

Financial Results for the Six Months Ended September 30, 2012

Fukoku Mutual Life Insurance Company (President: Yoshiteru Yoneyama) announces financial results for the six months ended September 30, 2012.

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Attached: Supplementary Materials for the Six Months Ended September 30, 2012

1. Business Highlights

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

(i) Policies in Force

		As of March 31, 2012				As of September 30, 2012			
		Number of policies		Amount		Number of policies		Amount	
		(Thousands)	Changes (% YoY)	(100 millions of yen)	Changes (% YoY)	(Thousands)	Changes (% Pre-FYE)	(100 millions of yen)	Changes (% Pre-FYE)
	Individual insurance	2,983	100.5	259,536	95.9	2,987	100.1	253,917	97.8
	Individual annuities	770	102.0	29,989	100.8	772	100.4	29,989	100.0
	Subtotal	3,753	100.8	289,526	96.3	3,760	100.2	283,906	98.1
	Group insurance	—	—	160,562	98.8	—	—	161,573	100.6
	Group annuities	—	—	19,720	100.3	—	—	19,854	100.7

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

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

(ii) New Policies

		Total				New business		Net increase by conversion	
		Number of policies		Amount		Amount		Amount	
		(Thousands)	Changes (% YoY)	(100 millions of yen)	Changes (% YoY)	(100 millions of yen)	Changes (% YoY)	(100 millions of yen)	Changes (% YoY)
	Individual insurance	193	94.7	6,565	112.5	7,623	104.2	(1,057)	—
	Individual annuities	18	96.5	615	98.8	627	98.4	(12)	—
	Subtotal	212	94.9	7,180	111.1	8,251	103.7	(1,070)	—
	Group insurance	—	—	106	29.3	106	29.3	—	—
	Group annuities	—	—	0	503.2	0	503.2	—	—

		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	186	96.1	6,251	95.2	7,294	95.7	(1,042)	—
	Individual annuities	16	90.3	570	92.7	584	93.1	(14)	—
	Subtotal	202	95.6	6,821	95.0	7,878	95.5	(1,057)	—
	Group insurance	—	—	133	125.7	133	125.7	—	—
	Group annuities	—	—	91	14,061.1	91	14,061.1	—	—

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

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

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

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

	Six months ended September 30, 2011		Six months ended September 30, 2012	
		Changes (% YoY)		Changes (% YoY)
Amount of surrender and lapse (100 millions of yen)	8,182	90.2	8,056	98.5
Surrender and lapse ratio (%)	2.72	(0.16)	2.78	0.06

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, 2012		As of September 30, 2012	
		Changes (%, YoY)		Changes (%, Pre-FYE)
Individual insurance	2,809	98.6	2,788	99.3
Individual annuities	1,302	102.6	1,313	100.8
Total	4,111	99.8	4,101	99.8
Medical coverage and living benefits	1,035	101.7	1,042	100.7

(ii) New Policies

(100 millions of yen except percentage)

	Six months ended September 30, 2011		Six months ended September 30, 2012	
		Changes (%, YoY)		Changes (%, YoY)
Individual insurance	107	115.4	97	90.9
Individual annuities	28	101.5	24	83.4
Total	135	112.1	121	89.3
Medical coverage and living benefits	41	104.9	40	99.1

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

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

3. New policies include net increase by conversion.

(3) Selected Items of Statements of Operations

(100 millions of yen except percentage)

	Six months ended September 30, 2011		Six months ended September 30, 2012	
		Changes (%, YoY)		Changes (%, YoY)
Premium and other income	3,136	89.7	3,599	114.7
Investment income	722	91.5	687	95.2
Claims and other payments	2,605	73.9	2,889	110.9
Investment expenses	435	167.2	261	60.0
Ordinary profits	168	42.1	268	159.4

(4) Total Assets

(100 millions of yen except percentage)

	As of March 31, 2012		As of September 30, 2012	
		Changes (%, YoY)		Changes (%, Pre-FYE)
Total assets	56,995	100.4	57,270	100.5

2. Investment Results of General Account Assets

(1) Asset Composition

(Millions of yen)

	As of March 31, 2012		As of September 30, 2012	
	Amount	Percentage	Amount	Percentage
Cash, deposits, call loans	94,857	1.7	106,598	1.9
Monetary claims bought	1,351	0.0	1,316	0.0
Money held in trust	35,194	0.6	30,482	0.5
Securities	4,075,938	72.5	4,137,185	73.1
Domestic bonds	2,737,371	48.7	2,844,221	50.3
Domestic stocks	353,248	6.3	321,554	5.7
Foreign securities	927,377	16.5	914,234	16.2
Foreign bonds	729,001	13.0	720,164	12.7
Foreign stocks and other securities	198,375	3.5	194,069	3.4
Other securities	57,940	1.0	57,175	1.0
Loans	1,039,363	18.5	991,473	17.5
Policy loans	70,164	1.2	69,236	1.2
Ordinary loans	969,199	17.2	922,237	16.3
Real estate	273,246	4.9	269,846	4.8
Deferred tax assets	47,130	0.8	52,473	0.9
Others	54,482	1.0	72,595	1.3
Allowance for possible loan losses	(2,299)	(0.0)	(2,170)	(0.0)
Total	5,619,265	100.0	5,659,803	100.0
Foreign currency denominated assets	770,441	13.7	777,465	13.7

(2) Changes (Increase/Decrease) in Assets

(Millions of yen)

	Six months ended September 30, 2011	Six months ended September 30, 2012
Cash, deposits, call loans	(120,349)	11,741
Monetary claims bought	(37)	(34)
Money held in trust	1,049	(4,712)
Securities	179,106	61,247
Domestic bonds	150,561	106,849
Domestic stocks	(14,633)	(31,693)
Foreign securities	40,592	(13,143)
Foreign bonds	30,715	(8,836)
Foreign stocks and other securities	9,877	(4,306)
Other securities	2,585	(765)
Loans	(52,416)	(47,889)
Policy loans	(1,072)	(927)
Ordinary loans	(51,344)	(46,961)
Real estate	(5,678)	(3,399)
Deferred tax assets	(6,722)	5,342
Others	(47,080)	18,113
Allowance for possible loan losses	167	129
Total	(51,963)	40,537
Foreign currency denominated assets	32,840	7,024

(3) Investment Income

(Millions of yen)

	Six months ended September 30, 2011	Six months ended September 30, 2012
Interest, dividends and other income	55,683	56,767
Interest from deposits	84	9
Interest and dividends from securities	36,890	38,696
Interest from loans	11,333	10,267
Income from real estate for rent	7,273	7,683
Other interest and dividends	102	110
Gains from money held in trust, net	—	403
Gains from trading securities, net	—	—
Gains on sales of securities	4,903	3,284
Gains on sales of domestic bonds	2,315	2,466
Gains on sales of domestic stocks	2,586	523
Gains on sales of foreign securities	2	294
Gains on redemption of securities	338	—
Gains from derivative instruments, net	11,242	7,671
Foreign exchange gains, net	—	—
Reversal of allowance for possible loan losses	60	10
Other investment income	53	648
Total	72,282	68,786

(4) Investment Expenses

(Millions of yen)

	Six months ended September 30, 2011	Six months ended September 30, 2012
Interest expenses	631	636
Losses from money held in trust, net	779	—
Losses from trading securities, net	8,230	4,528
Losses on sales of securities	8,445	5,869
Losses on sales of domestic bonds	250	117
Losses on sales of domestic stocks	2,322	4,356
Losses on sales of foreign securities	5,873	1,183
Others	—	211
Losses on valuation of securities	11,833	5,103
Losses on valuation of domestic bonds	—	—
Losses on valuation of domestic stocks	10,871	4,645
Losses on valuation of foreign securities	703	457
Other losses on valuation of securities	259	—
Losses on redemption of securities	—	—
Losses from derivative instruments, net	—	—
Foreign exchange losses, net	1,947	1,442
Provision for allowance for possible loan losses	—	—
Write-off of loans	—	—
Depreciation of real estate for rent and other assets	3,228	2,904
Other investment expenses	2,496	2,253
Total	37,593	22,737

(5) Net Investment Income

(Millions of yen)

	Six months ended September 30, 2011	Six months ended September 30, 2012
Net investment income	34,688	46,048

(6) Net Valuation Gains/Losses on Trading Securities

(Millions of yen)

	As of March 31, 2012		As of September 30, 2012	
	Carrying value on balance sheets	Net valuation gains/losses included in the statements of operations	Carrying value on balance sheets	Net valuation gains/losses included in the statements of operations
Trading securities	248,248	8,474	239,749	(6,372)

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

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

(Millions of yen)

