million (US$4 million), ¥8,086 million (US$98 million) and ¥7,729 million (US$94 million) as of March 31, 2012, respectively.

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

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

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

4. Investment and Rental Property

The Company holds investment and rental properties such as office buildings in Tokyo and other areas. The carrying amounts and the fair values of investment and rental properties were ¥223,701 million and ¥295,062 million as of March 31, 2010, ¥230,127 million and ¥280,297 million as of March 31, 2011 and ¥223,191 million (US$2,715 million) and ¥271,525 million (US$3,303 million) as of March 31, 2012, respectively. The fair value is mainly based on the value calculated by the Company in accordance with real estate appraisal standards which includes some adjustments using the reference prices.

The amount corresponding to asset retirement obligations included in the carrying amount of investment and rental properties were ¥1,411 million and ¥1,334 million (US$16 million) as of March 31, 2011 and 2012, respectively.

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 ¥2,586 million, ¥3,288 million and ¥3,019 million (US$36 million) as of March 31, 2010, 2011 and 2012, respectively.

i) The balances of credits to bankrupt borrowers were ¥300 million, ¥280 million and ¥270 million (US$3 million) as of March 31, 2010, 2011 and 2012, respectively.
ii) The balances of delinquent loans were ¥2,119 million, ¥770 million and ¥683 million (US$8 million) as of March 31, 2010, 2011 and 2012, respectively.
iii) There were no balances of delinquent loans past 3 months or more as of March 31, 2010, 2011 and 2012.
iv) The balances of restructured loans were ¥166 million, ¥2,237 million, and ¥2,064 million (US$25 million) as of March 31, 2010, 2011 and 2012, respectively.

Credits to bankrupt borrowers represent loans, excluding the balances already written-off, which meet the conditions prescribed in Article 96 Paragraph 1 Item 3 and 4 of the Enforcement Regulations of the Corporate Tax Law. Moreover, accruing interest on these loans is not recorded as income after determining that principal 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 ¥8,149 million, ¥19 million and ¥12 million (US$147 thousand) as of March 31, 2010, 2011 and 2012, respectively.

The direct write-offs related to loans decreased delinquent loans described above by ¥938 million, ¥262 million and ¥291 million (US$3 million) as of March 31, 2010, 2011 and 2012, respectively.

6. Accumulated Depreciation of Tangible Fixed Assets

Accumulated depreciation of tangible fixed assets totaled to ¥129,828 million, ¥137,605 million and ¥137,618 million (US$1,674 million) as of March 31, 2010, 2011 and 2012, respectively.

7. Separate Accounts

Total assets in separate accounts provided for in Article 118 of the Insurance Business Law were ¥95,207 million, ¥83,280 million and ¥82,053 million (US$998 million) as of March 31, 2010, 2011 and 2012, 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, ¥3,308 million and ¥186 million as of March 31, 2010, ¥2,508 million and ¥171 million as of March 31, 2011, and ¥2,432 million (US$29 million) and ¥177 million (US$2 million) as of March 31, 2012, respectively.

9. Monetary Claims to Directors

Monetary claims to directors of the Company as of March 31, 2010, 2011 and 2012 were ¥8 million, ¥6 million and ¥5 million (US$64 thousand), respectively.

10. Income Taxes

Deferred tax assets and deferred tax liabilities as of March 31, 2010 were ¥96,103 million and ¥29,717 million, respectively. Valuation allowance for deferred tax assets was ¥3,077 million.

Major components of deferred tax assets were ¥57,858 million of policy reserves, ¥18,034 million of reserve for employees' retirement benefits and ¥9,667 million of reserve for price fluctuation of securities as of March 31, 2010.

Major component of deferred tax liabilities was ¥27,435 million of net unrealized gains on available-for-sale securities as of March 31, 2010.

The statutory tax rate and the actual effective tax rate for the year ended March 31, 2010 were 36.2% and 12.8%, respectively. The major difference between the statutory tax rate and the actual effective tax rate was (22.5%) of reserve for dividends to policyholders.

Deferred tax assets and deferred tax liabilities as of March 31, 2011 were ¥100,383 million and ¥8,381 million, respectively. Valuation allowance for deferred tax assets was ¥3,257 million.

