

November 24, 2011

## Financial Results for the Six Months Ended September 30, 2011

Fukoku Mutual Life Insurance Company (President: Yoshiteru Yoneyama) announces financial results for the six months ended September 30, 2011.

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Attached: Supplementary Materials for the Six Months Ended September 30, 2011

# 1. Business Highlights

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

### (i) Policies in Force

	As of March 31, 2011				As of September 30, 2011			
	Number of policies		Amount		Number of policies		Amount	
	(Thousands)	Changes (% YoY)	(100 millions of yen)	Changes (% YoY)	(Thousands)	Changes (% Pre-FYE)	(100 millions of yen)	Changes (% Pre-FYE)
Individual insurance	2,967	100.1	270,750	94.9	2,976	100.3	265,386	98.0
Individual annuities	755	100.9	29,754	99.8	758	100.5	29,763	100.0
Subtotal	3,722	100.2	300,504	95.4	3,734	100.3	295,150	98.2
Group insurance	-	-	162,472	101.8	-	-	162,036	99.7
Group annuities	-	-	19,664	98.2	-	-	19,677	100.1

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, 2010	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	204	95.4	5,837	97.9	7,316	95.3	(1,478)	-
Individual annuities	18	97.6	622	101.1	638	101.4	(15)	-
Subtotal	223	95.6	6,460	98.2	7,954	95.7	(1,493)	-
Group insurance	-	-	362	173.4	362	173.4	-	-
Group annuities	-	-	0	35.2	0	35.2	-	-

Six months ended September 30, 2011	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	193	94.7	6,565	112.5	7,623	104.2	(1,057)	-
Individual annuities	18	96.5	615	98.8	627	98.4	(12)	-
Subtotal	212	94.9	7,180	111.1	8,251	103.7	(1,070)	-
Group insurance	-	-	106	29.3	106	29.3	-	-
Group annuities	-	-	0	503.2	0	503.2	-	-

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, 2010		Six months ended September 30, 2011	
		Changes (% YoY)		Changes (% YoY)
Amount of surrender and lapse (100 millions of yen)	9,066	93.3	8,182	90.2
Surrender and lapse ratio (%)	2.88	(0.05)	2.72	(0.16)

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 March 31, 2011		As of September 30, 2011	
		Changes (%, YoY)		Changes (%, Pre-FYE)
Individual insurance	2,848	97.0	2,832	99.4
Individual annuities	1,269	101.4	1,281	100.9
Total	4,118	98.3	4,113	99.9
Medical coverage and living benefits	1,018	101.0	1,027	100.9

### (ii) New Policies

(100 millions of yen except percentage)

	Six months ended September 30, 2010		Six months ended September 30, 2011	
		Changes (%, YoY)		Changes (%, YoY)
Individual insurance	92	94.2	107	115.4
Individual annuities	28	93.8	28	101.5
Total	121	94.1	135	112.1
Medical coverage and living benefits	39	88.7	41	104.9

- 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, 2010		Six months ended September 30, 2011	
		Changes (%, YoY)		Changes (%, YoY)
Premium and other income	3,495	112.6	3,136	89.7
Investment income	790	99.6	722	91.5
Claims and other payments	3,527	122.8	2,605	73.9
Investment expenses	260	63.1	435	167.2
Ordinary profits	400	314.3	168	42.1

## (4) Total Assets

(100 millions of yen except percentage)

	As of March 31, 2011		As of September 30, 2011	
		Changes (%, YoY)		Changes (%, Pre-FYE)
Total assets	56,752	101.1	56,149	98.9

## 2. Investment Results of General Account Assets

### (1) Asset Composition

(Millions of yen)

	As of March 31, 2011		As of September 30, 2011	
	Amount	Percentage	Amount	Percentage
Cash, deposits, call loans	237,739	4.2	117,389	2.1
Monetary claims bought	1,424	0.0	1,386	0.0
Money held in trust	33,169	0.6	34,219	0.6
Securities	3,699,745	66.1	3,878,852	70.0
Domestic bonds	2,430,669	43.4	2,581,231	46.6
Domestic stocks	352,641	6.3	338,008	6.1
Foreign securities	862,075	15.4	902,668	16.3
Foreign bonds	687,834	12.3	718,550	13.0
Foreign stocks and other securities	174,240	3.1	184,117	3.3
Other securities	54,359	1.0	56,945	1.0
Loans	1,143,863	20.4	1,091,446	19.7
Policy loans	71,479	1.3	70,407	1.3
Ordinary loans	1,072,383	19.2	1,021,039	18.4
Real estate	281,288	5.0	275,609	5.0
Deferred tax assets	87,332	1.6	80,609	1.5
Others	112,466	2.0	65,386	1.2
Allowance for possible loan losses	(2,513)	(0.0)	(2,345)	(0.0)
Total	5,594,517	100.0	5,542,554	100.0
Foreign currency denominated assets	696,207	12.4	729,048	13.2

### (2) Changes (Increase/Decrease) in Assets

(Millions of yen)

	Six months ended September 30, 2010	Six months ended September 30, 2011
Cash, deposits, call loans	(4,269)	(120,349)
Monetary claims bought	(256)	(37)
Money held in trust	26	1,049
Securities	37,691	179,106
Domestic bonds	(41,085)	150,561
Domestic stocks	(73,483)	(14,633)
Foreign securities	153,022	40,592
Foreign bonds	160,737	30,715
Foreign stocks and other securities	(7,714)	9,877
Other securities	(761)	2,585
Loans	(41,336)	(52,416)
Policy loans	(591)	(1,072)
Ordinary loans	(40,745)	(51,344)
Real estate	(964)	(5,678)
Deferred tax assets	1,149	(6,722)
Others	5,386	(47,080)
Allowance for possible loan losses	(128)	167
Total	(2,701)	(51,963)
Foreign currency denominated assets	167,228	32,840

## (3) Investment Income

(Millions of yen)

	Six months ended September 30, 2010	Six months ended September 30, 2011
Interest, dividends and other income	54,772	55,683
Interest from deposits	544	84
Interest and dividends from securities	34,853	36,890
Interest from loans	12,152	11,333
Income from real estate for rent	7,089	7,273
Other interest and dividends	132	102
Gains from money held in trust, net	163	-
Gains from trading securities, net	-	-
Gains on sales of securities	16,148	4,903
Gains on sales of domestic bonds	9,884	2,315
Gains on sales of domestic stocks	6,261	2,586
Gains on sales of foreign securities	1	2
Gains on redemption of securities	-	338
Gains from derivative instruments, net	7,833	11,242
Foreign exchange gains, net	-	-
Reversal of allowance for possible loan losses	-	60
Other investment income	115	53
Total	79,033	72,282

## (4) Investment Expenses

(Millions of yen)

	Six months ended September 30, 2010	Six months ended September 30, 2011
Interest expenses	704	631
Losses from money held in trust, net	-	779
Losses from trading securities, net	3,114	8,230
Losses on sales of securities	5,552	8,445
Losses on sales of domestic bonds	21	250
Losses on sales of domestic stocks	2,829	2,322
Losses on sales of foreign securities	2,701	5,873
Losses on valuation of securities	4,077	11,833
Losses on valuation of domestic bonds	-	-
Losses on valuation of domestic stocks	3,874	10,871
Losses on valuation of foreign securities	202	703
Other losses on valuation of securities	-	259
Losses on redemption of securities	-	-
Losses from derivative instruments, net	-	-
Foreign exchange losses, net	2,080	1,947
Provision for allowance for possible loan losses	-	-
Write-off of loans	-	-
Depreciation of real estate for rent and other assets	2,393	3,228
Other investment expenses	2,400	2,496
Total	20,324	37,593

## (5) Net Investment Income

(Millions of yen)

	Six months ended September 30, 2010	Six months ended September 30, 2011
Net investment income	58,709	34,688

## (6) Net Valuation Gains/Losses on Trading Securities

(Millions of yen)

	As of March 31, 2011		As of September 30, 2011	
	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	260,341	(3,640)	237,150	(10,477)

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 March 31, 2011					As of September 30, 2011				
	Book value	Fair value	Gains/losses			Book value	Fair value	Gains/losses		
			Gains	Losses				Gains	Losses	
Held-to-maturity debt securities	427,312	436,409	9,096	9,983	886	460,231	484,605	24,373	25,341	968
Domestic bonds	378,178	387,523	9,345	9,345	-	416,483	439,797	23,314	23,547	233
Foreign bonds	49,134	48,885	(249)	637	886	43,748	44,807	1,058	1,794	735
Monetary claims bought	-	-	-	-	-	-	-	-	-	-
Negotiable certificate of deposits	-	-	-	-	-	-	-	-	-	-
Others	-	-	-	-	-	-	-	-	-	-
Policy-reserve-matching bonds	652,180	672,087	19,907	23,872	3,965	663,603	699,635	36,032	38,178	2,146
Domestic bonds	644,831	664,759	19,928	23,872	3,944	650,978	687,030	36,052	38,133	2,081
Foreign bonds	7,349	7,328	(21)	0	21	12,625	12,604	(20)	44	65
Investments in subsidiaries and affiliates	1,393	868	(524)	-	524	1,393	785	(607)	-	607
Available-for-sale securities	2,331,356	2,347,024	15,667	76,486	60,818	2,460,599	2,495,743	35,144	114,945	79,801
Domestic bonds	1,389,523	1,407,660	18,136	24,369	6,232	1,450,606	1,513,769	63,163	65,687	2,523
Domestic stocks	300,218	317,678	17,460	43,327	25,867	290,248	294,054	3,805	36,849	33,043
Foreign securities	593,121	575,527	(17,594)	7,582	25,177	667,272	640,470	(26,801)	11,748	38,549
Foreign bonds	411,835	403,179	(8,656)	4,572	13,228	464,819	458,245	(6,574)	9,408	15,982
Foreign stocks and other securities	181,285	172,347	(8,938)	3,010	11,948	202,452	182,224	(20,227)	2,339	22,567
Other securities	48,491	46,158	(2,333)	1,207	3,541	52,472	47,448	(5,023)	660	5,684
Money held in trust	-	-	-	-	-	-	-	-	-	-
Monetary claims bought	-	-	-	-	-	-	-	-	-	-
Negotiable certificate of deposits	-	-	-	-	-	-	-	-	-	-
Others	-	-	-	-	-	-	-	-	-	-
Total	3,412,242	3,456,389	44,146	110,342	66,195	3,585,828	3,680,770	94,941	178,466	83,524
Domestic bonds	2,412,533	2,459,943	47,410	57,587	10,176	2,518,067	2,640,597	122,530	127,368	4,838
Domestic stocks	300,218	317,678	17,460	43,327	25,867	290,248	294,054	3,805	36,849	33,043
Foreign securities	650,998	632,608	(18,390)	8,220	26,610	725,039	698,668	(26,370)	13,587	39,958
Foreign bonds	468,319	459,392	(8,927)	5,209	14,136	521,193	515,658	(5,535)	11,247	16,783
Foreign stocks and other securities	182,678	173,215	(9,462)	3,010	12,473	203,845	183,010	(20,834)	2,339	23,174
Other securities	48,491	46,158	(2,333)	1,207	3,541	52,472	47,448	(5,023)	660	5,684
Money held in trust	-	-	-	-	-	-	-	-	-	-
Monetary claims bought	-	-	-	-	-	-	-	-	-	-
Negotiable certificate of deposits	-	-	-	-	-	-	-	-	-	-
Others	-	-	-	-	-	-	-	-	-	-