	As of March 31, 2012					As of September 30, 2012				
	Book value	Fair value	Gains/losses			Book value	Fair value	Gains/losses		
				Gains	Losses				Gains	Losses
Held-to-maturity debt securities	823,530	852,343	28,812	29,263	450	815,005	861,398	46,392	46,475	82
Domestic bonds	777,527	804,084	26,556	26,868	311	772,832	816,659	43,826	43,826	—
Foreign bonds	46,002	48,258	2,256	2,394	138	42,172	44,738	2,565	2,648	82
Monetary claims bought	—	—	—	—	—	—	—	—	—	—
Negotiable certificate of deposits	—	—	—	—	—	—	—	—	—	—
Others	—	—	—	—	—	—	—	—	—	—
Policy-reserve-matching bonds	684,915	722,269	37,354	38,994	1,640	726,308	774,154	47,845	48,700	854
Domestic bonds	669,991	707,412	37,420	38,971	1,550	707,792	755,547	47,754	48,591	836
Foreign bonds	14,923	14,857	(66)	23	90	18,515	18,606	91	108	17
Investments in subsidiaries and affiliates	1,393	854	(538)	—	538	1,393	814	(578)	—	578
Available-for-sale securities	2,202,478	2,300,260	97,782	135,997	38,215	2,251,975	2,331,401	79,425	144,187	64,761
Domestic bonds	1,218,715	1,273,929	55,213	58,002	2,788	1,265,506	1,342,537	77,031	78,854	1,823
Domestic stocks	268,766	309,191	40,424	54,341	13,916	266,114	277,533	11,419	44,295	32,876
Foreign securities	663,501	666,928	3,426	21,996	18,569	670,285	662,944	(7,341)	19,677	27,019
Foreign bonds	458,405	469,945	11,540	18,340	6,800	463,589	470,268	6,678	17,096	10,417
Foreign stocks and other securities	205,095	196,982	(8,113)	3,656	11,769	206,696	192,675	(14,020)	2,581	16,601
Other securities	51,494	50,211	(1,283)	1,658	2,941	50,068	48,385	(1,682)	1,359	3,042
Money held in trust	—	—	—	—	—	—	—	—	—	—
Monetary claims bought	—	—	—	—	—	—	—	—	—	—
Negotiable certificate of deposits	—	—	—	—	—	—	—	—	—	—
Others	—	—	—	—	—	—	—	—	—	—
Total	3,712,316	3,875,727	163,410	204,255	40,845	3,794,682	3,967,768	173,085	239,363	66,277
Domestic bonds	2,666,234	2,785,425	119,191	123,841	4,650	2,746,131	2,914,744	168,612	171,272	2,659
Domestic stocks	268,766	309,191	40,424	54,341	13,916	266,114	277,533	11,419	44,295	32,876
Foreign securities	725,821	730,898	5,077	24,415	19,337	732,367	727,104	(5,263)	22,435	27,698
Foreign bonds	519,332	533,061	13,729	20,758	7,028	524,278	533,614	9,335	19,854	10,518
Foreign stocks and other securities	206,489	197,836	(8,652)	3,656	12,308	208,089	193,490	(14,598)	2,581	17,180
Other securities	51,494	50,211	(1,283)	1,658	2,941	50,068	48,385	(1,682)	1,359	3,042
Money held in trust	—	—	—	—	—	—	—	—	—	—
Monetary claims bought	—	—	—	—	—	—	—	—	—	—
Negotiable certificate of deposits	—	—	—	—	—	—	—	—	—	—
Others	—	—	—	—	—	—	—	—	—	—

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

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

(Millions of yen)

	As of March 31, 2012	As of September 30, 2012
Held-to-maturity debt securities	—	—
Unlisted foreign bonds	—	—
Others	—	—
Policy-reserve-matching bonds	—	—
Investments in subsidiaries and affiliates	35,969	35,969
Available-for-sale securities	15,816	16,840
Unlisted domestic stocks (except over-the-counter stocks)	8,086	8,051
Unlisted foreign stocks (except over-the-counter stocks)	—	—
Unlisted foreign bonds	—	—
Others	7,729	8,789
Total	51,785	52,810

(8) Fair Value Information on Money Held in Trust

(Millions of yen)

	As of March 31, 2012					As of September 30, 2012				
	Carrying value on balance sheets	Fair value	Gains/losses			Carrying value on balance sheets	Fair value	Gains/losses		
				Gains	Losses				Gains	Losses
Money held in trust	35,194	35,194	—	—	—	30,482	30,482	—	—	—

* Money held in trust for trading purpose

(Millions of yen)

	As of March 31, 2012		As of September 30, 2012	
	Carrying value on balance sheets	Net valuation gains/losses included in the statements of operations	Carrying value on balance sheets	Net valuation gains/losses included in the statements of operations
Money held in trust for trading purpose	34,194	0	29,482	171

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

(Millions of yen)

	As of March 31, 2012					As of September 30, 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, 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)
Total	(570)	(4,518)	(32)	172	—	(4,948)
As of September 30, 2012	Interest-related	Currency-related	Stock-related	Bond-related	Others	Total
Hedge accounting applied	158	(179)	—	—	—	(21)
Hedge accounting not applied	(1,370)	1,172	36	(403)	—	(565)
Total	(1,212)	992	36	(403)	—	(586)

Note: Gains and losses from applying fair value hedge accounting (currency-related, losses of ¥3,755 million as of March 31, 2012 and losses of ¥179 million as of September 30, 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, 2012				As of September 30, 2012			
	Notional amount/ contract value		Fair value	Gains (losses)	Notional amount/ contract value		Fair value	Gains (losses)
		Over 1 year				Over 1 year		
Over-the-counter transactions								
Yen interest rate swap contracts								
Receipt fixed, payment floating	17,700	12,700	249	249	12,597	2,597	158	158
Payment fixed, receipt floating	—	—	—	—	—	—	—	—
Yen interest rate swaption contracts								
Sold								
Receipt fixed, payment floating	—	—	—	—	—	—	—	—
Payment fixed, receipt floating	[—]	—	—	—	[—]	—	—	—
Bought								
Receipt fixed, payment floating	—	—	—	—	—	—	—	—
Payment fixed, receipt floating	[—]	—	—	—	[—]	—	—	—
Payment fixed, receipt floating	500,000	—	555	(820)	500,000	—	5	(1,370)
	[1,376]				[1,376]			
Total				(570)				(1,212)

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

* Interest rate swap contracts by contractual maturity dates

(Millions of yen)

	As of March 31, 2012			As of September 30, 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
Yen interest rate swap contracts						
Notional amount (receipts fixed, payments floating)	5,000	12,360	340	10,000	2,300	297
Average fixed rate (receipt)	1.64%	1.66%	2.47%	1.55%	2.12%	2.47%
Average floating rate (payment)	0.61%	0.61%	1.24%	0.58%	0.66%	1.23%
Notional amount (receipts floating, payments fixed)	—	—	—	—	—	—
Average floating rate (receipt)	—	—	—	—	—	—
Average fixed rate (payment)	—	—	—	—	—	—

(iii) Currency-related Transactions

(Millions of yen)

	As of March 31, 2012				As of September 30, 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								
US dollar	286,498	—	290,984	(4,486)	323,708	—	322,742	966
Euro	146,877	—	148,620	(1,742)	161,579	—	159,914	1,665
Australian dollar	67,933	—	70,477	(2,544)	86,553	—	87,418	(864)
Canadian dollar	31,075	—	30,896	178	31,669	—	31,533	136
British Pound	23,669	—	23,921	(251)	23,921	—	23,723	198
Bought	16,941	—	17,068	(126)	19,983	—	20,153	(169)
US dollar	—	—	—	—	2,306	—	2,304	(2)
US dollar	—	—	—	—	2,306	—	2,304	(2)
Currency Options								
Sold								
Calls	—	—	—	—	28,061	—	—	—
US dollar	[—]	—	—	—	[40]	—	21	18
Puts	—	—	—	—	28,061	—	21	18
US dollar	[—]	—	—	—	[40]	—	—	—
Bought								
Calls	—	—	—	—	—	—	—	—
Puts	[—]	—	—	—	[—]	—	—	—
US dollar	46,215	—	—	—	26,750	—	—	—
Euro	[109]	—	77	(31)	[40]	—	50	10
US dollar	35,715	—	—	—	26,750	—	50	10
Euro	[93]	—	59	(34)	[40]	—	—	—
Euro	[10,500]	—	18	2	[—]	—	—	—
Euro	[16]	—	—	—	[—]	—	—	—
Total				(4,518)				992

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

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

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, 2012				As of September 30, 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	5,012	—	5,045	(32)	8,913	—	8,880	(33)
Bought	—	—	—	—	—	—	—	—
Over-the-counter transactions								
Option								
Sold								
Calls	—	—	—	—	290	—	—	—
US dollar	[—]	—	—	—	[4]	—	1	3
Puts	—	—	—	—	—	—	—	—
US dollar	[—]	—	—	—	[—]	—	—	—
Bought								
Calls	—	—	—	—	—	—	—	—
Puts	[—]	—	—	—	[—]	—	—	—
US dollar	—	—	—	—	—	—	—	—
Euro	[—]	—	—	—	[—]	—	—	—
Total				(32)				36

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

(v) Bond-related Transactions

(Millions of yen)

	As of March 31, 2012				As of September 30, 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	187,078	—	187,447	(369)
Bought	—	—	—	—	—	—	—	—
Foreign bond futures								
Sold	10,771	—	10,642	128	8,770	—	8,804	(34)
Bought	—	—	—	—	—	—	—	—
Total				172				(403)

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

(millions of yen)

As of March 31, 2012			As of September 30, 2012		
Carrying value on the balance sheets	Fair value	Gains (losses)	Carrying value on the balance sheets	Fair value	Gains (losses)
161,252	223,596	62,343	161,103	223,577	62,473

- Notes: 1. As of September 30, 2012, fair value is based on the appraisal value by the real-estate appraiser, the appraisal value for property tax and the road rate as of January 1, 2012.
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.

3. Non-consolidated Balance Sheets

(Millions of yen)

	As of March 31, 2012	As of September 30, 2012
Assets:		
Cash and deposits	29,345	26,897
Call loans	65,600	79,800
Monetary claims bought	1,351	1,316
Money held in trust	35,194	30,482
Securities	4,148,127	4,203,542
[Government bonds]	[1,991,905]	[2,072,354]
[Local government bonds]	[158,459]	[166,617]
[Corporate bonds]	[614,449]	[634,390]
[Stocks]	[377,385]	[341,122]
[Foreign securities]	[947,574]	[931,508]
Loans	1,039,363	991,473
Policy loans	70,164	69,236
Ordinary loans	969,199	922,237
Tangible fixed assets	276,619	274,535
Intangible fixed assets	8,573	9,515
Reinsurance receivables	117	15
Other assets	50,404	59,180
Lease investment assets	—	885
Other assets	50,404	58,294
Deferred tax assets	47,130	52,473
Allowance for possible loan losses	(2,299)	(2,170)
Total assets	5,699,527	5,727,063

