

Financial Results for the Six Months Ended September 30, 2009

Fukoku Mutual Life Insurance Company (President: Tomofumi Akiyama) announces financial results for the six months ended September 30, 2009.

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Attached: Supplementary Materials for the Six Months Ended September 30, 2009

1. Business Highlights

(1) Policies in Force, New Policies and Surrendered and Lapsed Policies

(i) Policies in Force

	As of September 30, 2009				As of March 31, 2009			
	Number of policies		Amount		Number of policies		Amount	
	(Thousands)	Changes (% Pre-FYE)	(100 millions of yen)	Changes (% Pre-FYE)	(Thousands)	Changes (% YoY)	(100 millions of yen)	Changes (% YoY)
Individual insurance	2,967	99.7	293,374	97.0	2,976	98.3	302,327	95.2
Individual annuities	744	100.4	29,799	99.8	741	103.3	29,864	101.6
Subtotal	3,711	99.9	323,174	97.3	3,717	99.3	332,191	95.8
Group insurance	-	-	157,862	102.9	-	-	153,365	101.3
Group annuities	-	-	19,976	100.0	-	-	19,975	98.7

Notes: 1. Policy amounts for individual annuities are equal to (a) the funds to be held at the time annuity payments are to commence for an annuity for which annuity payments have not yet commenced and (b) the amount of policy reserve for an annuity for which payments have commenced.

2. Policy amount in force for group annuities is equal to the amount of outstanding policy reserve.

(ii) New Policies

Six months ended September 30, 2008	Total				New business		Net increase by conversion	
	Number of policies		Amount		Amount		Amount	
	(Thousands)	Changes (% YoY)	(100 millions of yen)	Changes (% YoY)	(100 millions of yen)	Changes (% YoY)	(100 millions of yen)	Changes (% YoY)
Individual insurance	155	82.7	8,270	76.6	8,159	79.6	111	20.4
Individual annuities	28	110.1	978	111.6	988	111.5	(9)	-
Subtotal	184	86.0	9,249	79.2	9,148	82.1	101	18.9
Group insurance	-	-	414	205.2	414	205.2		
Group annuities	-	-	0	0.1	0	0.1		

Six months ended September 30, 2009	Total				New business		Net increase by conversion	
	Number of policies		Amount		Amount		Amount	
	(Thousands)	Changes (% YoY)	(100 millions of yen)	Changes (% YoY)	(100 millions of yen)	Changes (% YoY)	(100 millions of yen)	Changes (% YoY)
Individual insurance	214	138.3	5,965	72.1	7,678	94.1	(1,713)	-
Individual annuities	19	66.9	615	62.9	629	63.6	(13)	-
Subtotal	234	127.1	6,581	71.2	8,307	90.8	(1,726)	-
Group insurance	-	-	209	50.5	209	50.5		
Group annuities	-	-	0	304.2	0	304.2		

Notes: 1. Number of new policies is the sum of new business and policies after conversion.

2. Amount of new policies for individual annuities, both new business and net increase by conversion, is equal to the funds to be held at the time annuity payments are to commence.

3. Amount for group annuities is equal to the initial premium payment.

(iii) Surrendered and Lapsed Policies (Individual Insurance and Individual Annuities)

	Six months ended September 30, 2008		Six months ended September 30, 2009	
		Changes (% YoY)		Changes (% YoY)
Amount of surrender and lapse (100 millions of yen)	10,412	100.3	9,722	93.4
Surrender and lapse ratio (%)	3.01	0.10	2.93	(0.08)

Notes: 1. The amount of lapse is not offset by the amount of reinstatement which was once lapsed.

2. The column of "Changes" of surrender and lapse ratio are increase-decrease points over year.

(2) Annualized Premiums

(i) Policies in Force

(100 millions of yen except percentage)

	As of September 30, 2009		As of March 31, 2009	
		Changes (%, Pre-FYE)		Changes (%, YoY)
Individual insurance	2,991	97.8	3,057	94.5
Individual annuities	1,242	100.8	1,233	103.2
Total	4,234	98.7	4,290	96.8
Medical coverage and living benefits	998	101.1	987	100.8

(ii) New Policies

(100 millions of yen except percentage)

	Six months ended September 30, 2008		Six months ended September 30, 2009	
		Changes (%, YoY)		Changes (%, YoY)
Individual insurance	99	84.5	98	99.3
Individual annuities	43	95.8	30	69.7
Total	142	87.7	128	90.2
Medical coverage and living benefits	36	82.9	44	119.8

Notes: 1. Annualized premiums are calculated by using coefficients based on the premium payment method. (For single premium contracts, the amount is calculated by dividing the premium by the coverage period.)

2. Figures for medical coverage and living benefits represent portion of annualized premium corresponding to the medical benefits (hospitalization benefits and surgery benefits, etc.), living benefits (nursing care benefits, etc.) and premium waiver benefits, in which disability cause is excluded but causes such as specific illness are included.

3. New policies include net increase by conversion.

(3) Selected Items of Statements of Operations

(100 millions of yen except percentage)

	Six months ended September 30, 2008		Six months ended September 30, 2009	
		Changes (%, YoY)		Changes (%, YoY)
Premium and other income	3,555	91.3	3,104	87.3
Investment income	672	87.9	793	118.0
Claims and other payments	3,020	93.6	2,872	95.1
Investment expenses	251	154.9	413	164.2
Ordinary profits	332	97.1	127	38.3

(4) Total Assets

(100 millions of yen except percentage)

	As of September 30, 2009		As of March 31, 2009	
		Changes (%, Pre-FYE)		Changes (%, YoY)
Total assets	55,668	100.9	55,144	96.3

2. Investment Activities of General Account Assets in the First Half of Fiscal 2009

(1) Investment Environment

For the first half of fiscal 2009, Japanese economy rallied against the background of the recovery of Chinese economy and effects of economic policy in Japan. However, economic activity, especially production remained at a low level, and continued a severe situation. On the other hand, the condition of financial and capital markets has been moderated by the policy measures of many countries while the concern from the financial turmoil still existed.

As for the long-term interest rate, 10-year government bond yield once rose above to 1.5% level on in early June, and then turned to downward trend and reached to 1.2% level on the concern over global economy and strong demand from institutional investors. It reached to 1.3% at the end of September.

Stock price rose to over 10,000 yen level by the Nikkei Average against the expectations of economic recovery, and reached to 10,133 yen at the end of September, around 2,000 yen higher than the previous fiscal year end.

Against the euro, the yen remained at 130 yen level, and reached to 131 yen level at the end of September, almost the same level to the previous fiscal year end. On the other hand, as the U.S. dollar depreciated under the pessimistic estimates against U.S. economy and the forecast that the U.S. low interest rate policy would continue, the yen against the U.S. dollar reached to 90 yen level at the end of September, around 8 yen higher than the previous fiscal year end.

On the U.S. and European financial markets, both FRB and ECB continued affluent amount of money supply for the stabilization of financial markets. FRB kept the federal funds rate at 0.0% to 0.25%, the historical low level. ECB also kept the policy interest rate at 1% after cutting it to 1% in the middle of May. Under these conditions, long-term interest rate in U.S., which once rose to 3.9% level, declined to close to 3% at the end of September. German bund, the indicator of European long-term interest rate, once rose to 3.7% level, went down to close to 3.0% level at the end of September.

(2) Investment Policies

Fundamental policy of asset management of Fukoku Life is to achieve the high level of investment revenue to the future, in accordance with the principle of prudent and profitable investments, taking into consideration of the liability characteristic of life insurance products.

Under this policy, we allocate our funds based on medium-to-long term view of the market to construct a portfolio capable of adequately responding to the ongoing developments. To explain concretely, we diversify our investment in foreign securities, equities and real estate within the permitted range of risk to improve the revenue, although yen-denominated interest bearing assets such as domestic bonds and loans are the cores of the portfolio. Moreover, under the current uncertain conditions in the financial and capital markets, we make our best effort to secure our customers' funds.

We limit our investments towards financial products, which lack liquidity or include obscure risks, to maintain the quality of the portfolio. We also closely monitor our assets on daily basis to reduce the investment risk, so that we are able to absorb the influence from the large volatility in the market.