Major components of deferred tax assets were ¥59,538 million of policy reserves, ¥18,161 million of reserve for employees' retirement benefits and ¥12,262 million of reserve for price fluctuation of securities as of March 31, 2011.

Major component of deferred tax liabilities was ¥5,859 million of net unrealized gains on available-for-sale securities as of March 31, 2011.

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

Deferred tax assets and deferred tax liabilities as of March 31, 2012 were ¥85,897 million (US$1,045 million) and ¥34,529 million (US$420 million), respectively. Valuation allowance for deferred tax assets was ¥3,155 million (US$38 million).

Major components of deferred tax assets were ¥49,440 million (US$601 million) of policy reserves, ¥14,279 million (US$173 million) of reserve for employees' retirement benefits and ¥11,752 million (US$142 million) of reserve for price fluctuation of securities as of March 31, 2012.

Major component of deferred tax liabilities was ¥30,806 million (US$374 million) of net unrealized gains on available-for-sale securities as of March 31, 2012.

The statutory tax rate and the actual effective tax rate for the year ended March 31, 2012 were 36.2% and 46.4%, respectively. The major differences between the statutory tax rate and the actual effective tax rate were 24.9% of the reduction of deferred tax assets due to the changes in tax rates and (16.3%) of reserve for dividends to the policyholders.

Following the promulgation of the "Act for Partial Amendment of the Income Tax Act, etc. for the Purpose of Creating a Taxation System Responding to Changes in Economic and Social Structures" (Act No.114, 2011) and the "Act on Special Measures for Securing Financial Resources Necessary to Implement Measures for Reconstruction following the Great East Japan Earthquake" (Act No.117, 2011) on December 2, 2011, the corporate income tax rate will be lowered from the fiscal year beginning on April 1, 2012 and a special restoration surtax will be imposed from the fiscal year beginning on April 1, 2012 through the fiscal year beginning on April 1, 2014.

The effective statutory tax rate used by the Company for the calculation of deferred tax assets and deferred tax liabilities will consequently be changed from the current rate of 36.2% to 33.3% for a temporary difference which is expected to be reversed in the period from April 1, 2012 to March 31, 2015, and to 30.8% for a temporary difference which is expected to be reversed after April 1, 2015. As a result of these changes, deferred tax assets as of March 31, 2012 decreased by ¥676 million (US$8 million) and ¥7,118 million (US$86 million), respectively and deferred tax liabilities for revaluation reserve for land as of March 31, 2012 decreased by ¥1 million (US$24 thousand) and ¥2,853 million (US$34 million), respectively. Income taxes deferred for the fiscal year ended March 31, 2012 increased by ¥13,236 million (US$161 million).

11. Reserve for Dividends to Policyholders

Changes in reserve for dividends to policyholders were as follows:

	Years ended March 31,			
	2010	2011	2012	2012
	Millions of yen			Millions of U.S. dollars
Balance at the beginning of current fiscal year	¥ 57,317	¥ 54,759	¥ 53,205	$ 647
Transfer from surplus in previous fiscal year	17,856	19,505	24,381	296
Dividends paid in the current fiscal year	(20,571)	(21,176)	(23,700)	(288)
Increase in interest	157	116	83	1
Balance at the end of fiscal year	¥ 54,759	¥ 53,205	¥ 53,969	$ 656

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

Changes in reserve for dividends to policyholders were as follows:

	Years ended March 31,			
	2010	2011	2012	2012
	Millions of yen			Millions of U.S. dollars
Balance at the beginning of current fiscal year	¥533	¥585	¥654	$7
Dividends paid in the current fiscal year	(346)	(388)	(446)	(5)
Increase in interest	1	0	0	0
Provision for reserve for dividends to policyholders	397	456	440	5
Balance at the end of fiscal year	¥585	¥654	¥648	$7

13. Stocks of Unconsolidated Subsidiaries

The amounts of stocks of unconsolidated subsidiaries the Company held as of March 31, 2010, 2011 and 2012 were ¥240 million, ¥398 million and ¥398 million (US$4 million), respectively.

14. Pledged Assets and Secured Debts

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

Assets pledged as collateral as of March 31, 2011 were ¥23,633 million of securities. Secured debts as of March 31, 2011 were ¥4,629 million.