	As of March 31, 2012	As of September 30, 2012
Liabilities:		
Policy reserves	5,266,726	5,316,047
Reserve for outstanding claims	22,615	20,111
Policy reserve	5,190,141	5,230,841
Reserve for dividends to policyholders	53,969	65,094
Reinsurance payables	67	89
Subordinated bonds	32,896	30,034
Other liabilities	48,377	45,440
Corporate income tax payable	1,291	3,575
Asset retirement obligations	2,846	2,876
Other liabilities	44,238	38,987
Reserve for employees' retirement benefits	46,320	45,610
Reserve for price fluctuation of securities	35,488	36,541
Deferred tax liabilities for revaluation reserve for land	16,195	16,159
Total liabilities	5,446,071	5,489,923
Net assets:		
Foundation funds	35,000	35,000
Accumulated foundation funds redeemed	71,000	71,000
Reserve for revaluation	112	112
Surplus	76,104	72,638
Legal reserve for future losses	2,325	2,399
Other surplus	73,779	70,238
Reserve for redemption of foundation funds	—	9,000
Reserve for dividend allowances	3,895	3,895
Accumulated fund for price fluctuation	11,000	11,000
Reserve for advanced depreciation of real estate for tax purpose	289	4,114
Other reserves	767	767
Unappropriated surplus	57,827	41,461
Total foundation funds, surplus and others	182,216	178,750
Net unrealized gains (losses) on available-for-sale securities, net of tax	67,684	54,978
Deferred valuation gains (losses) under hedge accounting	170	108
Revaluation reserve for land, net of tax	3,383	3,303
Total valuation and translation adjustments	71,239	58,389
Total net assets	253,455	237,140
Total liabilities and net assets	5,699,527	5,727,063

4. Non-consolidated Statements of Operations

(Millions of yen)

	Six months ended September 30, 2011	Six months ended September 30, 2012
Ordinary revenues:		
Premium and other income	313,670	359,908
[Premium income]	[313,484]	[359,652]
Investment income	72,282	68,786
[Interest, dividends and other income]	[55,683]	[56,767]
[Gains from money held in trust, net]	[—]	[403]
[Gains on sales of securities]	[4,903]	[3,284]
[Gains from derivative instruments, net]	[11,242]	[7,671]
Other ordinary revenues	14,618	7,790
[Reversal of reserve for outstanding claims]	[9,337]	[2,503]
Total ordinary revenues	400,572	436,485
Ordinary expenditures:		
Claims and other payments	260,529	288,977
[Claims]	[85,849]	[119,619]
[Annuities]	[46,973]	[46,198]
[Benefits]	[64,508]	[63,709]
[Surrenders]	[48,191]	[42,378]
[Other payments]	[14,873]	[16,927]
Provision for policy reserve and others	26,084	40,738
Provision for policy reserve	26,039	40,700
Interest on accumulated dividends to policyholders	45	38
Investment expenses	43,548	26,124
[Interest expenses]	[631]	[636]
[Losses from money held in trust, net]	[779]	[—]
[Losses from trading securities, net]	[8,230]	[4,528]
[Losses on sales of securities]	[8,445]	[5,869]
[Losses on valuation of securities]	[11,833]	[5,103]
[Losses from separate accounts, net]	[5,954]	[3,386]
Operating expenses	43,614	43,821
Other ordinary expenditures	9,930	9,943
Total ordinary expenditures	383,708	409,605
Ordinary profits	16,864	26,879
Extraordinary gains:		
Gains on disposal of fixed assets	4,639	17
Total extraordinary gains	4,639	17
Extraordinary losses:		
Losses on disposal of fixed assets	55	33
Impairment losses	284	114
Provision for reserve for price fluctuation of securities	1,044	1,053
Losses on reduction entry of real estate for tax purpose	9	—
Total extraordinary losses	1,392	1,200
Surplus before income taxes	20,110	25,696
Income taxes:		
Current	4,304	4,329
Deferred	(1,141)	301
Total income taxes	3,162	4,631
Net surplus for the period	16,948	21,065

5. Non-consolidated Statements of Changes in Net Assets

(Millions of yen)

	For the six months ended September 30, 2011	For the six months ended September 30, 2012
Foundation funds, surplus and others		
Foundation funds		
Balance at the beginning of current period	40,000	35,000
Changes in the current period		
Financing of additional foundation funds	20,000	—
Redemption of foundation funds	(25,000)	—
Total changes in the current period	(5,000)	—
Balance at the end of current period	35,000	35,000
Accumulated foundation funds redeemed		
Balance at the beginning of current period	46,000	71,000
Changes in the current period		
Additions to accumulated foundation funds redeemed	25,000	—
Total changes in the current period	25,000	—
Balance at the end of current period	71,000	71,000
Reserve for revaluation		
Balance at the beginning of current period	112	112
Changes in the current period		
Total changes in the current period	—	—
Balance at the end of current period	112	112
Surplus		
Legal reserve for future losses		
Balance at the beginning of current period	2,249	2,325
Changes in the current period		
Additions to legal reserve for future losses	76	74
Total changes in the current period	76	74
Balance at the end of current period	2,325	2,399
Other surplus		
Reserve for redemption of foundation funds		
Balance at the beginning of current period	20,000	—
Changes in the current period		
Additions to reserve for redemption of foundation funds	5,000	9,000
Reversal of reserve for redemption of foundation funds	(25,000)	—
Total changes in the current period	(20,000)	9,000
Balance at the end of current period	—	9,000
Reserve for dividend allowances		
Balance at the beginning of current period	3,895	3,895
Changes in the current period		
Total changes in the current period	—	—
Balance at the end of current period	3,895	3,895
Accumulated fund for price fluctuation		
Balance at the beginning of current period	—	11,000
Changes in the current period		
Additions to accumulated fund for price fluctuation	11,000	—
Total changes in the current period	11,000	—
Balance at the end of current period	11,000	11,000
Reserve for advanced depreciation of real estate for tax purpose		
Balance at the beginning of current period	296	289
Changes in the current period		
Additions to reserve for advanced depreciation of real estate for tax purpose	—	3,857
Reversal of reserve for advanced depreciation of real estate for tax purpose	(7)	(32)
Total changes in the current period	(7)	3,825
Balance at the end of current period	289	4,114
Other reserves		
Balance at the beginning of current period	767	767
Changes in the current period		
Total changes in the current period	—	—
Balance at the end of current period	767	767
Unappropriated surplus		
Balance at the beginning of current period	69,554	57,827
Changes in the current period		
Additions to reserve for dividends to policyholders	(24,381)	(23,989)
Additions to legal reserve for future losses	(76)	(74)
Payment of interest on foundation funds	(892)	(621)
Net surplus for the current period	16,948	21,065
Additions to reserve for redemption of foundation funds	(5,000)	(9,000)
Additions to accumulated fund for price fluctuation	(11,000)	—
Additions to reserve for advanced depreciation of real estate for tax purpose	—	(3,857)
Reversal of reserve for advanced depreciation of real estate for tax purpose	7	32
Reversal of revaluation reserve for land	1,278	79
Total changes in the current period	(23,116)	(16,365)
Balance at the end of current period	46,438	41,461

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

(Millions of yen)

	For the six months ended September 30, 2011	For the six months ended September 30, 2012
Total surplus		
Balance at the beginning of current period	96,763	76,104
Changes in the current period		
Additions to reserve for dividends to policyholders	(24,381)	(23,989)
Payment of interest on foundation funds	(892)	(621)
Net surplus for the current period	16,948	21,065
Reversal of reserve for redemption of foundation funds	(25,000)	—
Reversal of revaluation reserve for land	1,278	79
Total changes in the current period	(32,047)	(3,466)
Balance at the end of current period	64,715	72,638
Total foundation funds, surplus and others		
Balance at the beginning of current period	182,875	182,216
Changes in the current period		
Financing of additional foundation funds	20,000	—
Additions to reserve for dividends to policyholders	(24,381)	(23,989)
Additions to accumulated foundation funds redeemed	25,000	—
Payment of interest on foundation funds	(892)	(621)
Net surplus for the current period	16,948	21,065
Redemption of foundation funds	(25,000)	—
Reversal of reserve for redemption of foundation funds	(25,000)	—
Reversal of revaluation reserve for land	1,278	79
Total changes in the current period	(12,047)	(3,466)
Balance at the end of current period	170,827	178,750
Valuation and translation adjustments		
Net unrealized gains (losses) on available-for-sale securities, net of tax		
Balance at the beginning of current period	9,994	67,684
Changes in the current period		
Net changes, excluding foundation funds, surplus and others	12,423	(12,706)
Total changes in the current period	12,423	(12,706)
Balance at the end of current period	22,418	54,978
Deferred valuation gains (losses) under hedge accounting		
Balance at the beginning of current period	365	170
Changes in the current period		
Net changes, excluding foundation funds, surplus and others	(106)	(62)
Total changes in the current period	(106)	(62)
Balance at the end of current period	259	108
Revaluation reserve for land, net of tax		
Balance at the beginning of current period	1,366	3,383
Changes in the current period		
Net changes, excluding foundation funds, surplus and others	(1,278)	(80)
Total changes in the current period	(1,278)	(80)
Balance at the end of current period	87	3,303
Total valuation and translation adjustments		
Balance at the beginning of current period	11,726	71,239
Changes in the current period		
Net changes, excluding foundation funds, surplus and others	11,039	(12,849)
Total changes in the current period	11,039	(12,849)
Balance at the end of current period	22,765	58,389
Total net assets		
Balance at the beginning of current period	194,601	253,455
Changes in the current period		
Financing of additional foundation funds	20,000	—
Additions to reserve for dividends to policyholders	(24,381)	(23,989)
Additions to accumulated foundation funds redeemed	25,000	—
Payment of interest on foundation funds	(892)	(621)
Net surplus for the current period	16,948	21,065
Redemption of foundation funds	(25,000)	—
Reversal of reserve for redemption of foundation funds	(25,000)	—
Reversal of revaluation reserve for land	1,278	79
Net changes, excluding foundation funds, surplus and others	11,039	(12,849)
Total changes in the current period	(1,008)	(16,315)
Balance at the end of current period	193,592	237,140

Notes to the Non-consolidated Financial Statements

I. Presentation of the Non-consolidated Financial Statements

1. Basis of Presentation

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

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

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

II. Notes to Balance Sheet

1. Significant Accounting Policies

(1) Valuation Methods of Securities

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

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

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

(2) Valuation Methods of Derivative Instruments

Derivative instruments are stated at fair market value.

(3) Revaluation of Land

The Company revalued the land for business purposes based on the Law for Revaluation of Land (Law No.34 promulgated on March 31, 1998). The difference between fair value and book value

resulting from the revaluation, net of related taxes, is recorded as revaluation reserve for land as a separate component of net assets and the related tax is recorded as deferred tax liabilities for revaluation reserve for land.