(3) Investment Results

General account assets at the end of the first half of fiscal 2009 were ¥5,450.2 billion (up 0.9% from the previous fiscal year end), an increase of ¥47.3 billion from the end of the previous fiscal year, by the increase of net unrealized gains on equities.

While the conditions of financial and capital markets have shown some signs of improvement, there are still concerns about the future. Under these conditions, we have shifted our investment assets from high-risk assets to yen-denominated interest bearing assets to some extent since the latter half of previous year to maintain the safety and liquidity of the assets. More precisely, we increased domestic bonds, especially government bond while we reduced equities and foreign currency denominated assets. Also we endeavored to increase revenue by investing in yen-denominated foreign bonds with relatively high investment yield while replacing the high-risk assets on market trends from time to time.

As a result, the balance of domestic bonds increased ¥94.5 billion to ¥2,563.3 billion.

The balance of equities increased ¥26.4 billion to ¥445.3 billion on appreciation of net unrealized gains following the recovery of equity markets, while book price decreased ¥35.3 billion.

The balance of foreign securities increased ¥5.2 billion to ¥579.8 billion mainly on the recovery of the markets while book price decreased ¥7.3 billion.

Real estate increased ¥18.1 billion to ¥264.3 billion due to the proceeding of works on Osaka Fukoku Seimei Building.

The balance of securitized financial products decreased ¥0.1 billion to ¥9.6 billion. The ratio of securitized financial products to general account assets is merely 0.18%. As we have no direct holding of any subprime-related products, the impact on the management from this asset class is very limited.

Total investment income were ¥70.0 billion (up 4.2% from the first half of the previous fiscal year). Interest and dividends income decreased ¥4.6 billion to ¥54.8 billion (down 7.9%, ditto), mostly on the decrease of balance of foreign bonds and interest from foreign bonds due to the effect of yen's appreciation.

Total investment expenses were ¥41.3 billion (up 133.7%, ditto). As we sold high-risk assets and replaced the securities, losses on sales of securities increased ¥14.9 billion to ¥16.4 billion (up 943.8%, ditto).

As a result, the net income of our investment activities which is the amount of investment income minus expenses were ¥28.7 billion (down 42.1%, ditto).

3. Investment Results of General Account Assets

(1) Asset Composition

	As of September 30, 2009		As of March 31, 2009	
	Amount	Percentage	Amount	Percentage
Cash, deposits, call loans	148,210	2.7	206,849	3.8
Monetary claims bought	1,886	0.0	2,055	0.0
Money held in trust	32,972	0.6	33,053	0.6
Securities	3,639,627	66.8	3,513,882	65.0
Domestic bonds	2,563,342	47.0	2,468,826	45.7
Domestic stocks	445,365	8.2	418,889	7.8
Foreign securities	579,849	10.6	574,604	10.6
Foreign bonds	412,745	7.6	403,391	7.5
Foreign stocks and other securities	167,103	3.1	171,212	3.2
Other securities	51,069	0.9	51,562	1.0
Loans	1,230,487	22.6	1,238,205	22.9
Policy loans	75,471	1.4	76,967	1.4
Ordinary loans	1,155,015	21.2	1,161,237	21.5
Real estate	264,384	4.9	246,220	4.6
Deferred tax assets	80,918	1.5	110,422	2.0
Others	65,717	1.2	63,547	1.2
Allowance for possible loan losses	(13,927)	(0.3)	(11,290)	(0.2)
Total	5,450,276	100.0	5,402,946	100.0
Foreign currency denominated assets	438,045	8.0	441,710	8.2

(2) Changes (Increase/Decrease) in Assets

	Six months ended September 30, 2008	Six months ended September 30, 2009
	Cash, deposits, call loans	5,201
Monetary claims bought	(443)	(169)
Money held in trust	(22,421)	(80)
Securities	(70,320)	125,744
Domestic bonds	(69,831)	94,515
Domestic stocks	(37,542)	26,476
Foreign securities	27,974	5,244
Foreign bonds	22,644	9,353
Foreign stocks and other securities	5,330	(4,108)
Other securities	9,078	(492)
Loans	(14,965)	(7,717)
Policy loans	(1,095)	(1,496)
Ordinary loans	(13,870)	(6,221)
Real estate	1,739	18,164
Deferred tax assets	40,465	(29,504)
Others	3,437	2,170
Allowance for possible loan losses	2,596	(2,637)
Total	(54,710)	47,330
Foreign currency denominated assets	(1,047)	(3,664)

(3) Investment Income

(Millions of yen)

	Six months ended September 30, 2008	Six months ended September 30, 2009
Interest, dividends and other income	59,513	54,836
Interest from deposits	272	180
Interest and dividends from securities	39,835	34,635
Interest from loans	12,116	12,407
Income from real estate for rent	6,866	7,491
Other interest and dividends	422	121
Gains from money held in trust, net	-	-
Gains from trading securities, net	-	-
Gains on sales of securities	7,568	15,125
Gains on sales of domestic bonds	2,033	7,715
Gains on sales of domestic stocks	2,269	7,093
Gains on sales of foreign securities	3,265	315
Gains on redemption of securities	-	-
Gains from derivative instruments, net	-	-
Foreign exchange gains, net	-	-
Other investment income	157	70
Total	67,239	70,031

(4) Investment Expenses

(Millions of yen)

	Six months ended September 30, 2008	Six months ended September 30, 2009
Interest expenses	1,071	977
Losses from money held in trust, net	2,467	92
Losses from trading securities, net	231	477
Losses on sales of securities	1,579	16,485
Losses on sales of domestic bonds	726	89
Losses on sales of domestic stocks	202	5,407
Losses on sales of foreign securities	650	10,989
Losses on valuation of securities	5,117	1,877
Losses on valuation of domestic bonds	-	-
Losses on valuation of domestic stocks	4,654	1,725
Losses on valuation of foreign securities	463	152
Losses on redemption of securities	-	-
Losses from derivative instruments, net	2,072	12,226
Foreign exchange losses, net	752	972
Provision for allowance for possible loan losses	-	2,742
Write-off of loans	-	-
Depreciation of real estate for rent and other assets	2,241	2,595
Other investment expenses	2,146	2,871
Total	17,679	41,319

(5) Net Investment Income

(Millions of yen)

	Six months ended September 30, 2008	Six months ended September 30, 2009
Net investment income	49,560	28,712

(6) Net Valuation Gains/Losses on Trading Securities

(Millions of yen)

	As of September 30, 2009		As of March 31, 2009	
	Carrying value on balance sheets	Net valuation gains/losses included in the statements of operations	Carrying value on balance sheets	Net valuation gains/losses included in the statements of operations
Trading securities	91,859	(1,160)	89,449	(6,204)

Note: The table above includes money held in trust for trading purpose.

(7) Fair Value Information on Securities (with fair value, other than trading securities)

(Millions of yen)