Assets pledged as collateral as of March 31, 2012 were ¥24,300 million (US$295 million) of securities and ¥397 million (US$4 million) of bank deposits. Secured debts as of March 31, 2012 were ¥4,608 million (US$56 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 ¥32 million, ¥42 million and ¥5 million (US$69 thousand) as of March 31, 2010, 2011 and 2012, 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 ¥56 million, ¥55 million and ¥53 million (US$649 thousand), as of March 31, 2010, 2011 and 2012, respectively.

16. Additional Foundation Funds

The Company raised additional foundation funds of ¥15,000 million and ¥20,000 million (US$243 million) during the year ended March 31, 2010 and 2012 in accordance with Article 60 of the Insurance Business Law.

17. Redemption of Foundation Funds

In the year ended March 31, 2010 and 2012, in connection with the redemption of foundation funds of ¥15,000 million and ¥25,000 million (US$304 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, 2010, 2011 and 2012, there were unused commitment line agreements under which the Company is the lender of ¥5,653 million, ¥4,056 million and ¥1,023 million (US$12 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 ¥10,915 million, ¥11,285 million and ¥11,754 million (US$143 million) as of March 31, 2010, 2011 and 2012, 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, 2010, 2011 and 2012, were calculated as follows:

	As of March 31,			
	2010	2011	2012	2012
	Millions of yen			Millions of U.S. dollars
a. Projected benefit obligation	¥(71,617)	¥(71,786)	¥(72,936)	$(887)
b. Fair value of pension plan assets	16,009	15,728	17,167	208
c. Unfunded benefit obligation (a+b)	(55,608)	(56,058)	(55,768)	(678)
d. Unrecognized actuarial differences	5,667	5,802	10,021	121
e. Unrecognized prior service cost	137	102	(636)	(7)
f. Reserve for employees' retirement benefits (c+d+e)	¥(49,803)	¥(50,153)	¥(46,384)	$(564)

(2) Gross amount of retirement benefit expenses for the years ended March 31, 2010, 2011 and 2012 were as follows:

	Years ended March 31,			
	2010	2011	2012	2012
	Millions of yen			Millions of U.S. dollars
Service cost	¥3,173	¥3,114	¥2,965	$36
Interest cost	1,438	1,430	1,451	17
Expected return on pension plan assets	(450)	(480)	(471)	(5)
Amortization of actuarial differences	1,231	1,171	1,218	14
Amortization of prior service cost	34	34	(20)	(0)
	¥5,427	¥5,270	¥5,143	$62

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

	Years ended March 31,		
	2010	2011	2012
Method of attributing the projected benefits to periods of service	Straight-line basis	Straight-line basis	Straight-line basis
Discount rate	2.0%	2.0%	2.0%
Expected rate of return on pension plan assets	3.0%	3.0%	3.0%
Amortization period of actuarial differences	10 years	10 years	10 years
Amortization period of prior service cost	10 years	10 years	10 years

III. Notes to Statements of Operations

1. Net Surplus before Minority Interests

Net surplus before minority interests is presented in the consolidated statement of operations for the year ended March 31, 2011 and 2012 in accordance with the revision of the Enforcement Rule of the Insurance Business Law based on "Accounting Standard for Consolidated Financial Statements" (ASBJ Statement No. 22 issued by the Accounting Standards Board of Japan on December 26, 2008).

2. Transactions with Unconsolidated Subsidiaries

The total amounts of revenues and expenditures in connection with unconsolidated subsidiaries were ¥131 million and ¥2,825 million for the year ended March 31, 2010, ¥108 million and ¥2,884 million for the year ended March 31, 2011, and ¥96 million (US$1 million) and ¥2,884 million (US$35 million) for the year ended March 31, 2012, respectively.

3. Policy Reserves for the Reinsurance Contracts

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

For the year ended March 31, 2011, provision for reserve for outstanding claims for ceded reinsurance considered in calculation of provision for reserve for outstanding claims was ¥9 million and reversal of policy reserve for ceded reinsurance considered in calculation of provision for policy reserve was ¥0 million.

For the year ended March 31, 2012, provision for reserve for outstanding claims for ceded reinsurance considered in calculation of provision for reserve for outstanding claims was ¥36 million (US$449 thousand) and reversal of policy reserve for ceded reinsurance considered in calculation of provision for policy reserve was ¥1 million (US$24 thousand).