Note: The table above includes assets 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 March 31, 2011	As of September 30, 2011
Held-to-maturity debt securities	-	-
Unlisted foreign bonds	-	-
Others	-	-
Policy-reserve-matching bonds	-	-
Investments in subsidiaries and affiliates	26,616	35,616
Available-for-sale securities	17,047	18,332
Unlisted domestic stocks (except over-the-counter stocks)	8,345	8,336
Unlisted foreign stocks (except over-the-counter stocks)	500	500
Unlisted foreign bonds	-	-
Others	8,201	9,496
Total	43,664	53,949

## (8) Fair Value Information on Money Held in Trust

(Millions of yen)

	As of March 31, 2011					As of September 30, 2011				
	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	33,169	33,169	-	-	-	34,219	34,219	-	-	-

## \* Money held in trust for trading purpose

(Millions of yen)

	As of March 31, 2011		As of September 30, 2011	
	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	32,169	(0)	33,219	(305)

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

(Millions of yen)

	As of March 31, 2011					As of September 30, 2011				
	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 March 31, 2011	Interest-related	Currency-related	Stock-related	Bond-related	Others	Total
Hedge accounting applied	560	(2,290)	—	—	—	(1,730)
Hedge accounting not applied	69	(5,996)	(123)	—	—	(6,049)
<b>Total</b>	<b>629</b>	<b>(8,287)</b>	<b>(123)</b>	<b>—</b>	<b>—</b>	<b>(7,780)</b>
As of September 30, 2011	Interest-related	Currency-related	Stock-related	Bond-related	Others	Total
Hedge accounting applied	396	2,721	-	-	—	3,118
Hedge accounting not applied	(89)	1,669	(117)	-	—	1,462
<b>Total</b>	<b>307</b>	<b>4,390</b>	<b>(117)</b>	<b>-</b>	<b>—</b>	<b>4,581</b>

Note: Gains and losses from applying fair value hedge accounting (currency-related, losses of ¥2,290 million as of March 31, 2011 and gains of ¥2,721 million as of September 30, 2011) 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 March 31, 2011				As of September 30, 2011			
	Notional amount/ contract value	Fair value	Gains (losses)	Notional amount/ contract value	Fair value	Gains (losses)	Over 1 year	
								Over 1 year
<b>Over-the-counter transactions</b>								
Yen interest rate swap contracts								
Receipt fixed, payment floating	39,863	17,905	560	32,760	12,802	396	396	
Payment fixed, receipt floating	-	-	-	-	-	-	-	
Foreign interest rate swap contracts								
Receipt fixed, payment floating	-	-	-	-	-	-	-	
Payment fixed, receipt floating	16,404	16,404	69	7,757	7,757	(89)	(89)	
US dollar	16,404	16,404	69	7,757	7,757	(89)	(89)	
<b>Total</b>								

\* Interest rate swap contracts by contractual maturity dates

(Millions of yen)

	As of March 31, 2011			As of September 30, 2011		
	1 year or shorter	Over 1 year to 3 years	Over 3 years	1 year or shorter	Over 1 year to 3 years	Over 3 years
<b>Yen interest rate swap contracts</b>						
Notional amount (receipts fixed, payments floating)	21,958	17,000	905	19,958	12,000	802
Average fixed rate (receipt)	1.35%	1.64%	2.28%	1.44%	1.65%	2.29%
Average floating rate (payment)	0.45%	0.62%	1.25%	0.50%	0.59%	1.24%
Notional amount (receipts floating, payments fixed)	-	-	-	-	-	-
Average floating rate (receipt)	-	-	-	-	-	-
Average fixed rate (payment)	-	-	-	-	-	-
<b>Foreign interest rate swap contracts</b>						
Notional amount (receipts fixed, payments floating)	-	-	-	-	-	-
Average fixed rate (receipt)	-	-	-	-	-	-
Average floating rate (payment)	-	-	-	-	-	-
Notional amount (receipts floating, payments fixed)	-	-	16,404	-	-	7,757
Average floating rate (receipt)	-	-	0.31%	-	-	0.34%
US dollar	-	-	0.31%	-	-	0.34%
Average fixed rate (payment)	-	-	3.49%	-	-	2.22%
US dollar	-	-	3.49%	-	-	2.22%



## (iii) Currency-related Transactions

(millions of yen)

	As of March 31, 2011				As of September 30, 2011			
	Notional amount/ contract value		Fair value	Gains (losses)	Notional amount/ contract value		Fair value	Gains (losses)
		Over 1 year				Over 1 year		
Over-the-counter transactions								
Currency forward contracts								
Sold	342,733	-	351,020	(8,287)	288,341	-	283,925	4,415
US dollar	188,104	-	189,857	(1,752)	153,295	-	153,134	161
Euro	55,921	-	58,346	(2,425)	75,909	-	73,036	2,872
British Pound	11,809	-	12,030	(220)	25,452	-	25,137	315
Canadian dollar	38,861	-	40,168	(1,306)	21,852	-	21,427	425
Australian dollar	48,035	-	50,617	(2,582)	11,830	-	11,189	641
Bought	-	-	-	-	-	-	-	-
Currency Options								
Sold								
Calls	-	-	-	-	15,731	-	-	-
US dollar	[ - ]	-	-	-	[ 63 ]	-	7	55
Puts	-	-	-	-	15,731	-	-	-
US dollar	[ - ]	-	-	-	[ 63 ]	-	7	55
Bought								
Calls	-	-	-	-	-	-	-	-
US dollar	[ - ]	-	-	-	[ - ]	-	-	-
Puts	-	-	-	-	15,000	-	-	-
US dollar	[ - ]	-	-	-	[ 86 ]	-	6	(80)
US dollar	-	-	-	-	15,000	-	6	(80)
US dollar	-	-	-	-	[ 86 ]	-	6	(80)
<b>Total</b>				<b>(8,287)</b>				<b>4,390</b>

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 March 31, 2011				As of September 30, 2011			
	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 stock index futures								
Sold	9,636	-	9,760	(123)	3,797	-	3,915	(117)
Bought	-	-	-	-	-	-	-	-
<b>Total</b>				<b>(123)</b>				<b>(117)</b>

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

## (v) Bond-related Transactions

No ending balance as of March 31, 2011 and September 30, 2011.

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

(millions of yen)

As of March 31, 2011			As of September 30, 2011		
Carrying value on the balance sheets	Fair value	Gains (losses)	Carrying value on the balance sheets	Fair value	Gains (losses)
163,749	230,903	67,153	161,114	226,343	65,228

- Notes: 1. As of September 30, 2011, 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, 2011.
2. As of March 31, 2011, fair value is based on the appraisal value by the real-estate appraiser, the appraisal value for property tax as of January 1, 2011 and the road rate as of January 1, 2010.

### 3. Non-consolidated Balance Sheets

(Millions of yen)

	As of March 31, 2011	As of September 30, 2011
<b>Assets:</b>		
Cash and deposits	237,823	18,779
Call loans	-	98,700
Monetary claims bought	1,424	1,386
Money held in trust	33,169	34,219
Securities	3,778,639	3,949,765
[Government bonds]	[1,695,927]	[1,840,701]
[Local government bonds]	[149,399]	[149,565]
[Corporate bonds]	[615,051]	[620,609]
[Stocks]	[379,416]	[361,566]
[Foreign securities]	[884,029]	[919,971]
Loans	1,143,863	1,091,446
Policy loans	71,479	70,407
Ordinary loans	1,072,383	1,021,039
Tangible fixed assets	284,670	279,217
Intangible fixed assets	8,765	8,453
Reinsurance receivables	170	72
Other assets	101,867	54,693
Deferred tax assets	87,332	80,609
Allowance for possible loan losses	(2,513)	(2,345)
<b>Total assets</b>	<b>5,675,214</b>	<b>5,614,999</b>

	As of March 31, 2011	As of September 30, 2011
<b>Liabilities:</b>		
Policy reserves	5,216,576	5,244,900
Reserve for outstanding claims	31,053	21,715
Policy reserve	5,132,317	5,158,356
Reserve for dividends to policyholders	53,205	64,828
Reinsurance payables	86	70
Subordinated bonds	35,214	31,182
Other liabilities	125,256	44,858
Corporate income tax payable	10,850	3,701
Asset retirement obligations	2,846	2,813
Other liabilities	111,559	38,343
Reserve for employees' retirement benefits	50,109	46,852
Reserve for price fluctuation of securities	33,432	34,476
Deferred tax liabilities for revaluation reserve for land	19,936	19,064
<b>Total liabilities</b>	<b>5,480,612</b>	<b>5,421,406</b>
<b>Net assets:</b>		
Foundation funds	40,000	35,000
Accumulated foundation funds redeemed	46,000	71,000
Reserve for revaluation	112	112
Surplus	96,763	64,715
Legal reserve for future losses	2,249	2,325
Other surplus	94,513	62,389
Reserve for redemption of foundation funds	20,000	-
Reserve for dividend allowances	3,895	3,895
Accumulated fund for price fluctuation	-	11,000
Reserve for advanced depreciation of real estate for tax purpose	296	289
Other reserves	767	767
Unappropriated surplus	69,554	46,438
Total foundation funds, surplus and others	182,875	170,827
Net unrealized gains (losses) on available-for-sale securities, net of tax	9,994	22,418
Deferred valuation gains (losses) under hedge accounting	365	259
Revaluation reserve for land, net of tax	1,366	87
Total valuation and translation adjustments	11,726	22,765
<b>Total net assets</b>	<b>194,601</b>	<b>193,592</b>
<b>Total liabilities and net assets</b>	<b>5,675,214</b>	<b>5,614,999</b>