- Date of revaluation: March 31, 2002
- Method of revaluation as prescribed for in Article 3 Paragraph 3 of the said Law:

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

(4) Depreciation of Tangible Fixed Assets

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

- Tangible fixed assets (excluding lease assets):Declining-balance method

However, buildings (excluding building attachments and structures) acquired on or after April 1, 1998 are depreciated using Straight-line method.

- Lease assets related to finance lease transactions that do not transfer ownership: Straight-line method over the lease term without residual value

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

(5) Foreign Currency Translation

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

(6) Allowance for Possible Loan Losses

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

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

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

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

(8) Reserve for Price Fluctuation of Securities

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

(9) Lease Transactions as a Lessee

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

(10) Lease Transactions as a Lessor

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

(11) Accounting for Hedge Activities

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

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

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

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

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

(12) Accounting for Consumption Taxes

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

(13) Policy Reserve

Policy reserve is based on Article 116 of the Insurance Business Law, and the premium reserve at the balance sheet date is calculated by the following method:

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

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

(14) Software

The software for internal use recorded in “intangible fixed assets” is amortized based on straight-line method over the estimated useful lives.

(15) Deferred Assets

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

(16) Policy-reserve-matching Bonds

Of the bonds corresponding to the sub-groups of individual insurance and annuities, and group 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).

Effective for the six months ended September 30, 2012, the insurance policy sub-groups were changed in order to enhance ALM as follows:

- i) The sub-group of single premium endowment life insurance entered since July 2002 was integrated into the sub-groups of individual annuities with single premium accident and death benefits entered since October 2002 and single premium whole life insurance entered since August 2003.
- ii) The sub-groups of whole life insurance and individual annuities (excluding above mentioned individual annuities with single premium accident and death benefits and single premium whole life insurance) were newly established.
- iii) The sub-group of group annuities (excluding defined contribution annuities with limited term and yields guaranteed) was newly established.

There was no impact of these changes on the non-consolidated balance sheets and non-consolidated statements of operations as of September 30, 2012.

2. Accounting Changes and Error Corrections and its Implementation

Effective for the six months ended September 30, 2012, the Company has changed its depreciation method for its tangible fixed assets acquired on or after April 1, 2012 in accordance with the revision of the Corporation Tax Act.

As a result, non-consolidated ordinary revenue and surplus before income taxes for the six months ended September 30, 2012, increased by ¥ 5 million, both compared to those calculated using the previous depreciation method.

3. Financial Instruments

The carrying amounts, fair values and their related differences of major financial assets and liabilities as of September 30, 2012 were as follows:

	Carrying amount	Fair value	Difference
			(Millions of yen)
Call loans	¥ 79,800	¥ 79,800	¥ —
Monetary claims bought:			
Claims treated as loans	1,316	1,362	46
Total monetary claims bought	1,316	1,362	46
Money held in trust:			
Trading securities.....	29,482	29,482	—
Total money held in trust.....	29,482	29,482	—
Securities:			
Trading securities.....	210,266	210,266	—
Held-to-maturity debt securities.....	815,005	861,398	46,392
Policy-reserve-matching bonds	726,308	774,154	47,845
Investments in subsidiaries and affiliates	1,393	814	(578)
Available-for-sale securities	2,331,401	2,331,401	—
Total securities	4,084,375	4,178,035	93,659
Loans:			
Policy loans.....	69,236	69,236	(0)
Ordinary loans	922,237	952,443	30,206
Total loans.....	991,473	1,021,680	30,206
Derivative instruments:			
Hedge accounting not applied.....	(565)	(565)	—
Hedge accounting applied	(21)	(21)	—
Total derivative instruments	¥ (586)	¥ (586)	¥ —

(1) Call loans:

The fair values of call loans are based on their book values since fair values approximate book values due to their short maturities.

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

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

Investments in subsidiaries and affiliates, unlisted stocks and investments in partnerships whereby partnership assets consist of unlisted stocks whose fair values are deemed extremely difficult to obtain, are excluded from above securities. The carrying amounts of investments in subsidiaries and affiliates, unlisted stocks and investments in partnerships as of September 30, 2012 were ¥35,969 million, ¥8,051 million and ¥8,789 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 not currently bankrupt borrowers and monetary claims bought treated as loans are computed by deducting the amount of the allowance for doubtful accounts from the book values before direct write-offs.

(4) Derivative instruments:

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

4. Investment and Rental Property

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

5 . Securities lent under lending agreements

The amount of securities lent under lending agreements was ¥20,052 million as of September 30, 2012.

6. Loans Receivable

The total amounts of credits to bankrupt borrowers, delinquent loans and restructured loans, which were included in loans, were ¥290 million, ¥1,014 million and ¥1,536 million, respectively and their total amount was ¥2,841 million as of September 30, 2012. There was no balance of delinquent loans past 3 months or more as of September 30, 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.

The direct write-offs related to loans decreased credits to bankrupt borrowers described above by ¥1 million and delinquent loans described above by ¥286 million as of September 30, 2012.

7. Accumulated Depreciation of Tangible Fixed Assets

Accumulated depreciation of tangible fixed assets totaled to ¥140,936 million as of September 30, 2012.

8. Separate Accounts

Total assets in separate accounts provided for in Article 118 of the Insurance Business Law were ¥68,388 million as of September 30, 2012. The amount of separate account liabilities was the same as separate account assets.

9. Reserve for Dividends to Policyholders

Changes in reserve for dividends to policyholders for the six months ended September 30, 2012 were as follows:

	(Millions of yen)
Balance at the beginning of current period.....	¥ 53,969
Transfer from surplus in previous fiscal year	23,989
Dividends paid in the current period	(12,903)
Increase in interest	38
Balance at the end of current period	<u>¥ 65,094</u>

10. Stocks of Subsidiaries

The amount of stocks of subsidiaries the Company held as of September 30, 2012 was ¥37,362 million. Based on the resolution at the Board of Directors meeting held on August 10, 2012, all the shares amounting to ¥408 million of Fukoku Shinyo Hoshō Company Limited. out of the above amount were sold on October 31, 2012. As a result, the loans of ¥72,894 million guaranteed by the company were sold on the same date.

11. Pledged Assets and Secured Debts

Assets pledged as collateral as of September 30, 2012 were ¥25,911 million of securities and ¥144 million of bank deposits. Secured debts as of September 30, 2012 were ¥4,686 million.

12. Policy Reserves for the Reinsurance Contracts

Reserve for outstanding claims for the reinsurance contracts provided in accordance with Article 71 Paragraph 1 of the Enforcement Regulation of the Insurance Business Law (hereinafter called "reserve for outstanding claims for ceded reinsurance") was ¥32 million as of September 30, 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 ¥28 million as of September 30, 2012.

13. Commitment Line

As of September 30, 2012, there were unused commitment line agreements under which the Company is the lender of ¥972 million.

14. Subordinated Bonds

Repayments of subordinated bonds are subordinated to other obligations. Based on the resolution at the Board of Directors meeting held on October 24, 2012, subordinated bonds amounting to ¥30,000 million were newly issued on November 16, 2012.

15. 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 ¥10,972 million as of September 30, 2012. The contribution was charged as operating expenses in the year in which it was paid.

III. Notes to Statement of Operations

1. Gains on Sales of Securities

Major items of gains on sales of securities for the six months ended September 30, 2012 were as follows:

	(Millions of yen)
Domestic bonds	¥ 2,466
Domestic stocks and others.....	523
Foreign securities	294

2. Losses on Sales of Securities

Major items of losses on sales of securities for the six months ended September 30, 2012 were as follows:

	(Millions of yen)
Domestic bonds	¥ 117
Domestic stocks and others.....	4,356
Foreign securities	1,183

3. Losses on Valuation of Securities

Major items of losses on valuation of securities for the six months ended September 30, 2012 were as follows:

	(Millions of yen)
Domestic stocks and others.....	¥ 4,645
Foreign securities	457

4. Policy Reserves for the Reinsurance Contracts

For the six months ended September 30, 2012, provision of reserve for outstanding claims for ceded reinsurance considered in calculation of reversal of reserve for outstanding claims was ¥31 million and reversal for policy reserve for ceded reinsurance considered in calculation of provision for policy reserve was ¥1 million.

5. Interest, Dividends and Other Income

Breakdown of interest, dividends and other income for the six months ended September 30, 2012 was as follows:

	(Millions of yen)
Interest on deposits	¥ 9
Interest and dividends on securities	38,696
Interest on loans	10,267
Income from real estate for rent.....	7,683
Other interest and dividends.....	110
Total	<u>¥56,767</u>

6. Breakdown of Ordinary Profits (Fundamental Profit)

(Millions of Yen)

		Six months ended September 30, 2011	Six months ended September 30, 2012
Fundamental profit	A	36,141	36,096
Capital gains		16,146	11,231
Gains from money held in trust, net		—	275
Gains from trading securities, net		—	—
Gains on sales of securities		4,903	3,284
Gains from derivative instruments, net		11,242	7,671
Foreign exchange gains, net		—	—
Other capital gains		—	—
Capital losses		35,015	20,289
Losses from money held in trust, net		855	—
Losses from trading securities, net		11,933	7,874
Losses on sales of securities		8,445	5,869
Losses on valuation of securities		11,833	5,103
Losses from derivative instruments, net		—	—
Foreign exchange losses, net		1,947	1,442
Other capital losses		—	—
Net capital gains (losses)	B	(18,868)	(9,058)
Fundamental profit plus net capital gains (losses)	A+B	17,272	27,038
Non-recurring gains		—	6
Reinsurance income		—	—
Reversal of contingency reserve		—	—
Reversal of specific allowance for possible loan losses		—	6
Other non-recurring gains		—	—
Non-recurring losses		408	165
Reinsurance premiums		—	—
Provision for contingency reserve		78	165
Provision for specific allowance for possible loan losses		78	—
Allowance for specified overseas loans		—	—
Write-off of loans		—	—
Other non-recurring losses		251	—
Non-recurring gains (losses)	C	(408)	(158)
Ordinary profits	A+B+C	16,864	26,879

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): ¥76 million in respect of the six months ended September 30, 2011 and ¥128 million in respect of the six months ended September 30, 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): ¥3,703 million in respect of the six months ended September 30, 2011 and ¥3,345 million in respect of the six months ended September 30, 2012.