4. Impairment of Fixed Assets

For the year ended March 31, 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

	Year ended March 31, 2010 Millions of yen
Real estate for rent:	
Land	¥ 71
Buildings and others	5
Total real estate for rent (i)	76
Unused real estate:	
Land	136
Buildings and others	651
Total unused lease property (ii)	788
Total:	
Land	208
Buildings and others	656
Total (i)+(ii)	¥865

(4) Calculation method of recoverable amount

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

(5) Changes in presentation

The amount of impairment losses have been omitted for the current and previous fiscal year since there is less materiality.

5. Net Income Before Minority Interests

Pursuant to the revision of the Ordinance for enforcement of the Insurance Business Act, net income before minority interests for the fiscal year ended March 31, 2010 is disclosed from the current fiscal year.

IV. Notes to Statement of Comprehensive Income

1. Other Comprehensive Income

The amounts recycled and tax effect amounts related to other comprehensive income were as follows:

	2012	2012
	Millions of yen	Millions of U.S. dollars
Net unrealized gains (losses) on available-for-sale securities, net of tax		
Amount incurred during the fiscal year ended March 31, 2012	¥ 69,198	$ 841
Amount recycled	14,702	178
Before tax adjustment	83,901	1,020
Tax effects	(24,946)	(303)
Net unrealized gains (losses) on available-for-sale securities, net of tax	58,955	717
Deferred valuation gains (losses) under hedge accounting, net of tax		
Amount incurred during the fiscal year ended March 31, 2012	14	0
Amount recycled	(330)	(4)
Before tax adjustment	(316)	(3)
Tax effects	122	1
Deferred valuation gains (losses) under hedge accounting, net of tax	(194)	(2)
Revaluation reserve for land, net of tax		
Amount incurred during the fiscal year ended March 31, 2012	—	—
Amount recycled	—	—
Before tax adjustment	—	—
Tax effects	2,854	34
Revaluation reserve for land, net of tax	2,854	34
Foreign currency translation adjustment		
Amount incurred during the fiscal year ended March 31, 2012	(67)	(0)
Amount recycled	—	—
Before tax adjustment	(67)	(0)
Tax effects	—	—
Foreign currency translation adjustment	(67)	(0)
Total other comprehensive income	¥ 61,548	$ 748

2. Changes in Presentation

Pursuant to the revision of the Ordinance for enforcement of the Insurance Business Act, the contents of the note to the consolidated financial statements for the fiscal year ended March 31, 2011 concerning the comprehensive income for the fiscal year ended March 31, 2010 have been disclosed for the current fiscal year.

V. Notes to Statements of Cash Flows

1. Scope of Cash and Cash Equivalents

Cash and cash equivalents as of March 31, 2010, 2011 and 2012 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, 2010, 2011 and 2012 were as follows:

	As of March 31,			
	2010	2011	2012	2012
	Millions of yen			Millions of U.S. dollars
Cash and deposits	¥ 83,557	¥314,392	¥ 73,260	$ 891
Call loans	91,000	—	65,600	798
Monetary claims bought	1,752	1,424	1,351	16
Time deposits maturing over 3 months of the date of acquisition	(200)	(200)	(200)	(2)
Foreign currency deposits maturing over 3 months of the date of acquisition	(472)	(252)	(155)	(1)
Monetary claims bought maturing over 3 months of the date of acquisition	(1,752)	(1,424)	(1,351)	(16)
Cash and cash equivalents	¥173,885	¥313,939	¥138,504	$1,685

Management’s Report on Internal Control over Financial Reporting

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

Yoshiteru Yoneyama, President of 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 sheets and the related consolidated statements of operations, comprehensive income, cash flows, changes in net assets and a summary of significant accounting policies and other explanatory information for the year ended March 31, 2012, prepared in accordance with Article 110 Paragraph 2 of the Insurance Business Law. The Company designs and operates its internal control over financial reporting in accordance with the basic framework of internal control set forth in the "Standards and Practice Standards for Management Assessment and Audit concerning Internal Control Over Financial Reporting (Council Opinions)" issued by the Business Accounting Council of the Financial Service Agency of Japan.

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

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

The Company performed an assessment of internal control over financial reporting for its consolidated financial statements as of the end of the fiscal years, March 31, 2012 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, 2012.