#### 4. Non-consolidated Statements of Operations

(Millions of yen)

	Six months ended September 30, 2010	Six months ended September 30, 2011
<b>Ordinary revenues:</b>		
Premium and other income	349,537	313,670
[Premium income]	[349,508]	[313,484]
Investment income	79,033	72,282
[Interest, dividends and other income]	[54,772]	[55,683]
[Gains from money held in trust, net]	[163]	[ - ]
[Gains on sales of securities]	[16,148]	[4,903]
[Gains from derivative instruments, net]	[7,833]	[11,242]
Other ordinary revenues	44,201	14,618
[Reversal of reserve for outstanding claims]	[3,572]	[9,337]
[Reversal of policy reserve]	[34,856]	[ - ]
<b>Total ordinary revenues</b>	<b>472,771</b>	<b>400,572</b>
<b>Ordinary expenditures:</b>		
Claims and other payments	352,757	260,529
[Claims]	[115,410]	[85,849]
[Annuities]	[44,494]	[46,973]
[Benefits]	[98,608]	[64,508]
[Surrenders]	[83,323]	[48,191]
[Other payments]	[10,774]	[14,873]
Provision for policy reserve and others	65	26,084
Provision for policy reserve	-	26,039
Interest on accumulated dividends to policyholders	65	45
Investment expenses	26,053	43,548
[Interest expenses]	[704]	[631]
[Losses from money held in trust, net]	[ - ]	[779]
[Losses from trading securities, net]	[3,114]	[8,230]
[Losses on sales of securities]	[5,552]	[8,445]
[Losses on valuation of securities]	[4,077]	[11,833]
[Losses from separate accounts, net]	[5,728]	[5,954]
Operating expenses	42,954	43,614
Other ordinary expenditures	10,888	9,930
<b>Total ordinary expenditures</b>	<b>432,719</b>	<b>383,708</b>
<b>Ordinary profits</b>	<b>40,052</b>	<b>16,864</b>
<b>Extraordinary gains:</b>		
Gains on disposal of fixed assets	0	4,639
Reversal of allowance for possible loan losses	40	-
<b>Total extraordinary gains</b>	<b>41</b>	<b>4,639</b>
<b>Extraordinary losses:</b>		
Losses on disposal of fixed assets	28	55
Impairment losses	239	284
Provision for reserve for price fluctuation of securities	992	1,044
Losses on reduction entry of real estate for tax purpose	-	9
Effect of applying the accounting standard for asset retirement obligations	966	-
<b>Total extraordinary losses</b>	<b>2,227</b>	<b>1,392</b>
<b>Surplus before income taxes</b>	<b>37,866</b>	<b>20,110</b>
<b>Income taxes:</b>		
Current	11,946	4,304
Deferred	(1,919)	(1,141)
<b>Total income taxes</b>	<b>10,027</b>	<b>3,162</b>
<b>Net surplus for the period</b>	<b>27,839</b>	<b>16,948</b>

## 5. Non-consolidated Statements of Changes in Net Assets

(Millions of yen)

	For the six months ended September 30, 2010	For the six months ended September 30, 2011
<b>Foundation funds, surplus and others</b>		
Foundation funds		
Balance at the beginning of current period	40,000	40,000
Changes in the current period		
Financing of additional foundation funds	-	20,000
Redemption of foundation funds	-	(25,000)
Total changes in the current period	-	(5,000)
Balance at the end of current period	40,000	35,000
Accumulated foundation funds redeemed		
Balance at the beginning of current period	46,000	46,000
Changes in the current period		
Additions to accumulated foundation funds redeemed	-	25,000
Total changes in the current period	-	25,000
Balance at the end of current period	46,000	71,000
Reserve for revaluation		
Balance at the beginning of current period	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 beginning of current period	2,187	2,249
Changes in the current period		
Additions to legal reserve for future losses	62	76
Total changes in the current period	62	76
Balance at the end of current period	2,249	2,325
Other surplus		
Reserve for redemption of foundation funds		
Balance at the beginning of current period	15,000	20,000
Changes in the current period		
Additions to reserve for redemption of foundation funds	5,000	5,000
Reversal of reserve for redemption of foundation funds	-	(25,000)
Total changes in the current period	5,000	(20,000)
Balance at the end of current period	20,000	-
Reserve for dividend allowances		
Balance at the beginning of current period	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
Accumulated fund for price fluctuation		
Balance at the beginning of current period	-	-
Changes in the current period		
Additions to accumulated fund for price fluctuation	-	11,000
Total changes in the current period	-	11,000
Balance at the end of current period	-	11,000
Reserve for advanced depreciation of real estate for tax purpose		
Balance at the beginning of current period	303	296
Changes in the current period		
Reversal of reserve for advanced depreciation of real estate for tax purpose	(7)	(7)
Total changes in the current period	(7)	(7)
Balance at the end of current period	296	289
Other reserves		
Balance at the beginning of current period	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 beginning of current period	54,075	69,554
Changes in the current period		
Additions to reserve for dividends to policyholders	(19,505)	(24,381)
Additions to legal reserve for future losses	(62)	(76)
Payment of interest on foundation funds	(892)	(892)
Net surplus for the current period	27,839	16,948
Additions to reserve for redemption of foundation funds	(5,000)	(5,000)
Additions to accumulated fund for price fluctuation	-	(11,000)
Reversal of reserve for advanced depreciation of real estate for tax purpose	7	7
Reversal of revaluation reserve for land	(662)	1,278
Total changes in the current period	1,724	(23,116)
Balance at the end of current period	55,799	46,438

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

(Millions of yen)

	For the six months ended September 30, 2010	For the six months ended September 30, 2011
Total surplus		
Balance at the beginning of current period	76,229	96,763
Changes in the current period		
Additions to reserve for dividends to policyholders	(19,505)	(24,381)
Payment of interest on foundation funds	(892)	(892)
Net surplus for the current period	27,839	16,948
Reversal of reserve for redemption of foundation funds	-	(25,000)
Reversal of revaluation reserve for land	(662)	1,278
Total changes in the current period	6,778	(32,047)
Balance at the end of current period	83,008	64,715
Total foundation funds, surplus and others		
Balance at the beginning of current period	162,341	182,875
Changes in the current period		
Financing of additional foundation funds	-	20,000
Additions to reserve for dividends to policyholders	(19,505)	(24,381)
Additions to accumulated foundation funds redeemed	-	25,000
Payment of interest on foundation funds	(892)	(892)
Net surplus for the current period	27,839	16,948
Redemption of foundation funds	-	(25,000)
Reversal of reserve for redemption of foundation funds	-	(25,000)
Reversal of revaluation reserve for land	(662)	1,278
Total changes in the current period	6,778	(12,047)
Balance at the end of current period	169,120	170,827
<b>Valuation and translation adjustments</b>		
Net unrealized gains (losses) on available-for-sale securities, net of tax		
Balance at the beginning of current period	48,291	9,994
Changes in the current period		
Net changes, excluding foundation funds, surplus and others	1,398	12,423
Total changes in the current period	1,398	12,423
Balance at the end of current period	49,690	22,418
Deferred valuation gains (losses) under hedge accounting		
Balance at the beginning of current period	538	365
Changes in the current period		
Net changes, excluding foundation funds, surplus and others	(53)	(106)
Total changes in the current period	(53)	(106)
Balance at the end of current period	484	259
Revaluation reserve for land, net of tax		
Balance at the beginning of current period	773	1,366
Changes in the current period		
Net changes, excluding foundation funds, surplus and others	662	(1,278)
Total changes in the current period	662	(1,278)
Balance at the end of current period	1,436	87
Total valuation and translation adjustments		
Balance at the beginning of current period	49,604	11,726
Changes in the current period		
Net changes, excluding foundation funds, surplus and others	2,006	11,039
Total changes in the current period	2,006	11,039
Balance at the end of current period	51,611	22,765
<b>Total net assets</b>		
Balance at the beginning of current period	211,946	194,601
Changes in the current period		
Financing of additional foundation funds	-	20,000
Additions to reserve for dividends to policyholders	(19,505)	(24,381)
Additions to accumulated foundation funds redeemed	-	25,000
Payment of interest on foundation funds	(892)	(892)
Net surplus for the current period	27,839	16,948
Redemption of foundation funds	-	(25,000)
Reversal of reserve for redemption of foundation funds	-	(25,000)
Reversal of revaluation reserve for land	(662)	1,278
Net changes, excluding foundation funds, surplus and others	2,006	11,039
Total changes in the current period	8,785	(1,008)
Balance at the end of current period	220,732	193,592

# 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 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 whose fair market 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, 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, 2011 was ¥362 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.

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 plan to defined benefit pension plan, and part of lump sum benefit plan to defined contribution pension plan 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 "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 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 recorded in "intangible fixed assets" 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).

## **2. Changes in Presentation**

Effective for the six months ended September 30, 2011, 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".

### 3. Financial Instruments

The carrying amounts, fair values and their related differences of major financial assets and liabilities as of September 30, 2011 were as follows:

	Carrying amount	Fair value	Difference
			(Millions of yen)
Call loans .....	¥ 98,700	¥ 98,700	¥
Monetary claims bought:			
Claims treated as loans .....	1,386	1,410	24
Total monetary claims bought .....	1,386	1,410	24
Money held in trust:			
Trading securities.....	33,219	33,219	
Total money held in trust.....	33,219	33,219	
Securities:			
Trading securities.....	203,930	203,930	
Held-to-maturity debt securities.....	460,231	484,605	24,373
Policy-reserve-matching bonds .....	663,603	699,635	36,032
Investments in subsidiaries and affiliates .....	1,393	785	(607)
Available-for-sale securities .....	2,495,743	2,495,743	
Total securities .....	3,824,902	3,884,700	59,797
Loans:			
Policy loans.....	70,407	70,406	(0)
Ordinary loans .....	1,021,039	1,053,990	32,950
Total loans.....	1,091,446	1,124,397	32,950
Derivative instruments:			
Hedge accounting not applied.....	1,462	1,462	
Hedge accounting applied .....	3,118	3,118	
Total derivative instruments .....	¥ 4,581	¥ 4,581	¥

(1) 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.