	As of September 30, 2009					As of March 31, 2009				
	Book value	Fair value	Gains/losses			Book value	Fair value	Gains/losses		
				Gains	Losses				Gains	Losses
Held-to-maturity debt securities	146,651	151,719	5,067	5,349	282	152,157	156,525	4,368	5,177	809
Domestic bonds	106,973	111,629	4,656	4,656	-	113,032	117,328	4,296	4,332	36
Foreign bonds	39,678	40,089	411	693	282	39,125	39,197	71	845	773
Monetary claims bought	-	-	-	-	-	-	-	-	-	-
Negotiable certificate of deposits	-	-	-	-	-	-	-	-	-	-
Others	-	-	-	-	-	-	-	-	-	-
Policy-reserve-matching bonds	635,925	656,348	20,423	20,520	97	628,570	644,212	15,641	16,131	489
Investments in subsidiaries and affiliates	1,393	937	(455)	-	455	1,393	954	(438)	-	438
Available-for-sale securities	2,709,101	2,740,256	31,155	106,468	75,313	2,678,173	2,622,561	(55,611)	77,291	132,903
Domestic bonds	1,794,889	1,820,443	25,553	29,945	4,391	1,705,656	1,727,224	21,568	28,906	7,338
Domestic stocks	367,216	411,266	44,049	72,249	28,199	403,395	385,582	(17,813)	45,495	63,309
Foreign securities	503,489	468,390	(35,099)	3,180	38,279	519,208	466,188	(53,020)	2,388	55,408
Foreign bonds	328,293	313,179	(15,113)	2,504	17,617	328,436	306,869	(21,567)	1,942	23,509
Foreign stocks and other securities	175,196	155,210	(19,986)	675	20,662	190,772	159,319	(31,452)	445	31,898
Other securities	43,505	40,155	(3,349)	1,092	4,442	49,912	43,566	(6,346)	501	6,847
Money held in trust	-	-	-	-	-	-	-	-	-	-
Monetary claims bought	-	-	-	-	-	-	-	-	-	-
Negotiable certificate of deposits	-	-	-	-	-	-	-	-	-	-
Others	-	-	-	-	-	-	-	-	-	-
Total	3,493,071	3,549,260	56,189	132,338	76,149	3,460,294	3,424,254	(36,039)	98,600	134,640
Domestic bonds	2,537,788	2,588,421	50,633	55,122	4,489	2,447,258	2,488,764	41,506	49,370	7,863
Domestic stocks	367,216	411,266	44,049	72,249	28,199	403,395	385,582	(17,813)	45,495	63,309
Foreign securities	544,561	509,417	(35,144)	3,873	39,017	559,727	506,341	(53,386)	3,233	56,619
Foreign bonds	367,971	353,269	(14,702)	3,197	17,899	367,562	346,066	(21,495)	2,787	24,283
Foreign stocks and other securities	176,589	156,147	(20,441)	675	21,117	192,165	160,274	(31,891)	445	32,336
Other securities	43,505	40,155	(3,349)	1,092	4,442	49,912	43,566	(6,346)	501	6,847
Money held in trust	-	-	-	-	-	-	-	-	-	-
Monetary claims bought	-	-	-	-	-	-	-	-	-	-
Negotiable certificate of deposits	-	-	-	-	-	-	-	-	-	-
Others	-	-	-	-	-	-	-	-	-	-

Note: The table above includes assets, such as negotiable certificate of deposits, which are considered appropriate to deem as securities under the Financial Instruments and Exchange Law.

* Book value of securities without fair value are as follows:

	(Millions of yen)	
	As of September 30, 2009	As of March 31, 2009
Held-to-maturity debt securities	-	-
Unlisted foreign bonds	-	-
Others	-	-
Policy-reserve-matching bonds	-	-
Investments in subsidiaries and affiliates	26,132	26,132
Available-for-sale securities	29,381	25,671
Unlisted domestic stocks (except over-the-counter stocks)	7,967	7,174
Unlisted foreign stocks (except over-the-counter stocks)	500	500
Unlisted foreign bonds	-	-
Others	20,914	17,996
Total	55,513	51,803

(8) Fair Value Information on Money Held in Trust

(Millions of yen)

	As of September 30, 2009					As of March 31, 2009				
	Carrying value on balance sheets	Fair value	Gains/losses			Carrying value on balance sheets	Fair value	Gains/losses		
				Gains	Losses				Gains	Losses
Money held in trust	32,972	32,972	-	-	-	33,053	33,053	-	-	-

* Money held in trust for trading purpose

(Millions of yen)

	As of September 30, 2009		As of March 31, 2009	
	Carrying value on balance sheets	Net valuation gains/losses included in the statements of operations	Carrying value on balance sheets	Net valuation gains/losses included in the statements of operations
Money held in trust for trading purpose	31,972	22	32,053	520

* Money held in trust classified as held-to-maturity, policy-reserve-matching and available-for-sale

(Millions of yen)

	As of September 30, 2009					As of March 31, 2009				
	Book value	Fair value	Gains/losses			Book value	Fair value	Gains/losses		
				Gains	Losses				Gains	Losses
Money held in trust for held-to-maturity	-	-	-	-	-	-	-	-	-	-
Money held in trust for policy-reserve-matching	-	-	-	-	-	-	-	-	-	-
Money held in trust for available-for-sale	-	-	-	-	-	-	-	-	-	-

(reference) Fair Value Information on Derivative Instruments (General Account)

(i) Gains and Losses on Derivatives

(millions of yen)

As of September 30, 2009	Interest-related	Currency-related	Stock-related	Bond-related	Others	Total
Hedge accounting applied	884	3,539	—	-	—	4,424
Hedge accounting not applied	—	390	86	(57)	—	419
Total	884	3,930	86	(57)	—	4,843

As of March 31, 2009	Interest-related	Currency-related	Stock-related	Bond-related	Others	Total
Hedge accounting applied	751	(954)	-	-	—	(203)
Hedge accounting not applied	—	(2,393)	(4,600)	-	—	(6,993)
Total	751	(3,347)	(4,600)	-	—	(7,197)

Note: Gains and losses from applying fair value hedge accounting (currency related, losses of ¥952 million as of March 31, 2009 and gains of ¥3,539 million as of September 30, 2009) included in gains and losses with hedge accounting applied, and gains and losses with hedge accounting not applied are reported in the statements of operations.

(ii) Interest-related Transactions

(millions of yen)

	As of September 30, 2009			
	Notional amount/ contract value		Fair value	Gains (losses)
	Over 1 year			
Over-the-counter transactions				
Interest rate swap contracts				
Receipt fixed, payment floating	67,051	46,651	916	916
Payment fixed, receipt floating	2,500	2,500	(32)	(32)
Total				884

	As of March 31, 2009			
	Notional amount/ contract value		Fair value	Gains (losses)
	Over 1 year			
Over-the-counter transactions				
Interest rate swap contracts				
Receipt fixed, payment floating	71,058	66,738	789	789
Payment fixed, receipt floating	2,500	2,500	(38)	(38)
Total				751

* Interest rate swap contracts by contractual maturity dates

(millions of yen)

	As of September 30, 2009		
	1 year or shorter	Over 1 year to 3 years	Over 3 years
Notional amount (receipts fixed, payments floating)	20,400	30,438	16,212
Average fixed rate (receipt)	1.14%	1.39%	1.84%
Average floating rate (payment)	0.72%	0.72%	1.08%
Notional amount (receipts floating, payments fixed)	—	2,500	-
Average floating rate (receipt)	—	0.84%	-
Average fixed rate (payment)	—	1.84%	-

	As of March 31, 2009		
	1 year or shorter	Over 1 year to 3 years	Over 3 years
Notional amount (receipts fixed, payments floating)	4,320	44,623	22,115
Average fixed rate (receipt)	1.26%	1.25%	1.80%
Average floating rate (payment)	1.24%	0.94%	1.27%
Notional amount (receipts floating, payments fixed)	—	2,500	-
Average floating rate (receipt)	—	1.05%	-
Average fixed rate (payment)	—	1.84%	-

(iii) Currency-related Transactions

(millions of yen)

	As of September 30, 2009				As of March 31, 2009			
	Notional amount/ contract value	Over 1 year	Fair value	Gains (losses)	Notional amount/ contract value	Over 1 year	Fair value	Gains (losses)
Over-the-counter transactions								
Currency forward contracts								
Sold	214,904	-	211,020	3,883	214,060	-	216,725	(2,665)
US dollar	133,333	-	130,004	3,329	124,325	-	125,222	(896)
Euro	67,118	-	66,502	616	89,734	-	91,503	(1,768)
Australian dollar	14,453	-	14,514	(61)	-	-	-	-
Bought	-	-	-	-	-	-	-	-
Currency Options								
Sold								
Calls	9,519	-	0	60	61,583	-	861	(207)
US dollar	[60]	-	0	60	[653]	-	861	(207)
Australian dollar	[60]	-	0	60	[395]	-	232	162
Euro	-	-	-	-	[219]	-	601	(382)
Puts	[-]	-	-	-	[5,600]	-	27	12
Puts	[-]	-	-	-	[39]	-	-	-
Bought								
Calls	-	-	-	-	-	-	-	-
Puts	9,000	-	77	17	57,040	-	237	(416)
US dollar	[60]	-	77	17	[653]	-	191	(203)
Australian dollar	[60]	-	77	17	[395]	-	4	(214)
Euro	-	-	-	-	[219]	-	5,090	39
Puts	[-]	-	-	-	[-]	-	41	1
Currency swap contracts								
Australian dollar	4,000	-	(31)	(31)	4,000	4,000	(58)	(58)
Australian dollar	4,000	-	(31)	(31)	4,000	4,000	(58)	(58)
Total				3,930				(3,347)

Notes: 1. Figures in [] are option premiums which are included in balance sheets.