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

7. Disclosed Claims Based on Categories of Obligors

(Millions of yen)

	As of March 31, 2012	As of September 30, 2012
Claims against bankrupt and quasi-bankrupt obligors	360	381
Claims with collection risk	620	932
Claims for special attention	2,303	1,781
Subtotal	3,284	3,095
[Percentage of total]	[0.31%]	[0.30%]
Claims against normal obligors	1,040,933	1,013,204
Total	1,044,218	1,016,300

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

8. Risk-monitored Loans

(Millions of yen)

	As of March 31, 2012	As of September 30, 2012
Credits to bankrupt borrowers	280	290
Delinquent loans	689	1,014
Delinquent loans past three months or more	—	—
Restructured loans	2,053	1,536
Total	3,023	2,841
[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 September 30, 2012, and ¥1 million as of March 31, 2012. The amounts written-off related to delinquent loans were ¥286 million as of September 30, 2012 and ¥286 million as of March 31, 2012.
2. Credits to bankrupt borrowers represent loans which are subject to bankruptcy, corporate reorganisation or rehabilitation or other similar, including but not limited to foreign, proceedings. Accruing interest of these loans is not recorded as income after determining that principal or interest on these loans is unlikely to be collected due to the significant delay in repayment of principal or interest payment or for some other reasons.
3. Delinquent loans are credits whose accruing interest is not recorded as income due to the same reasons as described in note 2 above, and exclude credits to bankrupt borrowers and loans for which interest payments have been suspended and rescheduled to assist and support the borrowers in the restructuring of their business.
4. Delinquent loans past three months or more are loans for which interest payment or repayment of principal are delinquent for three months or more from the due date under the terms of the related loan agreements, excluding those loans classified as credits to bankrupt borrowers and delinquent loans.
5. Restructured loans are loans for which certain concessions favorable to borrowers, such as interest reduction or exemptions, rescheduling of due date of principal or interest payment, waiver of claim or other terms, have been negotiated for the purpose of assisting and supporting the borrowers in the restructuring of their business. This category excludes loans classified as credits to bankrupt borrowers, delinquent loans and delinquent loans past three months or more.

9. Solvency Margin Ratio

(Millions of yen)

	As of March 31, 2012	As of September 30, 2012
Total solvency margin (A)	642,235	639,224
Foundation funds and surplus	156,393	165,310
Reserve for price fluctuation of securities	35,488	36,541
Contingency reserve	146,187	146,352
Allowance for possible loan losses	1,761	1,758
Net unrealized gains on available-for-sale securities x 90% (multiplied by 100% if losses)	88,004	71,483
Net unrealized gains on real estate x 85%	67,494	66,647
Excess amount of policy reserve based on full-time Zillmer method	113,157	118,024
Qualifying subordinated debt	32,896	30,034
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	(19,000)	(19,000)
Others	19,851	22,072
Total amount of risk $\sqrt{(R_1 + R_8)^2 + (R_2 + R_3 + R_7)^2} + R_4$ (B)	173,308	167,481
Insurance risk R_1	27,630	27,292
3rd sector insurance risk R_8	9,568	9,581
Assumed investment yield risk R_2	42,266	42,008
Minimum guarantee risk R_7	5	5
Investment risk R_3	122,852	117,333
Business risk R_4	4,046	3,924
Solvency margin ratio $\frac{(A)}{(1/2) \times (B)} \times 100$	741.1%	763.3%

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 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.

10. Status of Separate Account

(1) Separate Account Assets by Products

(Millions of yen)

	As of March 31, 2012		As of September 30, 2012	
	Amount		Amount	
Individual variable insurance	—		—	
Individual variable annuities	500		471	
Group annuities	81,552		67,916	
Total	82,053		68,388	

(2) Individual Variable Insurance (Separate Account)

The company has not sold the individual variable insurance.

(3) Individual Variable Annuities (Separate Account)

(i) Policies in Force

(Millions of yen)

	As of March 31, 2012		As of September 30, 2012	
	Number	Amount	Number	Amount
Individual annuities	174	551	172	547
Total	174	551	172	547

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

(Millions of yen)

	As of March 31, 2012		As of September 30, 2012	
	Amount	Percentage	Amount	Percentage
Cash, deposits, call loans	86	17.3	97	20.6
Securities	413	82.7	374	79.4
Domestic bonds	—	—	—	—
Domestic stocks	—	—	—	—
Foreign securities	—	—	—	—
Foreign bonds	—	—	—	—
Foreign stocks and other securities	—	—	—	—
Other securities	413	82.7	374	79.4
Loans	—	—	—	—
Others	—	—	—	—
Allowance for possible loan losses	—	—	—	—
Total	500	100.0	471	100.0

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

(Millions of yen)

	Six months ended September 30, 2011	Six months ended September 30, 2012
	Amount	Amount
Interest, dividends and other income	1	0
Gains on sales of securities	—	—
Gains on valuation of securities	41	33
Gains on redemption of securities	—	—
Gains from derivative instruments	—	—
Foreign exchange gains, net	—	—
Other investment income	—	—
Losses on sales of securities	1	2
Losses on valuation of securities	66	53
Losses on redemption of securities	—	—
Losses from derivative instruments	—	—
Foreign exchange losses, net	—	—
Other investment expenses	—	—
Net investment income	(25)	(22)

(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, 2012		As of September 30, 2012	
	Carrying value on balance sheets	Net valuation gains/losses included in the statements of operations	Carrying value on balance sheets	Net valuation gains/losses included in the statements of operations
Trading securities	413	11	374	(19)

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

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

Net Valuation Gains/Losses on Trading Securities

(Millions of yen)

	As of March 31, 2012		As of September 30, 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	320,437	11,188	306,106	(9,113)

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, 2012					As of September 30, 2012				
	Book value	Fair value	Gains/losses			Book value	Fair value	Gains/losses		
			Gains	Losses				Gains	Losses	
Held-to-maturity debt securities	823,530	852,343	28,812	29,263	450	815,005	861,398	46,392	46,475	82
Domestic bonds	777,527	804,084	26,556	26,868	311	772,832	816,659	43,826	43,826	—
Foreign bonds	46,002	48,258	2,256	2,394	138	42,172	44,738	2,565	2,648	82
Monetary claims bought	—	—	—	—	—	—	—	—	—	—
Negotiable certificate of deposits	—	—	—	—	—	—	—	—	—	—
Others	—	—	—	—	—	—	—	—	—	—
Policy-reserve-matching bonds	684,915	722,269	37,354	38,994	1,640	726,308	774,154	47,845	48,700	854
Domestic bonds	669,991	707,412	37,420	38,971	1,550	707,792	755,547	47,754	48,591	836
Foreign bonds	14,923	14,857	(66)	23	90	18,515	18,606	91	108	17
Investments in subsidiaries and affiliates	1,393	854	(538)	—	538	1,393	814	(578)	—	578
Available-for-sale securities	2,202,478	2,300,260	97,782	135,997	38,215	2,251,975	2,331,401	79,425	144,187	64,761
Domestic bonds	1,218,715	1,273,929	55,213	58,002	2,788	1,265,506	1,342,537	77,031	78,854	1,823
Domestic stocks	268,766	309,191	40,424	54,341	13,916	266,114	277,533	11,419	44,295	32,876
Foreign securities	663,501	666,928	3,426	21,996	18,569	670,285	662,944	(7,341)	19,677	27,019
Foreign bonds	458,405	469,945	11,540	18,340	6,800	463,589	470,268	6,678	17,096	10,417
Foreign stocks and other securities	205,095	196,982	(8,113)	3,656	11,769	206,696	192,675	(14,020)	2,581	16,601
Other securities	51,494	50,211	(1,283)	1,658	2,941	50,068	48,385	(1,682)	1,359	3,042
Money held in trust	—	—	—	—	—	—	—	—	—	—
Monetary claims bought	—	—	—	—	—	—	—	—	—	—
Negotiable certificate of deposits	—	—	—	—	—	—	—	—	—	—
Others	—	—	—	—	—	—	—	—	—	—
Total	3,712,316	3,875,727	163,410	204,255	40,845	3,794,682	3,967,768	173,085	239,363	66,277
Domestic bonds	2,666,234	2,785,425	119,191	123,841	4,650	2,746,131	2,914,744	168,612	171,272	2,659
Domestic stocks	268,766	309,191	40,424	54,341	13,916	266,114	277,533	11,419	44,295	32,876
Foreign securities	725,821	730,898	5,077	24,415	19,337	732,367	727,104	(5,263)	22,435	27,698
Foreign bonds	519,332	533,061	13,729	20,758	7,028	524,278	533,614	9,335	19,854	10,518
Foreign stocks and other securities	206,489	197,836	(8,652)	3,656	12,308	208,089	193,490	(14,598)	2,581	17,180
Other securities	51,494	50,211	(1,283)	1,658	2,941	50,068	48,385	(1,682)	1,359	3,042
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, 2012			As of September 30, 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	714,247	743,511	29,263	811,998	858,474	46,475
Domestic bonds	672,831	699,699	26,868	772,832	816,659	43,826
Foreign bonds	41,416	43,811	2,394	39,165	41,814	2,648
Money claims bought	—	—	—	—	—	—
Negotiable certificate of deposits	—	—	—	—	—	—
Others	—	—	—	—	—	—
Securities whose fair value does not exceed the carrying value on the balance sheet	109,282	108,832	(450)	3,007	2,924	(82)
Domestic bonds	104,696	104,384	(311)	—	—	—
Foreign bonds	4,586	4,447	(138)	3,007	2,924	(82)
Money claims bought	—	—	—	—	—	—
Negotiable certificate of deposits	—	—	—	—	—	—
Others	—	—	—	—	—	—

• Policy-reserve-matching Bonds

(Millions of yen)