(2) Securities including deposits and monetary claims bought which are treated as securities based on "Accounting Standards for Financial Instruments" (ASBJ Statement No.10) and securities managed as trust assets in money held in trust:

The fair values of marketable securities are measured at the quoted market price at the balance sheet date. 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 as of September 30, 2011 were ¥35,616 million, ¥8,836 million and ¥9,496 million, respectively.

(3) 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 borrowers who are not currently bankrupt but have a high possibility of bankruptcy and monetary claims bought treated as loans are computed by deducting the amount of the allowance for doubtful accounts from the book values before direct write-offs.

(4) Derivative instruments:

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

#### **4. Investment and Rental Property**

Information on the carrying amounts and the fair values of investment and rental properties the Company holds is omitted from the notes because there were not significant changes in those figures compared to the end of previous fiscal year.

#### **5. Loans Receivable**

The amounts of credits to bankrupt borrowers, delinquent loans and restructured loans, which were included in loans, were ¥274 million, ¥910 million and ¥2,293 million, respectively and their total amount was ¥3,477 million as of September 30, 2011. There was no balance of delinquent loans past 3 months or more as of September 30, 2011.

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 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 ¥1 million and delinquent loans described above by ¥361 million as of September 30, 2011.

#### **6. Accumulated Depreciation of Tangible Fixed Assets**

Accumulated depreciation of tangible fixed assets totaled to ¥133,463 million as of September 30, 2011.

## 7. Separate Accounts

Total assets in separate accounts provided for in Article 118 of the Insurance Business Law were ¥74,049 million as of September 30, 2011. The amount of separate account liabilities was the same as separate account assets.

## 8. Reserve for Dividends to Policyholders

Changes in reserve for dividends to policyholders for the six months ended September 30, 2011 were as follows:

	(Millions of yen)
Balance at the beginning of current period.....	¥ 53,205
Transfer from surplus in previous fiscal year .....	24,381
Dividends paid in the current period .....	(12,804)
Increase in interest .....	45
Balance at the end of current period .....	<u>¥ 64,828</u>

## 9. Stocks of Subsidiaries

The amount of stocks of subsidiaries the Company held as of September 30, 2011 was ¥37,009 million.

## 10. Pledged Assets and Secured Debts

Assets pledged as collateral as of September 30, 2011 were ¥23,029 million of securities. Secured debts as of September 30, 2011 were ¥4,702 million.

## 11. 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 ¥11 million as of September 30, 2011.

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 ¥35 million as of September 30, 2011.

## 12. Additional Foundation Funds

The Company raised additional foundation funds of ¥20,000 million during the six months ended September 30, 2011 in accordance with Article 60 of the Insurance Business Law.

## 13. Redemption of Foundation Funds

In the six months ended September 30, 2011, in connection with the redemption of foundation funds of ¥25,000 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.

## 14. Commitment Line

As of September 30, 2011, there were unused commitment line agreements under which the Company is the lender of ¥2,092 million.

## 15. Subordinated Bonds

Repayments of subordinated bonds are subordinated to other obligations.

## 16. 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 ¥10,731 million as of September 30, 2011. The contribution was charged as operating expenses in the year in which it was paid.

## III. Notes to Statement of Operations

### 1. Gains on Sales of Securities

Major items of gains on sales of securities for the six months ended September 30, 2011 were as follows:

	(Millions of yen)
Domestic bonds .....	¥ 2,315
Domestic stocks and others.....	2,586
Foreign securities .....	2

### 2. Losses on Sales of Securities

Major items of losses on sales of securities for the six months ended September 30, 2011 were as follows:

	(Millions of yen)
Domestic bonds .....	¥ 250
Domestic stocks and others.....	2,322
Foreign securities .....	5,873

### 3. Losses on Valuation of Securities

Major items of losses on valuation of securities for the six months ended September 30, 2011 were as follows:

	(Millions of yen)
Domestic stocks and others.....	¥ 10,871
Foreign securities .....	703

### 4. Policy Reserves for the Reinsurance Contracts

For the six months ended September 30, 2011, reversal of reserve for outstanding claims for ceded reinsurance considered in calculation of reversal of reserve for outstanding claims was ¥31 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, 2011 was as follows:

	(Millions of yen)
Interest on deposits .....	¥ 84
Interest and dividends on securities .....	36,890
Interest on loans .....	11,333
Income from real estate for rent.....	7,273
Other interest and dividends.....	102
Total .....	<u>¥55,683</u>

## 6. Breakdown of Ordinary Profits (Fundamental Profit)

(Millions of Yen)

		Six months ended September 30, 2010	Six months ended September 30, 2011
<b>Fundamental profit</b>	<b>A</b>	<b>33,434</b>	<b>36,141</b>
Capital gains		23,994	16,146
Gains from money held in trust, net		13	—
Gains from trading securities, net		—	—
Gains on sales of securities		16,148	4,903
Gains from derivative instruments, net		7,833	11,242
Foreign exchange gains, net		—	—
Other capital gains		—	—
Capital losses		17,319	35,015
Losses from money held in trust, net		—	855
Losses from trading securities, net		5,607	11,933
Losses on sales of securities		5,552	8,445
Losses on valuation of securities		4,077	11,833
Losses from derivative instruments, net		—	—
Foreign exchange losses, net		2,080	1,947
Other capital losses		—	—
Net capital gains (losses)	<b>B</b>	<b>6,675</b>	<b>(18,868)</b>
Fundamental profit plus net capital gains (losses)	<b>A+B</b>	<b>40,110</b>	<b>17,272</b>
Non-recurring gains		—	—
Reinsurance income		—	—
Reversal of contingency reserve		—	—
Other non-recurring gains		—	—
Non-recurring losses		57	408
Reinsurance premiums		—	—
Provision for contingency reserve		57	78
Provision for specific allowance for possible loan losses		—	78
Allowance for specified overseas loans		—	—
Write-off of loans		—	—
Other non-recurring losses		—	251
Non-recurring gains (losses)	<b>C</b>	<b>(57)</b>	<b>(408)</b>
Ordinary profits	<b>A+B+C</b>	<b>40,052</b>	<b>16,864</b>

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): ¥150 million in respect of the six months ended September 30, 2010 and ¥76 million in respect of the six months ended September 30, 2011.

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): ¥2,493 million in respect of the six months ended September 30, 2010 and ¥3,703 million in respect of the six months ended September 30, 2011.

3. For the six months ended September 30, 2011, other non-recurring losses represent the losses relating to revision of the Company's retirement benefit plans.

### Breakdown of Fundamental Profit

(100 millions of yen)

	Six months ended September 30, 2010	Six months ended September 30, 2011
Fundamental profit	334	361
Loading profit	24	8
Mortality and morbidity profit	368	393
Negative spread	(58)	(39)

## 7. Disclosed Claims Based on Categories of Obligors

(Millions of yen)

	As of March 31, 2011	As of September 30, 2011
Claims against bankrupt and quasi-bankrupt obligors	491	437
Claims with collection risk	589	757
Claims for special attention	2,236	2,293
Subtotal	3,317	3,487
[Percentage of total]	[0.29%]	[0.32%]
Claims against normal obligors	1,145,795	1,093,076
Total	1,149,112	1,096,564

- 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.

## 8. Risk-monitored Loans

(Millions of yen)

	As of March 31, 2011	As of September 30, 2011
Credits to bankrupt borrowers	297	274
Delinquent loans	774	910
Delinquent loans past three months or more	-	-
Restructured loans	2,236	2,293
Total	3,308	3,477
[Percentage of total loans]	[0.29%]	[0.32%]

- 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 ¥1 million as of September 30, 2011, and ¥1 million as of March 31, 2011. The amounts written-off related to delinquent loans were ¥361 million as of September 30, 2011 and ¥258 million as of March 31, 2011.
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.



## 9. Solvency Margin Ratio

(Millions of yen)

	As of March 31, 2011	As of September 30, 2011
Total solvency margin (A)	593,497	601,057
Foundation funds and surplus	156,224	157,031
Reserve for price fluctuation of securities	33,432	34,476
Contingency reserve	146,071	146,150
Allowance for possible loan losses	1,957	1,819
Net unrealized gains on available-for-sale securities x 90% (multiplied by 100% if losses)	14,101	31,629
Net unrealized gains on real estate x 85%	73,176	68,737
Excess amount of policy reserve based on full-time Zillmer method	103,984	108,386
Qualifying subordinated debt	35,214	31,182
Deductible items	(10,000)	(19,000)
Others	39,334	40,643
Total amount of risk $\sqrt{(R_1 + R_8)^2 + (R_2 + R_3 + R_7)^2} + R_4$ (B)	109,064	110,667
Insurance risk $R_1$	28,485	28,114
3rd sector insurance risk $R_8$	9,443	9,491
Assumed investment yield risk $R_2$	18,528	18,410
Investment risk $R_3$	80,783	82,705
Business risk $R_4$	2,745	2,774
Minimum guarantee risk $R_7$	11	11
Solvency margin ratio $\frac{(A)}{(1/2) \times (B)} \times 100$	1088.3%	1086.2%

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.

2. "Deductible items" represent the capital increase to the subsidiary, Fukokushinrai Life Insurance Co., Ltd.