2. Forward exchange rates are used for exchange rates as of the end of period.

3. Regarding assets and liabilities which are denominated in foreign currencies but have fixed settlement in yen under currency forward contracts and are reported in yen amounts in the balance sheets, those currency forward contracts are excluded from the table above.

(iv) Stock-related Transactions

(millions of yen)

	As of September 30, 2009				As of March 31, 2009			
	Notional amount/ contract value	Over 1 year	Fair value	Gains (losses)	Notional amount/ contract value	Over 1 year	Fair value	Gains (losses)
Exchange-traded transactions								
Yen stock index futures								
Sold	23,326	-	22,959	366	38,703	-	43,303	(4,600)
Bought	-	-	-	-	-	-	-	-
Stock index options								
Sold								
Calls	-	-	-	-	-	-	-	-
Puts	[-]	-	-	-	[-]	-	-	-
Bought								
Calls	-	-	-	-	-	-	-	-
Puts	[-]	-	-	-	[-]	-	-	-
Puts	[433]	-	152	(280)	[-]	-	-	-
Total				86				(4,600)

Note: Figures in [] are option premiums which are included in balance sheets.

(v) Bond-related Transactions

(millions of yen)

	As of September 30, 2009				As of March 31, 2009			
	Notional amount/ contract value		Fair value	Gains (losses)	Notional amount /contract value		Fair value	Gains (losses)
		Over 1 year				Over 1 year		
Exchange-traded transactions								
Yen bond futures								
Sold	27,810	-	27,868	(57)	-	-	-	-
Bought	-	-	-	-	-	-	-	-
Total				(57)				-

(reference) Fair Value of Real Estate (Land and Leaseholds)

(millions of yen)

As of September 30, 2009			As of March 31, 2009		
Carrying value on the balance sheets	Fair value	Gains (losses)	Carrying value on the balance sheets	Fair value	Gains (losses)
155,195	276,406	121,211	142,001	269,274	127,273

- Notes: 1. As of September 30, 2009, fair value is based on the appraisal value by the real-estate appraiser, the appraisal value for property tax and the road rate as of January 1, 2009.
2. As of March 31, 2009, fair value is based on the appraisal value by the real-estate appraiser, the appraisal value for property tax as of January 1, 2009 and the road rate as of January 1, 2008.

4. Non-consolidated Balance Sheets

(Millions of yen)

	As of September 30, 2009	As of March 31, 2009
	Amount	Amount
Assets:		
Cash and deposits	46,521	49,382
Call loans	127,100	183,600
Monetary claims bought	1,886	2,055
Money held in trust	32,972	33,053
Securities	3,729,072	3,596,377
[Government bonds]	[1,845,705]	[1,746,556]
[Local government bonds]	[134,914]	[136,848]
[Corporate bonds]	[616,953]	[616,227]
[Stocks]	[477,302]	[448,295]
[Foreign securities]	[602,561]	[596,372]
Loans	1,230,487	1,238,205
Policy loans	75,471	76,967
Ordinary loans	1,155,015	1,161,237
Tangible fixed assets	268,032	250,065
Intangible fixed assets	7,592	7,785
Reinsurance receivables	11	122
Other assets	56,170	54,674
Deferred tax assets	80,918	110,422
Allowance for possible loan losses	(13,927)	(11,290)
Total assets	5,566,838	5,514,454
Liabilities:		
Policy reserves	5,229,679	5,221,451
Reserve for outstanding claims	23,978	28,220
Policy reserve	5,140,894	5,135,913
Reserve for dividends to policyholders	64,807	57,317
Reinsurance payables	85	87
Subordinated bonds	39,440	38,870
Other liabilities	33,939	39,550
Corporate income tax payable	1,918	107
Other liabilities	32,020	39,442
Reserve for employees' retirement benefits	49,463	49,293
Reserve for price fluctuation of securities	25,539	24,622
Deferred tax liabilities for revaluation reserve for land	20,034	20,026
Total liabilities	5,398,182	5,393,901
Net assets:		
Foundation funds	40,000	40,000
Accumulated foundation funds redeemed	46,000	31,000
Reserve for revaluation	112	112
Surplus	61,230	83,621
Legal reserve for future losses	2,187	1,987
Other surplus	59,042	81,634
Reserve for redemption of foundation funds	15,000	20,000
Reserve for dividend allowances	3,895	3,895
Reserve for advanced depreciation of real estate for tax purpose	303	311
Other reserves	767	767
Unappropriated surplus	39,076	56,660
Total foundation funds and surplus	147,342	154,733
Net unrealized gains (losses) on available-for-sale securities, net of tax	19,873	(35,474)
Deferred valuation gains (losses) under hedge accounting	577	479
Revaluation reserve for land, net of tax	861	814
Total valuation and translation adjustments	21,312	(34,180)
Total net assets	168,655	120,553
Total liabilities and net assets	5,566,838	5,514,454

5. Non-consolidated Statements of Operations

(Millions of yen)

	Six months ended	Six months ended
	September 30, 2008	September 30, 2009
	Amount	Amount
Ordinary revenues:		
Premium and other income	355,524	310,477
[Premium income]	[355,486]	[310,459]
Investment income	67,239	79,313
[Interest, dividends and other income]	[59,513]	[54,836]
[Gains on sales of securities]	[7,568]	[15,125]
[Gains from separate accounts, net]	[-]	[9,281]
Other ordinary revenues	15,131	11,495
[Reversal of reserve for outstanding claims]	[2,510]	[4,241]
Total ordinary revenues	437,895	401,286
Ordinary expenditures:		
Claims and other payments	302,067	287,252
[Claims]	[124,527]	[111,491]
[Annuities]	[42,393]	[42,385]
[Benefits]	[73,950]	[73,483]
[Surrenders]	[49,250]	[45,928]
[Other payments]	[11,791]	[13,812]
Provision for policy reserve and others	21,947	5,060
Provision for policy reserve	21,817	4,980
Interest on accumulated dividends to policyholders	129	79
Investment expenses	25,158	41,319
[Interest expenses]	[1,071]	[977]
[Losses from money held in trust, net]	[2,467]	[92]
[Losses from trading securities, net]	[231]	[477]
[Losses on sales of securities]	[1,579]	[16,485]
[Losses on valuation of securities]	[5,117]	[1,877]
[Losses from derivative instruments, net]	[2,072]	[12,226]
[Losses from separate accounts, net]	[7,478]	[-]
Operating expenses	42,828	43,316
Other ordinary expenditures	12,610	11,595
Total ordinary expenditures	404,612	388,544
Ordinary profits	33,283	12,742
Extraordinary gains:		
Gains on disposal of fixed assets	-	277
Reversal of allowance for possible loan losses	2,556	-
Total extraordinary gains	2,556	277
Extraordinary losses:		
Losses on disposal of fixed assets	62	29
Impairment losses	75	184
Provision for reserve for price fluctuation of securities	1,078	917
Total extraordinary losses	1,216	1,131
Surplus before income taxes	34,622	11,888
Income taxes:		
Current	8,921	2,621
Deferred	(1,948)	(1,958)
Total income taxes	6,972	662
Net surplus for the period	27,650	11,225

6. Non-consolidated Statements of Changes in Net Assets

(Millions of yen)

