

## Financial Results for the Year Ended March 31, 2012

Fukoku Mutual Life Insurance Company (President: Yoshiteru Yoneyama) announces financial result for the year ended March 31, 2012.

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Attached: Supplementary Materials for the Year Ended March 31, 2012

# Financial Summary for the Year Ended March 31, 2012

## 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 March 31, 2012			
	Number of policies		Amount		Number of policies		Amount	
	(Thousands)	Changes (% YoY)	(100 millions of yen)	Changes (% YoY)	(Thousands)	Changes (% YoY)	(100 millions of yen)	Changes (% YoY)
Individual insurance	2,967	100.1	270,750	94.9	2,983	100.5	259,536	95.9
Individual annuities	755	100.9	29,754	99.8	770	102.0	29,989	100.8
<b>Subtotal</b>	<b>3,722</b>	<b>100.2</b>	<b>300,504</b>	<b>95.4</b>	<b>3,753</b>	<b>100.8</b>	<b>289,526</b>	<b>96.3</b>
Group insurance	-	-	162,472	101.8	-	-	160,562	98.8
Group annuities	-	-	19,664	98.2	-	-	19,720	100.3

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 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

Year ended March 31, 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	411	94.0	11,885	98.4	14,757	95.6	(2,871)	-
Individual annuities	37	95.1	1,209	95.8	1,238	96.0	(29)	-
<b>Subtotal</b>	<b>449</b>	<b>94.1</b>	<b>13,094</b>	<b>98.2</b>	<b>15,995</b>	<b>95.7</b>	<b>(2,901)</b>	<b>-</b>
Group insurance	-	-	529	102.8	529	102.8	-	-
Group annuities	-	-	4	511.9	4	511.9	-	-

Year ended March 31, 2012	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	387	94.0	13,310	112.0	15,226	103.2	(1,916)	-
Individual annuities	43	115.7	1,427	118.1	1,452	117.2	(24)	-
<b>Subtotal</b>	<b>430</b>	<b>95.8</b>	<b>14,737</b>	<b>112.6</b>	<b>16,678</b>	<b>104.3</b>	<b>(1,940)</b>	<b>-</b>
Group insurance	-	-	185	35.0	185	35.0	-	-
Group annuities	-	-	0	17.4	0	17.4	-	-

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)

	Year ended March 31, 2011		Year ended March 31, 2012	
		Changes(% YoY)		Changes(% YoY)
Amount of surrender and lapses (100 millions of yen)	17,684	92.7	16,469	93.1
Surrender and lapse ratio(%)	5.61	(0.13)	5.48	(0.13)

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 March 31, 2012	
		Changes (%, YoY)		Changes (%, YoY)
Individual insurance	2,848	97.0	2,809	98.6
Individual annuities	1,269	101.4	1,302	102.6
Total	4,118	98.3	4,111	99.8
Medical coverage and living benefits	1,018	101.0	1,035	101.7

### (ii) New Policies

(100 millions of yen except percentage)

	Year ended March 31, 2011		Year ended March 31, 2012	
		Changes (%, YoY)		Changes (%, YoY)
Individual insurance	195	100.6	205	105.0
Individual annuities	55	94.3	63	115.6
Total	250	99.2	268	107.4
Medical coverage and living benefits	76	87.9	83	108.7

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.)

Notes: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.

Notes:3. Amounts of new policies include net increase by conversion.

## (3) Selected Items of Statements of Operations

(100 millions of yen except percentage)

	Year ended March 31, 2011		Year ended March 31, 2012	
		Changes (%, YoY)		Changes (%, YoY)
Premium and other income	6,658	106.7	5,899	88.6
Investment income	1,464	99.1	1,456	99.5
Claims and other payments	6,140	108.8	4,827	78.6
Investment expenses	500	71.3	546	109.1
Ordinary profits	590	179.0	504	85.5

## (4) Statements of Surplus

(100 millions of yen except percentage)

	Year ended March 31, 2011		Year ended March 31, 2012	
		Changes (%, YoY)		Changes (%, YoY)
Unappropriated surplus	695	128.6	578	83.2
Reserve for dividends to policyholders	243	125.0	239	98.4
Net surplus	169	285.0	135	79.9
Unappropriated surplus carried forward	282	98.6	203	72.0

Note: Unappropriated surplus for the years ended March 31, 2011 and 2012 included reversal of voluntary surplus reserve of ¥7 million and ¥7 million, respectively.

## (5) Total Assets

(100 millions of yen except percentage)

	As of March 31, 2011		As of March 31, 2012	
		Changes (%, YoY)		Changes (%, YoY)
Total assets	56,752	101.1	56,995	100.4

## 2. Policies in Force by Coverage Type

[As of March 31, 2012]

(Thousands of number, 100 millions of yen)

	Individual insurance		Individual annuities		Group insurance		Total	
	Number	Amount	Number	Amount	Number	Amount	Number	Amount
Death coverage								
Illness and accident	1,891	190,353	-	959	18,436	160,534	20,327	351,848
Accident	1,473	31,982	301	836	2,624	6,350	4,399	39,170
Others	-	-	-	-	0	7	0	7
Survival coverage	1,092	65,190	770	29,029	8	28	1,870	94,249
Hospitalization coverage								
Accident	1,486	86	-	-	1,151	3	2,638	90
Illness	1,484	86	-	-	-	-	1,484	86
Others	2,001	100	-	-	0	0	2,002	100
Injury coverage	1,391	-	4	-	2,121	-	3,517	-
Surgical coverage	3,386	-	-	-	-	-	3,386	-
Disability coverage	64	3,991	0	0	-	-	64	3,991

(Thousands of number, 100 millions of yen)

	Group annuities		Worker's asset formation insurance and annuities		Total	
	Number	Amount	Number	Amount	Number	Amount
Survival coverage	10,115	19,720	18	354	10,133	20,075

(Thousands of number, millions of yen)

	Medical care insurance	
	Number	Amount
Hospitalization coverage	337	120

(Thousands of number, millions of yen)

	Group disability insurance	
	Number	Amount
Disability coverage	4	38

- Notes: 1. Number of group insurance, group annuities, worker's asset formation insurance and annuities, medical care insurance and group disability insurance show the number of insured.
2. Amounts in survival coverage for individual insurance and group insurance (other than annuity rider) show the sum of survival benefits, survival claims and nursing care benefits. Amounts in survival coverage for individual annuities, annuity rider for group insurance, worker's asset formation annuities (other than worker's asset formation funding annuities) show the sum of (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. Amounts in survival coverage for group annuities, worker's asset formation insurance and worker's asset formation funding annuities show the amount of outstanding policy reserve.
3. Amounts in hospitalization coverage show daily hospitalization benefits.
4. Amount in hospitalization coverage for medical care insurance shows daily hospitalization benefits due to illness.
5. Amount for group disability insurance shows monthly disability benefits.

### 3. Investment Activities of General Account Assets

#### (1) Asset Composition

(Millions of yen)

	As of March 31, 2011		As of March 31, 2012	
	Amount	Percentage	Amount	Percentage
Cash, deposits, call loans	237,739	4.2 %	94,857	1.7 %
Monetary claims bought	1,424	0.0	1,351	0.0
Money held in trust	33,169	0.6	35,194	0.6
Securities	3,699,745	66.1	4,075,938	72.5
Domestic bonds	2,430,669	43.4	2,737,371	48.7
Domestic stocks	352,641	6.3	353,248	6.3
Foreign securities	862,075	15.4	927,377	16.5
Foreign bonds	687,834	12.3	729,001	13.0
Foreign stocks and other securities	174,240	3.1	198,375	3.5
Other securities	54,359	1.0	57,940	1.0
Loans	1,143,863	20.4	1,039,363	18.5
Policy loans	71,479	1.3	70,164	1.2
Ordinary loans	1,072,383	19.2	969,199	17.2
Real estate	281,288	5.0	273,246	4.9
Deferred tax assets	87,332	1.6	47,130	0.8
Others	112,466	2.0	54,482	1.0
Allowance for possible loan losses	(2,513)	(0.0)	(2,299)	(0.0)
Total	5,594,517	100.0	5,619,265	100.0
Foreign currency denominated assets	696,207	12.4	770,441	13.7

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

(Millions of yen)

	Year ended March 31, 2011	Year ended March 31, 2012
Cash, deposits, call loans	77,735	(142,881)
Monetary claims bought	(327)	(73)
Money held in trust	267	2,024
Securities	(11,085)	376,192
Domestic bonds	(135,308)	306,702
Domestic stocks	(120,576)	606
Foreign securities	240,002	65,302
Foreign bonds	240,921	41,167
Foreign stocks and other securities	(919)	24,134
Other securities	4,796	3,581
Loans	(77,082)	(104,500)
Policy loans	(2,706)	(1,315)
Ordinary loans	(74,375)	(103,184)
Real estate	5,456	(8,041)
Deferred tax assets	25,162	(40,201)
Others	55,045	(57,984)
Allowance for possible loan losses	(83)	213
Total	75,088	24,747
Foreign currency denominated assets	237,512	74,233

## (3) Investment Income

(Millions of yen)

	Year ended March 31, 2011	Year ended March 31, 2012
Interest, dividends and other income	111,965	113,517
Interest from deposits	899	93
Interest and dividends from securities	72,789	76,265
Interest from loans	23,883	22,163
Income from real estate for rent	14,141	14,775
Other interest and dividends	252	219
Gains from money held in trust, net	361	162
Gains from trading securities, net	-	12,872
Gains on sales of securities	30,455	16,854
Gains on sales of domestic bonds	19,211	11,747
Gains on sales of domestic stocks	11,239	3,780
Gains on sales of foreign securities	4	1,326
Others	-	-
Gains on redemption of securities	-	338
Gains from derivative instruments, net	3,335	-
Foreign exchange gains, net	-	-
Reversal of allowance for possible loan losses	-	103
Other investment income	281	148
Total	146,400	143,996

## (4) Investment Expenses

(Millions of yen)

	Year ended March 31, 2011	Year ended March 31, 2012
Interest expenses	1,525	1,409
Losses from trading securities, net	5,069	-
Losses on sales of securities	20,418	24,925
Losses on sales of domestic bonds	908	1,324
Losses on sales of domestic stocks	13,036	17,027
Losses on sales of foreign securities	6,473	6,573
Losses on valuation of securities	5,922	7,986
Losses on valuation of domestic bonds	-	1,444
Losses on valuation of domestic stocks	5,870	6,017
Losses on valuation of foreign securities	52	-
Others	-	524
Losses from derivative instruments, net	-	5,725
Foreign exchange losses, net	2,654	1,874
Depreciation of real estate for rent and other assets	5,732	6,477
Other investment expenses	5,717	6,208
Total	47,040	54,608

## (5) Net Investment Income

(Millions of yen)

	Year ended March 31, 2011	Year ended March 31, 2012
Net investment income	99,359	89,388

(6) Other Information on Investments

(i) Investment Yield by Asset Categories

(%)

	Year ended March 31, 2011	Year ended March 31, 2012
Cash, deposits, call loans	0.15	0.09
Monetary claims bought	1.07	(2.37)
Money held in trust	1.10	0.47
Securities	1.87	1.59
Domestic bonds	2.47	2.19
Domestic stocks	0.39	(3.58)
Foreign securities	0.94	2.00
Foreign bonds	1.09	2.27
Foreign stocks and other securities	0.42	0.97
Loans	2.02	2.04
Ordinary loans	1.86	1.88
Real estate	1.72	1.48
Total	1.80	1.60
Overseas investments	0.97	2.07

Notes: 1. Investment yield above are calculated by dividing the net investment income by the average daily balance on a book value basis.