4. Supplementary Information (None)

May 18, 2012
Yoshiteru Yoneyama
President
Fukoku Mutual Life Insurance Company

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 (the "Company") and its consolidated subsidiaries as of March 31, 2012, and the related consolidated statements of operations, comprehensive income, cash flows and changes in net assets for the year then ended, and a summary of significant accounting policies and other explanatory information, all expressed in Japanese yen.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in conformity with accounting principles generally accepted in Japan and for designing and operating such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to independently express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the Company's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Audit 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, 2012, and the consolidated results of their operations and their cash flows for the year then ended in conformity with accounting principles generally accepted in Japan.

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, 2012.

<Internal Control Audit>

We also have audited management's report on internal control over financial reporting, namely, the accompanying consolidated balance sheets of the Company and its consolidated subsidiaries as of March 31, 2012 and the related consolidated statements of operations, comprehensive income, cash flows, changes in net assets for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Report on Internal Control

The Company's management is responsible for designing and operating effective internal control over financial reporting and for the preparation and fair presentation of its report on internal control in conformity with assessment standards for internal control over financial reporting generally accepted in Japan.

There is a possibility that misstatements may not be completely prevented or detected by internal control over financial reporting.

Auditor's Responsibility

Our responsibility is to express an opinion on management's report on internal control based on our internal control audit. 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 from material misstatement.

An internal control audit involves performing procedures to obtain audit evidence about the results of the assessment of internal control over financial reporting in management's report on internal control. The procedures selected depend on our judgment, including the significance of effects on reliability of financial reporting. An internal control audit includes examining 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 the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Audit 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, 2012 is effectively maintained, presents fairly, in all material respects, the results of the assessment of internal control over financial reporting in conformity with assessment standards for internal control over financial reporting generally accepted in Japan.

Interest

Our firm and the engagement partners do not have any interest in the Company for which disclosure is required under the provisions of the Certified Public Accountants Act.