	For the six months ended September 30, 2008	For the six months ended September 30, 2009
Foundation funds and surplus		
Foundation funds		
Balance at the end of previous fiscal year	40,000	40,000
Changes in the current period		
Financing of additional foundation funds	-	15,000
Redemption of foundation funds	-	(15,000)
Total changes in the current period	-	-
Balance at the end of current period	40,000	40,000
Accumulated foundation funds redeemed		
Balance at the end of previous fiscal year	31,000	31,000
Changes in the current period		
Additions to accumulated foundation funds redeemed	-	15,000
Total changes in the current period	-	15,000
Balance at the end of current period	31,000	46,000
Reserve for revaluation		
Balance at the end of previous fiscal year	112	112
Changes in the current period		
Total changes in the current period	-	-
Balance at the end of current period	112	112
Surplus		
Legal reserve for future losses		
Balance at the end of previous fiscal year	1,787	1,987
Changes in the current period		
Additions to legal reserve for future losses	200	200
Total changes in the current period	200	200
Balance at the end of current period	1,987	2,187
Other surplus		
Reserve for redemption of foundation funds		
Balance at the end of previous fiscal year	10,000	20,000
Changes in the current period		
Additions to reserve for redemption of foundation funds	10,000	10,000
Reversal of reserve for redemption of foundation funds	-	(15,000)
Total changes in the current period	10,000	(5,000)
Balance at the end of current period	20,000	15,000
Reserve for dividend allowances		
Balance at the end of previous fiscal year	3,895	3,895
Changes in the current period		
Total changes in the current period	-	-
Balance at the end of current period	3,895	3,895
Reserve for advanced depreciation of real estate for tax purpose		
Balance at the end of previous fiscal year	319	311
Changes in the current period		
Reversal of reserve for advanced depreciation of real estate for tax purpose	(8)	(7)
Total changes in the current period	(8)	(7)
Balance at the end of current period	311	303
Other reserves		
Balance at the end of previous fiscal year	767	767
Changes in the current period		
Total changes in the current period	-	-
Balance at the end of current period	767	767
Unappropriated surplus		
Balance at the end of previous fiscal year	55,671	56,660
Changes in the current period		
Additions to reserve for dividends to policyholders	(31,868)	(17,856)
Additions to legal reserve for future losses	(200)	(200)
Payment of interest on foundation funds	(716)	(716)
Net surplus for the current period	27,650	11,225
Additions to reserve for redemption of foundation funds	(10,000)	(10,000)
Reversal of reserve for advanced depreciation of real estate for tax purpose	8	7
Reversal of revaluation reserve for land	32	(43)
Total changes in the current period	(15,094)	(17,583)
Balance at the end of current period	40,577	39,076

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

(Millions of yen)

	For the six months ended September 30, 2008	For the six months ended September 30, 2009
Total surplus		
Balance at the end of previous fiscal year	72,441	83,621
Changes in the current period		
Additions to reserve for dividends to policyholders	(31,868)	(17,856)
Payment of interest on foundation funds	(716)	(716)
Net surplus for the current period	27,650	11,225
Reversal of reserve for redemption of foundation funds	-	(15,000)
Reversal of revaluation reserve for land	32	(43)
Total changes in the current period	(4,902)	(22,391)
Balance at the end of current period	67,538	61,230
Total foundation funds and surplus		
Balance at the end of previous fiscal year	143,553	154,733
Changes in the current period		
Financing of additional foundation funds	-	15,000
Additions to reserve for dividends to policyholders	(31,868)	(17,856)
Additions to accumulated foundation funds redeemed	-	15,000
Payment of interest on foundation funds	(716)	(716)
Net surplus for the current period	27,650	11,225
Redemption of foundation funds	-	(15,000)
Reversal of reserve for redemption of foundation funds	-	(15,000)
Reversal of revaluation reserve for land	32	(43)
Total changes in the current period	(4,902)	(7,391)
Balance at the end of current period	138,650	147,342
Valuation and translation adjustments		
Net unrealized gains (losses) on available-for-sale securities, net of tax		
Balance at the end of previous fiscal year	115,334	(35,474)
Changes in the current period		
Net changes, excluding foundation funds and surplus	(67,521)	55,348
Total changes in the current period	(67,521)	55,348
Balance at the end of current period	47,813	19,873
Deferred valuation gains (losses) under hedge accounting		
Balance at the end of previous fiscal year	408	479
Changes in the current period		
Net changes, excluding foundation funds and surplus	(365)	98
Total changes in the current period	(365)	98
Balance at the end of current period	42	577
Revaluation reserve for land, net of tax		
Balance at the end of previous fiscal year	(12,335)	814
Changes in the current period		
Net changes, excluding foundation funds and surplus	(32)	46
Total changes in the current period	(32)	46
Balance at the end of current period	(12,367)	861
Total valuation and translation adjustments		
Balance at the end of previous fiscal year	103,407	(34,180)
Changes in the current period		
Net changes, excluding foundation funds and surplus	(67,918)	55,493
Total changes in the current period	(67,918)	55,493
Balance at the end of current period	35,488	21,312
Total net assets		
Balance at the end of previous fiscal year	246,961	120,553
Changes in the current period		
Financing of additional foundation funds	-	15,000
Additions to reserve for dividends to policyholders	(31,868)	(17,856)
Additions to accumulated foundation funds redeemed	-	15,000
Payment of interest on foundation funds	(716)	(716)
Net surplus for the current period	27,650	11,225
Redemption of foundation funds	-	(15,000)
Reversal of reserve for redemption of foundation funds	-	(15,000)
Reversal of revaluation reserve for land	32	(43)
Net changes, excluding foundation funds and surplus	(67,918)	55,493
Total changes in the current period	(72,821)	48,102
Balance at the end of current period	174,139	168,655

Notes to the Non-consolidated Financial Statements

I. Presentation of the Non-consolidated Financial Statements

1. Basis of Presentation

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

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

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

II. Notes to the Non-consolidated Balance Sheet

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 balance sheet date. Costs of their sales are determined by the moving average method. Net unrealized gains or losses on these available-for-sale securities, net of taxes, are recorded as a separate component of net assets.

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

(2) Valuation Methods of Derivative Instruments

Derivative instruments are stated at fair market value.

(3) Revaluation of Land

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

separate component of net assets and the related tax is recorded as deferred tax liabilities for revaluation reserve for land.

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

(4) Depreciation of Tangible Fixed Assets

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

- Buildings (excluding lease assets)
 - i) Acquired on or before March 31, 1998: Previous declining-balance method
 - ii) Acquired on or after April 1, 1998 but on or before March 31, 2007: Previous straight-line method
 - iii) Acquired on or after April 1, 2007: Straight-line method
- Assets other than buildings (excluding lease assets)
 - i) Acquired on or before March 31, 2007: Previous declining-balance method
 - ii) Acquired on or after April 1, 2007: Declining-balance method
- Lease assets related to finance lease transactions that do not transfer ownership: Straight-line method over the lease term

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

(5) Foreign Currency Translation

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

(6) Allowance for Possible Loan Losses

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

- i) For the credits of borrowers who are legally bankrupt such as being in the proceedings of bankruptcy or civil rehabilitation (hereinafter called "legally bankrupt borrowers") and who are substantially bankrupt (hereinafter called "substantially bankrupt borrowers"), the Company provides the remaining amount of credits after the direct write-off described below and the deductions of the amount expected to be collected through the disposal of collateral or the execution of guarantees.
- ii) For the credits of borrowers who are not currently bankrupt but have a high possibility of bankruptcy, the Company provides the amounts deemed as necessary considering the borrowers' ability to pay, within the amounts after deductions of the amount expected to be collected through the disposal of collateral or the execution of guarantees.
- iii) For the credits of borrowers other than the above, the Company provides the amounts calculated by multiplying the borrowers' balance by the actual ratio of bad debt losses on defaults during a certain past period.

All credits are assessed by the relevant departments in accordance with the Company's standards of self-assessment on credit quality. The results of the assessment are reviewed by the audit department,

which is independent of business-related divisions. Subsequently, the allowance for possible loan losses are provided based on the results of these assessments.

For the credits of legally bankrupt borrowers and substantially bankrupt borrowers, the amounts remaining after deductions of collateral value or the amounts collectible through the execution of guarantees is written-off directly from the borrower's balance as the estimated uncollectible amounts. The amount written-off as of September 30, 2009 was ¥943 million.

(7) Reserve for Employees' Retirement Benefits

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

(8) Reserve for Price Fluctuation of Securities

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

(9) Lease Transactions as a Lessee

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

(10) Lease Transactions as a Lessor

For the finance lease transactions where the Company is a lessor, the lease fee is recorded in "interest, dividends and other income" at the time of receiving lease fee. The corresponding cost of the lease assets is recorded in "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 item, valuation gains and losses on the foreign currency forward contracts are recorded in the statements of operations.