2. Overseas investments represent the total of foreign currency denominated assets and yen denominated assets.

(ii) Average Daily Balance

(Millions of yen)

	Year ended March 31, 2011	Year ended March 31, 2012
Cash, deposits, call loans	135,624	118,319
Monetary claims bought	1,527	1,386
Money held in trust	32,831	34,832
Securities	3,719,895	3,896,952
Domestic bonds	2,478,433	2,531,543
Domestic stocks	380,203	339,239
Foreign securities	802,968	965,504
Foreign bonds	622,352	766,140
Foreign stocks and other securities	180,616	199,363
Loans	1,185,048	1,097,945
Ordinary loans	1,111,885	1,027,906
Real estate	280,973	280,305
Total	5,526,395	5,594,403
Overseas investments	833,965	974,312

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

(Millions of yen)

	As of March 31, 2011		As of March 31, 2012	
	Carrying value on the balance sheet	Net valuation gains/losses included in the statement of operations	Carrying value on the balance sheet	Net valuation gains/losses included in the statement of operations
Trading securities	260,341	(3,640)	248,248	8,474

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

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

(Millions of yen)

	As of March 31, 2011					As of March 31, 2012				
	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	823,530	852,343	28,812	29,263	450
Domestic bonds	378,178	387,523	9,345	9,345	-	777,527	804,084	26,556	26,868	311
Foreign bonds	49,134	48,885	(249)	637	886	46,002	48,258	2,256	2,394	138
Monetary claims bought	-	-	-	-	-	-	-	-	-	-
Negotiable certificate of deposits	-	-	-	-	-	-	-	-	-	-
Others	-	-	-	-	-	-	-	-	-	-
Policy-reserve-matching bonds	652,180	672,087	19,907	23,872	3,965	684,915	722,269	37,354	38,994	1,640
Domestic bonds	644,831	664,759	19,928	23,872	3,944	669,991	707,412	37,420	38,971	1,550
Foreign bonds	7,349	7,328	(21)	0	21	14,923	14,857	(66)	23	90
Investments in subsidiaries and affiliates	1,393	868	(524)	-	524	1,393	854	(538)	-	538
Available-for-sale securities	2,331,356	2,347,024	15,667	76,486	60,818	2,202,478	2,300,260	97,782	135,997	38,215
Domestic bonds	1,389,523	1,407,660	18,136	24,369	6,232	1,218,715	1,273,929	55,213	58,002	2,788
Domestic stocks	300,218	317,678	17,460	43,327	25,867	268,766	309,191	40,424	54,341	13,916
Foreign securities	593,121	575,527	(17,594)	7,582	25,177	663,501	666,928	3,426	21,996	18,569
Foreign bonds	411,835	403,179	(8,656)	4,572	13,228	458,405	469,945	11,540	18,340	6,800
Foreign stocks and other securities	181,285	172,347	(8,938)	3,010	11,948	205,095	196,982	(8,113)	3,656	11,769
Other securities	48,491	46,158	(2,333)	1,207	3,541	51,494	50,211	(1,283)	1,658	2,941
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	3,712,316	3,875,727	163,410	204,255	40,845
Domestic bonds	2,412,533	2,459,943	47,410	57,587	10,176	2,666,234	2,785,425	119,191	123,841	4,650
Domestic stocks	300,218	317,678	17,460	43,327	25,867	268,766	309,191	40,424	54,341	13,916
Foreign securities	650,998	632,608	(18,390)	8,220	26,610	725,821	730,898	5,077	24,415	19,337
Foreign bonds	468,319	459,392	(8,927)	5,209	14,136	519,332	533,061	13,729	20,758	7,028
Foreign stocks and other securities	182,678	173,215	(9,462)	3,010	12,473	206,489	197,836	(8,652)	3,656	12,308
Other securities	48,491	46,158	(2,333)	1,207	3,541	51,494	50,211	(1,283)	1,658	2,941
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 whose market value are deemed extremely difficult to obtain are as follows:

(Millions of yen)

	As of March 31, 2011	As of March 31, 2012
Held-to-maturity debt securities	-	-
Unlisted foreign bonds	-	-
Others	-	-
Policy-reserve-matching bonds	-	-
Investments in subsidiaries and affiliates	26,616	35,969
Available-for-sale securities	17,047	15,816
Unlisted domestic stocks (except over-the-counter stocks)	8,345	8,086
Unlisted foreign stocks (except over-the-counter stocks)	500	-
Unlisted foreign bonds	-	-
Others	8,201	7,729
Total	43,664	51,785



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

(Millions of yen)

	As of March 31, 2011					As of March 31, 2012				
	Carrying value on the balance sheet	Fair value	Gains/losses		Carrying value on the balance sheet	Fair value	Gains/losses			
			Gains	Losses			Gains	Losses		
Money held in trust	33,169	33,169	-	-	-	35,194	35,194	-	-	-

## \* Money held in trust for trading purpose

(Millions of yen)

	As of March 31, 2011		As of March 31, 2012	
	Carrying value on the balance sheet	Net valuation gains/losses included in the statement of operations	Carrying value on the balance sheet	Net valuation gains/losses included in the statement of operations
Money held in trust for trading purpose	32,169	(0)	34,194	0

## \* 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 March 31, 2012				
	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 March 31, 2012	Interest-related	Currency-related	Stock-related	Bond-related	Others	Total
Hedge accounting applied	249	(3,755)	-	-	-	(3,506)
Hedge accounting not applied	(820)	(762)	(32)	172	-	(1,442)
<b>Total</b>	<b>(570)</b>	<b>(4,518)</b>	<b>(32)</b>	<b>172</b>	<b>-</b>	<b>(4,948)</b>

Note: Gains and losses from applying fair value hedge accounting (currency-related, losses of ¥2,290 million as of March 31, 2011 and losses of ¥3,755 million as of March 31, 2012) 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 March 31, 2012			
	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	560	17,700	12,700	249	249
Payment fixed, receipt floating	-	-	-	-	-	-	-	-
Foreign interest rate swap contracts								
Receipt fixed, payment floating	-	-	-	-	-	-	-	-
Payment fixed, receipt floating	16,404	16,404	69	69	-	-	-	-
US dollar	16,404	16,404	69	69	-	-	-	-
Yen interest rate swaption contracts								
Sold								
Receipt fixed, payment floating	-	-	-	-	-	-	-	-
Payment fixed, receipt floating	[ - ]	-	-	-	[ - ]	-	-	-
Bought								
Receipt fixed, payment floating	-	-	-	-	-	-	-	-
Payment fixed, receipt floating	[ - ]	-	-	-	[ - ]	-	-	-
500,000	-	-	-	-	500,000	-	-	-
1,376	[ - ]	-	-	-	[ 1,376 ]	-	555	(820)
<b>Total</b>				<b>629</b>				<b>(570)</b>

\* Interest rate swap contracts by contractual maturity dates

(Millions of yen)

	As of March 31, 2011			As of March 31, 2012		
	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	5,000	12,360	340
Average fixed rate (receipt)	1.35%	1.64%	2.28%	1.64%	1.66%	2.47%
Average floating rate (payment)	0.45%	0.62%	1.25%	0.61%	0.61%	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	-	-	-
Average floating rate (receipt)	-	-	0.31%	-	-	-
US dollar	-	-	0.31%	-	-	-
Average fixed rate (payment)	-	-	3.49%	-	-	-
US dollar	-	-	3.49%	-	-	-

## (iii) Currency-related Transactions

(Millions of yen)

	As of March 31, 2011				As of March 31, 2012			
	Notional amount/ contract value	Over 1 year	Fair value	Gains (losses)	Notional amount/ contract value	Over 1 year	Fair value	Gains (losses)
Over-the-counter transactions								
Currency forward contracts								
Sold	342,733	-	351,020	(8,287)	286,498	-	290,984	(4,486)
US dollar	188,104	-	189,857	(1,752)	146,877	-	148,620	(1,742)
Euro	55,921	-	58,346	(2,425)	67,933	-	70,477	(2,544)
Australian dollar	48,035	-	50,617	(2,582)	31,075	-	30,896	178
Canadian dollar	38,861	-	40,168	(1,306)	23,669	-	23,921	(251)
British Pound	11,809	-	12,030	(220)	16,941	-	17,068	(126)
Bought	-	-	-	-	-	-	-	-
Currency Options								
Sold								
Calls	-	-	-	-	-	-	-	-
Puts	[ - ]	-	-	-	[ - ]	-	-	-
Bought								
Calls	-	-	-	-	-	-	-	-
Puts	[ - ]	-	-	-	[ - ]	-	-	-
US dollar	[ - ]	-	-	-	[ 46,215 109 ]	-	77	(31)
Euro	[ - ]	-	-	-	[ 35,715 93 ]	-	59	(34)
	[ - ]	-	-	-	[ 10,500 16 ]	-	18	2
Total				(8,287)				(4,518)

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 fiscal year.

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

## (iv) Stock-related Transactions

(Millions of yen)

	As of March 31, 2011				As of March 31, 2012			
	Notional amount/ contract value	Over 1 year	Fair value	Gains (losses)	Notional amount/ contract value	Over 1 year	Fair value	Gains (losses)
Exchange-traded transactions								
Yen stock index futures								
Sold	9,636	-	9,760	(123)	5,012	-	5,045	(32)
Bought	-	-	-	-	-	-	-	-
Total				(123)				(32)

## (v) Bond-related Transactions

(Millions of yen)

	As of March 31, 2011				As of March 31, 2012			
	Notional amount/ contract value	Over 1 year	Fair value	Gains (losses)	Notional amount/ contract value	Over 1 year	Fair value	Gains (losses)
Exchange-traded transactions								
Yen bond futures								
Sold	-	-	-	-	28,446	-	28,402	44
Bought	-	-	-	-	-	-	-	-
Foreign bond futures								
Sold	-	-	-	-	10,771	-	10,642	128
Bought	-	-	-	-	-	-	-	-
Total				-				172

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

(Millions of yen)

As of March 31, 2011			As of March 31, 2012		
Carrying value on the balance sheet	Fair value	Gains(losses)	Carrying value on the balance sheet	Fair value	Gains(losses)
163,749	230,903	67,153	161,252	223,596	62,343

- Notes: 1. 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.
2. As of March 31, 2012, fair value is based on the appraisal value by the real-estate appraiser, the appraisal value for property tax as of January 1, 2012 and the road rate as of January 1, 2011.

#### 4. Non-consolidated Balance Sheets

(Millions of yen)

	As of March 31, 2011	As of March 31, 2012		As of March 31, 2011	As of March 31, 2012
<b>Assets:</b>			<b>Liabilities:</b>		
Cash and deposits	237,823	29,345	Policy reserves	5,216,576	5,266,726
Cash	156	154	Reserve for outstanding claims	31,053	22,615
Bank deposits	237,667	29,191	Policy reserve	5,132,317	5,190,141
Call loans	-	65,600	Reserve for dividends to policyholders	53,205	53,969
Monetary claims bought	1,424	1,351	Reinsurance payables	86	67
Money held in trust	33,169	35,194	Subordinated bonds	35,214	32,896
Securities	3,778,639	4,148,127	Other liabilities	125,256	48,377
Government bonds	1,695,927	1,991,905	Corporate income tax payable	10,850	1,291
Local government bonds	149,399	158,459	Accounts payable	72,288	5,894
Corporate bonds	615,051	614,449	Accrued expenses	9,989	11,169
Stocks	379,416	377,385	Unearned income	435	435
Foreign securities	884,029	947,574	Deposits received	5,637	5,301
Other securities	54,814	58,354	Guarantee deposits received	13,402	13,577
Loans	1,143,863	1,039,363	Differential account for futures trading	-	142
Policy loans	71,479	70,164	Derivatives	8,661	6,530
Ordinary loans	1,072,383	969,199	Asset retirement obligations	2,846	2,846
Tangible fixed assets	284,670	276,619	Suspense receipts	1,143	1,188
Land	163,574	161,076	Reserve for employees' retirement benefits	50,109	46,320
Buildings	116,548	109,935	Reserve for price fluctuation of securities	33,432	35,488
Lease assets	47	117	Deferred tax liabilities for revaluation reserve for land	19,936	16,195
Construction in progress	1,165	2,234	<b>Total liabilities</b>	<b>5,480,612</b>	<b>5,446,071</b>
Other tangible fixed assets	3,334	3,255	<b>Net assets:</b>		
Intangible fixed assets	8,765	8,573	Foundation funds	40,000	35,000
Software	8,318	8,126	Accumulated foundation funds redeemed	46,000	71,000
Other intangible fixed assets	447	446	Reserve for revaluation	112	112
Reinsurance receivables	170	117	Surplus	96,763	76,104
Other assets	101,867	50,404	Legal reserve for future losses	2,249	2,325
Accounts receivable	63,859	10,577	Other surplus	94,513	73,779
Prepaid expenses	1,653	1,249	Reserve for redemption of foundation funds	20,000	-
Accrued income	23,444	23,784	Reserve for dividend allowances	3,895	3,895
Deposits	2,145	2,058	Accumulated fund for price fluctuation	-	11,000
Differential account for futures trading	73	42	Reserve for advanced depreciation of real estate for tax purpose	296	289
Derivatives	881	1,588	Other reserves	767	767
Suspense payments	4,740	6,497	Unappropriated surplus	69,554	57,827
Other assets	5,070	4,606	Total foundation funds, surplus and others	182,875	182,216
Deferred tax assets	87,332	47,130	Net unrealized gains (losses) on available-for-sale securities, net of tax	9,994	67,684
Allowance for possible loan losses	(2,513)	(2,299)	Deferred valuation gains (losses) under hedge accounting	365	170
			Revaluation reserve for land, net of tax	1,366	3,383
			Total valuation and translation adjustments	11,726	71,239
			<b>Total net assets</b>	<b>194,601</b>	<b>253,455</b>
<b>Total assets</b>	<b>5,675,214</b>	<b>5,699,527</b>	<b>Total liabilities and net assets</b>	<b>5,675,214</b>	<b>5,699,527</b>