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

## (reference) Solvency Margin Ratio under the New Standards

(Millions of yen)

	As of March 31, 2011	As of September 30, 2011
Total solvency margin (A)	581,306	588,866
Foundation funds and surplus	156,224	157,031
Reserve for price fluctuation of securities	33,432	34,476
Contingency reserve	146,071	146,150
Allowance for possible loan losses	1,957	1,819
Net unrealized gains on available-for-sale securities x 90% (multiplied by 100% if losses)	14,101	31,629
Net unrealized gains on real estate x 85%	73,176	68,737
Excess amount of policy reserve based on full-time Zillmer method	103,984	108,386
Qualifying subordinated debt	35,214	31,182
The amount of "excess amount of policy reserve based on full-time Zillmer method" and "qualifying subordinated debt" excluded from the calculation of solvency margin	-	-
Deductible items	(10,000)	(19,000)
Others	27,143	28,452
Total amount of risk $\sqrt{(R_1 + R_8)^2 + (R_2 + R_3 + R_7)^2} + R_4$ (B)	173,928	173,971
Insurance risk $R_1$	28,485	28,114
3rd sector insurance risk $R_8$	9,443	9,491
Assumed investment yield risk $R_2$	42,760	42,498
Investment risk $R_3$	122,801	123,185
Business risk $R_4$	4,069	4,065
Minimum guarantee risk $R_7$	7	8
Solvency margin ratio $\frac{(A)}{(1/2) \times (B)} \times 100$	668.4%	676.9%

- Notes: 1. In accordance with Cabinet Office Ordinance No.23, 2010 and Financial Services Agency Ordinance No.48, 2010, the standards for the calculation of total solvency margin and total amount of risk are planned to be revised to tighten margin calculation and tighten and refine risk measurements. The revised standards will be officially applied at the end of fiscal year ending March 31, 2012. The above figures are calculated by applying the revised standards to the financial results as of March 31, 2011 and September 30, 2011
2. "Deductible items" represent the capital increase to the subsidiary, Fukokushinrai Life Insurance Co., Ltd.
3. "Minimum guarantee risk" is calculated by standard method.

## 10. Status of Separate Account

### (1) Separate Account Assets by Products

(Millions of yen)

	As of March 31, 2011		As of September 30, 2011	
	Amount		Amount	
Individual variable insurance	-		-	
Individual variable annuities	538		494	
Group annuities	82,742		73,555	
Total	83,280		74,049	

### (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

(Millions of yen)

	As of March 31, 2011		As of September 30, 2011	
	Number	Amount	Number	Amount
Individual annuities	185	594	177	579
Total	185	594	177	579

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

(Millions of yen)

	As of March 31, 2011		As of September 30, 2011	
	Amount	Percentage	Amount	Percentage
Cash, deposits, call loans	82	15.4	88	17.8
Securities	455	84.6	406	82.2
Domestic bonds	-	-	-	-
Domestic stocks	-	-	-	-
Foreign securities	-	-	-	-
Foreign bonds	-	-	-	-
Foreign stocks and other securities	-	-	-	-
Other securities	455	84.6	406	82.2
Loans	-	-	-	-
Others	-	-	-	-
Allowance for possible loan losses	-	-	-	-
Total	538	100.0	494	100.0

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

(Millions of yen)

	Six months ended September 30, 2010	Six months ended September 30, 2011
	Amount	Amount
Interest, dividends and other income	1	1
Gains on sales of securities	-	-
Gains on valuation of securities	29	41
Gains on redemption of securities	-	-
Gains from derivative instruments	-	-
Foreign exchange gains, net	-	-
Other investment income	-	-
Losses on sales of securities	2	1
Losses on valuation of securities	68	66
Losses on redemption of securities	-	-
Losses from derivative instruments	-	-
Foreign exchange losses, net	-	-
Other investment expenses	-	-
Net investment income	(40)	(25)

## (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 March 31, 2011		As of September 30, 2011	
	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	455	(26)	406	(24)

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

(Millions of yen)

	As of March 31, 2011		As of September 30, 2011	
	Carrying value on balance sheet	Net valuation gains/losses included in the statement of operations	Carrying value on balance sheet	Net valuation gains/losses included in the statement of operations
Trading securities	339,235	(4,697)	308,063	(15,809)

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

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

(Millions of yen)

	As of March 31, 2011					As of September 30, 2011				
	Book value	Fair value	Gains/losses		Book value	Fair value	Gains/losses			
			Gains	Losses			Gains	Losses		
Held-to-maturity debt securities	427,312	436,409	9,096	9,983	886	460,231	484,605	24,373	25,341	968
Domestic bonds	378,178	387,523	9,345	9,345	-	416,483	439,797	23,314	23,547	233
Foreign bonds	49,134	48,885	(249)	637	886	43,748	44,807	1,058	1,794	735
Monetary claims bought	-	-	-	-	-	-	-	-	-	-
Negotiable certificate of deposits	-	-	-	-	-	-	-	-	-	-
Others	-	-	-	-	-	-	-	-	-	-
Policy-reserve-matching bonds	652,180	672,087	19,907	23,872	3,965	663,603	699,635	36,032	38,178	2,146
Domestic bonds	644,831	664,759	19,928	23,872	3,944	650,978	687,030	36,052	38,133	2,081
Foreign bonds	7,349	7,328	(21)	0	21	12,625	12,604	(20)	44	65
Investments in subsidiaries and affiliates	1,393	868	(524)	-	524	1,393	785	(607)	-	607
Available-for-sale securities	2,331,356	2,347,024	15,667	76,486	60,818	2,460,599	2,495,743	35,144	114,945	79,801
Domestic bonds	1,389,523	1,407,660	18,136	24,369	6,232	1,450,606	1,513,769	63,163	65,687	2,523
Domestic stocks	300,218	317,678	17,460	43,327	25,867	290,248	294,054	3,805	36,849	33,043
Foreign securities	593,121	575,527	(17,594)	7,582	25,177	667,272	640,470	(26,801)	11,748	38,549
Foreign bonds	411,835	403,179	(8,656)	4,572	13,228	464,819	458,245	(6,574)	9,408	15,982
Foreign stocks and other securities	181,285	172,347	(8,938)	3,010	11,948	202,452	182,224	(20,227)	2,339	22,567
Other securities	48,491	46,158	(2,333)	1,207	3,541	52,472	47,448	(5,023)	660	5,684
Money held in trust	-	-	-	-	-	-	-	-	-	-
Monetary claims bought	-	-	-	-	-	-	-	-	-	-
Negotiable certificate of deposits	-	-	-	-	-	-	-	-	-	-
Others	-	-	-	-	-	-	-	-	-	-
Total	3,412,242	3,456,389	44,146	110,342	66,195	3,585,828	3,680,770	94,941	178,466	83,524
Domestic bonds	2,412,533	2,459,943	47,410	57,587	10,176	2,518,067	2,640,597	122,530	127,368	4,838
Domestic stocks	300,218	317,678	17,460	43,327	25,867	290,248	294,054	3,805	36,849	33,043
Foreign securities	650,998	632,608	(18,390)	8,220	26,610	725,039	698,668	(26,370)	13,587	39,958
Foreign bonds	468,319	459,392	(8,927)	5,209	14,136	521,193	515,658	(5,535)	11,247	16,783
Foreign stocks and other securities	182,678	173,215	(9,462)	3,010	12,473	203,845	183,010	(20,834)	2,339	23,174
Other securities	48,491	46,158	(2,333)	1,207	3,541	52,472	47,448	(5,023)	660	5,684
Money held in trust	-	-	-	-	-	-	-	-	-	-
Monetary claims bought	-	-	-	-	-	-	-	-	-	-
Negotiable certificate of deposits	-	-	-	-	-	-	-	-	-	-
Others	-	-	-	-	-	-	-	-	-	-

Note: The table above includes assets which are considered appropriate to deem as securities under the Financial Instruments and Exchange Law.

· Held-to-maturity Debt Securities

(Millions of yen)

	As of March 31, 2011			As of September 30, 2011		
	Carrying value on the balance sheet	Fair value	Differences	Carrying value on the balance sheet	Fair value	Differences
Securities whose fair value exceeds the carrying value on the balance sheet	402,605	412,589	9,983	406,128	431,470	25,341
Domestic bonds	378,178	387,523	9,345	377,801	401,349	23,547
Foreign bonds	24,427	25,065	637	28,326	30,121	1,794
Money claims bought	-	-	-	-	-	-
Negotiable certificate of deposits	-	-	-	-	-	-
Others	-	-	-	-	-	-
Securities whose fair value does not exceed the carrying value on the balance sheet	24,706	23,819	(886)	54,103	53,134	(968)
Domestic bonds	-	-	-	38,681	38,448	(233)
Foreign bonds	24,706	23,819	(886)	15,421	14,686	(735)
Money claims bought	-	-	-	-	-	-
Negotiable certificate of deposits	-	-	-	-	-	-
Others	-	-	-	-	-	-

· Policy-reserve-matching Bonds

(Millions of yen)

	As of March 31, 2011			As of September 30, 2011		
	Carrying value on the balance sheet	Fair value	Differences	Carrying value on the balance sheet	Fair value	Differences
Bonds whose fair value exceeds the carrying value on the balance sheet	533,017	556,889	23,872	624,162	662,341	38,178
Domestic bonds	532,817	556,689	23,872	620,755	658,889	38,133
Foreign bonds	200	200	0	3,406	3,451	44
Others	-	-	-	-	-	-
Bonds whose fair value does not exceed the carrying value on the balance sheet	119,163	115,198	(3,965)	39,440	37,294	(2,146)
Domestic bonds	112,013	108,069	(3,944)	30,222	28,141	(2,081)
Foreign bonds	7,149	7,128	(21)	9,218	9,153	(65)
Others	-	-	-	-	-	-

· Available-for-sale Securities

(Millions of yen)

	As of March 31, 2011			As of September 30, 2011		
	Book value	Carrying value on the balance sheet	Differences	Book value	Carrying value on the balance sheet	Differences
Securities whose carrying value on the balance sheet exceeds the book value	1,288,501	1,364,988	76,486	1,774,778	1,889,723	114,945
Domestic bonds	878,177	902,546	24,369	1,422,653	1,488,340	65,687
Domestic stocks	154,257	197,585	43,327	107,670	144,519	36,849
Foreign securities	238,266	245,848	7,582	230,160	241,908	11,748
Foreign bonds	173,763	178,335	4,572	186,400	195,809	9,408
Foreign stocks	64,502	67,513	3,010	43,759	46,099	2,339
Other securities	17,800	19,007	1,207	14,294	14,954	660
Money held in trust	-	-	-	-	-	-
Money claims bought	-	-	-	-	-	-
Negotiable certificate of deposits	-	-	-	-	-	-
Others	-	-	-	-	-	-
Securities whose carrying value on the balance sheet does not exceed the book value	1,042,854	982,035	(60,818)	685,821	606,020	(79,801)
Domestic bonds	511,346	505,113	(6,232)	27,952	25,428	(2,523)
Domestic stocks	145,960	120,093	(25,867)	182,578	149,535	(33,043)
Foreign securities	354,855	329,678	(25,177)	437,111	398,562	(38,549)
Foreign bonds	238,072	224,843	(13,228)	278,419	262,436	(15,982)
Foreign stocks	116,783	104,834	(11,948)	158,692	136,125	(22,567)
Other securities	30,691	27,150	(3,541)	38,178	32,494	(5,684)
Money held in trust	-	-	-	-	-	-
Money claims bought	-	-	-	-	-	-
Negotiable certificate of deposits	-	-	-	-	-	-
Others	-	-	-	-	-	-