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

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

For judging the effectiveness of hedge used, ratio analysis of comparing the 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 other assets 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 balance sheet date is calculated by the following method:

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

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

(14) Software

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

(15) Deferred Assets

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

(16) Policy-reserve-matching Bonds

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

The amount of policy-reserve-matching bonds recorded on the balance sheet and the market value of these bonds as of September 30, 2009 were ¥635,925 million and ¥656,348 million, respectively.

2. Loans Receivable

The amounts of credits to bankrupt borrowers and delinquent loans, which were included in loans, were ¥412 million and ¥10,434 million, respectively and their total amounts were ¥10,846 million as of September 30, 2009. There were no balances of delinquent loans past 3 months or more and restructured loans as of September 30, 2009.

The direct write-offs related to loans decreased credits to bankrupt borrowers by ¥65 million and delinquent loans by ¥877 million as of September 30, 2009.

Credits to bankrupt borrowers represent loans, excluding the balances already written-off, which meet the conditions prescribed in Article 96 Paragraph 1 Item 3 and 4 of the Enforcement Regulations of the Corporate Tax Law. Moreover, accruing interest of these loans is not recorded as income after determining that principal 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.

3. Accumulated Depreciation of Tangible Fixed Assets

Accumulated depreciation of tangible fixed assets totaled to ¥127,159 million as of September 30, 2009.

4. Separate Accounts

Total assets in separate accounts provided for in Article 118 of the Insurance Business Law were ¥117,760 million as of September 30, 2009. The amount of separate account liabilities was the same as separate account assets.

5. Reserve for Dividends to Policyholders

Changes in reserve for dividends to policyholders for the six months ended September 30, 2009 were as follows:

	(Millions of yen)
Balance at the end of previous fiscal year.....	¥57,317
Transfer from surplus in previous fiscal year....	17,856
Dividends paid in the current period	(10,447)
Increase in interest	79
Balance at the end of the current period	<u>¥64,807</u>

6. Stocks of Subsidiaries

The amount of stocks of subsidiaries the Company held as of September 30, 2009 was ¥27,525 million.

7. Pledged Assets and Secured Debts

Assets pledged as collateral as of September 30, 2009 were ¥21,003 million of securities and ¥71 million of money held in trust. Secured debts as of September 30, 2009 were ¥4,615 million.

8. 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") was ¥31 million as of September 30, 2009.

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") was ¥33 million as of September 30, 2009.

9. Additional Foundation Funds

The Company raised additional foundation funds of ¥15,000 million during the six months ended September 30, 2009 in accordance with Article 60 of the Insurance Business Law.

10. Redemption of Foundation Funds

In the six months ended September 30, 2009, in connection with the redemption of foundation funds of ¥15,000 million, the Company reversed the reserve for redemption of foundation funds and provided the equivalent amount for accumulated foundation funds redeemed in accordance with Article 56 of the Insurance Business Law.

11. Commitment Line

As of September 30, 2009, there were unused commitment line agreements under which the Company is the lender of ¥1,981 million.

12. Subordinated Bonds

Repayments of subordinated bonds are subordinated to other obligations.

13. 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 was estimated at ¥10,654 million as of September 30, 2009. The contribution was charged as operating expenses in the year in which it was paid.

III. Notes to the Non-consolidated Statement of Operations

1. Gains on Sales of Securities

Major items of gains on sales of securities for the six months ended September 30, 2009 were as follows:

	(Millions of yen)
Domestic bonds	¥ 7,715
Domestic stocks and others.....	7,093
Foreign securities	315

2. Losses on Sales of Securities

Major items of losses on sales of securities for the six months ended September 30, 2009 were as follows:

	(Millions of yen)
Domestic bonds	¥ 89
Domestic stocks and others.....	5,407
Foreign securities	10,989

3. Losses on Valuation of Securities

Major items of losses on valuation of securities for the six months ended September 30, 2009 were as follows:

	(Millions of yen)
Domestic stocks and others.....	¥ 1,725
Foreign securities	152

4. Policy Reserves for the Reinsurance Contracts

For the six months ended September 30, 2009, reversal of reserve for outstanding claims for ceded reinsurance considered in calculation of reversal of reserve for outstanding claims was ¥24 million and provision for policy reserve for ceded reinsurance considered in calculation of provision for policy reserve was ¥3 million.

5. Interest, Dividends and Other Income

Breakdown of interest, dividends and other income for the six months ended September 30, 2009 was as follows:

	(Millions of yen)
Interest on deposits	¥ 180
Interest and dividends on securities	34,635
Interest on loans	12,407
Income from real estate for rent.....	7,491
Other interest and dividends.....	121
Total	<u>¥54,836</u>

7. Breakdown of Ordinary Profits (Fundamental Profit)

(Millions of Yen)

	Six months ended September 30, 2008	Six months ended September 30, 2009
Fundamental profit A	40,319	32,947
Capital gains	7,568	15,125
Gains from money held in trust, net	—	—
Gains from trading securities, net	—	—
Gains on sales of securities	7,568	15,125
Gains from derivative instruments, net	—	—
Foreign exchange gains, net	—	—
Other capital gains	—	—
Capital losses	14,192	33,417
Losses from money held in trust, net	2,872	174
Losses from trading securities, net	1,798	1,680
Losses on sales of securities	1,579	16,485
Losses on valuation of securities	5,117	1,877
Losses from derivative instruments, net	2,072	12,226
Foreign exchange losses, net	752	972
Other capital losses	—	—
Net capital gains (losses) B	(6,624)	(18,292)
Fundamental profit plus net capital gains (losses) A+B	33,695	14,655
Other one-time gains	—	—
Reinsurance income	—	—
Reversal of contingency reserve	—	—
Others	—	—
Other one-time losses	411	1,913
Reinsurance premiums	—	—
Provision for contingency reserve	411	288
Provision for specific allowance for possible loan losses	—	1,625
Allowance for specified overseas loans	—	—
Write-off of loans	—	—
Others	—	—
Other one-time gains (losses) C	(411)	(1,913)
Ordinary profits A+B+C	33,283	12,742

Notes: 1. The following amounts in respect of gains / losses from money held in trust have been excluded from capital gains / losses and included in fundamental profit due to their income nature (being interest and dividend income): ¥404 million in respect of the six months ended September 30, 2008 and ¥81 million in respect of the six months ended September 30, 2009.

2. The following amounts in respect of gains / losses from trading securities have been excluded from capital gains / losses and included in fundamental profit due to their income nature (being interest and dividend income): ¥1,566 million in respect of the six months ended September 30, 2008 and ¥1,203 million in respect of the six months ended September 30, 2009.

Breakdown of Fundamental Profit

(100 millions of yen)

	Six months ended September 30, 2008	Six months ended September 30, 2009
Fundamental profit	403	329
Loading profit	63	38
Mortality and morbidity profit	369	385
Negative spread	(29)	(94)

8. Disclosed Claims Based on Categories of Obligors

	As of September 30, 2009	(Millions of yen) As of March 31, 2009
Claims against bankrupt and quasi-bankrupt obligors	737	637
Claims with collection risk	10,120	10,498
Claims for special attention	-	-
Subtotal	10,858	11,136
[Percentage of total]	[0.88%]	[0.89%]
Claims against normal obligors	1,225,841	1,233,357
Total	1,236,700	1,244,493

- Notes: 1. Claims against bankrupt and quasi-bankrupt obligors are loans to borrowers who are subject to bankruptcy, corporate reorganisation or rehabilitation or other similar proceedings and other borrowers in serious financial difficulties.
2. Claims with collection risk are loans to obligors (other than bankrupt and quasi-bankrupt obligors) with deteriorated financial condition and results of operations from which it is unlikely that the principal and interest on the loans will be recovered.
3. Claims for special attention are loans on which principal and/or interest are past due for three months or more and loans with a concessionary interest rate, as well as loans with renegotiated conditions in favour of the borrower, including renegotiated schedule and/or waivers, in each case, other than the loans described in note 1 or 2 above.
4. Claims against normal obligors are all other loans.