## 5. Non-consolidated Statements of Operations

(Millions of yen)

	Year ended March 31, 2011	Year ended March 31, 2012
<b>Ordinary revenues:</b>		
Premium and other income	665,844	589,918
Premium income	665,618	589,599
Reinsurance income	226	319
Investment income	146,400	145,676
Interest, dividends and other income	111,965	113,517
Interest on deposits	899	93
Interest and dividends on securities	72,789	76,265
Interest on loans	23,883	22,163
Income from real estate for rent	14,141	14,775
Other interest and dividends	252	219
Gains from money held in trust, net	361	162
Gains from trading securities, net	-	12,872
Gains on sales of securities	30,455	16,854
Gains from redemption of securities	-	338
Gains from derivative instruments, net	3,335	-
Reversal of allowance for possible loan losses	-	103
Other investment income	281	148
Gains from separate accounts, net	-	1,679
Other ordinary revenues	24,671	19,247
Fund receipt from annuity rider	842	1,347
Fund receipt from deposit of claims paid	8,295	6,422
Reversal of reserve for outstanding claims	-	8,438
Reversal of policy reserve	13,081	-
Reversal of reserve for employees' retirement benefits	-	639
Others	2,452	2,399
<b>Total ordinary revenues</b>	<b>836,916</b>	<b>754,842</b>
<b>Ordinary expenditures:</b>		
Claims and other payments	614,005	482,797
Claims	176,286	140,375
Annuities	91,536	94,983
Benefits	185,770	127,082
Surrenders	130,881	94,006
Other payments	29,194	26,070
Reinsurance premiums	335	278
Provision for policy reserve and others	5,828	57,906
Provision for reserve for outstanding claims	5,711	-
Provision for policy reserve	-	57,823
Interest on accumulated dividends to policyholders	116	83
Investment expenses	50,074	54,608
Interest expenses	1,525	1,409
Losses from trading securities, net	5,069	-
Losses on sales of securities	20,418	24,925
Losses on valuation of securities	5,922	7,986
Losses from derivative instruments, net	-	5,725
Foreign exchange losses, net	2,654	1,874
Depreciation of real estate for rent and other assets	5,732	6,477
Other investment expenses	5,717	6,208
Losses from separate accounts, net	3,034	-
Operating expenses	86,511	88,725
Other ordinary expenditures	21,490	20,375
Claim deposit payments	10,421	9,746
Taxes	4,793	4,831
Depreciation	5,413	5,276
Provision for reserve for employees' retirement benefits	332	-
Others	530	520
<b>Total ordinary expenditures</b>	<b>777,909</b>	<b>704,413</b>
<b>Ordinary profits</b>	<b>59,006</b>	<b>50,429</b>
<b>Extraordinary gains:</b>		
Gains on disposal of fixed assets	16	4,645
Reversal of allowance for possible loan losses	899	-
<b>Total extraordinary gains</b>	<b>915</b>	<b>4,645</b>
<b>Extraordinary losses:</b>		
Losses on disposal of fixed assets	96	160
Impairment losses	318	433
Provision for reserve for price fluctuation of securities	6,981	2,056
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>8,362</b>	<b>2,659</b>
<b>Surplus before income taxes</b>	<b>51,559</b>	<b>52,414</b>
Income taxes - current	13,406	8,623
Income taxes - deferred	(3,370)	15,013
<b>Total income taxes</b>	<b>10,035</b>	<b>23,636</b>
<b>Net surplus for the year</b>	<b>41,524</b>	<b>28,778</b>

# 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 Sheets

### 1. Significant Accounting Policies

#### (1) Valuation Methods of Securities

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

- i) Trading securities are stated at fair market value. Costs of their sales are determined by the moving average method.
- ii) Held-to-maturity debt securities are stated at amortized cost under the straight-line method, cost being determined by the moving average method.
- iii) Policy-reserve-matching bonds are stated at amortized cost under the straight-line method, cost being determined by the moving average method in accordance with "Temporary Treatment of Accounting and Auditing Concerning Policy-reserve-matching Bonds in Insurance Industry" (Industry Audit Committee Report No.21 issued by the Japanese Institute of Certified Public Accountants on November 16, 2000).
- iv) Investments in subsidiaries and affiliates are stated at cost, cost being determined by the moving average method.
- v) Available-for-sale securities with fair market values are stated at fair market value based on the market prices at the end of fiscal year. Costs of their sales are determined by the moving average method. Net unrealized gains or losses on these available-for-sale securities, net of taxes, are recorded as a separate component of net assets.

Available-for-sale securities whose fair 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 March 31, 2012 was ¥287 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 plans to defined benefit corporate pension plans, and part of lump sum benefit plans to defined contribution pension plans on July 1, 2011.

#### **(8) Reserve for Price Fluctuation of Securities**

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

#### **(9) Lease Transactions as a Lessee**

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

#### **(10) Lease Transactions as a Lessor**

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

#### **(11) Accounting for Hedge Activities**

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

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

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

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

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

#### **(12) Accounting for Consumption Taxes**

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

### **(13) Policy Reserve**

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

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

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

### **(14) Software**

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

### **(15) Deferred Assets**

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

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

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

## **2. Changes in Presentation**

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

- (a) As for the statement of operations, "reversal of allowance for possible loan losses" which was presented in "extraordinary gains" until previous fiscal year is included in "investment income".
- (b) As for the statement of changes in net assets, the item which was presented as "balance at the end of previous fiscal year" until previous fiscal year is presented as "balance at the beginning of current period".

## **3. Financial Instruments**

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

The Company manages its asset management risk by establishing internal control systems including various rules pursuant to the "Basic Policy for Risk Management" established by the Board of

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

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

	Carrying amount	Fair value	Difference
			(Millions of yen)
Call loans .....	65,600	65,600	—
Monetary claims bought:			
Claims treated as loans .....	1,351	1,374	23
Total monetary claims bought .....	1,351	1,374	23
Money held in trust:			
Trading securities .....	34,194	34,194	
Total money held in trust .....	34,194	34,194	
Securities:			
Trading securities .....	214,053	214,053	
Held-to-maturity debt securities .....	823,530	852,343	28,812
Policy-reserve-matching bonds .....	684,915	722,269	37,354
Investments in subsidiaries and affiliates .....	1,393	854	(538)
Available-for-sale securities .....	2,300,260	2,300,260	
Total securities .....	4,024,152	4,089,780	65,628
Loans:			
Policy loans .....	70,164	70,163	(0)
Ordinary loans .....	969,199	995,761	26,562
Total loans .....	1,039,363	1,065,924	26,561
Derivative instruments:			
Hedge accounting not applied .....	(1,442)	(1,442)	
Hedge accounting applied .....	(3,506)	(3,506)	
Total derivative instruments .....	(4,948)	(4,948)	

(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 end of fiscal year. The fair values of other securities without the quoted market price are based on the prices reasonably calculated such as the prices offered by the information vendors or counterparty financial institutions.

Investments in subsidiaries and affiliates, unlisted stocks and investments in partnerships whereby partnership assets consist of unlisted stocks whose fair values are deemed extremely difficult to obtain, are excluded from above securities. The carrying amounts of investments in subsidiaries and affiliates, unlisted stocks and investments in partnerships as of March 31, 2012 were ¥35,969 million, ¥8,086 million and ¥7,729 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

The Company holds investment and rental properties such as office buildings in Tokyo and other areas. The carrying amount and the fair value of these investment and rental properties as of March 31, 2012 were ¥226,884 million and ¥275,039 million, respectively. The fair value is mainly based on the value calculated by the Company in accordance with real estate appraisal standards which includes some adjustments using the reference prices.

The amount corresponding to asset retirement obligations included in the carrying amount of investment and rental properties was ¥1,355 million as of March 31, 2012.

#### 5. Loans Receivable

The amounts of credits to bankrupt borrowers, delinquent loans and restructured loans, which were included in loans, were ¥280 million, ¥689 million and ¥2,053 million, respectively and their total amounts were ¥3,023 million as of March 31, 2012. There was no balance of delinquent loans past 3 months or more as of March 31, 2012.

The direct write-offs related to loans decreased credits to bankrupt borrowers by ¥1 million and delinquent loans by ¥286 million as of March 31, 2012.

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.

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

Accumulated depreciation of tangible fixed assets totaled to ¥137,319 million as of March 31, 2012.

## **7. Separate Accounts**

Total assets in separate accounts provided for in Article 118 of the Insurance Business Law were ¥82,053 million as of March 31, 2012. The amount of separate account liabilities was the same as separate account assets.

## **8. Receivables from/Payables to Subsidiaries**

The total amounts of receivables from/payables to subsidiaries were ¥2,592 million and ¥1,544 million as of March 31, 2012, respectively.

## **9. Monetary Claims to Directors**

Monetary claims to directors as of March 31, 2012 were ¥5 million.

## **10. Income Taxes**

Deferred tax assets and deferred tax liabilities as of March 31, 2012 were ¥83,977 million and ¥33,810million, respectively. Valuation allowance for deferred tax assets was ¥3,035 million.

Major components of deferred tax assets were ¥48,892 million of policy reserves, ¥14,257 million of reserve for employees' retirement benefits and ¥10,923 million of reserve for price fluctuation of securities as of March 31, 2012. Major component of deferred tax liabilities was ¥30,097 million of net unrealized gains on available-for-sale securities as of March 31, 2012.

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

Following the promulgation of the "Act for Partial Amendment of the Income Tax Act, etc. for the Purpose of Creating a Taxation System Responding to Changes in Economic and Social Structures" (Act No.114, 2011) and the "Act on Special Measures for Securing Financial Resources Necessary to Implement Measures for Reconstruction following the Great East Japan Earthquake" (Act No.117, 2011) on December 2, 2011, the corporate income tax rate will be lowered from the fiscal year beginning on April 1, 2012 and a special restoration surtax will be imposed from the fiscal year beginning on April 1, 2012 through the fiscal year beginning on April 1, 2014. The effective statutory tax rate used by the Company for the calculation of deferred tax assets and deferred tax liabilities will consequently be changed from the current rate of 36.2% to 33.3% for a temporary difference which is expected to be reversed in the period from April 1, 2012 to March 31, 2015, and to 30.8% for a temporary difference which is expected to be reversed after April 1, 2015. As a result of these changes, deferred tax assets as for March 31, 2012 decreased by ¥639 million and ¥7,009 million, respectively and deferred tax liabilities for revaluation reserve for land as of March 31, 2012 decreased by ¥1 million and ¥2,853 million, respectively. Income taxes deferred for the fiscal year ended March 31, 2012 increased by ¥12,966 million.

## 11. Reserve for Dividends to Policyholders

Changes in reserve for dividends to policyholders for the year ended March 31, 2012 were as follows:

	(Millions of yen)
Balance at the beginning of current fiscal year.....	¥ 53,205
Transfer from surplus in previous fiscal year .....	24,381
Dividends paid in the current fiscal year.....	(23,700)
Increase in interest .....	83
Balance at the end of current fiscal year .....	<u>¥ 53,969</u>

## 12. Stocks of Subsidiaries

The amount of stocks of subsidiaries the Company held as of March 31, 2012 was ¥37,362 million.

## 13. Pledged Assets and Secured Debts

Assets pledged as collateral as of March 31, 2012 were ¥24,300 million of securities and ¥ 397 million of bank deposits. Secured debts as of March 31, 2012 were ¥4,608 million.

## 14. Policy Reserves for the Reinsurance Contracts

Reserve for outstanding claims for the reinsurance contracts provided in accordance with Article 71 Paragraph 1 of the Enforcement Regulation of the Insurance Business Law (hereinafter called “reserve for outstanding claims for ceded reinsurance”) was ¥1 million as of March 31, 2012.

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 ¥30 million as of March 31, 2012.

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

The total amount of adjustment items for redemption of foundation funds and appropriation of net surplus defined in Article 30 Paragraph 2 of the Enforcement Regulation of the Insurance Business Law was ¥71,351 million as of March 31, 2012.