\* Book value of securities whose market value are deemed extremely difficult to obtain are as follows:

(Millions of yen)

	As of March 31, 2011	As of September 30, 2011
Held-to-maturity bonds	-	-
Unlisted foreign bonds	-	-
Others	-	-
Policy-reserve-matching bonds	-	-
Investments in subsidiaries and affiliates	26,616	35,616
Available-for-sale securities	17,047	18,332
Unlisted domestic stocks (except over-the-counter stocks)	8,345	8,336
Unlisted foreign stocks (except over-the-counter stocks)	500	500
Unlisted foreign bonds	-	-
Others	8,201	9,496
Total	43,664	53,949

**(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 March 31, 2011	Interest-related	Currency-related	Stock-related	Bond-related	Others	Total
Hedge accounting applied	560	(2,290)	—	—	—	(1,730)
Hedge accounting not applied	69	(5,996)	(123)	—	—	(6,049)
<b>Total</b>	<b>629</b>	<b>(8,287)</b>	<b>(123)</b>	<b>—</b>	<b>—</b>	<b>(7,780)</b>
As of September 30, 2011	Interest-related	Currency-related	Stock-related	Bond-related	Others	Total
Hedge accounting applied	396	2,721	—	—	—	3,118
Hedge accounting not applied	(89)	1,669	(117)	—	—	1,462
<b>Total</b>	<b>307</b>	<b>4,390</b>	<b>(117)</b>	<b>—</b>	<b>—</b>	<b>4,581</b>

Note: Gains and losses from applying fair value hedge accounting (currency-related, losses of ¥2,290 million as of March 31, 2011 and gains of ¥2,721 million as of September 30, 2011) 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) Hedge Accounting not Applied

· Interest-related Transactions

(Millions of yen)

	As of March 31, 2011				As of September 30, 2011			
	Notional amount/ contract value	Fair value	Gains (losses)	Notional amount/ contract value	Fair value	Gains (losses)		
								Over 1 year
<b>Over-the-counter transactions</b>								
Foreign interest rate swap contracts								
Receipt fixed, payment floating	-	-	-	-	-	-	-	
Payment fixed, receipt floating	16,404	16,404	69	7,757	7,757	(89)	(89)	
US dollar	16,404	16,404	69	7,757	7,757	(89)	(89)	
<b>Total</b>			69			(89)	(89)	

\* Interest rate swap contracts by contractual maturity dates

(Millions of yen)

	As of March 31, 2011			As of September 30, 2011		
	1 year or shorter	Over 1 year to 3 years	Over 3 years	1 year or shorter	Over 1 year to 3 years	Over 3 years
<b>Foreign interest rate swap contracts</b>						
Notional amount (receipts fixed, payments floating)	-	-	-	-	-	-
Average fixed rate (receipt)	-	-	-	-	-	-
Average floating rate (payment)	-	-	-	-	-	-
Notional amount (receipts floating, payments fixed)	-	-	16,404	-	-	7,757
Average floating rate (receipt)	-	-	0.31%	-	-	0.34%
US dollar	-	-	0.31%	-	-	0.34%
Average fixed rate (payment)	-	-	3.49%	-	-	2.22%
US dollar	-	-	3.49%	-	-	2.22%

Note: No ending balance of Yen interest rate swap contracts as of March 31, 2011 and September 30, 2011.

· Currency-related Transactions

(Millions of yen)

	As of March 31, 2011				As of September 30, 2011			
	Notional amount/ contract value		Fair value	Gains (losses)	Notional amount/ contract value		Fair value	Gains (losses)
		Over 1 year				Over 1 year		
<b>Over-the-counter transactions</b>								
Currency forward contracts								
Sold	212,028	-	218,024	(5,996)	165,690	-	163,996	1,693
US dollar	93,515	-	94,762	(1,247)	66,688	-	66,661	27
Euro	28,042	-	28,975	(932)	47,861	-	47,026	835
British pound	11,809	-	12,030	(220)	25,452	-	25,137	315
Canadian dollar	38,861	-	40,168	(1,306)	21,852	-	21,427	425
Australian dollar	39,798	-	42,087	(2,289)	3,834	-	3,743	91
Singapore dollar	0	-	0	(0)	0	-	0	(0)
Bought	-	-	-	-	-	-	-	-
Currency Options								
Sold								
Calls	-	-	-	-	15,731	-	-	-
US dollar	[ - ]	-	-	-	[ 63 ]	-	7	55
Puts	-	-	-	-	-	-	-	-
US dollar	[ - ]	-	-	-	[ - ]	-	-	-
Bought								
Calls	-	-	-	-	-	-	-	-
US dollar	[ - ]	-	-	-	[ 86 ]	-	6	(80)
Puts	-	-	-	-	15,000	-	-	-
US dollar	[ - ]	-	-	-	[ 86 ]	-	6	(80)
<b>Total</b>				<b>(5,996)</b>				<b>1,669</b>

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

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

· Stock-related Transactions

(Millions of yen)

	As of March 31, 2011				As of September 30, 2011			
	Notional amount/ contract value		Fair value	Gains (losses)	Notional amount/ contract value		Fair value	Gains (losses)
		Over 1 year				Over 1 year		
<b>Exchange-traded transactions</b>								
Yen stock index futures								
Sold	9,636	-	9,760	(123)	3,797	-	3,915	(117)
Bought	-	-	-	-	-	-	-	-
<b>Total</b>				<b>(123)</b>				<b>(117)</b>

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

· Bond-related Transactions

No ending balance of bond-related transactions as of September 30, 2011 and March 31, 2011.



## (iii) Hedge Accounting Applied

## · Interest-related Transactions

[As of March 31, 2011]

(Millions of yen)

Method of hedge accounting	Hedging instruments	Hedged items	Notional amount / contract value		Fair value
				Over 1 year	
Deferral hedge method	Yen interest rate swap contracts	Loans			
	Receipt fixed, payment floating		39,863	17,905	560
	Payment fixed, receipt floating		-	-	-
Total					

\* Interest rate swap contracts by contractual maturity dates

(Millions of yen)

	1 year or shorter	Over 1 year to 3 years	Over 3 years
Notional amount (receipts fixed, payments floating)	21,958	17,000	905
Average fixed rate (receipt)	1.35%	1.64%	2.28%
Average floating rate (payment)	0.45%	0.62%	1.25%
Notional amount (receipts floating, payments fixed)	-	-	-
Average floating rate (receipt)	-	-	-
Average fixed rate (payment)	-	-	-

[As of September 30, 2011]

(Millions of yen)

Method of hedge accounting	Hedging instruments	Hedged items	Notional amount / contract value		Fair value
				Over 1 year	
Deferral hedge method	Interest rate swap contracts	Loans			
	Receipt fixed, payment floating		32,760	12,802	396
	Payment fixed, receipt floating		-	-	-
Total					

\* Interest rate swap contracts by contractual maturity dates

(Millions of yen)

	1 year or shorter	Over 1 year to 3 years	Over 3 years
Notional amount (receipts fixed, payments floating)	19,958	12,000	802
Average fixed rate (receipt)	1.44%	1.65%	2.29%
Average floating rate (payment)	0.50%	0.59%	1.24%
Notional amount (receipts floating, payments fixed)	-	-	-
Average floating rate (receipt)	-	-	-
Average fixed rate (payment)	-	-	-

Note: No ending balance of foreign interest rate swap contracts as of March 31, 2011 and September 30, 2011.

## · Currency-related Transactions

[As of March 31, 2011]

(Millions of yen)

Method of hedge accounting	Hedging instruments	Hedged items	Notional amount / contract value		Fair Value
				Over 1 year	
Fair value hedge method	Currency forward contracts	Foreign currency-denominated bonds			
	Sold		130,705	-	132,995
	US dollar		94,589	-	95,095
	Euro		27,878	-	29,370
	Australian dollar		8,237	-	8,530
	Bought	-	-	-	
Total					

[As of September 30, 2011]

(Millions of yen)

Method of hedge accounting	Hedging instruments	Hedged items	Notional amount / contract value		Fair Value
				Over 1 year	
Fair value hedge method	Currency forward contracts	Foreign currency-denominated bonds			
	Sold		122,651	-	119,929
	US dollar		86,607	-	86,472
	Euro		28,047	-	26,010
	Australian dollar		7,996	-	7,446
	Bought	-	-	-	
Total					

Notes 1. Forward exchange rates are used for exchange rates as of the end of fiscal period.

2. 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 sheet, those currency forward contracts are excluded from the table above.

## · Stock-related Transactions

No ending balance as of March 31, 2011 and September 30, 2011.

## · Bond-related Transactions

No ending balance as of March 31, 2011 and September 30, 2011.