9. Risk-monitored Loans

	As of September 30, 2009	(Millions of yen) As of March 31, 2009
Credits to bankrupt borrowers	412	471
Delinquent loans	10,434	10,277
Delinquent loans past three months or more	-	-
Restructured loans	-	-
Total	10,846	10,749
[Percentage of total loans]	[0.88%]	[0.87%]

- Notes: 1. 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 related to credits to bankrupt borrowers were ¥65 million as of September 30, 2009, and ¥66 million as of March 31, 2009. The amounts written-off related to delinquent loans were ¥877 million as of September 30, 2009 and ¥786 million as of March 31, 2009.
2. Credits to bankrupt borrowers represent loans which are subject to bankruptcy, corporate reorganisation or rehabilitation or other similar, including but not limited to foreign, proceedings. Accruing interest of these loans is not recorded as income after determining that principal or interest on these loans is unlikely to be collected due to the significant delay in repayment of principal or interest payment or for some other reasons.
3. Delinquent loans are credits whose accruing interest is not recorded as income due to the same reasons as described in note 2 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.
4. Delinquent loans past three months or more are loans for which interest payment or repayment of principal are delinquent for three 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.
5. 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 three months or more.

10. Solvency Margin Ratio

(Millions of yen)

	As of September 30, 2009	As of March 31, 2009
Total solvency margin (A)	617,454	533,712
Foundation funds and surplus	137,576	135,748
Reserve for price fluctuation of securities	25,539	24,622
Contingency reserve	145,448	145,160
Allowance for possible loan losses	5,895	4,779
Net unrealized gains on available-for-sale securities x 90% (multiplied by 100% if losses)	28,039	(55,611)
Net unrealized gains on real estate x 85%	120,791	125,897
Excess amount of policy reserve based on full-time Zillmer method	96,073	94,391
Qualifying subordinated debt	39,440	38,870
Excluded items	(10,000)	(10,000)
Others	28,648	29,854
Total risk $\sqrt{(R_1 + R_8)^2 + (R_2 + R_3 + R_7)^2} + R_4$ (B)	109,320	105,844
Insurance risk R_1	29,323	29,468
3rd sector insurance risk R_8	9,400	9,360
Assumed investment yield risk R_2	18,962	19,110
Investment risk R_3	80,298	76,443
Business risk R_4	2,759	2,687
Minimum guarantee risk R_7	13	15
Solvency margin ratio $\frac{(A)}{1/2 \times (B)} \times 100$	1129.6%	1008.4%

Notes: 1. Above figures are calculated based on Articles 86 and 87 of the Enforcement Regulation of the Insurance Business Law and Ministry of Finance Ordinance No. 50, 1996. ("Excess amount of policy reserve based on full-time Zillmer method is calculated based on Article 1 Paragraph 3-1 of Ordinance No.50.)

2. "Excluded items" represent the capital increase to the subsidiary, Fukoku Shinrai Life Insurance Co., Ltd.

3. "Minimum guarantee risk" is calculated by standard method.

11. Status of Separate Account

(1) Separate Account Assets by Products

	As of September 30, 2009		(Millions of yen) As of March 31, 2009	
	Amount		Amount	
Individual variable insurance	-		-	
Individual variable annuities	673		637	
Group annuities	117,087		112,861	
Total	117,760		113,498	

(2) Individual Variable Insurance (Separate Account)

The company has not sold the individual variable insurance.

(3) Individual Variable Annuities (Separate Account)

(i) Policies in Force

	As of September 30, 2009		(Millions of yen) As of March 31, 2009	
	Number	Amount	Number	Amount
Individual annuities	204	731	209	764

(ii) Breakdown of Separate Account Assets for Individual Variable Annuities

	As of September 30, 2009		(Millions of yen) As of March 31, 2009	
	Amount	Percentage	Amount	Percentage
Cash, deposits, call loans	107	16.0	122	19.1
Securities	565	84.0	515	80.9
Domestic bonds	-	-	-	-
Domestic stocks	-	-	-	-
Foreign securities	-	-	-	-
Foreign bonds	-	-	-	-
Foreign stocks and other securities	-	-	-	-
Other securities	565	84.0	515	80.9
Loans	-	-	-	-
Others	-	-	-	-
Allowance for possible loan losses	-	-	-	-
Total	673	100.0	637	100.0

(iii) Investment Income and Expenses of Separate Account for Individual Variable Annuities

(Millions of yen)

	Six months ended September 30, 2008	Six months ended September 30, 2009
	Amount	Amount
Interest, dividends and other income	2	0
Gains on sales of securities	-	-
Gains on valuation of securities	42	113
Gains on redemption of securities	-	-
Gains from derivative instruments	-	-
Foreign exchange gains, net	-	-
Other investment income	-	-
Losses on sales of securities	0	1
Losses on valuation of securities	92	42
Losses on redemption of securities	-	-
Losses from derivative instruments	-	-
Foreign exchange losses, net	-	-
Other investment expenses	-	-
Net investment income	(48)	69

(iv) Fair Value Information on Securities in Separate Account for Individual Variable Annuities

* Net Valuation Gains/Losses on Trading Securities

(Millions of yen)

	As of September 30, 2009		As of March 31, 2009	
	Carrying value on balance sheets	Net valuation gains/losses included in the statements of operations	Carrying value on balance sheets	Net valuation gains/losses included in the statements of operations
Trading securities	565	71	515	(159)

Note: The company had no balances of money held in trust and derivative instruments.

(reference) Fair Value Information on Securities (Total of General Account and Separate Account)

Net Valuation Gains/Losses on Trading Securities

	As of September 30, 2009		As of March 31, 2009	
	Carrying value on balance sheets	Net valuation gains/losses included in the statements of operations	Carrying value on balance sheets	Net valuation gains/losses included in the statements of operations
Trading securities	181,304	12,606	171,944	(22,151)

Note: The table above includes money held in trust for trading purpose.

Fair Value Information on Securities (with fair value, other than trading securities)

	As of September 30, 2009					As of March 31, 2009				
	Book value	Fair value	Gains/losses			Book value	Fair value	Gains/losses		
				Gains	Losses				Gains	Losses
Held-to-maturity debt securities	146,651	151,719	5,067	5,349	282	152,157	156,525	4,368	5,177	809
Domestic bonds	106,973	111,629	4,656	4,656	—	113,032	117,328	4,296	4,332	36
Foreign bonds	39,678	40,089	411	693	282	39,125	39,197	71	845	773
Monetary claims bought	—	—	—	—	—	—	—	—	—	—
Negotiable certificate of deposits	—	—	—	—	—	—	—	—	—	—
Others	—	—	—	—	—	—	—	—	—	—
Policy-reserve-matching bonds	635,925	656,348	20,423	20,520	97	628,570	644,212	15,641	16,131	489
Investments in subsidiaries and affiliates	1,393	937	(455)	—	455	1,393	954	(438)	—	438
Available-for-sale securities	2,709,101	2,740,256	31,155	106,468	75,313	2,678,173	2,622,561	(55,611)	77,291	132,903
Domestic bonds	1,794,889	1,820,443	25,553	29,945	4,391	1,705,656	1,727,224	21,568	28,906	7,338
Domestic stocks	367,216	411,266	44,049	72,249	28,199	403,395	385,582	(17,813)	45,495	63,309
Foreign securities	503,489	468,390	(35,099)	3,180	38,279	519,208	466,188	(53,020)	2,388	55,408
Foreign bonds	328,293	313,179	(15,113)	2,504	17,617	328,436	306,869	(21,567)	1,942	23,509
Foreign stocks and other securities	175,196	155,210	(19,986)	675	20,662	190,772	159,319	(31,452)	445	31,898
Other securities	43,505	40,155	(3,349)	1,092	4,442	49,912	43,566	(6,346)	501	6,847
Money held in trust	—	—	—	—	—	—	—	—	—	—
Monetary claims bought	—	—	—	—	—	—	—	—	—	—
Negotiable certificate of deposits	—	—	—	—	—	—	—	—	—	—
Others	—	—	—	—	—	—	—	—	—	—
Total	3,493,071	3,549,260	56,189	132,338	76,149	3,460,294	3,424,254	(36,039)	98,600	134,640
Domestic bonds	2,537,788	2,588,421	50,633	55,122	4,489	2,447,258	2,488,764	41,506	49,370	7,863
Domestic stocks	367,216	411,266	44,049	72,249	28,199	403,395	385,582	(17,813)	45,495	63,309
Foreign securities	544,561	509,417	(35,144)	3,873	39,017	559,727	506,341	(53,386)	3,233	56,619
Foreign bonds	367,971	353,269	(14,702)	3,197	17,899	367,562	346,066	(21,495)	2,787	24,283
Foreign stocks and other securities	176,589	156,147	(20,441)	675	21,117	192,165	160,274	(31,891)	445	32,336
Other securities	43,505	40,155	(3,349)	1,092	4,442	49,912	43,566	(6,346)	501	6,847
Money held in trust	—	—	—	—	—	—	—	—	—	—
Monetary claims bought	—	—	—	—	—	—	—	—	—	—
Negotiable certificate of deposits	—	—	—	—	—	—	—	—	—	—
Others	—	—	—	—	—	—	—	—	—	—

Note: The table above includes assets, such as negotiable certificate of deposits, which are considered appropriate to deem as securities under the Financial Instruments and Exchange Law.