## 16. Additional Foundation Funds

The Company raised additional foundation funds of ¥20,000 million during the fiscal year ended March 31, 2012 in accordance with Article 60 of the Insurance Business Law.

## 17. Redemption of Foundation Funds

In the fiscal year ended March 31, 2012, 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.

## 18. Commitment Line

As of March 31, 2012, there were unused commitment line agreements under which the Company is the lender of ¥1,023 million.

## 19. Subordinated Bonds

Repayments of subordinated bonds are subordinated to other obligations.

## 20. Assets Denominated in Foreign Currencies

Assets denominated in foreign currencies as of March 31, 2012 totaled to ¥791,485 million. The principal foreign currency asset amounts as of March 31, 2012 were US\$4,693 million and 2,024 million euros.

Liabilities denominated in foreign currencies as of March 31, 2012 totaled to ¥33,787 million. The principal foreign currency liability amount as of March 31, 2012 was 306 million euros.

## 21. Contribution to Policyholders Protection Corporation

The future contribution to the Life Insurance Policyholders Protection Corporation of Japan under Article 259 of the Insurance Business Law was estimated at ¥10,731 million as of March 31, 2012. The contribution was charged as operating expenses in the year in which it was paid.

## 22. Reserve for Employees' Retirement Benefits

(1) The reserve for employees' retirement benefits as of March 31, 2012 was calculated as follows:

	(Millions of yen)
a. Projected benefit obligation .....	¥ (72,872)
b. Fair value of pension plan assets .....	17,167
c. Unfunded benefit obligation (a+b) .....	<u>(55,704)</u>
d. Unrecognized actuarial differences .....	10,021
e. Unrecognized prior service cost .....	<u>(636)</u>
f. Reserve for employees' retirement benefits (c+d+e).....	<u>¥ (46,320)</u>

(2) Gross amount of retirement benefit expenses for the year ended March 31, 2012 was as follows:

	(Millions of yen)
Service cost .....	¥ 2,943
Interest cost .....	1,451
Expected return on pension plan assets .....	(471)
Amortization of actuarial differences.....	1,218
Amortization of prior service cost.....	<u>(20)</u>
	<u>¥ 5,122</u>

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

• Method of attributing the projected benefits to periods of service.....	Straight-line basis
• Discount rate .....	2.0%
• Expected rate of return on pension plan assets.....	3.0%
• Amortization period of actuarial differences .....	10 years
• Amortization period of prior service cost .....	10 years

### III. Notes to Statements of Operations

#### 1. Transactions with Subsidiaries

The total amounts of revenues and expenditures in connection with subsidiaries were ¥966 million and ¥7,682 million for the year ended March 31, 2012.

#### 2. Gains on Sales of Securities

Major items of gains on sales of securities for the year ended March 31, 2012 were as follows:

	(Millions of yen)
Domestic bonds .....	¥ 11,747
Domestic stocks and others.....	3,780
Foreign securities .....	1,326

#### 3. Losses on Sales of Securities

Major items of losses on sales of securities for the year ended March 31, 2012 were as follows:

	(Millions of yen)
Domestic bonds .....	¥ 1,324
Domestic stocks and others.....	17,027
Foreign securities .....	6,573

#### 4. Losses on Valuation of Securities

Major items of losses on valuation of securities for the year ended March 31, 2012 were as follows:

	(Millions of yen)
Domestic bonds .....	¥ 1,444
Domestic stocks and others.....	6,017

#### 5. Policy Reserves for the Reinsurance Contracts

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

#### 6. Gains from Trading Securities

Major items of gains from trading securities for the year ended March 31, 2012 were as follows:

	(Millions of yen)
Interest, dividends and other income.....	¥ 7,556
Gains (Losses) on sales of trading securities.....	(977)
Gains (Losses) on valuation of trading securities.....	8,474

#### 7. Gains from Money Held in Trust

Gains from money held in trust for the year ended March 31, 2012 included valuation losses of ¥0 million.

#### 8. Losses from Derivative Instruments

Losses from derivative instruments for the year ended March 31, 2012 included valuation gains of ¥4,273 million.



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

(Millions of yen)

		Year ended March 31, 2011	Year ended March 31, 2012
<b>Fundamental profit</b>	<b>A</b>	<b>66,367</b>	<b>69,209</b>
Capital gains		33,932	22,191
Gains from money held in trust, net		141	22
Gains from trading securities, net		-	5,315
Gains on sales of securities		30,455	16,854
Gains from derivative instruments, net		3,335	-
Foreign exchange gains, net		-	-
Other capital gains		-	-
Capital losses		40,879	40,512
Losses from money held in trust, net		-	-
Losses from trading securities, net		11,884	-
Losses on sales of securities		20,418	24,925
Losses on valuation of securities		5,922	7,986
Losses from derivative instruments, net		-	5,725
Foreign exchange losses, net		2,654	1,874
Other capital losses		-	-
Net capital gains (losses)	<b>B</b>	<b>(6,947)</b>	<b>(18,321)</b>
Fundamental profit plus net capital gains (losses)	<b>A+B</b>	<b>59,419</b>	<b>50,888</b>
Other one-time gains		-	-
Reinsurance income		-	-
Reversal of contingency reserve		-	-
Reversal for specific allowance for possible loan losses		-	-
Others		-	-
Other one-time losses		413	459
Reinsurance premiums		-	-
Provision for contingency reserve		413	115
Provision for specific allowance for possible loan losses		-	92
Allowance for specified overseas loans		-	-
Write-off of loans		-	-
Others		-	251
Other one-time gains (losses)	<b>C</b>	<b>(413)</b>	<b>(459)</b>
Ordinary profits	<b>A+B+C</b>	<b>59,006</b>	<b>50,429</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): ¥220 million in respect of the year ended March 31, 2011 and ¥140 million in respect of the year ended March 31, 2012.

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): ¥6,814 million in respect of the year ended March 31, 2011 and ¥7,556 million in respect of the year ended March 31, 2012.

3. For the year ended March 31, 2012, 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)

	Year ended March 31, 2011	Year ended March 31, 2012
Fundamental profit	663	692
Loading profit	56	23
Mortality and morbidity profit	691	736
Negative spread	(83)	(68)

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

(Millions of yen)

	Year ended March 31, 2011	Year ended March 31, 2012
<b>Foundation funds, surplus and others:</b>		
Foundation funds		
Balance at the beginning of current fiscal year	40,000	40,000
Changes in the current fiscal year		
Financing of additional foundation funds	-	20,000
Redemption of foundation funds	-	(25,000)
Total changes in the current fiscal year	-	(5,000)
Balance at the end of current fiscal year	40,000	35,000
Accumulated foundation funds redeemed		
Balance at the beginning of current fiscal year	46,000	46,000
Changes in the current fiscal year		
Additions to accumulated foundation funds redeemed	-	25,000
Total changes in the current fiscal year	-	25,000
Balance at the end of current fiscal year	46,000	71,000
Reserve for revaluation		
Balance at the beginning of current fiscal year	112	112
Changes in the current fiscal year		
Total changes in the current fiscal year	-	-
Balance at the end of current fiscal year	112	112
Surplus		
Legal reserve for future losses		
Balance at the beginning of current fiscal year	2,187	2,249
Changes in the current fiscal year		
Additions to legal reserve for future losses	62	76
Total changes in the current fiscal year	62	76
Balance at the end of current fiscal year	2,249	2,325
Other surplus		
Reserve for redemption of foundation funds		
Balance at the beginning of current fiscal year	15,000	20,000
Changes in the current fiscal year		
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 fiscal year	5,000	(20,000)
Balance at the end of current fiscal year	20,000	-
Reserve for dividend allowances		
Balance at the beginning of current fiscal year	3,895	3,895
Changes in the current fiscal year		
Total changes in the current fiscal year	-	-
Balance at the end of current fiscal year	3,895	3,895
Accumulated fund for price fluctuation		
Balance at the beginning of current fiscal year	-	-
Changes in the current fiscal year		
Additions to accumulated fund for price fluctuation	-	11,000
Total changes in the current fiscal year	-	11,000
Balance at the end of current fiscal year	-	11,000
Reserve for advanced depreciation of real estate for tax purpose		
Balance at the beginning of current fiscal year	303	296
Changes in the current fiscal year		
Reversal of reserve for advanced depreciation of real estate for tax purpose	(7)	(7)
Total changes in the current fiscal year	(7)	(7)
Balance at the end of current fiscal year	296	289
Other reserves		
Balance at the beginning of current fiscal year	767	767
Changes in the current fiscal year		
Total changes in the current fiscal year	-	-
Balance at the end of current fiscal year	767	767
Unappropriated surplus		
Balance at the beginning of current fiscal year	54,075	69,554
Changes in the current fiscal year		
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 year	41,524	28,778
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	(592)	837
Total changes in the current fiscal year	15,479	(11,727)
Balance at the end of current fiscal year	69,554	57,827

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

(Millions of yen)

	Year ended March 31, 2011	Year ended March 31, 2012
Total surplus		
Balance at the beginning of current fiscal year	76,229	96,763
Changes in the current fiscal year		
Additions to reserve for dividends to policyholders	(19,505)	(24,381)
Payment of interest on foundation funds	(892)	(892)
Net surplus for the year	41,524	28,778
Reversal of reserve for redemption of foundation funds	-	(25,000)
Reversal of revaluation reserve for land	(592)	837
Total changes in the current fiscal year	20,533	(20,658)
Balance at the end of current fiscal year	96,763	76,104
Total foundation funds, surplus and others		
Balance at the beginning of current fiscal year	162,341	182,875
Changes in the current fiscal year		
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 year	41,524	28,778
Redemption of foundation funds	-	(25,000)
Reversal of reserve for redemption of foundation funds	-	(25,000)
Reversal of revaluation reserve for land	(592)	837
Total changes in the current fiscal year	20,533	(658)
Balance at the end of current fiscal year	182,875	182,216
<b>Valuation and translation adjustments:</b>		
Net unrealized gains (losses) on available-for-sale securities, net of tax		
Balance at the beginning of current fiscal year	48,291	9,994
Changes in the current fiscal year		
Net changes, excluding foundation funds, surplus and others	(38,297)	57,690
Total changes in the current fiscal year	(38,297)	57,690
Balance at the end of current fiscal year	9,994	67,684
Deferred valuation gains (losses) under hedge accounting		
Balance at the beginning of current fiscal year	538	365
Changes in the current fiscal year		
Net changes, excluding foundation funds, surplus and others	(173)	(194)
Total changes in the current fiscal year	(173)	(194)
Balance at the end of current fiscal year	365	170
Revaluation reserve for land, net of tax		
Balance at the beginning of current fiscal year	773	1,366
Changes in the current fiscal year		
Net changes, excluding foundation funds, surplus and others	592	2,016
Total changes in the current fiscal year	592	2,016
Balance at the end of current fiscal year	1,366	3,383
Total valuation and translation adjustments		
Balance at the beginning of current fiscal year	49,604	11,726
Changes in the current fiscal year		
Net changes, excluding foundation funds, surplus and others	(37,878)	59,512
Total changes in the current fiscal year	(37,878)	59,512
Balance at the end of current fiscal year	11,726	71,239
<b>Total net assets:</b>		
Balance at the beginning of current fiscal year	211,946	194,601
Changes in the current fiscal year		
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 year	41,524	28,778
Redemption of foundation funds	-	(25,000)
Reversal of reserve for redemption of foundation funds	-	(25,000)
Reversal of revaluation reserve for land	(592)	837
Net changes, excluding foundation funds, surplus and others	(37,878)	59,512
Total changes in the current fiscal year	(17,344)	58,854
Balance at the end of current fiscal year	194,601	253,455

## 8. Non-consolidated Statements of Surplus

(Millions of Yen)

	Year ended March 31, 2011	Year ended March 31, 2012
Unappropriated surplus	69,554	57,827
Reversal of voluntary surplus reserve	7	32
Reversal of reserve for advanced depreciation of real estate for tax purpose	7	32
Total	69,561	57,859
Appropriation of surplus	41,350	37,542
Reserve for dividends to policyholders	24,381	23,989
Net surplus	16,968	13,552
Legal reserve for future losses	76	74
Interest payment for foundation funds	892	621
Voluntary surplus reserve	16,000	12,857
Reserve for redemption of foundation funds	5,000	9,000
Accumulated fund for price fluctuation	11,000	-
Revaluation reserve for land, net of tax	-	3,857
Unappropriated surplus carried forward	28,211	20,317

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

## 9. Disclosed Claims Based on Categories of Obligors

(Millions of yen)

	As of March 31, 2011	As of March 31, 2012
Claims against bankrupt and quasi-bankrupt obligors	491	360
Claims with collection risk	589	620
Claims for special attention	2,236	2,303
Subtotal	3,317	3,284
[Percentage of total]	[0.29%]	[0.31%]
Claims against normal obligors	1,145,795	1,040,933
Total	1,149,112	1,044,218

- 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.