## 11. Status of the Company, Subsidiaries and Affiliates

### (1) Selected Financial Data

(Millions of yen)

	Year ended March 31, 2011	Six months ended September 30, 2011
Ordinary revenues	795,010	597,043
Ordinary profits	40,995	18,742
Net surplus for the period	28,100	17,660
Comprehensive income	30,952	31,302

	As of March 31, 2011	As of September 30, 2011
Total assets	6,670,346	6,793,397

### (2) Scope of consolidation and application of equity method

Number of consolidated subsidiaries: 6

Number of unconsolidated subsidiaries accounted for under the equity method: 0

Number of affiliates accounted for under the equity method: 0

## (3) Consolidated Balance Sheets

(Millions of yen)

	As of March 31, 2011	As of September 30, 2011
<b>Assets:</b>		
Cash and deposits	314,392	79,673
Call loans	-	98,700
Monetary claims bought	1,424	1,386
Money held in trust	33,169	34,219
Securities	4,681,280	5,052,410
Loans	1,146,719	1,094,285
Tangible fixed assets	284,863	279,398
Intangible fixed assets	15,712	14,978
Agency receivables	4	3
Reinsurance receivables	174	117
Other assets	106,524	59,503
Deferred tax assets	88,745	81,234
Allowance for possible loan losses	(2,665)	(2,514)
<b>Total assets</b>	<b>6,670,346</b>	<b>6,793,397</b>

	As of March 31, 2011	As of September 30, 2011
<b>Liabilities:</b>		
Policy reserves	6,202,567	6,405,969
Reserve for outstanding claims	32,792	23,440
Policy reserve	6,115,914	6,317,149
Reserve for dividends to policyholders	53,205	64,828
Reserve for dividends to policyholders (subsidiary)	654	551
Agency payables	1,685	1,394
Reinsurance payables	100	103
Subordinated bonds	35,214	31,182
Other liabilities	129,127	53,238
Reserve for employees' retirement benefits	50,153	46,903
Reserve for price fluctuation of securities	33,865	35,023
Deferred tax liabilities for revaluation reserve for land	19,936	19,064
<b>Total liabilities</b>	<b>6,472,650</b>	<b>6,592,878</b>
<b>Net assets:</b>		
Foundation funds	40,000	35,000
Accumulated foundation funds redeemed	46,000	71,000
Reserve for revaluation	112	112
Consolidated surplus	98,228	66,892
Total foundation funds, surplus and others	184,340	173,004
Net unrealized gains (losses) on available-for-sale securities, net of tax	10,006	23,449
Deferred valuation gains (losses) under hedge accounting	365	259
Revaluation reserve for land, net of tax	1,366	87
Foreign currency translation adjustment	(761)	(744)
Total accumulated other comprehensive income	10,977	23,052
Minority interests	2,378	4,461
<b>Total net assets</b>	<b>197,696</b>	<b>200,518</b>
<b>Total liabilities and net assets</b>	<b>6,670,346</b>	<b>6,793,397</b>

## (4) Consolidated Statements of Operations and Comprehensive Income

[Consolidated Statements of Operations]

(Millions of yen)

	Six months ended September 30, 2010	Six months ended September 30, 2011
<b>Ordinary revenues:</b>		
Premium and other income	701,099	500,799
Investment income	84,237	81,188
[Interest, dividends and other income]	[59,936]	[64,095]
[Gains from money held in trust, net]	[163]	[ - ]
[Gains on sales of securities]	[16,187]	[5,436]
[Gains from derivative instruments, net]	[7,833]	[11,242]
Other ordinary revenues	9,673	15,054
[Reversal of reserve for outstanding claims]	[3,591]	[9,352]
<b>Total ordinary revenues</b>	<b>795,010</b>	<b>597,043</b>
<b>Ordinary expenditures:</b>		
Claims and other payments	358,966	271,251
[Claims]	[116,419]	[86,943]
[Annuities]	[44,560]	[47,052]
[Benefits]	[99,939]	[67,232]
[Surrenders]	[86,916]	[54,765]
[Other payments]	[10,882]	[15,032]
Provision for policy reserve and others	299,692	201,280
Provision for policy reserve	299,625	201,234
Interest on accumulated dividends to policyholders	65	45
Interest on accumulated dividends to policyholders (subsidiary)	0	0
Investment expenses	25,843	43,357
[Interest expenses]	[712]	[639]
[Losses from money held in trust, net]	[ - ]	[779]
[Losses from trading securities, net]	[3,114]	[8,230]
[Losses on sales of securities]	[5,587]	[8,449]
[Losses on valuation of securities]	[4,077]	[11,833]
[Losses from separate accounts, net]	[5,728]	[5,954]
Operating expenses	57,244	51,229
Other ordinary expenditures	12,269	11,181
<b>Total ordinary expenditures</b>	<b>754,015</b>	<b>578,301</b>
<b>Ordinary profits</b>	<b>40,995</b>	<b>18,742</b>
<b>Extraordinary gains:</b>		
Gains on disposal of fixed assets	0	4,639
Reversal of allowance for possible loan losses	76	-
Gain on change in equity	-	55
<b>Total extraordinary gains</b>	<b>77</b>	<b>4,694</b>
<b>Extraordinary losses:</b>		
Losses on disposal of fixed assets	28	55
Impairment losses	239	284
Provision for reserve for price fluctuation of securities	1,070	1,158
Losses on reduction entry of real estate for tax purpose	-	9
Effect of applying the accounting standard for asset retirement obligations	967	-
<b>Total extraordinary losses</b>	<b>2,306</b>	<b>1,507</b>
<b>Provision for reserve for dividends to policyholders (subsidiary)</b>	<b>185</b>	<b>216</b>
<b>Surplus before income taxes</b>	<b>38,580</b>	<b>21,712</b>
Income taxes - current	12,551	4,919
Income taxes - deferred	(2,142)	(1,013)
<b>Total income taxes</b>	<b>10,409</b>	<b>3,906</b>
<b>Net surplus before minority interests</b>	<b>28,171</b>	<b>17,806</b>
<b>Minority interests</b>	<b>71</b>	<b>145</b>
<b>Net surplus for the period</b>	<b>28,100</b>	<b>17,660</b>

## (4) Consolidated Statements of Operations and Comprehensive Income (Continued)

[Consolidated Statements of Comprehensive Income]

(Millions of yen)

	Six months ended September 30, 2010	Six months ended September 30, 2011
Net surplus before minority interests	28,171	17,806
Other comprehensive income	2,780	13,496
Net unrealized gains (losses) on available-for-sale securities, net of tax	2,928	13,585
Deferred valuation gains (losses) under hedge accounting	(53)	(106)
Foreign currency translation adjustment	(94)	17
Comprehensive income	30,952	31,302
Comprehensive income attributable to parent company	30,727	31,013
Comprehensive income attributable to minority interests	224	288

## (5) Consolidated Statements of Cash Flows

(Millions of yen)

	Six months ended September 30, 2010	Six months ended September 30, 2011
<b>Cash flows from operating activities:</b>		
Surplus before income taxes	38,580	21,712
Depreciation of real estate for rent and other assets	2,393	3,228
Depreciation	2,855	2,812
Impairment losses	239	284
Amortization of goodwill	391	381
Increase (Decrease) in reserve for outstanding claims	(3,591)	(9,352)
Increase (Decrease) in policy reserve	299,625	201,234
Interest on accumulated dividends to policyholders	65	45
Interest on accumulated dividends to policyholders (subsidiary)	0	0
Provision for reserve for dividends to policyholders (subsidiary)	185	216
Increase (Decrease) in allowance for possible loan losses	134	(150)
Increase (Decrease) in reserve for employees' retirement benefits	234	(3,250)
Increase (Decrease) in reserve for price fluctuation of securities	1,070	1,158
Interest, dividends and other income	(59,936)	(64,095)
(Gains) Losses on securities	(5,676)	18,230
Interest expenses	712	639
Foreign exchange (gains) losses, net	2,082	1,947
(Gains) Losses on tangible fixed assets	993	(4,585)
Others	19,118	16,890
Subtotal	299,478	187,349
Interest, dividends and other income received	63,548	69,512
Interest paid	(1,534)	(1,413)
Dividends to policyholders paid	(11,006)	(12,804)
Dividends to policyholders paid (subsidiary)	(300)	(319)
Corporate income tax (paid) refunded	(2,305)	(12,436)
Net cash provided by (used in) operating activities (I)	347,880	229,888
<b>Cash flows from investing activities:</b>		
(Increase) Decrease in deposits	(1)	259
Proceeds from sales and redemption of monetary claims bought	256	37
Payments for increase in money held in trust	(3,500)	(9,800)
Proceeds from decrease in money held in trust	3,581	7,929
Payments for purchase of securities	(1,138,814)	(731,531)
Proceeds from sales and redemption of securities	784,224	311,806
Payments for additions to loans	(57,406)	(43,287)
Proceeds from collections of loans	92,210	89,844
Proceeds from settlement of derivatives	6,277	4,015
Others	5,999	3,697
Subtotal (IIa)	(307,172)	(367,027)
(I+IIa)	40,707	(137,139)
Payments for purchase of tangible fixed assets	(888)	(1,069)
Proceeds from sales of tangible fixed assets	8	7,039
Payments for purchase of intangible fixed assets	(631)	(637)
Net cash provided by (used in) investing activities	(308,683)	(361,695)

## (5) Consolidated Statements of Cash Flows (Continued)

(Millions of yen)

	Six months ended September 30, 2010	Six months ended September 30, 2011
<b>Cash flows from financing activities:</b>		
Financing of additional foundation funds	-	20,000
Redemption of foundation funds	-	(25,000)
Interest payment for foundation funds	(892)	(892)
Proceeds from stock issuance to minority shareholders	-	1,999
Dividends paid to minority interests	(15)	(12)
Payments for lease obligations	(59)	(104)
Net cash provided by (used in) financing activities	(967)	(4,009)
<b>Effect of exchange rate changes on cash and cash equivalents</b>	(514)	51
<b>Net increase (decrease) in cash and cash equivalents</b>	37,714	(135,765)
<b>Cash and cash equivalents at the beginning of the period</b>	173,885	313,939
<b>Cash and cash equivalents at the end of the period</b>	211,600	178,173

## (6) Consolidated Statements of Changes in Net Assets

(Millions of yen)

	Six months ended September 30, 2010	Six months ended September 30, 2011
<b>Foundation funds, surplus and others</b>		
Foundation funds		
Balance at the beginning of current period	40,000	40,000
Changes in the current period		
Financing of additional foundation funds	-	20,000
Redemption of foundation funds	-	(25,000)
Total changes in the current period	-	(5,000)
Balance at the end of current period	40,000	35,000
Accumulated foundation funds redeemed		
Balance at the beginning of current period	46,000	46,000
Changes in the current period		
Additions to accumulated foundation funds redeemed	-	25,000
Total changes in the current period	-	25,000
Balance at the end of current period	46,000	71,000
Reserve for revaluation		
Balance at the beginning of current period	112	112
Changes in the current period		
Total changes in the current period	-	-
Balance at the end of current period	112	112
Consolidated surplus		
Balance at the beginning of current period	77,020	98,228
Changes in the current period		
Additions to reserve for dividends to policyholders	(19,505)	(24,381)
Payment of interest on foundation funds	(892)	(892)
Net surplus for the period	28,100	17,660
Reversal of reserve for redemption of foundation funds	-	(25,000)
Reversal of revaluation reserve for land	(662)	1,278
Total changes in the current period	7,039	(31,335)
Balance at the end of current period	84,059	66,892
Total foundation funds, surplus and others		
Balance at the beginning of current period	163,132	184,340
Changes in the current period		
Financing of additional foundation funds	-	20,000
Additions to reserve for dividends to policyholders	(19,505)	(24,381)
Additions to accumulated foundation funds redeemed	-	25,000
Payment of interest on foundation funds	(892)	(892)
Net surplus for the period	28,100	17,660
Redemption of foundation funds	-	(25,000)
Reversal of reserve for redemption of foundation funds	-	(25,000)
Reversal of revaluation reserve for land	(662)	1,278
Total changes in the current period	7,039	(11,335)
Balance at the end of current period	170,171	173,004