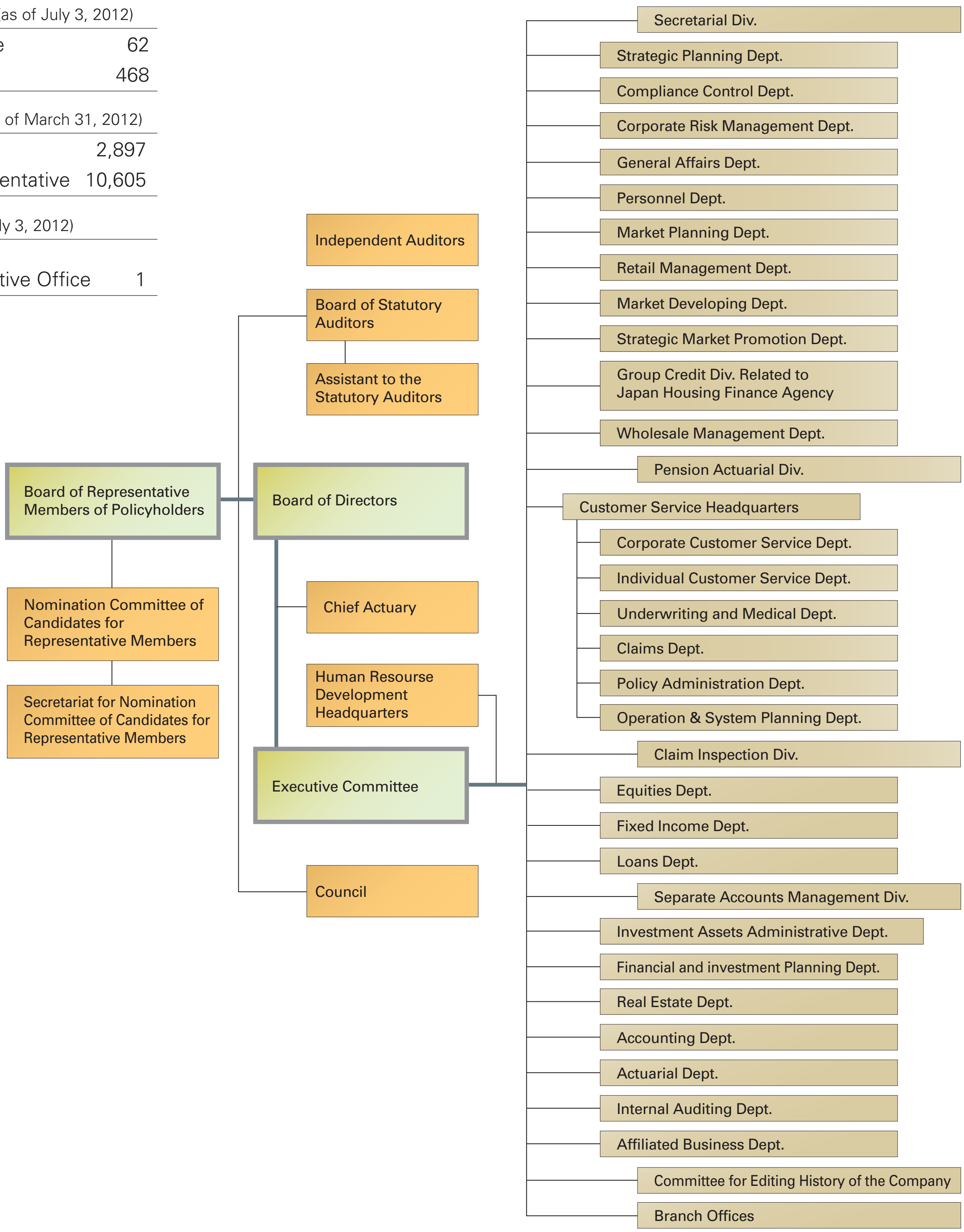
Tokyo, Japan
May 21, 2012

Kisaragi Audit Corporation

Kisaragi Audit Corporation

Corporate Organization

Organization (as of July 3, 2012)	
Branch Office	62
Field Office	468
Employees (as of March 31, 2012)	
Office Staff	2,897
Sales Representative	10,605
Others (as of July 3, 2012)	
Overseas Representative Office	1



Board of Directors and Statutory Auditors

Chairman of the Board
Tomofumi Akiyama

President and Chief Executive Officer
Yoshiteru Yoneyama*

Deputy Presidents and Executive Officer
Katsumasa Furuya

Directors and Managing Executive Officer
Kenji Hirai

Directors and Managing Executive Officer
Tadashi Akikawa

Directors and Managing Executive Officer
Hitoshi Sakai

Directors and Managing Executive Officer
Toshihiro Hayashi

Director
Katsuhiro Utada

Director
Kozo Isshiki

Directors and Executive Officer
Toshihide Fujiwara

Directors and Executive Officer
Toshikatsu Hayashi

Statutory Auditor
Yoshizumi Nezu

Statutory Auditor
Mitsuo Ohashi

Statutory Auditor
Yoshikazu Sashida

Statutory Auditor (Standing):
Shuichi Maeda

Statutory Auditor (Standing):
Akio Imai

Executive Officer
Tsutomu Hiruma

Executive Officer
Haruki Kawashima

Executive Officer
Toyoaki Oba

Executive Officer
Toshimitsu Furuhashi

Executive Officer
Shigeki Matsuoka

Executive Officer
Takanobu Futaba

Executive Officer
Yasuyuki Kitamura

*Representative Director

(as of July 3, 2012)

Directory

Head Office
2-2, Uchisaiwaicho 2-chome, Chiyoda-ku, Tokyo 100-0011, Japan
Phone: 81-3-3508-1101
Facsimile: 81-3-3591-6446

Fukoku Life International (U.K.) Ltd.
3rd Floor, Baltic Exchange, 38 St. Mary Axe, London, EC3A 8EX, U.K.
Phone: 44-20-7283-1331
Facsimile: 44-20-7626-7096

Fukoku Life International (America) Inc.
Times Square Tower, 7 Times Square, 35th Floor, New York, NY 10036, U.S.A.
Phone: 1-212-221-7760
Facsimile: 1-212-221-7794

Fukoku Mutual Life Insurance Company Singapore Representative Office
80 Robinson Road #16-04 Singapore 068898
Phone: 65-6220-8308
Facsimile: 65-6220-8736

Fukoku Life International (U.K.) Ltd.
From left : T. Keevil, J. Doran, A. Sato,
K. Sato and K. Ohkawa

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

Fukoku Mutual Life Insurance Company
Singapore Representative Office
From left: J. Lim, S. Narue and Y. Miki

FSC
www.fsc.org
MIX
Paper from
responsible sources
FSC® C030507

VEGETABLE
OIL INK

Printed in Japan