## 10. Risk-monitored Loans

(Millions of yen)

	As of March 31, 2011	As of March 31, 2012
Credits to bankrupt borrowers	297	280
Delinquent loans	774	689
Delinquent loans past three months or more	-	-
Restructured loans	2,236	2,053
Total	3,308	3,023
[Percentage of total loans]	[0.29%]	[0.29%]

- 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 March 31, 2011 and ¥1 million as of March 31, 2012. The amounts written-off related to delinquent loans were ¥258 million as of March 31, 2011 and ¥286 million as of March 31, 2012.
2. Credits to bankrupt borrowers represent loans which are subject to bankruptcy, corporate reorganization 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.

## 11. Solvency Margin Ratio

(Millions of yen)

	As of March 31, 2011	As of March 31, 2012
Total solvency margin (A)	581,306	642,235
Foundation funds and surplus	156,224	156,393
Reserve for price fluctuation of securities	33,432	35,488
Contingency reserve	146,071	146,187
Allowance for possible loan losses	1,957	1,761
Net unrealized gains on available - for - sale securities x 90% (multiplied by 100% if losses)	14,101	88,004
Net unrealized gains on real estate x 85%	73,176	67,494
Excess amount of policy reserve based on full-time Zillmer method	103,984	113,157
Qualifying subordinated debt	35,214	32,896
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	19,851
Total amount of risk $\sqrt{(R_1 + R_8)^2 + (R_2 + R_3 + R_7)^2} + R_4$ (B)	173,928	173,308
Insurance risk $R_1$	28,485	27,630
3rd sector insurance risk $R_8$	9,443	9,568
Assumed investment yield risk $R_2$	42,760	42,266
Minimum guarantee risk $R_7$	7	5
Investment risk $R_3$	122,801	122,852
Business risk $R_4$	4,069	4,046
Solvency margin ratio $\frac{(A)}{(1/2) \times (B)} \times 100$	668.4%	741.1%

- Notes: 1. The figures at the end of fiscal year ending March 31 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. 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 figures at the end of fiscal year ending March 31, 2011 are calculated by applying the revised standards to the financial results as of March 31, 2012.
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 Old Standards

(Millions of yen)

	As of March 31, 2011
Total solvency margin (A)	593,497
Foundation funds and surplus	156,224
Reserve for price fluctuation of securities	33,432
Contingency reserve	146,071
Allowance for possible loan losses	1,957
Net unrealized gains on available - for - sale securities x 90% (multiplied by 100% if losses)	14,101
Net unrealized gains on real estate x 85%	73,176
Excess amount of policy reserve based on full-time Zillmer method	103,984
Qualifying subordinated debt	35,214
Deductible items	(10,000)
Others	39,334
Total amount of risk $\sqrt{(R_1 + R_8)^2 + (R_2 + R_3 + R_7)^2} + R_4$ (B)	109,064
Insurance risk $R_1$	28,485
3rd sector insurance risk $R_8$	9,443
Assumed investment yield risk $R_2$	18,528
Minimum guarantee risk $R_7$	11
Investment risk $R_3$	80,783
Business risk $R_4$	2,745
Solvency margin ratio $\frac{(A)}{(1/2) \times (B)} \times 100$	1,088.3%

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.



## 12. Status of Separate Account

### (1) Separate Account Assets by Products

(Millions of yen)

	As of March 31, 2011	As of March 31, 2012
	Amount	Amount
Individual variable insurance	-	-
Individual variable annuities	538	500
Group annuities	82,742	81,552
Total	83,280	82,053

### (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 except number of policies)

	As of March 31, 2011		As of March 31, 2012	
	Number of policies	Amount	Number of policies	Amount
Individual variable annuities	185	594	174	551

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

(Millions of yen)

	As of March 31, 2011		As of March 31, 2012	
	Amount	Percentage	Amount	Percentage
Cash, deposits, call loans	82	15.4	86	17.3
Securities	455	84.6	413	82.7
Domestic bonds	-	-	-	-
Domestic stocks	-	-	-	-
Foreign securities	-	-	-	-
Foreign bonds	-	-	-	-
Foreign stocks and other securities	-	-	-	-
Other securities	455	84.6	413	82.7
Loans	-	-	-	-
Others	-	-	-	-
Allowance for possible loan losses	-	-	-	-
Total	538	100.0	500	100.0

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

(Millions of yen)

	Year ended March 31, 2011	Year ended March 31, 2012
	Amount	Amount
Interest, dividends and other income	1	2
Gains on sales of securities	-	-
Gains of redemption of securities	-	-
Gains on valuation of securities	30	47
Foreign exchange gains, net	-	-
Gains from derivative instruments	-	-
Other investment income	-	-
Losses on sales of securities	3	2
Losses on redemption of securities	-	-
Losses on valuation of securities	57	36
Foreign exchange losses, net	-	-
Losses from derivative instruments	-	-
Other investment expenses	-	-
Net investment income	(28)	11

## (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 March 31, 2012	
	Carrying value on the balance sheet	Net valuation gains/losses included in the statement of operations	Carrying value on the balance sheet	Net valuation gains/losses included in the statement of operations
Trading securities	455	(26)	413	11

Note: The company has 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 March 31, 2012	
	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)	320,437	11,188

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 March 31, 2012				
	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	823,530	852,343	28,812	29,263	450
Domestic bonds	378,178	387,523	9,345	9,345	-	777,527	804,084	26,556	26,868	311
Foreign bonds	49,134	48,885	(249)	637	886	46,002	48,258	2,256	2,394	138
Monetary claims bought	-	-	-	-	-	-	-	-	-	-
Negotiable certificate of deposits	-	-	-	-	-	-	-	-	-	-
Others	-	-	-	-	-	-	-	-	-	-
Policy-reserve-matching bonds	652,180	672,087	19,907	23,872	3,965	684,915	722,269	37,354	38,994	1,640
Domestic bonds	644,831	664,759	19,928	23,872	3,944	669,991	707,412	37,420	38,971	1,550
Foreign bonds	7,349	7,328	(21)	0	21	14,923	14,857	(66)	23	90
Investments in subsidiaries and affiliates	1,393	868	(524)	-	524	1,393	854	(538)	-	538
Available-for-sale securities	2,331,356	2,347,024	15,667	76,486	60,818	2,202,478	2,300,260	97,782	135,997	38,215
Domestic bonds	1,389,523	1,407,660	18,136	24,369	6,232	1,218,715	1,273,929	55,213	58,002	2,788
Domestic stocks	300,218	317,678	17,460	43,327	25,867	268,766	309,191	40,424	54,341	13,916
Foreign securities	593,121	575,527	(17,594)	7,582	25,177	663,501	666,928	3,426	21,996	18,569
Foreign bonds	411,835	403,179	(8,656)	4,572	13,228	458,405	469,945	11,540	18,340	6,800
Foreign stocks and other securities	181,285	172,347	(8,938)	3,010	11,948	205,095	196,982	(8,113)	3,656	11,769
Other securities	48,491	46,158	(2,333)	1,207	3,541	51,494	50,211	(1,283)	1,658	2,941
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	3,712,316	3,875,727	163,410	204,255	40,845
Domestic bonds	2,412,533	2,459,943	47,410	57,587	10,176	2,666,234	2,785,425	119,191	123,841	4,650
Domestic stocks	300,218	317,678	17,460	43,327	25,867	268,766	309,191	40,424	54,341	13,916
Foreign securities	650,998	632,608	(18,390)	8,220	26,610	725,821	730,898	5,077	24,415	19,337
Foreign bonds	468,319	459,392	(8,927)	5,209	14,136	519,332	533,061	13,729	20,758	7,028
Foreign stocks and other securities	182,678	173,215	(9,462)	3,010	12,473	206,489	197,836	(8,652)	3,656	12,308
Other securities	48,491	46,158	(2,333)	1,207	3,541	51,494	50,211	(1,283)	1,658	2,941
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 March 31, 2012		
	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	714,247	743,511	29,263
Domestic bonds	378,178	387,523	9,345	672,831	699,699	26,868
Foreign bonds	24,427	25,065	637	41,416	43,811	2,394
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)	109,282	108,832	(450)
Domestic bonds	-	-	-	104,696	104,384	(311)
Foreign bonds	24,706	23,819	(886)	4,586	4,447	(138)
Money claims bought	-	-	-	-	-	-
Negotiable certificate of deposits	-	-	-	-	-	-
Others	-	-	-	-	-	-

· Policy-reserve-matching Bonds

(Millions of yen)

	As of March 31, 2011			As of March 31, 2012		
	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	641,293	680,288	38,994
Domestic bonds	532,817	556,689	23,872	634,014	672,985	38,971
Foreign bonds	200	200	0	7,279	7,302	23
Others	-	-	-	-	-	-
Bonds whose fair value does not exceed the carrying value on the balance sheet	119,163	115,198	(3,965)	43,621	41,980	(1,640)
Domestic bonds	112,013	108,069	(3,944)	35,976	34,426	(1,550)
Foreign bonds	7,149	7,128	(21)	7,644	7,554	(90)
Others	-	-	-	-	-	-

· Available-for-sale Securities

(Millions of yen)

	As of March 31, 2011			As of March 31, 2012		
	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	1,763,736	1,899,734	135,997
Domestic bonds	878,177	902,546	24,369	1,130,116	1,188,118	58,002
Domestic stocks	154,257	197,585	43,327	180,283	234,624	54,341
Foreign securities	238,266	245,848	7,582	428,491	450,488	21,996
Foreign bonds	173,763	178,335	4,572	357,504	375,845	18,340
Foreign stocks	64,502	67,513	3,010	70,986	74,642	3,656
Other securities	17,800	19,007	1,207	24,845	26,503	1,658
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)	438,741	400,525	(38,215)
Domestic bonds	511,346	505,113	(6,232)	88,599	85,810	(2,788)
Domestic stocks	145,960	120,093	(25,867)	88,483	74,567	(13,916)
Foreign securities	354,855	329,678	(25,177)	235,010	216,440	(18,569)
Foreign bonds	238,072	224,843	(13,228)	100,900	94,100	(6,800)
Foreign stocks	116,783	104,834	(11,948)	134,109	122,339	(11,769)
Other securities	30,691	27,150	(3,541)	26,649	23,707	(2,941)
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 March 31, 2012
Held-to-maturity bonds	-	-
Unlisted foreign bonds	-	-
Others	-	-
Policy-reserve-matching bonds	-	-
Investments in subsidiaries and affiliates	26,616	35,969
Available-for-sale securities	17,047	15,816
Unlisted domestic stocks (except over-the-counter stocks)	8,345	8,086
Unlisted foreign stocks (except over-the-counter stocks)	500	-
Unlisted foreign bonds	-	-
Others	8,201	7,729
Total	43,664	51,785

**(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 March 31, 2012	Interest-related	Currency-related	Stock-related	Bond-related	Others	Total
Hedge accounting applied	249	(3,755)	-	-	-	(3,506)
Hedge accounting not applied	(820)	(755)	(32)	172	-	(1,435)
<b>Total</b>	<b>(570)</b>	<b>(4,511)</b>	<b>(32)</b>	<b>172</b>	<b>-</b>	<b>(4,941)</b>

Note: Gains and losses from applying fair value hedge accounting (currency-related, losses of ¥2,290 million as of March 31, 2011 and losses of ¥3,755 million as of March 31, 2012) 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 March 31, 2012			
	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>								
Foreign interest rate swap contracts								
Receipt fixed, payment floating	-	-	-	-	-	-	-	-
Payment fixed, receipt floating	16,404	16,404	69	69	-	-	-	-
US dollar	16,404	16,404	69	69	-	-	-	-
Yen interest rate swaption contracts								
Sold								
Receipt fixed, payment floating	-	-	-	-	-	-	-	-
Payment fixed, receipt floating	[ - ]	-	-	- [ - ]	-	-	-	-
Bought								
Receipt fixed, payment floating	-	-	-	-	-	-	-	-
Payment fixed, receipt floating	[ - ]	-	-	- [ - ]	500,000	-	-	-
US dollar	[ - ]	-	-	- [ 1,376 ]		555	(820)	
<b>Total</b>				<b>69</b>				<b>(820)</b>