* Book value of securities without fair value are as follows:

	As of September 30, 2009	As of March 31, 2009
Held-to-maturity debt securities	—	—
Unlisted foreign bonds	—	—
Others	—	—
Policy-reserve-matching bonds	—	—
Investments in subsidiaries and affiliates	26,132	26,132
Available-for-sale securities	29,381	25,671
Unlisted domestic stocks (except over-the-counter stocks)	7,967	7,174
Unlisted foreign stocks (except over-the-counter stocks)	500	500
Unlisted foreign bonds	—	—
Others	20,914	17,996
Total	55,513	51,803

**(reference) Fair Value Information on Derivative Instruments
(Total of General Account and Separate Account)**

(i) Gains and Losses on Derivatives

(Millions of yen)

As of September 30, 2009	Interest-related	Currency-related	Stock-related	Bond-related	Others	Total
Hedge accounting applied	884	3,539	—	-	—	4,424
Hedge accounting not applied	-	390	86	(57)	-	419
Total	884	3,930	86	(57)	-	4,844

As of March 31, 2009	Interest-related	Currency-related	Stock-related	Bond-related	Others	Total
Hedge accounting applied	751	(954)	—	-	—	(203)
Hedge accounting not applied	—	(2,393)	(4,600)	-	—	(6,994)
Total	751	(3,348)	(4,600)	-	—	(7,197)

Note: Gains and losses from applying fair value hedge accounting (currency-related, losses of ¥954 million as of March 31, 2009 and gains of ¥3,539 million as of September 31, 2009) included in gains and losses with hedge accounting applied, and gains and losses with hedge accounting not applied are reported in the statements of operations.

(ii) Interest-related Transactions

(Millions of yen)

	As of September 30, 2009			
	Notional amount/ contract value		Fair value	Gains (losses)
	Over 1 year			
Over-the-counter transactions				
Interest rate swap contracts				
Receipt fixed, payment floating	67,051	46,651	916	916
Payment fixed, receipt floating	2,500	2,500	(32)	(32)
Total				884

	As of March 31, 2009			
	Notional amount/ contract value		Fair value	Gains (losses)
	Over 1 year			
Over-the-counter transactions				
Interest rate swap contracts				
Receipt fixed, payment floating	71,058	66,738	789	789
Payment fixed, receipt floating	2,500	2,500	(38)	(38)
Total				751

* Interest rate swap contracts by contractual maturity dates

(Millions of yen)

	As of September 30, 2009		
	1 year or shorter	Over 1 year to 3 years	Over 3 years
Notional amount (receipts fixed, payments floating)	20,400	30,438	16,212
Average fixed rate (receipt)	1.14%	1.39%	1.84%
Average floating rate (payment)	0.72%	0.72%	1.08%
Notional amount (receipts floating, payments fixed)	-	2,500	-
Average floating rate (receipt)	-	0.84%	-
Average fixed rate (payment)	-	1.84%	-

	As of March 31, 2009		
	1 year or shorter	Over 1 year to 3 years	Over 3 years
Notional amount (receipts fixed, payments floating)	4,320	44,623	22,115
Average fixed rate (receipt)	1.26%	1.25%	1.80%
Average floating rate (payment)	1.24%	0.94%	1.27%
Notional amount (receipts floating, payments fixed)	-	2,500	-
Average floating rate (receipt)	-	1.05%	-
Average fixed rate (payment)	-	1.84%	-

(iii) Currency-related Transactions

(millions of yen)

	As of September 30, 2009				As of March 31, 2009			
	Notional amount/ contract value	Over 1 year	Fair value	Gains (losses)	Notional amount/ contract value	Over 1 year	Fair value	Gains (losses)
Over-the-counter transactions								
Currency forward contracts								
Sold	215,017	-	211,133	3,884	214,070	-	216,735	(2,665)
US dollar	133,398	-	130,069	3,329	124,325	-	125,222	(896)
Euro	67,143	-	66,527	616	89,734	-	91,503	(1,768)
Australian dollar	14,460	-	14,521	(61)	-	-	-	-
Canadian dollar	7	-	7	(0)	-	-	-	-
British pound	3	-	3	(0)	9	-	9	(0)
Norwegian krone	3	-	3	(0)	-	-	-	-
Bought	-	-	-	-	-	-	-	-
Currency Options								
Sold								
Calls	9,519	-	-	-	61,583	-	-	-
US dollar	[60]	-	0	60	[653]	-	861	(207)
Australian dollar	[60]	-	0	60	[395]	-	232	162
Euro	[-]	-	-	-	[219]	-	601	(382)
Puts	[-]	-	-	-	[39]	-	27	12
Bought								
Calls	[-]	-	-	-	[-]	-	-	-
Puts	9,000	-	-	-	57,040	-	-	-
US dollar	[60]	-	77	17	[653]	-	237	(416)
Australian dollar	[60]	-	77	17	[395]	-	191	(203)
Euro	[-]	-	-	-	[219]	-	4	(214)
Puts	[-]	-	-	-	[39]	-	41	1
Currency swap contracts								
Australian dollar	4,000	-	(31)	(31)	4,000	4,000	(58)	(58)
Australian dollar	4,000	-	(31)	(31)	4,000	4,000	(58)	(58)
Total				3,930				(3,348)

Notes: 1. Figures in [] are option premiums which are included in balance sheets.

2. Forward exchange rates are used for exchange rates as of the end of period.

3. Regarding assets and liabilities which are denominated in foreign currencies but have fixed settlement in yen under currency forward contracts and are reported in yen amounts in the balance sheets, those currency forward contracts are excluded from the table above.

(iv) Stock-related Transactions

(millions of yen)

	As of September 30, 2009				As of March 31, 2009			
	Notional amount/ contract value	Over 1 year	Fair value	Gains (losses)	Notional amount/ contract value	Over 1 year	Fair value	Gains (losses)
Exchange-traded transactions								
Yen stock index futures								
Sold	23,326	-	22,959	366	38,703	-	43,303	(4,600)
Bought	-	-	-	-	-	-	-	-
Stock index options								
Sold								
Calls	-	-	-	-	-	-	-	-
Puts	[-]	-	-	-	[-]	-	-	-
Bought								
Calls	-	-	-	-	-	-	-	-
Puts	[28,000]	-	152	(280)	[-]	-	-	-
Puts	[433]	-	-	-	[-]	-	-	-
Total				86				(4,600)

Note: Figures in [] are option premiums which are included in balance sheets.

(v) Bond-related Transactions

(millions of yen)

		As of September 30, 2009			
		Notional amount/ contract value	Over 1 year	Fair value	Gains (losses)
Exchange-traded transactions					
	Yen bond futures				
	Sold	27,810	-	27,868	(57)
	Bought	-	-	-	-
Total					(57)

		As of March 31, 2009			
		Notional amount /contract value	Over 1 year	Fair value	Gains (losses)
Exchange-traded transactions					
	Yen bond futures				
	Sold	-	-	-	-
	Bought	-	-	-	-
Total					-