	As of March 31, 2012			As of September 30, 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	641,293	680,288	38,994	705,280	753,981	48,700
Domestic bonds	634,014	672,985	38,971	690,965	739,556	48,591
Foreign bonds	7,279	7,302	23	14,315	14,424	108
Others	—	—	—	—	—	—
Bonds whose fair value does not exceed the carrying value on the balance sheet	43,621	41,980	(1,640)	21,027	20,172	(854)
Domestic bonds	35,976	34,426	(1,550)	16,827	15,990	(836)
Foreign bonds	7,644	7,554	(90)	4,200	4,182	(17)
Others	—	—	—	—	—	—

• Available-for-sale Securities

(Millions of yen)

	As of March 31, 2012			As of September 30, 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	1,763,736	1,899,734	135,997	1,670,027	1,814,214	144,187
Domestic bonds	1,130,116	1,188,118	58,002	1,186,917	1,265,771	78,854
Domestic stocks	180,283	234,624	54,341	110,462	154,758	44,295
Foreign securities	428,491	450,488	21,996	359,175	378,853	19,677
Foreign bonds	357,504	375,845	18,340	308,908	326,005	17,096
Foreign stocks	70,986	74,642	3,656	50,267	52,848	2,581
Other securities	24,845	26,503	1,658	13,470	14,830	1,359
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	438,741	400,525	(38,215)	581,948	517,187	(64,761)
Domestic bonds	88,599	85,810	(2,788)	78,588	76,765	(1,823)
Domestic stocks	88,483	74,567	(13,916)	155,652	122,775	(32,876)
Foreign securities	235,010	216,440	(18,569)	311,110	284,090	(27,019)
Foreign bonds	100,900	94,100	(6,800)	154,681	144,263	(10,417)
Foreign stocks	134,109	122,339	(11,769)	156,429	139,827	(16,601)
Other securities	26,649	23,707	(2,941)	36,597	33,555	(3,042)
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, 2012	As of September 30, 2012
Held-to-maturity bonds	—	—
Unlisted foreign bonds	—	—
Others	—	—
Policy-reserve-matching bonds	—	—
Investments in subsidiaries and affiliates	35,969	35,969
Available-for-sale securities	15,816	16,840
Unlisted domestic stocks (except over-the-counter stocks)	8,086	8,051
Unlisted foreign stocks (except over-the-counter stocks)	—	—
Unlisted foreign bonds	—	—
Others	7,729	8,789
Total	51,785	52,810

(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, 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)
Total	(570)	(4,511)	(32)	172	—	(4,941)
As of September 30, 2012	Interest-related	Currency-related	Stock-related	Bond-related	Others	Total
Hedge accounting applied	158	(179)	—	—	—	(21)
Hedge accounting not applied	(1,370)	1,172	36	(403)	—	(565)
Total	(1,212)	992	36	(403)	—	(586)

Note: Gains and losses from applying fair value hedge accounting (currency-related, losses of ¥3,755 million as of March 31, 2012 and losses of ¥179 million as of September 30, 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, 2012				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		
Over-the-counter transactions								
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]	—	555	(820)	[1,376]	5	(1,370)	
Total				(820)			(1,370)	

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

• Currency-related Transactions

(Millions of yen)

	As of March 31, 2012				As of September 30, 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								
US dollar	171,638	—	172,361	(723)	211,963	—	210,817	1,145
Euro	64,265	—	64,400	(135)	80,730	—	80,106	623
Canadian dollar	44,076	—	44,432	(355)	63,718	—	63,357	361
Australian dollar	23,689	—	23,941	(251)	23,921	—	23,723	198
British pound	22,587	—	22,442	145	23,608	—	23,476	131
Singapore dollar	17,007	—	17,134	(126)	19,983	—	20,153	(169)
Swedish krona	3	—	3	0	0	—	0	(0)
Norwegian krone	5	—	5	0	—	—	—	—
Bought	1	—	1	0	—	—	—	—
Bought	—	—	—	—	—	—	—	—
Currency Options								
Sold								
Calls	—	—	—	—	28,061	—	—	—
US dollar	[—]	—	—	—	[40]	—	21	18
Puts	[—]	—	—	—	[40]	—	21	18
Bought								
Calls	—	—	—	—	—	—	—	—
Puts	[—]	—	—	—	[—]	—	—	—
US dollar	[46,215]	—	77	(31)	[40]	—	50	10
Euro	[109]	—	59	(34)	[40]	—	50	10
Bought	[35,715]	—	18	2	[—]	—	—	—
Puts	[93]	—	—	—	[—]	—	—	—
Bought	[10,500]	—	—	—	[—]	—	—	—
Puts	[16]	—	—	—	[—]	—	—	—
Total				(755)				1,172

Notes: 1. Figures in [] are option premiums which are included in balance sheet.
2. Forward exchange rates are used for exchange rates as of the end of period.

• Stock-related Transactions

(Millions of yen)

	As of March 31, 2012				As of September 30, 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	5,012	—	5,045	(32)	8,913	—	8,880	33
Bought	—	—	—	—	—	—	—	—
Over-the-counter transactions								
Option								
Sold								
Calls	—	—	—	—	290	—	—	—
Puts	[—]	—	—	—	[4]	—	1	3
Bought								
Calls	—	—	—	—	—	—	—	—
Puts	[—]	—	—	—	[—]	—	—	—
Bought								
Calls	—	—	—	—	—	—	—	—
Puts	[—]	—	—	—	[—]	—	—	—
Total				(32)				36

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

• Bond-related Transactions

	As of March 31, 2012				As of September 30, 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	187,078	—	187,447	(369)
Bought	—	—	—	—	—	—	—	—
Foreign bond futures								
Sold	10,771	—	10,642	128	8,770	—	8,804	(34)
Bought	—	—	—	—	—	—	—	—
Total				172				(403)

(iii) Hedge Accounting Applied

• Interest-related Transactions

[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			
	Receipt fixed, payment floating		17,700	12,700	249
	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)	—	—	—

[As of September 30, 2012]

(Millions of yen)

Method of hedge accounting	Hedging instruments	Hedged items	Notional amount / contract value		Fair value
				Over 1 year	
Deferral hedge method	Interest rate swap contracts	Loans			
	Receipt fixed, payment floating		12,597	2,597	158
	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)	10,000	2,300	297
Average fixed rate (receipt)	1.55%	2.12%	2.47%
Average floating rate (payment)	0.58%	0.66%	1.23%
Notional amount (receipts floating, payments fixed)	—	—	—
Average floating rate (receipt)	—	—	—
Average fixed rate (payment)	—	—	—

• Currency-related Transactions

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

[As of September 30, 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			
	Sold		111,745	—	111,925
	US dollar		80,849	—	79,807
	Euro		22,834	—	24,061
	Australian dollar		8,061	—	8,056
	Bought	—	—	—	
Total					

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

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

• Stock-related Transactions

No ending balance as of March 31, 2012 and September 30, 2012.

• Bond-related Transactions

No ending balance as of March 31, 2012 and September 30, 2012.

11. Status of the Company, Subsidiaries and Affiliates

(1) Selected Financial Data

(Millions of yen)

	Six months ended September 30, 2011	Six months ended September 30, 2012
Ordinary revenues	597,043	553,885
Ordinary profits	18,742	28,488
Net surplus for the period	17,660	21,186
Comprehensive income	31,302	9,514

	As of March 31, 2012	As of September 30, 2012
Total assets	7,033,729	7,162,677
Solvency Margin Ratio	763.4%	786.3%

(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, 2012	As of September 30, 2012
Assets:		
Cash and deposits	73,260	76,250
Call loans	65,600	79,800
Monetary claims bought	1,351	1,316
Money held in trust	35,194	30,482
Securities	5,422,669	5,572,728
Loans	1,042,359	994,559
Tangible fixed assets	276,828	274,824
Intangible fixed assets	14,529	17,439
Agency receivables	7	4
Reinsurance receivables	123	17
Other assets	56,062	64,490
Deferred tax assets	48,211	53,099
Allowance for possible loan losses	(2,468)	(2,334)
Total assets	7,033,729	7,162,677

	As of March 31, 2012	As of September 30, 2012
Liabilities:		
Policy reserves	6,589,577	6,734,732
Reserve for outstanding claims	24,149	21,815
Policy reserve	6,510,809	6,647,269
Reserve for dividends to policyholders	53,969	65,094
Reserve for dividends to policyholders (subsidiary)	648	551
Agency payables	560	494
Reinsurance payables	88	104
Subordinated bonds	32,896	30,034
Other liabilities	50,593	51,918
Reserve for employees' retirement benefits	46,384	45,688
Reserve for price fluctuation of securities	38,183	39,377
Deferred tax liabilities	—	27
Deferred tax liabilities for revaluation reserve for land	16,195	16,159
Total liabilities	6,774,480	6,918,536
Net assets:		
Foundation funds	35,000	35,000
Accumulated foundation funds redeemed	71,000	71,000
Reserve for revaluation	112	112
Consolidated surplus	77,183	73,838
Total foundation funds, surplus and others	183,295	179,950
Net unrealized gains (losses) on available-for-sale securities, net of tax	68,806	56,895
Deferred valuation gains (losses) under hedge accounting	170	108
Revaluation reserve for land, net of tax	3,383	3,303
Foreign currency translation adjustment	(828)	(795)
Total accumulated other comprehensive income	71,532	59,512
Minority interests	4,421	4,678
Total net assets	259,249	244,140
Total liabilities and net assets	7,033,729	7,162,677

(4) Consolidated Statements of Operations and Comprehensive Income
[Consolidated Statements of Operations]

(Millions of yen)