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

\* Interest rate swap contracts by contractual maturity dates

(Millions of yen)

Foreign interest rate swap contracts	As of March 31, 2011			As of March 31, 2012		
	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
Notional amount (receipts fixed, payments floating)	-	-	-	-	-	-
Average fixed rate (receipt)	-	-	-	-	-	-
Average floating rate (payment)	-	-	-	-	-	-
Notional amount (receipts floating, payments fixed)	-	-	16,404	-	-	-
Average floating rate (receipt)	-	-	0.31%	-	-	-
US dollar	-	-	0.31%	-	-	-
Average fixed rate (payment)	-	-	3.49%	-	-	-
US dollar	-	-	3.49%	-	-	-

· Currency-related Transactions

(Millions of yen)

	As of March 31, 2011				As of March 31, 2012			
	Notional amount/ contract value	Over 1 year	Fair value	Gains (losses)	Notional amount/ contract value	Over 1 year	Fair value	Gains (losses)
<b>Over-the-counter transactions</b>								
Currency forward contracts								
Sold	212,028	-	218,024	(5,996)	171,638	-	172,361	(723)
US dollar	93,515	-	94,762	(1,247)	64,265	-	64,400	(135)
Euro	28,042	-	28,975	(932)	44,076	-	44,432	(355)
Canadian dollar	38,861	-	40,168	(1,306)	23,689	-	23,941	(251)
Australian dollar	39,798	-	42,087	(2,289)	22,587	-	22,442	145
British pound	11,809	-	12,030	(220)	17,007	-	17,134	(126)
Svensk krona	-	-	-	-	5	-	5	0
Singapore dollar	0	-	0	(0)	3	-	3	0
Norwegian krone	-	-	-	-	1	-	1	0
Bought	-	-	-	-	-	-	-	-
Currency Options								
Sold								
Calls	-	-	-	-	-	-	-	-
Puts	[ - ]	-	-	-	[ - ]	-	-	-
Bought								
Calls	-	-	-	-	-	-	-	-
Puts	[ - ]	-	-	-	[ - ]	-	-	-
US dollar	[ - ]	-	-	-	[ 46,215 109 ]	-	77	(31)
Euro	[ - ]	-	-	-	[ 35,715 93 ]	-	59	(34)
Puts	[ - ]	-	-	-	[ 10,500 16 ]	-	18	2
<b>Total</b>				<b>(5,996)</b>				<b>(755)</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 fiscal year.

· Stock-related Transactions

(Millions of yen)

	As of March 31, 2011				As of March 31, 2012			
	Notional amount/ contract value	Over 1 year	Fair value	Gains (losses)	Notional amount/ contract value	Over 1 year	Fair value	Gains (losses)
<b>Exchange-traded transactions</b>								
Yen stock index futures								
Sold	9,636	-	9,760	(123)	5,012	-	5,045	(32)
Bought	-	-	-	-	-	-	-	-
<b>Total</b>				<b>(123)</b>				<b>(32)</b>

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

· Bond-related Transactions

(Millions of yen)

	As of March 31, 2011				As of March 31, 2012			
	Notional amount/ contract value	Over 1 year	Fair value	Gains (losses)	Notional amount/ contract value	Over 1 year	Fair value	Gains (losses)
<b>Exchange-traded transactions</b>								
Yen bond futures								
Sold	-	-	-	-	28,446	-	28,402	44
Bought	-	-	-	-	-	-	-	-
Foreign bond futures								
Sold	-	-	-	-	10,771	-	10,642	128
Bought	-	-	-	-	-	-	-	-
<b>Total</b>				<b>-</b>				<b>172</b>

## (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	39,863	17,905	560
	Receipt fixed, payment floating				
	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 March 31, 2012]

(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	17,700	12,700	249
	Receipt fixed, payment floating				
	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)	5,000	12,360	340
Average fixed rate (receipt)	1.64%	1.66%	2.47%
Average floating rate (payment)	0.61%	0.61%	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 2012.

## · 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	130,705	-	132,995			
	Sold							
	US dollar					94,589	-	95,095
	Euro					27,878	-	29,370
	Australian dollar					8,237	-	8,530
	Bought					-	-	-
Total								

[As of March 31, 2012]

(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	115,590	-	119,345			
	Sold							
	US dollar					82,921	-	84,525
	Euro					24,161	-	26,346
	Australian dollar					8,507	-	8,473
	Bought					-	-	-
Total								

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

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 2012.

## · Bond-related Transactions

No ending balance as of March 31, 2011 and 2012.

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

#### (1) Selected Financial Data

(Millions of yen)

	Year ended March 31, 2011	Year ended March 31, 2012
Ordinary revenues	1,382,635	1,137,810
Ordinary profits	61,318	53,832
Net surplus for the year	42,199	28,391
Comprehensive income	4,006	90,033

	As of March 31, 2011	As of March 31, 2012
Total assets	6,670,346	7,033,729
Solvency Margin Ratio	-	763.4%

#### (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 March 31, 2012		As of March 31, 2011	As of March 31, 2012
<b>Assets:</b>			<b>Liabilities:</b>		
Cash and deposits	314,392	73,260	Policy reserves	6,202,567	6,589,577
Call loans	-	65,600	Reserve for outstanding claims	32,792	24,149
Monetary claims bought	1,424	1,351	Policy reserve	6,115,914	6,510,809
Money held in trust	33,169	35,194	Reserve for dividends to policyholders	53,205	53,969
Securities	4,681,280	5,422,669	Reserve for dividends to policyholders (subsidiary)	654	648
Loans	1,146,719	1,042,359	Agency payables	1,685	560
Tangible fixed assets	284,863	276,828	Reinsurance payables	100	88
Land	163,574	161,076	Subordinated bonds	35,214	32,896
Buildings	116,647	110,051	Other liabilities	129,127	50,593
Lease assets	47	117	Reserve for employees' retirement benefits	50,153	46,384
Construction in progress	1,165	2,234	Reserve for price fluctuation of securities	33,865	38,183
Other tangible fixed assets	3,427	3,348	Deferred tax liabilities for revaluation reserve for land	19,936	16,195
Intangible fixed assets	15,712	14,529	<b>Total liabilities</b>	<b>6,472,650</b>	<b>6,774,480</b>
Software	8,750	8,696	<b>Net assets:</b>		
Goodwill	5,520	4,618	Foundation funds	40,000	35,000
Lease assets	987	761	Accumulated foundation funds redeemed	46,000	71,000
Other intangible fixed assets	453	453	Reserve for revaluation	112	112
Agency receivables	4	7	Consolidated surplus	98,228	77,183
Reinsurance receivables	174	123	Total foundation funds, surplus and others	184,340	183,295
Other assets	106,524	56,062	Net unrealized gains (losses) on available-for-sale securities, net of tax	10,006	68,806
Deferred tax assets	88,745	48,211	Deferred valuation gains (losses) under hedge accounting	365	170
Allowance for possible loan losses	(2,665)	(2,468)	Revaluation reserve for land, net of tax	1,366	3,383
			Foreign currency translation adjustment	(761)	(828)
			Total accumulated other comprehensive income	10,977	71,532
			Minority interests	2,378	4,421
			<b>Total net assets</b>	<b>197,696</b>	<b>259,249</b>
<b>Total assets</b>	<b>6,670,346</b>	<b>7,033,729</b>	<b>Total liabilities and net assets</b>	<b>6,670,346</b>	<b>7,033,729</b>

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

[Consolidated Statements of Operations]

(Millions of yen)

	Year ended March 31, 2011	Year ended March 31, 2012
<b>Ordinary revenues:</b>		
Premium and other income	1,210,851	950,986
Investment income	159,276	166,427
Interest, dividends and other income	124,544	131,529
Gains from money held in trust, net	361	162
Gains from trading securities, net	-	12,872
Gains on sales of securities	30,678	19,630
Gains from redemption of securities	-	338
Gains from derivative instruments, net	3,335	-
Reversal of allowance for possible loan losses	-	57
Other investment income	354	156
Gains from separate accounts, net	-	1,679
Other ordinary revenues	12,507	20,396
<b>Total ordinary revenues</b>	<b>1,382,635</b>	<b>1,137,810</b>
<b>Ordinary expenditures:</b>		
Claims and other payments	627,832	505,831
Claims	178,210	142,771
Annuities	91,729	95,211
Benefits	189,273	133,356
Surrenders	138,695	107,691
Other payments	29,923	26,800
Provision for policy reserve and others	510,113	394,979
Provision for reserve for outstanding claims	6,385	-
Provision for policy reserve	503,609	394,895
Interest on accumulated dividends to policyholders	116	83
Interest on accumulated dividends to policyholders (subsidiary)	0	0
Investment expenses	49,704	56,740
Interest expenses	1,540	1,423
Losses from trading securities, net	5,069	-
Losses on sales of securities	20,511	26,405
Losses on valuation of securities	5,922	9,222
Losses from derivative instruments, net	-	5,725
Foreign exchange losses, net	2,654	1,876
Depreciation of real estate for rent and other assets	5,732	6,477
Other investment expenses	5,238	5,607
Losses from separate accounts, net	3,034	-
Operating expenses	109,797	103,441
Other ordinary expenditures	23,869	22,985
<b>Total ordinary expenditures</b>	<b>1,321,317</b>	<b>1,083,978</b>
<b>Ordinary profits</b>	<b>61,318</b>	<b>53,832</b>
<b>Extraordinary gains:</b>		
Gains on disposal of fixed assets	16	4,645
Reversal of allowance for possible loan losses	957	-
Gain on change in equity	-	55
Other extraordinary gains	6	-
<b>Total extraordinary gains</b>	<b>980</b>	<b>4,700</b>
<b>Extraordinary losses:</b>		
Losses on disposal of fixed assets	111	161
Impairment losses	318	433
Provision for reserve for price fluctuation of securities	7,167	4,318
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>8,564</b>	<b>4,923</b>
<b>Provision for reserve for dividends to policyholders (subsidiary)</b>	<b>456</b>	<b>440</b>
<b>Surplus before income taxes</b>	<b>53,277</b>	<b>53,168</b>
Income taxes - current	14,719	9,859
Income taxes - deferred	(3,809)	14,823
<b>Total income taxes</b>	<b>10,909</b>	<b>24,683</b>
<b>Net surplus before minority interests</b>	<b>42,367</b>	<b>28,485</b>
<b>Minority interests</b>	<b>168</b>	<b>93</b>
<b>Net surplus for the year</b>	<b>42,199</b>	<b>28,391</b>

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

## [Consolidated Statement of Comprehensive Income]

(Millions of yen)

	Year ended March 31, 2011	Year ended March 31, 2012
Net surplus before minority interests	42,367	28,485
Other comprehensive income	(38,360)	61,548
Net unrealized gains (losses) on available-for-sale securities, net of tax	(38,009)	58,955
Deferred valuation gains (losses) under hedge accounting	(173)	(194)
Revaluation reserve for land, net of tax	—	2,854
Foreign currency translation adjustment	(177)	(67)
Comprehensive income	4,006	90,033
Comprehensive income attributable to parent company	3,809	89,784
Comprehensive income attributable to minority interests	196	248

## (5) Consolidated Statements of Cash Flows

(Millions of yen)