## (6) Consolidated Statements of Changes in Net Assets (Continued)

(Millions of yen)

	Six months ended September 30, 2010	Six months ended September 30, 2011
<b>Accumulated other comprehensive income</b>		
Net unrealized gains (losses) on available-for-sale securities, net of tax		
Balance at the beginning of current period	48,045	10,006
Changes in the current period		
Net changes, excluding foundation funds, surplus and others	2,775	13,442
Total changes in the current period	2,775	13,442
Balance at the end of current period	50,820	23,449
Deferred valuation gains (losses) under hedge accounting		
Balance at the beginning of current period	538	365
Changes in the current period		
Net changes, excluding foundation funds, surplus and others	(53)	(106)
Total changes in the current period	(53)	(106)
Balance at the end of current period	484	259
Revaluation reserve for land, net of tax		
Balance at the beginning of current period	773	1,366
Changes in the current period		
Net changes, excluding foundation funds, surplus and others	662	(1,278)
Total changes in the current period	662	(1,278)
Balance at the end of current period	1,436	87
Foreign currency translation adjustment		
Balance at the beginning of current period	(583)	(761)
Changes in the current period		
Net changes, excluding foundation funds, surplus and others	(94)	17
Total changes in the current period	(94)	17
Balance at the end of current period	(677)	(744)
Total accumulated other comprehensive income		
Balance at the beginning of current period	48,774	10,977
Changes in the current period		
Net changes, excluding foundation funds, surplus and others	3,289	12,075
Total changes in the current period	3,289	12,075
Balance at the end of current period	52,064	23,052
<b>Minority interests</b>		
Balance at the beginning of current period	2,513	2,378
Changes in the current period		
Net changes, excluding foundation funds, surplus and others	209	2,082
Total changes in the current period	209	2,082
Balance at the end of current period	2,722	4,461
<b>Total net assets</b>		
Balance at the beginning of current period	214,419	197,696
Changes in the current period		
Financing of additional foundation funds	-	20,000
Additions to reserve for dividends to policyholders	(19,505)	(24,381)
Additions to accumulated foundation funds redeemed	-	25,000
Payment of interest on foundation funds	(892)	(892)
Net surplus for the period	28,100	17,660
Redemption of foundation funds	-	(25,000)
Reversal of reserve for redemption of foundation funds	-	(25,000)
Reversal of revaluation reserve for land	(662)	1,278
Net changes, excluding foundation funds, surplus and others	3,499	14,157
Total changes in the current period	10,538	2,822
Balance at the end of current period	224,958	200,518

# Notes to the Consolidated Financial Statements

## I. Presentation of the Consolidated Financial Statements

### 1. Basis of Presentation

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

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

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

### 2. Principles of Consolidation

#### (1) Scope of Consolidation

Consolidated subsidiaries for the six months ended September 30, 2011 are listed below:

- Fukoku Shinyo Hoshō 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 period 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 six months ended September 30, 2011.

#### (3) Interim Closing Date of Consolidated Subsidiaries

Among the subsidiaries to be consolidated, the interim closing date of overseas subsidiaries is June 30. For the preparation of consolidated financial statements, financial statements as of that date are used and concerning any important transaction taking place in between June 30 and September 30, necessary adjustments for consolidation are made.

## II. Notes to 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 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 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 whose fair market 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
  - iii) Acquired on or after April 1, 2007: Straight-line method
- Assets other than buildings (excluding lease assets)
  - i) Acquired on or before March 31, 2007: Previous declining-balance method
  - ii) Acquired on or after April 1, 2007: Declining-balance method

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

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

#### **(5) Foreign Currency Translation**

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

#### **(6) Allowance for Possible Loan Losses**

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

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

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

For the credits of legally bankrupt borrowers and substantially bankrupt borrowers, the amounts remaining after deductions of collateral value or the amounts collectible through the execution of guarantees is written-off directly from the borrower's balance as the estimated uncollectible amounts. The amount written-off as of September 30, 2011 was ¥404 million.

#### **(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 plan to defined benefit pension plan, and part of lump sum benefit plan to defined contribution pension plan 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 "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 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) Amortization Method for Intangible Fixed Assets**

Intangible fixed assets are amortized as follows:

- i) Software for internal use is amortized based on a straight-line method over the estimated useful lives.
- ii) Lease assets are amortized based on a straight-line method over the lease terms.

## **(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).

## 2. Changes in Presentation

Effective for the six months ended September 30, 2011, 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”.

## 3. Financial Instruments

The carrying amounts, fair values and their related differences of major financial assets and liabilities as of September 30, 2011 were as follows:

	Carrying amount	Fair value	Difference
			(Millions of yen)
Monetary claims bought:			
Claims treated as loans .....	¥ 1,386	¥ 1,410	¥ 24
Total monetary claims bought .....	1,386	1,410	24
Money held in trust:			
Trading securities.....	33,219	33,219	
Total money held in trust.....	33,219	33,219	
Securities:			
Trading securities.....	203,930	203,930	
Held-to-maturity debt securities.....	760,256	794,055	33,799
Policy-reserve-matching bonds .....	1,368,437	1,425,666	57,229
Available-for-sale securities .....	2,630,139	2,630,139	
Total securities .....	4,962,764	5,053,792	91,028
Loans:			
Policy loans.....	73,279	73,279	(0)
Ordinary loans .....	1,021,006	1,053,905	32,899
Total loans.....	1,094,285	1,127,184	32,898
Derivative instruments:			
Hedge accounting not applied.....	1,462	1,462	
Hedge accounting applied .....	3,118	3,118	
Total derivative instruments .....	¥ 4,581	¥ 4,581	¥

- (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 balance

sheet date. 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 as of September 30, 2011 were ¥398 million, ¥8,837 million and ¥9,496 million, 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 borrowers who are not currently bankrupt but have a high possibility of bankruptcy and monetary claims bought treated as loans are computed by deducting the amount of the allowance for doubtful accounts from the 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**

Information on the carrying amounts and the fair values of investment and rental properties the Company holds is omitted from the notes because there were not significant changes in those figures compared to the end of previous fiscal year.

#### **5. Loans Receivable**

The amounts of credits to bankrupt borrowers, delinquent loans and restructured loans, which were included in loans, were ¥263 million, ¥889 million and ¥2,311 million, respectively and their total amount was ¥3,463 million as of September 30, 2011. There was no balance of delinquent loans past 3 months or more as of September 30, 2011.

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 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 ¥13 million and delinquent loans described above by ¥383 million as of September 30, 2011.

## 6. Accumulated Depreciation of Tangible Fixed Assets

Accumulated depreciation of tangible fixed assets totaled to ¥133,739 million as of September 30, 2011.

## 7. Separate Accounts

Total assets in separate accounts provided for in Article 118 of the Insurance Business Law were ¥74,049 million as of September 30, 2011. The amount of separate account liabilities was the same as separate account assets.

## 8. Reserve for Dividends to Policyholders

Changes in reserve for dividends to policyholders for the six months ended September 30, 2011 were as follows:

	(Millions of yen)
Balance at the beginning of current period.....	¥ 53,205
Transfer from surplus in previous fiscal year .....	24,381
Dividends paid in the current period .....	(12,804)
Increase in interest .....	45
Balance at the end of current period .....	<u>¥ 64,828</u>

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

Changes in reserve for dividends to policyholders for the six months ended September 30, 2011 were as follows:

	(Millions of yen)
Balance at the beginning of current period.....	¥ 654
Dividends paid in the current period .....	(319)
Increase in interest .....	0
Provision for reserve for dividends to policyholders ...	216
Balance at the end of current period .....	<u>¥ 551</u>

## 10. Stocks of Unconsolidated Subsidiaries

The amount of stocks of unconsolidated subsidiaries the Company held as of September 30, 2011 was ¥398 million.

## 11. Pledged Assets and Secured Debts

Assets pledged as collateral as of September 30, 2011 were ¥23,029 million of securities. Secured debts as of September 30, 2011 were ¥4,702 million.



## **12. 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 ¥26 million as of September 30, 2011.

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 ¥58 million as of September 30, 2011.

## **13. Additional Foundation Funds**

The Company raised additional foundation funds of ¥20,000 million during the six months ended September 30, 2011 in accordance with Article 60 of the Insurance Business Law.

## **14. Redemption of Foundation Funds**

In the six months ended September 30, 2011, in connection with the redemption of foundation funds of ¥25,000 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.

## **15. Commitment Line**

As of September 30, 2011, there were unused commitment line agreements under which the Company is the lender of ¥2,092 million.

## **16. Subordinated Bonds**

Repayments of subordinated bonds are subordinated to other obligations.

## **17. 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 ¥11,754 million as of September 30, 2011. The contribution was charged as operating expenses in the year in which it was paid.

# **III. Notes to Statement of Operations**

## **1. Policy Reserves for the Reinsurance Contracts**

For the six months ended September 30, 2011, reversal of reserve for outstanding claims for ceded reinsurance considered in calculation of reversal of reserve for outstanding claims was ¥16 million and provision for policy reserve for ceded reinsurance considered in calculation of provision for policy reserve was ¥3 million.

# **IV. Notes to Statement of Cash Flows**

## **1. Scope of Cash and Cash Equivalents**

Cash and cash equivalents as of September 30, 2011 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 statement of cash flows to the

consolidated balance sheet account as of September 30, 2011 were as follows:

	(Millions of yen)
Cash and deposits .....	¥ 79,673
Call loans .....	98,700
Monetary claims bought.....	1,386
Time deposits maturing over 3 months of the date of acquisition .....	(200)
Monetary claims bought maturing over 3 months of the date of acquisition .....	(1,386)
Cash and cash equivalents.....	<u>¥ 178,173</u>