	Six months ended September 30, 2011	Six months ended September 30, 2012
Ordinary revenues:		
Premium and other income	500,799	467,052
Investment income	81,188	78,840
[Interest, dividends and other income]	[64,095]	[66,612]
[Gains from money held in trust, net]	[—]	[403]
[Gains on sales of securities]	[5,436]	[3,504]
[Gains from derivative instruments, net]	[11,242]	[7,671]
Other ordinary revenues	15,054	7,992
[Reversal of reserve for outstanding claims]	[9,352]	[2,333]
Total ordinary revenues	597,043	553,885
Ordinary expenditures:		
Claims and other payments	271,251	302,904
[Claims]	[86,943]	[120,668]
[Annuities]	[47,052]	[46,297]
[Benefits]	[67,232]	[67,087]
[Surrenders]	[54,765]	[51,504]
[Other payments]	[15,032]	[17,120]
Provision for policy reserve and others	201,280	136,498
Provision for policy reserve	201,234	136,460
Interest on accumulated dividends to policyholders	45	38
Interest on accumulated dividends to policyholders (subsidiary)	0	0
Investment expenses	43,357	25,933
[Interest expenses]	[639]	[646]
[Losses from money held in trust, net]	[779]	[—]
[Losses from trading securities, net]	[8,230]	[4,528]
[Losses on sales of securities]	[8,449]	[6,062]
[Losses on valuation of securities]	[11,833]	[5,103]
[Losses from separate accounts, net]	[5,954]	[3,386]
Operating expenses	51,229	49,036
Other ordinary expenditures	11,181	11,023
Total ordinary expenditures	578,301	525,397
Ordinary profits	18,742	28,488
Extraordinary gains:		
Gains on disposal of fixed assets	4,639	17
Gain on change in equity	55	—
Total extraordinary gains	4,694	17
Extraordinary losses:		
Losses on disposal of fixed assets	55	80
Impairment losses	284	114
Provision for reserve for price fluctuation of securities	1,158	1,193
Losses on reduction entry of real estate for tax purpose	9	—
Total extraordinary losses	1,507	1,388
Provision for reserve for dividends to policyholders (subsidiary)	216	228
Surplus before income taxes	21,712	26,888
Income taxes:		
Current	4,919	5,162
Deferred	(1,013)	381
Total income taxes	3,906	5,544
Net surplus before minority interests	17,806	21,344
Minority interests	145	157
Net surplus for the period	17,660	21,186

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

[Consolidated Statements of Comprehensive Income]

(Millions of yen)

	Six months ended September 30, 2011	Six months ended September 30, 2012
Net surplus before minority interests	17,806	21,344
Other comprehensive income	13,496	(11,829)
Net unrealized gains (losses) on available-for-sale securities, net of tax	13,585	(11,799)
Deferred valuation gains (losses) under hedge accounting	(106)	(62)
Revaluation reserve for land, net of tax	—	(0)
Foreign currency translation adjustment	17	33
Comprehensive income	31,302	9,514
Comprehensive income attributable to parent company	31,013	9,245
Comprehensive income attributable to minority interests	288	268

(5) Consolidated Statements of Cash Flows

(Millions of yen)

	Six months ended September 30, 2011	Six months ended September 30, 2012
Cash flows from operating activities:		
Surplus before income taxes	21,712	26,888
Depreciation of real estate for rent and other assets	3,228	2,904
Depreciation	2,812	3,190
Impairment losses	284	114
Amortization of goodwill	381	381
Increase (Decrease) in reserve for outstanding claims	(9,352)	(2,333)
Increase (Decrease) in policy reserve	201,234	136,460
Interest on accumulated dividends to policyholders	45	38
Interest on accumulated dividends to policyholders (subsidiary)	0	0
Provision for reserve for dividends to policyholders (subsidiary)	216	228
Increase (Decrease) in allowance for possible loan losses	(150)	(133)
Increase (Decrease) in reserve for employees' retirement benefits	(3,250)	(695)
Increase (Decrease) in reserve for price fluctuation of securities	1,158	1,193
Interest, dividends and other income	(64,095)	(66,612)
(Gains) Losses on securities	18,230	7,501
Interest expenses	639	646
Foreign exchange (gains) losses, net	1,947	1,443
(Gains) Losses on tangible fixed assets	(4,585)	43
Others	16,890	(468)
Subtotal	187,349	110,791
Interest, dividends and other income received	69,512	72,199
Interest paid	(1,413)	(1,371)
Dividends to policyholders paid	(12,804)	(12,903)
Dividends to policyholders paid (subsidiary)	(319)	(326)
Corporate income tax (paid) refunded	(12,436)	(2,626)
Net cash provided by (used in) operating activities (I)	229,888	165,763
Cash flows from investing activities:		
(Increase) Decrease in deposits	259	159
Proceeds from sales and redemption of monetary claims bought	37	34
Payments for increase in money held in trust	(9,800)	—
Proceeds from decrease in money held in trust	7,929	5,034
Payments for purchase of securities	(731,531)	(454,082)
Proceeds from sales and redemption of securities	311,806	253,749
Payments for additions to loans	(43,287)	(40,398)
Proceeds from collections of loans	89,844	82,840
Proceeds from settlement of derivatives	4,015	6,359
Others	3,697	2,101
Subtotal (IIa)	(367,027)	(144,201)
(I+IIa)	(137,139)	(21,561)
Payments for purchase of tangible fixed assets	(1,069)	(2,229)
Proceeds from sales of tangible fixed assets	7,039	63
Payments for purchase of intangible fixed assets	(637)	(1,088)
Net cash provided by (used in) investing activities	(361,695)	(147,457)

(5) Consolidated Statements of Cash Flows (Continued)

(Millions of yen)

	Six months ended September 30, 2011	Six months ended September 30, 2012
Cash flows from financing activities:		
Financing of additional foundation funds	20,000	—
Redemption of foundation funds	(25,000)	—
Interest payment for foundation funds	(892)	(621)
Proceeds from stock issuance to minority shareholders	1,999	—
Dividends paid to minority interests	(12)	(12)
Payments for lease obligations	(104)	(234)
Net cash provided by (used in) financing activities	(4,009)	(867)
Effect of exchange rate changes on cash and cash equivalents	51	(92)
Net increase (decrease) in cash and cash equivalents	(135,765)	17,346
Cash and cash equivalents at the beginning of the period	313,939	138,504
Cash and cash equivalents at the end of the period	178,173	155,850

(6) Consolidated Statements of Changes in Net Assets

(Millions of yen)

	Six months ended September 30, 2011	Six months ended September 30, 2012
Foundation funds, surplus and others		
Foundation funds		
Balance at the beginning of current period	40,000	35,000
Changes in the current period		
Financing of additional foundation funds	20,000	—
Redemption of foundation funds	(25,000)	—
Total changes in the current period	(5,000)	—
Balance at the end of current period	35,000	35,000
Accumulated foundation funds redeemed		
Balance at the beginning of current period	46,000	71,000
Changes in the current period		
Additions to accumulated foundation funds redeemed	25,000	—
Total changes in the current period	25,000	—
Balance at the end of current period	71,000	71,000
Reserve for revaluation		
Balance at the beginning of current period	112	112
Changes in the current period		
Total changes in the current period	—	—
Balance at the end of current period	112	112
Consolidated surplus		
Balance at the beginning of current period	98,228	77,183
Changes in the current period		
Additions to reserve for dividends to policyholders	(24,381)	(23,989)
Payment of interest on foundation funds	(892)	(621)
Net surplus for the period	17,660	21,186
Reversal of reserve for redemption of foundation funds	(25,000)	—
Reversal of revaluation reserve for land	1,278	79
Total changes in the current period	(31,335)	(3,344)
Balance at the end of current period	66,892	73,838
Total foundation funds, surplus and others		
Balance at the beginning of current period	184,340	183,295
Changes in the current period		
Financing of additional foundation funds	20,000	—
Additions to reserve for dividends to policyholders	(24,381)	(23,989)
Additions to accumulated foundation funds redeemed	25,000	—
Payment of interest on foundation funds	(892)	(621)
Net surplus for the period	17,660	21,186
Redemption of foundation funds	(25,000)	—
Reversal of reserve for redemption of foundation funds	(25,000)	—
Reversal of revaluation reserve for land	1,278	79
Total changes in the current period	(11,335)	(3,344)
Balance at the end of current period	173,004	179,950

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

(Millions of yen)

	Six months ended September 30, 2011	Six months ended September 30, 2012
Accumulated other comprehensive income		
Net unrealized gains (losses) on available-for-sale securities, net of tax		
Balance at the beginning of current period	10,006	68,806
Changes in the current period		
Net changes, excluding foundation funds, surplus and others	13,442	(11,910)
Total changes in the current period	13,442	(11,910)
Balance at the end of current period	23,449	56,895
Deferred valuation gains (losses) under hedge accounting		
Balance at the beginning of current period	365	170
Changes in the current period		
Net changes, excluding foundation funds, surplus and others	(106)	(62)
Total changes in the current period	(106)	(62)
Balance at the end of current period	259	108
Revaluation reserve for land, net of tax		
Balance at the beginning of current period	1,366	3,383
Changes in the current period		
Net changes, excluding foundation funds, surplus and others	(1,278)	(80)
Total changes in the current period	(1,278)	(80)
Balance at the end of current period	87	3,303
Foreign currency translation adjustment		
Balance at the beginning of current period	(761)	(828)
Changes in the current period		
Net changes, excluding foundation funds, surplus and others	17	33
Total changes in the current period	17	33
Balance at the end of current period	(744)	(795)
Total accumulated other comprehensive income		
Balance at the beginning of current period	10,977	71,532
Changes in the current period		
Net changes, excluding foundation funds, surplus and others	12,075	(12,020)
Total changes in the current period	12,075	(12,020)
Balance at the end of current period	23,052	59,512
Minority interests		
Balance at the beginning of current period	2,378	4,421
Changes in the current period		
Net changes, excluding foundation funds, surplus and others	2,082	256
Total changes in the current period	2,082	256
Balance at the end of current period	4,461	4,678
Total net assets		
Balance at the beginning of current period	197,696	259,249
Changes in the current period		
Financing of additional foundation funds	20,000	—
Additions to reserve for dividends to policyholders	(24,381)	(23,989)
Additions to accumulated foundation funds redeemed	25,000	—
Payment of interest on foundation funds	(892)	(621)
Net surplus for the period	17,660	21,186
Redemption of foundation funds	(25,000)	—
Reversal of reserve for redemption of foundation funds	(25,000)	—
Reversal of revaluation reserve for land	1,278	79
Net changes, excluding foundation funds, surplus and others	14,157	(11,764)
Total changes in the current period	2,822	(15,108)
Balance at the end of current period	200,518	244,140

Notes to the Consolidated Financial Statements

I. Presentation of the Consolidated Financial Statements

1. Basis of Presentation

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

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

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

2. Principles of Consolidation

(1) Scope of Consolidation

Consolidated subsidiaries for the six months ended September 30, 2012 are listed below:

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

Major unconsolidated subsidiary is Fukoku Seimei Building Company Limited.