	Year ended March 31, 2011	Year ended March 31, 2012
<b>Cash flows from operating activities:</b>		
Surplus before income taxes	53,277	53,168
Depreciation of real estate for rent and other assets	5,732	6,477
Depreciation	5,841	5,802
Impairment losses	318	433
Amortization of goodwill	793	763
Increase (Decrease) in reserve for outstanding claims	6,385	(8,643)
Increase (Decrease) in policy reserve	503,609	394,895
Interest on accumulated dividends to policyholders	116	83
Interest on accumulated dividends to policyholders (subsidiary)	0	0
Provision for reserve for dividends to policyholders (subsidiary)	456	440
Increase (Decrease) in allowance for possible loan losses	78	(196)
Increase (Decrease) in reserve for employees' retirement benefits	349	(3,768)
Increase (Decrease) in reserve for price fluctuation of securities	7,167	4,318
Interest, dividends and other income	(124,544)	(131,529)
(Gains) Losses on securities	161	6,670
Interest expenses	1,540	1,423
Foreign exchange (gains) losses, net	2,654	1,876
(Gains) Losses on tangible fixed assets	1,041	(4,496)
(Increase) Decrease in agency receivables	(2)	(2)
(Increase) Decrease in reinsurance receivables	106	51
(Increase) Decrease in other assets except from investing and financing activities	(929)	(1,365)
Increase (Decrease) in agency payables	(187)	(1,124)
Increase (Decrease) in reinsurance payables	(39)	(12)
Increase (Decrease) in other liabilities except from investing and financing activities	985	2,364
Others	18,819	18,780
Subtotal	483,734	346,411
Interest, dividends and other income received	129,665	140,383
Interest paid	(1,556)	(1,439)
Dividends to policyholders paid	(21,176)	(23,700)
Dividends to policyholders paid (subsidiary)	(388)	(446)
Corporate income tax (paid) refunded	(4,563)	(19,825)
Net cash provided by (used in) operating activities (I)	585,713	441,382
<b>Cash flows from investing activities:</b>		
(Increase) Decrease in deposits	160	84
Proceeds from sales and redemption of monetary claims bought	327	73
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	(2,011,445)	(1,758,975)
Proceeds from sales and redemption of securities	1,505,910	1,066,150
Payments for additions to loans	(124,767)	(101,397)
Proceeds from collections of loans	189,114	193,911
Proceeds from settlement of derivatives	7,271	(9,825)
Others	5,654	(2,328)
Subtotal (IIa)	(427,690)	(614,177)
(I+IIa)	158,023	(172,795)
Payments for purchase of tangible fixed assets	(13,047)	(3,226)
Proceeds from sales of tangible fixed assets	116	7,078
Payments for purchase of intangible fixed assets	(2,737)	(2,225)
Payments for additional acquisition of shares of consolidated subsidiary	(326)	-
Net cash provided by (used in) investing activities	(443,686)	(612,551)

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

(Millions of yen)

	Year ended March 31, 2011	Year ended March 31, 2012
<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	(222)	(252)
Net cash provided by (used in) financing activities	(1,130)	(4,157)
<b>Effect of exchange rate changes on cash and cash equivalents</b>	(842)	(108)
<b>Net increase (decrease) in cash and cash equivalents</b>	140,053	(175,434)
<b>Cash and cash equivalents at the beginning of the year</b>	173,885	313,939
<b>Cash and cash equivalents at the end of the year</b>	313,939	138,504

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

(Millions of yen)

	Year ended March 31, 2011	Year ended March 31, 2012
<b>Foundation funds, surplus and others:</b>		
Foundation funds		
Balance at the beginning of current fiscal year	40,000	40,000
Changes in the current fiscal year		
Financing of additional foundation funds	-	20,000
Redemption of foundation funds	-	(25,000)
Total changes in the current fiscal year	-	(5,000)
Balance at the end of current fiscal year	40,000	35,000
Accumulated foundation funds redeemed		
Balance at the beginning of current fiscal year	46,000	46,000
Changes in the current fiscal year		
Additions to accumulated foundation funds redeemed	-	25,000
Total changes in the current fiscal year	-	25,000
Balance at the end of current fiscal year	46,000	71,000
Reserve for revaluation		
Balance at the beginning of current fiscal year	112	112
Changes in the current fiscal year		
Total changes in the current fiscal year	-	-
Balance at the end of current fiscal year	112	112
Consolidated surplus		
Balance at the beginning of current fiscal year	77,020	98,228
Changes in the current fiscal year		
Additions to reserve for dividends to policyholders	(19,505)	(24,381)
Payment of interest on foundation funds	(892)	(892)
Net surplus for the year	42,199	28,391
Reversal of reserve for redemption of foundation funds	-	(25,000)
Reversal of revaluation reserve for land	(592)	837
Total changes in the current fiscal year	21,208	(21,045)
Balance at the end of current fiscal year	98,228	77,183
Total foundation funds, surplus and others		
Balance at the beginning of current fiscal year	163,132	184,340
Changes in the current fiscal year		
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 year	42,199	28,391
Redemption of foundation funds	-	(25,000)
Reversal of reserve for redemption of foundation funds	-	(25,000)
Reversal of revaluation reserve for land	(592)	837
Total changes in the current fiscal year	21,208	(1,045)
Balance at the end of current fiscal year	184,340	183,295

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

(Millions of yen)

	Year ended March 31, 2011	Year ended March 31, 2012
<b>Accumulated other comprehensive income:</b>		
Net unrealized gains (losses) on available-for-sale securities, net of tax		
Balance at the beginning of current fiscal year	48,045	10,006
Changes in the current fiscal year		
Net changes, excluding foundation funds, surplus and others	(38,038)	58,799
Total changes in the current fiscal year	(38,038)	58,799
Balance at the end of current fiscal year	10,006	68,806
Deferred valuation gains (losses) under hedge accounting		
Balance at the beginning of current fiscal year	538	365
Changes in the current fiscal year		
Net changes, excluding foundation funds, surplus and others	(173)	(194)
Total changes in the current fiscal year	(173)	(194)
Balance at the end of current fiscal year	365	170
Revaluation reserve for land, net of tax		
Balance at the beginning of current fiscal year	773	1,366
Changes in the current fiscal year		
Net changes, excluding foundation funds, surplus and others	592	2,016
Total changes in the current fiscal year	592	2,016
Balance at the end of current fiscal year	1,366	3,383
Foreign currency translation adjustment		
Balance at the beginning of current fiscal year	(583)	(761)
Changes in the current fiscal year		
Net changes, excluding foundation funds, surplus and others	(177)	(67)
Total changes in the current fiscal year	(177)	(67)
Balance at the end of current fiscal year	(761)	(828)
Total accumulated other comprehensive income		
Balance at the beginning of current fiscal year	48,774	10,977
Changes in the current fiscal year		
Net changes, excluding foundation funds, surplus and others	(37,796)	60,555
Total changes in the current fiscal year	(37,796)	60,555
Balance at the end of current fiscal year	10,977	71,532
<b>Minority interests:</b>		
Balance at the beginning of current fiscal year	2,513	2,378
Changes in the current fiscal year		
Net changes, excluding foundation funds, surplus and others	(134)	2,043
Total changes in the current fiscal year	(134)	2,043
Balance at the end of current fiscal year	2,378	4,421
<b>Total net assets:</b>		
Balance at the beginning of current fiscal year	214,419	197,696
Changes in the current fiscal year		
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 year	42,199	28,391
Redemption of foundation funds	-	(25,000)
Reversal of reserve for redemption of foundation funds	-	(25,000)
Reversal of revaluation reserve for land	(592)	837
Net changes, excluding foundation funds, surplus and others	(37,931)	62,598
Total changes in the current fiscal year	(16,723)	61,553
Balance at the end of current fiscal year	197,696	259,249

# 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 year ended March 31, 2012 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 year and surplus and is sufficiently insignificant to reasonable judgement on its impact on the financial position and results of operation of the Company's group.

#### (2) Application of Equity Method

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

There are no affiliates for the year ended March 31, 2012.

#### (3) Fiscal Year of Consolidated Subsidiaries

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

#### (4) Amortization of Goodwill

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



## II. Notes to Balance Sheets

### 1. Significant Accounting Policies

#### (1) Valuation Methods of Securities

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

- i) Trading securities are stated at fair market value. Costs of their sales are determined by the moving average method.
- ii) Held-to-maturity debt securities are stated at amortized cost under the straight-line method, cost being determined by the moving average method.
- iii) Policy-reserve-matching bonds are stated at amortized cost under the straight-line method, cost being determined by the moving average method in accordance with "Temporary Treatment of Accounting and Auditing Concerning Policy-reserve-matching Bonds in Insurance Industry" (Industry Audit Committee Report No.21 issued by the Japanese Institute of Certified Public Accountants on November 16, 2000).
- iv) Investments in unconsolidated subsidiaries and affiliates which are not accounted for under the equity method are stated at cost, cost being determined by the moving average method.
- v) Available-for-sale securities with fair market value are stated at fair market value based on the market prices at the end of fiscal year. Costs of their sales are determined by the moving average method. Net unrealized gains or losses on these available-for-sale securities, net of taxes, are recorded as a separate component of net assets.

Available-for-sale securities whose fair 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 March 31, 2012 was ¥332 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 plans to defined benefit corporate pension plans, and part of lump sum benefit plans to defined contribution pension plans on July 1, 2011.

#### **(8) Reserve for Price Fluctuation of Securities**

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

### **(9) Lease Transactions as a Lessee**

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

### **(10) Lease Transactions as a Lessor**

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

### **(11) Accounting for Hedge Activities**

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

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

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

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

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

### **(12) Accounting for Consumption Taxes**

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

### **(13) Policy Reserve**

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

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

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

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

- (a) As for the statement of operations, "reversal of allowance for possible loan losses" which was presented in "extraordinary gains" until previous fiscal year is included in "investment income".
- (b) As for the statement of changes in net assets, the item which was presented as "balance at the end of previous fiscal year" until previous fiscal year is presented as "balance at the beginning of current period".

## **3. Financial Instruments**

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

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

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

	Carrying amount	Fair value	Difference
			(Millions of yen)
Monetary claims bought:			
Claims treated as loans .....	1,351	1,374	23
Total monetary claims bought .....	1,351	1,374	23
Money held in trust:			
Trading securities.....	34,194	34,194	
Total money held in trust.....	34,194	34,194	
Securities:			
Trading securities.....	214,053	214,053	
Held-to-maturity debt securities.....	1,179,852	1,218,634	38,781
Policy-reserve-matching bonds .....	1,461,155	1,522,287	61,132
Available-for-sale securities .....	2,479,204	2,479,204	
Total securities .....	5,334,265	5,434,179	99,914
Loans:			
Policy loans.....	73,176	73,176	(0)
Ordinary loans .....	969,182	995,689	26,506
Total loans.....	1,042,359	1,068,865	26,506
Derivative instruments:			
Hedge accounting not applied .....	(1,442)	(1,442)	
Hedge accounting applied .....	(3,506)	(3,506)	
Total derivative instruments .....	(4,948)	(4,948)	

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

The fair values of marketable securities are measured at the quoted market price at the end of fiscal year. The fair values of other securities without the quoted market price are based on the prices reasonably calculated such as the prices offered by the information vendors or counterparty financial institutions.

Investments in unconsolidated subsidiaries and affiliates, unlisted stocks and investments in partnerships whereby partnership assets consist of unlisted stocks whose fair values are deemed extremely difficult to obtain, are excluded from above securities. The carrying amounts of investments in unconsolidated subsidiaries and affiliates, unlisted stocks and investments in partnerships as of March 31, 2012 were ¥398 million, ¥8,086 million and ¥7,729 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**

The Company holds investment and rental properties such as office buildings in Tokyo and other areas. The carrying amount and the fair value of these investment and rental properties as of March 31, 2012 were ¥223,191 million and ¥271,525 million, respectively. The fair value is mainly based on the value calculated by the Company in accordance with real estate appraisal standards which includes some adjustments using the reference prices.

The amount corresponding to asset retirement obligations included in the carrying amount of investment and rental properties was ¥1,334 million as of March 31, 2012.

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

The amounts of credits to bankrupt borrowers, delinquent loans and restructured loans, which were included in loans, were ¥270 million, ¥683 million and ¥2,064 million, respectively and their total amounts were ¥3,019 million as of March 31, 2012. There was no balance of delinquent loans past 3 months or more as of March 31, 2012.

The direct write-offs related to loans decreased credits to bankrupt borrowers by ¥12 million and delinquent loans by ¥291 million as of March 31, 2012.

Credits to bankrupt borrowers represent loans, excluding the balances already written-off, which meet the conditions prescribed in Article 96 Paragraph 1 Item 3 and 4 of the Enforcement Regulations of the Corporate Tax Law. Moreover, accruing interest on these loans is not recorded as income after determining that principal of or interest on these loans is unlikely to be collected due to the significant delay in repayment of principal or interest payment or for some other reasons.

Delinquent loans are credits whose accruing interest is not recorded as income due to the same reasons as described above, and exclude credits to bankrupt borrowers and loans for which interest payments have been suspended and rescheduled to assist and support the borrowers in the restructuring of their business.

Delinquent loans past 3 months or more are loans for which interest payment or repayment of principal are delinquent for 3 months or more from the due date under the terms of the related loan agreements, excluding those loans classified as credits to bankrupt borrowers and delinquent loans.

Restructured loans are loans for which certain concessions favorable to borrowers, such as interest reduction or exemptions, rescheduling of due date of principal or interest payment, waiver of claim or other terms, have been negotiated for the purpose of assisting and supporting the borrowers in the restructuring of their business. This category excludes loans classified as credits to bankrupt borrowers, delinquent loans and delinquent loans past 3 months or more.