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

Based on the resolution at the Board of Directors meeting held on August 10, 2012, all the shares amounting to ¥408 million of Fukoku Shinyo Hosho Company Limited. out of the above amount were sold on October 31, 2012. As a result, the loans of ¥72,894 million guaranteed by the company were sold on the same date.

(2) Application of Equity Method

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

There are no affiliates for the six months ended September 30, 2012.

(3) Interim Closing Date of Consolidated Subsidiaries

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

II. Notes to Balance Sheet

1. Significant Accounting Policies

(1) Valuation Methods of Securities

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

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

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

(2) Valuation Methods of Derivative Instruments

Derivative instruments are stated at fair market value.

(3) Revaluation of Land

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

- Date of revaluation: March 31, 2002
- Method of revaluation as prescribed for in Article 3 Paragraph 3 of the said Law:

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

(4) Depreciation of Tangible Fixed Assets

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

- Tangible fixed assets (excluding lease assets): Declining-balance method

However, buildings (excluding building attachments and structures) acquired on or after April 1, 1998 are depreciated using Straight-line method.

- Lease assets related to finance lease transactions that do not transfer ownership: Straight-line method over the lease term without residual value

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

(5) Foreign Currency Translation

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

(6) Allowance for Possible Loan Losses

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

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

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

For the credits of legally bankrupt borrowers and substantially bankrupt borrowers, the amounts remaining after deductions of collateral value or the amounts collectible through the execution of guarantees is written-off directly from the borrower's balance as the estimated uncollectible amounts. The amount written-off as of September 30, 2012 was ¥326 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.

(8) Reserve for Price Fluctuation of Securities

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

(9) Lease Transactions as a Lessee

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

(10) Lease Transactions as a Lessor

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

(11) Accounting for Hedge Activities

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

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

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

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

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

(12) Accounting for Consumption Taxes

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

(13) Policy Reserve

Policy reserve is based on Article 116 of the Insurance Business Law, and the premium reserve at the balance sheet date is calculated by the following method:

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

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

(14) Amortization Method for Intangible Fixed Assets

Intangible fixed assets are amortized as follows:

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

(15) Deferred Assets

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

(16) Policy-reserve-matching Bonds

Of the bonds corresponding to the sub-groups of individual insurance and annuities, and group 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).

Effective for the six months ended September 30, 2012, the insurance policy sub-groups were changed in order to enhance ALM as follows:

- i) The sub-group of single premium endowment life insurance entered since July 2002 was integrated into the sub-groups of individual annuities with single premium accident and death benefits entered since October 2002 and single premium whole life insurance entered since August 2003.
- ii) The sub-groups of whole life insurance and individual annuities (excluding above mentioned individual annuities with single premium accident and death benefits and single premium whole life insurance) were newly established.
- iii) The sub-group of group annuities (excluding defined contribution annuities with limited term and yields guaranteed) was newly established.

There was no impact of these changes on the consolidated balance sheets and consolidated statements of operations as of September 30, 2012.

2. Accounting Changes and Error Corrections and its Implementation

Effective for the six months ended September 30, 2012, the Company has changed its depreciation method for its tangible fixed assets acquired on or after April 1, 2012 in accordance with the revision of the Corporation Tax Act.

As a result, consolidated ordinary revenue and surplus before income taxes for the six months ended September 30, 2012, increased by ¥ 7 million, both compared to those calculated using the previous depreciation method.

3. Financial Instruments

The carrying amounts, fair values and their related differences of major financial assets and liabilities as of September 30, 2012 were as follows:

	Carrying amount	Fair value	Difference
			(Millions of yen)
Monetary claims bought:			
Claims treated as loans	¥ 1,316	¥ 1,362	¥ 46
Total monetary claims bought	1,316	1,362	46
Money held in trust:			
Trading securities.....	29,482	29,482	—
Total money held in trust.....	29,482	29,482	—
Securities:			
Trading securities.....	210,266	210,266	—
Held-to-maturity debt securities.....	1,205,933	1,269,363	63,429
Policy-reserve-matching bonds	1,556,411	1,643,952	87,541
Available-for-sale securities	2,516,520	2,516,520	—
Total securities	5,489,131	5,640,103	150,971
Loans:			
Policy loans.....	72,349	72,349	(0)
Ordinary loans	922,210	952,333	30,122
Total loans.....	994,559	1,024,682	30,122
Derivative instruments:			
Hedge accounting not applied	(565)	(565)	—
Hedge accounting applied	(21)	(21)	—
Total derivative instruments	¥ (586)	¥ (586)	¥ —

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

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

Investments in unconsolidated subsidiaries and affiliates, unlisted stocks and investments in partnerships whereby partnership assets consist of unlisted stocks whose fair values are deemed extremely difficult to obtain, are excluded from above securities. The carrying amounts of investments in unconsolidated subsidiaries and affiliates, unlisted stocks and investments in partnerships as of September 30, 2012 were ¥398 million, ¥8,051 million and ¥8,789 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 not currently bankrupt borrowers and monetary claims bought treated as loans are computed by deducting the amount of the allowance for doubtful accounts from the book values before direct write-offs.

(3) Derivative instruments:

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

4. Investment and Rental Property

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

5 . Securities lent under lending agreements

The amount of securities lent under lending agreements was ¥20,052 million as of September 30, 2012.

6. Loans Receivable

The total amounts of credits to bankrupt borrowers, delinquent loans and restructured loans, which were included in loans, were ¥285 million, ¥993 million and ¥1,536 million, respectively and their total amount was ¥2,815 million as of September 30, 2012. There was no balance of delinquent loans past 3 months or more as of September 30, 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.

The direct write-offs related to loans decreased credits to bankrupt borrowers described above by ¥7 million and delinquent loans described above by ¥307 million as of September 30, 2012.

7. Accumulated Depreciation of Tangible Fixed Assets

Accumulated depreciation of tangible fixed assets totaled to ¥141,213 million as of September 30, 2012.

8. Separate Accounts

Total assets in separate accounts provided for in Article 118 of the Insurance Business Law were ¥68,388 million as of September 30, 2012. The amount of separate account liabilities was the same as separate account assets.

9. Reserve for Dividends to Policyholders

Changes in reserve for dividends to policyholders for the six months ended September 30, 2012 were as follows:

	(Millions of yen)
Balance at the beginning of current period.....	¥ 53,969
Transfer from surplus in previous fiscal year.....	23,989
Dividends paid in the current period.....	(12,903)
Increase in interest.....	38
Balance at the end of current period.....	<u>¥ 65,094</u>

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

Changes in reserve for dividends to policyholders for the six months ended September 30, 2012 were as follows:

	(Millions of yen)
Balance at the beginning of current period.....	¥ 648
Dividends paid in the current period.....	(326)
Increase in interest.....	0
Provision for reserve for dividends to policyholders...	228
Balance at the end of current period.....	<u>¥ 551</u>

11. Stocks of Unconsolidated Subsidiaries

The amount of stocks of unconsolidated subsidiaries the Company held as of September 30, 2012 was ¥398 million.

12. Pledged Assets and Secured Debts

Assets pledged as collateral as of September 30, 2012 were ¥25,911 million of securities and ¥144 million of bank deposits. Secured debts as of September 30, 2012 were ¥4,686 million.

13. 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 ¥94 million as of September 30, 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 ¥49 million as of September 30, 2012.

14. Commitment Line

As of September 30, 2012, there were unused commitment line agreements under which the Company is the lender of ¥972 million.

15. Subordinated Bonds

Repayments of subordinated bonds are subordinated to other obligations. Based on the resolution at the Board of Directors meeting held on October 24, 2012, subordinated bonds amounting to ¥30,000 million were newly issued on November 16, 2012.

16. Contribution to Policyholders Protection Corporation

The future contribution to the Life Insurance Policyholders Protection Corporation of Japan under Article 259 of the Insurance Business Law was estimated at ¥12,561 million as of September 30, 2012. The contribution was charged as operating expenses in the year in which it was paid.

III. Notes to Statement of Operations

1. Policy Reserves for the Reinsurance Contracts

For the six months ended September 30, 2012, provision of reserve for outstanding claims for ceded reinsurance considered in calculation of reversal of reserve for outstanding claims was ¥89 million and reversal for policy reserve for ceded reinsurance considered in calculation of provision for policy reserve was ¥3 million.

IV. Notes to Statement of Cash Flows

1. Scope of Cash and Cash Equivalents

Cash and cash equivalents as of September 30, 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 statement of cash flows to the consolidated balance sheet account as of September 30, 2012 were as follows:

	(Millions of yen)
Cash and deposits	¥ 76,250
Call loans	79,800
Monetary claims bought.....	1,316
Time deposits maturing over 3 months of the date of acquisition	(200)
Monetary claims bought maturing over 3 months of the date of acquisition	(1,316)
Cash and cash equivalents.....	<u>¥ 155,850</u>

(7) Consolidated Solvency Margin Ratio

(Millions of yen)

	As of March 31, 2012	As of September 30, 2012
Total solvency margin (A)	671,498	671,028
Common stock and others	157,889	167,590
Reserve for price fluctuation of securities	38,183	39,377
Contingency reserve	147,687	147,916
Catastrophe loss reserve	—	—
Allowance for possible loan losses	1,874	1,839
Net unrealized gains on available - for - sale securities x 90% (multiplied by 100% if losses)	90,058	74,712
Net unrealized gains on real estate x 85%	67,494	66,647
Excess amount of policy reserve based on full-time Zillmer method	115,308	120,059
Qualifying subordinated debt	32,896	30,034
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	22,852
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	170,676
Insurance risk R_1	28,229	27,891
General insurance risk R_5	—	—
Catastrophe risk R_6	—	—
3rd sector insurance risk R_8	9,689	9,700
Small amount and short-term insurance risk R_9	—	—
Assumed investment yield risk R_2	42,618	42,370
Minimum guarantee risk R_7	5	5
Investment risk R_3	124,939	120,007
Business risk R_4	4,109	3,999
Solvency margin ratio $\frac{(A)}{(1/2) \times (B)} \times 100$	763.4%	786.3%

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