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

Accumulated depreciation of tangible fixed assets totaled to ¥137,618 million as of March 31, 2012.

#### **7. Separate Accounts**

Total assets in separate accounts provided for in Article 118 of the Insurance Business Law were ¥82,053 million as of March 31, 2012. The amount of separate account liabilities was the same as separate account assets.

## **8. Receivables from/Payables to Unconsolidated Subsidiaries**

The total amounts of receivables from/payables to unconsolidated subsidiaries were ¥2,432 million and ¥177 million as of March 31, 2012, respectively.

## **9. Monetary Claims to Directors**

Monetary claims to directors of the Company as of March 31, 2012 were ¥5 million.

## **10. Income Taxes**

Deferred tax assets and deferred tax liabilities as of March 31, 2012 were ¥85,897 million and ¥34,529 million, respectively. Valuation allowance for deferred tax assets was ¥3,155 million.

Major components of deferred tax assets were ¥49,440 million of policy reserves, ¥14,279 million of reserve for employees' retirement benefits and ¥11,752 million of reserve for price fluctuation of securities as of March 31, 2012. Major component of deferred tax liabilities was ¥30,806 million of net unrealized gains on available-for-sale securities as of March 31, 2012.

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

Following the promulgation of the "Act for Partial Amendment of the Income Tax Act, etc. for the Purpose of Creating a Taxation System Responding to Changes in Economic and Social Structures" (Act No.114, 2011) and the "Act on Special Measures for Securing Financial Resources Necessary to Implement Measures for Reconstruction following the Great East Japan Earthquake" (Act No.117, 2011) on December 2, 2011, the corporate income tax rate will be lowered from the fiscal year beginning on April 1, 2012 and a special restoration surtax will be imposed from the fiscal year beginning on April 1, 2012 through the fiscal year beginning on April 1, 2014. The effective statutory tax rate used by the Company for the calculation of deferred tax assets and deferred tax liabilities will consequently be changed from the current rate of 36.2% to 33.3% for a temporary difference which is expected to be reversed in the period from April 1, 2012 to March 31, 2015, and to 30.8% for a temporary difference which is expected to be reversed after April 1, 2015. As a result of these changes, deferred tax assets as for March 31, 2012 decreased by ¥676 million and ¥7,118 million, respectively and deferred tax liabilities for revaluation reserve for land as of March 31, 2012 decreased by ¥1 million and ¥2,853 million, respectively. Income taxes deferred for the fiscal year ended March 31, 2012 increased by ¥13,236 million.

### 11. Reserve for Dividends to Policyholders

Changes in reserve for dividends to policyholders for the year ended March 31, 2012 were as follows:

	(Millions of yen)
Balance at the beginning of current fiscal year.....	¥ 53,205
Transfer from surplus in previous fiscal year .....	24,381
Dividends paid in the current fiscal year.....	(23,700)
Increase in interest .....	83
Balance at the end of current fiscal year .....	<u>¥ 53,969</u>

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

Changes in reserve for dividends to policyholders for the year ended March 31, 2012 were as follows:

	(Millions of yen)
Balance at the beginning of current fiscal year.....	¥ 654
Dividends paid in the current fiscal year.....	(446)
Increase in interest .....	0
Provision for reserve for dividends to policyholders ...	440
Balance at the end of current fiscal year .....	<u>¥ 648</u>

### 13. Stocks of Unconsolidated Subsidiaries

The amount of stocks of unconsolidated subsidiaries the Company held as of March 31, 2012 was ¥398 million.

### 14. Pledged Assets and Secured Debts

Assets pledged as collateral as of March 31, 2012 were ¥24,300 million of securities and ¥397 million of deposits. Secured debts as of March 31, 2012 were ¥4,608 million.

### 15. Policy Reserves for the Reinsurance Contracts

Reserve for outstanding claims for the reinsurance contracts provided in accordance with Article 71 Paragraph 1 of the Enforcement Regulation of the Insurance Business Law (hereinafter called "reserve for outstanding claims for ceded reinsurance") was ¥5 million as of March 31, 2012.

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 ¥53 million as of March 31, 2012.

### 16. Additional Foundation Funds

The Company raised additional foundation funds of ¥20,000 million during the fiscal year ended March 31, 2012 in accordance with Article 60 of the Insurance Business Law.

### 17. Redemption of Foundation Funds

In the fiscal year ended March 31, 2012, 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.

### 18. Commitment Line

As of March 31, 2012, there were unused commitment line agreements under which the Company is the lender of ¥1,023 million.



## 19. Subordinated Bonds

Repayments of subordinated bonds are subordinated to other obligations.

## 20. Contribution to Policyholders Protection Corporation

The future contribution to the Life Insurance Policyholders Protection Corporation of Japan under Article 259 of the Insurance Business Law was estimated at ¥11,754 million as of March 31, 2012. The contribution was charged as operating expenses in the year in which it was paid.

## 21. Reserve for Employees' Retirement Benefits

(1) The reserve for employees' retirement benefits as of March 31, 2012 was calculated as follows:

	(Millions of yen)
a. Projected benefit obligation .....	¥ (72,936)
b. Fair value of pension plan assets .....	17,167
c. Unfunded benefit obligation (a+b) .....	<u>(55,768)</u>
d. Unrecognized actuarial differences .....	10,021
e. Unrecognized prior service cost .....	(636)
f. Reserve for employees' retirement benefits (c+d+e).....	<u>¥ (46,384)</u>

(2) Gross amount of retirement benefit expenses for the year ended March 31, 2012 was as follows:

	(Millions of yen)
Service cost .....	¥ 2,965
Interest cost .....	1,451
Expected return on pension plan assets .....	(471)
Amortization of actuarial differences.....	1,218
Amortization of prior service cost.....	20
	<u>¥ 5,143</u>

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

• Method of attributing the projected benefits to periods of service.....	Straight-line basis
• Discount rate .....	2.0%
• Expected rate of return on pension plan assets.....	3.0%
• Amortization period of actuarial differences .....	10 years
• Amortization period of prior service cost .....	10 years

### III. Notes to Statements of Operations

#### 1. Transactions with Unconsolidated Subsidiaries

The total amounts of revenues and expenditures in connection with unconsolidated subsidiaries were ¥96 million and ¥2,884 million for the year ended March 31, 2012.

#### 2. Policy Reserves for the Reinsurance Contracts

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

### IV. Notes to Statement of Comprehensive Income

#### 1. Other Comprehensive Income

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

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

## V. Notes to Statements of Cash Flows

### 1. Scope of Cash and Cash Equivalents

Cash and cash equivalents as of March 31, 2012 consist of "Cash", "Deposits in transfer account", "Current deposits", "Ordinary deposits", "Notice deposits", "Time deposits maturing within 3 months of the date of acquisition", "Foreign currency deposits maturing within 3 months of the date of acquisition", "Negotiable certificate of deposits maturing within 3 months of the date of acquisition", "Call loans" and "Monetary claims bought maturing within 3 months of the date of acquisition".

### 2. Reconciliations of Cash and Cash Equivalents

Reconciliations of cash and cash equivalents in the consolidated statements of cash flows to the consolidated balance sheets accounts as of March 31, 2012 were as follows:

	(Millions of yen)
Cash and deposits .....	¥73,260
Call loans .....	65,600
Monetary claims bought.....	1,351
Time deposits maturing over 3 months of the date of acquisition .....	(200)
Foreign currency deposits maturing over 3 months of the date of acquisition ...	(155)
Monetary claims bought maturing over 3 months of the date of acquisition .....	(1,351)
Cash and cash equivalents.....	<u>¥ 138,504</u>

## (7) Risk-monitored Loans

(Millions of yen)

	As of March 31, 2011	As of March 31, 2012
Credits to bankrupt borrowers	280	270
Delinquent loans	770	683
Delinquent loans past three months or more	-	-
Restructured loans	2,237	2,064
Total	3,288	3,019
[Percentage of total loans]	[0.29%]	[0.29%]

- 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 ¥19 million as of March 31, 2011 and ¥12 million as of March 31, 2012. The amounts written-off related to delinquent loans were ¥262 million as of March 31, 2011 and ¥291 million as of March 31, 2012.
2. Credits to bankrupt borrowers represent loans which are subject to bankruptcy, corporate reorganization 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.

(8) Status of Insurance Claims Paying Ability of Insurance Subsidiaries  
(Consolidated Solvency Margin Ratio)

Fukokushinrai Life Insurance Company

(Millions of yen)

		As of March 31, 2012
Total solvency margin (A)		671,498
Common stock and others		157,889
Reserve for price fluctuation of securities		38,183
Contingency reserve		147,687
Catastrophe loss reserve		-
Allowance for possible loan losses		1,874
Net unrealized gains on available - for - sale securities x 90% (multiplied by 100% if losses)		90,058
Net unrealized gains on real estate x 85%		67,494
Excess amount of policy reserve based on full-time Zillmer method		115,308
Qualifying subordinated debt		32,896
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		-
Others		20,105
Total amount of risk $[(R_1^2 + R_5^2)^{1/2} + R_8 + R_9]^2 + (R_2 + R_3 + R_7)^2)^{1/2} + R_4 + R_6$ (B)		175,909
Insurance risk $R_1$		28,229
General insurance risk $R_5$		-
Catastrophe risk $R_6$		-
3rd sector insurance risk $R_8$		9,689
Small amount and short-term insurance risk $R_9$		-
Assumed investment yield risk $R_2$		42,618
Minimum guarantee risk $R_7$		5
Investment risk $R_3$		124,939
Business risk $R_4$		4,109
Solvency margin ratio $\frac{(A)}{(1/2) \times (B)} \times 100$		763.4%

Notes: 1. Above figures are calculated based on Articles 86 and 87 of the Enforcement Regulation of the Insurance Business Law and Ministry of Finance Ordinance No. 50, 1996.

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

## (9) Status of Insurance Claims Paying Ability of Insurance Subsidiaries (Solvency Margin Ratio)

Fukokushinrai Life Insurance Company

(Millions of yen)

	As of March 31, 2011	As of March 31, 2012
<b>Total solvency margin (A)</b>	24,644	40,153
Common stock and others	19,915	31,481
Reserve for price fluctuation of securities	433	2,695
Contingency reserve	1,218	1,499
Allowance for possible loan losses	0	0
Net unrealized gains on available - for - sale securities x 90% (multiplied by 100% if losses)	463	2,072
Net unrealized gains on real estate x 85%	-	-
Excess amount of policy reserve based on full-time Zillmer method	2,571	2,150
Qualifying subordinated debt	-	-
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	-	-
Others	42	253
<b>Total amount of risk <math>\sqrt{(R_1 + R_8)^2 + (R_2 + R_3 + R_7)^2} + R_4</math> (B)</b>	9,905	14,226
Insurance risk $R_1$	609	620
3rd sector insurance risk $R_8$	123	121
Assumed investment yield risk $R_2$	310	352
Minimum guarantee risk $R_7$	-	-
Investment risk $R_3$	9,258	13,560
Business risk $R_4$	309	293
<b>Solvency margin ratio</b> $\frac{(A)}{(1/2) \times (B)} \times 100$	497.5%	564.4%

Notes: 1. The figures at the end of fiscal year ending March 31 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. 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 figures at the end of fiscal year ending March 31, 2011 are calculated by applying the revised standards to the financial results as of March 31, 2012.

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

Fukokushinrai Life Insurance Company

(Millions of yen)

		As of March 31, 2011
Total solvency margin	(A)	24,872
Common stock and others		19,915
Reserve for price fluctuation of securities		433
Contingency reserve		1,218
Allowance for possible loan losses		0
Net unrealized gains on available - for - sale securities x 90% (multiplied by 100% if losses)		463
Net unrealized gains on real estate x 85%		-
Excess amount of policy reserve based on full-time Zillmer method		2,571
Qualifying subordinated debt		-
Deductible items		-
Others		270
Total amount of risk	$\sqrt{(R_1 + R_8)^2 + (R_2 + R_3 + R_7)^2} + R_4$ (B)	7,199
Insurance risk	$R_1$	609
3rd sector insurance risk	$R_8$	123
Assumed investment yield risk	$R_2$	171
Minimum guarantee risk	$R_7$	-
Investment risk	$R_3$	6,759
Business risk	$R_4$	229
Solvency margin ratio	$\frac{(A)}{(1/2) \times (B)} \times 100$	690.9%

Note: Above figures are calculated based on Articles 86 and 87 of the Enforcement Regulation of the Insurance Business Law, Ministry of Finance Ordinance No. 50, 1996.